

**Government of the District of Columbia  
Office of the Chief Financial Officer**



RECEIVED  
JAN -4 AM 10:07

CHAIRMAN CROPP

**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer

**DATE:** JAN -4 2006

**SUBJECT:** Fiscal Impact Statement: Amendments to Bill 16-293, "Department of Health Functions Clarification Amendment Act of 2005" (Engrossed)

**REFERENCE:** Draft Amendments Proposed by Councilmember Schwartz

---

**Conclusion**

Two of the proposed amendments would generate revenue losses roughly balanced by additional business license fees. The other amendments would have no significant fiscal impact.

**Background**

Bill 16-293, approved by Council on December 6, 2005, prohibits smoking in all public places and places of employment in the District, including eating and drinking places, but with delayed application to brew pubs, clubs, taverns and nightclubs.

The proposed amendments would modify Bill 16-293 in various ways. Amendment No. 1 would conditionally allow smoking in the indoor parts of the bar areas of restaurants, where Bill 16-293 would prohibit it. Amendment No. 2 would conditionally allow smoking in clubs, taverns and nightclubs. The condition required in these amendments for allowing smoking is the operation of high performance ventilation systems. Amendments 1 and 2 also would require the payment of additional basic business license fees. To the extent that businesses install and operate high performance ventilation systems, each of these amendments would have negative effects on the District's revenue, as discussed in the next section. The increased business license fees would have positive effects on the District's revenue.

Amendments No. 1, 3 and 4 allow smoking without high performance ventilation systems: in clubs, taverns and nightclubs regardless of size (No. 1 and No. 3) and in small clubs taverns and nightclubs, but only until the first transfer of the establishment's business license (No. 4)

Amendment No. 5 would extend the delayed application of the smoking prohibition to the indoor tables of restaurants.

**Financial Plan Impact**

Amendments 1 and 2 involve high performance ventilation equipment and would result in income tax losses because the costs of installing and operating that equipment are deductible. The estimated effects of these deductions are shown as "Income tax effects" in the tables below. Those amendments also provide for additional fees. The estimated amount of the fees is shown as "Additional fees" in the table. The "Net Fiscal Impact" for those amendments is the sum of the two lines above. The remaining amendments would cause no significant additional costs or revenues for the District.

| Impact to the Financial Plan     |            |            |            |            |                   |
|----------------------------------|------------|------------|------------|------------|-------------------|
| (\$ in millions)                 |            |            |            |            |                   |
|                                  | FY<br>2006 | FY<br>2007 | FY<br>2008 | FY<br>2009 | 4 - Year<br>Total |
| Amendment #1:                    |            |            |            |            |                   |
| Income tax effects               | (0.10)     | (0.19)     | (0.19)     | (0.19)     | (0.67)            |
| Additional fees (4 times normal) | 0.10       | 0.20       | 0.20       | 0.20       | 0.69              |
| Net Fiscal Impact                | 0.00       | 0.01       | 0.01       | 0.01       | 0.03              |
| Amendment #2                     |            |            |            |            |                   |
| Income tax effects               | (0.05)     | (0.11)     | (0.11)     | (0.11)     | (0.38)            |
| Additional fees (4 times normal) | 0.09       | 0.19       | 0.19       | 0.19       | 0.66              |
| Net Fiscal Impact                | 0.04       | 0.08       | 0.08       | 0.08       | 0.28              |
| Amendment #3                     |            |            |            |            |                   |
| Net Fiscal Impact                | 0          | 0          | 0          | 0          | 0                 |
| Amendment #4                     |            |            |            |            |                   |
| Net Fiscal Impact                | 0          | 0          | 0          | 0          | 0                 |
| Amendment #5                     |            |            |            |            |                   |
| Net Fiscal Impact                | 0          | 0          | 0          | 0          | 0                 |