

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



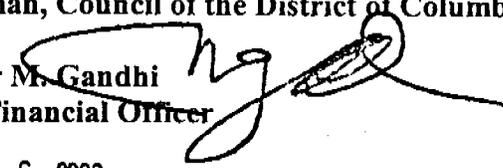
Natwar M. Gandhi
Chief Financial Officer

CHAIRMAN CROPP

2006 MAR - 6 PM 4: 08

MEMORANDUM

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

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: MAR - 6 2006

SUBJECT: Fiscal Impact Statement: "School Modernization Financing Act of 2006"

REFERENCE: Bill 16-250

Conclusion

Funds are sufficient in the FY 2006 through FY 2009 budget and financial plan to implement the proposed legislation. Upon enactment, funding mechanisms within the proposed legislation would provide \$100 million annually from sales tax revenue for implementation. The decreased sales tax revenue will be offset first by surplus funds from the certified revenue estimates since September 2005, and if in FY 2007 those funds are not sufficient, first from FY 2005 General Fund Balance and then from an increase in the deed recordation and transfer tax.

Background

Bill 16-250 establishes a Public School Capital Improvement Fund in order to provide a revenue source for the District of Columbia Public Schools (DCPS) capital budget to finance the reconstruction and modernization of public school facilities. This fund would be established as a non-lapsing special revenue fund, separate from the General Fund of the District of Columbia, for the exclusive purpose of providing a revenue source for DCPS.

Beginning October 1, 2006, the Chief Financial Officer (CFO) would be authorized to transfer monies from this fund to the Board of Education. The legislation stipulates that no funds shall be transferred without Council approval of a facilities management organizational strategy, and verification that funds will be spent in accordance with the facilities master plan. The proposed

legislation would also establish a Public School Capital Improvement Advisory Committee to monitor the expenditure of funds towards school modernization and advise the Board of Education.

Furthermore, the bill would require the District Board of Education, no later than October 1, 2006, to adopt a Multi-Year Facilities Plan to guide the modernization of District schools, and to report to the District of Columbia Auditor on October 1, 2007 and each year thereafter on the use of the capital funds.

Financial Plan Impact

Funds are sufficient in the FY 2006 through FY 2009 budget and financial plan to implement the proposed legislation. The proposed legislation dedicates \$100 million of general sales tax revenue to be deposited into the Public School Capital Improvement Fund after April 1 of the given fiscal year. The decreased sales tax revenue will be offset first by surplus funds from the certified revenue estimates since September 2005. If revenue surpluses are not adequate to offset the fiscal impact, the bill would use General Fund Balance. If that is not available, the bill would raise the deed recordation and transfer tax to a rate as determined annually by the CFO, and rounded to the highest 0.1%, to sufficiently cover the remaining cost and satisfy any deficiency in the fiscal year.