

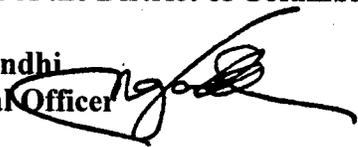
**Government of the District of Columbia  
Office of the Chief Financial Officer**



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chair, Council of the District of Columbia

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

**DATE:** December 16, 2008

**SUBJECT:** Fiscal Impact Statement (Revised): "Housing Production Trust Fund Stabilization Amendment Act of 2008"

**REFERENCE:** Bill Number 17-943, Amendment in the Nature of a Substitute<sup>1</sup>

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**Conclusion**

Funds are not sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation.

**Background**

Currently, the Housing Production Trust Fund (HPTF) is funded through a dedication of 15% of the real property transfer tax imposed by D.C. Official Code § 47-903 and 15% of the deed recordation tax imposed by D.C. Official Code § 42-1103.

The proposed bill would amend D.C. Official Code § 42-2802(c) to stabilize the annual level of funding deposited into the HPTF. The bill proposes the following changes to the funding formula for the HPTF:

- Beginning October 1, 2009 (the first day of FY 2010), the first \$70 million of the aggregate amount of the real property transfer tax and deed recordation tax.
- Beginning October 1, 2010 (the first day of FY 2011), the first \$80 million of the aggregate amount of the real property transfer tax and deed recordation tax.

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<sup>1</sup> As submitted to the Office of the Chief Financial Officer on December 15, 2008.

- Beginning October 1, 2011 (the first day of FY 2012), the first \$90 million of the aggregate amount of the real property transfer tax and deed recordation tax.
- Beginning October 1, 2012 (the first day of FY 2013), the first \$100 million of the aggregate amount of the real property transfer tax and deed recordation tax.
- Beginning October 1, 2013 (the first day of FY 2014), the amount of \$100 million to be deposited in the HPTF would be increased by the product of that amount and the percentage that the average of the Consumer Price Index<sup>2</sup> (CPI) for the preceding fiscal year exceeds the CPI for the fiscal year beginning October 1, 2012.<sup>3</sup> Based on economic assumptions used in the OCFO September 24, 2008 Revised Revenue Estimates, approximately \$102.2 million would be deposited into the HPTF in FY 2014.

### Financial Plan Impact

Funds are not sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. Implementation of the proposed bill would not have an impact in FY 2009, but would have a negative impact of approximately \$41.1 million in FY 2010, \$49.9 million in FY 2011, and \$58.4 million in FY 2012.

According to the Office of the Chief Financial Officer's (OCFO) September 24, 2008 revised revenue estimates, under current law the HPTF is estimated to be funded at levels between \$28.7 million and \$31.6 million per year over the financial plan period. The negative impact shown in the table below equals the difference between these estimated funding levels and the funding levels required under the proposed bill, which would divert additional deed and recordation taxes from non-dedicated Local Sources in the General Fund.

<b>HPTF Funding Levels (\$ in thousands)</b>					
	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>4 Year Total</b>
Current Law*	\$28,725	\$28,873	\$30,147	\$31,563	\$119,308
Proposed Bill	\$28,725	\$70,000	\$80,000	\$90,000	\$268,725
<b>Negative Impact to the non-dedicated Local Sources in the General Fund</b>	<b>\$0</b>	<b>(\$41,127)</b>	<b>(\$49,853)</b>	<b>(\$58,437)</b>	<b>(\$149,417)</b>

\* OCFO September 24, 2008 Revised Revenue Estimates

<sup>2</sup> For the Washington-Baltimore Metropolitan Statistical Area for all-urban consumers published by the Department of Labor, or any successor index, as of the close of the 12-month period ending on March 31.

<sup>3</sup> This can be expressed by the following equation: \$100 million x (1 + ((FY 2013 CPI - FY 2012 CPI) / (FY 2012 CPI)))