

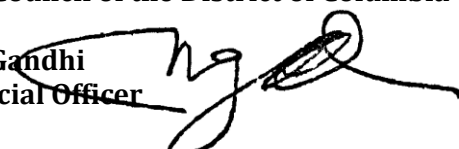
Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Kwame R. Brown
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: April 27, 2012

SUBJECT: Fiscal Impact Statement – “Fiscal Year 2012 Revised Budget Support
Emergency Act of 2012”

REFERENCE: Draft bill shared with the Office of Revenue Analysis on April 26, 2012

Conclusion

Funds are sufficient in the FY 2012 budget and the proposed FY 2013 through FY 2016 budget and financial plan to implement the bill.

The bill increases the District’s FY 2012 expenditures by \$22.4 million and reduces FY 2013 revenues by \$1.1 million. The effect of these changes is already incorporated into the Fiscal Year 2012 Second Revised Budget Request Emergency Adjustment Act of 2012, which, if enacted, would authorize new local fund expenditures for FY 2012 of \$63.9 million. The District has approximately \$64.5 million in new revenue, which can pay for the proposed expenditures.

Background

Fiscal Year 2012 Budget Support Act of 2011¹ prohibited payment of employee bonuses in FY 2012, with few exceptions.² The bill adds³ to the exception list bonus payments that compensate salaries lost during furlough days.

Second the bill delays⁴ the implementation of tax levied on interest income earned on out-of-state municipal bonds. Current law requires the taxation of interest income on bonds purchased on or

¹ Effective September 14, 2011 (D.C. Law 19-021; 58 DCR 6266).

² The exceptions include retirement awards, hiring bonuses and additional income allowances for difficult-to-fill positions, safe driving awards, suggestion or invention awards, and any other award or bonus required by an existing contract or collective bargaining agreement entered into prior to October 1, 2010.

³ The bill amends § 1002(a) of the Fiscal Year 2012 Budget Support Act of 2011.

⁴ The bill amends D.C. Official Code § 47-1803.02(a)(1)(B).

The Honorable Kwame R. Brown

FIS: "Fiscal Year 2012 Revised Budget Support Emergency Act of 2012" draft bill shared with the Office of Revenue Analysis on April 26, 2012

after January 1, 2012. The bill would subject to tax interest income earned on bonds purchased on or after January 1, 2013.

Financial Plan Impact

Funds are sufficient in the FY 2012 budget and the proposed FY 2013 through FY 2016 budget and financial plan to implement the bill.

Restoration of salaries lost during the four FY 2011 furlough days is estimated to cost \$22.4 million, assuming that the restorations benefit *only current employees* and provide for *all applicable fringe benefits* including contributions to retirement accounts.⁵

Delaying the implementation of the income tax on interest earned on out-of-state municipal bonds will reduce FY 2013 income tax revenue by \$1.1 million. The Mayor intends to cover this cost with FY 2012 resources: The Fiscal Year 2012 Second Revised Budget Request Emergency Adjustment Act of 2012, which accompanies this bill, directs the Chief Financial Officer to recognize as FY 2013 revenue \$1.1 million from the General Fund of the District of Columbia balance at the end of FY 2012.

⁵ The estimate is different from what was incorporated into the FY 2011 budget gap closing exercise (approximately \$25 million including local and federal funds), since the intent is to cover only current employees, and not those who have been separated or retired since the implementation of the furlough days. The actual cost will depend on implementation date of the restoration bonuses, since any separation between now and the implementation of bonuses will further reduce the costs.