

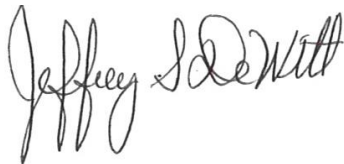
Government of the District of Columbia  
Office of the Chief Financial Officer



Jeffrey S. DeWitt  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeffrey S. DeWitt  
Chief Financial Officer 

**DATE:** October 3, 2017

**SUBJECT:** Fiscal Impact Statement – Fiscal Year 2018 Budget Support  
Clarification Emergency Amendment Act of 2017

**REFERENCE:** Draft bill as shared with the Office of Revenue Analysis on October 2,  
2017

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**Conclusion**

Funds are sufficient in the fiscal year 2018 through fiscal year 2021 budget and financial plan to implement the bill. The bill makes a number of clarifying amendments to the Fiscal Year 2018 Budget Support Act of 2017. In addition, the bill provides the \$174.5 million of funding necessary to implement the District of Columbia Public School and Washington Teachers Union Local #6 of the American Federation of Teachers Emergency Approval Resolution of 2017. Finally, the bill dedicates \$96.7 million of District sales taxes to the Capital Improvement Program.

**Background**

The bill's "Title I Budget Support Act Clarifications" contains a number of provisions. Section 101(a) makes two technical corrections to the Protecting Pregnant Workers Fairness Amendment Act of 2017.

Section 101(b) amends the Healthy Schools Amendment Act of 2017 to allow the Office of the State Superintendent for Education (OSSE) to issue grants to organizations that provide technical assistance to schools to increase physical activity. Currently OSSE can only issue physical activity grants directly to public schools and public charter schools.

Section 101(c) makes clarifying amendments to the First-Time Homebuyer Recordation Tax Benefit Amendment Act of 2017, streamlines the filing process, provides finality for settlement purposes, delineates the reduced rates for economic interest-specific housing cooperative transfers, and bases the income ceiling to qualify on the household's federal adjusted gross income.

The Honorable Phil Mendelson

FIS: "Fiscal Year 2018 Budget Support Clarification Emergency Amendment Act of 2017," Draft resolution as shared with the Office of Revenue Analysis on October 2, 2017

Section 102 authorizes the Department of Energy and Environment (DOEE) to use \$242,412 of special purpose revenues in its Sustainable Energy Trust Fund<sup>1</sup> to support the fiscal year 2018 DOEE operating activities. DOEE's fiscal year 2018 budget includes over \$170,000 of special purpose revenue to support weatherization grants and energy efficiency improvements of District residences. The remaining approximately \$70,000 supports community outreach efforts across DOEE. The Clean and Affordable Energy Act of 2008 must be amended to provide for such expenditures from the Sustainable Energy Trust Fund.

Section 103 is an amendment to the District of Columbia Official Code to ensure the 0.3% tax increases provided for in the Hospitality Tax Dedication Amendment Act of 2017 apply to hotel use tax as well as hotel sales tax.

Section 104 amends two deadlines associated with the Comprehensive Homicide Elimination Strategy Task Force. Council reestablished the Task Force in 2016 to develop a comprehensive plan to eliminate homicides in the District.<sup>2</sup> The bill amends the deadlines to appoint members of the Task Force and to complete its activities. The Mayor and the Council shall appoint the 20 Task Force representatives no later than 60 days after October 1, 2017.<sup>3</sup> The Task Force must also hold three public meetings and deliver its comprehensive plan by October 1, 2018.<sup>4</sup>

Section 105 repeals the subject to appropriations clause of the Marion S. Barry Summer Youth Employment Expansion Amendment Act of 2015. The Act allowed youths ages 21 – 24 to participate in the summer employment program, specified a pay rate of \$8.25 for youths up to age 21, and specified a pay rate of minimum wage for youths 22 – 24.

The bill's "Title II – Washington Teachers and Public Charter School Funding" contains a number of provisions required to implement the Compensation Collective Bargaining Agreement between the District of Columbia Public Schools (DCPS) and Washington Teachers Union (WTU) Local # 6 of the American Federation of Teachers (ratified September 8, 2017 and pending approval by the Council) and make additional payments to public charter schools.

Section 201(a) increases<sup>5</sup> the Uniform per Student Funding Formula (UPSFF) base level in fiscal year 2018 from \$9,972 per student<sup>6</sup> to \$10,257 per student. The base level is multiplied by the weighting for each grade level or add-on services to determine the per-pupil funding at that level or for these services. The bills update the weighting calculations for each grade level and add-on service based on the adjustment to the per student base level. The following tables show the foundation level funding at each grade level and the various add-ons:

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<sup>1</sup> Clean and Affordable Energy Act of 2008, effective October 22, 2008 (D.C. Law 17-250; D.C. Official Code § 8-1774.10).

<sup>2</sup> Neighborhood Engagement Achieves Results Amendment Act of 2016, effective June 30, 2016 (D.C. Law 21-125; D.C. Official Code § 22-4251).

<sup>3</sup> This deadline was previously 60 days from June 30, 2016.

<sup>4</sup> This deadline was previously one year from June 30, 2016.

<sup>5</sup> By amending section 4002 of the Fiscal Year 2018 Budget Support Act of 2017, enacted on July 31, 2017 (D.C. Act 22-130; 64 DCR 7652).

<sup>6</sup> Council originally increased the UPSFF base level by 3% in the fiscal year 2018 budget. The UPSFF base level was increased from \$9,682 to \$9,972, providing an additional \$22 million for DCPS and an additional \$19.5 million for DCPCS.

<b>Weightings applied to counts of students enrolled at certain grade levels</b>		
<b>Grade Level</b>	<b>Weighting</b>	<b>Per Student Allocation in FY 2018</b>
<b>Pre-Kindergarten 3</b>	1.34	\$13,744
<b>Pre-Kindergarten 4</b>	1.30	\$13,334
<b>Kindergarten</b>	1.30	\$13,334
<b>Grades 1-5</b>	1.00	\$10,257
<b>Grades 6-8</b>	1.08	\$11,078
<b>Grades 9-12</b>	1.22	\$12,514
<b>Alternative program</b>	1.44	\$14,770
<b>Special education school</b>	1.17	\$12,001
<b>Adult</b>	0.89	\$9,129

<b>Special Education Add-ons</b>			
<b>Level/ Program</b>	<b>Definition</b>	<b>Weighting</b>	<b>Per Pupil Supplemental Funds</b>
<b>Level 1: Special Education</b>	Eight hours or less per week of specialized services.	0.97	\$9,949
<b>Level 2: Special Education</b>	More than 8 hours and less than or equal to 16 hours per school week of specialized services.	1.20	\$12,308
<b>Level 3: Special Education</b>	More than 16 hours and less than or equal to 24 hours per school week of specialized	1.97	\$20,206
<b>Level 4: Special Education</b>	More than 24 hours per week that may include instruction in a self-contained (dedicated) special education school other than residential placement.	3.49	\$35,797
<b>Special Education Compliance</b>	Weighting provided in addition to special education level add-on weightings on a per student basis for Blackman Jones compliance.	0.069	\$708
<b>Attorney's Fees Supplement</b>	Weighting provided in addition to special education level add-on weightings on a per student basis for attorney's fees.	0.089	\$913
<b>Residential</b>	DCPS or public charter school that provides students with room and board in a residential setting, in addition to their instructional program.	1.67	\$17,129

<b>General Education Add-ons</b>			
<b>Level / Program</b>	<b>Definition</b>	<b>Weighting</b>	<b>Per Student Supplemental Funds</b>

The Honorable Phil Mendelson

FIS: "Fiscal Year 2018 Budget Support Clarification Emergency Amendment Act of 2017," Draft resolution as shared with the Office of Revenue Analysis on October 2, 2017

<b>General Education Add-ons</b>			
<b>Level / Program</b>	<b>Definition</b>	<b>Weighting</b>	<b>Per Student Supplemental Funds</b>
<b>ELL</b>	Additional funding for English Language Learners	0.49	\$5,026
<b>At-Risk</b>	Additional funding for students in foster care, who are homeless, on TANF or SNAP, or behind grade level.	0.219	\$2,246

<b>Residential Add-ons</b>			
<b>Level/ Program</b>	<b>Definition</b>	<b>Weighting</b>	<b>Per Student Supplemental Funds</b>
<b>Level 1: Special Education - Residential</b>	Additional funding to support the after-hours Level 1 special education needs of students living in a DCPS or public charter school that provides students with room and board in a residential setting.	0.368	\$3,775
<b>Level 2: Special Education - Residential</b>	Additional funding to support the after-hours Level 2 special education needs of students living in a DCPS or public charter school that provides students with room and board in a residential setting.	1.337	\$13,714
<b>Level 3: Special Education - Residential</b>	Additional funding to support the after-hours Level 3 special education needs of students living in a DCPS or public charter school that provides students with room and board in a residential setting.	2.891	\$29,653
<b>Level 4: Special Education - Residential</b>	Additional funding to support the after-hours Level 4 special education needs of limited and non-English proficient students living in a DCPS or public charter school that provides students with room and board in a residential setting.	2.891	\$29,653
<b>LEP/NEP - Residential</b>	Additional funding to support the after-hours limited and non-English proficiency needs of students living in a DCPS or public charter school that provides students with room and board in a residential setting.	0.668	\$6,852

<b>Special Education Add-ons for Students with Extended School Year (ESY) Indicated in Their Individualized Education Programs (IEPs)</b>			
<b>Level/ Program</b>	<b>Definition</b>	<b>Weighting</b>	<b>Per Student Supplemental Funds</b>
<b>Special Education Level 1 ESY</b>	Additional funding to support the summer school/program needs for students who require extended school year services in their IEPs.	0.063	\$646
<b>Special Education Level 2 ESY</b>	Additional funding to support the summer school/program needs for students who require extended school year services in their IEPs.	0.227	\$2,328
<b>Special Education Level 3 ESY</b>	Additional funding to support the summer school/program needs for students who require extended school year services in their IEPs.	0.491	\$5,036
<b>Special Education Level 4 ESY</b>	Additional funding to support the summer school/program needs for students who require extended school year services in their IEPs	0.491	\$5,036

Section 201(b) revises<sup>7</sup> restrictions on using fiscal year 2018 UPSFF increases for collective bargaining agreements. DCPS is permitted to use \$30.2 million of its fiscal year 2018 budget to fund the WTU agreement.

Section 201(c) amends the Revised Revenue Contingency List Act of 2017 concerning additional revenues certified in June 2017 and September 2017 and the proportions allocated to Workforce Investments and the Capital Improvements Program (CIP), for eventual dedication to the Washington Metropolitan Transit Authority (WMATA). These provisions are described further under "Financial Plan Impact," below.

Section 202 creates a new, non-lapsing fund, the Workforce Investments Account. The funds in this Account must be used to support costs related to:

- Financial, developmental, and other investments in the District government workforce, including salary increases or other items required by the terms of collective bargaining agreements and cost-of-living adjustments to salaries and hourly wages;
- Payments to public charter schools;<sup>8</sup> and,
- For such other purposes for which funds may have been deposited into the account.

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<sup>7</sup> By amending section 4003 of the Fiscal Year 2018 Budget Support Act of 2017, enacted on July 31, 2017 (D.C. Act 22-130; 64 DCR 7652).

<sup>8</sup> As authorized by section 203 of the Fiscal Year 2018 Budget Support Clarification Emergency Amendment Act of 2017

Finally, section 203 requires a payment in fiscal year 2018 to each public charter school that was in operation in fiscal year 2017. The payment amount is equivalent to the difference between the charter school's actual fiscal year 2017 payment and what the school would receive if the UPSFF foundation level were \$9,885. Since the District would owe retroactive salary increases to DCPS teachers under the proposed collective bargaining agreement, this section provides for proportional increases in charter school funding as required by the Uniform Per Student Funding Formula for Public School and Public Charters Schools Act of 1998.<sup>9</sup>

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2018 through fiscal year 2021 budget and financial plan to implement the bills.

The provisions included in Section 101 and 103 are clarifications and any fiscal impact has previously been incorporated into the fiscal year 2018 budget and fiscal year 2019 through fiscal year 2021 financial plan. Section 102 provides for the legal use of special purpose revenues included in DOEE's fiscal year 2018 budget. The operating expenses covered by these revenues are ongoing expenses, so DOEE's local budget is reduced over the fiscal year 2019 through fiscal year 2021 financial plan period. Section 104 extends certain deadlines regarding the Comprehensive Homicide Elimination Strategy Task Force and there is no associated fiscal impact. The wage provisions of Section 105 are already included in the budget and financial plan of the Department of Employment Services, which also include employment for 900 youths ages 22-24, as specified in the Marion S. Barry Summer Youth Employment Program Amendment Act of 2017.

The provisions included in Title II provide the sources of funding and changes to law required to fund the Compensation Collective Bargaining Agreement between the District of Columbia Public Schools (DCPS) and Washington Teachers Union (WTU) Local # 6 of the American Federation of Teachers Emergency Approval Resolution of 2017 and make provisions for additional funding for District of Columbia Public Charter Schools. In addition, Title II amends the Revised Revenue Contingency List Act of 2017 to provide for an annual \$24.175 million dedication of general sales tax revenue to the Capital Improvements Program, for eventual dedication to WMATA, as described below.

The Washington Teacher's Union (WTU) Collective Bargaining Agreement, which covers fiscal years 2017 (retroactive) through 2019, requires a total of \$174.5 million through fiscal year 2021. The increases to the budget of the District of Columbia Public Schools (DCPS) provided in this bill will include \$15.9 million of costs related to fiscal 2017 (to be paid retroactively), \$22.5 million in fiscal 2018, and a total of \$94.6 million between fiscal 2017 and fiscal 2021. These budget increases will cause proportional increases in charter school funding as determined through the UPSFF, costing \$13.1 million for payments related to fiscal 2017, \$19.1 million for fiscal 2018, and a total of \$79.9 million between fiscal 2017 and fiscal 2021.

The emergency bill completes the necessary budget actions required to fund the WTU Collective Bargaining Agreement (CBA). The bill removes the restriction in the Fiscal Year 2018 Budget

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<sup>9</sup> effective March 26, 1999, as amended (D.C. Law 12-207; D.C. Official Code § 38-2903)

The Honorable Phil Mendelson

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Support Act of 2017<sup>10</sup> prohibiting DCPS from using any of the UPSFF foundation level increase to fund collective bargaining agreements. DCPS will receive approximately \$22.5 million additional in fiscal year 2018 and may spend \$30.2 million on the raises and related terms included in the CBA.

<b>Fiscal Year 2018 Budget Support Clarification Emergency Amendment Act of 2017</b> <b>(in millions)</b>						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Funding Increases for DCPS	\$15.9	\$22.5	\$21.3	\$18.8	\$16.1	\$94.6
Funding Increases for Public Charter Schools	\$13.1	\$19.1	\$18.1	\$15.9	\$13.7	\$79.9
Total	\$29.0	\$41.6	\$39.4	\$34.7	\$29.8	\$174.5

Table Notes: Fiscal Year 2017 payments will be made in Fiscal Year 2018. The costs of the funding increases decline during fiscal years 2019 – 2021 due to increases that were already included in the financial plan.

The bill provides for a new, non-lapsing Workforce Investments Account that can be used to fund the DCPS teacher raises and the required additional payments to public charter schools. \$174.5 million of additional revenue certified in June 2017 and September 2017 will be deposited into the Workforce Investments Account, and the remainder will be used to offset an annual \$24.2 million dedication of general fund sales taxes to the Capital Improvement Program, as follows:

<b>Fiscal Year 2018 Budget Support Clarification Emergency Amendment Act of 2017</b> <b>(in millions)</b>						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Revenue Available from June Certification	\$73.7	\$26.9	\$31.7	\$28.3	\$16.5	\$177.1
Revenue Available from September Certification	\$22.2	\$14.5	\$19.0	\$18.5	\$19.9	\$94.1
Total Available	\$95.9	\$41.4	\$50.7	\$46.8	\$36.4	\$271.2
Allocated to pay for Sales Tax dedication: CIP	\$0.0	\$24.2	\$24.2	\$24.2	\$24.2	\$96.7
Revenue Allocated to Workforce Investments	\$95.9	\$17.2	\$26.5	\$22.6	\$12.2	\$174.5
Total Allocations	\$95.9	\$41.4	\$50.7	\$46.8	\$36.4	\$271.2

Since the revenue increase is primarily front-loaded, the legislation's provision to make the Workforce Investments Account non-lapsing is necessary to capture the fiscal year 2017 revenue increase and fund the costs of increasing school funding in fiscal year 2018 and subsequent fiscal years.

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<sup>10</sup> The Fiscal Year 2018 Budget Support Act of 2017, enacted on July 31, 2017 (D.C. Act 22-130; 64 DCR 7652) prohibits DCPS from using UPSFF foundation level increase to fund collective bargaining agreements.