


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:** November 19, 2019

**SUBJECT:** Fiscal Impact Statement – Fiscal Year 2020 Budget Support  
Clarification Amendment Act of 2019

**REFERENCE:** Bill 23-504, Draft Committee Print as shared with the Office of Revenue  
Analysis on November 18, 2019

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**Conclusion**

Funds are sufficient in the fiscal year 2020 budget through fiscal year 2023 budget and financial plan to implement the bill.

*The bill makes several technical clarifications to the Fiscal Year 2020 Budget Support Act. The following pages summarize the purpose and the fiscal impact of each section of the bill.*

**Section 2 - Office of Attorney General Cure the Streets**

**Background**

In 2018, the Office of the Attorney General (OAG) launched the Cure the Streets program<sup>1</sup> to disrupt violence on the District's streets. The OAG supports two sites under a pilot program – one in Ward 5 and one in Ward 8. The program applies health strategies to treat violence and change behaviors. The pilot program was initially funded with a \$360,000 grant in fiscal year 2018.<sup>2</sup>

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<sup>1</sup> <https://oag.dc.gov/public-safety/cure-streets-oags-violence-interruption-program>

<sup>2</sup> Fiscal Year 2018 Revised Local Budget Emergency Adjustment Act of 2018, enacted July 1, 2018 (D.C. Act 22-394; 65 DCR 7151).

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When the program was first authorized, the Council capped the OAG's ability to grant funding for the Cure the Streets program at the \$360,000 that was available.<sup>3</sup> The bill removes the \$360,000 limit on the OAG's grant-making abilities for the funding of violence interruption programs.

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the provision. The fiscal year 2020 budget funded the OAG with \$3.7 million for the Cure the Streets program and authorized it to spend up to \$3 million of its dedicated funding on violence interruption programs.<sup>4</sup> The OAG is unable to issue grants with this available funding unless the grant-making limit of \$360,000 is removed. The bill removes the limit and allows OAG to issue grants for violence interruption programs in any amount, up to those available in the budget.

## **Section 3 - Advisory Neighborhood Councils**

### **Background**

The bill creates<sup>5</sup> financial penalties for Advisory Neighborhood Commissions (ANCs) that do not timely file their quarterly reports. If an ANC does not timely file two or more quarterly reports, it will not receive the allotment associated with the most recent untimely report and will not receive any further allotments until it files the required reports. If an ANC has not received a quarterly allotment by the last day of the fiscal year because it failed to file a quarterly report, it will forfeit that money. All forfeited funds will return to the District's General Fund.

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the bill. Around \$800,000 is budgeted for ANC allotments in fiscal year 2020. Some of this money could revert to the General Fund if ANCs fail to file required quarterly reports by the end of the fiscal year. The bill will not have a fiscal impact on the Office of Advisory Neighborhood Commissions.

## **Section 4 - Deputy Mayor for Planning and Economic Development Grant Making Authority**

### **Background**

The bill expands the Deputy Mayor for Planning and Economic Development's (DMPED) grant-making authority to include issuing a grant up to \$1 million to a National Center for Latino Performing Arts located in the Tivoli Building.<sup>6</sup> The Tivoli Building, which is District-owned, is home to the GALA Hispanic Theater.<sup>7</sup> The grant can be used for capital improvements, facility maintenance, and general operating expenses.

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<sup>3</sup> Omnibus Public Safety and Justice Amendment Act of 2019, effective May 10, 2019 (D.C. Law 22-313; D.C. Official Code § 1-301.88f).

<sup>4</sup> Attorney General Support and Restitution Funds Amendment Act of 2019, effective September 11, 2019 (D.C. Law 23-16; D.C. Official Code § 1-301.86b).

<sup>5</sup> By amending Section 16(j)(3) of the Advisory Neighborhood Councils Act of 1975, effective March 26, 1976 (D.C. Law 1-58; D.C. Official Code § 1-309.13(j)(3)).

<sup>6</sup> The Tivoli Building is located at 3333 14<sup>th</sup> Street, N.W.

<sup>7</sup> <http://en.galatheatre.org/>

**Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the provision. The bill authorizes DMPED to issue a grant to a National Center for Latino Performing Arts located in the Tivoli Building. The fiscal year 2020 budget includes \$1 million for DMPED to issue a grant and there are no costs associated with giving DMPED this grant-making authority.

**Sections 5, 6, and 8 - Dedication of Excess Sports Wagering Revenue**

**Background**

The bill requires<sup>8</sup> that all sports wagering revenue, except for the revenue certified in the approved fiscal year 2020 budget for fiscal years 2020 through 2023 (including \$200,000 set aside for the Department for Behavioral Health (DBH) for gambling addiction treatment), be dedicated as follows:

- Fifty percent towards a newly established,<sup>9</sup> non-lapsing, Early Childhood Development Fund<sup>10</sup> to be administered by the Office of the State Superintendent of Education to support the cost of care and teacher salary scale increases as require in the Birth-to-Three for All DC Act.<sup>11</sup>
- Fifty percent towards the Neighborhood Safety and Engagement Fund, a non-lapsing fund established under the Neighborhood Engagement Achieves Results Amendment Act of 2016<sup>12</sup> to fund activities of the Office of Neighborhood Safety and Engagement.

**Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the provision. Any revenues collected in excess of the certified revenue shown in the table below will be deposited into the Early Childhood Development Fund and Neighborhood Safety and Engagement Fund.

<b>Certified Sports Wagering Revenue (\$000s)</b>					
	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Total</b>
FY 2020 Certified Revenue <sup>(a)(b)</sup>	\$17,102	\$27,004	\$27,260	\$29,034	\$100,400

Table Notes:

(a) Revenues are those certified in the February 2019 revenue estimate.

(b) Includes \$200,000 that is dedicated to DBH for gambling addiction treatment.

<sup>8</sup> By amending Section 311(a) of the Law to Legalize Lotteries, Daily Numbers Games, and Bingo and Raffles for Charitable Purposes in the District of Columbia, effective May 3, 2019 (D.C. Law 22-312; D.C Official Code § 36-621.11(a)).

<sup>9</sup> Established by amending The Day Care Policy Act of 1979, effective September 19, 1979 (D.C. Law 3-16; D.C. Official Code § 4-401 et seq.).

<sup>10</sup> Established by amending The Neighborhood Engagement Achieves Results Amendment Act of 2016, effective June 30, 2016 (D.C. Law 21-125; D.C. Official Code § 7-2411 et seq.).

<sup>11</sup> Birth-to-Three for All DC Act of 2018, effective October 30, 2018 (D.C. Law 22-179; 65 DCR 13704).

<sup>12</sup> D.C. Law 21-125, effective June 30, 2016 (D.C. Official Code § 7-2411 et seq.).

Beginning in fiscal year 2024, all revenue collected from sports wagering (except for \$200,000 set aside for DBH) will be split evenly between the Early Childhood Development Fund and Neighborhood Safety and Engagement Fund.

## **Section 7 - Lead Service Line Replacement**

### **Background**

In 2018, the Council approved lead service line replacement programs for both those households where DC Water is planning to replace the lead pipes located in public space and those households where DC Water replaced the public space lead service pipes at some point in the past.<sup>13</sup> Under the first program, DC Water is prohibited from replacing a public space lead service pipe unless it also replaces the lead service pipe on the homeowner's private property. The second program provides income-contingent payment assistance to households where DC Water replaced the public side lead service pipe in the past and the household now wants to replace the service line in private space.

The subtitle clarifies that households eligible for 100 percent cost coverage under the payment assistance program include those with household incomes at 80 percent or less of the Area Median Income or those with tenants who participate in District or federal housing programs.

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the provision. The statute currently reads that an eligible household must have both an income below 80 percent of the Area Median Income and have tenants that participate in a federal housing program. This provision clarifies that either circumstance can be true in order to have the District cover 100 percent of the lead water service line replacement costs. There are no costs associated with this clarification.

## **Section 9 - Educational Research Practice Partnership**

### **Background**

The bill makes<sup>14</sup> several technical amendments to the District of Columbia Education Research Practice Partnership Establishment and Audit Act of 2018.

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the provision. The technical amendments have no impact on the District's budget and financial plan.

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<sup>13</sup> Lead Water Service Line Replacement and Disclosure Amendment Act of 2018, effective March 13, 2019 (D.C. Law 22-241; D.C. Official Code § 34-2151 et seq.).

<sup>14</sup> By amending Title I of the District of Columbia Education Research Practice Partnership Establishment and Audit Act of 2018, effective March 28, 2019 (D.C. Law 22-268; D.C. Official Code § 38-785.01 et seq.).

## **Sections 10 and 12 - Commission on the Arts and Humanities Independence and Funding**

### **Background**

The bill permanently sets the effective date of the establishment of the Commission on the Arts and Humanities ("CAH") as an independent commission at July 22, 2019. The establishment date was already effective on a temporary basis. The bill also clarifies the expiration dates of the terms of three active Commissioners and clarifies that any decisions made by the Commission prior to January 1, 2021 are valid, regardless of the date of appointments and length of terms of members at that time.

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the provision. Making permanent the effective date of CAH independence and clarifying the length of certain Commissioner terms does not have a fiscal impact.

## **Section 11(a) - Deposits of Unrestricted Fund Balance**

### **Background**

The bill amends section 47-392.02 of the D.C. Official Code to make a clarification regarding funds available for Pay-go Capital. Current law requires, once the District has fully funded its Emergency, Contingency, Fiscal Stabilization, and Cash Flow Reserves, that 50 percent of all additional unrestricted fund balance be deposited in the District's Housing Production Trust Fund and 50 percent be reserved for Pay-go Capital funding. Under the clarification, the Pay-go funding will be reserved in the General Fund until appropriated for specific projects in the General Capital Improvements Fund.

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the provision. Reserving Pay-go Capital funding in the General Fund has no impact on the budget and financial plan. The current budget and financial plan do not include any spending for excess reserves that may be identified in the 2019 or subsequent Comprehensive Annual Financial Reports.

## **Section 11(b) - Nonprofit Workforce Housing Properties Tax Exemptions**

### **Background**

The bill amends section 47-1005.03(b)(3) of the D.C. Official Code to clarify eligibility of nonprofit workforce housing providers applying for real property tax exemptions. The clarification adds occupancy standards for apartment units of various sizes and provides that maximum rents are to be based on the adjusted median income for households consisting of the number of persons indicated by the occupancy standard for the unit occupied. Additionally, the clarification requires that the rents shall not exceed the greater of the District of Columbia Housing Authority's Housing Choice Voucher Program rent for the property submarket or immediately adjacent submarket.<sup>15</sup>

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<sup>15</sup> [http://www.dchousing.org/rent\\_hcvc.aspx/default.aspx](http://www.dchousing.org/rent_hcvc.aspx/default.aspx)

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the provision. The clarifications to eligibility for tax exemptions do not change the revenue reduction included in the budget and financial plan for the nonprofit workforce housing provider tax exemptions.

### **Section 11(C) – EAB Global, Inc. Tax Abatement**

#### **Background**

The bill extends the required lease execution date for EAB Global, Inc. to qualify for a tax abatement under the Local Jobs and Tax Incentive Amendment Act of 2018. Under the Act, EAB Global, Inc. is eligible to qualify for an annual abatement of up to \$2.1 million of real property taxes. The Act required the company to execute a lease prior to January 1, 2019 and the bill extends the date to August 1, 2019. The bill also specifies the address of the property on which taxes are eligible to be abated.

#### **Financial Plan Impact**

The extension to the required lease execution date has no impact on the financial plan. The District's financial plan and revenue estimates account for the \$2.1 million of annual real property taxes that may be abated beginning in fiscal year 2021.

### **Section 13 - Events DC Grant Award**

#### **Background**

The bill requires Events DC to award the Historical Society of Washington, D.C. with a grant of \$100,000 to assist with the transition into new space and to support an increase in visitors.

#### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the provision. The fiscal year 2020 budget includes a one-time \$100,000 grant award for the Historical Society of Washington, D.C.

### **Section 14(a) - Rental Housing Commission Independence Clarification**

#### **Background**

The bill repeals the subject-to-appropriations clause of the Rental Housing Commission Independence Clarification Amendment Act of 2018<sup>16</sup>, establishing the Rental Housing Commission as its own agency. Previously it received staffing and administrative services from the Department of Housing and Community Development.

#### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the provision. The fiscal year 2020 budget includes \$1.398 million and 9 full-time employees in a newly independent Rental Housing Commission.

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<sup>16</sup> D.C. Law 22-200, effective February 22, 2019.

### **Section 14(b) - Short-Term Rental Regulation Act of 2019**

#### **Background**

The bill repeals the subject-to-appropriations clause of the Short-Term Rental Regulation Act of 2019<sup>17</sup>. The act establishes a regulatory regime for short-term rentals and among its restrictions is a requirement that only properties which qualify for the District's Homestead<sup>18</sup> deduction may be used as short-term rentals. Short-term rental properties must be licensed by the Department of Consumer and Regulatory Affairs (DCRA) and short-term rental listing services must include the license number in property listings.

The act also required that short-term rentals adhere to District zoning requirements before a license can be granted. As of October 24, 2019, the Zoning Commission approved a text amendment to allow short-term rentals in residential zones.<sup>19</sup>

#### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the provision. The fiscal year 2020 budget included \$4.1 million for administrative costs at DCRA. The act is also expected to reduce the District's sales tax revenues. The Fiscal Year 2020 Budget Support Act of 2019 dedicated any new recurring revenues identified in future 2019 revenue estimates to funding the sales tax cost, and sufficient new revenues were certified in the September 2019 estimates.

In subsequent revenue estimates, some of the expected revenue loss will be restored to account for the Zoning Commission's recent action. However, the Office of Revenue Analysis estimates that approximately 20.5 percent of sales tax revenue attributed to short-term rentals will still be lost due to loss of activity from non-Homestead properties. The local fund portion of the revenue loss is shown below:

<b>Short-Term Rental Regulation Act of 2019 Subject to Appropriations Repeal Revision for October 24, 2019 Zoning Text Amendment (\$000s)</b>					
	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Total</b>
<b>Reduced sales tax revenue, local funds</b>	\$3,340	\$3,507	\$3,683	\$3,764	<b>\$14,294</b>

### **Section 14(c) - The Short-Term Rental Zoning Analysis Amendment Act of 2019**

#### **Background**

The bill repeals the Short-Term Rental Zoning Analysis Amendment Act of 2019.<sup>20</sup> The act would have prohibited the issuance of certain building permits to the District government if the Office of Planning had not submitted a required short-term rental zoning report to the Zoning Commission.

<sup>17</sup> D.C. Law 22-307, effective April 25, 2019.

<sup>18</sup> D.C. Official Code § 47-850.

<sup>19</sup> [https://app.dcoz.dc.gov/Content/Search/ViewCaseReport.aspx?case\\_id=19-15](https://app.dcoz.dc.gov/Content/Search/ViewCaseReport.aspx?case_id=19-15)

<sup>20</sup> Effective September 11, 2019 (D.C. Law 23-16; 66 DCR 8621).

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**Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the provision. The repeal has no impact on the budget and financial plan.