

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

**Natwar M. Gandhi**  
Chief Financial Officer



**MEMORANDUM**

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

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

**DATE:** June 23, 2003

**SUBJECT:** Fiscal Impact Statement: "Neighborhood Investment Act of 2003"

**REFERENCE:** Bill 15-302 as Introduced

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**Conclusion**

Funds are sufficient in the FY 2004 through FY 2007 proposed budget and financial plan to implement the Neighborhood Investment Act of 2003. The proposed legislation has no net fiscal impact.

**Background**

This bill establishes a non-lapsing fund within the General Fund called the Neighborhood Investment Fund (Fund). Money deposited in the Fund would be made available to pay for a variety of community development purposes, including commercial, residential, social service and civic uses. The legislation requires the Mayor to submit an investment plan to the Council each year, which must then be approved. Expenditures from the Fund would be subject to annual appropriation.

The bill designates nine target areas including: (1) Shaw, (2) Logan Circle, (3) Deanwood Heights, (4) Washington Highlands, (5) Columbia Heights, (6) Brightwood and Upper Georgia Avenue, (7) Bloomingdale and Eckington, (8) Brookland and Edgewood, and (9) Anacostia.

The bill increases the personal property tax rate from \$3.40 per \$100 to \$3.90 per \$100 of taxable personal property. The tax revenue from the \$0.50 increase in the tax rate is to be credited to the Fund.

The FY 2004 through 2007 proposed Budget and Financial Plan does not include expenditure authority to spend money collected for the proposed Fund. It is anticipated that expenditure authority for FY 2004 would be granted through a supplemental appropriation, which would allow revenue collected that year to be spent in the same year. Further, it is expected that in future years all of the additional dedicated revenue will be appropriated and spent in the same year collected. The \$0.50 increase in the personal property tax rate proposed in this legislation would generate \$8.5 million in FY 2004 and \$35.2 million in FY 2004 through FY 2007. Over the FY 2004 through FY 2007 period, the legislation would have no fiscal impact.

It is the policy of the District government to limit this practice to cases where the program funding cannot be properly accommodated through the local fund budget process. Dedicated revenues, including "O" type funds, do not promote sound budgeting and spending practices because they reduce the District's flexibility to address current and future priorities, eroding the integrity of the General Fund.

### **Financial Plan Impact**

The following table presents a summary of the net annual impact to the financial plan as a result of implementing the proposed legislation.

<b>Net Impact to the Financial Plan</b> (\$ in millions)					
<b>Item</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>4-Year Total</b>
Resources: Additional Personal Property Tax Collections	\$8.5	\$8.5	\$8.6	\$8.6	\$35.2
<b>Neighborhood Investment Fund Balance</b>	<b>8.5</b>	<b>8.5</b>	<b>8.6</b>	<b>8.6</b>	<b>35.2</b>
<b>Expenditures</b>	<b>(8.5)</b>	<b>(8.5)</b>	<b>(8.6)</b>	<b>(8.6)</b>	<b>(35.2)</b>
<b>Net Impact</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>