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** **Chairman, Council of the District of Columbia**
FROM:	**Natwar M. Gandhi** **Chief Financial Officer**
DATE:	NOV -2 2007
SUBJECT:	**Fiscal Impact Statement: "District of Columbia Banking Code Fees and Assessments Regulations Approval Resolution of 2007"**
REFERENCE:	**Draft Resolution – Number Not Available**

Conclusion

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed resolution. Implementation of the proposed resolution is estimated to result in approximately $556,000 in additional revenues for the FY 2008 through FY 2011 period, which would be deposited in the Banking Regulatory Trust Fund.[1]

Background

The proposed resolution would repeal § 207 of Chapter 2 of Title 26A of the District of Columbia Municipal Regulations (DCMR) and adopt a new Chapter 6 FEES AND ASSESSMENTS to regulate and assess fees for banks and other depository institutions operating or proposing to operate in the District of Columbia.

[1] D.C. Code § 31-107 (b-1)

Financial Plan Impact

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed resolution. Implementation of the proposed resolution is estimated to result in approximately $556,000 in additional revenues for the FY 2008 through FY 2011 period. These revenues would be deposited into the Banking Regulatory Trust Fund. Subject to the applicable laws relating to the appropriation of District funds, monies from the Fund are used by the Banking Bureau of the Department of Insurance, Securities, and Banking (DISB) in the discharge of its administrative and regulatory duties as prescribed by law. Any monies received but not expended in a given fiscal year are returned to the General Fund of the District of Columbia.

Section 601.1 of the notice of proposed rule-making (which the proposed resolution would adopt) establishes a new fee schedule for payments to DISB for applications from depository institutions and examinations by DISB. According to DISB, there are currently three (3) District chartered banks currently in operation in the District of Columbia. Assuming that the volume of applications and examinations of these banks remains constant with figures in FY 2007, and assuming no increase in the number of District chartered banks,[2] the proposed fee schedule would result in an additional $15,000 per fiscal year in additional revenues from these banks.

Section 601.2 of the notice of proposed rule-making provides that District chartered banks would also be subject to an annual assessment at a rate of $25,000 per year, plus $50 per million dollars of assets. Based on the asset size of the three (3) District chartered banks as of June 30, 2007, the latest data available,[3] District banks would have paid a total of approximately $110,000 in FY 2007 if the proposed resolution were in effect in FY 2007. Assuming 5% yearly growth in the asset size of these banks,[4] and thus a 5% growth in DISB assessment revenues, it is estimated that DISB would collect approximately $115,000 in FY 2008, $121,000 in FY 2009, $127,000 in FY2010, and $133,000 in FY2011 as a result of the assessment provision of the proposed regulation.

Section 601.3 of the notice of proposed rule-making provides for the semi-annual assessment and billing upon assets as of June 30th and December 31st of each year. Though the regulation would not become effective until January 1, 2008, DISB has stated that they would assess both semi-annual assessments based on December 31, 2007 and June 30, 2008 asset data.

Section 601.4 of the notice of proposed rule making states that District chartered banks would be exempt from assessment for the first two (2) years of operations, if the bank began operations as a *de novo* District of Columbia bank. DISB has reported that none of the three (3) existing District chartered banks will be less than 2 years old on January 1, 2008 (the effective date of

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[2] According to DISB, for revenue forecasting purposes it is prudent not to anticipate the chartering of new banks due to the complex nature of chartering a bank.
[3] According to DISB.
[4] According to DISB, and based on historical trends.

this proposed resolution), so this will not affect the assessment forecast provided in this impact statement.

Estimated Revenue Impact to the Financial Plan					
	FY 2008	**FY 2009**	**FY 2010**	**FY 2011**	**4-Year Total**
Additional revenues from new fee schedule	$15,000	$15,000	$15,000	$15,000	$60,000
Additional revenues from assessments	$115,000	$121,000	$127,000	$133,000	$496,000
Total additional revenues	**$130,000**	**$136,000**	**$142,000**	**$148,000**	**$556,000**