


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: November 17, 2010

SUBJECT: Fiscal Impact Statement – “Reciprocal State-Federal Setoff Act of 2010”

REFERENCE: Draft Legislation—No Bill Number Available

Conclusion

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation, which would allow the federal government to assist in collecting outstanding debt owed to the District by taxpayers, vendors, and contractors, is estimated to increase revenue by approximately \$1.2 million in FY 2011 and \$14.9 million over the FY 2011 through FY 2014 financial plan period.

Background

The proposed legislation would amend Title 47 of the D.C. Official Code to authorize the District of Columbia to enter into an agreement with the United States Secretary of the Treasury (“Secretary”) to participate in the Treasury Offset program (TOP).¹ The TOP would allow the federal government to collect any debt owed to the District or District agencies by reducing federal payments to vendors, contractors, and taxpayers by the amount of the debt owed, and remitting the funds to the District. The agreement in turn would allow the District to collect any federal debt of District taxpayers, vendors, and contractors by reducing District payments to such recipients and remitting these funds to the federal government.

As part of the agreement, the Secretary would provide the OCFO with certification of debtors’ delinquent, nontax debt owed to the federal government, and the District would provide similar certification to the Secretary.

¹ 31 U.S.C. §3716

Financial Plan Impact

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would allow the U.S. Treasury to collect outstanding debt owed to the District by taxpayers, vendors, and contractors. It is estimated that the District would collect approximately \$1.2 million in FY 2011 and \$14.9 million over the FY 2011 through FY 2014 financial plan period.

Estimated Fiscal Impact of the Reciprocal State-Federal Setoff Act of 2010 FY 2011-FY 2014 (in thousands)					
	FY 2011*	FY 2012	FY 2013	FY 2014	Four-Year Total
Past debt collection	\$1,250	\$4,750	\$3,750	\$2,250	\$12,000
New debt collection	\$0	\$1,000	\$1,000	\$1,000	\$3,000
Total debt collection	\$1,250	\$5,750	\$4,750	\$3,250	\$15,000
Administrative costs	\$30	\$120	0	0	\$150
Total Positive Fiscal Impact	\$1,220	\$5,630	\$4,750	\$3,250	\$14,850

*Assumes an implementation date of July 1, 2011.

The Secretary identified 1,596 recipients of federal payments who collectively owe the District approximately \$21 million in outstanding debt. It is not known whether the amount of federal payments owed to these individuals is greater or less than \$21 million. Given this and the collection patterns in other states that participate in the program, it is estimated that the District would recoup only a portion of the total outstanding debt each year. In addition, it is estimated that the District would collect \$1 million each year in new debt starting in FY 2012.²

The Office of Tax and Revenue (OTR) estimates that they would need approximately \$150,000 in programming costs to implement the program. OTR anticipates that any annual administrative costs would be offset by annual administrative costs savings resulting from implementation of the proposed program.

² The estimate of annual new debt is based on similar payments received by Maryland and New Jersey; both states participate in TOP.