

# **Exhibit 236**

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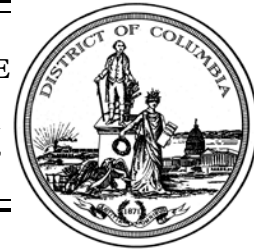
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**COMMITTEE ON FINANCE AND REVENUE**

COUNCILMEMBER JACK EVANS, CHAIRPERSON  
FISCAL YEAR 2018 COMMITTEE BUDGET REPORT

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**TO:** Members of the Council of the District of Columbia

**FROM:** Councilmember Jack Evans  
Chairperson, Committee on Finance and Revenue

**DATE:** May 16, 2017

**SUBJECT:** Report and Recommendations of the Committee on Finance and Revenue on the Fiscal Year 2018 Budget for Agencies under Its Purview

The Committee on Finance and Revenue (Committee), having conducted hearings and received testimony on the Mayor’s proposed operating and capital budgets for Fiscal Year (FY) 2018 for the agencies under its purview, reports its recommendations for review and consideration by the Committee of the Whole. The Committee also comments on several sections in the Fiscal Year 2018 Budget Support Act of 2017, as proposed by the Mayor.

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COUNCIL BUDGET DIRECTOR CERTIFICATION: \_\_\_\_\_ DATE: \_\_\_\_\_

RECORD - 0001770

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## A. FISCAL YEAR 2018 AGENCY OPERATING BUDGET SUMMARY TABLE (DOLLARS IN THOUSANDS)

FY 2018 Operating Budget by Fund Type (Gross Funds)					
	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance	Committee Approved
<b>BALLPARK REVENUE FUND</b>					
ENTERPRISE AND OTHER FUNDS- DEDICATED TAX	\$52,906,543.06	\$56,947,000.00	\$49,821,000.00		\$49,821,000.00
ENTERPRISE AND OTHER FUNDS	\$11,336,248.76	\$11,538,000.00	\$11,736,000.00		\$11,736,000.00
<b>GROSS FUNDS</b>	<b>\$64,242,791.82</b>	<b>\$68,485,000.00</b>	<b>\$61,557,000.00</b>		<b>\$61,557,000.00</b>
<b>COMMISSION ON THE ARTS AND HUMANITIES</b>					
FEDERAL GRANT FUND	\$691,900.00	\$691,900.01	\$720,200.00		\$720,200.00
LOCAL FUND	\$14,336,069.00	\$21,055,222.52	\$19,775,438.00	\$2,700,000.00	\$22,475,438.00
OPERATING INTRA-DISTRICT FUNDS	\$216,000.00	\$168,000.00	\$168,000.00		\$168,000.00
SPECIAL PURPOSE REVENUE FUNDS (O TYPE)	\$106,867.17	\$200,000.00	\$133,000.00		\$133,000.00
<b>GROSS FUNDS</b>	<b>\$15,350,836.17</b>	<b>\$22,115,122.53</b>	<b>\$20,796,638.00</b>	<b>\$2,700,000.00</b>	<b>\$23,496,638.00</b>
<b>CONVENTION CENTER TRANSFER- DEDICATED TAXES</b>					
DEDICATED TAXES	\$123,551,108.80	\$119,100,000.00	\$134,009,710.00		\$134,009,710.00
LOCAL FUND	\$8,364,592.00	\$3,186,228.00	\$3,265,883.80		\$3,265,883.80
<b>GROSS FUNDS</b>	<b>\$131,915,700.80</b>	<b>\$122,286,228.00</b>	<b>\$137,275,593.80</b>		<b>\$137,275,593.80</b>
<b>OFFICE OF FINANCE AND RESOURCE MANAGEMENT</b>					
SPECIAL PURPOSE REVENUE FUNDS (O TYPE)	\$237,831.17	\$407,440.39	\$442,218.38		\$442,218.38
LOCAL FUNDS	\$20,799,575.29	\$23,379,658.97	\$24,264,179.00		\$24,264,179.00
OPERATING INTRA-DISTRICT FUNDS	\$9,372,731.64	\$12,737,090.95	\$12,827,530.97		\$12,827,530.97
<b>GROSS FUNDS</b>	<b>\$30,410,138.10</b>	<b>\$36,524,190.31</b>	<b>\$37,533,928.35</b>		<b>\$37,533,928.35</b>
<b>OFFICE OF LOTTERY AND CHARITABLE GAMES</b>					
ENTERPRISE AND OTHER FUNDS	\$228,270,361.63	\$215,000,000.00	\$240,000,000.00		\$240,000,000.00
<b>GROSS FUNDS</b>	<b>\$228,270,361.63</b>	<b>\$215,000,000.00</b>	<b>\$240,000,000.00</b>		<b>\$240,000,000.00</b>
<b>OFFICE OF THE CHIEF FINANCIAL OFFICER (Excluding OBP)</b>					
FEDERAL GRANT FUND	\$395,829.78	\$525,000.00	\$450,000.00		\$450,000.00
LOCAL FUNDS	\$112,329,636.53	\$118,621,498.61	\$120,687,450.13	(\$275,500.00)	\$120,411,950.13
OPERATING INTRA-DISTRICT FUNDS	\$8,221,787.53	\$8,640,275.43	\$8,488,918.86		\$8,488,918.86
SPECIAL PURPOSE REVENUE FUNDS (OTYPE)	\$18,475,332.80	\$43,492,950.09	\$44,042,407.33		\$44,042,407.33
<b>GROSS FUNDS</b>	<b>\$139,422,586.64</b>	<b>\$171,279,724.13</b>	<b>\$173,668,776.32</b>	<b>(\$275,500.00)</b>	<b>\$173,393,276.32</b>
<b>REAL PROPERTY TAX APPEALS COMMISSION</b>					
LOCAL FUNDS	\$1,643,273.77	\$1,702,654.00	\$1,714,620.00		\$1,714,620.00
<b>GROSS FUNDS</b>	<b>\$1,643,273.77</b>	<b>\$1,702,654.00</b>	<b>\$1,714,620.00</b>		<b>\$1,714,620.00</b>
<b>WASHINGTON CONVENTION AND SPORTS AUTHORITY</b>					
ENTERPRISE AND OTHER FUNDS	\$0.00	\$146,958,776.00	\$155,855,132.00		\$155,855,132.00
<b>GROSS FUNDS</b>	<b>\$0.00</b>	<b>\$146,958,776.00</b>	<b>\$155,855,132.00</b>		<b>\$155,855,132.00</b>
<b>WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY</b>					
SPECIAL PURPOSE REVENUE FUNDS (O TYPE)	\$41,798,930.44	\$53,600,000.00	\$53,942,230.00		\$53,942,230.00
DEDICATED TAXES	\$68,808,872.76	\$66,670,000.00	\$85,572,185.00		\$85,572,185.00
LOCAL FUND	\$248,488,744.99	\$246,900,726.00	\$290,443,900.00		\$290,443,900.00
<b>GROSS FUNDS</b>	<b>\$359,096,548.19</b>	<b>\$367,170,726.00</b>	<b>\$429,958,315.00</b>		<b>\$429,958,315.00</b>

## B. FISCAL YEAR 2018 AGENCY FULL-TIME EQUIVALENT TABLE

FY 2018 Operating Budget by Fund Type (Gross Funds) Full-Time Equivalent (FTE)

	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance	Committee Approved
<b>BALLPARK REVENUE FUND</b>					
ENTERPRISE AND OTHER FUNDS	0.00	0.00	0.00		0.00
ENTERPRISE AND OTHER FUNDS- DEDICATED TAX	0.00	0.00	0.00		0.00
<b>GROSS FTES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>0.00</b>
<b>COMMISSION ON THE ARTS AND HUMANITIES</b>					
FEDERAL GRANT FUND	7.03	7.00	7.00		7.00
LOCAL FUND	10.61	21.00	21.00		21.00
OPERATING INTRA-DISTRICT FUND	0.00	0.00	0.00		0.00
SPECIAL PURPOSE REVENUE FUNDS (O'TYPE)	0.00	0.00	0.00		0.00
<b>GROSS FTES</b>	<b>17.64</b>	<b>28.00</b>	<b>28.00</b>		<b>28.00</b>
<b>CONVENTION CENTER TRANSFER- DEDICATED TAXES</b>					
DEDICATED TAXES	0.00	0.00	0.00		0.00
LOCAL FUNDS	0.00	0.00	0.00		0.00
<b>GROSS FTES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>0.00</b>
<b>OFFICE OF FINANCE AND RESOURCE MANAGEMENT</b>					
LOCAL FUND	37.33	38.78	38.00		38.00
OPERATING INTRA-DISTRICT FUNDS	4.86	5.22	7.00		7.00
SPECIAL PURPOSE REVENUE FUNDS (O TYPE)	0.00	0.00	0.00		0.00
<b>GROSS FTES</b>	<b>42.19</b>	<b>44.00</b>	<b>45.00</b>		<b>45.00</b>
<b>OFFICE OF LOTTERY AND CHARITABLE GAMES</b>					
ENTERPRISE AND OTHRE FUNDS	64.68	73.50	74.50		74.50
<b>GROSS FTES</b>	<b>64.68</b>	<b>73.50</b>	<b>74.50</b>		<b>74.50</b>
<b>OFFICE OF THE CHIEF FINANCIAL OFFICER (Excluding OBP)</b>					
FEDERAL GRANT FUND	0.00	0.00	0.00		0.00
LOCAL FUND	768.74	838.35	849.90	(2.00)	847.90
OPERATING INTRA-DISTRICT FUNDS	52.96	45.65	48.10		48.10
SPECIAL PURPOSE REVENUE FUNDS (OTYPE)	39.70	55.00	64.00		64.00
<b>GROSS FTES</b>		<b>939.00</b>	<b>962.00</b>	<b>(2.00)</b>	<b>960.00</b>
<b>REAL PROPERTY TAX APPEALS COMMISSION</b>					
LOCAL FUNDS	11.32	11.00	11.00		11.00
<b>GROSS FTES</b>	<b>11.32</b>	<b>11.00</b>	<b>11.00</b>		<b>11.00</b>
<b>WASHINGTON CONVENTION AND SPORTS AUTHORITY</b>					
ENTERPRISE AND OTHER FUNDS	0.00	0.00	0.00		0.00
<b>GROSS FTES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>0.00</b>
<b>WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY</b>					
DEDICATED TAXES	0.00	0.00	0.00		0.00
LOCAL FUND	0.00	0.00	0.00		0.00
SPECIAL PURPOSE REVENUE FUNDS (O'TYPE)	0.00	0.00	0.00		0.00
<b>GROSS FTES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>0.00</b>

## C. FISCAL YEAR 2018 AGENCY CAPITAL BUDGET SUMMARY TABLE (DOLLARS IN THOUSANDS)

FY 2018 – 2023 Capital Budget Request By Owner Agency, By Project										
Project No	Project Title	Scenario	Unspent Allotment 4 April 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	6-yr Total

**OFFICE OF THE CHIEF FINANCIAL OFFICER**

BF303C	MODERNIZATION BUDGET ANALYTICS	Mayor's Submission	0.00	0.00	3,500,000.00	3,200,000.00	3,000,000.00	0.00	0.00	9,700,000.00
		Committee's Markup								0.00
<b>BF303C Total</b>			<b>0.00</b>	<b>0.00</b>	<b>3,500,000.00</b>	<b>3,200,000.00</b>	<b>3,000,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>9,700,000.00</b>
BF304C	DCSRP - SOAR MODERNIZATION	Mayor's Submission	0.00	0.00	3,000,000.00	21,000,000.00	38,500,000.00	18,500,000.00	10,000,000.00	91,000,000.00
		Committee's Markup								0.00
<b>BF304C Total</b>			<b>0.00</b>	<b>0.00</b>	<b>3,000,000.00</b>	<b>21,000,000.00</b>	<b>38,500,000.00</b>	<b>18,500,000.00</b>	<b>10,000,000.00</b>	<b>91,000,000.00</b>
CIM01C	CAPITAL ASSET REPLACEMENT SCHEDULING SYS	Mayor's Submission	1,374,911.00	606,000.00	0.00	0.00	0.00	0.00	0.00	606,000.00
		Committee's Markup								0.00
<b>CIM01C Total</b>			<b>1,374,911.00</b>	<b>606,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>606,000.00</b>
CSP08C	INTEGRATED TAX SYSTEM MODERNIZATION	Mayor's Submission	30,031,080.00	6,000,000.00	6,900,000.00	0.00	0.00	0.00	0.00	12,900,000.00
		Committee's Markup								0.00
<b>CSP08C Total</b>			<b>30,031,080.00</b>	<b>6,000,000.00</b>	<b>6,900,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>12,900,000.00</b>
CSP10C	IT SYSTEM UPGRADES	Mayor's Submission	0.00	0.00	500,000.00	1,000,000.00	1,000,000.00	1,000,000.00	0.00	3,500,000.00
		Committee's Markup								0.00
<b>CSP10C Total</b>			<b>0.00</b>	<b>0.00</b>	<b>500,000.00</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>0.00</b>	<b>3,500,000.00</b>
			<b>31,405,991.00</b>	<b>6,606,000.00</b>	<b>13,900,000.00</b>	<b>25,200,000.00</b>	<b>42,500,000.00</b>	<b>19,500,000.00</b>	<b>10,000,000.00</b>	<b>117,706,000.00</b>
<b>COMMISSION ON THE ARTS AND HUMANITIES</b>										
AH7GPC	ARTS & HUMANITIES GRANTS & PROJECTS	Mayor's Submission	32,291.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		Committee's Markup	(25,790.83)							0.00
<b>AH7GPC Total</b>			<b>6,500.17</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
AH717C	COMMUNITY INITIATIVES	Mayor's Submission	10,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		Committee's Markup	(10,000.00)							0.00
<b>AH717C Total</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
			<b>6,500.17</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY</b>										
SA311C	WMATA FUND - PRIIA	Mayor's Submission	16,844,135.00	49,500,000.00	50,000,000.00	50,000,000.00	0.00	0.00	0.00	149,500,000.00
		Committee's Markup								0.00
<b>SA311C Total</b>			<b>16,844,135.00</b>	<b>49,500,000.00</b>	<b>50,000,000.00</b>	<b>50,000,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>149,500,000.00</b>
SA501C	WMATA CIP CONTRIBUTION	Mayor's Submission	37,336,570.00	76,100,000.00	77,801,000.00	76,572,000.00	77,559,000.00	79,072,000.00	80,630,000.00	467,734,000.00
		Committee's Markup								0.00
<b>SA501C Total</b>			<b>37,336,570.00</b>	<b>76,100,000.00</b>	<b>77,801,000.00</b>	<b>76,572,000.00</b>	<b>77,559,000.00</b>	<b>79,072,000.00</b>	<b>80,630,000.00</b>	<b>467,734,000.00</b>
TOP02C	PROJECT DEVELOPMENT	Mayor's Submission	824,250.00	1,099,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	6,099,000.00
		Committee's Markup								0.00
<b>TOP02C Total</b>			<b>824,250.00</b>	<b>1,099,000.00</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>6,099,000.00</b>

## D. SUMMARY OF COMMITTEE BUDGET RECOMMENDATIONS

### 1. Office of the Chief Financial Officer

#### Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2018 operating budget for the Office in the amount of \$173,393,276.32, a reduction of \$275,500, which includes the following changes:

1. Remove 2.0 Full-Time Equivalents from the Office of the Chief Information Officer.
2. Realize \$2,700,000 in savings from the Central Collections Unit special purpose revenue fund.
3. Direct \$20,000 in local recurring funds to cover the fiscal effects of recommended subtitle Women's National Democratic Club to be fully real property tax exempt (they are currently 13.98% taxable, with a yearly bill around \$15,000).

#### Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2018 capital budget for the Office of \$6.606 Million in FY 2018 and \$117.706 Million over the course of the 6-year capital plan. The substantial increase from 2017 incorporates long term necessary funding for the SOAR modernization project.

### **2. D.C. Lottery and Charitable Games Control Board**

#### Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2018 budget for the Lottery in the amount of \$240,000,000.00.

#### Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2018 capital budget for the Lottery of \$0.

### **3. Real Property Tax Appeals Commission**

#### Operating Budget Recommendations

The Committee recommends adoption of the FY 2018 budget for the Commission in the amount of \$1,714,620.00.

#### Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2018 capital budget for the Commission of \$0.

### **4. Office of Finance and Resource Management**

#### Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2018 budget for the Office in the amount of \$37,533,928.35.

#### Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2018 capital budget for the Office of \$0.

### **5. Commission on the Arts and Humanities**

### Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2018 budget for the Commission in the amount of, \$23.2 million with the following changes:

1. Increase Arts Building Communities by \$1.44 Million. Of that, \$200,000 should be directed to a foundation that will preserve and document a cemetery located west of Rock Creek Park, that is one of the oldest African American Cemeteries in the city (if not the oldest).
2. Increase Arts Learning and Outreach by \$1.24 Million.
3. Increase Legislative and Grants Management by \$20,000.

### Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2018 capital budget for the Commission of \$0.

## **6. Events DC/Washington Convention and Sports Authority**

### Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2018 budget for the Authority in the amount of \$155,855,132.00.

### Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2018 capital budget for the Authority of \$0.

## **7. Destination DC**

### Operating Budget Recommendations

The Committee recommends adoption of the FY 2018 budget for Destination DC in the amount of \$3,265,883.80.

### Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2018 capital budget for Destination DC of \$0.

## **8. Washington Metropolitan Area Transit Authority**

### Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2018 budget for the Authority in the amount of \$429,958,315.00.

### Capital Budget Recommendations



The Committee recommends adoption of the Mayor's FY 2018 capital budget for the Authority of 126,699,000.00 in FY 2018 and \$623,333,000.00 over the course of the 6-year capital plan. The Committee also makes the following recommendations:

1. Expect changes to the 6-year capital plan.

**10. Committee Transfers**

The Committee recommends the following transfers:

1. Direct 1.0 FTE at \$83,500 in salary plus fringe (total of \$103,874) to Committee on Housing and Neighborhood Revitalization for a legal counsel position at Office of Tenant Advocate.
2. Transfer \$110,000 in local recurring funds (salary plus additional fringe) to the committee on education for the DC public library to fill 2 FTE's at the West End Public Library for upcoming opening.

The Committee accepts the following transfers:

1. \$2,000, from the Committee on Judiciary and Public Safety, in one time funds to fund the fiscal effect of the Hill East Community Garden Real Property Tax Relief subtitle.
2. \$4,187 from the Committee on Business & Economic Development, in recurring local funds to fund a real property tax exemption for an existing supermarket in census tract 94 as outlined by the "Food, Environmental, and Economic Development in the District of Columbia Amendment Act of 2016".
3. \$51,000 from the Committee on Government Operations in one-time funds for WMATA to add an additional bus next year to alleviate the overcrowding on the D31 bus used by Shepherd Park students going to Deal/Wilson.
4. \$2,000,000 from the Committee on Labor and Workforce Development for WMATA for the creation of an adult learner transit subsidy.

## **11. Unfunded Committee Recommendations for Consideration at the Full Council**

The Committee recommends, subject to funding, the following items for consideration:

### Operating Recommendations

1. Additional funding to the Commission on the Arts and Humanities for an operating budget of at least \$25 million.
2. Additional funding towards target grants to support longstanding showcasing city events, venues and their operations, such as the National Cherry Blossom Festival, The Halcyon Incubator, The Mansion on O Street, The Studio Theatre, the National Theatre, the Economic Partnership, among others.

### Budget Support Act Recommendations

1. Add new subtitle “Pension Exclusion Restoration Amendment Act of 2017”
2. Add new subtitle “Relieve High Unemployment Tax Incentives Act of 2017”
3. Add new subtitle “First-Time Homebuyer Recordation Tax Benefit Amendment Act of 2017”
4. Add new subtitle “Schedule H Tax Filing Unit Clarification Amendment Act of 2017”
5. Add new subtitle “First Responder Income Tax Exclusion Amendment Act of 2017”
6. Add new subtitle “East End Commercial Real Property Tax Rate Reduction Amendment Act of 2017”.
7. Add new subtitle “East End Grocery and Retail Incentive Program Tax Abatement Act of 2017”

## II. AGENCY FISCAL YEAR 2018 BUDGET RECOMMENDATIONS

### A. INTRODUCTION

The Committee presents its recommendations for the District of Columbia's FY 2018 budget. Under Council Rules, the Committee is responsible for matters relating to taxation and revenue for the operation of the government of the District of Columbia, general-obligation bond acts, revenue-anticipation notes, and industrial revenue-bonds; tourism and cultural affairs; the establishment of business-improvement districts; and matters relating to the Washington Metropolitan Area Transit Authority.<sup>1</sup> The following eight agencies fall under the oversight jurisdiction of the Committee:

- I. Office of the Chief Financial Officer<sup>2</sup>
- II. D.C. Lottery and Charitable Games Control Board
- III. Real Property Tax Appeals Commission
- IV. Office of Finance and Resource Management
- V. D.C. Commission on the Arts and Humanities
- VI. Events DC/Washington Convention and Sports Authority
- VII. Destination DC
- VIII. Washington Metropolitan Area Transit Authority

The Board of Review of Anti-Deficiency Violations, the Multistate Tax Commission, and the Sports Authority Subsidy are also within the purview of the Committee. These three entities are paper agencies that do not receive a budget. The Committee therefore did not hold an oversight hearing during the budget process for these three agencies and does not discuss them in further detail within this report.

#### Timeline:

- **February 17, February 22, and February 27, 2017.** The Committee held public oversight hearings on the FY 2016/2017 performance of the agencies under the Committee's jurisdiction.
- **April 4, 2016.** The Mayor submitted her FY 2018 budget request to the Council.
- **March 24, April 7 and April 19, 2017.** The Committee sent requests for information to entities under the Committee's jurisdiction.
- **April 12, May 3 and May 4, 2017.** The Committee held public hearings on the FY 2018 budget request of the Mayor for the agencies under the Committee's jurisdiction.

The Committee received important comments from members of the public during the budget oversight hearing process. Copies of witness testimony are included as attachments to this report.<sup>3</sup> Those interested in obtaining a video recording of the hearings may find them through the Office of Cable Television or at *oct.dc.gov*. The Committee welcomes public input on the agencies and activities within its purview.

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<sup>1</sup> See Rules of Organization and Procedure for the Council of the District of Columbia, Council Period 22, Rule 234(a) (hereinafter "Council Period 22 Rules").

<sup>2</sup> The Office of the Chief Financial Officer includes seven divisions: (1) Office of Tax and Revenue; (2) Office of Finance and Treasury; (3) Office of Revenue Analysis; (4) Office of Financial Operations and Systems; (5) Office of Integrity and Oversight; (6) Economic Development Finance; and (7) Office of Budget and Planning. The Committee possesses oversight jurisdiction for all divisions except for the Office of Budget and Planning, which is overseen by the Committee of the Whole. See Council Period 22 Rules, *supra* note 1, Rules 231(e), 234(b).

<sup>3</sup> See *infra* Parts VII.A and VII.B.

The Committee wishes to note that the oversight function of the Committee and the Council is an ongoing activity that continues throughout the year. Areas of particular importance to this Committee include addressing the findings and recommendations contained in the annual Comprehensive Annual Financial Report (CAFR), the annual Management Letter (now called the “Memorandum of Recommendations”), audits and reports issued by the Office of the Inspector General and the D.C. Auditor, and the “Yellow Book” findings of the CAFR.<sup>4</sup> The Committee is very pleased that, upon reviewing the reports for the prior two fiscal years (2015 and 2016), no Yellow Book was published.

The Committee remains focused on the continued development and successful operations and performance of the Real Property Tax Appeals Commission. The Committee monitors the operation of the lottery contract and return of instant or so-called “scratch-off” tickets to the product offerings under the D.C. Lottery. In the Office of the Chief Financial Officer, the Committee remains interested in the modernization of both the Integrated Tax System (MITS), which is nearing completion, and the System of Accounting and Reporting (SOAR). The Committee continues to examine the Office of Tax and Revenue’s implementation of the Residential Real Property Equity and Transparency Act of 2013<sup>5</sup> relating to real property tax liens and the tax sale process, as well as the positive changes for the expanded Schedule H.

The Committee has and will continue to support the arts through the mission of the Commission on the Arts and Humanities. The Committee remains impressed by the efforts of the new leadership at the Commission. The Committee aims to provide additional funding to the Commission so that the District may adequately assist all of those within our arts and humanities community. With respect to the Washington Convention and Sports Authority—referred to as Events DC—the Committee continues to monitor the successful operations of the Convention Center Headquarters Hotel and the oversight and management of the Carnegie Library and the Robert F. Kennedy Stadium, as well as the development of the entertainment and sports arena on the campus of St. Elizabeth’s near the Congress Heights Metro station. The Committee worked to provide an annual marketing supplement to Destination DC and assist the entity in advertising all that the District has to offer.

Another focus area for the Committee continues to be investing in the Washington Metropolitan Area Transit Authority. Funding the Authority’s capital budget will aid in helping to address a myriad safety concerns illuminated through the tragic and unfortunate January 12, 2015 incident at L’Enfant Plaza the need to close the system for an entire day on March 16, 2016, and the safe track initiative. The investment will go towards addressing safety recommendations from the National Transportation Safety Board, including the replacement of track circuits, power cables and the train control software system.

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<sup>4</sup> The Yellow Book contains findings on agency systems and processes that require action and improvement.

<sup>5</sup> Effective Dec. 4, 2014 (D.C. Law 20-141; codified in scattered sections of Title 47 of the D.C. Official Code).

## B. OFFICE OF THE CHIEF FINANCIAL OFFICER

<b>FY 2018 Operating Budget By Comptroller Source Group</b>					
	Actuals FY 2016	Approved FY 2017	Proposed FY 2018	Committee Variance	Approved
<b>OFFICE OF THE CHIEF FINANCIAL OFFICER (Excluding OBP)</b>					
11 REGULAR PAY – CONT FULL TIME	\$76,380,800.98	\$82,521,958.77	\$85,124,568.49	(\$225,266.00)	\$84,899,302.49
12 REGULAR PAY OTHER	\$1,280,535.82	\$867,087.57	\$804,522.27		\$804,522.27
13 ADDITIONAL GROSS PAY	\$737,991.84	\$51,250.03	\$51,250.03		\$51,250.03
14 FRINGE BENEFITS - CURR PERSONNEL	\$16,731,296.94	\$19,289,815.99	\$19,142,440.00	(\$50,234.00)	\$19,092,206.00
15 OVERTIME PAY	\$614,964.35	\$25,000.00	\$25,000.00		\$25,000.00
<b>PERSONNEL SERVICES</b>	<b>\$95,745,589.93</b>	<b>\$102,755,112.36</b>	<b>\$105,147,780.79</b>	<b>(\$275,500.00)</b>	<b>\$104,872,280.79</b>
20 SUPPLIES AND MATERIALS	\$285,355.46	\$452,793.66	\$451,592.68		\$451,592.68
31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	\$0.00	\$0.00			\$0.00
40 OTHER SERVICES AND CHARGES	\$11,518,301.52	\$11,573,215.28	\$11,606,826.24		\$11,606,826.24
41 CONTRACTUAL SERVICES - OTHER	\$30,370,264.36	\$55,739,374.86	\$55,116,110.64		\$55,116,110.64
70 EQUIPMENT & EQUIPMENT RENTAL	\$1,503,075.37	\$759,227.97	\$1,346,465.97		\$1,346,465.97
<b>NON-PERSONNEL SERVICES</b>	<b>\$43,676,996.71</b>	<b>\$68,524,611.77</b>	<b>\$68,520,995.53</b>	<b>\$0.00</b>	<b>\$68,520,995.53</b>
<b>GROSS FUNDS</b>	<b>\$139,422,586.64</b>	<b>\$171,279,724.13</b>	<b>\$173,668,776.32</b>	<b>(\$275,500.00)</b>	<b>\$173,393,276.32</b>

<b>FY 2018 Operating Budget By Fund Type (Gross Funds)</b>					
	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance	Committee Approved
<b>OFFICE OF THE CHIEF FINANCIAL OFFICER (Excluding OBP)</b>					
FEDERAL GRANT FUND	\$395,829.78	\$525,000.00	\$450,000.00		\$450,000.00
LOCAL FUND	\$112,329,636.53	\$118,621,498.61	\$120,687,450.13	(\$275,500.00)	\$120,411,950.13
OPERATING INTRA-DISTRICT FUNDS	\$8,221,787.53	\$8,640,275.43	\$8,488,918.86		\$8,488,918.86
SPECIAL PURPOSE REVENUE FUNDS (OTYPE)	\$18,475,332.80	\$43,492,950.09	\$44,042,407.33		\$44,042,407.33
<b>GROSS FUNDS</b>	<b>\$139,422,586.64</b>	<b>\$171,279,724.13</b>	<b>\$173,668,776.32</b>	<b>(\$275,500.00)</b>	<b>\$173,393,276.32</b>

<b>FY 2018 Operating Budget by Program (Gross Funds)</b>					
	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance (Approx.)	Committee Approved
<b>OFFICE OF THE CHIEF FINANCIAL OFFICER</b>					
1000 AGENCY MANAGEMENT	\$8,920,164.12	\$10,251,963.02	\$10,417,636.02		\$10,417,636.02
2000 FINANCIAL OPERATIONS AND SYSTEMS	\$13,028,667.67	\$13,819,366.95	\$13,629,550.42		\$13,629,550.42
4000 RESEARCH AND ANALYSIS	\$4,753,524.34	\$4,929,256.28	\$4,929,256.28		\$4,929,256.28
5000 TAX ADMINISTRATION	\$56,815,092.78	\$71,174,190.93	\$71,662,885.72		\$71,662,885.72
6000 INFORMATION TECHNOLOGY	\$28,091,210.07	\$26,300,877.23	\$26,650,990.22	(\$275,500.00)	\$26,375,490.22
7000 FINANCE AND TREASURY	\$22,620,698.43	\$38,496,527.29	\$40,180,143.03		\$40,180,143.03
8000 INTEGRITY AND OVERSIGHT	\$3,926,360.28	\$5,029,647.05	\$4,629,797.11		\$4,629,797.11

9960 YR END CLOSE	\$0.00	\$0.00			\$0.00
9980 PAYROLL DEFAULT PROGRAM	\$0.00	\$0.00			\$0.00
100F AGENCY FINANCIL OPERATIONS	\$1,337,618.71	\$1,277,895.38	\$1,568,517.52		\$1,568,517.52
REVN REVENUE	(\$70,749.76)	\$0.00			\$0.00
<b>GROSS FUNDS</b>	<b>\$139,422,586.64</b>	<b>\$171,279,724.13</b>	<b>\$173,668,776.32</b>	<b>(\$275,500.00)</b>	<b>\$173,393,276.32</b>

## FY 2018 - FY 2023 Capital Budget by Project (Gross Funds)

### AT0 - OFFICE OF THE CHIEF FINANCIAL OFFICER

Project No	Project Title	Scenario	Unspent Allotment 4 April 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	6-yr Total
BF303C	MODERNIZATION BUDGET ANALYTICS	Mayor's Submission	0.00	0.00	3,500,000.00	3,200,000.00	3,000,000.00	0.00	0.00	9,700,000.00
		Committee's Markup								0.00
<b>BF303C Total</b>			<b>0.00</b>	<b>0.00</b>	<b>3,500,000.00</b>	<b>3,200,000.00</b>	<b>3,000,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>9,700,000.00</b>
BF304C	DCSRP - SOAR MODERNIZATION	Mayor's Submission	0.00	0.00	3,000,000.00	21,000,000.00	38,500,000.00	18,500,000.00	10,000,000.00	91,000,000.00
		Committee's Markup								0.00
<b>BF304C Total</b>			<b>0.00</b>	<b>0.00</b>	<b>3,000,000.00</b>	<b>21,000,000.00</b>	<b>38,500,000.00</b>	<b>18,500,000.00</b>	<b>10,000,000.00</b>	<b>91,000,000.00</b>
CIM01C	CAPITAL ASSET REPLACEMENT SCHEDULING SYS	Mayor's Submission	1,374,911.00	606,000.00	0.00	0.00	0.00	0.00	0.00	606,000.00
		Committee's Markup								0.00
<b>CIM01C Total</b>			<b>1,374,911.00</b>	<b>606,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>606,000.00</b>
CSP08C	INTEGRATED TAX SYSTEM MODERNIZATION	Mayor's Submission	30,031,080.00	6,000,000.00	6,900,000.00	0.00	0.00	0.00	0.00	12,900,000.00
		Committee's Markup								0.00
<b>CSP08C Total</b>			<b>30,031,080.00</b>	<b>6,000,000.00</b>	<b>6,900,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>12,900,000.00</b>
CSP10C	IT SYSTEM UPGRADES	Mayor's Submission	0.00	0.00	500,000.00	1,000,000.00	1,000,000.00	1,000,000.00	0.00	3,500,000.00
		Committee's Markup								0.00
<b>CSP10C Total</b>			<b>0.00</b>	<b>0.00</b>	<b>500,000.00</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>0.00</b>	<b>3,500,000.00</b>
<b>AT0 - OFFICE OF THE CHIEF FINANCIAL OFFICER TOTAL</b>			<b>31,405,991.00</b>	<b>6,606,000.00</b>	<b>13,900,000.00</b>	<b>25,200,000.00</b>	<b>42,500,000.00</b>	<b>19,500,000.00</b>	<b>10,000,000.00</b>	<b>117,706,000.00</b>

## 1. COMMITTEE ANALYSIS AND COMMENTS

### a. Agency Mission and Overview

The stated mission of the Office of the Chief Financial Officer (OCFO) is to provide financial management services to the government and the people of the District of Columbia and to sustain long-term fiscal and economic viability. The OCFO provides enhanced fiscal and financial stability, accountability, and integrity for the District government. The OCFO operates through seven programs: (1) Financial Operations and Systems; (2) Budget Development and Execution; (3) Research and Analysis; (4) Tax Administration; (5) Information Technology; (6) Finance and Treasury; and (7) Integrity and Oversight.

The *Financial Operations and Systems* division carries out the District's accounting operations, including critical functions such as District-wide General Ledger accounting, financial reporting, and pay and retirement services. This program also works closely with the Office of the Inspector General to produce the CAFR, which shows the District's financial position at the end of each fiscal year. The *Budget Development and Execution* division—commonly referred to as the Office of Budget and Planning (OBP)—prepares, monitors, analyzes, and executes the District government's budget, including operating, capital, and enterprise

funds, in a manner that facilitates fiscal integrity and maximizes services to taxpayers.<sup>6</sup> The *Research and Analysis* division—also known as the Office of Revenue and Analysis (ORA)—provides revenue estimates, revenue policy analysis, and analysis supporting economic development.

The *Tax Administration* division—often referred to as the Office of Tax and Revenue (OTR)—provides fair, efficient, and effective administration of the District’s business, income, excise, and real property tax laws. The *Information Technology* division provides for the development and maintenance of state-of-the-art financial information systems to support the District’s payroll, pension, accounting, tax, budget, treasury, and web-based financial reporting systems. The *Finance and Treasury* division provides management of the financial assets and liabilities of the District government, including investing, collecting, safekeeping, disbursing, recording, and acquiring District financial resources. Finally, the *Integrity and Oversight* division maintains the accountability, integrity, and efficiency of the Districts’ financial management and tax administration systems.

**b. Mayor’s Proposed FY 2018 Operating Budget**

**Proposed Operating Budget Summary**

The proposed total operating budget of the OCFO is \$179,883,543, an increase of 1.3% from the FY 2017 approved budget. This funding supports 1,004 Full-Time Equivalents (FTEs), an increase of 23 FTEs or 2.3% from the FY 2017 approved level. Excluding OBP, the proposed operating budget of the OCFO is \$173,393,276.32 to support 962.0 FTEs.<sup>7</sup>

**Local Funds:** The proposed local funds budget for the OCFO is \$120,687,450.13 an increase of \$2,065,952 from the FY 2017 approved budget. This funding supports 849.9 FTEs, representing an increase of 11 from the FY 2017 approved budget.

**Federal Grant Funds:** The proposed federal grant funds budget for the OCFO is \$450,000, which represents a decrease of \$75,000 from the FY 2017 approved budget. The federal grant funds do not support any FTEs.

**Special Purpose Revenue Funds:** The proposed special purpose revenue funds budget for the OCFO is \$44,042,000, an increase of 1.3% from the FY 2017 approved budget. This budget supports 64.0 FTEs, representing an increase of 9.0 FTEs or 16.4% from the FY 2017 approved budget.

**Intra-District Funds:** The proposed intra-district funds budget for the OCFO is \$8,489,000, a decrease of 1.8% from the FY 2017 approved budget. This supports 48.1 FTEs, representing an increase of 2.4 FTEs or 5.4% from the FY 2017 approved budget.

**Committee Analysis and Comments**

The Committee commends the OCFO on its ongoing activities. The Committee is impressed by the OCFO’s new strategic plan for 2018 – 2023 and is confident it will implement those new goals and do so in a timely manner.

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<sup>6</sup> Although a component unit of the OCFO, the Committee does not perform oversight for OBP. This program falls under the oversight jurisdiction of the Committee of the Whole. *See supra*, note 4. The Committee, therefore, does not make any recommendations with respect to the funds or Full-Time Equivalents affecting OBP.

<sup>7</sup> To enhance transparency, the funding associated with OBP is consolidated within the OCFO budget numbers.

The Committee is confident in Jeffrey S. DeWitt's reappointment as the chief financial officer (CFO) for the District of Columbia for a five year term through June 2022. The Committee also applauds the OCFO on its leadership and continuing efforts to work collectively reform the Schedule H process by the removal/elimination of requiring dependent information and thereby providing additional opportunities for District tax payers to afford the cost of living in the District by accessing this benefit.

The Committee intends to monitor the OCFO's efforts to hire its requested additional FTEs to accomplish its collection goals under various programs. The Committee does believe the OCFO is properly aligned with FTEs, but elected to redirect two positions towards important priorities elsewhere in the government. Further, the Committee intends to work with the OCFO to monitor the results of the revenue generating initiatives on confirming homestead exemptions are properly claimed and to identify bank accounts of delinquent taxpayers for collection.

**c. Mayor's Proposed FY 2018 – FY 2023 Capital Budget**

The Mayor's proposed capital budget request includes an allotment of \$606,000.00 for FY 2018 and a total budget \$117,706,000.00 for the entire FY 2018 – FY 2023 capital plan period. This represents an increase in allotments from the FY 2017 – FY 2022 approved level. This increase is, in large part, due to an increase in the proposed budget for the SOAR Modernization project.

**Committee Analysis and Comments**

The Committee is encouraged to see the investment in the capital improvement plan to fund the SOAR Replacement Project which will provide long overdue and much needed improvements. Additionally, the Committee continues to be supportive of the creation and continuous improvement towards the Capital Asset Replacement Scheduling System (CARSS), used for long-range capital financing planning, its creation and ability to provide for long-range capital financing planning and allows for better maintenance of the District's assets.

*1. Capital Infrastructure Planning Model*

CARRS (C1M01) —a project developed in FY 2016— assists the District by identifying funding needs to maintain current infrastructure, and analyzing the capacity of various funding options. Additionally, this capital project enables the OCFO to review the impact of policies on the District's debt cap and Pay-As-You-Go levels. Through this capital project, the District possesses a mechanism for assessing the condition of its current assets and proposed investments in new assets, as well as examine the need for alternate financial options, such as public-private partnerships and infrastructure trusts. The project has proven to be helpful and the Committee commends the Mayor for continuing to support this project. In light of this success, the Committee ponders if further funding would increase its efficacy. The proposed budget has \$1.3M currently available for the project, with an additional \$606,000 in FY 2018 to complete the project.

CARRS not only assists the District by identifying funding needs to maintain current infrastructure and analyzes the capacity of various funding options, it also has been expanded to better quantify the District's proposed new projects and ongoing capital maintenance needs at a more detailed level, by individual asset type. Modeling for all current and proposed capital projects (which includes approximately 573 projects) was completed last year, and the model was used to help formulate the Mayor's proposed FY2018 – 2023 Capital Improvement Plan (CIP). The project is also in the process of being expanded to include all agency assets, not just those with current capital projects.

*2. MITS*



The Mayor's proposed 6-year budget for the MITS project (CSP08) includes \$12.9 million in funding to enable the OCFO to fully complete implementation of all phases. The Mayor proposes \$6 million in FY 2018. The Committee is pleased to see that the Mayor continued the District's investment in the ITS modernization.

Full implementation of the modernized system will provide intelligent case analytics and provide review and analysis abilities that results in increased tax compliance and collections—further producing increased revenues. Moreover, the new MyTax.DC.gov portal was launched and has shown strong performance since going live.

### *3. SOAR Modernization*

The Mayor's proposed 6-year budget for SOAR Modernization (BF301) totals \$91 million through FY 2023 and no funding in FY 2018. This reflects a substantial change from the approved FY 2017 – FY 2022 capital plan. The Committee is encouraged to see that substantial funding increase necessary to execute this project has been included in the Mayor's proposed budget and capital plan.

As noted by the committee last year, upgrading the SOAR system is essential to the continued financial performance of the District. Modernizing the system also improves its overall security and reliability. The SOAR Modernization must also be considered in the lens of budget autonomy. The decision at the D.C. Superior Court to uphold the District's budget autonomy means that the city may now take steps to use and operate its budget in a manner that is of importance to District taxpayers and not elected officials at the federal level. A truly autonomous budget process would mean switching the fiscal year from October 1-September 30 to June 30-July 1. Such a change would match the fiscal year of the Washington Metropolitan Area Transit Authority and the District's public schools, as well as that of neighboring states Maryland and Virginia. It is the understanding of the Committee that this change cannot be made with the current SOAR system and therefore could not take place until the SOAR Modernization occurs.

## **2. COMMITTEE RECOMMENDATIONS**

### **a. FY 2018 Operating Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2018 operating budget for the Office in the amount of \$173,393,276.32, a reduction of \$275,500, which includes the following changes:

1. Remove 2.0 Full-Time Equivalents from the Office of the Chief Information Officer.
2. Realize \$2,700,000 in savings from the Central Collections Unit special purpose revenue fund.
3. Direct \$20,000 in local recurring funds to cover the fiscal effects of recommended subtitle Women's National Democratic Club to be fully real property tax exempt (they are currently 13.98% taxable, with a yearly bill around \$15,000).

### **b. FY 2018 Capital Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2018 capital budget for the OCFO of \$6,606,000 in FY 2018 and \$117,706,000 over the course of the 6-year capital plan.

## C. D.C. LOTTERY AND CHARITABLE GAMES

<b>FY 2018 Operating Budget by Comptroller Source Group (Gross Funds)</b>					
	Actuals FY 2016	Approved FY 2017	Proposed FY 2018	Committee Variance	Approved
<b>OFFICE OF LOTTERY AND CHARITABLE GAMES</b>					
11 REGULAR PAY - CONT FULL TIME	\$5,665,866.16	\$6,717,348.87	\$6,543,540.80		\$6,543,540.80
12 REGULAR PAY - OTHER	\$228,824.64	\$192,505.45	\$337,458.64		\$337,458.64
13 FRINGE BENEFITS - CURR PERSONNEL	\$86,800.83	\$16,225.00	\$16,225.00		\$16,225.00
14 FRINGE BENEFITS - CURR PERSONNEL	\$1,213,781.74	\$1,582,356.65	\$1,575,748.92		\$1,575,748.92
15 OVERTIME PAY	\$49,051.33	\$156,000.00	\$156,000.00		\$156,000.00
<b>PERSONAL SERVICES</b>	<b>\$7,244,324.70</b>	<b>\$8,664,435.97</b>	<b>\$8,628,973.36</b>	<b>\$0.00</b>	<b>\$8,628,973.36</b>
20 SUPPLIES AND MATERIALS	\$45,485.79	\$502,557.95	\$346,874.00		\$346,874.00
30 ENERGY, COMM. AND BLDG RENTALS	\$4,743.00	\$328,010.00	\$13,688.76		\$13,688.76
31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	\$204,897.94	\$294,372.00	\$227,080.60		\$227,080.60
32 RENTALS - LAND AND STRUCTURES	\$2,173,513.41	\$2,067,353.00	\$2,329,965.00		\$2,329,965.00
34 SECURITY SERVICES	\$27,106.00	\$1,368,479.00	\$1,369,841.14		\$1,369,841.14
35 OCCUPANCY FIXED COSTS	\$6,704.37	\$0.00	\$49,848.84		\$49,848.84
40 OTHER SERVICES AND CHARGES	\$6,790,376.37	\$8,665,173.06	\$9,182,364.92		\$9,182,364.92
41 CONTRACTUAL SERVICES - OTHER	\$11,354,672.56	\$13,822,398.10	\$13,689,941.64		\$13,689,941.64
50 SUBSIDIES AND TRANSFERS	\$200,290,294.71	\$178,752,220.92	\$203,621,421.74		\$203,621,421.74
70 EQUIPMENT & EQUIPMENT RENTAL	\$128,242.78	\$535,000.00	\$540,000.00		\$540,000.00
<b>NON-PERSONNEL SERVICES</b>	<b>\$221,026,036.93</b>	<b>\$206,335,564.03</b>	<b>\$231,371,026.64</b>		<b>\$231,371,026.64</b>
<b>GROSS FUNDS</b>	<b>\$228,270,361.63</b>	<b>\$215,000,000.00</b>	<b>\$240,000,000.00</b>		<b>\$240,000,000.00</b>

<b>FY 2018 Operating Budget by Fund Type (Gross Funds)</b>					
	FY 2016 ACTUALS	FY 2017 APPROVED	FY 2018 PROPOSED	COMMITTEE VARIANCE	COMMITTEE APPROVED
<b>OFFICE OF LOTTERY AND CHARITABLE GAMES</b>					
ENTERPRISE AND OTHER FUNDS	\$228,270,361.63	\$215,000,000.00	\$240,000,000.00		\$240,000,000.00
<b>GROSS FUNDS</b>	<b>\$228,270,361.63</b>	<b>\$215,000,000.00</b>	<b>\$240,000,000.00</b>		<b>\$240,000,000.00</b>

<b>FY 2018 Operating Budget by Program (Gross Funds)</b>					
	FY 2016 ACTUALS	FY 2017 APPROVED	FY 2018 PROPOSED	COMMITTEE VARIANCE	COMMITTEE APPROVED
<b>OFFICE OF LOTTERY &amp; CHARITABLE GAMES</b>					
1000 AGENCY MANAGENT	\$7,667,627.42	\$18,556,189.04	\$11,003,644.77		\$11,003,644.77
6000 GAMING OPERATIONS PROGRAM	\$19,354,584.88	\$16,024,098.41	\$23,666,859.48		\$23,666,859.48
100F AGENCY FINANCIAL OPERATIONS	\$201,248,149.33	\$180,419,712.55	\$205,329,495.75		\$205,329,495.75
<b>GROSS FUNDS</b>	<b>\$228,270,361.63</b>	<b>\$215,000,000.00</b>	<b>\$240,000,000.00</b>		<b>\$240,000,000.00</b>

### 1. COMMITTEE ANALYSIS AND COMMENTS

#### a. Agency Mission and Overview

The mission of the D.C. Lottery and Charitable Games Control Board (Lottery) is to generate revenue for the District’s general fund through the sale of lottery games and to regulate charitable gaming. The Lottery operates through one program: Gaming Operations. This division provides support services to lottery retail agents and the gaming public so that they may benefit from the portfolio of games offered by the Lottery.

**b. Mayor’s Proposed FY 2018 Operating Budget**

**Proposed Operating Budget Summary**

The proposed FY 2018 operating budget for the Lottery is \$240,000,000, an increase of 11.6% from the FY 2017 approved budget. This funding supports 74.5 FTEs, which represents an increase of 1.4% change from the FY 2017 approved level.

*Local Funds:* The Lottery is funded solely through enterprise and other funds.<sup>8</sup>

**Committee Analysis and Comments**

The Committee recognizes the decrease in year to date transfer of its target goal to the general fund budget, but the Committee is encouraged by the new product offerings planned for the remainder of 2017 and 2018 as well as the strong sales of instant tickets and the upcoming release of the “handbag tickets” and “neighborhood tickets” showcasing 12 neighborhoods around the city.

The Committee is concerned about the effect that the MGM Casino will have on the DC Lottery when revenue generated in the casino in one month is what the DC Lottery transfers in a year. We are confident the DC Lottery has the necessary resources so that their products remain as attractive and profitable despite new competition in neighboring jurisdictions. The Committee continues to applaud the steps taken by the Lottery to expand its portfolio, as well as reduce and eliminate fraud. The Committee intends to continue to work with the DC Lottery to identify additional retail locations and kiosks, including having a presence within the federal enclave areas of our own city.

**c. Mayor’s Proposed FY 2018 – FY 2023 Capital Budget**

The Mayor has no proposed FY 2018 – FY 2023 capital budget for the Lottery.

**2. COMMITTEE RECOMMENDATIONS**

**a. FY 2018 Operating Budget Recommendations**

The Committee recommends adoption of the Mayor’s FY 2018 operating budget for the Lottery in the amount of \$240,000,000.

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<sup>8</sup> Prior to FY 2015, the Lottery maintained a budget through a special purpose revenue fund. Beginning in FY 2015, the District performed a technical change to transition the operating budget from special purpose revenue to “enterprise and other” funding.

**c. FY 2018 Capital Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2018 capital budget for the Lottery of \$0.

## D. REAL PROPERTY TAX APPEALS COMMISSION

<b>FY 2018 Operating Budget by Comptroller Source Group (Gross Funds)</b>					
	Actuals FY 2016	Approved FY 2017	Proposed FY 2018	Committee Variance	Committee Approved
<b>REAL PROPERTY TAX APPEALS COMMISSION</b>					
11 REGULAR PAY - CONT FULL TIME	\$341,596.02	\$279,447.21	\$358,485.31		\$358,485.31
12 REGULAR PAY - OTHER	\$711,995.88	\$804,368.68	\$730,053.40		\$730,053.40
14 FRINGE BENEFITS - CURR PERSONNEL	\$177,192.72	\$170,159.09	\$179,608.89		\$179,608.89
<b>PERSONNEL SERVICES</b>	<b>\$1,230,784.62</b>	<b>\$1,253,974.98</b>	<b>\$1,268,147.60</b>		<b>\$1,268,147.60</b>
20 SUPPLIES AND MATERIALS	\$9,490.50	\$9,500.00	\$12,000.00		\$12,000.00
31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	\$500.00	\$5,000.00	\$2,500.00		\$2,500.00
40 OTHER SERVICES AND CHARGES	\$264,928.21	\$292,522.02	\$296,972.40		\$296,972.40
41 CONTRACTUAL SERVICES - OTHER	\$132,570.44	\$131,657.00	\$125,000.00		\$125,000.00
70 EQUIPMENT & EQUIPMENT RENTAL	\$5,000.00	\$10,000.00	\$10,000.00		\$10,000.00
<b>NON-PERSONNEL SERVICES</b>	<b>\$412,489.15</b>	<b>\$448,679.02</b>	<b>\$446,472.40</b>		<b>\$446,472.40</b>
<b>GROSS FUNDS</b>	<b>\$1,643,273.77</b>	<b>\$1,702,654.00</b>	<b>\$1,714,620.00</b>		<b>\$1,714,620.00</b>

<b>FY 2018 Operating Budget by Fund Type (Gross Funds)</b>					
	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance	Committee Approved
<b>REAL PROPERTY TAX APPEALS COMMISSION</b>					
100 LOCAL FUND	\$1,643,273.77	\$1,702,654.00	\$1,714,620.00		\$1,714,620.00
<b>GROSS FUNDS</b>	<b>\$1,643,273.77</b>	<b>\$1,702,654.00</b>	<b>\$1,714,620.00</b>		<b>\$1,714,620.00</b>

<b>FY 2018 Operating Budget by Program (Gross Funds)</b>					
	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance	Committee Approved
<b>REAL PROPERTY TAX APPEALS COMMISSION</b>					
1000 AGENCY MANAGEMENT	\$158,126.15	\$163,230.05	\$162,961.31		\$162,961.31
2000 REAL PROPOERTY APPEALS PROCESS	\$1,384,147.39	\$1,435,637.38	\$1,453,236.99		\$1,453,236.99
3000 REAL PROPOERT OUTREAD EDUCATION	\$101,000.23	\$103,786.57	\$98,421.70		\$98,421.70
<b>GROSS FUNDS</b>	<b>\$1,643,273.77</b>	<b>\$1,702,654.00</b>	<b>\$1,714,620.00</b>		<b>\$1,714,620.00</b>

### 1. COMMITTEE ANALYSIS AND COMMENTS

#### a. Agency Mission and Overview

The mission of the Real Property Tax Appeals Commission (RPTAC) is to conduct fair and impartial hearings to review disputed real property tax assessments to ensure that properties are assessed at 100% of market value, and to resolve claims of improper real property classifications and homestead and senior eligibility issues. RPTAC provides a second-level administrative remedy for property owners to adjudicate property assessments prior to potential formal litigation in D.C. Superior Court. Property owners are entitled to a second-level appeal after completing the first-level assessment appeal. First-level appeals are conducted with OTR Real Property Tax Assessors.

RPTAC consists of 18 members, including a Chairperson and Vice Chairperson, and a complement of both full-time and part-time commissioners. The Chairperson and Vice Chairperson serve full-time. RPTAC

accomplishes its mission through two divisions: (1) Real Property Appeals Process; and (2) Real Property Outreach Education. The *Real Property Appeals Process* division provides a second-level administrative remedy for property owners to adjudicate property assessments prior to formal litigation in the D.C. Superior Court. The *Real Property Outreach Education* division provides assessment appeal services and education to residents, communities, and businesses in the District.

**b. Mayor's Proposed FY 2018 Operating Budget**

**Proposed Operating Budget Summary**

The proposed operating budget of RPTAC is \$1,714,620, an increase of 0.7% from the FY 2017 approved budget. This funding supports 11.0 FTEs, which represents no change from the FY 2017 approved level.

*Local Funds:* RPTAC is funded solely through local funds.

**Committee Analysis and Comments**

The Committee commends RPTAC on its ability to process their caseload within the statutory deadline and in a timely manner. It is apparent that the legislative change made to allow for 80 days to review apartment buildings of 5 or more units has proven helpful in allowing RPTAC to fulfill its obligations<sup>9</sup>.

The Committee will continue to work with RPTAC to examine ways to further assist them in meeting its goals. Adjustments to RPTAC may include exploring a change to how part time commissioners are used; an option would be to switch part time commissioners to a contractual basis to ensure part time commissioners would be available to hear and make decisions on a sufficient number of cases during the season. The committee is encouraged that RPTAC will have a full complement of commissioners in time for the 2018 appeals season.

**c. Mayor's Proposed FY 2018 – FY 2023 Capital Budget**

The Mayor has no proposed FY 2018 – FY 2023 capital budget for RPTAC.

**2. COMMITTEE RECOMMENDATIONS**

**a. FY 2018 Operating Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2018 operating budget for RPTAC in the amount of \$1,714,620.

**b. FY 2018 Capital Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2018 capital budget for RPTAC of \$0.

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<sup>9</sup> Real Property Tax Appeals Commission Review Clarification Emergency Amendment Act of 2016, approved Sept. 20, 2016; and subsequent Temporary approved Oct. 11, 2016.

## E. OFFICE OF FINANCE AND RESOURCE MANAGEMENT

<b>FY 2018 Operating Budget by Comptroller Source Group (Gross Funds)</b>					
	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance	Committee Approved
<b>OFFICE OF FINANCE AND RESOURCE MANAGEMENT</b>					
11 REGULAR PAY - CONT FULL TIME	\$4,198,232.35	\$4,635,025.75	\$4,878,982.46		\$4,878,982.46
12 REGULAR PAY - OTHER	\$58,108.66	\$94,775.45	\$46,654.00		\$46,654.00
13 ADDITIONAL GROSS PAY	\$32,033.10	\$0.00			\$0.00
14 FRINGE BENEFITS - CURR PERSONNEL	\$856,255.15	\$1,083,124.53	\$1,064,953.78		\$1,064,953.78
15 OVERTIME PAY	\$7,135.57	\$4,070.05	\$4,070.05		\$4,070.05
<b>PERSONNEL SERVICES</b>	<b>\$5,151,764.83</b>	<b>\$5,816,995.78</b>	<b>\$5,994,660.29</b>		<b>\$5,994,660.29</b>
20 SUPPLIES AND MATERIALS	\$50,281.96	\$20,000.00	\$50,000.00		\$50,000.00
31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	\$24,861,076.75	\$30,617,773.63	\$31,283,757.76		\$31,283,757.76
40 OTHER SERVICES AND CHARGES	\$282,152.19	\$59,420.90	\$165,510.30		\$165,510.30
70 EQUIPMENT & EQUIPMENT RENTAL	\$64,862.37	\$10,000.00	\$40,000.00		\$40,000.00
<b>NON-PERSONNEL SERVICES</b>	<b>\$25,258,373.27</b>	<b>\$30,707,194.53</b>	<b>\$31,539,268.06</b>		<b>\$31,539,268.06</b>
<b>GROSS FUNDS</b>	<b>\$30,410,138.10</b>	<b>\$36,524,190.31</b>	<b>\$37,533,928.35</b>		<b>\$37,533,928.35</b>

<b>FY 2018 Operating Budget by Fund Type (Gross Funds)</b>					
	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance	Committee Approved
<b>OFFICE OF FINANCE AND RESOURCE MANAGEMENT</b>					
SPECIAL PURPOSE REVENUE FUNDS ('O' TYPE)	\$237,831.17	\$407,440.39	\$442,218.38		\$442,218.38
LOCAL FUND	\$20,799,575.29	\$23,379,658.97	\$24,264,179.00		\$24,264,179.00
OPERATING INTRA-DISTRICT FUNDS	\$9,372,731.64	\$12,737,090.95	\$12,827,530.97		\$12,827,530.97
<b>GROSS FUNDS</b>	<b>\$30,410,138.10</b>	<b>\$36,524,190.31</b>	<b>\$37,533,928.35</b>		<b>\$37,533,928.35</b>

<b>FY 2018 Operating Budget by Program (Gross Funds)</b>					
	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance (Approx.)	Committee Approved
<b>OFFICE OF FINANCE AND RESOURCE MANAGEMENT</b>					
1000 AGENCY MANAGEMENT	\$1,249,093.89	\$1,294,885.09	\$1,218,346.51		\$1,218,346.51
2000 FINANCIAL MANAGEMENT	\$28,177,475.44	\$33,823,589.23	\$35,954,243.42		\$35,954,243.42
3000 RESOURCE MANAGEMENT	\$983,568.77	\$1,405,715.99	\$361,338.42		\$361,338.42
<b>GROSS FUNDS</b>	<b>\$30,410,138.10</b>	<b>\$36,524,190.31</b>	<b>\$37,533,928.35</b>		<b>\$37,533,928.35</b>

### 1. COMMITTEE ANALYSIS AND COMMENTS

#### a. Agency Mission and Overview

The mission of the Office of Finance and Resource Management (OFRM) is to provide financial and resource management services to various District government agencies. OFRM promotes the effective management of the District's resources by continuously seeking improvements in operational efficiency on behalf of the government and the residents of the District. OFRM achieves its mission through two programs: (1) Financial Management; and (2) Resource Management. The *Financial Management* division provides financial management services to enable agencies to accomplish programmatic goals and ensure financial health and positive recognition of the agency and the District government. The *Resource Management* division

performs due diligence analysis to identify financial waste and abuse and accounts for the use of all dollars expended from budgets of client agencies that are related to fixed costs.

**b. Mayor's Proposed FY 2018 Operating Budget**

**Proposed Operating Budget Summary**

The proposed operating budget for OFRM is \$37,533,928, an increase of 2.8% from the FY 2017 approved budget. This funding supports 45.0 FTEs, which represents a decrease of 2.3% from the FY 2017 approved level.

**Local Funds:** The proposed local funds budget for OFRM is \$24,264,179, an increase of 3.8% from the FY 2017 approved budget. This funding supports 38 FTEs, representing a decrease 2% from the FY 2017 approved level.

**Special Purpose Revenue Funds:** The proposed special purpose revenue funds budget for OFRM is \$442,218, an increase of 8.5% from the FY 2017 approved budget. The special purpose revenue funds do not support any FTEs.

**Intra-District Funds:** The proposed intra-District funds budget for OFRM is \$12,827,530, an increase of 0.7% from the FY 2017 approved budget. This funding supports 7.0 FTEs, which represents an increase of 34.1% from the FY 2017 approved level.

**Committee Analysis and Comments**

The Committee agrees with the Mayor's proposed budget in FY 2018 for OFRM and believes that this funding level will sufficiently enable it to meet its mission.

**c. Mayor's Proposed FY 2018 – FY 2023 Capital Budget**

The Mayor has no proposed FY 2018 – FY 2023 capital budget for OFRM.

**2. COMMITTEE RECOMMENDATIONS**

**a. FY 2018 Operating Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2018 operating budget for OFRM in the amount of \$37,533,928.

**b. FY 2018 Capital Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2017 capital budget for OFRM of \$0.



## F. D.C. COMMISSION ON THE ARTS AND HUMANITIES

<b>FY 2018 Operating Budget by Comptroller Source Group (Gross Funds)</b>					
	Actuals FY 2016	Approved FY 2017	Proposed FY 2018	Committee Variance	Approved
<b>COMMISSION ON THE ARTS AND HUMANITIES</b>					
11 REGULAR PAY - CONT FULL TIME	\$603,388.60	\$882,570.75	\$1,501,823.71		\$1,501,823.71
12 REGULAR PAY - OTHER	\$627,604.05	\$1,128,194.28	\$599,674.23		\$599,674.23
13 ADDITIONAL GROSS PAY	\$26,923.44	\$0.00			\$0.00
14 FRINGE BENEFITS - CURR PERSONNEL	\$266,178.06	\$432,314.49	\$435,010.06		\$435,010.06
<b>PERSONNEL SERVICES</b>	<b>\$1,524,094.15</b>	<b>\$2,443,079.52</b>	<b>\$2,536,508.00</b>	<b>\$0.00</b>	<b>\$2,536,508.00</b>
20 SUPPLIES AND MATERIALS	\$14,999.10	\$10,000.00	\$15,000.00		\$15,000.00
31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	\$8,531.73	\$6,000.00	\$6,000.00		\$6,000.00
40 OTHER SERVICES AND CHARGES	\$473,828.89	\$722,060.65	\$589,092.36		\$589,092.36
41 CONTRACTUAL SERVICES - OTHER	\$2,146,467.92	\$1,684,187.00	\$2,170,523.24	\$20,000.00	\$2,190,523.24
50 SUBSIDIES AND TRANSFERS	\$11,171,196.38	\$17,239,841.50	\$15,470,514.40	\$2,680,000.00	\$18,150,514.40
70 EQUIPMENT & EQUIPMENT RENTAL	\$11,718.00	\$9,953.86	\$9,000.00		\$9,000.00
<b>NON-PERSONNEL SERVICES</b>	<b>\$13,826,742.02</b>	<b>\$19,672,043.01</b>	<b>\$18,260,130.00</b>	<b>\$2,700,000.00</b>	<b>\$20,960,130.00</b>
<b>GROSS FUNDS</b>	<b>\$15,350,836.17</b>	<b>\$22,115,122.53</b>	<b>\$20,796,638.00</b>	<b>\$2,700,000.00</b>	<b>\$23,496,638.00</b>

<b>FY 2018 Operating Budget by Fund Type (Gross Funds)</b>					
	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance (approx.)	Committee Approved
<b>COMMISSION ON THE ARTS &amp; HUMANITIES</b>					
FEDERAL GRANT FUND	\$691,900.00	\$691,900.01	\$720,200.00		\$720,200.00
LOCAL FUND	\$14,336,069.00	\$21,055,222.52	\$19,775,438.00	\$2,700,000.00	\$22,475,438.00
OPERATING INTRA-DISTRICT FUNDS	\$216,000.00	\$168,000.00	\$168,000.00		\$168,000.00
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	\$106,867.17	\$200,000.00	\$133,000.00		\$133,000.00
<b>GROSS FUNDS</b>	<b>\$15,350,836.17</b>	<b>\$22,115,122.53</b>	<b>\$20,796,638.00</b>	<b>\$2,700,000.00</b>	<b>\$23,496,638.00</b>

<b>FY 2017 Operating Budget by Program (Gross Funds)</b>					
	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance (Approx.)	Committee Approved
<b>COMMISSION ON THE ARTS &amp; HUMANITIES</b>					
1000 AGENCY MANAGEMENT	\$375,064.63	\$772,771.25	\$972,075.41		\$972,075.41
2000 ARTS BUILDING COMMUNITIES	\$6,032,223.81	\$8,752,601.31	\$9,430,833.13	\$1,440,000.00	\$10,870,833.13
3000 DC CREATES PUBLIC ART	\$1,178,641.99	\$5,082,447.11	\$3,686,374.07		\$3,686,374.07
4000 ARTS LEARNING AND OUTREACH	\$7,351,403.73	\$6,883,877.11	\$5,850,909.45	\$1,240,000.00	\$7,090,909.45
5000 ADMINISTRATION	\$413,502.01	\$623,425.75	\$856,445.94	\$20,000.00	\$876,445.94
<b>GROSS FUNDS</b>	<b>\$15,350,836.17</b>	<b>\$22,115,122.53</b>	<b>\$20,796,638.00</b>	<b>\$2,700,000.00</b>	<b>\$23,496,638.00</b>

### 1. COMMITTEE ANALYSIS AND COMMENTS

**a. Agency Mission and Overview**

The mission of the D.C. Commission on the Arts and Humanities (CAH or Commission) is to provide grants, programs, and educational activities that encourage diverse artistic expressions and learning opportunities so that all District residents and visitors can experience the rich culture of our city. CAH offers a diverse range of grant programs and cultural activities to support practicing artists, arts organizations, and community groups. CAH achieves its mission through five programs: (1) Arts Building Communities; (2) D.C. Creates Public Art; (3) Arts Learning and Outreach; (4) Administration; and (5) Agency Management. The *Arts Building Communities* division provides grants, performances, exhibitions, and other services to individual artists, arts organizations, and neighborhood and community groups so that they can express, experience, and access the rich cultural diversity of the District. The *D.C. Creates Public Art* division provides the placement of high-quality art installations and administrative support services for the public so that they can benefit from an enhanced visual and cultural environment, with a particular emphasis on geographically-challenged areas of the city. The *Arts Learning and Outreach* division provides grants, educational activities, and outreach services for youth, young adults, and the general public so that they can gain a deeper appreciation for the arts and to enhance the overall quality of their lives. The *Administration* division provides technical assistance and legislative services to CAH so that it can provide funding opportunities to District artists and arts organizations. The *Agency Management* division provides for administrative support and the required tools to achieve operational and programmatic results.

**b. Mayor's Proposed FY 2018 Operating Budget**

**Proposed Operating Budget Summary**

The proposed operating budget for CAH is \$20,796,638, a decrease of 6.00% from the FY 2017 approved budget. This funding supports 28.0 FTEs, which represents no change from the FY 2017 approved level.

***Local Funds:*** The proposed local funds budget for CAH is \$19,908,000, a decrease of 6.3% from the FY 2017 approved budget. This funding supports 21.0 FTEs, representing no change from the FY 2017 approved level.

***Special Purpose Revenue Funds:*** The proposed special purpose revenue funds budget for CAH is \$133,000, a decrease of 33.5% from the FY 2017 approved budget. The special purpose revenue funds do not support any FTEs.

***Federal Grant Funds:*** The proposed funds from federal grants for CAH is \$720,000, an increase of 4.1% from the FY 2017 approved budget. This funding supports 7.0 FTEs, which represents no change from the FY 2016 approved level.

***Intra-District Funds:*** The proposed intra-District funds budget for CAH is \$168,000, representing no change from the FY 2017 approved budget. The intra-District funds do not support any FTEs.

**Committee Analysis and Comments**

The Committee was pleased to see Mayor Bowser's commitment to funding CAH at \$20 million. However, the Committee continues to advocate for more funding for the Commission at least \$25 million. A dedicated funding source for CAH is critical. The arts and humanities are an integral part of the District and improve the performance of our children in school and assists with developing problem-solving and critical-

thinking skills. The District is proud to be home to many arts related businesses that provide employment and cultural outlets for so many. A strong, well-funded Commission enables the District to better support this large community and better connect the arts to tourists, visitors, and residents. The Committee encourages the Commission to continue taking steps in FY 2018 to assist the art community—specifically local musicians—by exploring potential sites and venues that will strengthen the District’s music scene and provide an anchor that will attract more artists to visit or stay in the District and share their talent with our residents.

The Committee is concerned about the potential loss of National Endowment for the Arts funding, and potential ramifications that would have of the CAH and local organizations. The Commission stated that they are closely monitoring the status of National Endowment for the Arts (NEA) funding, which they are recipients of, as well as National Endowment for the Humanities (NEH) funding. While NEH funding would not directly affect CAH, many organizations in the city would be affected. The committee is also concerned over the potential loss of this NEH federal funding and what effect this would have particularly on organizations focusing on the humanities. This NEH concern should contribute to accelerating the search for a dedicated funding source for CAH, in order that organizations supporting the arts can continue to have a strong presence and program opportunities in our city.

Over the past year the Commission on the Arts and Humanities made a conscious effort, in consultation with the Office of Partnerships and Grant Services (OPGS), to ensure grants are awarded in compliance with OPGS grant guidelines in regards to grant practices and to ensure greater accountability in grants management. In an effort to address some concerns of organizations receiving grants from both the CAH and partnership organizations, the Commission determined that some previous partnership funding arrangements should be directed to grant award opportunities. The Committee encourages this type of review and compliance, and encourages the Commission will work with organizations on the transition from partnership to grant awards.

**c. Mayor’s Proposed FY 2018 – FY 2023 Capital Budget**

The Mayor has no proposed FY 2018 – FY 2023 capital budget for the CAH.

**2. COMMITTEE RECOMMENDATIONS**

**a. FY 2018 Operating Budget Recommendations**

The Committee recommends adoption of the Mayor’s FY 2018 operating budget for CAH in the amount of \$23.2 million, with the following changes:

*1. Increase Arts Building Communities by \$1.44 Million*

The Commission issues grants through the Arts Building Communities division. During the budget oversight process, CAH informed the Committee that additional funding in this division will enable the Commission to provide more grants to more artists. Additionally, CAH would be able to provide larger grants to organizations that currently apply for multiple grants in order to meet their need; a process that lengthens the grant processing system and potentially inhibits CAH’s ability to issue more grants to a larger pool of applicants. The Committee believes that this division should receive additional funding to support the demand, and therefore support the arts in the District. The Committee recommends placing this funding in Comptroller Source Group (CSG) 50 – Subsidies and Transfers.

*2. Increase Arts Learning and Outreach by \$1.24 Million*

The Arts Learning and Outreach Program provides grants, educational activities, and outreach services, to youths, young adults, and the general public. The Committee believes that the arts are an important component of a child’s life. Exposure to art—whether it be acting, dancing, painting, performing spoken word, or playing music—empowers children and young adults to better express themselves and increases their cultural awareness. Additionally, a substantial amount of research demonstrates that the arts benefit the development of decision-making, language developments, and motor skills, in addition to increased academic performance. As the District endeavors to improve the infrastructure of our school system, we must continue to improve educational content by providing access to the arts. The Committee therefore recommends additional funding to the Arts Learning and Outreach program to support the Commission’s efforts to enrich the lives of our residents. The Committee recommends placing this funding in CSG 50 – Subsidies and Transfers.

*3. Increase Legislative and Grants Management by \$20,000*

Considering the recommendations made above, the Committee believes that the Commission may need additional funding to assist in overseeing the issuance of additional grants. The Committee therefore recommends an additional \$20,000 for the Legislative and Grants management program. The Committee recommends placing this funding in CSG 41 – Contractual Services – Other.

**b. FY 2018 Capital Budget Recommendations**

The Committee recommends adoption of the Mayor’s FY 2018 capital budget for the CAH of \$0. However, the Committee does recommend a reduction of the remaining allotment balance from Commission on the Arts and Humanities capital projects:

1. AH717C, Community Initiatives, in the amount of \$10,000
2. AH7GPC, Arts and Humanities Grants and Projects, in the amount of \$25,790.83;

And convert \$35,790.83 into operating funds to cover the one time fiscal effect of the proposed Budget Support Act subtitle “Public Space Rental Forgiveness” discussed in section V.B.6. of this report. The Commission on the Arts and Humanities no longer receives capital funding, and these capital projects have seen no activity since FY 2014 and are therefore should be retired.

## G. EVENTS DC/ WASHINGTON CONVENTION AND SPORTS AUTHORITY

<b>FY 2018 Operating Budget by Comptroller Source Group (Gross Funds)</b>					
	Actuals FY 2016	Approved FY 2017	Proposed FY 2018	Committee Variance (Approx.)	Approved
<b>WASHINGTON CONVENTION AND SPORTS AUTHORITY</b>					
11 REGULAR PAY - CONT FULL TIME	\$0.00	\$19,114,886.00	\$20,248,062.00		\$20,248,062.00
12 REGULAR PAY - OTHER	\$0.00	\$1,172,300.00	\$1,172,300.00		\$1,172,300.00
14 FRINGE BENEFITS - CURR PERSONNEL	\$0.00	\$7,119,843.00	\$6,645,821.00		\$6,645,821.00
15 OVERTIME PAY	\$0.00	\$575,900.00	\$575,900.00		\$575,900.00
<b>PERSONNEL SERVICES</b>	<b>\$0.00</b>	<b>\$27,982,929.00</b>	<b>\$28,642,083.00</b>		<b>\$28,642,083.00</b>
20 SUPPLIES AND MATERIALS	\$0.00	\$587,306.00	\$868,139.00		\$868,139.00
30 ENERGY, COMM. AND BLDG RENTALS	\$0.00	\$7,223,819.00	\$7,196,079.00		\$7,196,079.00
31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	\$0.00	\$124,659.00	\$215,708.00		\$215,708.00
41 CONTRACTUAL SERVICES - OTHER	\$0.00	\$23,057,699.00	\$23,139,765.00		\$23,139,765.00
50 SUBSIDIES AND TRANSFERS	\$0.00	\$23,116,474.00	\$24,937,625.00		\$24,937,625.00
60 LAND AND BUILDINGS	\$0.00	\$13,007,000.00	\$18,996,000.00		\$18,996,000.00
70 EQUIPMENT & EQUIPMENT RENTAL	\$0.00	\$366,050.00	\$411,515.00		\$411,515.00
80 DEBT SERVICE	\$0.00	\$51,492,840.00	\$51,448,218.00		\$51,448,218.00
<b>NON-PERSONNEL SERVICES</b>	<b>\$0.00</b>	<b>\$118,975,847.00</b>	<b>\$127,213,049.00</b>		<b>\$127,213,049.00</b>
<b>GROSS FUNDS</b>	<b>\$0.00</b>	<b>\$146,958,776.00</b>	<b>\$155,855,132.00</b>		<b>\$155,855,132.00</b>

<b>FY 2018 Operating Budget by Fund Type (Gross Funds)</b>					
	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance	Committee Approved
<b>WASHINGTON CONVENTION &amp; SPORTS AUTHORITY</b>					
ENTERPRISE AND OTHER FUNDS	\$0.00	\$146,958,776.00	\$155,855,132.00		\$155,855,132.00
<b>GROSS FUNDS</b>	<b>\$0.00</b>	<b>\$146,958,776.00</b>	<b>\$155,855,132.00</b>		<b>\$155,855,132.00</b>

<b>FY 2018 Operating Budget by Program (Gross Funds)</b>					
	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance	Committee Approved
<b>WASHINGTON CONVENTION &amp; SPORTS AUTHORITY</b>					
1000 WASH CONVENTION CENTER	\$0.00	\$146,958,776.00	\$155,855,132.00		\$155,855,132.00
<b>GROSS FUNDS</b>	<b>\$0.00</b>	<b>\$146,958,776.00</b>	<b>\$155,855,132.00</b>		<b>\$155,855,132.00</b>

### 1. COMMITTEE ANALYSIS AND COMMENTS

#### a. Agency Mission and Overview

The mission of the Washington Convention and Sports Authority (Events DC)<sup>10</sup> is to serve as an economic engine for the District. Events DC accomplishes this mission in three ways. First, it promotes the District as a location for conventions, trade shows, meetings, sports, entertainment, and recreational events. Second, it promotes tourism and leisure travel to the District. Third, it encourages and supports youth activities, including through the use of sports. Events DC contains the following programs: (1) Washington Convention

<sup>10</sup> In June 2011, the Washington Convention and Sports Authority launched the brand name "Events DC." The Committee utilizes this brand name for the purposes of this report.

Center Operations; (2) Sports and Entertainment Division; and (3) Carnegie Library at Mount Vernon Square (4) and the Special Events Division. The *Washington Convention Center Operations* division provides for the operation of the Walter E. Washington Convention Center and engages in such activities as deemed appropriate to promote trade shows, conventions, and other events. The *Sports and Entertainment Division* promotes attractions and the development of new events for the Robert F. Kennedy Memorial Stadium and the surrounding festival grounds, non-military events at the D.C. Armory, and sporting and entertainment events at other sites around the city, including the D.C. United Major League Soccer team, the Eagle Bank Bowl football game, the Nations Football Classic, local athletic games, and various concerts. The *Carnegie Library at Mount Vernon Square* division oversees use of the Carnegie Library as a special event venue. The *Special Events division*, which makes strategic investments in various city-wide sports, entertainment and cultural events, such as the national cherry blossom festival, Jazz in the 'Hoods, and the Capital Criterium, to name a few.

Events DC is governed by a 12-member Board of Directors. Three members, including the Chief Financial Officer of the District, the chief executive of the Hotel Association of Washington D.C., and a person designated by the Mayor, serve as voting ex-officio members. The Mayor appoints the remaining nine public members with the advice and consent of the Council. The Mayor designates one public member as chairperson with the advice and consent of the Council.

**b. Mayor's Proposed FY 2018 Operating Budget**

**Proposed Operating Budget Summary**

The proposed operating budget for Events DC is \$155,855,132, an increase of 6.1% from the FY 2017 approved budget. This funding does not support any FTEs.

***Local Funds:*** Events DC is funded solely through enterprise and other funds.

**Committee Analysis and Comments**

The Committee is encouraged about Apple moving into Carnegie Library which will continue to attract visitors to the library and conventions. Additionally, the Committee is encouraged about the Entertainment & Sports Arena (ESA) project at the St. Elizabeth's East Campus. The ESA will serve as the Washington Wizards basketball team practice facility, as well as the home of the Washington Mystics basketball team and host many other events and programs.

The Committee will endeavor to streamline nominations for EventsDC so that they are on a consistent cycle. The Committee will continue to monitor the Robert F. Kennedy Campus and its future once DC United, the current anchor tenant, moves to its new stadium.

**c. Mayor's Proposed FY 2018 – FY 2023 Capital Budget**

The Mayor has no proposed FY 2018 – FY 2023 capital budget for Events DC.

**2. COMMITTEE RECOMMENDATIONS**

**a. FY 2018 Operating Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2018 operating budget for Events DC in the amount of \$155,855,132.

**b. FY 2018 Capital Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2018 – FY 2023 capital budget for Events DC of \$0.

## H. DESTINATION DC

### 1. COMMITTEE ANALYSIS AND COMMENTS

#### a. Agency Mission and Overview

Destination DC is a private, non-profit organization that serves as a tourism, promotional, and marketing arm for the District via a five-year contract with Events DC. Destination DC works to increase economic development for the city and maximize revenues for Events DC and the District government by increasing the number of overnight visitors. Formerly the Washington, DC Convention & Tourism Corporation, the entity was renamed Destination DC in 2008 to reflect the organization's increased emphasis on the city's unique assets. Destination DC is funded by a percentage of the city's hotel occupancy tax, along with membership dues and co-operative marketing fees. Destination DC's membership comprises over 850 businesses, including hotels, restaurants, attractions, museums, and cultural organizations. The entity operates under a Board of Directors that presents monthly to Events DC. The Committee identified a recurring funding enhancement in FY 2013 to support marketing efforts of and for the District, and in FY 2015 was able to adjust this amount annually to account for inflation.

#### b. Mayor's Proposed FY 2018 Operating Budget

##### Proposed Operating Budget Summary

Destination DC is principally funded through a contract via the Convention Center Marketing Fund managed by Events DC, which is treated separately in this report.<sup>11</sup> Of note, is the \$3,000,000 local funds adjusted annually for inflation included in the Convention Center Transfer – Dedicated Taxes. The District provides this funding as a grant for purposes of supplementing the marketing endeavors performed by Destination DC. For FY 2018, the Mayor proposed adding an additional \$1.5 million for Destination DC for marketing.

##### Committee Analysis and Comments

The Committee is encouraged by the upcoming U.S. Travel Association's IPW conference in June 2017. The conference should result in follow-up visits by tourists, including international tourists, from showcasing our city to over 600 worldwide tour operators during the conference. The Committee supports more funds for marketing DC, while keeping administration costs at reasonable levels. Additionally, the Committee is excited about news of non-stop flights from Delhi, India, to Dulles-International airport, expected to begin in July. The connection will support efforts to expand reach in international markets and generate new tourism, conventions, and more revenue for the District.

#### c. Mayor's Proposed FY 2018 – FY 2023 Capital Budget

The Mayor has no proposed FY 2018 – FY 2023 capital budget for Destination DC.

### 2. COMMITTEE RECOMMENDATIONS

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<sup>11</sup> Committee reports in prior years have included standard format budget charts that simply had "0s" in each line item. The Committee has chosen to omit these charts, as Destination DC is not included in the budget books.



**a. FY 2017 Operating Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2018 operating budget for Destination DC in the amount of \$3,265,883.80.

**b. FY 2018 Capital Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2018 – FY 2023 capital budget for Destination DC of \$0.

# I. WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

## FY 2018 Operating Budget by Comptroller Source Group (Gross Funds)

	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Variance	Committee Approved
<b>WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY</b>					
50 SUBSIDIES AND TRANSFERS	\$359,096,548.19	\$367,170,726.00	\$429,958,315.00		\$429,958,315.00
<b>GROSS FUNDS</b>	<b>\$359,096,548.19</b>	<b>\$367,170,726.00</b>	<b>\$429,958,315.00</b>		<b>\$429,958,315.00</b>

## FY 2018 Operating Budget by Fund Type (Gross Funds)

	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance	Committee Approved
<b>WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY</b>					
SPECIAL PURPOSE REVENUE FUNDS (O'TYPE)	\$41,798,930.44	\$53,600,000.00	\$53,942,230.00		\$53,942,230.00
DEDICATED TAXES	\$68,808,872.76	\$66,670,000.00	\$85,572,185.00		\$85,572,185.00
LOCAL FUND	\$248,488,744.99	\$246,900,726.00	\$290,443,900.00		\$290,443,900.00
<b>GROSS FUNDS</b>	<b>\$359,096,548.19</b>	<b>\$367,170,726.00</b>	<b>\$429,958,315.00</b>		<b>\$429,958,315.00</b>

## FY 2018 Operating Budget by Program (Gross Funds)

	FY 2016 Actuals	FY 2017 Approved	FY 2018 Proposed	Committee Variance	Committee Approved
<b>WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY</b>					
DC00 DC PROJECTS ONLY	\$46,652,287.22	\$44,493,369.00	\$44,976,000.00		\$44,976,000.00
DS00 DEBT SERVICE	\$10,671,951.00	\$10,588,722.00	\$18,450,000.00		\$18,450,000.00
MA00 METRO ACCESS	\$25,074,181.22	\$23,822,079.00	\$25,542,230.00		\$25,542,230.00
OP00 WMATA OPERATIONS	\$276,698,128.75	\$288,266,556.00	\$340,990,085.00		\$340,990,085.00
<b>GROSS FUNDS</b>	<b>\$359,096,548.19</b>	<b>\$367,170,726.00</b>	<b>\$429,958,315.00</b>		<b>\$429,958,315.00</b>

## FY 2018 - FY 2023 Capital Budget by Project (Gross Funds)

KE0 - MASS TRANSIT SUBSIDIES										
Project No	Project Title	Scenario	Unspent Allotment 4 April 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	6-yr Total
		Committee's Markup								0.00
<b>SA311C Total</b>			<b>16,844,135.00</b>	<b>49,500,000.00</b>	<b>50,000,000.00</b>	<b>50,000,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>149,500,000.00</b>
SA501C	WMATA CIP CONTRIBUTION	Mayor's Submission	37,336,570.00	76,100,000.00	77,801,000.00	76,572,000.00	77,559,000.00	79,072,000.00	80,630,000.00	467,734,000.00
		Committee's Markup								0.00
<b>SA501C Total</b>			<b>37,336,570.00</b>	<b>76,100,000.00</b>	<b>77,801,000.00</b>	<b>76,572,000.00</b>	<b>77,559,000.00</b>	<b>79,072,000.00</b>	<b>80,630,000.00</b>	<b>467,734,000.00</b>
TOP02C	PROJECT DEVELOPMENT	Mayor's Submission	824,250.00	1,099,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	6,099,000.00
		Committee's Markup								0.00
<b>TOP02C Total</b>			<b>824,250.00</b>	<b>1,099,000.00</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>6,099,000.00</b>
<b>KE0 - MASS TRANSIT SUBSIDIES Total</b>			<b>55,004,955.00</b>	<b>126,699,000.00</b>	<b>128,801,000.00</b>	<b>127,572,000.00</b>	<b>78,559,000.00</b>	<b>80,072,000.00</b>	<b>81,630,000.00</b>	<b>623,333,000.00</b>

## 1. COMMITTEE ANALYSIS AND COMMENTS

**a. Agency Mission and Overview**

The mission of the Washington Metropolitan Area Transit Authority (WMATA) is to provide the public with an efficient, affordable, and safe means of travel. WMATA is an interstate compact agency, and by the terms of its enabling legislation, an agency and instrumentality of the District of Columbia, the State of Maryland and the Commonwealth of Virginia. As such, the primary purpose of WMATA is to plan, develop, finance, and operate a comprehensive mass transit system for the Washington Metropolitan Area. WMATA possesses a total operating budget of \$1.745 billion proposed for FY 2017.

With respect to the District budget process, WMATA possesses four programs: (1) D.C. Specific (Reimbursable to WMATA) Projects; (2) Debt Service; (3) MetroAccess; and (4) WMATA Operations. The *D.C. Specific Projects* division monitors projects or programs that the District pays WMATA to operate or construct. Examples of such projects or programs include the DC Circulator bus system, the Reduced Fares program, and the School Subsidy program—commonly referred to as the “Kids Ride Free” program. The *Debt Service* division covers the District’s annual share of financing costs for bonds sold by WMATA for the construction of the original system and for ongoing transit infrastructure rehabilitation and replacement. The *MetroAccess* division provides curbside-to-curb wheelchair lift-equipped van service for persons unable to use accessible conventional bus or rail services. The *WMATA Operations* division ensures that Metrorail and Metrobus operate efficiently and timely within the District.

**b. Mayor’s Proposed FY 2018 Operating Budget**

**Proposed Operating Budget Summary**

The proposed total operating budget for WMATA is \$429,958,315. As a paper agency used to pay the WMATA subsidy, this budget does not support any District FTEs.

*Local Funds:* The proposed local funds budget is \$290,443,900

*Dedicated Taxes:* The proposed dedicated taxes budget for WMATA is \$85,572,185.00

*Special Purpose Revenue Funds:* The proposed special purpose revenue funds budget for WMATA is \$53,942,230.

**Committee Analysis and Comments**

The Committee is pleased by the ongoing work undertaken by WMATA General Manager/Chief Executive Officer (GM/CEO) Paul J. Wiedefeld to make the agency and transit service safe, reliable, and financial secure. Wiedefeld launched a SafeTrack rail infrastructure maintenance initiative last summer that has involved significant reconstruction work on various sections of the Metrorail system. The initiative has compressed three years’ worth of regular system maintenance into one year.

As a result of the SafeTrack initiative, WMATA has experienced significant passenger fare revenue decline during FY 2017. While the committee is concerned by this trend, Wiedefeld has undertaken cost-saving actions that have kept the agency's operating budget expenditures in line with the lower revenue level. As a result, WMATA has been able to maintain operations without requesting additional contributions from the District and other jurisdictions during FY 2017.

For FY 2018, the agency anticipates passenger revenue to continue to lag previous years and approved a "shared sacrifices" operating budget to address a \$290 million budget shortfall. This budget includes increased

jurisdictional subsidies, fare increases, service and staff reductions, and additional management actions to reduce expenditures.

The Committee is also pleased that WMATA's FY 2016 CAFR was delivered on time without qualification, after the two previous annual comprehensive audits were completed three and nine months late. The Committee continues to monitor the financial management of the agency to ensure future audits are completed on time and action is taken to rectify any deficiencies found in those audits.

**c. Mayor's Proposed FY 2018 – FY 2023 Capital Budget**

**Proposed Capital Budget Summary**

The Mayor's proposed capital budget request includes an allotment of \$126,699,000 for FY 2018 and a total budget of \$623,333,000 for the entire FY 2018 – FY 2023 capital plan period.

**Committee Analysis and Comment**

Approved funds would go towards the maintenance and replacement of Metro's infrastructure. WMATA requires billions of dollars over the coming years to repair, replace, and upgrade its aging rail system.

The Committee is pleased by the actions of GM Wiedefeld to improve the execution of the capital improvement program (CIP) at WMATA. Prior to his arrival at WMATA, the agency only spent between 65-75% of its annual capital budget, despite the system's maintenance and state of good repair needs significantly exceeding those approved budgets. In the year and a half since Wiedefeld joined the agency, capital expenditures have increased and in FY 2017, WMATA increased their CIP from \$950 million to \$1.25 billion due to improved ability to execute.

Metro must continue to work tirelessly to fix and maintain the infrastructure and assets of the agency. These capital improvements are critical to ensure Metro is safe and reliable. Enhancements of information sharing, use of modern technology, and message accuracy across all communication channels will help Metro's much maligned communication practices and restore confidence in the general public.

**2. COMMITTEE RECOMMENDATIONS**

**a. FY 2018 Operating Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2018 operating budget for WMATA of \$429,958,315.

**b. FY 2018 Capital Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2018 – FY 2023 capital budget for WMATA of \$126,699,000 in FY 2018 and \$623,333,000 over the course of the 6-year capital plan. The Committee includes the following recommendations related to the capital budget:

*1. Expect Changes to the 6-Year Capital Plan*

The District has again agreed to a one-year extension of its Capital Funding Agreement with Maryland and Virginia to fund the WMATA CIP. This one-year extension was agreed to because of concerns about the ability for the region to fund long-term capital needs at WMATA without a dedicated tax or other new funding sources. The jurisdictions must agree to a long-term funding mechanism that ensures adequate capital funding to WMATA as they address the multi-billion dollar capital-needs inventory of the system.

### **III. FISCAL YEAR 2018 BUDGET FEDERAL PORTION REQUEST ACT RECOMMENDATIONS**

On Tuesday, April 4, 2017, Chairman Mendelson introduced, on behalf of the Mayor, Bill 22-241, the “Fiscal Year 2018 Budget Federal Portion Adoption Act of 2017.” The Committee does not make any recommendations relating to Bill 22-241.

In the past, the legislative component of the Council’s budget process consisted of two pieces of legislation—the Budget Request Act and the Budget Support Act. Historically, the Council submitted the Budget Request Act to Congress and required federal approval of the entire District budget. In April 2013, a referendum—with 83% of District residents voting in favor—amended the Home Rule Charter to allow the Council to enable the District to budget and spend local dollars. A recent decision by the D.C. Superior Court upheld this referendum. Due to this victory, the District government now considers and approves the budget by separating the areas funded solely through local dollars and those that require federal dollars. The Committee is very pleased to see this separation and is glad that the District finally has the authority to spend its local dollars without the possibility of unnecessary federal interference.

## **IV. FISCAL YEAR 2018 LOCAL BUDGET ACT RECOMMENDATIONS**

On Tuesday, April 4, 2017, Chairman Mendelson introduced, on behalf of the Mayor, Bill 22-242, the “Fiscal Year 2018 Local Budget Act of 2017.” The Committee does not make any recommendations relating to Bill 22-242.

In the past, the legislative component of the Council’s budget process consisted of two pieces of legislation—the Budget Request Act and the Budget Support Act. Historically, the Council submitted the Budget Request Act to Congress and required federal approval of the entire District budget. In April 2013, a referendum—with 83% of District residents voting in favor—amended the Home Rule Charter to allow the Council to enable the District to budget and spend local dollars. A recent decision by the D.C. Superior Court upheld this referendum. Due to this victory, the District government now considers and approves the budget by separating the areas funded solely through local dollars and those that require federal dollars. The Committee is very pleased to see this separation and is glad that the District finally has the authority to spend its local dollars without the possibility of unnecessary federal interference.

## V. FISCAL YEAR 2018 BUDGET SUPPORT ACT RECOMMENDATIONS

On Tuesday, April 4, 2017, Chairman Mendelson introduced, on behalf of the Mayor, Bill 22-244, the “Fiscal Year 2018 Budget Support Act of 2017.” The bill contains a number of subtitles for which the Committee has provided comments in addition to new subtitles that the Committee recommends.

### A. RECOMMENDATIONS ON BUDGET SUPPORT ACT SUBTITLES PROPOSED BY THE MAYOR

The Committee provides comments on the following subtitles of the “Fiscal Year 2018 Budget Support Act of 2017”.

1. Title II, Subtitle E. St. Elizabeth’s East Campus Redevelopment Fund ..... 41
2. Title III, Subtitle E. Emergency and Non-Emergency Number Telephone Calling Systems Amendment ..... 42
3. Title VII, Subtitle C. Our Lady of Perpetual Help Real Property Tax Forgiveness ..... 43
4. Title VII, Subtitle D. International Spy Museum Tax Abatement ..... 44
5. Title VII, Subtitle F. Supermarket Tax Incentives Clarification ..... 45
6. Title VIII, Subtitle C. Anti-Deficiency Amendment for Capital Projects ..... 45

#### 1. TITLE II, SUBTITLE E. ST. ELIZABETHS EAST CAMPUS REDEVELOPMENT FUND.

##### a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would establish a new section of the D.C. Code to create a special fund to support activities on the St. Elizabeth’s East Campus Redevelopment site. The proposed fund shall be administered by the Office of the Deputy Mayor for Planning and Economic Development (DMPED) and used solely to support any maintenance, operation, and construction activities on the St. Elizabeth’s East Campus Redevelopment site, including the issuance of grants to support such purposes. The fund could also support efforts to improve access to the area from the Congress Heights metro station as well as provide traffic control officers during events.

Deposits made to the fund will be a collection of possessory tax and sales tax revenue generated from the Entertainment and Sports Arena (ESA) for an amount not to exceed \$855,000 per fiscal year beginning on the tax year commencing October 1, 2018 through tax year October 30, 2021. Any taxes imposed on the ESA site exceeding \$855,000 during fiscal years 2018 through 2021, will be abated.

The taxable revenues generated from the ESA and directed to the fund are to be paid by the Washington Convention and Sports Authority (“the Authority”) also known as Events DC as the ground lessee to the District. The parties to the ESA agreement are the District (owners of the land), the Authority (developers and ground lessee holders), and Monumental Sports and Entertainment (“MSE”), the sublease holders or tenants of the Arena).

As part of the terms of the agreement, the Authority will sublease a portion of the Arena space to MSE (owner of the Washington Mystics and Washington Wizards) for a period of nineteen years. This sublease, which grants certain rights and controls to a private entity for a public facility, will automatically trigger a requirement to pay possessory interest tax for the term of the lease. Based on the terms of the agreement, those payments will be made by the Authority.



Based on the information provided to the Committee by DMPED, it is predicted that without the creation of the special fund DMPED will not be able to close on the ESA deal, and construction on the ESA will be delayed and affect the delivery of this much-anticipated project.

**b. Committee Reasoning**

**The Committee adoption of this subtitle with some suggested edits.**

**c. Section-by-Section Analysis**

Sec. Establishes a St. Elizabeth’s East Campus Redevelopment Fund (“Fund”).

Establishes this Fund to be administered by the Deputy Mayor for Planning and Economic Development. Establishes that beginning October 1, 2018 until September 30, 2021 (the end of FY2021) all taxes, penalties and interest shall be deposited into the fund that are collected by the Entertainment and Sports Arena site. Also abates any taxes imposed in excess of \$855,000 per fiscal year. Establishes that any taxes collected in Fiscal Year 2022, will be deposited into the fund, and will be done so until the ground lease expires. Specifies that the fund will be used solely to support the maintenance, operation, and construction activities on the St. Elizabeth’s East Campus Redevelopment Site. Provides DMPED the authority to use funds from the Fund to award grants to recipients on a noncompetitive basis in relation to the site. Provides that the money deposited into the Fund shall not revert to the unrestricted fund balance of the General Fund at the end of a fiscal year or at any other time. Defines “Ground Lease”, “St. Elizabeths East Campus Entertainment and Sports Arena Site” and St. Elizabeth East Campus Redevelopment Site”.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**2. TITLE III, SUBTITLE E. EMERGENCY AND NON-EMERGENCY NUMBER TELEPHONE CALLING SYSTEMS AMENDMENT.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed subtitle captures the 911 fee increase. The current revenue collections supporting the Office of Unified Communications (OUC) are reportedly insufficient to support on-going operational costs. This fee increase is needed to maintain a current service level of maintenance and response to critical E911/311 systems. Without this additional funding, the OUC has indicated they will be forced to reduce from 24/7 support of systems, such as radio infrastructure and mobile data computing for first responders. This would assess a tax on hotels in the amount of \$0.50 per unit rental, per night. Hotels in Washington, D.C. already pay a 911 fee on landlines used.

As discussed in greater detail in the Committee on Judiciary and Public Safety budget report, the funds expected to be generated from the increase – approximately \$4.2 million in FY 2018 – would be deposited into the Emergency and Non-Emergency Number Telephone Systems Calling Fund, administered by the Office of Unified Communications to be used “solely to defray technology and equipment costs directly incurred by the District of Columbia and its agencies and instrumentalities in providing a 911 system and direct costs incurred by wireless carriers in providing wireless E-911 service.”<sup>12</sup> The Fund is not allowed to be used to “defray personnel costs[... or] nonpersonal costs related to overhead, including energy, rentals, janitorial services,

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<sup>12</sup> D.C. Official Code § 34-1802 (b-2).

security, or occupancy costs.”<sup>13</sup> Fund revenues come from a monthly fee imposed on all local exchange carriers, including wireline carriers, wireless carriers, and interconnected Voice Over Internet Protocol (“VoIP”) service providers. The fee is set by statute and is calculated based on each individual telephone line sold or leased in the District.

The committee is concerned about the use of funds already being collected by the 911 fee, and would encourage OUC to examine its existing budget needs and appropriate uses of funds provided by the 911 fee currently assessed. It is not clear what level of funding is needed to fully implement any necessary infrastructure and systems needs to ensure the OUC is fully operationally at all times.

**b. Committee Reasoning**

**The Committee recommends removal of this subtitle should funding be identified to cover the fiscal effect.**

**c. Section-by-Section Analysis**

Sec. Amends the Emergency and non-Emergency Telephone Calling Systems Fund Act of 2000, to add a new paragraph to define “hotel” and clarifies using the term taxes imposed.

Creates a new subsection to impose a tax of \$0.50 per room or suite rental per night on all hotels.

Confirms each local exchange carrier and each hotel shall submit their respective taxes imposed.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**3. TITLE VII, SUBTITLE C. OUR LADY OF PERPETUAL HELP REAL PROPERTY TAX FORGIVENESS.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed subtitle would forgive outstanding past due property taxes from Our Lady of Perpetual Help Catholic Church for land adjacent to the Church located at 1600 Morris Road, S.E., which is owned by the Roman Catholic Archdiocese of Washington. The property consists of church grounds that have been exempted prospectively. This action will forgive \$67,000 in unpaid taxes attributable to periods prior to the effective date of the exemption.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

**c. Section-by-Section Analysis**

Sec. Orders that all unpaid real property taxes, interest, penalties, fees and other related charges assessed on the property through February 1, 2017 be refunded. Provides the specific parcel and lot on the Church property.

**d. Legislative Recommendations for Committee of the Whole**

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<sup>13</sup> *Id.* at § (b-1), (b-2).

See Appendix C for the Committee's Budget Support Act legislative language recommendations.

**4. TITLE VII, SUBTITLE D. INTERNATIONAL SPY MUSEUM TAX ABATEMENT.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed subtitle would provide a partial real property tax abatement, which is necessary to move forward with the development of the new location for the International Spy Museum, at L'Enfant Plaza. The subtitle provides a graduated real property tax abatement to begin in fiscal year 2017 for \$30,000. In FY 2018 through 2021, an abatement of real property taxes above certain amounts (\$115,000 in 2018, and \$200,000 for 2019, 2020, and 2021) is provided. Beginning in Fiscal Year 2022, all real property taxes will be abated. For ease of billing purposes by OTR, years when there is a partial abatement being provided the abatement will be apportioned evenly between half tax years.

The International Spy Museum is now a 501(C) (3) not-for-profit with the goal to ensure the artifacts would be a gift to all patrons and DC. The Museums goal is to reach all demographics and provide access to the Museum, which provides a high quality and interactive experience with cutting edge technology. The real property tax abatement would support this goal by maintaining entrance fees at current prices while still offering discount opportunities

As the Museum moves forward with construction it will continue its commitment to providing free of charge entry for school groups and participation in community activities. Moving to this new location at L'Enfant will ensure Smithsonian Museum goes leave the Mall and thus be a funnel for people to also go to the Wharf and create further sales tax revenue for the District beyond just the Museum ticket and merchandise sales.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle, with some suggested edits.**

**c. Section-by-Section Analysis**

Sec. Creates a new section of Chapter 46 of Title 47.

Specifies the Lot and Square of the International Spy Museum to be abated.

Provides the amount to be abated for certain real property tax years as follows: October 1, 2016 of \$30,000; October 1, 2017 in excess of \$115,000; October 1, 2018 through the real property tax year ending September 30, 2021 in excess of \$200,000; October 1, 2021 in the amount of 100% of the real property taxes on the Property. Provides for terms that the abatement would terminate, which would be (1) if the property is no longer being developed or used as a museum of the history of espionage, and (2) if the International Spy Museum or a successor owner of the Property is no longer exempt from DC income and franchise taxation.

Confirms certain sections of the D.C. Official Code would apply as if the property had been administratively exempt from taxation.

Allows the Office of Tax and Revenue to allocate abatement amounts between half tax years for any real property tax year.

Notes this abatement provided shall be in addition to, and not in lieu of, any other tax relieve or assistance from any other source; provided that there is no appeal of the property's proposed assessed value for tax years 2017 through 2021.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**5. TITLE VII, SUBTITLE F. SUPERMARKET TAX INCENTIVES CLARIFICATION.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed subtitle would expand the areas eligible for the supermarket tax incentives currently offered by the District to include Square 2960. This Square is located in the Shepherd Park neighborhood of Ward 4 with its boundaries established by Eastern Avenue, N.W. on the north, Georgia Avenue, N.W. on the east, Kalmia Road, N.W. on the south, and 12th Street, N.W. on the west. The qualifying supermarket tax incentives were established in 2000 through the Supermarket Tax Exemption Act of 2000.<sup>14</sup> These incentives include exemptions from real property tax, business license fee, personal property tax, and sales and use tax on building materials necessary for construction for 10 years. This act was subsequently changed in 2011 to identify qualifying locations by census tract, as well as have the Deputy Mayor of Planning and Economic Development certify to the Office of Tax and Revenue the eligible entities.<sup>15</sup>

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

**c. Section-by-Section Analysis**

Sec. Adds Square 2960 to the list of locations that qualify for the Supermarket Tax Incentives provided.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**6. TITLE VIII, SUBTITLE C. ANTI-DEFICIENCY AMENDMENT FOR CAPITAL PROJECTS.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed subtitle would clarify what the District’s Anti-deficiency act to specify what level of overspending constitutes a violation with respect to capital projects. Current law specifically references agency level funding review, however this subtitle would clarify that for capital funding, the Board of Review of Anti-Deficiency Violations (BRADV) has the authority to review at the project level for potential violations. For capital projects, overspending by 5 percent of the project’s budget or overspending of \$1 million or more (regardless of percentage) would trigger anti-deficiency review.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle, with a suggested change from the OCFO.**

**c. Section-by-Section Analysis**

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<sup>14</sup> Effective Oct. 4, 2000 (D.C. Law 13-166; D.C. Official Code § 47-3801 *et seq.*).

<sup>15</sup> See Food, Environmental, and Economic Development in the District of Columbia Act of 2010, effective Apr. 8, 2011 (D.C. Law 18-353; D.C. Official Code § 47-3801(1D)).

Sec. Amends Chapter 3 of Title 47 to include capital projects be reviewed at overspending of 5% or more of the project's budget or overspending of \$1 million or more regardless of the percentage. Notes this is based on project amounts of the "finally enacted annual budget".

Creates a new subsection to require that by October 20 of each year, each agency head and agency fiscal officer shall jointly submit to the Chief Financial Officer a monthly spending plan for each capital project based on the budget enacted, and if the project's budget is changed after final enactment of the city's annual budget, a revised project spending plan must be submitted to the CFO within one month of final approval.

Also amends the subsection regarding quarterly reports submitted to the Council, with information required to be included in these reports.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee's Budget Support Act legislative language recommendations.

**B. RECOMMENDATIONS FOR NEW BUDGET SUPPORT ACT SUBTITLES**

The Committee on Finance and Revenue recommends the following new subtitles to be added to the “Fiscal Year 2018 Budget Support Act of 2017”<sup>16</sup>:

Recommendations for New Budget Support Act Subtitles

1.	Possessory Interest Clarification .....	47
2.	Parking Sales Tax Clarification .....	48
3.	Real Property Tax Appeals Commission Review Clarification.....	48
4.	Real Property Tax Appeal Procedure .....	49
5.	Events DC Board Clarification .....	50
6.	Public Space Rental Forgiveness .....	50
7.	TIF Reauthorization .....	51
8.	Hill East Community Garden Real Property Tax Relief.....	51
9.	Dedicated Funding for the Arts and Humanities .....	52
10.	Women’s National Democratic Club .....	53
11.	Urban Farming .....	53
12.	Adult Learner Transit Subsidy.....	54
13.	Pension Exclusion Restoration .....	55
14.	High Unemployment Area Tax Incentives .....	55
15.	First-Time Homebuyer Tax Benefit .....	56
16.	Schedule H Expansion Clarification .....	57
17.	First Responder Income Tax Exclusion .....	57
18.	East End Commercial Real Property Tax Rate Reduction.....	58
19.	East End Grocery and Retail Incentive Program Tax Abatement .....	59

**1. TITLE VII, SUBTITLE XX. POSSESSORY INTEREST CLARIFICATION.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed subtitle would make conforming changes to sections of the code that currently exempt public charter schools and nonprofit affordable housing developments that are current exempt from real property taxes to also be exempt from possessory interest tax. Additionally, this change would modify the existing law so that exemptions for Possessory Interest Tax would mirror the exemptions for Real Property Tax (i.e. if a property owner would be exempt from Real Property Tax, as a user or lessee they would also be exempt from Possessory Interest Tax). Currently, many of the exemptions for Real Property Tax apply to Possessory Interest Tax (see § 47.1005.01 “Interest in Real Property” and §47-1002 “Real Property – Exemptions”), however this will expand the scope of Possessory Interest Tax exemptions to include most all exemptions enumerated in D.C. Code and exemptions from in other sections of the Code (ex QHTCs/Non-profit affordable housing/Public Charter Schools) that are not currently captured.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

<sup>16</sup> Items 12 through 19 would need funding to be identified at the full Council.

c. **Section-by-Section Analysis**

Sec. conforms sections 47-867, 47-1005.01 and 47-1005.02 with Chapter 8 and Chapter 10 where necessary so exemptions from real property tax match exemptions from possessory interest tax where necessary.

d. **Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee's Budget Support Act legislative language recommendations.

2. **TITLE VII, SUBTITLE XX. PARKING SALES TAX CLARIFICATION.**

a. **Purpose, Effect, and Impact on Existing Law**

The Fiscal Year 2015 Budget Support Act included legislation creating the Parking Tax Contingency Amendment Act of 2015. The FY 16 Budget Support established a contingency whereby the rate of 22% was not intended to apply if terms of the contingency were met. If the terms of the contingency were not met, after October 1, 2017, the rate of tax would be 22%. The terms were met, and therefore the tax rate should remain at 18%.

b. **Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

c. **Section-by-Section Analysis**

Sec. Removes the phrase that allows for the rate to increase as of October 1, 2017 and preserves the parking tax rate at 18%.

d. **Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee's Budget Support Act legislative language recommendations.

3. **TITLE VII, SUBTITLE XX. REAL PROPERTY TAX APPEALS COMMISSION REVIEW CLARIFICATION.**

a. **Purpose, Effect, and Impact on Existing Law**

The proposed subtitle would make permanent the authority for the Real Property Tax Appeals Commission to treat residential apartment complexes of five units or more as commercial properties for the purposes of 2nd level review of an appeal of proposed real property tax assessment to the Real Property Tax Appeals Commission (RPTAC). In doing so, RPTAC would receive 80 days after the completion of the hearing to render decisions- the same timeframe afforded for all commercial property decisions. Currently, all residential real property cases presented at the 2nd level, regardless of size or the number of living units, require a decision by RPTAC within 30 days of hearing the case. Large multi-family apartment building (5+ units) are

complex properties that require the same amount of scrutiny, consideration, and expertise as a large commercial buildings. This correction is currently in effect via emergency<sup>17</sup> and temporary<sup>18</sup> legislation.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

**c. Section-by-Section Analysis**

Sec. Amends Section 47-825.01a (e)(7)(B) to provide the Real Property Tax Appeals Commission with 30 days after the completion of the hearing to decide a residential real property case involving single family residential property or a residential property consisting of 4 or fewer dwelling units, and 80 days to decide a residential real property case of 5 or more dwelling units.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee's Budget Support Act legislative language recommendations.

**4. TITLE VII, SUBTITLE XX. REAL PROPERTY TAX APPEAL PROCEDURE.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed bill, as requested by OTR, would clean up appeal procedures with respect to omitted assessments, corrected assessments, homestead audits and senior/disabled audits. These are clarifying, technical and conforming amendments to the RPTAC enabling legislation. In general, the proposed amendments would clarify that the requirements for the annual assessment notice do not apply to any other real property tax notice and clarify the deadlines for appealing a notice other than an annual assessment notice. The amendment provides that appeals of a RPTAC decision on one of these notices to Superior Court can be taken by the later of September 30 of the tax year in which the RPTAC decision issues, or within 6 months of the RPTAC decision, whichever is later.

The subtitle also repeals section 47-3305(c), which provides for a direct appeal to Superior Court within 6 months of an omitted assessment notice. This procedure has been supplanted by a process incorporating administrative review prior to filing in Superior Court, and so it is a source of confusion and uncertainty that should be removed.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

**c. Section-by-Section Analysis**

Sec. Amends sections of the code to note the proposed change in the assessed value or classification, notes certain deadlines as by March 1 or by May 1, or April 1 as needed. Notes instances when appeal shall be filed within 45 days from the date of notice. Notes owners aggrieved by a decision of the Commission may

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<sup>17</sup> Real Property Tax Appeals Commission Review Clarification Emergency Amendment Act of 2016, approved Sep. 20, 2016.

<sup>18</sup> Real Property Tax Appeals Commission Review Clarification Temporary Amendment Act of 2016, approved Oct. 11, 2016.



appeal the decision to Superior Court of the District of Columbia by September 30 of the tax year in which the decision of the Commission is issued, or within 6 months of the date of the decision, whichever is later.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**5. TITLE VII, SUBTITLE XX. EVENTS DC BOARD CLARIFICATION.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed subtitle would realign all terms for members of the Convention and Sports Authority/Events DC Board to be four year terms that begin and end in May. Currently two board seats have terms that begin and end in October.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

**c. Section-by-Section Analysis**

Sec. Amends section 205(b)(1) of the Washington Convention Center Authority Act of 1994 to note all public Board members shall be appointed to 4 year terms that expire on May 16<sup>th</sup> of the 4<sup>th</sup> year, noting that of the two seats that currently expire in October, one will have a term that expires on May 16, 2021 and the other will expire May 16, 2020.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**6. TITLE VII, SUBTITLE XX. PUBLIC SPACE RENTAL FORGIVENESS.**

**a. Purpose, Effect, and Impact on Existing Law**

Commonly referred to as the “vault tax” the proposed subtitle would further clarify the subtitle in the Fiscal Year 2017 Budget Support Act of 2016 so that the fiscal effect would be recognized for the 2017 public space (vault) rent bill, which is assessed and paid 1 year in advance.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

**c. Section-by-Section Analysis**

Sec. Refunds all public space rental fees levied against public space at 801 13<sup>th</sup> Street, NW (Lot 812, Square 287) that covers the period between July 1, 2016 to June 30, 2017 is forgiven and refunded, if necessary.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**7. TITLE VII, SUBTITLE XX. TIF REAUTHORIZATION.**

**a. Purpose, Effect, and Impact on Existing Law**

This proposed subtitle would make necessary changes in order to reauthorize the expired Tax Increment Financing (TIF) authority by removing the restriction stating that all TIF bonds must have been issued prior to January 1, 2014, and also removing the limitations on the aggregate amounts. It would also remove the requirement that a development sponsor may only be eligible for TIF projects located within a priority development area.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

**c. Section-by-Section Analysis**

Sec. Strikes the phrase that requires TIF bonds be issued before January 1, 2014; with an amount not to exceed \$500 million; with a \$300 million limit for projects in the Central Business District.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**8. TITLE VII, SUBTITLE XX. HILL EAST COMMUNITY GARDEN REAL PROPERTY TAX RELIEF.**

**a. Purpose, Effect, and Impact on Existing Law**

This proposed subtitle would transfer ownership of property (Square 1100, Lot 0109) that is currently real property tax exempt from the Capitol Hill Community Garden Land Trust (CHCG) to the Hill East Community Garden (HECG), it would also exempt this transaction from deed transfer and recordation fees and taxes. The Capitol Hill Community Garden Land Trust Equitable Real Property Tax Relief Act of 2003, effective April 5, 2005 (D.C Law 15-284; D.C. Official Code § 47-1061), exempted this lot from property taxes, to allow neighborhood residents to use it as a community garden. The statute specifically names CHCG as the owner of the property. Now that CHCG wishes to transfer the lot in question to HECG during FY18, for continued use as a community garden, this amendment is necessary to ensure the property tax exemption remains in place.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

**c. Section-by-Section Analysis**

Sec. Updates sections of the code to reflect Hill East Community Garden, and notes the transfer of real property to the Capitol Hill Community Garden Land Trust or Hill East Community Garden will be exempt from taxation so long as it is available for use by the public, and not used for commercial purposes, and notes subject to provisions prescribed as if the exemption were granted administratively. Exempts the property transfer from deed transfer and recordation tax.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**9. TITLE VII, SUBTITLE XX. DEDICATED FUNDING FOR THE ARTS AND HUMANITIES.**

**a. Purpose, Effect, and Impact on Existing Law**

This proposed subtitle would dedicate sales tax collected from the Smithsonian as well as sales tax collected by our professional sports teams making the playoffs and hosting home playoff games, to the Commission on the Arts and Humanities. This funding would be in addition to funding provided currently for the CAH and would contribute towards identifying one or more sources of dedicated funding.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

**c. Section-by-Section Analysis**

Sec. Defines sales tax revenue as that collected by the Smithsonian Institution, and the portion not otherwise designated attributable to any professional sports teams during the playoffs for games played in the District. Also notes for the Smithsonian Institution, notwithstanding any other law, subject to authorization by Congress. Directs these eligible funds to the Commission on the Arts and Humanities.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**10. TITLE VII, SUBTITLE XX. WOMENS NATIONAL DEMOCRATIC CLUB.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed subtitle, in consultation with the OCFO, clarifies that the already administratively exempt club, shall remain 100% exempt, including if portions are rented provided that it is rented to a non-profit entity. The Women’s National Democratic Club provides a unique and important service within our community related to women’s empowerment and leadership. It also serves as a meeting place and a forum for activists, writers, scholars, and political leaders.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

**c. Section-by-Section Analysis**

Sec. creates a new section designation in Chapter 10 of Title 47 to exempt real property owned by the Women’s National Democratic Club from real property taxes as of October 1, 2017.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**11. TITLE VII, SUBTITLE XX. URBAN FARMING.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed subtitle, noted and also recommended by the Committee on Transportation and the Environment, would amend Section 47-868 of Title 47 by including provisions that clarify how OTR should calculate the tax abatement for a private property that has an urban farm on or in an improvement to a property not exclusively used for urban farms. This scenario would include buildings with rooftop farms, patio farms, greenhouses, or other farms constructed on part of the improvement.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

**c. Section-by-Section Analysis**

Sec. clarifies that if an urban farm is located on or in an improvement to real property, the tax abatement created under section 47-868 should be applied only to the portion of the improvement used as an urban farm. Also describes how the portion of the improvement used as an urban farm should be calculated.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**12. TITLE VII, SUBTITLE XX. ADULT LEARNER TRANSIT SUBSIDY.**

**a. Purpose, Effect, and Impact on Existing Law**

This subtitle directs the Mayor to create a new transit subsidy for students of adult learner programs. Low literacy and lack of formal education are large contributing factors to poverty, unemployment, health problems, and homelessness. According to the DC Fiscal Policy Institute, adults without a high school credential are seven times more likely to live in poverty than those with that credential. The District has recognized this problem, and chosen to invest \$80 million a year in adult education programs. Unfortunately, the residents who want to take advantage of those programs still face a significant barrier: having the money to pay for transportation to get to them.

The District currently offers free bus and Metro access to students enrolled in DC’s public schools and public charter schools through Kids Ride Free, but this benefit is only available until the age of 22. A small number of adult learners do currently receive transit subsidies, but only in special circumstances. Residents

participating in Department of Employment Services programs or enrolled in the District’s Temporary Assistance for Needy Families program, for instance, can receive transportation supports through those programs, and residents with disabilities can also receive a subsidy. However, the Deputy Mayor for Education’s Transportation Working Group recently released a report that found transportation was one of the biggest hurdles for adult learners.<sup>19</sup> The report estimated that about 7,500 District residents are enrolled in the District’s publicly-funded adult learning programs and currently do not receive a transportation subsidy (compared to about 50,000 students in Kids Ride Free). As a result, the working group recommended expanding the District’s student transit subsidies to adult learners.

The District’s adult learners are some of the poorest residents. A 2016 study of re-engaging youth found that 83 percent of respondents were spending at least a fifth of their income just traveling to and from their programs. Additionally, the WIOA state plan, co-written by the Deputy Mayor for Greater Opportunity, DOES, OSSE, and other government agencies, says that “many adult learners need additional support services, such as transportation...but access to these services varies by programs and providers and gaps exist.”<sup>20</sup> Extending existing transit subsidies to adult learners would remove a significant barrier to their attending classes and improve the effectiveness of the \$80 million the District already spends every year on adult education programs.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle.**

**c. Section-by-Section Analysis**

Sec. This section creates a new transit subsidy for students of adult learning programs. It specifies that eligible students must be over 18 years old, a District resident, and enrolled in a program operated by or funded by a local education agency, DC Public Library, the Office of the State Superintendent for Education, or UDC’s Workforce Development and Lifelong Learning Program. It also limits the total annual appropriation to \$1.988 million.

**13. TITLE VII, SUBTITLE XX. PENSION EXCLUSION RESTORATION.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed subtitle would restore the \$3,000 pension exclusion from income taxes that was offered by the city until repealed as recommended by the Tax Revision Commission. The pension exclusion repeal was included as part of the “Broaden the individual income tax base by eliminating expenditures” recommendation<sup>21</sup>.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle, should funding be identified at the full council to cover its fiscal effect in the budget and financial plan.**

**c. Section-by-Section Analysis**

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<sup>19</sup> “Report on the Need for Transportation Subsidies and Assistance for Adult Learners,” Office of the Deputy Mayor for Education, Transportation Working Group, September 2016. Available at <http://lms.dccouncil.us/Download/36809/RC21-0140-Introduction.pdf>

<sup>20</sup> DC’s WIOA Unified State Plan, 2016-2020. Available at

[https://dcworks.dc.gov/sites/default/files/dc/sites/dcworks/publication/attachments/WIOA\\_DC\\_Uniform\\_State\\_Plan\\_Final.pdf](https://dcworks.dc.gov/sites/default/files/dc/sites/dcworks/publication/attachments/WIOA_DC_Uniform_State_Plan_Final.pdf)

<sup>21</sup> Page 13, DC Tax Revision Commission Final Report, May 2014.

Sec. restores the \$3,000 pension exclusion as of January 1, 2017 –to apply for 2017 income taxes.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**14. TITLE VII, SUBTITLE XX. HIGH UNEMPLOYMENT AREA TAX INCENTIVES.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed subtitle would authorize the Mayor to pursue a variety of tax incentives in order to encourage investment and bolster growth in neighborhoods of the District of Columbia that are experiencing economic distress, have struggled with chronic high unemployment and further suffer by a lack of commerce and retail traffic. Incentives offered, for up to ten years from date of enactment, include the abatement of real property taxes, tangible real personal property purchased for new investments and expansion of existing business; employment tax credits; tax credits for tenants; tax abatement or credit to a qualified film, television and digital media production facility to also include a tax credit on eligible production costs for a qualified film, with certain restrictions; would also allow for a film, television and digital media production facility to qualify for incentives provided under the Film DC Economic Incentive Act of 2006. The legislation also provides authorization for the Mayor to establish a TIF area for some or part of the public and private infrastructure improvements.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle, should funding be identified at the full council to cover its fiscal effect in the budget and financial plan.**

**c. Section-by-Section Analysis**

Sec. Creates a new Chapter 50 in Title 47 to provide High unemployment area tax relief. Provides defined terms, tax incentives, abatement and credit approval process, certification by the Mayor, and rules.

Defines terms such as: high unemployment area, non-retail, personal property, qualified company, qualified employee, qualified film, qualified film, television and digital media production facility, qualified production costs, qualified tenant, and retail.

Notes the Mayor may provide tax abatements on real property up to 100%, personal property up to 100%; an unemployment credit to a qualified company of up to 20% on the first \$15,000 in wages paid to District residents or up to \$3,000 per employee per year (with a cap of \$1.5 million for each qualified company); a tax credit to a qualified tenant of \$2.50 per square foot; tax abatement or credit to a qualified film, television and digital media production facility to also include a 10% tax credit on eligible production costs with certain conditions met; also provides eligibility for these credits to a film, television and digital media production facility constructed.

Allows for entities to seek and apply for one or more abatements listed, provides for the Mayor to approve the application.

Provides for the Mayor to certify annually participation in these credits to OTR, with prescribed certification information criteria.

Allows for the Mayor to issue rules to implement the incentives provided in this chapter.

Allows for the Mayor to establish and enable a TIF area for infrastructure improvements that may be needed.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**15. TITLE VII, SUBTITLE XX. FIRST-TIME HOMEBUYER TAX BENEFIT.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed subtitle would make necessary technical corrections to Law 21-268, the “First – Time Homebuyer Tax Benefit Amendment Act”. The legislation, which is still subject to funding, would establish a recordation tax rate of 0.725% for eligible first-time District homebuyers, who are defined in the legislation to mean an individual who has never before owned as a principal residence eligible property and includes an individual who is divorced or separated and did not obtain an ownership interest in a principal residence that had been jointly owned. In the instance where more than one individual is purchasing the eligible property, each purchaser must qualify as a first-time District homebuyer.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle, should funding be identified at the full council to cover its fiscal effect in the budget and financial plan.**

**c. Section-by-Section Analysis**

Sec. provides many clarifying changes to the code, including individual purchaser, notes the benefit would apply beginning October 1 of the year the fiscal effect of this subsection is included in a budget and financial plan;

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**16. TITLE VII, SUBTITLE XX. SCHEDULE H CLARIFICATION.**

**a. Purpose, Effect, and Impact on Existing Law**

The proposed subtitle would remove language from the D.C. Official Code that still requires the Adjusted Gross Income of the tax filing unit (e.g. the tax filer, his or her spouse, and each dependent) to be included on the Schedule H form and for the Schedule H calculation.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle, should funding be identified at the full council to cover its fiscal effect in the budget and financial plan.**

**c. Section-by-Section Analysis**

Sec. removes the requirement of dependent income be provided for the purposes of qualifying for the Schedule H credit.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**17. TITLE VII, SUBTITLE XX. FIRST RESPONDER INCOME TAX EXCLUSION.**

**a. Purpose, Effect, and Impact on Existing Law**

This subtitle amends Title 47-1803.02(a) of the District of Columbia Official Code to exclude from gross income the amount received as gross earnings by eligible District of Columbia government first responders.

This legislation provides approximately a \$5,000 benefit to a mid-career first responder to help offset the higher cost of living in the District of Columbia. Police officers and other first responders who live in the city they serve become stronger community members and stakeholders and often get to know the people and communities they serve. While many professionals provide this intrinsic value to the community, there is an additional layer of importance with having first responders live in the communities they protect. Currently, a significant percentage of first responders do not live in the District of Columbia, and many live over an hour away. This presents a serious public safety challenge in the event of a natural disaster or terrorist attack, which could prevent our first responders from quickly returning to help District residents.

The high cost of living in the District often deters public safety officials from living in the city. This legislation would provide a significant financial incentive for them to choose to live here, particularly for new recruits who have not necessarily taken up roots outside the city.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle, should funding be identified at the full council to cover its fiscal effect in the budget and financial plan.**

**c. Section-by-Section Analysis**

Sec. Exclude from gross income the amount received as gross earnings by eligible District of Columbia government first responders.

States that this act shall apply beginning on the tax year following the inclusion of its fiscal effect in an approved budget and financial plan.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee’s Budget Support Act legislative language recommendations.

**18. TITLE VII, SUBTITLE XX. EAST END COMMERCIAL REAL PROPERTY TAX RATE REDUCTION AMENDMENT.**

**SUBTITLE XX.**

**a. Purpose, Effect, and Impact on Existing Law**



This subtitle amends Chapter 8 of Title 47 of the District of Columbia Official Code to lower the real property tax rate for Class 2 Properties located East of the Anacostia River.

There are many challenges to creating and maintaining commercial businesses on the East End of the District of Columbia. Commercial properties that are located east of the Anacostia River are not similarly situated to commercial properties that are west of river. Commercial properties East of the Anacostia River experience challenges associated with lower median income in many Ward 7 and 8 neighborhoods, and a geographical separation from the federal government institutions that allow commercial properties west of the Anacostia River to support the District's high commercial property tax rate, in many cases, by passing the taxes on to tenants through triple-net leases. Lowering the commercial rate East of the Anacostia River will spur an increase in business development and job creation in Ward 7 and 8 neighborhoods.

**b. Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle, should funding be identified at the full council to cover its fiscal effect in the budget and financial plan.**

**c. Section-by-Section Analysis**

Sec. Lowers the real property tax rate for Class 2 Properties located East of the Anacostia River to make it equal to the residential rate for a period of 10 years.

States that this act shall apply beginning on the tax year following the inclusion of its fiscal effect in an approved budget and financial plan.

**d. Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee's Budget Support Act legislative language recommendations.

**19. TITLE VII, SUBTITLE XX. EAST END GROCERY AND RETAIL INCENTIVE PROGRAM TAX ABATEMENT.**

**a. Purpose, Effect, and Impact on Existing Law**

This subtitle amends Chapter 46 of Title 47 of the District of Columbia Official Code to waive real property tax, possessory interest tax, deed recordation and transfer taxes, personal property tax, corporate franchise tax, and sales and use taxes used to construct the store, for eligible sites in Ward 7 and 8.

The residents in Wards 7 and 8 lack the same access to affordable healthy grocery options and retail goods. There are only three grocery stores in Wards 7 and 8.

A recent report by the D.C. Policy Center found that 82% of the District's food deserts were in Wards 7 and 8, with 51 percent of the food deserts in ward 8 and 31 percent in Ward 7. Residents in these wards also have significantly worse health outcomes associated with not eating healthy, including: obesity, heart disease, diabetes, cancer, and a lower life expectancy.

The Area Median Income of Ward 7 and 8 neighborhoods, high taxes, and the cost of construction discourage many grocery and retail stores from locating in Wards 7 and 8. This subtitle waives real property tax, possessory interest tax, deed recordation and transfer taxes, personal property tax, corporate franchise tax, and sales and use taxes used to construct the store, for new anchor stores that sell affordably priced groceries and retail goods on four large parcels that are either owned by the District or a single private landowner. The sites are Capitol Gateway, East River Park, the St. Elizabeths East Campus; and United Medical Center. Additional future sites may be added through the legislative process.

b. **Committee Reasoning**

**The Committee recommends adoption of this proposed subtitle, should funding be identified at the full council to cover its fiscal effect in the budget and financial plan.**

c. **Section-by-Section Analysis**

Sec. Waives real property tax, possessory interest tax, deed recordation and transfer taxes, personal property tax, corporate franchise tax, and sales and use taxes used to construct the store, for eligible sites in Ward 7 and 8.

Applies following the inclusion of its fiscal effect in an approved budget and financial plan.

d. **Legislative Recommendations for Committee of the Whole**

See Appendix C for the Committee's Budget Support Act legislative language recommendations.

## VI. COMMITTEE ACTION AND VOTE

The Committee met on Tuesday May 16, 2017 at 2:00 p.m. in the Council Chambers to consider and vote on the Mayor's FY 2018 budget request for the agencies under its jurisdiction, appropriation language recommendations, the provisions of the Fiscal Year 2018 Budget Support Act of 2017 referred to the Committee for comment, the Committee's recommendations to include in the Fiscal Year 2018 Budget Support Act of 2017, and the draft Committee report. Chairperson Evans determined the presence of a quorum consisting of himself and Councilmembers Kenyan McDuffie, Vincent Gray, Elissa Silverman, and Robert White, Jr.

Chairperson Evans made opening remarks summarizing the Committee's proposed actions.

Councilmember White voiced his approval of the additional attorney for the Tennant Advocate in order to better assist constituents, the increase in funding for the Commission of Arts and Humanities, Adult Learner Transit Subsidy.

Councilmember Gray voiced his support for the Pension Exclusion Restoration Act, the First Responder Tax Exclusion, the East End Commercial Real Property Tax Rate Reduction Amendment, and the East End Grocery and Retail Incentive Program Tax Abatement. In particular, Councilmember Gray stressed the importance of the First Responder Tax Exclusion to encourage more officers and firemen to live within the District.

Councilmember Silverman voiced her support for the Adult Learner Transit Subsidy, the increase in funding for the Commission on Arts and Humanities, and the additional FTE counsel for the tenant advocate. Councilmember Silverman commented on her concern for the unfunded subtitles and called for "hard choices" when it came to funding.

Councilman McDuffie voiced support for the overall budget and in particular the Supermarket Tax Incentives Clarification.

Chairperson Evans then moved the committee report and recommendations on the FY 2018 budget requests of the agencies under the Committee's purview and appropriation language recommendations, as well as the Committee's recommendations for the Fiscal Year 2018 Budget Support Act of 2017. The members voted as follows:

### **Fiscal Year 2018 Budget Federal Portion Adoption and Request Act of 2017 Recommendations**

Members in favor: Councilmembers Evans, McDuffie, Gray, Silverman, White, Jr.

Members opposed: N/A

Members voting present: N/A

Members absent: N/A

The Committee's Fiscal Year 2018 Budget Federal Portion Adoption and Request Act of 2017 recommendations are adopted by a vote of 5 yes, 0 no, 0 present, and 0 absent.

### **Fiscal Year 2018 Budget Local Portion Adoption Act of 2017 Recommendations**

Members in favor: Councilmembers Evans, McDuffie, Gray, Silverman, White, Jr.

Members opposed: N/A  
Members voting present: N/A  
Members absent: N/A

The Committee's Fiscal Year 2018 Budget Local Portion Adoption Act of 2017 recommendations are adopted by a vote of 5 yes, 0 no, 0 present, 0 absent.

**Fiscal Year 2018 Budget Support Act of 2017 Recommendations**

Members in favor: Councilmembers Evans, McDuffie, Gray, Silverman, White, Jr  
Members opposed: N/A  
Members voting present: N/A  
Members absent: N/A

The Committee's Fiscal Year 2018 Budget Support Act of 2017 recommendations are adopted by a vote of 5 yes, 0 no, 0 present, 0 absent.

Business having concluded, the meeting was adjourned at 2:40 p.m.

## VII. ATTACHMENTS

- A. April 12, 2017 FY 2018 Budget Oversight Hearing Witness List and Testimony
- B. May 3, 2017 FY 2018 Budget Oversight Hearing Witness List and Testimony
- C. May 4, 2017 FY 2018 Budget Oversight Hearing Witness List and Testimony.
- D. Bill 22-244, the “Fiscal Year 2018 Budget Support Act of 2017” Legislative Language Recommendations.