

**Council of the District of Columbia**  
**COMMITTEE ON BUSINESS AND ECONOMIC DEVELOPMENT**  
**MEMORANDUM**

1350 Pennsylvania Avenue, NW, Washington, D.C. 20004

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**TO:** Chairperson Phil Mendelson  
**FROM:** Councilmember Kenyan R. McDuffie   
**RE:** Request to Agendize Measures for the July 12, 2022 Additional Legislative Meeting  
**DATE:** July 7, 2022

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Pursuant to Council Rule 426, regarding a waiver of Rule 231(c), I request that the following measures be agendized for the July 12, 2022, Additional Legislative Meeting. I also request that these measures be agendized for an Additional Meeting of the Committee of the Whole should one be scheduled.

The measures were marked up by the Committee on Business and Economic Development and have been filed timely with the Secretary's Office:

Measures from the Committee

- **Bill 24-0227, the “District of Columbia Financial Services Innovation and Regulatory Sandbox Creation Act of 2022”**

The measure would allow the District to create a regulatory sandbox for nascent financial technology products and services for use in the District. A regulatory sandbox is a regulatory scheme that allows businesses within a specific industry to test themselves in the market for a period of time without being subject to the entire regulatory scheme within that jurisdiction. This legislation will help the District strike a balance between the regulatory structure that protects consumers and the innovative financial technology businesses and spirit within the District. The goal of this balance is to allow companies to develop and foster innovation outside of a sophisticated regulatory framework while continuing to provide strong customer protection to the residents of the District that use these financial products or services.

- **Bill 24-0441, the “Credit for Reinsurance Amendment Act of 2022”**

If approved, this measure would amend the Credit for Reinsurance Amendment Act of 1993 to incorporate the most recent National Association of Insurance Commissioners (NAIC) accreditation requirements that allow insurers to receive credit when reinsurance is ceded to an assuming insurer under certain conditions and grant the Commissioner additional rulemaking authority to implement the new requirements. Reinsurance is where an insurer transfers all or part of the risk accumulated to another insurer to protect against the risk the first insurer assumed. Essentially, a second insurer helps protect against the risk assumed by a first or primary insurer. This splits the liability among insurers, so one insurer is not overly exposed to potential liabilities.

This legislation must be adopted by September 1, 2022 to comply with the NAIC deadline, otherwise the District may lose its NAIC accreditation. Absent its accreditation, the District will lose the ability to enforce certain District insurance regulations and must default to enforcing federal regulations, thereby forfeiting sovereignty over insurance regulation implementation.

To be clear, the Council has previously passed legislation to remain accredited with the NAIC and adopted NAIC recommendations within the District. This legislation is the latest iteration of NAIC-related recommendations.

- **Bill 24-0616, the “Earned Income Tax Credit Expansion Clarification Amendment Act of 2022”**

If approved, this bill would exclude monthly payments of the earned income tax credit or other refundable income tax credits from the definition of earned income and exclude direct cash assistance payments from the definition of income, for purposes of qualifying for public assistance.

The DC Earned Income Tax Credit (EITC) is a tax credit based on the federal EITC, designed for low- to moderate-income households. District taxpayers who are allowed the federal EITC when filing their federal individual income tax return are eligible for a local EITC equal to 40% of their federal EITC. The Fiscal Year 2022 Budget Support Act of 2021 expanded the District EITC to the most generous state-funded level in the country, eventually reaching 100% of the federal EITC for tax year 2025 returns. The expansion also allows for monthly payments of a portion of the EITC, beginning in tax year 2022.

The District of Columbia Department of Human Services’ Economic Security Administration, which administers several of the District’s public benefits programs, raised concerns that, under current law, the impact of the increased benefits and the monthly distribution of the EITC, would negatively impact individuals receiving certain income-based public assistance, because it may be treated as income.

This legislation would ensure, to the extent allowable under federal law, that the benefit of the expanded local EITC does not adversely impact low-income households by causing them to become ineligible for the assistance on which they rely.

The Committee Print for this Bill would also exclude from the definition of income direct cash assistance received from District-based cash assistance programs or pilots unrestricted cash assistance directly to individuals or households and that are administered by a nonprofit organization. These include programs like THRIVE East of the River and Martha’s Table’s Strong Families, Strong Futures program, which provide unrestricted monthly cash assistance to low-income individuals or households. The legislation will create continuity and ensure that assistance received from other cash assistance programs is treated the same way.

#### Emergency and Temporary Legislation

- **Credit for Reinsurance Emergency Declaration Resolution of 2022**
- **Credit for Reinsurance Emergency Amendment Act of 2022**

This measure would expedite the amendment of the Credit for Reinsurance Amendment Act of 1993 to incorporate the most recent National Association of Insurance Commissioners (NAIC) accreditation requirements that allow insurers to receive credit when reinsurance is ceded to an assuming insurer under certain conditions and grant the Commissioner additional rulemaking authority to implement the new requirements. Reinsurance is where an insurer transfers all or part of the risk accumulated to another insurer to protect against the risk the first insurer assumed. Essentially, a second insurer helps protect against the risk assumed by a first or primary insurer. This splits the liability among insurers, so one insurer is not overly exposed to potential liabilities.

This emergency legislation must be adopted by September 1, 2022 to comply with the NAIC deadline, otherwise the District may lose its NAIC accreditation. Absent its accreditation, the District will lose the ability to enforce certain District insurance regulations and must default to enforcing federal regulations, thereby forfeiting sovereignty over insurance regulation implementation.

- **Children’s National Research and Innovation Campus Equitable Tax Relief Emergency Declaration Resolution of 2022**
- **Children’s National Research and Innovation Campus Equitable Tax Relief Emergency Amendment Act of 2022**
- **Children’s National Research and Innovation Campus Equitable Tax Relief Temporary Amendment Act of 2022**

In December 2020, the Council approved a real property tax exemption for Lots 824 and 826 in Square 2950 to assist Children’s National Hospital with the development of its Research and Innovation Campus at Walter Reed. The law also required the developer to spend no less than 35% of the project’s *annual* adjusted budget with certified and small business enterprises. While annual spend goals on capital construction projects can fluctuate significantly from projections in any given year, the impact of the COVID-19 pandemic has caused these fluctuations on the campus project to be much more dramatic.

Because the Department of Local Small Business Development routinely ties CBE compliance on capital projects to a *gross* project spend goal and to prevent Children’s from losing its real property tax exemption due to market dynamics borne from the impact of COVID-19, this legislation aligns Children’s CBE compliance scheme with that of most other capital projects by requiring the health care provider to meet the 35% adjusted budget spend goal at the end of the full redevelopment project. As a consequence, if, by the end of the project, Children’s fails to meet its CBE spend goal, it shall remit to the District the amount it would have otherwise had to pay in real property taxes for the buildings located on Lots 824 and 826 in Square 2950 at a sum proportionate to the difference between the project goal and Children’s actual CBE expenditure during the timeframe of the project. Emergency action is necessary to ensure that Children’s does not lose its real property tax exemption next fiscal year and can complete the development of its Research and Innovation Campus.

- **PR24-0797, the “State Small Business Credit Initiative Venture Capital Program Grant-Making Establishment Emergency Declaration Resolution of 2022”**
- **B24-0849, the “State Small Business Credit Initiative Venture Capital Program Grant-Making Establishment Emergency Act of 2022”**
- **B24-0850, the “State Small Business Credit Initiative Venture Capital Program Grant-Making Establishment Temporary Act of 2022”**

The measures seek to amend the Deputy Mayor for Planning and Economic Development Limited Grant-Making Authority Act of 2012 to authorize the establishment of the Small Business Credit Initiative Investment Venture Capital Program (VC Program) to provide long-term investments in the local business community. The State Small Business Credit Initiative (SSBCI) is a federally authorized program to support small business access-to-capital programs. SSBCI was reauthorized as part of the 2021 American Rescue Plan Act (ARPA), allocating \$62 million to the District for deployment by 2030.

The purpose of ARPA is to provide additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. To receive its allocation, the District is required to submit an application to the U.S. Department of Treasury. DMPED and DISB submitted the District’s application in February 2022. The application is currently under review by the Department of Treasury. Funds will be used, in part, to establish a venture capital program to invest in small businesses that have historically lacked access to capital. Emergency action is necessary to ensure the Mayor has the requisite authority in place to launch the VC Program once the District’s application is approved by the Department of Treasury and disbursements are made.

Ceremonial Resolutions:

- **Miles Rawls 60th Birthday and Retirement Resolution of 2022**

Mr. Rawls is a longtime District resident who is retiring from the Federal Protective Service at the U.S. Department of Homeland Security after 25 years of service. This resolution recognizes his retirement and 60<sup>th</sup> birthday.

- **Robert L. Harris, Jr. Recognition Resolution of 2022**

Mr. Harris, Jr. is a longtime District resident who is being inducted into the Archbishop Carroll High School Hall of Fame. This resolution recognizes this awesome honor.

- **Salih Williams Recognition Resolution of 2022**

Mr. Williams is a longtime District resident who is being recognized for his role as the program director for the Deanwood Radio Broadcast Youth Journalism Program. This resolution recognizes his service and the program's longtime success.

- **Rodney Cephas Recognition Resolution of 2022**

Mr. Cephas is a native Washingtonian who presently serves as the Athletic Director at Beacon House. This resolution recognizes his service and the program's growth and success under his leadership.

The draft measures along with their supporting materials are attached. Feel free to contact Committee Director Alicia DiFazio, at [adifazio@dccouncil.us](mailto:adifazio@dccouncil.us), with any questions.

Thank you for your consideration of this request.

cc: Members, Council of the District of Columbia  
Office of the Secretary  
Office of the General Counsel  
Office of the Budget Director