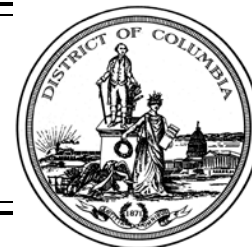

COMMITTEE ON FINANCE AND REVENUE

COUNCILMEMBER JACK EVANS, CHAIRPERSON
FISCAL YEAR 2017 COMMITTEE BUDGET REPORT



TO: Members of the Council of the District of Columbia

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

DATE: May 4, 2016

SUBJECT: Report and Recommendations of the Committee on Finance and Revenue on the Fiscal Year 2017 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) 2017 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 2017 Budget Support Act of 2016, as proposed by the Mayor.

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I. SUMMARY

A. FISCAL YEAR 2017 AGENCY OPERATING BUDGET SUMMARY TABLE (DOLLARS IN THOUSANDS)

FY 2017 Operating Budget by Fund Type (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AA0 - OFFICE OF THE MAYOR (OFFICE OF PARTNERSHIPS & GRANT SERVICES)					
100 LOCAL FUND	349,827	348,922	0	348,922	-0.3%
GROSS FUNDS	349,827	348,922	0	348,922	-0.3%
AD0 - OFFICE OF THE INSPECTOR GENERAL					
100 LOCAL FUND	14,594,721	15,953,879	200,000	16,153,879	10.7%
200 FEDERAL GRANT FUND	2,620,491	2,568,578	0	2,568,578	-2.0%
GROSS FUNDS	17,215,212	18,522,457	200,000	18,722,457	8.8%
AS0 - OFFICE OF FINANCE & RESOURCE MGMT					
100 LOCAL FUND	21,572,261	23,379,659	0	23,379,659	8.4%
600 SPECIAL PURPOSE REVENUE FUNDS	301,142	407,440	0	407,440	35.3%
700 INTRA-DISTRICT FUNDS	14,638,821	12,737,091	0	12,737,091	-13.0%
GROSS FUNDS	36,512,223	36,524,190	0	36,524,190	0.0%
AT0 - OFFICE OF THE CHIEF FINANCIAL OFFICER (EXCLUDING OBP)					
100 LOCAL FUND	111,952,462	118,766,249	(144,750)	118,621,499	6.0%
200 FEDERAL GRANT FUND	525,000	525,000	0	525,000	0.0%
600 SPECIAL PURPOSE REVENUE FUNDS	44,196,075	43,492,950	0	43,492,950	-1.6%
700 INTRA-DISTRICT FUNDS	8,068,879	8,640,275	0	8,640,275	7.1%
GROSS FUNDS	164,742,417	171,424,475	(144,750)	171,279,725	4.0%
BK0 - BASEBALL					
610 ENTERPRISE AND OTHER FUNDS-DEDICATED TAX	56,171,000	56,947,000	0	56,947,000	1.4%
620 ENTERPRISE AND OTHER FUNDS	11,336,000	11,538,000	0	11,538,000	1.8%
GROSS FUNDS	67,507,000	68,485,000	0	68,485,000	1.4%
BX0 - COMMISSION ON ARTS & HUMANITIES					
100 LOCAL FUND	14,695,848	14,474,536	6,100,000	20,574,536	40.0%
200 FEDERAL GRANT FUND	684,400	691,900	0	691,900	1.1%
600 SPECIAL PURPOSE REVENUE FUNDS	500,000	200,000	0	200,000	-60.0%
700 INTRA-DISTRICT FUNDS	75,000	168,000	0	168,000	124.0%
GROSS FUNDS	15,955,248	15,534,436	6,100,000	21,634,436	35.6%
DA0 - REAL PROPERTY TAX APPEALS COMMISSION					
100 LOCAL FUND	1,635,856	1,702,654	0	1,702,654	4.08%
GROSS FUNDS	1,635,856	1,702,654	0	1,702,654	4.08%
DC0 - LOTTERY & CHARITABLE GAMES CONTROL BOARD					
620 ENTERPRISE AND OTHER FUNDS	220,000,000	215,000,000	0	215,000,000	-2.3%
GROSS FUNDS	220,000,000	215,000,000	0	215,000,000	-2.3%
ES0 - WASHINGTON CONVENTION & SPORTS AUTHORITY					
620 ENTERPRISE AND OTHER FUNDS - O TYPES	134,670,491	146,958,776	0	146,958,776	9.1%
GROSS FUNDS	134,670,491	146,958,776	0	146,958,776	9.1%

FY 2017 Operating Budget by Fund Type (Gross Funds) (cont.)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
EZ0 - CONVENTION CENTER TRANSFER- DEDICATED TAX					
100 LOCAL FUND	8,114,592	3,186,228	0	3,186,228	-60.7%
110 DEDICATED TAXES	116,939,000	119,100,000	0	119,100,000	1.8%
GROSS FUNDS	125,053,592	122,286,228	0	122,286,228	-2.2%
ID0 - BUSINESS IMPROVEMENT DISTRICTS TRANSFER					
600 SPECIAL PURPOSE REVENUE FUNDS	28,000,000	37,000,000	0	37,000,000	32.1%
GROSS FUNDS	28,000,000	37,000,000	0	37,000,000	32.1%
KE0 - MASS TRANSIT SUBSIDIES					
100 LOCAL FUND	257,388,745	248,360,726	0	248,360,726	-3.5%
110 DEDICATED TAXES	66,664,000	66,670,000	0	66,670,000	0.0%
600 SPECIAL PURPOSE REVENUE FUNDS	48,160,360	53,600,000	0	53,600,000	11.3%
GROSS FUNDS	372,213,105	368,630,726	0	368,630,726	-1.0%
TX0 - TAX INCREMENT FINANCING (TIF) PROGRAM					
610 ENTERPRISE AND OTHER FUNDS- DEDICATED TAX	70,006,229	54,755,587	0	54,755,587	-21.8%
GROSS FUNDS	70,006,229	54,755,587	0	54,755,587	-21.8%

B. FISCAL YEAR 2017 AGENCY FULL-TIME EQUIVALENT TABLE

FY 2017 Operating Budget by Fund Type (Gross Funds) Full-Time Equivalent (FTE)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AA0 - OFFICE OF THE MAYOR (OFFICE OF PARTNERSHIPS & GRANT SERVICES)					
100 LOCAL FUND	3.0	3.0	0.0	3.0	0.0%
GROSS FTES	3.0	3.0	0.0	3.0	0.0%
AD0 - OFFICE OF THE INSPECTOR GENERAL					
100 LOCAL FUND	94.8	94.8	0.0	94.8	0.0%
200 FEDERAL GRANT FUND	17.3	17.3	0.0	17.3	0.0%
GROSS FTES	112.0	112.0	0.0	112.0	0.0%
AS0 - OFFICE OF FINANCE & RESOURCE MGMT					
100 LOCAL FUND	39.0	38.8	0.0	38.8	-0.6%
600 SPECIAL PURPOSE REVENUE FUNDS	0.0	0.0	0.0	0.0	N/A
700 INTRA-DISTRICT FUNDS	7.0	5.2	0.0	5.2	-25.4%
GROSS FTES	46.0	44.0	0.0	44.0	-4.3%
AT0 - OFFICE OF THE CHIEF FINANCIAL OFFICER					
100 LOCAL FUND	832.4	839.4	(1.0)	838.4	0.7%
200 FEDERAL GRANT FUND	0.0	0.0	0.0	0.0	N/A
600 SPECIAL PURPOSE REVENUE FUNDS	49.0	55.0	0.0	55.0	12.2%
700 INTRA-DISTRICT FUNDS	46.5	45.7	0.0	45.7	-1.8%
GROSS FTES	927.9	940.0	(1.0)	939.0	1.2%
BX0 - COMMISSION ON ARTS & HUMANITIES					
100 LOCAL FUND	12.0	21.0	0.0	21.0	74.7%
200 FEDERAL GRANT FUND	7.0	7.0	0.0	7.0	0.0%
600 SPECIAL PURPOSE REVENUE FUNDS	0.0	0.0	0.0	0.0	N/A
700 INTRA-DISTRICT FUNDS	0.0	0.0	0.0	0.0	N/A
GROSS FTES	19.0	28.0	0.0	28.0	47.2%
DA0 - REAL PROPERTY TAX APPEALS COMMISSION					
100 LOCAL FUND	11.0	11.0	0.0	11.0	0.0%
GROSS FTES	11.0	11.0	0.0	11.0	0.0%
DC0 - LOTTERY & CHARITABLE GAMES CONTROL BOARD					
620 ENTERPRISE AND OTHER FUNDS	73.5	73.5	0.0	73.5	0.0%
GROSS FTES	73.5	73.5	0.0	73.5	0.0%

C. FISCAL YEAR 2017 AGENCY CAPITAL BUDGET SUMMARY TABLE (DOLLARS IN THOUSANDS)

FY 2017 - FY 2022 Capital Budget by Project - Mayor's Proposed							
OFFICE OF THE CHIEF FINANCIAL OFFICER	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	6-Year Total
BF301C - SOAR MODERNIZATION	0	0	0	0	0	5,500,000	5,500,000
CIM01C - CAPITAL ASSET REPLACEMENT SCHEDULING	1,000,000	0	0	0	0	0	1,000,000
CSP08C - INTEGRATED TAX SYSTEM MODERNIZATION	11,000,000	6,000,000	0	0	0	0	17,000,000
AGENCY TOTAL	12,000,000	6,000,000	0	0	0	5,500,000	23,500,000
MASS TRANSIT SUBSIDIES	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	6-Year Total
SA311C - WMATA FUND - PRIAA	49,500,000	50,000,000	50,000,000	50,000,000	0	0	199,500,000
SA501C - WMATA CIP CONTRIBUTION	92,113,134	72,846,234	77,218,244	76,365,075	79,871,322	82,505,840	480,919,849
SA616C - 7000 SERIES RAILCAR PURCHASE OPTION	0	0	42,000,000	43,000,000	50,000,000	14,086,000	149,086,000
TOP02C - PROJECT DEVELOPMENT	1,099,000	0	0	0	0	0	1,099,000
AGENCY TOTAL	142,712,134	122,846,234	169,218,244	169,365,075	129,871,322	96,591,840	830,604,849
TOTAL	154,712,134	128,846,234	169,218,244	169,365,075	129,871,322	102,091,840	854,104,849

FY 2017 - FY 2022 Capital Budget by Project - Committee's Proposed								
AT0 - OFFICE OF THE CHIEF FINANCIAL OFFICER	Existing Allotment Adjustments	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	6-Year Total
BF301C - SOAR MODERNIZATION	(6,000,000)	0	0	0	0	0	5,500,000	5,500,000
CIM01C - CAPITAL ASSET REPLACEMENT SCHEDULING SYS		1,000,000	0	0	0	0	0	1,000,000
CSP08C - INTEGRATED TAX SYSTEM MODERNIZATION		11,000,000	6,000,000	0	0	0	0	17,000,000
AGENCY TOTAL		12,000,000	6,000,000	0	0	0	5,500,000	23,500,000
MASS TRANSIT SUBSIDIES	Existing Allotment Adjustments	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	6-Year Total
SA311C - WMATA FUND - PRIAA		49,500,000	50,000,000	50,000,000	50,000,000	0	0	199,500,000
SA501C - WMATA CIP CONTRIBUTION		92,113,134	72,846,234	77,218,244	76,365,075	79,871,322	82,505,840	480,919,849
SA616C - 7000 SERIES RAILCAR PURCHASE OPTION		0	0	42,000,000	43,000,000	50,000,000	14,086,000	149,086,000
TOP02C - PROJECT DEVELOPMENT		1,099,000	0	0	0	0	0	1,099,000
AGENCY TOTAL		142,712,134	122,846,234	169,218,244	169,365,075	129,871,322	96,591,840	830,604,849
TOTAL		154,712,134	128,846,234	169,218,244	169,365,075	129,871,322	102,091,840	854,104,849

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 2017 operating budget for the Office in the amount of \$171,424,475, with the following change:

1. Remove proposed 1.0 Full-Time Equivalent from the Office of Revenue and Analysis.
2. Realize \$1,600,000 in savings from the Central Collections Unit special purpose revenue fund.

Policy Recommendations

The Committee recommends the following policy change:

1. Fill vacancies.

Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 capital budget for the Office of \$12 million in FY 2017 and \$23.5 million over the course of the 6-year capital plan, with the following change:

1. Reallocate \$6,000,0000 of SOAR Modernization allotment balance.

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

Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 budget for the Lottery in the amount of \$215,000,000.

Policy Recommendations

The Committee recommends the following policy changes:

1. Implement best practices recommendations.
2. Expand lottery kiosk locations.

Capital Budget Recommendations

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

3. Real Property Tax Appeals Commission

Operating Budget Recommendations

The Committee recommends adoption of the FY 2017 budget for the Commission in the amount of \$1,702,654.

Policy Recommendations

The Committee recommends the following policy changes:

1. Implement auditor recommendations.
2. Modify definition of residential property.
3. Continue to advance electronic filing option.

Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 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 2017 budget for the Office in the amount of \$36,524,190.

Policy Recommendations

The Committee has no recommendations for the Office.

Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 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 2017 budget for the Commission in the amount of \$15,534,436, with the following changes:

1. Increase Arts Building Communities by \$4,600,000.
2. Increase Arts Learning for Youth by \$1,450,000.
3. Increase Training and Employee Development by \$30,000.
4. Increase Legislative and Grants Management by \$20,000.

Policy Recommendations

The Committee recommends the following policy changes:

1. Provide updates to strategic and master plans.
2. Improve coordination with the Department of General Services.
3. Explore opportunities for jazz and the creative economy.
4. Reinstate the dedicated funding source.

Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 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 2017 budget for the Authority in the amount of \$146,958,776.

Policy Recommendations

The Committee has no policy recommendations for Events DC.

Capital Budget Recommendations

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

7. Destination DC

Operating Budget Recommendations

The Committee recommends adoption of the FY 2017 budget for Destination DC in the amount of \$3,186,228.

Policy Recommendations

The Committee recommends the following policy change:

1. Enhance District resident hiring efforts.

Capital Budget Recommendations

The Committee recommends adoption of the Mayor’s FY 2017 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 2017 budget for the Authority in the amount of \$368,630,726.

Policy Recommendations

The Committee recommends the following policy changes:

1. Improve safety on platforms.
2. Increase funding for DC Circulator wage parity.

Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 capital budget for the Authority of \$142,712,000 in FY 2017 and \$830,605,000 over the course of the 6-year capital plan. The Committee also makes the following recommendations:

1. Prioritize capital program planning.
2. Expect changes to the 6-year capital plan.

9. Office of the Inspector General

Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 budget for the Office in the amount of \$18,522,457, with the following change:

1. Add \$200,000 for various staff initiatives.

Policy Recommendations

The Committee recommends the following policy change:

1. Implement security assessment recommendations.

Capital Budget Recommendations

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

10. Office of Partnerships and Grant Services

Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 budget for the Office in the amount of \$348,922.

Policy Recommendations

The Committee has no policy recommendations for the Office.

Capital Budget Recommendations

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

11. Committee Transfers

The Committee recommends the following transfers:

1. Transfer \$200,000 in local funds to the Committee on Education for the DC Public Library for opening day collections at the West End Library.
2. Transfer \$200,000 in local funds to the Committee on Housing and Community Development for the Office on Aging to provide support to senior villages.
3. Transfer \$1,100,000 in local funds to the Committee on Transportation and the Environment. Of this amount, transfer \$1,000,000 to the Department of Public Works to fund the trash compactor grant program. Transfer the remaining \$100,000 to the Department on Energy and Environment for a grant to support entities that participate in youth engagement in cleaning the Anacostia River.
4. Transfer \$44,257 in local recurring funds to the Committee of the Whole for the Office on Planning to fund a partial Full-Time Equivalent.¹

12. Unfunded Committee Recommendations for Consideration at the Full Council

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

Capital and Operating Recommendations

1. Increase the capital budget of the Office of the Chief Financial Officer for SOAR Modernization by \$42,089,000 in FY 2021 and \$42,089,000 million in FY 2022.
2. Increase the operating budget of the Office of the Inspector General by \$3,626,000 to provide for salary adjustments (\$126,000), an additional 18 Full-Time Equivalents (\$1,000,000), and to complete a legislatively-mandated audit, upgrade infrastructure and security, increase training, and continue improvements outlined in the safety assessment (\$2,500,000).

Budget Support Act Recommendations

1. Amend D.C. Official Code § 47-1806.06(j)(1) under new subtitle "Schedule H Consumer Price Index Amendment Act of 2016".
2. Add new subtitle "Walker Jones/Northwest One Unity Health Center Tax Abatement Amendment Act of 2016".
3. Add new subtitle "Parkside Parcel F Mixed-Use Development Tax Abatement Act of 2016".

¹ This amount factors in personnel costs escalated at 2% per year.

4. Add new subtitle “Commission on the Arts and Humanities Dedicated Funding Amendment Act of 2016”.

5. Add new subtitle “The Park 7 at Minnesota-Benning Tax Abatement Act of 2016”.

II. AGENCY FISCAL YEAR 2017 BUDGET RECOMMENDATIONS

A. INTRODUCTION

The Committee presents its recommendations for the District of Columbia's FY 2017 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; tax increment and payment-in-lieu-of-taxes financing approvals; and other matters.² The following ten agencies fall under the oversight jurisdiction of the Committee:

- I. Office of the Chief Financial Officer³
- 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
- IX. Office of the Inspector General
- X. Office of Partnerships and Grant Services

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 18, March 4, and March 8, 2016.** The Committee held public oversight hearings on the FY 2015/2016 performance of the agencies under the Committee's jurisdiction.
- **March 24, 2016.** The Mayor submitted her FY 2017 budget request to the Council.
- **March 31 and April 8, 2016.** The Committee sent requests for information to entities under the Committee's jurisdiction.

² See Rules of Organization and Procedure for the Council of the District of Columbia, Council Period 21, Rule 234(a) (hereinafter "Council Period 21 Rules").

³ 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 21 Rules, *supra* note 1, Rules 231(e), 234(b).

- **April 11 and April 25, 2016.** The Committee held public hearings on the FY 2017 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.⁴ 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.

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.⁵ The Committee is very pleased that, upon reviewing the reports for the prior fiscal year (2015), no Yellow Book was published. With respect to the Office of Inspector General, the Committee welcomes a budget that will be used to proactively identify potential waste, fraud, and abuse using data analytics and new software.

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) 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 2013⁶ relating to real property tax liens and the tax sale process, as well as the positive changes for the expanded Schedule H. Additionally, the Committee is encouraged by the work of the Office of Partnerships and Grant Services and its ability to communicate with the nonprofit community.

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 arts so that the District may adequately assist all of those within our arts 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. Elizabeths 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.

⁴ See *infra* Parts VII.A and VII.B.

⁵ The Yellow Book contains findings on agency systems and processes that require action and improvement.

⁶ Effective Dec. 4, 2014 (D.C. Law 20-141; codified in scattered sections of Title 47 of the D.C. Official Code).

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, as well as the need to close the system for an entire day on March 16, 2016. 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.

B. OFFICE OF THE CHIEF FINANCIAL OFFICER

FY 2017 Operating Budget by Comptroller Source Group (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AT0 - OFFICE OF THE CHIEF FINANCIAL OFFICER (EXCLUDING OBP)					
11 REGULAR PAY - CONT FULL TIME	79,915,704	82,639,592	(112,802)	82,526,790	3.3%
12 REGULAR PAY - OTHER	1,015,061	867,088	0	867,088	-14.6%
13 ADDITIONAL GROSS PAY	51,250	51,250	0	51,250	0.0%
14 FRINGE BENEFITS - CURR PERSONNEL	17,174,786	19,316,932	(31,948)	19,284,984	12.3%
15 OVERTIME PAY	25,000	25,000	0	25,000	0.0%
PERSONNEL SERVICES	98,181,801	102,899,862	(144,750)	102,755,112	4.7%
20 SUPPLIES AND MATERIALS	449,297	452,794	0	452,794	0.8%
40 OTHER SERVICES AND CHARGES	12,192,980	11,573,215	0	11,573,215	-5.1%
41 CONTRACTUAL SERVICES - OTHER	53,239,496	55,739,375	0	55,739,375	4.7%
70 EQUIPMENT & EQUIPMENT RENTAL	678,842	759,228	0	759,228	11.8%
NONPERSONNEL SERVICES	66,560,616	68,524,612	0	68,524,612	3.0%
GROSS FUNDS	164,742,417	171,424,474	(144,750)	171,279,724	4.0%

FY 2017 Operating Budget by Fund Type (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AT0 - OFFICE OF THE CHIEF FINANCIAL OFFICER (EXCLUDING OBP)					
100 LOCAL FUND	111,952,462	118,766,249	(144,750)	118,621,499	6.0%
200 FEDERAL GRANT FUND	525,000	525,000	0	525,000	0.0%
600 SPECIAL PURPOSE REVENUE FUNDS	44,196,075	43,492,950	0	43,492,950	-1.6%
700 INTRA-DISTRICT FUNDS	8,068,879	8,640,275	0	8,640,275	7.1%
GROSS FUNDS	164,742,417	171,424,475	(144,750)	171,279,725	4.0%

FY 2017 Operating Budget by Program (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AT0 - OFFICE OF THE CHIEF FINANCIAL OFFICER (EXCLUDING OBP)					
1000 AGENCY MANAGEMENT	9,580,632	10,251,963	0	10,251,963	7.0%
100F AGENCY FINANCIAL OPERATIONS	1,132,156	1,277,895	0	1,277,895	12.9%
2000 FINANCIAL OPERATIONS AND SYSTEMS	13,442,537	13,819,367	0	13,819,367	2.8%
4000 RESEARCH AND ANALYSIS	4,783,883	5,074,006	(144,750)	4,929,256	3.0%
5000 TAX ADMINISTRATION	69,379,411	71,174,191	0	71,174,191	2.6%
6000 INFORMATION TECHNOLOGY	25,524,581	26,300,877	0	26,300,877	3.0%
7000 FINANCE AND TREASURY	35,961,116	38,496,527	0	38,496,527	7.1%
8000 INTEGRITY AND OVERSIGHT	4,938,100	5,029,647	0	5,029,647	1.9%
GROSS FUNDS	164,742,417	171,424,474	(144,750)	171,279,724	4.0%

FY 2017 - FY 2022 Capital Budget by Project (Gross Funds)								
AT0 - OFFICE OF THE CHIEF FINANCIAL OFFICER	Existing Allotment Adjustments	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	6-Year Total
BF301C - SOAR MODERNIZATION								
MAYOR'S PROPOSED	21,821,828	0	0	0	0	0	5,500,000	5,500,000
COMMITTEE VARIANCE	(6,000,000)	0	0	0	0	0	0	0
COMMITTEE'S PROPOSED	15,821,828	0	0	0	0	0	5,500,000	5,500,000
CIM01C - CAPITAL ASSET REPLACEMENT SCHEDULING SYS								
MAYOR'S PROPOSED		1,000,000	0	0	0	0	0	1,000,000
COMMITTEE VARIANCE		0	0	0	0	0	0	0
COMMITTEE'S PROPOSED		1,000,000	0	0	0	0	0	1,000,000
CSP08C - INTEGRATED TAX SYSTEM MODERNIZATION								
MAYOR'S PROPOSED		11,000,000	6,000,000	0	0	0	0	17,000,000
COMMITTEE VARIANCE		0	0	0	0	0	0	0
COMMITTEE'S PROPOSED		11,000,000	6,000,000	0	0	0	0	17,000,000
AGENCY TOTAL		12,000,000	6,000,000	0	0	0	5,500,000	23,500,000

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.⁷ 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

⁷ 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.

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 2017 Operating Budget

Proposed Operating Budget Summary

The proposed total operating budget of the OCFO is \$177,789,242, an increase of 4.01% from the FY 2016 approved budget. This funding supports 982.0 Full-Time Equivalents (FTEs), an increase of 12.2 FTEs or 1.26% from the FY 2016 approved level. Excluding OBP, the proposed operating budget of the OCFO is \$171,424,475 to support 940.0 FTEs.⁸

Local Funds: The proposed local funds budget for the OCFO is \$118,766,249, an increase of 6.09% from the FY 2016 approved budget. This funding supports 881.4 FTEs, representing an increase of 7.0 FTEs or 8.00% from the FY 2016 approved budget.

Federal Grant Funds: The proposed federal grant funds budget for the OCFO is \$525,000, which represents no change from the FY 2016 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 \$43,492,950, a decrease of 1.59% from the FY 2016 approved budget. This budget supports 55.0 FTEs, representing an increase of 6.0 FTEs or 12.24% from the FY 2016 approved budget.

Intra-District Funds: The proposed intra-district funds budget for the OCFO is \$8,640,275, an increase of 7.08% from the FY 2016 approved budget. This supports 45.6 FTEs, representing a decrease of 0.9 FTEs or 1.94% from the FY 2016 approved budget.

Committee Analysis and Comments

The Committee commends the OCFO on its ongoing activities. In 2014, the OCFO published an ambitious and comprehensive Strategic Plan.⁹ The Committee continues to be impressed by the Office's ability to implement this plan and to do so in a timely manner. The initiative taken to coordinate with the Office of the Inspector General in the CAFR process has only strengthened the financial status of the District—as indicated by the fact that the CAFR included no significant deficiencies or material weaknesses. The Committee also applauds the OCFO on its leadership and efforts to reform the Schedule H process and provide additional opportunities for District tax payers to afford the cost of living in the District by accessing this benefit.

⁸ To enhance transparency, the funding associated with OBP is consolidated within the OCFO budget numbers.

⁹ See generally OFFICE OF THE CHIEF FIN. OFFICER, STRATEGIC PLAN (2014), available at http://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/Strategic%20Plan_%202014_Revised.pdf.

c. Mayor's Proposed FY 2017 – FY 2022 Capital Budget

The Mayor's proposed capital budget request includes an allotment of \$12,000,000 for FY 2017 and a total budget of \$23,500,000 for the entire FY 2017 – FY 2022 capital plan period. This represents a decrease of \$53,500,000 in allotments from the FY 2016 – FY 2021 approved level. This decrease is, in large part, due to a reduction in the proposed budget for the SOAR Modernization project.

Committee Analysis and Comments

The Committee expresses concern with respect to the Mayor's FY 2017 – FY 2022 capital budget proposal for the OCFO. The continued investment in the MITS project is comforting; however, the substantial decrease in funding for SOAR Modernization displeases the Committee. The Committee thanks the OCFO for its initiative in developing a Capital Asset Replacement Scheduling System (CARSS). This system—used for long-range capital financing planning—allows the District to better maintain its assets and know when its infrastructure requires attention. Possessing such a system will enable the District to better allocate its funding in the near-term and save money in the long-term.

1. Capital Infrastructure Planning Model

The Mayor's proposed 6-year budget for CARSS (CIM01) includes \$1 million in FY 2017. This model—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 Committee commends the Mayor for continuing this project.

2. MITS

The Mayor's proposed 6-year budget for the MITS project (CSP08) includes \$17 million in funding to enable the OCFO to fully implement Phase I of the modernization and initiate Phase II. The Mayor proposes \$11 million in FY 2017 and \$6 million in FY 2018. This funding level in the respective years reflects no change from the approved FY 2016 – FY 2021 capital plan. The Committee therefore 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, it is the understanding of the Committee that implementation of the modernized system will improve customer service through the use of a personalized Tax Access Portal, which the OCFO anticipates being available in December 2016. The Committee commends the OCFO on its efforts to combat fraud. It acknowledges that

updating such a comprehensive system is a difficult task. Although an issue arose in the transition, the Committee applauds the OCFO on its swift response to remedy the situation and making all affected taxpayers aware of the matter.

3. SOAR Modernization

The Mayor's proposed 6-year budget for SOAR Modernization (BF301) includes \$5.5 million in FY 2022 and no funding in the previous five years of the capital plan. This reflects a substantial change from the approved FY 2016 – FY 2021 capital plan, which provided SOAR Modernization with \$44.5 million.

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 recent 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. The OCFO acknowledged at the budget oversight hearing that, while SOAR is important, the absence of additional capital funding for the next year will not pose a detrimental effect to their current plan for SOAR.

2. COMMITTEE RECOMMENDATIONS

a. FY 2017 Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 operating budget for the OCFO in the amount of \$171,424,475, with the following changes:

1. Remove Proposed 1.0 FTE from ORA

The proposed budget includes the addition of 1.0 FTE in ORA to support the production of D.C. tax expenditure reports. During the budget oversight process, the OCFO referenced tax expenditure reports mandated by the Council in a subtitle of the Fiscal Year 2015 Budget Support Act of 2014 as the need for this additional FTE.¹⁰ The Fiscal Impact Statement for this subtitle stated that the OCFO could complete this report with existing resources.¹¹ The

¹⁰ See Title VII, Subtitle N of the Fiscal Year 2015 Budget Support Act of 2014, effective Feb. 26, 2015 (D.C. Law 20-155; D.C. Official Code § 1-301.156 *et seq.*).

¹¹ See OFFICE OF THE CHIEF FIN. OFFICER, FISCAL IMPACT STATEMENT – “FISCAL YEAR 2015 BUDGET SUPPORT ACT OF 2014” 72 (2014), available at http://app.cfo.dc.gov/services/fiscal_impact/pdf/spring09/FIS%20--%20Fiscal%20Year%202015%20Budget%20Support%20Act%20of%202014.pdf.

Committee believes that this is still the case. The Committee therefore recommends removing this FTE from the budget of the OCFO.

2. Realize \$1,600,000 in Savings from the Central Collections Unit Special Purpose Revenue Fund

The OCFO possesses a special purpose revenue fund for the activities of the Central Collections Unit. This fund serves as a depository for delinquent debts collected by the Unit. According to the OCFO, the fund is required to carry a reserve. The OCFO has indicated that \$1.6 million is available above the required retainage reserve. The Committee believes that a portion of the excess dollars in this fund are better served when utilized for other purposes. The Committee therefore recommends removing \$1.6 million in FY 2016 dollars from this fund.

b. FY 2017 Policy Recommendations

The Committee recommends the following policy change:

1. Fill Vacancies

The Committee acknowledges that it is difficult to find a qualified candidate for many positions within the OCFO. Fifty-three positions remained vacant at the OCFO as of March 31, 2016. This is a relatively small number considering the size of the Office. The length, however, for which many of these positions remain vacant causes concern. Using these vacancies, the average length of vacancy at the OCFO is over nine months. The Committee acknowledges the need for additional positions due to programs and activities enacted by the Mayor and the Council. Considering the importance of the positions and the significance of the role played by the OCFO in the District's finances, the Committee asks the Office to increase its efforts to fill these vacancies.

c. FY 2017 Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 capital budget for the OCFO of \$12 million in FY 2017 and \$23.5 million over the course of the 6-year capital plan, with the following change:

1. Reallocate SOAR Modernization Allotment Balance

According to the OCFO, the SOAR Modernization project requires \$15 million to begin initial implementation and scoping of the project. For the project to be fully implemented, however, it requires a total budget of \$100 million. As discussed above in Section 2.c.3, the Mayor's proposed budget reduced the amount of funding provided to SOAR Modernization. The project currently possesses an allotment balance of \$21,822,000. Rather than allow this allotment balance to remain unused for an unforeseen period of time, the Committee recommends removing \$6 million and reallocating it to other priorities. Of this \$6 million, the Committee recommends providing \$1 million to CARSS and \$5 million to MITS in order to convert the use

of Pay-As-You-Go (PAYGO) dollars in these projects to general obligation (GO) bonds. Using GO bonds rather than PAYGO enables the District to fund additional projects.

The Committee recommends modifying the use of \$1 million in FY 2017 of PAYGO for CARSS to GO bonds and \$5 million in FY 2017 of PAYGO for MITS to GO bonds. The Committee further recommends converting this \$6 million of PAYGO to the operating budget as local funds in order to fund the recommendations made to the budget for the D.C. Commission on the Arts and Humanities¹² and Committee transfers.¹³ The Committee also recommends a new subtitle to the Fiscal Year 2017 Budget Support Act of 2016 to authorize the reallocation of this capital budget allotment balance.¹⁴

The Committee makes a recommendation to the Committee of the Whole to identify funding for the following change:

1. Fund SOAR Modernization

As discussed above in Section 1.c.3, the Committee believes that funding for SOAR Modernization is an important priority for the financial performance of the District. The OCFO testified that \$100 million is necessary to fully implement the modernization. The project currently possesses a balance, when including the Committee's allotment balance recommendation, of \$15,822,000. The Committee lacks the capacity to provide additional funding to this project. It therefore asks the Committee of the Whole to identify the remaining \$84,178,000 for this project. The Committee suggests providing this funding in two installments, with \$42,089,000 in FY 2021 and the remaining \$42,089,000 in FY 2022.

¹² See *infra* Part II.F.2.a.

¹³ See *supra* Part I.D.11.

¹⁴ See *infra* Part V.B.23.

C. D.C. LOTTERY AND CHARITABLE GAMES CONTROL BOARD

FY 2017 Operating Budget by Comptroller Source Group (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
DC0 - LOTTERY & CHARITABLE GAMES CONTROL BOARD					
11 REGULAR PAY - CONT FULL TIME	6,615,552	6,717,349	0	6,717,349	1.5%
12 REGULAR PAY - OTHER	79,736	192,505	0	192,505	141.4%
13 ADDITIONAL GROSS PAY	16,225	16,225	0	16,225	0.0%
14 FRINGE BENEFITS - CURR PERSONNEL	1,486,354	1,582,357	0	1,582,357	6.5%
15 OVERTIME PAY	122,900	156,000	0	156,000	26.9%
PERSONNEL SERVICES	8,320,767	8,664,436	0	8,664,436	4.1%
20 SUPPLIES AND MATERIALS	84,500	502,558	0	502,558	494.7%
30 ENERGY, COMM. AND BLDG RENTALS	354,624	328,010	0	328,010	-7.5%
31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	311,529	294,372	0	294,372	-5.5%
32 RENTALS - LAND AND STRUCTURES	2,547,480	2,067,353	0	2,067,353	-18.8%
34 SECURITY SERVICES	30,658	1,368,479	0	1,368,479	4363.7%
35 OCCUPANCY FIXED COSTS	7,663	0	0	0	-100.0%
40 OTHER SERVICES AND CHARGES	7,510,715	8,665,173	0	8,665,173	15.4%
41 CONTRACTUAL SERVICES - OTHER	13,042,375	13,822,398	0	13,822,398	6.0%
50 SUBSIDIES AND TRANSFERS	187,305,689	178,752,221	0	178,752,221	-4.6%
70 EQUIPMENT & EQUIPMENT RENTAL	484,000	535,000	0	535,000	10.5%
NONPERSONNEL SERVICES	211,679,233	206,335,564	0	206,335,564	-2.5%
GROSS FUNDS	220,000,000	215,000,000	0	215,000,000	-2.3%

FY 2017 Operating Budget by Fund Type (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
DC0 - LOTTERY & CHARITABLE GAMES CONTROL BOARD					
620 ENTERPRISE AND OTHER FUNDS	220,000,000	215,000,000	0	215,000,000	-2.3%
GROSS FUNDS	220,000,000	215,000,000	0	215,000,000	-2.3%

FY 2017 Operating Budget by Program (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
DC0 - LOTTERY & CHARITABLE GAMES CONTROL BOARD					
1000 AGENCY MANAGEMENT	9,953,331	18,556,189	0	18,556,189	86.4%
100F AGENCY FINANCIAL OPERATIONS	188,544,511	180,419,713	0	180,419,713	-4.3%
6000 GAMING OPERATIONS PROGRAM	21,502,158	16,024,098	0	16,024,098	-25.5%
GROSS FUNDS	220,000,000	215,000,000	0	215,000,000	-2.3%

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 2017 Operating Budget

Proposed Operating Budget Summary

The proposed operating budget for the Lottery is \$215,000,000, a decrease of 2.27% from the FY 2016 approved budget. This funding supports 73.5 FTEs, which represents no change from the FY 2016 approved level.

Local Funds: The Lottery is funded solely through enterprise and other funds.¹⁵

Committee Analysis and Comments

The Committee acknowledges that lottery sales in FY 2016 may be an outlier when compared to other years due to the world record, \$1.6 billion Powerball jackpot. Nonetheless, the Committee applauds the steps taken by the Lottery to expand its portfolio, as well as reduce and eliminate fraud.

The Committee is very pleased to see the return of instant tickets to the Lottery’s game portfolio. As of February 2016, the Lottery amassed \$17.6 million in instant ticket sales in FY 2016. The success in sales demonstrates that the Lottery has taken important steps to implement the instant ticket contracts and successfully reintegrate the sale of instant tickets. Additionally, the continued increased sales at the Lottery Store at Union Station exhibits recognition of the Lottery brand.

Within the past year, the OCFO commenced an independent best practice evaluation of the Lottery.¹⁶ The Committee applauds the OCFO for initiating this endeavor. The evaluation demonstrated the success of the Lottery. According to this study, the Lottery ranks 7th out of 45 lotteries in the United States. The study evaluated more than 50 organizational processes, practices, and systems. Ten process or systems conducted by the Lottery were noted as best practices in the industry and 31 were highlighted as exemplary. The Committee commends the Lottery for directing such well-renown practices and is pleased to see that our lottery system ranks as one of the best in the nation and better than the systems in Maryland and Virginia.

c. Mayor’s Proposed FY 2017 – FY 2022 Capital Budget

The Mayor has no proposed FY 2017 – FY 2022 capital budget for the Lottery.

¹⁵ 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.

¹⁶ To read the evaluation, please visit http://cfo.dc.gov/sites/default/files/dc/sites/ocfo/release_content/attachments/DC%20Lottery%20Best%20Practices%20Study.pdf.

2. COMMITTEE RECOMMENDATIONS

a. FY 2017 Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 operating budget for the Lottery in the amount of \$215,000,000.

b. FY 2017 Policy Recommendations

The Committee recommends the following policy changes:

1. Implement Best Practices Recommendations

The Committee applauds the Lottery for the successful findings in the best practices study. Ranking 7th out of 45 lotteries and better than Maryland and Virginia demonstrates that the District possesses not just the best lottery system in the region but one of the best in the nation. The findings in the evaluation were very positive; however, the study included three recommendations to enhance operations. The Committee is glad to note that the Lottery is currently in the process of implementing these suggestions. The Committee wishes for the Lottery to complete execution of all three recommendations and therefore further strengthen our well-regarded system.

2. Expand Lottery Kiosk Locations

The Committee asks the Lottery to take active steps to increase the location of lottery kiosks to include District government buildings and Metro stations. Through the performance oversight process, the Lottery mentioned the possibility of including lottery ticket kiosks in particular District buildings, such as the Department of Motor Vehicles. In response to questions provided to the Lottery prior to the budget oversight hearing, the Lottery mentioned that for many facilities it only requires the approval of the District government department that controls the building or facility. The Committee agrees with this endeavor and encourages the Lottery to implement this action in FY 2017. Additionally, the Committee recognizes that the Lottery contracted with a consulting entity to conduct a feasibility study of selling lottery in Metro. The Committee asks the Lottery to review this study upon its completion and take any action necessary to transition this possibility into a reality.

c. FY 2017 Capital Budget Recommendations

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

D. REAL PROPERTY TAX APPEALS COMMISSION

FY 2017 Operating Budget by Comptroller Source Group (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
DA0 - REAL PROPERTY TAX APPEALS COMMISSION					
11 REGULAR PAY - CONT FULL TIME	334,323	279,447	0	279,447	-16.4%
12 REGULAR PAY - OTHER	688,224	804,369	0	804,369	16.9%
14 FRINGE BENEFITS - CURR PERSONNEL	164,630	170,159	0	170,159	3.4%
PERSONNEL SERVICES	1,187,177	1,253,975	0	1,253,975	5.6%
20 SUPPLIES AND MATERIALS	9,500	9,500	0	9,500	0.0%
31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	5,000	5,000	0	5,000	0.0%
40 OTHER SERVICES AND CHARGES	292,522	292,522	0	292,522	0.0%
41 CONTRACTUAL SERVICES - OTHER	131,657	131,657	0	131,657	0.0%
70 EQUIPMENT & EQUIPMENT RENTAL	10,000	10,000	0	10,000	0.0%
NONPERSONNEL SERVICES	448,679	448,679	0	448,679	0.0%
GROSS FUNDS	1,635,856	1,702,654	0	1,702,654	4.1%

FY 2017 Operating Budget by Fund Type (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
DA0 - REAL PROPERTY TAX APPEALS COMMISSION					
100 LOCAL FUND	1,635,856	1,702,654	0	1,702,654	4.08%
GROSS FUNDS	1,635,856	1,702,654	0	1,702,654	4.08%

FY 2017 Operating Budget by Program (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
DA0 - REAL PROPERTY TAX APPEALS COMMISSION					
1000 AGENCY MANAGEMENT	155,927	163,230	0	163,230	4.7%
2000 REAL PROPERTY APPEALS PROCESS	1,381,667	1,435,637	0	1,435,637	3.9%
3000 REAL PROPERTY OUTREACH EDUCATION	98,263	103,787	0	103,787	5.6%
GROSS FUNDS	1,635,856	1,702,654	0	1,702,654	4.1%

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 2017 Operating Budget

Proposed Operating Budget Summary

The proposed operating budget of RPTAC is \$1,702,654, an increase of 4.08% from the FY 2016 approved budget. This funding supports 11.0 FTEs, which represents no change from the FY 2016 approved level.

Local Funds: RPTAC is funded solely through local funds.

Committee Analysis and Comments

The Committee commends RPTAC on its ability to review a large number of appeals in a timely manner. The increased use of electronic filing also makes the process easier for District property owners and ensures that the Commission receives requests in a timely manner. The Committee acknowledges that it is a difficult task to meet the statutory deadlines of 30 days and 80 days for residential and commercial properties, respectively. The Committee believes that the Commission will meet these deadlines with a full complement of full-time and part-time commissioners, as well as a statutory adjustment—discussed in further detail below.

The Committee acknowledges that RPTAC has faced difficulty in the past with respect to community outreach. During the performance oversight process, RPTAC referred to a new approach to better inform District property owners about its existence and its role in the property assessment process. The Committee is encouraged by the new so-called “three-pronged” community approach.¹⁷ The Committee asks that RPTAC keep it informed if it may be of any assistance in this area.

In March 2016, the D.C. Auditor issued an audit assessing the operations of RPTAC.¹⁸ This audit indicated that RPTAC “has shown a marked improvement from the operations of its predecessor, the Board of Real Property Assessments and Appeals.”¹⁹ Among the Commission’s accomplishments, the audit referenced significant improvements to the records management

¹⁷ In response to the pre-hearing oversight questions, RPTAC stated that it intends to edit or revise its public service announcement, send flyers to all Advisory Neighborhood Commissions that may be passed out to those interested in an appeal, and invite the public to workshop discussions about the appeals process.

¹⁸ OFFICE OF THE D.C. AUDITOR, RPTAC HAS IMPROVED THE APPEAL ASSESSMENT PROCESS (2016), *available at* http://www.dcauditor.org/sites/default/files/RPTAC%20Has%20Improved%20the%20Appeal%20Assessment%20Process_1.pdf.

¹⁹ *Id.* at 10.

system, enhancing the availability of public awareness to the real property assessment appeals process, and addressing the challenges of meeting the statutory guidelines. The audit included three recommendations for RPTAC.²⁰ At its performance oversight hearing, the Commission testified that it was looking into the recommendations.

c. **Mayor's Proposed FY 2017 – FY 2022 Capital Budget**

The Mayor has no proposed FY 2017 – FY 2022 capital budget for RPTAC.

2. **COMMITTEE RECOMMENDATIONS**

a. **FY 2017 Operating Budget Recommendations**

The Committee recommends adoption of the Mayor's FY 2017 operating budget for RPTAC in the amount of \$1,702,654.

b. **FY 2017 Policy Recommendations**

The Committee recommends the following policy changes:

1. *Implement Auditor Recommendations*

As mentioned above in Section 1.b, the D.C. Auditor published a very favorable report with respect to the operations of RPTAC, and that the audit included a few recommendations. It is the understanding of the Committee that RPTAC is currently working with the Executive to remedy the first recommendation concerning the employment status of part-time commissioners. The Committee acknowledges that the Public Financial Disclosure Statement process is complex and changed substantially in the past few years. The lack of a consistent process further complicates the routine and raises more questions than answers. The Committee asks that the Commission, as suggested by the D.C. Auditor, meet with the Board of Ethics and Government Accountability in order to better understand this process and how it affects RPTAC. Moreover, the Commission operates in a transparent manner. In order to continue to operate in this fashion, the Committee asks that RPTAC establish a recusal process.

2. *Modify Definition of Residential Property*

During the performance oversight process, the Commission brought this matter to the attention of the Committee. According to RPTAC, the Commission's enabling statute provides it with the same 30-day review period for single-family residential properties as it does for large,

²⁰ The D.C. Auditor recommended: (1) part-time Commissioners be hired as part-time District government employees rather than as independent contractors; (2) RPTAC work with the Board of Ethics and Government Accountability to ensure that all individuals required to file Public Financial Disclosure Statements do so and that the Commission properly report the names of those required to file the statements; and (3) RPTAC put in place a recusal process that includes a determination of whether an actual or potential conflict of interest exists and whether recusal is the appropriate remedy. *See id.* at 1, 15, 16, 18.

multi-family apartment buildings.²¹ RPTAC expressed its opinion that larger residential properties should receive the 80-day review period for commercial real property decisions.²² The Committee agrees and therefore recommends the addition of a new subtitle to the Fiscal Year 2017 Budget Support Act of 2016 to implement this modification.²³

3. Continue to Advance Electronic Filing Option

The Committee recognizes that the option to file an appeal electronically is still a recent development that was not available until Tax Year (TY) 2015. The Committee is glad to see that the number of appeals filed electronically nearly tripled within 1 year, from 887 in TY 2015 to 2,342 in TY 2016. Considering that the Commission received 4,349 cases in TY 2016, the Committee believes that a great opportunity exists to expand the use of electronic filing. The Committee therefore asks RPTAC to continue to include information about electronic filing in its outreach efforts, as well as information about training webinars and customer service information.

c. FY 2017 Capital Budget Recommendations

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

²¹ See D.C. Official Code § 47-825.01a(e)(7)(B).

²² See *id.*

²³ See *infra* Part V.B.15.

E. OFFICE OF FINANCE AND RESOURCE MANAGEMENT

FY 2017 Operating Budget by Comptroller Source Group (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AS0 - OFFICE OF FINANCE & RESOURCE MGMT					
11 REGULAR PAY - CONT FULL TIME	4,592,139	4,635,026	0	4,635,026	0.9%
12 REGULAR PAY - OTHER	73,524	94,775	0	94,775	28.9%
14 FRINGE BENEFITS - CURR PERSONNEL	1,040,443	1,083,125	0	1,083,125	4.1%
15 OVERTIME PAY	4,070	4,070	0	4,070	0.0%
PERSONNEL SERVICES	5,710,176	5,816,996	0	5,816,996	1.9%
20 SUPPLIES AND MATERIALS	30,000	20,000	0	20,000	-33.3%
31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	30,552,302	30,617,774	0	30,617,774	0.2%
40 OTHER SERVICES AND CHARGES	204,746	59,421	0	59,421	-71.0%
70 EQUIPMENT & EQUIPMENT RENTAL	15,000	10,000	0	10,000	-33.3%
NONPERSONNEL SERVICES	30,802,048	30,707,195	0	30,707,195	-0.3%
GROSS FUNDS	36,512,223	36,524,190	0	36,524,190	0.0%

FY 2017 Operating Budget by Fund Type (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AS0 - OFFICE OF FINANCE & RESOURCE MGMT					
100 LOCAL FUND	21,572,261	23,379,659	0	23,379,659	8.4%
600 SPECIAL PURPOSE REVENUE FUNDS	301,142	407,440	0	407,440	35.3%
700 INTRA-DISTRICT FUNDS	14,638,821	12,737,091	0	12,737,091	-13.0%
GROSS FUNDS	36,512,223	36,524,190	0	36,524,190	0.0%

FY 2017 Operating Budget by Program (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AS0 - OFFICE OF FINANCE & RESOURCE MGMT					
1000 AGENCY MANAGEMENT	1,196,598	1,294,885	0	1,294,885	8.2%
2000 FINANCIAL MANAGEMENT	33,786,537	33,823,589	0	33,823,589	0.1%
3000 RESOURCE MANAGEMENT	1,529,088	1,405,716	0	1,405,716	-8.1%
GROSS FUNDS	36,512,223	36,524,190	0	36,524,190	0.0%

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 2017 Operating Budget

Proposed Operating Budget Summary

The proposed operating budget for OFRM is \$36,524,190, an increase of \$11,967 or 0.00% from the FY 2016 approved budget. This funding supports 44.0 FTEs, which represents a decrease of 4.35% from the FY 2016 approved level.

Local Funds: The proposed local funds budget for OFRM is \$23,379,659, an increase of 8.38% from the FY 2016 approved budget. This funding supports 38.8 FTEs, representing a decrease of 0.2 FTEs or 0.51% from the FY 2016 approved level.

Special Purpose Revenue Funds: The proposed special purpose revenue funds budget for OFRM is \$407,440, an increase of 35.30% from the FY 2016 approved budget. The special purpose revenue funds do not support any FTEs.

Intra-District Funds: The proposed intra-District funds budget for OFRM is \$12,737,091, a decrease of 12.99% from the FY 2016 approved budget. This funding supports 5.2 FTEs, which represents a decrease of 1.8 FTEs or 25.71% from the FY 2016 approved level.

Committee Analysis and Comments

The Committee agrees with the Mayor's proposed budget in FY 2017 for OFRM and believes that this funding level will sufficiently enable it to meet its mission.

c. Mayor's Proposed FY 2017 – FY 2022 Capital Budget

The Mayor has no proposed FY 2017 – FY 2022 capital budget for OFRM.

2. COMMITTEE RECOMMENDATIONS

a. FY 2017 Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 operating budget for OFRM in the amount of \$36,524,190.

b. FY 2017 Policy Recommendations

The Committee has no policy recommendations for OFRM.

c. FY 2017 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

FY 2017 Operating Budget by Comptroller Source Group (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
BX0 - COMMISSION ON ARTS & HUMANITIES					
11 REGULAR PAY - CONT FULL TIME	757,249	882,571	0	882,571	16.5%
12 REGULAR PAY - OTHER	576,968	1,128,194	0	1,128,194	95.5%
14 FRINGE BENEFITS - CURR PERSONNEL	278,851	432,314	0	432,314	55.0%
PERSONNEL SERVICES	1,613,067	2,443,080	0	2,443,080	51.5%
20 SUPPLIES AND MATERIALS	15,000	10,000	0	10,000	-33.3%
31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	3,425	6,000	0	6,000	75.2%
40 OTHER SERVICES AND CHARGES	904,809	692,061	30,000	722,061	-20.2%
41 CONTRACTUAL SERVICES - OTHER	1,938,500	1,664,187	20,000	1,684,187	-13.1%
50 SUBSIDIES AND TRANSFERS	11,468,447	10,709,155	6,050,000	16,759,155	46.1%
70 EQUIPMENT & EQUIPMENT RENTAL	12,000	9,954	0	9,954	-17.1%
NONPERSONNEL SERVICES	14,342,181	13,091,356	6,100,000	19,191,356	33.8%
GROSS FUNDS	15,955,248	15,534,436	6,100,000	21,634,436	35.6%

FY 2017 Operating Budget by Fund Type (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
BX0 - COMMISSION ON ARTS & HUMANITIES					
100 LOCAL FUND	14,695,848	14,474,536	6,100,000	20,574,536	40.0%
200 FEDERAL GRANT FUND	684,400	691,900	0	691,900	1.1%
600 SPECIAL PURPOSE REVENUE FUNDS	500,000	200,000	0	200,000	-60.0%
700 INTRA-DISTRICT FUNDS	75,000	168,000	0	168,000	124.0%
GROSS FUNDS	15,955,248	15,534,436	6,100,000	21,634,436	35.6%

FY 2017 Operating Budget by Program (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
BX0 - COMMISSION ON ARTS & HUMANITIES					
1000 AGENCY MANAGEMENT	410,051	742,771	30,000	772,771	88.5%
2000 ARTS BUILDING COMMUNITIES	5,982,780	4,921,914	4,600,000	9,521,914	59.2%
3000 DC CREATES PUBLIC ART	1,240,746	3,832,447	0	3,832,447	208.9%
4000 ARTS LEARNING AND OUTREACH	7,969,902	5,433,877	1,450,000	6,883,877	-13.6%
5000 ADMINISTRATION	351,769	603,426	20,000	623,426	77.2%
GROSS FUNDS	15,955,248	15,534,436	6,100,000	21,634,436	35.6%

1. COMMITTEE ANALYSIS AND COMMENTS

a. Agency Mission and Overview

The mission of the D.C. Commission on the Arts and Humanities (CAH) 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

four programs: (1) Arts Building Communities; (2) D.C. Creates Public Art; (3) Arts Learning and Outreach; and (4) Administration. 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.

b. Mayor's Proposed FY 2017 Operating Budget

Proposed Operating Budget Summary

The proposed operating budget for CAH is \$15,534,436, a decrease of 2.64% from the FY 2016 approved budget. This funding supports 28.0 FTEs, an increase of 9.0 FTEs or 47.37% from the FY 2016 approved level.

Local Funds: The proposed local funds budget for CAH is \$14,474,536, a decrease of 1.51% from the FY 2016 approved budget. This funding supports 21.0 FTEs, representing an increase of 9.0 FTEs or 75.00% from the FY 2016 approved level.

Special Purpose Revenue Funds: The proposed special purpose revenue funds budget for CAH is \$200,000, a decrease of 60.00% from the FY 2016 approved budget. The special purpose revenue funds do not support any FTEs.

Federal Grant Funds: The proposed funds from federal grants for CAH is \$691,900, an increase of 1.11% from the FY 2016 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, an increase of 124.00% from the FY 2016 approved budget. The intra-District funds do not support any FTEs.

Committee Analysis and Comments

The Committee applauds the Commission on a successful year in issuing grants and in finding effective leadership through a nearly full complement of Commissioners and a new Executive Director. The Committee acknowledges that the term for five Commissioners expire on June 30, 2016. The Committee hopes that the Commission works with the Mayor to ensure that appointments are made and processed in a timely fashion. The Committee is very pleased to see that the proposed budget provides sufficient funding to transition independent contractors into District government employees.

The Committee continues to advocate for more funding for the arts. The arts are an integral part of the District. The arts improve the performance of our children in school and assists with developing problem-solving and critical-thinking skills. According to research by Americans for the Arts, the District is home to 2,466 arts-related businesses that employ 22,952 people.²⁴ 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 grants provided by CAH to artists and the arts community do more than just demonstrate the District's commitment to arts and culture. Receipt of such grants is imperative to the operation of numerous institutions. The Committee consistently receives testimony from artists and entities stating that they would not be able to create or showcase their art without these grants. Demand remains very high for assistance through the Commission. After the performance oversight hearing for CAH, the Committee asked what level of funding would be necessary to fund all requests that it receives for grants. The Commission's response—\$34,707,919—more than doubles the proposed budget in FY 2017. At the performance oversight hearing, CAH testified that it processed 97% of grant payments within the necessary 8-week timeframe. The high level of demand combined with the impressive level of efficiency by the Commission demonstrate to the Committee that CAH requires additional funding and would be able to effectively and competently expend such funding.

c. Mayor's Proposed FY 2017 – FY 2022 Capital Budget

The Mayor has no proposed FY 2017 – FY 2022 capital budget for the CAH.

2. COMMITTEE RECOMMENDATIONS

a. FY 2017 Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 operating budget for CAH in the amount of \$15,534,436, with the following changes:

1. Increase Arts Building Communities by \$4,600,000

The Commission issues grants through the Arts Building Communities division. The Mayor's proposed budget in FY 2017 for this division is over \$1 million less than the approved FY 2016 level. As discussed above in Section 1.b, CAH consistently faces high demand for grants from the arts community. 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

²⁴ See *The Creative Industries in District of Columbia*, AMERICANS FOR THE ARTS, http://aftadc.brinkster.net/district_of_columbia/district_of_columbia.pdf (last visited Apr. 22, 2016).

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 for Youth by \$1,450,000

The Arts Learning for Youth program conducts educational activities and outreach to youth and young adults. The Mayor’s proposed FY 2017 budget decreases the funding for this program by more than \$2.5 million from the approved FY 2016 level. The District is very fortunate to possess such a strong arts community with many venues for residents and visitors to absorb all that art offers. CAH plays an integral role in ensuring that the District’s youngest residents benefit from these resources. At the budget oversight hearing, the Commission testified about its desire to establish a so-called “6-by-6” program. Through this program, CAH would endeavor to facilitate an annual field trip for students at District schools to experience the arts. The Commission intends to expose students to different forms of art over different grades.

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 for Youth program to support the Commission’s efforts to enrich the lives of our youngest residents. The Committee recommends placing this funding in CSG 50 – Subsidies and Transfers.

3. Increase Training and Employee Development by \$30,000

The Mayor’s proposed FY 2017 budget for the Training and Employee Development program is \$0. The Commission’s proposed budget includes the addition of 9.0 new FTEs in order to convert independent contractors into District government employees. The Committee believes that CAH should have the ability to train its new staff. Additionally, workforce development should be an important benefit that the District provides to its employees. The FY 2016 approved budget for this program was \$27,000. The Committee therefore recommends reinstating this funding level and providing an additional \$3,000 to account for the new employees. The Committee recommends placing this funding in CSG 40 – Other Services and Charges.

4. 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 2017 Policy Recommendations

The Committee recommends the following policy changes:

1. Provide Updates to Strategic and Master Plans

The Commission does an excellent job of developing plans and strategies to exhibit and promote art across the District. The reports made available to the public, however, often are not the most recent version. The Committee asks the Commission to make a concerted effort to make available to the public through the use of its website the most recent version of its annual report. Additionally, some of these plans—such as the Public Art Master Plan—are multi-year plans. At times with multi-year plans, it is difficult for the public to understand what in the plan has been accomplished and what difficulties or obstacles, if any, arise throughout the process. The Committee therefore encourages CAH to, if possible, provide annual updates to its multi-year plans. Providing such information and making it readily available to the public would better assist the arts community in knowing what areas—either of art or geography—require additional assistance.

2. Improve Coordination with the Department of General Services

In 1986, the Council approved the Support for Art in Public Places Amendment Act of 1986.²⁵ In relevant part, this act requires that 1% of the total budget expended on the construction, renovation, and repair of a public facility be used by the Commission, in consultation with the Department of General Services (DGS), on the creation, installation, and maintenance of public art.²⁶ It is the understanding of the Committee that neither the Commission nor DGS have communicated or coordinated to ensure that the District complies with this law. The Committee asks CAH to take every effort to meet with DGS on a regular basis and evaluate how the District government may best comply with this law, including establishing a system that tracks and monitors the art installed or created in public facilities through the use of these funds. The Committee further suggests to CAH that it keep the Committee informed as to whether it may be of any assistance in this area.

3. Explore Opportunities for Jazz and the Creative Economy

The Committee was sad to see Bohemian Caverns close in March 2016. Bohemian Caverns was an excellent venue for jazz and music in the District for over 90 years. Despite the District's commitment to the arts, the city possesses few locations for local and visiting musicians to perform on a regular basis. The loss of Bohemian Caverns greatly affected both performers and art admirers. The Committee requests that the Commission take steps in FY 2017 to assist the art community—specifically local musicians—by exploring potential sites and

²⁵ Effective June 25, 1986 (D.C. Law 6-125; D.C. Official Code § 39-205).

²⁶ See D.C. Official Code § 39-205(c). The law references the Department of Public Works (DPW) as the relevant entity. In 2011, however, the District government established DGS. Responsibility for construction and maintenance of public facilities was transferred from DPW to DGS at that time.

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.

4. Reinstate the Dedicated Funding Source

The Committee recommends reinstating the subject to appropriations dedicated funding from a percentage of the existing sales tax rate to fund the Commission. Moving forward, this dedicated tax revenue would provide approximately \$20 million per year, indexed implicitly to inflation. The Committee provides a recommendation for inclusion in the Fiscal Year 2017 Budget Support Act of 2016 to reflect this change.²⁷

c. FY 2017 Capital Budget Recommendations

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

²⁷ See *infra* Part V.B.18.

G. EVENTS DC/ WASHINGTON CONVENTION AND SPORTS AUTHORITY

FY 2017 Operating Budget by Comptroller Source Group (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
ES0 - WASHINGTON CONVENTION & SPORTS AUTHORITY					
11 REGULAR PAY - CONT FULL TIME	16,350,085	19,114,886	0	19,114,886	16.9%
12 REGULAR PAY - OTHER	1,019,838	1,172,300	0	1,172,300	14.9%
14 FRINGE BENEFITS - CURR PERSONNEL	5,686,981	7,119,843	0	7,119,843	25.2%
15 OVERTIME PAY	575,900	575,900	0	575,900	0.0%
PERSONNEL SERVICES	23,632,805	27,982,929	0	27,982,929	18.4%
20 SUPPLIES AND MATERIALS	587,306	587,306	0	587,306	0.0%
30 ENERGY, COMM. AND BLDG RENTALS	6,275,797	7,223,819	0	7,223,819	15.1%
31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	124,659	124,659	0	124,659	0.0%
41 CONTRACTUAL SERVICES - OTHER	16,406,316	23,057,699	0	23,057,699	40.5%
50 SUBSIDIES AND TRANSFERS	27,289,959	23,116,474	0	23,116,474	-15.3%
60 LAND AND BUILDINGS	8,495,000	13,007,000	0	13,007,000	53.1%
70 EQUIPMENT & EQUIPMENT RENTAL	330,050	366,050	0	366,050	10.9%
80 DEBT SERVICE	51,528,599	51,492,840	0	51,492,840	-0.1%
NONPERSONNEL SERVICES	111,037,686	118,975,847	0	118,975,847	7.1%
GROSS FUNDS	134,670,491	146,958,776	0	146,958,776	9.1%

FY 2017 Operating Budget by Fund Type (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
ES0 - WASHINGTON CONVENTION & SPORTS AUTHORITY					
620 ENTERPRISE AND OTHER FUNDS - O TYPES	134,670,491	146,958,776	0	146,958,776	9.1%
GROSS FUNDS	134,670,491	146,958,776	0	146,958,776	9.1%

FY 2017 Operating Budget by Program (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
ES0 - WASHINGTON CONVENTION & SPORTS AUTHORITY					
1000 WASH CONVENTION CENTER	134,670,491	146,958,776	0	146,958,776	9.1%
GROSS FUNDS	134,670,491	146,958,776	0	146,958,776	9.1%

1. COMMITTEE ANALYSIS AND COMMENTS

a. Agency Mission and Overview

The mission of the Washington Convention and Sports Authority (Events DC)²⁸ 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

²⁸ 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.

District. Third, it encourages and supports youth activities, including through the use of sports. Events DC contains three programs: (1) Washington Convention Center Operations; (2) Sports and Entertainment Division; and (3) Carnegie Library at Mount Vernon Square. 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.

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 2017 Operating Budget

Proposed Operating Budget Summary

The proposed operating budget for Events DC is \$146,958,776, an increase of 9.12% from the FY 2016 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 remains excited about the development of the entertainment and sports arena, which will serve as the Washington Wizards men's basketball team practice facility and the home of the Washington Mystics women's basketball team on the campus of the St. Elizabeths hospital campus in Ward 8. The Committee will continue to monitor the redevelopment plans of the Robert F. Kennedy Memorial Stadium campus.

c. Mayor's Proposed FY 2017 – FY 2022 Capital Budget

The Mayor has no proposed FY 2017 – FY 2022 capital budget for Events DC.

2. COMMITTEE RECOMMENDATIONS

a. FY 2017 Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 operating budget for Events DC in the amount of \$146,958,776.

b. FY 2017 Policy Recommendations

The Committee has no policy recommendations for Events DC.

c. FY 2017 Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 – FY 2022 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 2017 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.²⁹ 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.

Committee Analysis and Comments

Destination DC continues to be an avid supporter of major District events, including the National Cherry Blossom Festival, Passport DC, and the DC Jazz Festival. Destination DC continues to provide a strong return on investment for the District. According to Destination DC, \$2.65 in District taxes were generated for every \$1.00 spent on advertising in 2015.³⁰ The Committee is further encouraged by the strong returns in international marketing efforts made by Destination DC.

c. Mayor's Proposed FY 2017 – FY 2022 Capital Budget

The Mayor has no proposed FY 2017 – FY 2022 capital budget for Destination DC.

²⁹ 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.

³⁰ See DESTINATION DC, FISCAL YEAR 2017 BUDGET AND FINANCIAL PLAN QUESTIONS 1 (2016), available at http://dccouncil.us/files/user_uploads/budget_responses/DestinationDCFY17BudgetAnswers.pdf.

2. COMMITTEE RECOMMENDATIONS

a. FY 2017 Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 operating budget for Destination DC in the amount of \$3,186,228.

b. FY 2017 Policy Recommendations

The Committee recommends the following policy change:

1. Enhance District Resident Hiring Efforts

Destination DC is an integral component of marketing all that the District of Columbia has to offer. The Committee strongly believes that the best ambassadors of the District are those that live within its borders. During the performance oversight process for FY 2016, it came to the attention of the Committee that the number of District residents employed by Destination DC could be higher. On January 15, 2014, Destination DC employed 103 residents; however, that number fell to 81 as of February 5, 2016. When asked about its efforts to recruit District residents, Destination DC informed the Committee that it did not attend a single job fair or hiring convention in FY 2015 or FY 2016, to date. The Committee urges Destination DC to make a concerted effort to hire more District residents and strongly recommends that Destination DC take more proactive measures. Considering the strong partnership that exists between Events DC and Destination DC, the Committee believes that Destination DC should coordinate with Events DC and learn from the strong outreach efforts that it takes in order to recruit District residents.

c. FY 2017 Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 – FY 2022 capital budget for Destination DC of \$0.

I. WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

FY 2017 Operating Budget by Comptroller Source Group (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
KE0 - MASS TRANSIT SUBSIDIES					
50 SUBSIDIES AND TRANSFERS	372,213,105	368,630,726	0	368,630,726	-1.0%
NONPERSONNEL SERVICES	372,213,105	368,630,726	0	368,630,726	-1.0%
GROSS FUNDS	372,213,105	368,630,726	0	368,630,726	-1.0%

FY 2017 Operating Budget by Fund Type (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
KE0 - MASS TRANSIT SUBSIDIES					
100 LOCAL FUND	257,388,745	248,360,726	0	248,360,726	-3.5%
110 DEDICATED TAXES	66,664,000	66,670,000	0	66,670,000	0.0%
600 SPECIAL PURPOSE REVENUE FUNDS	48,160,360	53,600,000	0	53,600,000	11.3%
GROSS FUNDS	372,213,105	368,630,726	0	368,630,726	-1.0%

FY 2017 Operating Budget by Program (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
KE0 - MASS TRANSIT SUBSIDIES					
DC00 DC PROJECTS ONLY	48,765,819	44,493,369	0	44,493,369	-8.8%
DS00 DEBT SERVICE	10,671,951	10,588,722	0	10,588,722	-0.8%
MA00 METRO ACCESS	29,322,079	26,322,079	0	26,322,079	-10.2%
OP00 WMATA OPERATIONS	283,453,256	287,226,556	0	287,226,556	1.3%
GROSS FUNDS	372,213,105	368,630,726	0	368,630,726	-1.0%

FY 2017 - FY 2022 Capital Budget by Project (Gross Funds)							
KE0 - MASS TRANSIT SUBSIDIES	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	6-Year Total
SA311C - WMATA FUND - PRIA							
MAYOR'S PROPOSED	49,500,000	50,000,000	50,000,000	50,000,000	0	0	199,500,000
COMMITTEE VARIANCE	0	0	0	0	0	0	0
COMMITTEE'S PROPOSED	49,500,000	50,000,000	50,000,000	50,000,000	0	0	199,500,000
SA501C - WMATA CIP CONTRIBUTION							
MAYOR'S PROPOSED	92,113,134	72,846,234	77,218,244	76,365,075	79,871,322	82,505,840	480,919,849
COMMITTEE VARIANCE	0	0	0	0	0	0	0
COMMITTEE'S PROPOSED	92,113,134	72,846,234	77,218,244	76,365,075	79,871,322	82,505,840	480,919,849
SA616C - 7000 SERIES RAILCAR PURCHASE OPTION							
MAYOR'S PROPOSED	0	0	42,000,000	43,000,000	50,000,000	14,086,000	149,086,000
COMMITTEE VARIANCE	0	0	0	0	0	0	0
COMMITTEE'S PROPOSED	0	0	42,000,000	43,000,000	50,000,000	14,086,000	149,086,000
TOP02C - PROJECT DEVELOPMENT							
MAYOR'S PROPOSED	1,099,000	0	0	0	0	0	1,099,000
COMMITTEE VARIANCE	0	0	0	0	0	0	0
COMMITTEE'S PROPOSED	1,099,000	0	0	0	0	0	1,099,000
AGENCY TOTAL	142,712,134	122,846,234	169,218,244	169,365,075	129,871,322	96,591,840	830,604,849

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 curb-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 2017 Operating Budget

Proposed Operating Budget Summary

The proposed total operating budget for WMATA is \$368,630,726, a decrease of 0.96% from the FY 2016 approved budget. 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 \$248,360,726, a decrease of 3.51% from the 2016 approved budget.

Dedicated Taxes: The proposed dedicated taxes budget for WMATA is \$66,670,000, an increase of 6,000, or 0.00% from the FY 2016 approved budget.

Special Purpose Revenue Funds: The proposed special purpose revenue funds budget for WMATA is \$53,600,000, an increase of 11.29% from the FY 2016 approved budget.

Committee Analysis and Comments

The Committee is pleased by the selection of a permanent General Manager/Chief Executive Officer (GM/CEO) at WMATA. Paul J. Wiedefeld was appointed as the agency’s CM/CEO effective November 30, 2015. In his testimony before the Committee, Mr. Wiedefeld

stated that he is still undertaking a top-to-bottom review of the agency, and as a result the WMATA FY 2017 budget is a “reset” as the agency undergoes a restructuring initiative.

The Committee is concerned that WMATA’s FY 2015 CAFR was three months late. The Committee recognizes that the agency completed this report in three months and did so immediately after the completion of the FY 2014 CAFR, which was nine months later. The Committee continues to closely monitor WMATA’s financial management and completion of the FY 2016 CAFR. Any further inability to complete a CAFR on time will have severe consequences on the agency’s ability to borrow from the bond market.

On April 27, 2016, the Mayor issued a letter to the Council with requested adjustments to the FY 2017 Budget and Financial Plan—commonly referred to as the “errata letter.” The Committee disagrees with the Mayor’s proposal to reduce WMATA’s FY 2016 local funds budget by \$6,400,000. Such a reduction would reduce spending on MetroAccess and the DC Circulator. Considering the large number of priorities WMATA faces, the Committee believes that any excess funds should be used within WMATA to improve service, safety, and reliability.

c. Mayor’s Proposed FY 2017 – FY 2022 Capital Budget

Proposed Capital Budget Summary

The Mayor’s proposed capital budget request includes an allotment of \$142,712,000 for FY 2017 and a total budget of \$830,604,849 for the entire FY 2017 – FY 2022 capital plan period. This represents a decrease of \$50,389,151 in allotments from the FY 2016 – FY 2021 approved level. This decrease is due to a reduction in the District’s contribution to WMATA’s Capital Improvement Plan (CIP).

Committee Analysis and Comment

Approved funds would go towards the maintenance, replacement, and expansion of Metro’s infrastructure. Safety is the Committee’s top priority for WMATA. In order to truly become what the *National Journal* described as the “nation’s transit system,” WMATA requires billions of dollars over the coming years to repair, replace, and upgrade its aging rail system.

Metro must also work tirelessly to regain the public trust. Improvements to on-time performance, rail and fleet reliability, and a new culture of transparency must remain a priority. 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.

1. 7000 Series Railcar Purchase Option

The Mayor’s proposed 6-year budget for the 7000 Series Railcar Purchase Option (SA616) includes \$0 in FY 2017 and \$149,086,000 over the capital plan period. Funding in this project does not initiate until FY 2019. WMATA entered into a contract with Kawasaki in 2010 to purchase up to 748 railcars. To date, the region agreed to purchase 528 railcars from

Kawasaki. This project provides the District and the other members of the compact with the option to purchase the remaining 220 railcars.

2. Project Development

The Project Development (TOP02) program funds cost-sharing with WMATA for the planning and development of new transportation projects, such as the DC Circulator and Streetcar. The Mayor's proposed budget for this project includes \$1,099,000 in FY 2017 and no additional dollars over the course of the capital plan. This reflects a reduction of over \$3 million from the approved FY 2016 – FY 2021 capital plan. The Committee supports this funding level and continues its commitment to improve connectivity and accessibility through an efficient and affordable transit system.

3. WMATA CIP Contribution

The WMATA CIP Contribution (SA501) project provides the avenue for the District to support WMATA's CIP. The Mayor's proposed budget in FY 2017 for the CIP is \$92,113,000 and \$480,920,000 over the six-year capital plan. The amount in FY 2017 demonstrates an increase of nearly \$21 million over the amount allotted for FY 2017 in the approved FY 2016 – FY 2021 capital plan. The reduction in this project is realized in later years.

The Committee was pleased by WMATA's testimony during the budget oversight process that the FY 2017 capital budget request is a reduction over the prior years in order to focus on improving program execution and right-sizing capital planning to both agency needs and capacity. GM/CEO Paul Wiedefeld plans to release a track maintenance strategy and a prioritized capital-needs inventory in the coming months to better focus the WMATA capital improvement on the most critical safety and reliability needs of the system.

4. PRIIA

The federal Passenger Rail Investment and Improvement Act of 2008³¹ provided WMATA with \$1.5 billion over a 10-year period. This law conditions receipt of the funds on the District, Maryland, and Virginia pledging an equal amount of funds. The WMATA Fund – PRIIA (SA311) project provides the District's annual contribution to matching the federal funds. The Mayor proposes \$49,500,000 in FY 2017 and \$199,500,000 over the six-year capital plan. The Committee is pleased to see that the District continues to contribute for receipt of federal funds.

2. COMMITTEE RECOMMENDATIONS

a. FY 2017 Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 operating budget for WMATA of \$368,630,726.

³¹ Pub. L. 110-432, 122 Stat. 4848 (2008).

b. FY 2017 Policy Recommendations

The Committee recommends the following policy changes:

1. Improve Safety on Platforms

The Committee is deeply concerned with recent homicides that have taken place at the Deanwood Metro Station, and generally with the increase in violent crimes on the Metrorail system. The Committee recommends that WMATA pursue options to increase the presence of police or public safety officers on station platforms.

2. Increase Funding for DC Circulator Wage Parity

Drivers of DC Circulator buses earn a starting wage of \$16.56 per hour, with maximum hourly wage of \$23.47. Comparatively, Metrobus drivers receive a starting salary of \$19.00 per hour, with a maximum hourly wage of \$34.00. The Committee believes this disparity is unacceptable and recommends that \$3,000,000 be added to the DC Circulator budget under DC Specific Projects.

c. FY 2017 Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 – FY 2022 capital budget for WMATA of \$142,712,000 in FY 2017 and \$830,604,849 over the course of the 6-year capital plan. The Committee includes the following recommendations related to the capital budget:

1. Prioritize Capital Program Planning

The Committee recommends that WMATA complete a capital needs inventory (CNI) to assess the myriad needs of the now 40-year old system. Using this CNI, the Committee recommends that WMATA develop a CIP that is structured to prioritize safety first, then system reliability, and ultimately system capacity expansion. This process should be completed quickly so as to influence the Capital Funding Agreement negotiations that will take place over the coming year.

2. Expect Changes to the 6-Year Capital Plan

The District has 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 WMATA's ability to execute its CIP. The jurisdictions must come together to agree to a new Capital Funding Agreement beginning next year to ensure long-term capital funding to WMATA as they address the multi-billion dollar capital-needs inventory of the system.

J. OFFICE OF THE INSPECTOR GENERAL

FY 2017 Operating Budget by Comptroller Source Group (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AD0 - OFFICE OF THE INSPECTOR GENERAL					
11 REGULAR PAY - CONT FULL TIME	10,628,253	10,421,550	162,664	10,584,214	-0.4%
12 REGULAR PAY - OTHER	0	451,244	0	451,244	N/A
14 FRINGE BENEFITS - CURR PERSONNEL	2,178,792	2,392,015	37,336	2,429,351	11.5%
PERSONNEL SERVICES	12,807,045	13,264,808	200,000	13,464,808	5.1%
20 SUPPLIES AND MATERIALS	38,538	676,344	0	676,344	1655.0%
31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	13,130	13,130	0	13,130	0.0%
32 RENTALS - LAND AND STRUCTURES	227,778	227,778	0	227,778	0.0%
35 OCCUPANCY FIXED COSTS	1,488	1,488	0	1,488	0.0%
40 OTHER SERVICES AND CHARGES	3,870,971	4,338,909	0	4,338,909	12.1%
50 SUBSIDIES AND TRANSFERS	235,839	0	0	0	-100.0%
70 EQUIPMENT & EQUIPMENT RENTAL	20,423	0	0	0	-100.0%
NONPERSONNEL SERVICES	4,408,166	5,257,649	0	5,257,649	19.3%
GROSS FUNDS	17,215,212	18,522,457	200,000	18,722,457	8.8%

FY 2017 Operating Budget by Fund Type (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AD0 - OFFICE OF THE INSPECTOR GENERAL					
100 LOCAL FUND	14,594,721	15,953,879	200,000	16,153,879	10.7%
200 FEDERAL GRANT FUND	2,620,491	2,568,578	0	2,568,578	-2.0%
GROSS FUNDS	17,215,212	18,522,457	200,000	18,722,457	8.8%

FY 2017 Operating Budget by Program (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AD0 - OFFICE OF THE INSPECTOR GENERAL					
1000 AGENCY MANAGEMENT	2,370,940	3,171,591	200,000	3,371,591	42.2%
2000 OPERATIONS	8,274,530	6,455,572	0	6,455,572	-22.0%
3000 EXECUTIVE	6,569,743	7,434,776	0	7,434,776	13.2%
4000 RISK ASSESSMENT AND FUTURE PLANNING	0	1,024,232	0	1,024,232	N/A
5000 QUALITY MANAGEMENT	0	436,285	0	436,285	N/A
GROSS FUNDS	17,215,212	18,522,457	200,000	18,722,457	8.8%

1. COMMITTEE ANALYSIS AND COMMENTS

a. Agency Mission and Overview

The mission of the Office of the Inspector General (OIG) is to independently audit, inspect, and investigate matters pertaining to the District government in order to: prevent and detect corruption, waste, fraud, and abuse; promote economy, efficiency, effectiveness, and accountability; inform stakeholders about issues relating to District programs and operations; and recommend and track the implementation of corrective actions. The OIG forwards to the authorities evidence of criminal wrongdoing discovered as the result of audits, inspections, or investigations conducted by the Office. The OIG is the agency in charge of the contract with an

independent auditor to perform the District's annual CAFR and chairs the CAFR oversight committee.

The OIG implements its mission through four programs: (1) Executive; (2) Operations; (3) Risk Assessment and Future Planning; and (4) Quality Management. The *Executive* division oversees all agency level divisions, including the Office of the General Counsel and Business Management. The *Operations* division includes all external functions of the OIG, including the Audit unit, the Inspections and Evaluations unit, the Investigations unit, and the Medicaid and Fraud Control unit. The *Risk Assessment and Future Planning* division aggregates, analyzes, and synthesizes information to identify and prioritize risks facing the District and synergizes the OIG's work to maximize the value it provides to the District. The *Quality Management* division supports the integrity of agency operations through effective quality review processes.

b. Mayor's Proposed FY 2017 Operating Budget

Proposed Operating Budget Summary

The proposed operating budget of the OIG is \$18,522,457, an increase of 7.59% from the FY 2016 approved budget. This funding supports 112.0 FTEs, which reflects no change from the FY 2016 approved level.

Local Funds: The proposed local funds budget for the OIG is \$15,953,879, an increase of 9.31% from the FY 2016 approved budget. This funding supports 94.8 FTEs, which reflects no change from the FT 2016 approved level.

Federal Grant Funds: The proposed funds from federal grants for the OIG is \$2,568,578, a decrease of 1.98% from the FY 2016 approved budget.

Committee Analysis and Comments

The Committee commends the efforts of the OIG and applauds the Office and the District government for completing an audit that contained no material weaknesses or significant deficiencies. The Committee retains some concerns at the high number of scheduled audits that were cancelled by the OIG over the past year. The Committee, however, acknowledges that the impetus for many of these cancellations occurred prior to the installation of the new leadership at the Office. Moreover, the Committee is encouraged to see that the OIG is implementing a change in its structure that will result in increased efficiency and improve the output of the Office. The establishment of the Risk Assessment and Future Planning Division and the Quality Management Division—two new divisions in FY 2017—will better enable the OIG to evaluate its resources and accomplish its audits, inspections, and investigations. Finally, the Committee supports the endeavor of the OIG to operate as an independent entity. The Committee agrees that the OIG must be independent in order for the organization to be effective and efficient in accomplishing its mission and better responding to corruption, fraud, waste, abuse, and mismanagement within the District.

c. Mayor's Proposed FY 2017 – FY 2022 Capital Budget

The Mayor has no proposed FY 2017 – FY 2022 capital budget for the OIG.

2. COMMITTEE RECOMMENDATIONS

a. FY 2017 Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 operating budget for the OIG in the amount of \$18,522,457, with the following change:

1. Add \$200,000 for Various Staff Initiatives.

On April 27, 2016, the Mayor issued an errata letter to the Council outlining amendments to the FY 2017 Budget and Financial Plan. This letter corrected errors in the plan and proposed amendments that the Mayor asked the Council to make. One such adjustment identified in the letter was to provide \$200,000 or recurring budget to the Personal Services local funds budget of the OIG for various staff initiatives. According to the Mayor, this funding will address pay compression within the agency and convert attorneys from Excepted Service to Legal Service positions. The Committee supports this adjustment.

Additionally, the Committee asks the Committee of the Whole to identify funding to implement the following recommended change that remains unfunded by the Committee:

1. Provide an Additional \$3,626,000 to Support Requested Enhancements

The OIG requested three enhancements from the Mayor for its proposed FY 2017 budget. The first enhancement was \$326,000 to provide salary adjustments for managerial staff due to pay compression, to fund the conversion of Excepted Service legal staff to Legal Service Pay schedules, and to fully fund a 3% cost-of-living adjustment for Management Supervisory Service and Excepted Service staff. As discussed in the above recommendation, the Mayor identified \$200,000 for this purpose. The OIG therefore still requires an additional \$126,000 to fully implement this enhancement.

The second enhancement requested by the OIG was \$1 million to provide for an additional 18 FTEs. The OIG intends to allocate the FTEs by placing five in the Audit unit, three in the Quality Management division, two to support the Agency Management division, one to support the Office of the General Counsel, and eight to reside within the Medicaid Fraud Control unit. Of the Medicaid Fraud Control unit, six FTEs are 75% federally funded and the other two are 100% federally funded. The third enhancement of \$2.5 million would assist the OIG in completing the legislatively-mandated audit of District procurement processes, upgrade the Office's information technology infrastructure and security, increasing training funds, and address and continue the improvements outlined in the OIG's safety assessment conducted by DGS in FY 2015.

b. FY 2017 Policy Recommendations

The Committee recommends the following policy change:

1. Implement Security Assessment Recommendations

In April 2015, the Protective Services Division (PSD) of DGS conducted a security assessment of the Office's work space. PSD identified 11 findings for which OIG is responsible. As of March 2016, the OIG completed or substantially completed implementing most of these recommendations. Some of the recommendations identified as "critical findings" have yet to be completed. Considering the serious nature of the work performed by the OIG and the proprietary information to which it has access, the Committee asks the Office to make it a priority in FY 2017 to complete implementation of all of the recommendations identified by PSD.

c. FY 2017 Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 – FY 2022 capital budget for the OIG of \$0.

K. OFFICE OF PARTNERSHIPS AND GRANT SERVICES

FY 2017 Operating Budget by Comptroller Source Group (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AA0 - OFFICE OF THE MAYOR (OFFICE OF PARTNERSHIPS & GRANT SERVICES)					
11 REGULAR PAY - CONT FULL TIME	276,237	272,964	0	272,964	-1.2%
14 FRINGE BENEFITS - CURR PERSONNEL	53,590	55,958	0	55,958	4.4%
PERSONNEL SERVICES	329,827	328,922	0	328,922	-0.3%
20 SUPPLIES AND MATERIALS	5,000	5,000	0	5,000	0.0%
40 OTHER SERVICES AND CHARGES	15,000	15,000	0	15,000	0.0%
NONPERSONNEL SERVICES	20,000	20,000	0	20,000	0.0%
GROSS FUNDS	349,827	348,922	0	348,922	-0.3%

FY 2017 Operating Budget by Program (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AA0 - OFFICE OF THE MAYOR (OFFICE OF PARTNERSHIPS & GRANT SERVICES)					
5000 OFFICE OF COMMUNITY AFFAIRS	349,827	348,922	0	348,922	-0.3%
GROSS FUNDS	349,827	348,922	0	348,922	-0.3%

FY 2017 Operating Budget by Fund Type (Gross Funds)					
	FY 2016 Approved	FY 2017 Mayor's Proposed	Committee Variance	FY 2017 Committee's Proposed	Percent Change
AA0 - OFFICE OF THE MAYOR (OFFICE OF PARTNERSHIPS & GRANT SERVICES)					
100 LOCAL FUND	349,827	348,922	0	348,922	-0.3%
GROSS FUNDS	349,827	348,922	0	348,922	-0.3%

1. COMMITTEE ANALYSIS AND COMMENTS

a. Agency Mission and Overview

The mission of the Office of Partnerships and Grant Services (OPGS) is to enhance the capacity of the District government and non-profit organizations to obtain and manage diverse resources through effective management and oversight of the government's donation solicitation, grant development, and grant-making process. OPGS is an office within the Office of Community Affairs division of the Executive Office of the Mayor.³²

³² OPGS is an Office within the Office of the Mayor (AA0). OPGS is funded at the activity level. Therefore, no Operating Budget by Program table is provided.

b. Mayor's Proposed FY 2017 Operating Budget

Proposed Operating Budget Summary

The proposed operating budget of OPGS is \$348,922, a decrease of 0.26% from the FY 2016 approved budget. This funding supports 3.0 FTEs, which represents no change from the FY 2016 approved level.

Committee Analysis and Comments

The Committee applauds OPGS on its outreach and efforts. The Committee is very pleased to see that OPGS continues to increase the amount in donations received by the District. During the budget oversight process, the Committee became aware of the Office's success in collecting donations. The receipt of \$10 million in donations halfway through FY 2016 demonstrates not just a vested interest in providing donations to the District, but also the ability of OPGS to seek, administer, and approve a large amount of funding. The Committee praises OPGS on the projected total of \$20 million and \$25 million in donations for FY 2016 and FY 2017, respectively.

c. Mayor's Proposed FY 2017 – FY 2022 Capital Budget

The Mayor has no proposed FY 2017 – FY 2022 capital budget for OPGS.

2. COMMITTEE RECOMMENDATIONS

a. FY 2017 Operating Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 operating budget for OPGS of \$348,922.

b. FY 2017 Policy Recommendations

The Committee has no policy recommendations for OPGS.

c. FY 2017 Capital Budget Recommendations

The Committee recommends adoption of the Mayor's FY 2017 – FY 2022 capital budget for OPGS of \$0.

III. FISCAL YEAR 2017 BUDGET FEDERAL PORTION ADOPTION AND REQUEST ACT RECOMMENDATIONS

On Thursday, March 24, 2016, Chairman Mendelson introduced, on behalf of the Mayor, Bill 21-667, the “Fiscal Year 2017 Budget Federal Portion Adoption and Request Act of 2016.” The Committee does not make any recommendations relating to Bill 21-667.

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 2017 BUDGET LOCAL PORTION ADOPTION ACT RECOMMENDATIONS

On Thursday, March 24, 2016, Chairman Mendelson introduced, on behalf of the Mayor, Bill 21-668, the “Fiscal Year 2017 Budget Local Portion Adoption Act of 2016.” The Committee does not make any recommendations relating to Bill 21-668.

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 2017 BUDGET SUPPORT ACT RECOMMENDATIONS

On Thursday, March 24, 2016, Chairman Mendelson introduced, on behalf of the Mayor, Bill 21-669, the “Fiscal Year 2017 Budget Support Act of 2016.” 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 2017 Budget Support Act of 2016”:

1. Title I, Subtitle J. OIG Budget Process Clarification Amendment 56
2. Title II, Subtitle A. QHTC Digital Media and Boundary Amendment..... 57
3. Title II, Subtitle C. Combined Reporting Amendment 58
4. Title II, Subtitle D. Supermarket Tax Incentives Clarification..... 58

1. TITLE I, SUBTITLE J. OIG BUDGET PROCESS CLARIFICATION AMENDMENT.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would allow the Mayor to make changes to the OIG’s budget before submitting it to the Council, but must include a statement outlining the budget requested by the agency. The law currently requires the OIG to provide the Mayor annual estimates for the year of expenditures and appropriations necessary for the operation of the Office for the year.³³ The Mayor then must forward these estimates to the Council without revision, and the Council may not revise either; however, both may make recommendations. The OIG was created in the District of Columbia Procurement Practices Act of 1985.³⁴ The language being amended stems from a 1995 congressional amendment.

The OIG conducts independent fiscal and management audits of District government operations, in addition to conducting audits, inspections, and investigations of the District government. The Committee believes that the initial legislative intent is to provide an independent Inspector General to the District. Maintaining the current budget process—and therefore the current law—more closely echoes this intent.

b. Committee Reasoning

The Committee recommends striking this subtitle.

³³ See D.C. Official Code § 1-301.115a(a)(2)(A).

³⁴ Effective Feb. 21, 1986 (D.C. Law 6-85).

c. Section-by-Section Analysis

n/a

d. Legislative Recommendations for Committee of the Whole

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

2. TITLE II, SUBTITLE A. QHTC DIGITAL MEDIA AMENDMENT.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would amend the Qualified High Technology Company (QHTC) designation to allow companies located in the Ballpark Tax Increment Financing (TIF)³⁵ area to be eligible for the designation and associated tax benefits beginning in FY 2021. Language restricting QHTC benefits from companies in the Ballpark TIF area is no longer required because the bonds that were expected to be issued never were.

This proposed subtitle would also define a Qualified Digital Media Company and include it within the QHTC definition, and would allow qualifying entities to be eligible for an interior renovation tax rebate. This subtitle does not increase or change the existing annual capped amount of \$3 million available, or the maximum of \$1 million per fiscal year a single company is eligible to receive. The Qualified Digital Media Company clarifies eligibility so that new and original digital content produced by the QHTC or direct subsidiary in the District, distributed across digital media platforms, including internet, television and radio, will count as qualifying activity in regards to revenue recognition for QHTC qualification for District based activities, including by broadcasters. This will clarify the D.C. Official Code to be in accordance with the evolution of the industry, and ensure new and original digital content production in the District is interpreted as a qualified activity.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle, with some suggested technical changes from the OCFO.

c. Section-by-Section Analysis

n/a

d. Legislative Recommendations for Committee of the Whole

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

³⁵ See D.C. Official Code §2-1217.12.

3. TITLE VII, SUBTITLE C. COMBINED REPORTING AMENDMENT.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would delay the accounting rules initially adopted when combined reporting was enacted by the District in 2011.³⁶ This delay relates to allowing publicly traded companies to take a deduction in the future for the restatement of deferred tax assets and liabilities they now had to recognize in their financial statements. This subtitle would delay the deductions by an additional 5 years, from 5 to 10 years. Therefore, publicly traded companies will not be able to take these deductions until FY 2021, which is currently outside the budget and financial plan.

Based on information provided to the Committee by ORA, it is predicted that this change would affect approximately 45 publicly-traded companies. This leads to an impression that this change affects only the largest businesses with a presence in the District. Testimony provided to the Committee during the budget oversight process from the Council on State Taxation (COST) stated that the deduction is to be claimed beginning with the combined group's taxable year that begins in 2015. COST believes it is unclear how this delay in the deduction would affect the already closed 2015 tax year and the returns filed by taxpayers. The Office of Tax and Revenue has provided language that has been incorporated into the Budget Support Act to allow for a waiver of any tax interest resulting in an underpayment for tax year 2015.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle, with some suggested technical changes from the OCFO.

c. Section-by-Section Analysis

n/a

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 D. 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

³⁶ See Fiscal Year 2012 Budget Support Act of 2011, effective Sept. 14, 2011 (D.C. Law 19-21; D.C. Official Code § 47-1810.08).

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 2000.³⁷ 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.³⁸

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle, with some suggested changes from the OCFO.

c. Section-by-Section Analysis

n/a

d. Legislative Recommendations for Committee of the Whole

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

³⁷ Effective Oct. 4, 2000 (D.C. Law 13-166; D.C. Official Code § 47-3801 *et seq.*).

³⁸ 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)).

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 2017 Budget Support Act of 2016”:

1.	Tax Revision Commission Implementation.....	60
2.	Business Improvement Districts	61
3.	Tax Clarification	62
4.	Tax Sale Resource Center.....	63
5.	Tax Deed Clarification.....	63
6.	Schedule H and Consumer Price Index	64
7.	Business Income Tax Return Due Date	64
8.	Walker Jones Real Property Tax Abatement	65
9.	WMATA Compact Amendment.....	66
10.	Other Post-Employment Benefits Fund Amendment	66
11.	District of Columbia Unemployment Compensation Amendment.....	67
12.	College Savings Program Amendment.....	67
13.	Parkside Parcel E and J Mixed Income Apartments Abatement.....	68
14.	Constituent Services Expenditure Update.....	68
15.	Real Property Tax Appeals Commission Review.....	69
16.	Parkside Parcel F	70
17.	Subject to Appropriations Repealers	71
18.	Commission on the Arts and Humanities Dedicated Funding.....	71
19.	Park 7 at Minnesota-Benning Tax Abatement.....	72
20.	D. C. Lottery Amendments.....	72
21.	Office of the Inspector General Audit Requirements	73
22.	Disposition of Unclaimed Property Amendment.....	74
23.	Capital Rescissions	74

1. TITLE VII, SUBTITLE XX. TAX REVISION COMMISSION IMPLEMENTATION.

a. Purpose, Effect, and Impact on Existing Law

Under existing law, District taxpayers must wait until TY 2018 to receive any new tax relief realized through the adjustments to the District’s tax laws under the tax reform package approved by the Council in 2014. This proposed subtitle would allow additional tax relief to go into effect in TY 2017 if projected revenues outpace current revenue estimates. This does not increase the total amount of incremental tax revenue dedicated to tax relief; rather, it allows the tax changes to go into effect one year earlier. A similar provision was enacted for TY 2016 as part of the FY 2016 budget process.³⁹

³⁹ See section 7033 of the Fiscal Year 2016 Budget Support Act of 2015, effective Oct. 22, 2015 (D.C. Law 21-36); see also section 7016(n) of the Fiscal Year 2016 Budget Support Emergency Act of 2015, effective July 27, 2015 (D.C. Act 21-127).

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

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. BUSINESS IMPROVEMENT DISTRICTS.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would make permanent two corrections that are currently in effect via emergency and temporary measures. First, it would amend the Business Improvement Districts Act of 1996⁴⁰ (BID Act of 1996) to confirm that the business improvement districts (BID) charter renewal procedure is for BID plans to be approved and submitted to the Mayor in accordance with BID bylaws. The Business Improvement District Amendment Act of 2014⁴¹ inadvertently changed the way that a BID charter was extended or renewed. This created an administrative burden and negative impact on BIDs, especially those located in smaller neighborhoods. This correction was included in emergency⁴² and temporary⁴³ legislation passed by the Council.

Second, it amends the BID Act of 1996 to repeal a sunset provision. This provision provided that the act would expire 20 years from the effective date. This sunset provision was included in the enrolled version of the act but is not found in the D.C. Official Code. This correction was included in emergency⁴⁴ and temporary⁴⁵ legislation passed by the Council.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

⁴⁰ Effective May 29, 1996 (D.C. Law 11-134).

⁴¹ Effective Feb. 26, 2015 (D.C. Law 20-161).

⁴² Business Improvement Districts Charter Renewal Emergency Amendment Act of 2015, enacted Dec. 17, 2015 (D.C. Act 21-227).

⁴³ Business Improvement Districts Charter Renewal Temporary Amendment Act of 2015, enacted Jan. 12, 2016 (D.C. Act 21-271).

⁴⁴ Business Improvement Districts Sunset Repeal Emergency Amendment Act of 2016, approved Apr. 5, 2016.

⁴⁵ Business Improvement Districts Sunset Repeal Temporary Amendment Act of 2016, approved Apr. 19, 2016.

c. Section-by-Section Analysis

n/a

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. TAX CLARIFICATION.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would make permanent corrections to the Fiscal Year 2016 Budget Support Act of 2015⁴⁶ that were made through the Fiscal Year 2016 Budget Support Clarification Temporary Amendment Act of 2015,⁴⁷ which expires on October 9, 2016. These changes were also included in two emergency measures previously passed by the Council.⁴⁸ This subtitle makes three corrections permanent. First, it confirms the ability of the Board of Review of Anti-Deficiency Violations to see records, reports, and other materials in the course of investigating an alleged violation by codifying it in the Board’s enabling statute. Second, it establishes the use of a set of criteria for designating a location as a so-called “tax haven” in combined reporting as opposed to a list of jurisdictions. Third, it makes a necessary adjustment to the cost of living computation applicable to the standard deduction.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

d. Legislative Recommendations for Committee of the Whole

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

⁴⁶ Effective Oct. 22, 2015 (D.C. Law 21-36).

⁴⁷ Effective Feb. 27, 2016 (D.C. Law 21-76).

⁴⁸ See the Fiscal Year 2016 Budget Support Clarification Emergency Act of 2015, enacted Oct. 16, 2015 (D.C. Act 21-164); see also the Fiscal Year 2016 Second Budget Support Clarification Emergency Act of 2015, enacted Nov. 23, 2015 (D.C. Act 21-202).

4. TITLE VII, SUBTITLE XX. TAX SALE RESOURCE CENTER.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would make permanent a repeal of language in the D.C. Official Code referencing the Tax Sale Resource Center that was operated by the DC Bar at the D.C. Superior Court until March 2016. This correction is currently in effect via emergency⁴⁹ and temporary⁵⁰ legislation.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

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. TAX DEED CLARIFICATION.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would make permanent a conforming amendment that removes an obsolete cross reference regarding tax deeds. This correction is currently in effect via emergency⁵¹ and temporary⁵² legislation.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

d. Legislative Recommendations for Committee of the Whole

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

⁴⁹ Tax Sale Resource Center Clarifying Emergency Act of 2016, approved Apr. 5, 2016.

⁵⁰ Tax Sale Resource Center Clarifying Temporary Act of 2016, approved Apr. 19, 2016.

⁵¹ Tax Sale Resource Center Clarifying Emergency Act of 2016, approved Apr. 5, 2016.

⁵² Tax Sale Resource Center Clarifying Temporary Act of 2016, approved Apr. 19, 2016.

6. TITLE VII, SUBTITLE XX. SCHEDULE H AND CONSUMER PRICE INDEX.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would clarify the effect of inflation on Schedule H tax credits. Specifically, it would clarify that the maximum credit amount is adjusted annually for inflation based on the Consumer Price Index (CPI), rounded down to the nearest \$25 multiple, if not a multiple of 25. This subtitle adjusts the eligibility income threshold (\$50,000, or \$60,000 for eligible senior claimants) annually for inflation based on the CPI, rounded to the next lowest multiple of \$100, if not a multiple of 100. This subtitle also confirms that if the annual inflation rate based on the CPI is negative then neither the credit amount nor the eligibility income threshold decreases. Rather, it would just remain the same as the previous year. The subtitle also defines the CPI to be for All Urban Consumers for the Washington-Baltimore Area. Additionally, 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.

c. Section-by-Section Analysis

n/a

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. BUSINESS INCOME TAX RETURN DUE DATE.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would conform to the federal change for corporate filers. Section 2006 of the revenue provision of the federal Surface Transportation and Veterans Health Care Choice Improvement Act of 2015⁵³ changes due dates for the 2017 tax filing season, which applies to 2016 tax returns. Per the federal law, these changes are effective for tax returns for taxable years beginning after December 31, 2015.

As explained by OTR, the new federal law shortens the due date for U.S. federal partnership income tax returns to March 15 from April 15 of each year for calendar year partnerships, and to the 15th day of the third month, from the 15th day of the fourth month, following the close of the taxable year for non-calendar fiscal year partnerships. The same rules

⁵³ Pub. L. No. 114-41, 129 Stat. 443 (2015).

apply for S-corporations. To conform to the federal change for corporate filers, the District should similarly extend the due date for C-corporation income tax returns (D-20) to the 15th day of the fourth month following the end of the taxable year, from the 15th day of the third month following the end of the taxable year because the federal corporate return is required in order to prepare the District return.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

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. WALKER JONES REAL PROPERTY TAX ABATEMENT.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would repeal the subject to funding clause for the Walker Jones/Northwest One Unity Health Center real property tax abatement previously passed by the Council,⁵⁴ and would change the effective date to be from October 1, 2016 to September 30, 2021.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

d. Legislative Recommendations for Committee of the Whole

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

⁵⁴ Walker Jones/Northwest One Unity Health Center Tax Abatement Act of 2008, effective Mar. 25, 2009 (D.C. Law 17-351; D.C. Official Code § 47-4619 *et seq.*).

9. TITLE VII, SUBTITLE XX. WMATA COMPACT AMENDMENT.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would make necessary changes to the Washington Area Metropolitan Transit Authority compact that mirrors amendments made by Maryland, Virginia, and the federal Government. This change reflects the federal law that shifts authority from the Administrator of the General Services Administration to the U.S. Secretary of Transportation to appoint the federal board members and federal alternate members to the WMATA Board of Directors.⁵⁵ This change would be in effect for July 1, 2016.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

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. OTHER POST-EMPLOYMENT BENEFITS FUND AMENDMENT.

a. Purpose, Effect, and Impact on Existing Law

This proposed subtitle would amend the Comprehensive Merit Personnel Act of 1978 to change the date for the annual report of the Other Post-Employment Benefits Fund from April 1st to May 15th. This date would allow enough time for the Office of Finance and Treasury to produce the annual report between the close of the CAFR and the completion of the actuarial analysis, preparation of the financial statements and the completion of the required annual audit of the fund pursuant to D.C. Official Code § 1-621.09e.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

⁵⁵ FAST Act, Pub. L. No. 114-94, § 3026.

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. DISTRICT OF COLUMBIA UNEMPLOYMENT COMPENSATION AMENDMENT.

a. Purpose, Effect, and Impact on Existing Law

This proposed subtitle would amend the District of Columbia Unemployment Compensation Act to provide statutory authority for the payment of unemployment benefits. Current law mandates all payments be made only by check. This subtitle would allow for other forms, including electronic payment.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

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. COLLEGE SAVINGS PROGRAM AMENDMENT.

a. Purpose, Effect, and Impact on Existing Law

This proposed subtitle would extend the deadline for submission of the annual report until May 31st to align with the completion of the required audit. Current law requires the OCFO to submit an annual report of the College Savings Program within 90 days after the close of the fiscal year. This annual report includes audited financial statements and a comprehensive report of the 529 plan information, as well as statistical information about the program—such as the number of participants, the average account balances, and the growth of the plan year-over-year. This includes Achieving a Better Life Experience—or ABLE—account information. The audit of financial data and internal controls of the program are typically available by April or May.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

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

n/a

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

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

13. TITLE VII, SUBTITLE XX. PARKSIDE PARCEL E AND J MIXED INCOME APARTMENTS TAX ABATEMENT.

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

This proposed subtitle would make permanent modifications to the language of the tax abatement previously passed by the Council to include only references to the square and lots for development in lieu of the names of developers and development projects. It also changes the 10-year, annual \$600,000 real property tax abatement for both lots into a 10-year, annual \$300,000 real property tax abatement for each lot. These changes are currently in effect via emergency⁵⁶ and temporary⁵⁷ legislation passed by the Council.

b. **Committee Reasoning**

The Committee recommends adoption of this proposed subtitle.

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

n/a

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. CONSTITUENT SERVICES EXPENDITURE UPDATE.

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

The District allows the Mayor, the Chairman of the Council, and the members of the Council to establish constituent-services programs and to finance these programs through

⁵⁶ Parking Parcel E and J Mixed-Income Apartments Tax Abatement Emergency Amendment Act of 2015, enacted Dec. 21, 2015 (D.C. Act 21-241).

⁵⁷ Parking Parcel E and J Mixed-Income Apartments Tax Abatement Temporary Amendment Act of 2015, effective Mar. 9, 2016 (D.C. Law 21-87).

contributions. This proposed subtitle would maintain the maximum permitted to be raised in one year at \$40,000 while permitting spending of up to \$60,000 in one year.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

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. REAL PROPERTY TAX APPEALS COMMISSION REVIEW.

a. Purpose, Effect, and Impact on Existing Law

This proposed subtitle would 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 RPTAC. In doing so, RPTAC would receive 80 days after the completion of the hearing to render 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 are complex properties that require the same amount of scrutiny, consideration, and expertise as a large office building. Since this type of an appeal will typically require much more time for the Commission to render its decision, the 30-day requirement would be extended to 80 days—the current timeframe afforded for all commercial property decisions.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

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. PARKSIDE PARCEL F.

a. Purpose, Effect, and Impact on Existing Law

This proposed subtitle would initiate the next phase of development at Parkside. This would provide for a 20-year tax abatement to consummate a pending transaction which would result in 400 new residential units and the first 25,000 square feet of retail for the Parkside community. The development caters to households making 60%-120% of Area Median Income, and thus workforce renters and homeowners looking for a modern community with a variety of amenities offered and priced more affordable than other developments currently planned and delivered across the District. The proposed development will attract and retain a quality healthy food grocer to serve the greater community, currently underserved by access to healthy food options. The development plan was generated through an inclusive community planning process involving more than 100 community meetings and is focused on satisfying the deep-rooted demand from constituents for quality retail and housing options.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

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. SUBJECT TO APPROPRIATIONS REPEALERS.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would repeal the subject to appropriations clauses for three laws: the Vault Tax Clarification Amendment Act of 2011,⁵⁸ the Notice Requirements for Historic Properties Amendment Act of 2014,⁵⁹ and the Higher Education Tax Exemption Act of 2016.⁶⁰ Funding is available for these three acts, largely due to the adjustments made to the budget of the OCFO, as mentioned earlier in this report.⁶¹

⁵⁸ Effective Jan. 12, 2012 (D.C. Law 19-78).

⁵⁹ Effective Apr. 30, 2015 (D.C. Law 20-249).

⁶⁰ Enacted Mar. 16, 2016 (D.C. Act 21-341).

⁶¹ See *supra* Part II.B.2.a.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

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. COMMISSION ON THE ARTS AND HUMANITIES DEDICATED FUNDING

a. Purpose, Effect, and Impact on Existing Law

This subtitle would fix the perpetual problem of funding for the arts in the District of Columbia. This subtitle, while subject to funding, would provide that one quarter of one percent out of the current 5.75% sales tax would be dedicated to funding CAH. This revenue, estimated at around \$22 million this year, would be implicitly indexed to inflation. This is not a proposal to increase the sales tax, but rather to dedicate a portion of the current tax toward arts funding, as new revenue is identified in upcoming revenue estimates by the Chief Financial Officer.

b. Committee Reasoning

The Committee recommends adoption of the proposed subtitle.

c. Section-by-Section Analysis

n/a

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. PARK 7 AT MINNESOTA-BENNING TAX ABATEMENT.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would provide a real property tax abatement of an annual \$200,000 real property tax cap to the Park 7 at Minnesota-Benning, a mixed use project located at the corner of Minnesota Avenue and Benning Road, N.E. next to the Minnesota Avenue Metro

station. The project includes 400,000 square feet of multi-family residential space, 376 rental units, 98% of which are for those earning at or below 60% Area Median Income, and 20,000 square feet of retail space and accessory parking.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

d. Legislative Recommendations for Committee of the Whole

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

20. TITLE VII, SUBTITLE XX. D.C. LOTTERY AMENDMENTS.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would conform District law—contained within the Home Rule Act—that established the D.C. Lottery to reflect that it has been a subordinate office within the OCFO since 2006.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

d. Legislative Recommendations for Committee of the Whole

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

21. TITLE VII, SUBTITLE XX. OFFICE OF THE INSPECTOR GENERAL AUDIT REQUIREMENTS.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would change the due date for the Highway Trust Fund Forecast back to May 31st from March 15th. This would allow the OIG to collect all of the relevant data from the OCFO—which has historically been made available by the end of February—and to

provide a comprehensive review, including completing all of the OIG’s quality assurance processes by May 31.

The proposed subtitle would also repeal the OIG annual audit requirement of the operations of the District of Columbia Home Purchase Assistance Program (HPAP) for FY 2016 and all subsequent fiscal years. This annual audit requirement was established in 1978, and since that time the Department of Housing and Community Development (DHCD) has implemented several other residential and community service programs. For FY 2016, HPAP funding accounts for 3.4% (or \$9.8 million) of DHCD’s overall budget. Also, in 2016, the DC Auditor will be conducting an audit of DHCD’s Housing Production Trust fund and the OIG believes this review will provide internal control improvement recommendations that will be applicable to all DHCD’s residential and community service programs.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

c. Section-by-Section Analysis

n/a

d. Legislative Recommendations for Committee of the Whole

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

22. TITLE VII, SUBTITLE XX. DISPOSITION OF UNCLAIMED PROPERTY AMENDMENT.

a. Purpose, Effect, and Impact on Existing Law

The proposed subtitle would amend the Uniform Disposition of Unclaimed Property Act of 1980 to modernize the organic statute. This modernization would provide definitions, establish modernized publication and notification requirements, and repeal outdated or duplicative requirements. This subtitle would also include additional tangible and intangible property types within the statute, as well as presumptions of notification of death for life insurance companies. The subtitle would also provide authority for the OCFO to dispose of property within a specified time frame and allow for the sale of abandoned securities within 60 days of delivery.

b. Committee Reasoning

The Committee recommends adoption of this proposed subtitle.

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

n/a

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

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

23. **TITLE VII, SUBTITLE XX. CAPITAL RESCISSIONS.**

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

The proposed subtitle would authorize the reallocation of an existing capital allotment balance within the OCFO’s SOAR Modernization project. The justification for this subtitle is explained in further detail earlier in this report.⁶²

b. **Committee Reasoning**

The Committee recommends adoption of this proposed subtitle.

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

n/a

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

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

⁶² See *supra* Part II.B.2.c.1.

VI. COMMITTEE ACTION AND VOTE

The Committee met on Wednesday, May 4, 2016 at 12:00 p.m. in the Council Chambers to consider and vote on the Mayor's FY 2017 budget request for the agencies under its jurisdiction, appropriation language recommendations, the provisions of the Fiscal Year 2017 Budget Support Act of 2016 referred to the Committee for comment, the Committee's recommendations to include in the Fiscal Year 2017 Budget Support Act of 2016, and the draft Committee report. Chairperson Evans determined the presence of a quorum consisting of himself and Councilmembers Grosso, McDuffie, Orange, and Silverman.

Chairperson Evans made opening remarks summarizing the Committee's proposed actions. Each committee member made brief remarks expressing their thoughts on the Committee's proposed actions and their position on the report as presented.

Chairperson Evans then moved an amendment to realize \$1.6 million in savings from the Central Collections Unit within the OCFO and relocate this funding to CAH within the Arts Building Communities division. This amendment was accepted as friendly.

Councilmember Grosso made a statement regarding the Committee's proposed actions. Councilmember Silverman then made the following remarks:

I want to start by highlighting several important provisions in today's committee report. First, there are several items on the Schedule H housing tax credit, including a provision to ensure that when we index the credit for inflation, it won't go down in rare years where the CPI falls. As we said yesterday when we celebrated the increase in Schedule H, this credit is both one of our most important low-income support programs, and one of our most important housing programs, all in one program. It's great to see our continued support for that program here in this budget report.

And I'm glad to see we are recommending pay parity for our Circulator bus drivers, and that Councilmember Cheh has secured funding within her committee. This seems like a simple thing, to pay similar amounts for similar jobs, but for years we've been paying our Circulator drivers less than our Metrobus drivers, even though their jobs are almost identical.

I also want to commend you for digging deep and finding a way to add funding to our Arts and Humanities Commission. Our arts community is a valuable and vibrant part of our community, and a vital part of our creative economy. I also want to say that I've so far been impressed by the new leadership at the Arts Commission, and I look forward to seeing where Mr. Espinoza takes the Commission in the coming years.

There are a few items I want to express my reservations about, however. I often say that budgets are about priorities, and where we spend our money says a lot about who we are as a District. Which is why I'm concerned that this committee continues to make unfunded promises in the very document where we are supposed to make tough choices. This budget has not one, but three new unfunded tax abatements, none of which have had a hearing, and none of which have had the requisite independent Tax Abatement Financial Analysis. It's never good policy to avoid

this careful legislatively mandated review for tax abatements, which so often only benefit those with the best lawyers or connections. We need to make sure our property tax system is fair for everyone, not just the well-connected.

I will be voting for today's budget report and recommendations, but I urge this committee to end the practice of passing unfunded tax abatements. They're confusing to the public, and honestly, just bad policy.

Chairperson Evans then moved the committee report and recommendations on the FY 2017 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 2017 Budget Support Act of 2016. The members voted as follows:

Fiscal Year 2017 Budget Federal Portion Adoption and Request Act of 2016 Recommendations

Members in favor: Evans, Grosso, McDuffie, Orange, Silverman
Members opposed:
Members voting present:
Members absent:

The Committee's Fiscal Year 2017 Budget Federal Portion Adoption and Request Act of 2016 recommendations are adopted by a vote of 5 yes, 0 no, 0 present, 0 absent.

Fiscal Year 2017 Budget Local Portion Adoption Act of 2016 Recommendations

Members in favor: Evans, Grosso, McDuffie, Orange, Silverman
Members opposed:
Members voting present:
Members absent:

The Committee's Fiscal Year 2017 Budget Local Portion Adoption Act of 2016 recommendations are adopted by a vote of 5 yes, 0 no, 0 present, 0 absent.

Fiscal Year 2017 Budget Support Act of 2016 Recommendations

Members in favor: Evans, Grosso, McDuffie, Orange, Silverman
Members opposed:
Members voting present:
Members absent:

The Committee's Fiscal Year 2017 Budget Support Act of 2016 recommendations are adopted by a vote of 5 yes, 0 no, 0 present, 0 absent.

Business having concluded, the meeting was adjourned at 12:20 p.m.

VII. ATTACHMENTS

- A. April 11, 2016 FY 2017 Budget Oversight Hearing Witness List and Testimony.
- B. April 25, 2016 FY 2017 Budget Oversight Hearing Witness List and Testimony.
- C. Bill 21-669, the “Fiscal Year 2017 Budget Support Act of 2016” Legislative Language Recommendations.
- D. Amendment offered and accepted.