

BUDGET HEARING
THE FISCAL YEAR 2013 BUDGET REQUEST OF THE
OFFICE OF REVENUE ANALYSIS (ORA) OF THE
OFFICE OF THE CHIEF FINANCIAL OFFICER
(OCFO)

Before the
Committee on Finance and Revenue
Council of the District of Columbia

The Honorable Jack Evans, Chairman

April 19, 2012, 10:00 a.m.
John A. Wilson Building, Council Chamber



Testimony of
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Good morning Chairman Evans and members of the Committee on Finance and Revenue. I am Fitzroy Lee, Deputy Chief Financial Officer for Revenue Analysis and the District's Chief Economist. I am pleased to appear before you today to testify on the Fiscal Year 2013 budget request for this Office of Revenue Analysis (ORA).

The FY 2013 budget request for ORA builds upon the data analysis capacity and infrastructure ORA has created over the years to provide policymakers and stakeholders with high quality fiscal and economic analyses to inform decision-making and policy discussions. In Fiscal Year 2013, ORA will continue to: 1) generate quarterly revenue estimates that enable the District to develop and maintain a fiscally prudent annual budget and financial plan; 2) prepare fiscal impact statements that analyze the financial impact of proposed policy changes to ensure that the budget and financial plan remains in balance; 3) issue annual and monthly fiscal and economic reports on a timely basis; and 4) conduct research and analyses on a wide range of fiscal and economic issues at the request of the Mayor and the Council, or as directed by the Chief Financial Officer.

At this point, I would like to mention a few of the projects and new initiatives that ORA plans to continue or to undertake in FY 2013 as it continues to build its capacity to deliver the forecasts and analyses on which policymakers rely to aid their decision-making and policy discussions.

First, as part of an effort to better analyze and forecast trends in District business taxes, ORA has merged business tax data from the Office of Tax and Revenue with business registration data from the Department of Consumer

and Regulatory Affairs. The project is in its initial stages, but its main goal is to classify business tax data by industry categories. This project addresses a longstanding limitation of the D.C. business tax database –although business tax returns provide for the capture of industry classifications, less than half of business tax filers report the industry classification. This limitation has significantly restricted our ability to analyze business tax trends. Depending on the success of this initiative we plan to expand the project to include other agencies with business registration data, such as the Department of Employment Services (DOES) and the Alcoholic Beverage Regulation Administration (ABRA).

Second, ORA will support the work of the Tax Reform Commission, which was recently appointed by the Mayor and the Council. Given ORA's extensive data analysis capacity and its repositories of District tax and economic data, ORA is uniquely positioned to provide the necessary data and analyses that the Commission's broad review of the District's tax system will require. As such, ORA will work collaboratively with the Commission to ensure that it receives timely, relevant, and accurate data and analyses for the successful completion of its work.

Third, ORA will continue to study and analyze the detailed 2010 Census data on D.C. to better understand the income and demographic trends of the District population over the last decade. Specifically, we are interested in the impact of these income and demographic trends on the District's long-term fiscal health.

The FY 2013 budget request for the Office of Revenue Analysis and the Economic Development and Finance unit is \$3.9 million and 26 FTEs. Of the total FTEs, 21 are assigned to the Office of Revenue Analysis and 5 to the Office of Economic Development Finance. The \$3.9 million budget request for FY 2013 is a \$276,000 (or 7.6 percent) increase over the FY 2012 budget. The bulk of the increase is \$98,000 in Personnel Services (or 1 FTE) and \$99,000 in Non-Personnel Services for the Economic Development Finance unit to implement the Exemptions and Abatements legislation, which was enacted by the Council last year. The rest of the increase (\$79,000) is a District-wide inflation adjustment to arrive at the current services funding level.

In FY 2013, ORA will continue to deliver the high-quality of service in its areas of expertise of revenue forecasting, fiscal impact statements and economic analysis. We look forward to continuing our work with the Mayor, Council, and agencies of the District government to achieve this goal.

Chairman Evans, I thank you and the members of the Committee for the opportunity to present testimony today. I would be pleased to address questions that you may have.