

BUDGET HEARING
ON
THE FISCAL YEAR 2010 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 8, 2009, 10:00 a.m.
John A. Wilson Building, Council Chamber



Testimony of
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Good morning Mr. Chairperson and members of the committee. I am Robert D. Ebel, 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 2010 budget request for this Office.

In a jurisdiction which receives no state support and whose reliance on Federal funds is limited, the monitoring, projection and analysis of revenue sources is crucial in developing the city's annual budget. The Office is responsible for certifying the District's local and special purpose revenues to the Mayor and Council, and will continue to conduct research in support of tax policy issues

In addition to revenue estimation and tax policy analysis, a key responsibility of ORA is the preparation of fiscal impact statements that analyze the financial impact of proposed policy changes on the District's expenditures and revenues. The purpose of fiscal impact statements is to estimate the net cost to the government of achieving policy goals so that competing policy changes may be compared in allocating a limited budget.

During the previous fiscal year, ORA produced approximately 270 fiscal impact statements that are all posted on the OCFO Web site, www.cfo.dc.gov, so that they are publicly available. In light of a permanent Congressional mandate¹, we anticipate that the number of the fiscal impacts processed through our Office will increase substantially. In addition, ORA produces several other publications annually, that are also posted on the OCFO Web site (Attachment 1).

¹ The District of Columbia Omnibus Authorization Act, Pub. L. 109-356.

The FY 2010 budget request for the Office of Revenue Analysis is \$4.19 million and 27 FTEs. Compared to the FY 2009 budget, it represents a 22.54 percent increase, or \$770,596 for these functions, largely because we are fully staffed and have no salary lapse. The authorized FTEs are up 1 from FY 2009 and the same as FY 2008 actual. (See Attachment 2.)

This program includes the budget for both revenue analysis and economic development. At present, of the 27 authorized FTEs, 21 are assigned to the Office of Revenue Analysis and 6 are attached to the Office of Economic Development Finance. Included in ORA for FY 2010 are two FTEs for a period of 24 months funded by OTR, who will perform research and analysis in the support of effective tax administration.

ORA will continue to deliver the high quality of service necessary to insure the fiscal stability of the District. We look forward to continuing our work with the 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 will be pleased to address questions that you may have.

Attachment 1

Review of the Activities of the Office of Revenue Analysis

Prepares Fiscal Impact Statements. The *District of Columbia Home Rule Act of 1973* (Pub. L no. 93-198) requires that all legislation submitted by the Council of the District of Columbia to the US Congress for review prior to enactment into law be accompanied by a fiscal impact statement (FIS) identifying an estimate of the costs that will be incurred by the District of Columbia as a result of enactment of the Act in each of the first four (4) fiscal years for which the Act is in effect. These estimates are accompanied by a statement of the scope of the legislation and the methodology for making the estimate. Per the *District of Columbia Financial Responsibility and Management Assistance Act of 1995* (Pub. L 104 I, Stat. 1995), one of the duties assigned to the newly created Office of the Chief Financial Officer was the preparation of fiscal impact statements. This mandate was reiterated and made permanent in the recently approved District of Columbia Omnibus Authorization Act (Pub.L.109-356, October 16, 2006).

Provides Periodic Reports on the Economic and Revenue Outlook with Accompanying Revenue Estimates. The Office of the Chief Financial Officer is further responsible for forecasting the Economic and Revenue Outlook and an accompanying set of Revenue Estimates for the District government. With respect to this activity, each February the OCFO issues the revenue estimate that is used to develop the Mayor's proposed budget for the next fiscal year (October 1 to September 30). This estimate is then revised quarterly thereafter.

Carries out Special Studies. In addition to its Fiscal Impact Statement and Economic and Revenue Outlook activities, the Office of Revenue Analysis provides to the citizens of the District of Columbia a series of technical reports, all of which are subject to an extensive internal and external peer-review process prior to release and publication. These include: (1) *DC Economic Indicators*. Published monthly, the *Indicators* provide up to date detail on the performance of the District of Columbia with respect to the trends of the overall economy, revenues, and the sectors of labor, industry, office space and housing; (2) *Tax Rates and Tax Burdens: Washington Metropolitan Area*. Published annually, this report provides not only a comparison of the statutory rates of the District of Columbia *vis-à-vis* its five neighboring jurisdictions. but also comparative measures of household tax burden by type of tax and different income levels.(3) *Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison*. Also an annual publication, the nationwide comparison report provides a compendium of statutory tax rate comparisons and estimates of the household burden of major taxes by income class of the District of Columbia *vis-à-vis* the largest city in each of the other 50 states.(4) *The Economic Report of the District of Columbia: A Fiscal Perspective*. In 2007, ORA released its first Economic Report of the District of Columbia with information on the District economy and its revenue system, including a set of Special Analyses and supplemental economic and demographic data trends. This is a statistical abstract of the District of Columbia. ORA intends to release its second Economic Report of the District in May 2009. (5) *DC Tax Facts*. An important and widely used pocket-sized reference of District of Columbia tax collections provides descriptions of all the District of Columbia revenue (tax and non tax) sources, the history of major revenue changes since 1970, filing and payment dates, and the yield of each type of revenue utilized by the District of Columbia. (6) *Cash Reports*. Each month the ORA publishes a report of cash collections by the District of Columbia government. The tracking of these cash flows are particularly important in order to have an ongoing check on the quarterly revenue estimates. Then, at the end of the calendar year, as part of the process of preparing Comprehensive Annual Financial Report (CAFR), ORA coordinates with the Office of Tax and Revenue, to adjust the revenue numbers to reflect the net accruals that then become the final numbers reported in the CAFR; (7)*Tax Expenditures*. The District of Columbia Code requires the CFO to prepare a *Tax Expenditure Budget* for Fiscal Year 2003, and biennially thereafter. Tax expenditures are revenue loses that arise from the provisions of the tax laws that reduce the tax liability of individuals, groups of individuals and/or institutions. The next release is set for spring 2010. (8) *Bills Subject to Appropriation Monitoring*. ORA has initiated a process of tracking the status of *Legislation Subject to Appropriation* so that the OCFO, City Council and Mayor may have an accurate picture at anyone time of the status of legislation that has been approved by the Council but has yet to be funded.

Attachment 2

Office of Revenue Analysis Budget Request for FY 2010					
				Difference of FY 09-FY 10	
	FY 2008 actual	FY 2009 approved	FY 2010 proposed	Dollar	Percentage
Personnel Services	\$3,128,743	\$2,733,332	\$3,390,954	\$657,622	24.06%
Non-Personnel Services	\$555,806	\$685,609	\$798,583	\$112,974	16.48%
Total	\$3,684,549	\$3,418,941	\$4,189,537	\$770,596	22.54%