

April 16, 2002

Council of the District of Columbia

BUDGET HEARING ON THE BUDGET REQUESTS OF THE OFFICE OF THE CHIEF FINANCIAL OFFICER FOR FISCAL YEAR 2003

Testimony of Herbert J. Huff, Deputy Chief Financial Officer, Office of Tax and Revenue, before the Committee on Finance and Revenue

Good afternoon, Chairman Evans and members of the committee. I am Herbert Huff, Deputy Chief Financial Officer for the Office of Tax and Revenue (OTR). I am here today to testify on OTR's FY 2003 budget request and programmatic goals.

FY 2003 Budget Request

The FY 2003 budget request for OTR is 582 FTEs and \$44.9 million, which represents a net decrease of 4 FTEs to reflect realignment of activities within the Office of the Chief Financial Officer (OCFO) and an increase of \$5.8 million from the FY 2002 revised level. The increase is comprised of \$1.5 million to cover approved 4 percent salary increases, \$1.6 million to address the growing facility costs at the OTR space at 941 North Capitol Street, and \$3.4 million to transfer maintenance and operations of the Integrated Tax System (ITS) from the capital budget to the operating budget. These increases are netted against \$700,000 in targeted savings initiatives. The increase does not translate to any funding for new activities or program enhancements, but rather reflects baseline increases in the costs of existing staff and infrastructure.

The Office of Tax and Revenue provides a full range of services in support of fair and efficient tax administration, and supports the mission of the OCFO by ensuring that revenues are properly assessed, collected, and accounted for. FY 2002 has driven home the importance of preserving and enhancing the revenue stream for the District, while maintaining equity in tax administration and working toward parity with surrounding jurisdictions.

We have made tremendous progress toward our goals of improving customer service and taxpayer compliance, and leveraging technology to increase the efficiency of our business processes while reducing burdens on taxpayers. But there is more to be done.

OTR Programs

For FY 2003, OTR has set aggressive goals as part of the OCFO Strategic Business Plan. Achieving these objectives will require several actions, including: increasing our use of data matching and other methods to identify non-filers and other cases of non-compliance; using technology to increase the accuracy and accessibility of information to taxpayers; ensuring that taxpayer and other requests for assistance are responded to and resolved in a timely fashion; and improving outreach to encourage the use of alternative filing methods that facilitate the timely processing of returns. We continually look for ways to communicate with our customers and educate taxpayers about their rights and responsibilities, with special attention to reaching the District's non-English speaking and low-income populations.

On the technology front, OTR has continued implementation of ITS, bringing the Individual Income module online for the current filing season. The performance of the system over the next several weeks will provide a full picture, but thus far the implementation is going well. As with any new system of this magnitude, there have been challenges to work through, but our dedicated staff has come together to resolve any issues quickly and with minimal impact on business processes or service delivery. Representatives from the Multi-State Tax Commission have recently reviewed our transition, and believe that the District's implementation compares favorably with the experience of other jurisdictions.

FY 2003 will also mark two significant milestones: the migration of the Business and Income tax modules from capital projects to normal operating expenditures, and the integration of the Real Property assessment, billing and recordation tools with the other ITS modules. This integration will finally allow

OTR to do the kind of data management necessary to ensure account accuracy across tax types and to effectively monitor compliance with tax regulations. Extracting this data for matching efforts with other District agencies and federal/state tax partners provides a powerful compliance tool to identify, track and collect taxes and other charges and fees owed to the District. OTR's goals for FY 2003 are to increase dollars collected from the accounts receivable balance by 7 percent, and to collect \$8 million from the non-filer population.

Technology also remains the key to elevating customer service even higher. OTR has made steady improvements in this area over the last three years, and is poised to make even more dramatic improvements in FY 2003. As part of the ITS implementation, OTR is piloting a Correspondence Tracking System that should be completed next year. This system will capture every customer contact – telephone, email, standard mail, or walk-in – to allow for case assignment and monitoring of status and resolution. By collecting this data, OTR will create a valuable survey tool to assess quality and timeliness of service. This, in turn, will help us reach a targeted 85 percent customer satisfaction rating in FY 2003.

Additional improvements in customer service levels are expected by expanding electronic access to information, products and services. In the current filing season, OTR became the first U.S. city to offer direct online filing of individual income tax returns through a municipal Web site. Together with third party e-filing services, nearly 38,000 District taxpayers used a method of electronic filing by April 11, compared to 37,000 for the entire filing season last year and the FY 2003 target level of 45,000. This exceeds our goal for FY 2002, and, if this trend holds, we will exceed our goals for FY 2003 and begin to realize operational efficiencies ahead of schedule. On the real property front, taxpayers already have access to a wealth of property sales and assessments information online. As these systems are fully linked with the recordation, assessment and billing systems, we will be better able to regularly update Homestead and other property tax information and make this information readily available to taxpayers. This data will also be used by employees for routine record maintenance and in the course of our ongoing audits of real property accounts.

As I mentioned earlier, the focus on revenue has become more pointed, as national and regional economies work to recover from the downturns of the last six months. OTR is at the fore of the District's efforts, addressing the challenge of expanding revenue generation through increased public outreach initiatives, compliance operations and taxpayer service offerings, with no corresponding increase in resources for program enhancements. FY 2003 is a critical year for the administration of this office, as we balance technological and business process enhancements with expanding responsibilities.

I would like to take this opportunity to thank the Chairman and the members of the committee for their support as we work to build truly 21st century tax administration for the District of Columbia.

Thank you for this opportunity to testify. I would be pleased to answer any questions that you or the other members may have.