

**PUBLIC HEARING ON**  
**BILL 16-569, “WASHINGTON METROPOLITAN AREA**  
**TRANSIT AUTHORITY FUND ACT OF 2006”**

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

**The Honorable Jack Evans, Chairman**

**January 23, 2006, 11:00 a.m.**  
**Council Chambers**  
**John A. Wilson Building**



**Testimony of**  
**Dr. Julia Friedman**  
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**Office of Revenue Analysis**

**Natwar M. Gandhi**  
**Chief Financial Officer**  
**Government of the District of Columbia**

Good morning, Chairman Evans and distinguished members of the committee. I am Dr. Fitzroy Lee, Director of Revenue Estimation with the Office of Revenue Analysis in the Office of the Chief Financial Officer (OCFO). I am filling in for Dr. Julia Friedman, Deputy Chief Financial Officer of the Office of Revenue Analysis, who regrets she is unable to be here today. I am pleased to present testimony on Bill 16-569, the “Washington Metropolitan Area Transit Authority Fund Act of 2006.”

The proposed legislation would provide an additional funding source to maintain and improve the transportation system of the Washington Metropolitan Area Transit Authority (WMATA) by dedicating one-half of one percent of the District’s retail sales tax for this purpose. The bill provides that the proceeds from this dedicated tax would be deposited in a new fund designated as the Washington Metropolitan Area Transit Authority Fund, which would be a segregated account within the General Fund of the District of Columbia. The funds would be available without regard to fiscal year limitation and would not revert to the General Fund at the end of any fiscal year.

The bill stipulates that the funds would be used specifically for maintaining and improving the WMATA transportation system and would be available to comply with a federal grant matching requirement, based on the legislation, to provide revenue to WMATA. The bill further stipulates that its provisions would apply only when there is: (1) enactment of federal legislation providing federal grants to WMATA for the improvement and maintenance of its transportation system; and (2) enactment of legislation by both the Maryland General Assembly and the

Virginia General Assembly where each jurisdiction dedicates an amount of sales tax revenue to WMATA equivalent to that approved by the D.C. Council, or legislation implementing any congressional act providing federal grants to WMATA.

Based on sales and use tax collections and estimates of collections in the FY 2006 to FY 2009 budget and financial plan, we estimate that this bill would generate between \$50-60 million annually for the proposed new WMATA Fund. If implemented in FY 2006, it would produce \$54.3 million in dedicated revenue, or a total of \$236 million for the period of FY 2006 through FY 2009.

It should be noted that this approach of providing new additional funding for WMATA would result in a decrease of General Fund revenues for other public purposes. Because General Fund revenues are reduced, other revenue sources would be needed to meet ongoing commitments, or program spending would need to be curtailed. With the current expenditure budget and revenue forecast, funds are not sufficient in the FY 2006 - 2009 budget and financial plan to support this legislative proposal if it were implemented within this time frame.

It should be noted that our revenue estimate is based on all sales and use taxes established in D.C. Official Code § 47-2002. If the legislation is intended to apply only to retail sales taxed at the 5.75 percent rate, the revenue generated by this rate would be substantially lower. Instead of \$50-60 million annually, the 5.75 percent rate would generate about \$30 million on an annual basis.

Additionally, if the District changes its sales and use tax base – to add a new taxable item or remove one currently taxed – the payment to WMATA would be

affected. The District will want wording in the legislation to protect the ability to make such changes without affecting our relationship with WMATA or others involved in transportation finance.

Legislation that affects general sales and use taxation in the District requires special care because of the importance of dedicated “carve outs” of these funds already in place. The OCFO would like to work with Council staff on this legislation to ensure that all potential technical issues are fully accommodated – issues such as protection of funds dedicated to the Washington Convention Center, several current TIF projects, the Ballpark Fund, and the Community Benefits Fund. In addition, we hope to avoid any potential issues caused by other proposed legislation for financing school facilities or other purposes. We strongly suggest use of professional and audited accounting procedures to determine the amount of sales tax revenue.

This concludes my testimony. I will be glad to answer any questions you may have.

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