Government of the
District of Columbia

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District of Columbia Dedicated Taxes Report

Produced by the
Office of Revenue Analysis

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District of Columbia Dedicated Taxes

Introduction

The purpose of this report is to provide background and relevant data about dedicated taxes, which represent an important but little-understood part of the District of Columbia's general fund. Presently, there are 11 dedicated taxes that earmark a percentage of sales tax, business gross receipts tax, real property tax, deed recordation and transfer tax, personal property tax, motor fuels tax, insurance premiums tax, and health care assessments for particular purposes defined by statute.

This guidebook is intended to assist the Mayor, Council, agency directors, and other policymakers in making decisions about dedicated taxes. In addition, the report will also serve to inform the public about the purpose and design of these revenue sources so residents can participate more fully in budget discussions and debates. The goal is to provide clear, concise information that will be useful both to policymakers and the layperson.

Definition of Dedicated Taxes

Dedicated taxes refer to District of Columbia tax streams that are earmarked for particular purposes and are therefore not available for general budgeting across the full range of agencies, programs, and services provided by the D.C. government. For example, all of the District's motor fuel tax revenue is dedicated to the Highway Trust Fund, which is used to construct, repair, and maintain roads and bridges.

In most cases, only a portion of the revenue raised by a tax is dedicated to a particular purpose, and the rest of the revenue is available for unrestricted use. An example is the Housing Production Trust Fund, which receives 15 percent of the revenue generated by the District's deed recordation and transfer tax.

Taxes are usually levied on broad measures of an individual's ability to pay (such as income, consumption, property, or other measures of wealth), and the revenue generated from taxes generally finances the collective needs of the citizenry. It is important to emphasize that how the revenue is raised is the key element in distinguishing a tax from a non-tax revenue source. For a dedicated tax, the revenue is raised from a broad class of taxpayers, and is then earmarked to meet a collective purpose, such as modernizing schools or expanding access to health care.

It is also important to distinguish dedicated taxes from "special-purpose revenue," which refers to earmarked funds that receive revenue from fines, fees, and other charges paid by individuals who receive a direct benefit in exchange for the payment (such as a fee for parking in a public garage) or who pay a fine or penalty (such as a charge for overdue library materials) to discharge a debt or other obligation. For a dedicated tax, the payment required and the goods or services provided apply on a general basis, whereas for special-purpose revenue, both the payment and the purpose for which it is used concern a specific individual or individuals.

The Office of Revenue Analysis has also prepared a guidebook on special-purpose revenue, the "District of Columbia Special-Purpose Revenue Funds Report," issued in April 2010,[1] which describes special-purpose revenue funds in detail.

Dedicated Taxes in Context

General fund revenue for the District of Columbia government in fiscal year (FY) 2009 totaled $5.744 billion. Dedicated taxes represented the fourth-largest source of general fund revenue, generating $239.4 million, or 4.2 percent of general fund revenue. General taxes (mainly income, sales, and property tax) provided the bulk of the revenue, raising $4.629 billion (80.6 percent of the total). Other categories of general fund revenue were special-purpose revenue, which raised $454.8 million, or 7.9 percent; non-tax revenue (fees, fines, and other assessments that are unrestricted in their use), which provided $353.2 million, or 6.1 percent; and lottery revenue, which totaled $68.8 million, or 1.2 percent.[2] Table 1 shows the distribution of general fund revenue by source.

Table 1

FY 2009 General Fund Revenue (actuals, $ in thousands)

Category	Amount	Share of Total
Tax Revenue (Net of dedicated taxes)	$4,628,688	80.6%
Special Purpose Fund Revenue	$454,764	7.9%
Non-Tax Revenue	$353,170	6.1%
Dedicated Taxes	$239,428	4.2%
Lottery Revenue	$68,775	1.2%
Total	$5,744,825	100%

Government of the District of Columbia, *FY 2011 Proposed Budget and Financial Plan: Maximizing Efficiency*, Executive Summary, July 1, 2010, p. 4-2.

In addition, dedicated taxes support important programs and activities outside the general fund. The Public School Capital Improvement Fund dedicates revenue to the capital budget of the D.C. Public Schools, and the Highway Trust Fund supports capital improvement to the District's roads and bridges. Total dedicated tax revenue for all funds in FY 2009 amounted to $395.0 million.[3]

The Importance of Dedicated Taxes

Although dedicated taxes account for only a small portion of the District's revenues, they are nevertheless important to the District's finances and present important policy issues. Dedicated taxes have grown steadily in recent years. In fact, eight of the District's 11 dedicated taxes were

[1] This report is available at www.cfo.dc.gov.

[2] Government of the District of Columbia, *FY 2011 Proposed Budget and Financial Plan: Maximizing Efficiency*, Executive Summary, July 1, 2010, p. 4-2.

[3] Government of the District of Columbia, *FY 2010 Proposed Budget and Financial Plan: Meeting the Challenge*, Executive Summary, September 28, 2009, p. 4-24.

established in the past decade: the Housing Production Trust Fund (2002), the Neighborhood Investment Fund (2004), the Nursing Homes Quality of Care Fund (2004), the Ballpark Revenue Fund (2005), the Public School Capital Improvement Fund (2006), the Stevie Sellows Quality Improvement Fund (2006), the Healthy D.C. and Health Care Expansion Fund (2007), and the Hospital Fund (2010). Dedicated taxes provide or have provided the financing for some of the District's most important policy and program initiatives, such as building a new convention center and baseball stadium, modernizing and rehabilitating decrepit public school buildings, and expanding access to affordable health care and housing.

Advantages and Disadvantages of Dedicated Taxes

Dedicated taxes have clear advantages and disadvantages; in fact, those pros and cons are two sides of the same coin. As noted earlier, dedicated taxes provide a revenue stream and set aside funds for high-priority funds, ensuring some level of financial support. In some cases, dedicated taxes incorporate principles of user financing, which promotes fairness by establishing at least some linkage between benefits received and cost of those benefits. For example, the Highway Trust Fund represents an application of the benefit principle because motorists who use the roads and bridges pay for the maintenance and improvement of the infrastructure by paying the motor fuels tax. User financing can also enhance efficiency; the motor fuels tax, for example, discourages overuse of roads by making automobile travel more costly.

At the same time, the earmarking of revenues creates potential inefficiencies. Because dedicated taxes support particular programs or services, the amount of money raised reflects the revenue capacity of the tax rather than actual program needs. Even if the dedicated tax is well-designed at first to finance a desired level of expenditures, the relationship between dedicated tax revenue and financing needs may diverge over time and the money raised by the tax may be insufficient or excessive. A good example is the Housing Production Trust Fund, which is financed from deed recordation and transfer taxes – a highly volatile revenue source – with no clear link between housing needs and the amount of revenue generated. The National Conference of State Legislatures has stated that, "As a general rule, earmarking constitutes a constraint on budgeting, with few if any advantages for state revenue and budgetary management. Earmarking may provide a reliable source of income for a program but not necessarily equal to the demand for services."[4]

Another potential disadvantage is that dedicated taxes may fragment the budget into too many separate pieces and reduce the amount of revenue that is available to the unrestricted part of the general fund. Budget experts agree that social welfare will be maximized if policymakers can allocate revenue flexibly to the programs that are most valued and beneficial, without restrictions on the use of particular revenue sources. As stated in the District's Comprehensive Financial Management Policy, "Dedicated funds limit the use of the District's general fund revenue by earmarking a portion of the revenue for special purposes."[5] In fact, as described in this report, the Mayor and Council have re-directed millions of dollars in dedicated tax revenue back to the unrestricted part of the general fund in recent years, part of an effort to close large budget gaps brought about by the recession.

[4] National Conference of State Legislatures, *Earmarking State Taxes*, Third Edition (April 1995), p. vii.

[5] Government of the District of Columbia, *FY 2011 Proposed Budget and Financial Plan: Maximizing Efficiency*, Executive Summary, July 1, 2010, p. A-11.

Scope and Structure of the Report

The body of the report provides summaries of 11 dedicated taxes that are currently authorized by D.C. law. Each summary provides information on the legal authority to earmark revenue for particular programs or services, a five-year revenue history (FY 2006 to FY 2010), the year of enactment for the dedicated tax, the administering agency, the purpose of a dedicated tax source, and a description of the revenue source including applicable rates or percentage allocations. A summary of the key data is presented in Table 2.

Table 2: Summary Data on Dedicated Taxes, Fiscal Year 2006 – 2010

#	*Dedicated Tax*	Tax Base	Authority for Program	Authority to Dedicate	Revenue FY 2006	Revenue FY 2007	Revenue FY 2008	Revenue FY 2009	Revenue FY 2010
1	Public School Capital Improvement Fund	General Sales Tax	§ 47-205.02 and §47-2033	§ 38-2971 - § 38-2971.04	N.A.	$100,000,000	$100,000,000	$106,000,000	$0
2	Washington Convention Center Fund	Sales Tax on Hotel Rooms, Restaurant Meals, Alcohol, Rental Cars, and Prepaid Phone Cards	§ 10-1202.08	§ 47-2002.03	$79,706,000	$83,312,000	$91,493,000	$91,538,000	$94,360,000
3	Ballpark Revenue Fund	Gross Receipts Tax; Tax on Sale of Tickets and Merchandise at Stadium	§ 10-1601.01 - § 10-1601.08	§ 10-1601.02 - § 10-1601.08	$37,027,000	$45,951,000	$49,140,000	$50,678,000	$45,913,000
4	Tax-Increment Financing and PILOT Transfer	Real Property and Sales Tax	§ 1-308.01 - § 1-308.10, § 2-1217.01 - § 2-1217.12, and § 2-1217.31 - § 1217.34n	§ 1-308.10 and § 2-1217.05	$13,214,000	$19,301,000	$30,104,000	$36,042,000	$34,140,000
5	Housing Production Trust Fund	Deed Recordation and Transfer Tax	§ 42-2802	§ 42-2802 - § 42-2804	$47,610,000	$58,732,000	$40,589,000	$28,244,000	$30,158,000
6	Neighborhood Investment Fund	Personal Property Tax	§ 6-1071	§ 6-1071 - § 6-1073	$9,966,000	$10,000,000	$10,000,000	$10,000,000	$2,588,000
7	Highway Trust Fund	Motor Fuels Tax	§ 9-109.02	§ 9-111.01	$24,960,000	$26,776,000	$23,199,000	$23,830,000	$22,180,000
8	Healthy D.C. and Health Care Expansion Fund	Insurance Premium Tax	§ 31-3514.02	§ 4-631 - § 4-638	N.A.	N.A.	$5,964,000	$8,653,000	$29,304,000
9	Nursing Homes Quality of Care Fund	Assessment on Nursing Facilities	§ 47-1262	§ 47-1262	$9,107,000	$12,393,000	$13,771,000	$12,088,000	$12,423,000
10	Stevie Sellows Quality Improvement Fund	Assessment on ICF/MRs	§ 47-1271	§ 47-1270 - § 47-1278	$0	$0	$0	$0	$0
11	Hospital Fund	Assessment on Hospitals	§ 44-631 - § 44-638	§ 44-632	N.A.	N.A.	N.A.	N.A.	N.A.

Notes:

1. Dedicated tax revenue for the Public School Capital Improvement Fund was $0 during FY 2010 because the Mayor and Council suspended the dedication of sales tax revenue to the Fund for FY 2010 through FY 2013 and opted to fund school capital improvements through bond financing during this period.
2. Although the Stevie Sellows Quality Improvement Fund was authorized in legislation enacted during 2006, the Fund had not been implemented as of the writing of this report.

The Office of Revenue Analysis welcomes comments on this report and will use the feedback to improve future versions. ORA plans to update this report every two years.

DEDICATED TAXES IN THE DISTRICT OF COLUMBIA

Sales Tax

1. Public School Capital Improvement Fund

Authority to Dedicate:	D.C. Official Code § 47-305.02 and § 47-2033
Authority for Program:	D.C. Official Code § 38-2971.01 - § 38-2971.04
Year Enacted:	2006
Administering Agency:	Office of Public Education Facilities Modernization

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Actual Revenue	**N.A.**	**$100,000,000**	**$100,000,000**	**$106,000,000**	**$0**

DESCRIPTION AND PURPOSE OF FUND: The purpose of the Public School Capital Improvement Fund is to finance school modernization projects at the D.C. Public Schools (DCPS). Modernization is defined in D.C. law as "a construction project designed to bring an existing school building and its grounds up to current standards for condition, design, and utilization, as defined by the District of Columbia Public Schools educational requirements and current building codes. Modernization can include partial or complete demolition, new construction, and rehabilitation of existing building fabric, in any combination."

The Office of Public Education Facilities Modernization (OPEFM) administers the Fund and implements capital improvement projects on behalf of DCPS. OPEFM must implement school modernizations in accordance with a facilities master plan developed by the Deputy Mayor for Education and updated annually.[6]

An 11-member Public School Modernization Advisory Committee monitors the DCPS capital budget to ensure it is consistent with the Mayor's priorities for education infrastructure and evaluates capital expenditures to ensure they comply with the facilities master plan and the capital plan. The Mayor appoints five members of the Committee; the Council appoints three members; the Chief Financial Officer appoints two members; and the State Board of Education appoints one member.

The authorizing statute provides that appropriations to the Fund or balances remaining in the Fund shall not replace other local funding for public school capital improvements.

DESCRIPTION OF REVENUE SOURCE: The Fund is authorized to receive (1) all revenue specifically identified by any provision of District of Columbia law to be paid into the Fund, and (2) any federal grant or other federal funds that may be used for the purposes of the Fund.

D.C. law provided that the first $100 million in general sales tax collected in FY 2007 and FY 2008, respectively, would be deposited into the Fund. The law further provided inflation adjustments for FY 2009 and subsequent years. The Mayor and Council suspended the dedication of sales tax revenue to the Fund for FY 2010 through FY 2013 and opted to fund school modernization through bond financing during this period, thereby increasing the amount of sales tax available for general use. [7]

[6] See D.C. Official Code § 38-2803.

[7] See Title VII-D, "School Modernization Financing," of D.C. Law 18-111, the "Fiscal Year 2010 Budget Support Act of 2009," effective March 3, 2010.

Sales Tax

2. Washington Convention Center Fund

Authority for Program:	D.C. Official Code § 10-1202.08
Authority to Dedicate:	D.C. Official Code § 47-2002.03
Year Enacted:	1994
Administering Agency:	Washington Convention and Sports Authority

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Actual Revenue	**$79,706,000**	**$83,312,000**	**$91,493,000**	**$91,538,000**	**$94,360,000**

DESCRIPTION AND PURPOSE OF FUND: The purpose of the Washington Convention Center Fund is to pay for the costs of operating the Walter E. Washington Convention Center, which opened in 2003. The allowable costs include expenses necessary for debt service, reserve funds, repair, maintenance, marketing service contracts, and all other expenses of operating and the Washington Convention and Sports Authority, which manages the convention center

DESCRIPTION OF REVENUE SOURCE: The Fund receives a portion of the sales tax imposed on certain goods and services. The following amounts are deposited into the Fund:

- 4.45 percent of the gross receipts from the sale of hotel rooms or other rooms furnished to transients,[8] and

- 1 percent of the gross receipts from the sale of the following items: food or drink prepared for immediate consumption; spirituous or malt liquors, beers, and wine sold for consumption on the premises; rental cars; and prepaid telephone cards.[9]

[8] The total tax rate for hotel rooms or other transient accommodations is 14.5 percent. The 4.45 percent portion is deposited into the Convention Center Fund and the other 10.05 percent flows into the general fund.

[9] The total sales tax for restaurant meals, liquor sold for consumption on the premises, rental vehicles, and prepaid telephone cards is 10 percent. The Convention Center Fund receives 1 percent and the other 9 percent flows into the general fund.

Gross Receipts Tax and Sales Tax

3. Ballpark Revenue Fund

Authority for Program:	D.C. Official Code § 10-1601.01 - § 10-1601.08
Authority to Dedicate:	D.C. Official Code § 10-1601.02 and § 47-2762
Year Enacted:	2005
Administering Agency:	Washington Sports and Convention Authority[10]

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Actual Revenue	**$37,027,000**	**$45,951,000**	**$49,140,000**	**$50,678,000**	**$45,913,000**

DESCRIPTION AND PURPOSE OF FUND: The purpose of the Ballpark Revenue Fund is to finance the construction of a publicly-owned baseball stadium for the Washington Nationals baseball team in Southeast D.C. The Council found that, "Such a publicly-owned stadium or arena will contribute to the social and economic well-being of the citizens of the District of Columbia and significantly enhance the economic development and employment opportunities within the District of Columbia."

The authorizing statute specifies that the Fund can be used to:

- reimburse the D.C. government and its agencies for pre-development and development costs incurred for the ballpark;
- reimburse the D.C. government for costs relating to the acquisition of real property by purchase, lease, or condemnation for construction of the ballpark;
- pay the costs of demolishing buildings located on the site of the ballpark and the cost of any environmental remediation of the ballpark site;
- pay the costs of designing, constructing, improving, and equipping the ballpark;
- pay the costs of renovating and maintaining Robert F. Kennedy Stadium for use as a ballpark until the new ballpark is completed;
- pay any other costs of the D.C. government associated with financing, designing, constructing, or renovating the ballpark; and
- pay the debt service on bonds issued to construct the stadium.

DESCRIPTION OF REVENUE SOURCE: The Fund receives revenue from the following sources: (1) a ballpark fee based on the gross receipts of certain persons or organizations doing business within the District of Columbia, (2) a 10 percent tax on the sale of tickets to the stadium and the sale of merchandise and other goods inside the stadium, (3) a 1 percent public utility tax on commercial properties,[11] and (4) a 1 percent toll telecommunications tax on commercial properties.[12]

[10] The Sports and Entertainment Commission supervised the construction of the ball park, but the Commission was merged with the Washington Convention Center Authority in 2010 to create the Washington Sports and Convention Authority.

[11] The base rate for the public utility tax is 10 percent both for residential and commercial properties, but commercial owners pay a 1 percent add-on that is dedicated to the Ballpark Revenue Fund.

[12] The base rate for the toll telecommunications tax is 10 percent both for residential and commercial properties, but commercial owners pay a 1 percent add-on that is dedicated to the Ballpark Revenue Fund.

The ballpark fee is imposed on businesses with annual gross receipts of $5 million if they are required to file a franchise tax return or are required to make unemployment insurance contributions. The ballpark fee is calculated according to the schedule shown below.

D.C. Gross Receipts	**Ballpark Fee**
Less than $5,000,000	$0
$5,000,000 to $8,000,000	$5,500
$8,000,001 to $12,000,000	$10,800
$12,000,001 to $16,000,000	$14,000
$16,000,001 and greater	$16,500

The authorizing statute provides that if the Chief Financial Officer (CFO) estimates that the amount to be collected by the ballpark fee in the current year is less than the sum of $14 million, plus any amount necessary to replenish reserve funds in accordance with the ballpark financing documents, and any amount necessary to avoid a project shortfall in debt service on the bonds, then the CFO may increase the ballpark fee schedule by proportional amounts in order to avoid the shortfall.

As part of efforts to close a budget deficit, the Mayor and Council transferred $11 million from the Fund balance to the general fund in FY 2010. In addition, the following amounts will be transferred from the Fund balance to the general fund: $14 million in FY 2011, $10 million in FY 2012, and $15 million in FY 2013.

Real Property and Sales Tax

4. Tax-Increment Financing and PILOT Transfer

Authority for Program:	D.C. Official Code § 2-1217.01 - § 2-1217.12, § 2-1217.31 - § 2-1217.34n, and § 1-308.01 - § 1-308.10
Authority to Dedicate:	D.C. Official Code § 1-308.02 and § 2-1217.05
Year Enacted:	1998
Administering Agency:	Office of the Chief Financial Officer

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Actual Revenue	**$13,214,000**	**$19,301,000**	**$30,104,000**	**$36,042,000**	**$34,140,000**

DESCRIPTION AND PURPOSE OF FUND: The D.C. government has the authority to issue tax increment financing (TIF) bonds which are repaid using the incremental property tax or sales tax revenues that result from an economic development project. The purpose of the Fund is to set aside the tax increment revenue that is needed to pay the debt service on TIF bonds, establish and maintain TIF reserves, and defray development costs. The aggregate principal amount of TIF bonds is limited to $500 million, and the aggregate amount of TIF bonds issued for projects in the central business district is capped at $300 million.

A TIF authorization defines the TIF area, the incremental tax revenue that will be collected from the TIF area, and the issuance of TIF bonds. A project site may be designated as a TIF area according to the provisions of the "Tax Increment Financing Authorization Act of 1998" (TIF Act),[13] the "Retail Incentive Act of 2004,"[14] or a legislative act pertaining to a particular project.

In order to qualify for financing under the TIF Act, a project must be certified by the Chief Financial Officer (CFO) following a review of financial feasibility, the likely effect on tax revenues, consistency with the District's Comprehensive Plan, the "special merits" of the project, and other factors. "Special merits" is defined in D.C. law as "economic, cultural, social, or financial factors, apart from the criteria established in this subchapter, that may justify the approval of a TIF for a project."[15] TIF projects must also be approved by the D.C. Council.

Since March 2008, merchandise and tickets for events at Verizon Center have been subject to a tax of 10 percent (compared to the prior rate of 5.75 percent) in order to service a loan to renovate the Verizon Center. The revenue collected from the higher rate is placed into a separate fund and used to make principal and interest payments on the loan. The amount of the Verizon Center transfer is included in the TIF transfer amount.

Since FY 2009, this fund has also served as the depository for payments in lieu of taxes (PILOTs) that are used to finance public infrastructure and other projects authorized by the "Payments in Lieu of Taxes Act of 2004."[16] Bonds issued by the District to finance the project are repaid by a PILOT that is defined in an agreement signed by the Mayor and approved by the Council.

[13] D.C. Law 12-143, which took effect on September 11, 1998.

[14] D.C. Law 15-185, which took effect on September 8, 2004.

[15] See D.C. Official Code § 2-1217.01(29).

[16] D.C. Law 15-293, which took effect on April 5, 2005.

DESCRIPTION OF REVENUE SOURCE: The fund receives the incremental real property tax or sales tax revenues generated by a TIF project, which are used to repay the TIF bonds. Any amounts remaining in the tax increment accounts for a TIF area at the end of each tax year revert to the general fund if the following payments have been made: principal or interest on TIF bonds; costs of credit or liquidity enhancement; other costs, fees, and expenses of administering and paying the bonds and the funds, trusts, and escrows pertaining to them; and bond reserves.

In addition, the fund receives the payments in lieu of taxes made by the owners of PILOT parcels in accordance with a PILOT agreement between the District and the owner.

Deed Recordation and Transfer Tax

5. Housing Production Trust Fund

Authority to Dedicate:	D.C. Official Code § 42-2802
Authority for Program:	D.C. Official Code § 42-2802 - § 42-2804
Year Enacted:	2002
Administering Agency:	Department of Housing and Community Development

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Actual Revenue	**\$47,610,000**	**\$58,732,000**	**\$40,589,000**	**\$28,244,000**	**\$30,158,000**

DESCRIPTION AND PURPOSE OF FUND: The purpose of the Housing Production Trust Fund is to produce housing for targeted populations. At least 40 percent of the funds disbursed each year must be used to provide housing opportunities for very low-income households (those with household income between 30 percent and 50 percent of the area median). In addition, at least 40 percent of the funds disbursed each year must be used to provide housing for extremely low-income households (those with household income less than or equal to 30 percent of the area median). Finally, at least 50 percent of the funds disbursed each year must be used to provide rental housing (this category overlaps with the other categories described above).

The Fund may be used to finance pre-development loans for non-profit housing developers; loans to provide housing for low-income elderly persons with special needs; bridge loans and gap financing to reduce the costs of residential development; construction of new housing or the rehabilitation or preservation of existing housing; site acquisition; construction loan guarantees; collateral; or operating capital. The Fund may also be used to defray administrative costs, which are capped at 15 percent of revenues in FY 2011 and 10 percent in subsequent years.

An amount not to exceed $16 million may be used by the Mayor to secure bonds issued for the benefit of the New Communities Initiative[17] or other purposes consistent with the Fund's mission. In addition, $4 million may be made available to the Workforce Housing Land Trust.[18]

DESCRIPTION OF REVENUE SOURCE: The Fund's primary source of revenue is a portion of deed recordation and transfer tax revenue. Although current law provides that the first $80 million in deed recordation and transfer tax revenue should flow to the Fund during FY 2011, that provision has not yet taken effect because the revenue has not been included "in an approved budget and financial plan."[19] As a result, the prior funding mechanism, in which 15 percent of the deed recordation and transfer tax revenue is deposited in the Fund, remains in effect.

[17] "New Communities Initiative" refers to a "large scale and comprehensive plan … that provides housing infrastructure with a special focus on public housing, provides critical social support services, decreases the concentration of poverty and crime, enhances access to education, and provides training and employment education to neighborhoods where crime, unemployment, and truancy converge to create intractable physical and social conditions." See D.C. Official Code § 42-2802(b)(11)(B).

[18] The "Workforce Housing Land Trust" is a non-profit organization chosen by the D.C. government to administer a pilot program to develop affordable housing for people who work in the District of Columbia.

[19] See section 3 of D.C. Law 17-365, the "Housing Production Trust Fund Stabilization Amendment Act of 2008," which took effect on June 25, 2009.

Personal Property Tax

6. Neighborhood Investment Fund

Authority to Dedicate Funds:	D.C. Official Code § 6-1071
Authority for Program:	D.C. Official Code § 6-1071 - § 6-1073
Year Enacted:	2004
Administering Agency:	Office of the Deputy Mayor for Planning and Economic Development

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Actual Revenue	**$9,966,000**	**$10,000,000**	**$10,000,000**	**$10,000,000**	**$10,000,000**

DESCRIPTION AND PURPOSE OF FUND: The Neighborhood Investment Fund was created to "fund the development and implementation of neighborhood investment plans … and to finance and assist revitalization activities that will benefit residents" of target neighborhoods. The 12 designated neighborhoods are Shaw, Logan Circle, Deanwood Heights, Washington Highlands, Columbia Heights, Brightwood and Upper Georgia Avenue, Bloomingdale and Eckington, Brookland and Edgewood, Anacostia, H Street N.E., Congress Heights, and Bellevue.

The authorizing statute sets forth revitalization goals, such as preserving affordable housing, demolishing abandoned properties, and improving infrastructure, for each targeted area. The statute further provides that, "The plans shall be designed to ensure that expenditures from the Neighborhood Investment Fund are used to supplement, rather than supplant," funds that have already been appropriated for similar purposes. In addition, the statute requires the Mayor to transfer $1.1 million annually,[20] adjusted yearly for inflation, from the Fund to the "Career Technical Training Fund," which finances all costs associated with vocational education programs at three public high schools.

The Mayor is required to include a request for appropriations from the Fund in the annual budget request to the Council. The Mayor must also submit a yearly implementation plan prior to the start of the fiscal year. The implementation plan, which is subject to review and approval by the Council, must state the amount to be spent by targeted area, type of project, and specific project. Finally, the Mayor must report to the Council, within 90 days of the end of the fiscal year, on Fund expenditures by targeted area, type of project, and specific project.

DESCRIPTION OF REVENUE SOURCE: The Fund receives 17.4 percent of personal property taxes collected each year, [21] up to a limit of $10 million in total revenue and subject to the availability of appropriations. The authorizing statute states that all funds deposited into the Fund are non-lapsing.

To help close budget gaps, the Mayor and Council limited NIF revenue to $2.6 million in FY 2010, $3.2 million annually between from FY 2011 and FY 2013, and $6.4 million in FY 2014. These changes will reduce the transfer of personal property tax revenue from the general fund.

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[20] FY 2009 is the base year for inflation adjustments.

[21] The Fund was initially authorized to receive 15 percent of personal property taxes collected each year. D.C. Law 17-123, the "Small Business Commercial Property Tax Relief Act of 2008," effective March 20, 2008, changed the allocation from 15 percent to 17.4 percent.

Motor Fuels Tax

7. Highway Trust Fund

Authority for Program:	D.C. Official Code § 9-109.02
Authority to Dedicate:	D.C. Official Code § 9-111.01
Year Enacted:	1997
Administering Agency:	D.C. Department of Transportation

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Actual Revenue	**$24,960,000**	**$26,776,000**	**$23,199,000**	**$23,830,000**	**$22,180,000**

DESCRIPTION AND PURPOSE OF FUND: The purpose of the Highway Trust Fund is to finance the District's required match for federal highway aid. Like other jurisdictions, the District combines funding from local revenue with federal matching funds to construct, repair, and maintain eligible roads and bridges. Approximately 400 of the 1,020 miles of streets and highways in the District of Columbia, as well as 229 bridges, are eligible for federal aid.

DESCRIPTION OF REVENUE SOURCE: The Fund serves as the depository for all taxes, fees, civil fines, and penalties collected by the District from the motor fuels tax. The District presently imposes a tax of 23.5 cents per gallon on motor vehicle fuels that are sold or otherwise disposed of in the District of Columbia by a user or an importer.[22] In response to a drop in motor fuel tax revenues, the District also began dedicating the following revenues to the Fund in FY 2007:

- the incremental revenue raised by a 20 percent increase in the right-of-way fees paid by utility companies;
- the incremental revenue raised by a 20 percent increase in the public space rental fees paid on underground vaults;
- the incremental revenue raised by charging cable companies 20 percent of the revised right-of-way fees paid by utility companies; and
- any parking tax revenue collected in excess of $30 million.

D.C. Act 18-721, the "Fiscal Year 2011 Balanced Budget Support Act of 2010," mandates changes to the Highway Trust Fund that will take effect on October 1, 2011. The Fund will continue to receive all motor fuels tax revenue and will also receive all right-of-way occupancy fees (as opposed to the incremental revenue collected from fee increases). The Fund will no longer receive public space rental fees (which will flow into the general fund) or parking tax revenues (which will be used to fund the District's contribution to the Washington Metropolitan Area Transit Authority).

On November 1st of each year, the Mayor must submit to the Council a report on all Fund expenditures for the previous fiscal year. In addition, the Inspector General must audit the Fund's financial statements for the preceding fiscal year by February 1st of each year, and submit the results of the audit to the U.S. Congress.

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[22] Motor vehicle fuels include gasoline, diesel fuel, benzol, benzene, naphtha, kerosene, heating oils, all liquefied petroleum gases, and all combustible gases and liquids suitable for the generation of power for the propulsion of motor vehicles. The District raised the motor fuel tax from 20 cents per gallon to 23.5 cents on October 1, 2009.

Insurance Premiums Tax

8. Healthy D.C. and Health Care Expansion Fund

Authority to Dedicate: D.C. Official Code § 31-3514.02
Authority for Program: D.C. Official Code § 4-631 - § 4-638
Year Enacted: 2007
Administering Agency: Department of Health Care Finance

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Actual Revenue	N.A.	N.A.	$5,964,000	$8,653,000	$29,304,000

DESCRIPTION AND PURPOSE OF FUND: The purpose of the Healthy D.C. and Health Care Expansion Fund[23] is to provide affordable health care to eligible D.C. residents. The Fund was created to reimburse one or more health insurers for providing preventive health care, health screenings, dental care, emergency care, and hospital care through the Healthy D.C. program.

Healthy D.C. has not yet been implemented due to the budget crisis and the uncertainties created by national health care reform. The authorizing statute requires that participants (1) must have lived in the District for six months before applying for benefits, (2) must reside in a household with income at or less than 400 percent of the federal poverty standard, and (3) must have lacked health insurance for the prior six months or lost health insurance during that period due to loss of a job or several other reasons stated in authorizing law. There are no exclusions for pre-existing conditions. An individual who is eligible for other public health insurance programs such as the D.C. Health Care Alliance, Medicare, or Medicaid will not be eligible for Healthy D.C.

A health insurer that eliminates or restricts the availability of a health insurance plan offered in the District of Columbia in order to shift beneficiaries to Healthy D.C. is subject to a fine of not less than $10,000. Premium costs for participants are limited to 3 percent of household income for those with household incomes less than 300 percent of the federal poverty level, and 5 percent for participants with household incomes above 300 percent of the federal poverty level.

DESCRIPTION OF REVENUE SOURCE: Revenue sources for the Fund include (1) insurance premium taxes paid by health insurers and health maintenance organizations, (2) other local funds, including fees, penalties, or other sources authorized by law, (3) annual appropriations, if any, (4) federal grants, (5) fines and penalties paid by insurers who violate Healthy D.C. program rules, (6) grants, gifts, or subsidies, (7) a $5 million annual payment by Group Hospital and Medical Services, Inc.,[24] and (8) gross receipts from the sale of medical marijuana.

D.C. law specifies that 75 percent of insurance premium taxes paid by HMOs shall be deposited in the Fund and 25 percent shall be deposited in the general fund.[25] Because Healthy D.C. has not yet been implemented, the Mayor and Council transferred $13 million in fund balance to the general fund during FY 2009 and $3.85 million in FY 2010, in order to close a budget deficit.

[23] The name of the Fund was changed from the "Healthy D.C. Fund" to "Healthy D.C. and Health Care Expansion Fund" by D.C. Law 18-223, the "Fiscal Year 2011 Budget Support Act of 2010," which took effect on September 24, 2010.

[24] GHMSI agreed in 2009 to make this payment for five years.

[25] See D.C. Official Code § 31-3403.01(d).

Health Care Assessment

9. Nursing Homes Quality of Care Fund

Authority to Dedicate:	D.C. Official Code § 47-1262
Authority for Program:	D.C. Official Code § 47-1262
Year Enacted:	2004
Administering Agency:	Department of Health Care Finance

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Actual Revenue	**$9,107,000**	**$12,393,000**	**$13,771,000**	**$12,088,000**	**$12,423,000**

DESCRIPTION AND PURPOSE OF FUND: The primary purpose of the Nursing Homes Quality of Care Fund is to finance quality of care initiatives at District of Columbia nursing facilities. The authorizing statute requires that, "No less than 90% of the Fund shall be used solely to fund quality of care initiatives."

Quality of care initiatives are defined in the statute as activities that "include a case mix reimbursement methodology," an annual audit of the income and expenses of the Fund, and to the extent that amounts in the Fund remain, "other programs designed to promote and foster the improved care, safety, and health of residents in Medicaid-certified nursing facilities." A case-mix reimbursement methodology is a prospective Medicaid rate payment system that adjusts for resident needs and different types of facilities, such as freestanding nursing facilities, hospital-based nursing facilities, and nursing facilities owned by the District of Columbia.

DESCRIPTION OF REVENUE SOURCE: The primary source of revenue for the Fund is a uniform annual assessment per licensed bed of each nursing facility in the District of Columbia. The Mayor has the authority to determine the uniform amount by regulation, but the total assessment for a nursing facility cannot exceed 6 percent of annual net resident revenue. Since the enactment of the law, the assessment has been set at 6 percent.

The Fund also receives interest and penalty revenue from nursing facilities that fail to pay the full amount of an assessment by the required date. The unpaid balance shall accrue interest at the rate of 1.5 percent per month or any fraction thereof, and the administrative penalty shall equal 5 percent of the monthly assessment for each month, or any fraction thereof, that the failure to file continues. The total administrative penalty shall not exceed 25 percent of the nursing facility's annual assessment.

The Mayor and Council transferred $600,000 from the Fund balance to the general fund in FY 2009 as part of an effort to close a budget gap.

In addition, the Fund may receive revenue from fee option contributions made by commercial developers under a linked development policy established by D.C. law; community development program contributions made by banks; appropriated funds; grants, fees, donations, or gifts; repayments of principal and interest on loans provided from the Fund; proceeds from the liquidation of security interests held by the District under terms of assistance provided from the Fund; interest earned from the deposit or investment of monies in the Fund; all revenues and fees derived from operating the Fund; any fee that the Zoning Commission requires an applicant for a planned unit development to pay into the Fund; and community development block grants.

Health Care Assessment

10. Stevie Sellows Quality Improvement Fund

Authority to Dedicate:	D.C. Official Code § 47-1271
Authority for Program:	D.C. Official Code § 47-1270 - § 47-1278
Year Enacted:	2006
Administering Agency:	Department of Health Care Finance

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Actual Revenue	**$0**	**$0**	**$0**	**$0**	**$0**

<u>DESCRIPTION AND PURPOSE OF FUND</u>: The purpose of the Stevie Sellows Quality Improvement Fund is to fund quality-of-care improvements worth up to $2.50 per hour[26], or a higher amount set by regulation, at intermediate care facilities for the mentally retarded (ICF-MRs). The Fund may also be used to defray the costs of the Department of Health Care Finance (DHCF) to administer the Fund. Administrative costs are limited to 5 percent of the Fund's total revenues in any fiscal year. Nevertheless, the Fund has not been implemented because regulations (required by the authorizing statute) are not yet in place.

The authorizing statute defines quality-of-care improvements as "improving the quality of care for consumers with developmental disabilities by efforts to reduce turnover and increase the qualifications of the employees, excluding managers, administrators, and contract employees, such as an increase in salaries or benefits, or an increase in training and educational opportunities." To receive payments from the Fund, an ICF-MR must submit to DHCF a legally binding commitment to fund quality-of-care improvements as well as proof of a mechanism to enforce the commitment.

Any amounts remaining in the Fund after quality-of-care improvements and administrative costs have been paid for shall be used to increase the Medicaid reimbursement rate for ICF-MRs.

<u>DESCRIPTION OF REVENUE SOURCE</u>: The primary source of revenue for the Fund is an assessment of 5.5 percent of annual gross revenue of each ICF/MR.[27] The Mayor may raise the assessment up to the maximum allowed by federal law if the revenue is insufficient to fund the quality-of-care disbursements that ICF/MRs are entitled to receive under the authorizing statute. ICF/MRs operated by the federal government are exempt from the assessment.

In addition, the Fund is authorized to receive all interest earned on the assessments, and all interest and penalties collected from facilities that fail to pay the full amount on time. Interest accrues on any unpaid balance at the rate of 1.5 percent per month, or any fraction thereof, and administrative penalties are set at 5 percent of the monthly assessment for each month, or fraction thereof, that the failure to file continues. The total administrative penalty may not exceed 25 percent of an ICF-MR's annual assessment. If an ICF-MR knowingly provides false information in any report needed to administer the Fund, it shall be subject to a penalty of up to $10,000.

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[26] The amount of "$2.50 per hour" is not defined with respect to any unit of measurement, such as an hour of patient care, in the statute.

[27] Subtitle V-D of D.C. Law 18-223, the "Fiscal Year 2011 Budget Support Act of 2010," which took effect on September 24, 2010, increased the assessment from 1.5 percent of annual gross revenue to 5.5 percent.

Health Care Assessment

11. Hospital Fund

Authority for Program:	D.C. Official Code § 44-631 - § 44-638
Authority to Dedicate:	D.C. Official Code § 44-632
Year Enacted:	2010
Administering Agency:	Department of Health Care Finance

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Actual Revenue	N.A.	N.A.	N.A.	N.A.	N.A.

DESCRIPTION AND PURPOSE OF FUND: The sole purpose of the Hospital Fund is to fund Medicaid services. The Medicaid program pays for medical services, including doctor visits, hospitalization, and dental care for low-income and disabled individuals. The statutory authority for the Fund expires on September 30, 2014.

DESCRIPTION OF REVENUE SOURCE: The Fund receives revenue primarily from hospital assessments. For fiscal years 2011 through 2014, hospitals must pay $2,000 per licensed bed.[28]

In addition, Fund revenue may include interest and penalties collected under this chapter, matching federal funds on assessments, and "other amounts collected under this chapter." If a hospital fails to pay the full amount of the assessment by the due date, it must pay interest at the rate of 1.5 percent of the assessment per month or fraction thereof, as well as an administrative penalty of 10 percent of the assessment.

St. Elizabeth's Hospital (the District's public psychiatric facility) and hospitals operated by the federal government are not covered by these provisions.

[28] This assessment per licensed bed was increased from $1,500 to $2,000 by D.C. Act 18-721, the "Fiscal Year 2011 Supplemental Budget Support Act of 2010," which was signed by Mayor Vincent Gray on January 27, 2011.