1. Increase Department of Human Services by $4,153,460.73 in recurring local funds as follows:

   a. Increase CSG 50, in Program 5000, in Activity 5034, Service Code SH61, by $437,564.34 to provide wraparound services for about 68 new units of Permanent Supportive Housing for Individuals experiencing homelessness.

   b. Increase CSG 50, in Program 5000, in Activity 5035, Service Code SH60, by $587,896.39 to provide wraparound services for about 53 new units of Permanent Supportive Housing for Families experiencing homelessness.
c. Increase CSG 50 in Program 5000, in Activity 5038, Service Code HC45, by $1,808,000 in recurring funding to provide funding for Homeless Street Outreach for adult individuals.

d. Increase CSG 50 in Program 5000, in Activity 5026, Service Code YTAG, by $1,320,000 in recurring funding to provide funding for Transitional Age Youth Shelters.

2. Decrease Department of Human Services by $3,128,000 in one-time local funds as follows:

a. Decrease CSG 50 in Program 5000, in Activity 5038, Service Code HC45, by $1,808,000 in one-time funding to provide funding for Homeless Street Outreach for adult individuals.

b. Decrease CSG 50 in Program 5000, in Activity 5026, Service Code YTAG, by $1,320,000 in one-time funding to provide funding for Transitional Age Youth Shelters.

3. Increase District of Columbia Housing Authority by $4,474,539.27 in recurring local funds as follows:

a. Increase CSG 50, in Program 6000, in Activity 6020, by $1,562,435.66 in recurring funding for rental costs of about 68 new units of Permanent Supportive Housing (PSH) for Individuals.

b. Increase CSG 50, in Program 6000, in Activity 6020, by $1,412,103.61 in recurring funding for rental costs of 53 new units of Permanent Supportive Housing (PSH) for Families.

c. Increase CSG 50, in Program 6000, in Activity 6035, by $1,500,000 in recurring funding for about 60 units of Targeted Affordable Housing for Families.
4. Allocate $6,624,850 in local funding to fund the “DC Healthcare Alliance Program Recertification Simplification Amendment Act of 2017,” Law L22-0035 (Effective from December 13, 2017) as follows:

a. Increase Department of Health Care Finance by $4,584,823 in local recurring funding for payments for additional Alliance Enrollees.

b. Increase Department of Health Care Finance by $1,584,561 in local one-time funding for payments for additional Alliance Enrollees.

c. Increase Department of Human Services as follows:

   i. Increase CSG 11 by $124,572 in local recurring funding, 2 FTE, for two call center staff.

   ii. Increase CSG 14 by $30,894 in local recurring funding for fringe benefits of two call center staff.

   iii. Increase $300,000 in local one-time funding for investments in IT.

5. Increase Department of Behavioral Health by $2,500,000 in recurring local funding for school-based mental health services as follows:

a. Increase CSG 50 in Program 6900, in Activity 6912, by $2,384,017/50 in recurring funding to fund additional Community Based Organization clinicians and supervisors to expand to new schools.

b. Increase CSG 11, in Program 6900, in Activity 6912, by $91,397, 1 FTE (DS 13-1 social workers) for one new DBH clinicians to support program oversight.

c. Increase CSG 14, in Program 6900, in Activity 6912, by $24,585.50 for one new DBH clinicians to support program oversight.
6. Increase Events D.C. by $1,000,000 in one-time local funding for CSG 50, in Program 1000, in Activity 1100, for the D.C. Cares program, which provides financial assistance to undocumented workers who were excluded from federal stimulus payments.

7. Increase Office of the State Superintendent of Education by $1,402,150 in one-time local funding for CSG 50, in Program E800, in Activity E802, to create a grant program for subsidized, partially subsidized, and unsubsidized early childcare providers that have experienced additional expenses or revenue loss as a result of the public health emergency, to be used for costs associated with operating under new guidelines as a result of the public health emergency.

**Rationale**

This amendment updates the Fiscal Year 2021 Local Budget Act of 2020 to allocate the revenue realized from BSA subtitle XXXX, “Downloading Lost Revenues Amendment Act of 2020”, passed on 1st reading on July 7, 2020 (Engrossed version of Bill 23-0760). The Downloading Lost Revenues Amendment Act of 2020 amended or repealed most portions of the Qualified High Technology Company tax incentives program. Overall, the subtitle resulted in the realization of $17,027,000 of forgone tax revenues in Fiscal Year 2021.
MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer

DATE: July 7, 2020

SUBJECT: Fiscal Impact Statement – Councilmember Nadeau Amendments

REFERENCE: Amendment to the Fiscal Year 2021 Budget Support Act of 2020
Circulated July 6, 2020 and amendment to the Fiscal Year 2021 Local
Budget Act of 2020 as provided to the Office of Revenue Analysis July 7,
2020

Conclusion

Funds are sufficient in the proposed amendment to the Fiscal Year 2021 Budget Support Act of 2020
to make the proposed amendment to the Fiscal Year 2021 Local Budget Act of 2020.

Background

The proposed Budget Support Act amendment makes several changes to the District’s tax incentives
for Qualified High Technology Companies\(^1\) (QHTCs). The amendment:

- Repeals QHTC personal property tax exemptions
- Disallows QHTCs from electing to expense certain depreciable business assets
- Requires QHTCs to have a minimum of ten (rather than two) employees
- Reduces the QHTC income tax credits for retraining qualified disadvantaged employees from
  $20,000 to $10,000
- Repeals a carry-forward of such credits for disadvantaged employee retraining
- Repeals beneficial income tax rates and exemptions for QHTCs
- Eliminates a rollover of capital gains from qualified stock
- Repeals tax credits for Qualified Social E-commerce Companies

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\(^1\) By amending Chapters 15 and 18 of Title 47 of the District of Columbia Code.
Financial Plan Impact

Funds are sufficient in the proposed amendment to the Fiscal Year 2021 Budget Support Act of 2020 to make the proposed amendment to the Fiscal Year 2021 Local Budget Act of 2020.

The changes to the QHTC tax incentives add a total of $21,159 million in fiscal year 2021 revenues and $88,301 million over the fiscal year 2021 through fiscal year 2024 financial plan, in relation to the April 2020 revenue estimates. However, the revenues incremental to the Fiscal Year 2021 Budget Support Act of 2020 circulated for First Reading are lower due to the QHTC changes proposed in Subtitle VII-M, the "QHTC Tax Incentives Amendment Act of 2020." The incremental effect of the amendment’s revenues are as follows:

<table>
<thead>
<tr>
<th>Effect of new certification requirements on wage credit</th>
<th>Revenue from Proposed BSA Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2021</td>
<td>FY2022</td>
</tr>
<tr>
<td>265</td>
<td>265</td>
</tr>
<tr>
<td>Repeal relocation credit</td>
<td>950</td>
</tr>
<tr>
<td>Repeal depreciation benefit</td>
<td>337</td>
</tr>
<tr>
<td>Repeal beneficial tax rate and exemption</td>
<td>18,945</td>
</tr>
<tr>
<td>Repeal personal property tax exemption</td>
<td>662</td>
</tr>
<tr>
<td>Revenue over April 2020 Revenue Estimates</td>
<td>21,159</td>
</tr>
<tr>
<td>Less: Revenue from Changes in Circulated BSA*</td>
<td>(4,132)</td>
</tr>
<tr>
<td>Net New Revenue</td>
<td>17,027</td>
</tr>
</tbody>
</table>

*Changes to 47-1817.06(a)

The proposed amendment to the Fiscal Year 2021 Local Budget Act includes $17,027,000 of additional spending in fiscal year 2021, $1,158,711 of which is designated as one-time. The fiscal year 2021 spending and the recurring of spending of $15,868,289 can be funded from the net new revenues included in the proposed amendment to the budget support act.