Fiscal Year 2025 Budget Briefs

September 18, 2024

A report by the Office of the District of Columbia Auditor

Office of the District of Columbia Auditor

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www.dcauditor.org

September 18, 2024

The Hon. Phil Mendelson, Chairman
Councilmembers
Council of the District of Columbia
The John A. Wilson Building
1350 Pennsylvania Avenue N.W.
Washington, DC 20004

Dear Chairman Mendelson and Councilmembers:

This spring, the Office of the District of Columbia Auditor (ODCA) provided three "budget briefs" in which we shared updates to earlier work by ODCA. The intent was for these updates to be useful to the Council during budget deliberations. The three topics we selected were from reports ODCA issued in 2019 on tax changes made by count and type, the status of a new correctional facility, and "sweeping" special purpose revenue funds to serve as a source of revenue for the general fund of the District of Columbia.

What follows is a compilation report containing all three budget briefs with a summary of the final action taken by the Council in the Fiscal Year 2025 Budget and Financial Plan and Fiscal Year (FY) 2025 Budget Support Act of 2024 (Bill 25-784).

The final Council-approved local funds budget totaled $11.633 billion, an 8.8% increase over the FY 2024 approved local funds budget and an increase of $196 million over the budget proposed by Mayor Bowser. As I shared with Councilmembers at the administrative meeting on July 9, 2024, with this budget the District is experiencing what accountants refer to as a "negative structural balance" or a "structural imbalance" because recurring expenditures exceed recurring revenues.[1] This is distinct from a deficit because, as also noted at that meeting, the Council has made choices to cover those expenditures through options such as continued use of the fund balance—the surplus from prior years—plus sweeps from special purpose revenue funds, other one-time resources, and a significant number of tax policy changes to bring in additional revenue.

To illustrate this imbalance, see the excerpt from the general fund chart on the following page (Table 2-2) from the July 30, 2024, budget submission to the U.S. Congress.

1 See https://www.gfoa.org/materials/achieving-a-structurally-balanced-budget.

Table 2-2

FY 2025 - FY 2028 GENERAL FUND - Local Funds Component

($ thousands)

		FY 2022 Actual	FY 2023 Actual	FY 2024 Approved	FY 2024 Revised	FY 2025 Approved	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected
1	**Revenues**								
2	Taxes	9,222,560	9,163,409	9,070,589	9,173,733	9,378,217	9,629,620	9,892,690	10,144,747
4	General Purpose Non-Tax Revenues	624,067	773,416	575,915	761,779	834,048	782,602	741,991	727,175
6	Transfer from Lottery	40,670	33,450	41,458	41,457	41,757	42,982	42,982	42,982
7	**Subtotal, Local Fund Revenues**	**9,887,298**	**9,970,275**	**9,687,962**	**9,976,969**	**10,254,022**	**10,455,204**	**10,677,663**	**10,914,904**
8	Bond Proceeds for Issuance Costs	4,009	4,149	11,000	11,000	11,000	11,000	11,000	11,000
9	Fund Balance Use	258,041	725,051	733,491	1,114,511	684,049	438,235	345,970	167,611
10	Fund Balance Use from FY 2024	0	0	0	0	165,344	139,005	124,473	222,851
11a	Central Services Cost Allocation from Federal Funds	0	0	954	954	954	954	954	954
11b	Federal Reimbursement for Prior Year Match	165,988	226,525	0	85,700	0	0	0	0
12a	Transfer from TIF/PILOT/Other	228,857	467,234	28,482	45,144	116,234	43,838	42,973	37,522
12b	Transfer from Capital Fund Paygo	18,273	17,841	0	56,175	0	0	0	0
13a	Revenue Proposals	0	0	52,705	9,937	401,825	454,319	537,272	640,555
13b	ARPA - Federal Funds - Local Revenue Replacement	457,086	399,191	174,139	623,975	0	0	0	0
13c	ARPA - Federal Funds - Conformity Revenue	0	0	0	0	0	0	0	0
14	**Total Local Fund Resources**	**11,019,552**	**11,810,265**	**10,688,734**	**11,924,367**	**11,633,428**	**11,542,556**	**11,740,306**	**11,995,398**

In addition to Local Fund Revenues in the $9.8-10.9 billion range, the District is spending at least $1 billion more annually. We've been using one-time resources to support recurring expenditures even when they have been described as "one-time." Public statements by Councilmembers and Mayor Bowser indicate a continuing assumption that there will be a strong economic rebound as there was in previous recessions and downturns, possibly fueled by new economic development investments. One of ODCA's key responsibilities is to identify risk and we have determined that this assumption in today's post-pandemic world is a risky response to the continuing budget imbalance.

Some of the ongoing spending pressures include delayed renewal of District collective bargaining agreements, delays that have in the past been addressed through bonuses to make up for years without cost-of-living adjustments. An additional pressure is the decision to not follow what has been a repeated practice of providing non-union District employees with the same upward pay adjustments received by those in Collective Bargaining Units 1 and 2 leaving a union versus non-union pay gap. Another factor is the extraordinary growth in the government itself, reflected in the FTE count. The table below is from the 2023 ACFR: a nearly 30% growth in approved government positions in the last 10 years.

Exhibit S-5C
Budgeted Full-Time Equivalent District Government Employees by Function - General Operating Funds
Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental direction and support	3,069	3,178	3,191	3,252	3,369	3,447	3,485	3,592	3,735	3,967
Economic development and regulation	1,282	1,305	1,363	1,493	1,596	1,709	1,769	424	433	453
Public safety and justice	8,192	8,247	8,308	8,653	8,935	9,095	9,233	9,884	9,777	9,924
Public education system	8,701	9,558	9,499	9,530	9,943	9,894	10,422	12,301	12,507	13,411
Human support services	3,992	4,141	4,208	4,498	4,456	4,788	4,798	3,370	3,436	3,627
Operations and infrastructure	2,324	2,397	2,414	2,437	2,530	2,490	2,594	3,422	3,667	4,098
Total	**27,560**	**28,826**	**28,983**	**29,863**	**30,829**	**31,423**	**32,301**	**32,993**	**33,555**	**35,480**

Note:
Operations and Infrastructure formerly known as Public Works prior to 2020

Source:
Office of Budget and Planning

ODCA will endeavor in the near term to provide analyses that could be useful in identifying additional spending pressures that could be addressed by the Council over the next budget cycle.

We share this perspective as part of the budget briefs report to underscore the importance of ongoing Council oversight of actual expenditures against budgeted amounts and options to scale back the expenditure growth throughout the next budget cycle.

For this series of updates we used publicly available information and did not engage any agencies. This series of briefs was drafted, reviewed, and approved in accordance with the standards outlined in ODCA's Audit Policies and Procedures. We hope these updates on our previous work and this perspective on overall spending trends will be useful to Councilmembers and to the public.

Thank you.

Kathleen Patterson
District of Columbia Auditor

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FY 2025 Budget: Changes to the D.C. Tax Code

In 2019, ODCA began contracting with outside, independent consultants to design and build a revenue forecasting model to serve as an independent assessment for ODCA certifications of the accuracy of the Office of the Chief Financial Officer's revenue estimate when the District of Columbia goes to the bond market to borrow money, a certification as required by D.C. Official Code § 1-206.03 (b) (1).

We published the first such methodology for building a forecasting model developed by District Economics Group (DEG) in November 2019.[2] The report, Modeling the D.C. Economy, Revenues, and Debt Service Obligations, incorporated into the methodology report was a presentation DEG made to ODCA in September 2019 that included a chart with a count of tax changes by type and effective fiscal year examining fiscal years (FYs) 2002 to 2019. A copy of the 2019 chart is included in Appendix A.

As shown in the 2019 chart, there were 178 tax changes—a surprisingly large number. Figure 1 summarizes the tax changes by type. Income and Sales and Excise taxes were the two tax types that saw the greatest number of changes from 2002 to 2019, with 48 and 47 changes respectively. Of note is that in FY 2016 alone policymakers approved 10 changes to the District's Income taxes.

Figure 1: Summary of the Number of Tax Changes by Type in 2019 Published Chart

Tax Type	Number of changes FYs 2002–2019
Property	34
Sales and Excise	47
Income	48
Gross Receipts	29
Other Tax	20
Total	**178**

Source: DEG analysis of 2018 D.C. Tax Facts

For the Council's consideration of additional changes to the D.C. tax code, on April 26, 2024, we shared an update to the FY 2019 chart to include the number of tax changes by type by fiscal year for 2020-2023. That updated chart can be found in Appendix B. From FY 2002 through FY 2023 there were 212 changes made to the District's tax code, with the highest number of tax changes being made to Sales and Excise and to Income taxes (58 for each)[3].

2 Modeling the D.C. Economy, Revenues, and Debt Service Obligations (November 13, 2019).
3 The 212 includes one non-tax change in FY 2023 that is not included in the charts found in the Appendix.

For the four additional years we reviewed, there were 34 tax changes made, as summarized in Figure 2.

Figure 2: Summary of the Number of Tax Changes by Type for FYs 2020–2023

Tax Type	Number of Changes FYs 2020–2023
Property	4
Sales and Excise	11
Income	10
Gross Receipts	3
Other Tax	5
Non-tax	1
Total	34

Source: ODCA Analysis

Of these 34 tax changes, 21 (63.6%) were changes made to Sales and Excise taxes or Income taxes. In reviewing the revenue to be generated (or lost) by the city due to these tax changes, according to the 2023 D.C. Tax Facts[4] published by the Office of the Chief Financial Officer, these tax changes alone generated an estimated net revenue for the city as shown in Figure 3.

Figure 3: Net Revenue Generated by Tax Changes

Fiscal Year	Net Revenue
2020	$ 17,928,000
2021	$ 47,683,000
2022	$ 71,065,000
2023	Not available in Tax Facts

Source: ODCA Analysis

The FY 2022 estimated net revenue projection was just over $71 million in additional revenue for the city from three tax changes being made. These were the addition of two new income tax brackets[5] and an increase to the tax rate on income over $1,000,000, which provided a full year revenue projection of $101 million. The third change, also taking effect starting in FY 2022, was an expansion to the District Earned Income Tax Credit (EITC) which increased, for filers with a qualifying child, the amount of federal EITC

4 2023 DC Tax Facts. https://cfo.dc.gov/node/1671991

5 Added a new tax bracket for income between $250,000 and $500,000 taxed at 9.25% and income between $500,000 and $1,000,000 taxed at 9.75%. Income over $1,000,000 is taxed at 10.75%.

matched by the District from 40% to 70% beginning in tax year 2022,[6] with a projected cost to the city of $30 million.

FY 2020 and FY 2021 brought five changes to the Qualified High Technology Company (QHTC) credits resulting in a total of $44 million in revenue collected over the two years. Three changes occurred for FY 2020 with a $15,865,000 projected revenue increase for the city, and two changes in FY 2021 with $28,159,000 revenue projected to be collected by the city.

In looking at highlights of the 2023 Annual Comprehensive Financial Report (ACFR) as summarized by the CFO in testimony, FY 2023 in comparison to 2022, showed modest local revenue growth, with minimal growth to income (2%) and property taxes (1%) and larger growth to non-tax revenue (18%) and sales tax (10%). According to the 2023 ACFR, "[I]ncreases in interest income as a result of higher interest rates contributed to the increase in non-tax revenue…".[7]

The Council concluded this year's budget cycle with votes taken in early June on the FY 2025 budget and financial plan including the Fiscal Year 2025 Budget Support Act of 2024 (Bill 25-784).

Tax Changes

As noted in Figure 2 (above) regarding tax changes made, 34 changes were made for FYs 2020 through 2023, providing an average of at least eight tax changes per fiscal year. Included in the Fiscal Year 2025 Budget Support Act passed by the Council were as many as 14 tax changes to various types of taxes such as income, property, sales and excise, and gross receipts, as shown in Figure 4.

Figure 4: Summary of Tax Changes in the FY25 Budget

Tax Type	Number of Changes in FY25 Budget
Property	2
Sales and Excise	2
Income	5
Gross Receipts	3
Other Tax	
Non-tax	
Other [8]	2
Total	**14**

Source: ODCA Analysis

6 The amount of federal EITC matched by the District increased from 40% to 70% for tax years 2022 through 2024, increased to 85% for tax year 2025, and increases to 100% for tax years after 2025.

7 Office of the Chief Financial Officer, Annual Comprehensive Financial Report 2023, February 1, 2024, Page 27.

8 Includes the changes to Title IV. Subtitle L Universal Paid Leave Program Amendment Act of 2024, and Title VII.N. Reversing the De-funding of Our Climate Commitments Amendment Act.

Specifics on these tax changes includes increases to the sales tax and residential real property tax, as well as the creation of a child tax credit. Together these tax policy changes are estimated to add roughly $510,935,000 to the FY 2025 revenues. A list of subtitles and FY 2025 amounts are shown in Figure 5.

Figure 5: FY25 Budget Support Act Subtitles with Tax Changes

FY25 Budget Support Act Tax Changes	Final FIS FY 25 Revenue
Title II. Subtitle Q. District of Columbia Low-Income Housing Credit	$ -
Title IV. Subtitle L. Universal Paid Leave Program Amendment Act of 2024	$ 322,191,000
Title V. Subtitle C. Medicaid Inpatient Hospital Directed Payment Act of 2024	$ 81,978,000
Title V. Subtitle D. Medicaid Outpatient Hospital Directed Payment Act of 2024	$ 46,864,000
Title VI. Subtitle H. Motor Vehicle Excise Tax Amendment Act of 2024	$ 7,141,000
Title VII. Subtitle N. Reversing the Defunding of Our Climate Commitments Amendment Act of 2024	$ 24,506,000
Title VII. Subtitle A. Combined Reporting Amendment Act of 2024	$ -
Title VII. Subtitle D. Earned Income Tax Credit Amendment Act of 2024	$ -
Title VII. Subtitle F. Sales and Use Tax Amendment Act of 2024	$ 15,728,000
Title VII.R. Sports Wagering Amendment Act of 2024	$ 1,736,000
Title VII. Subtitle V. Income Tax Secured Bond and Out-of-State Municipal Bond Tax Amendment Act of 2024	$ 7,728,000
Title VII. Subtitle W. Small Retailer Property Tax Relief Amendment Act of 2024	$ (2,520,000)
Title VII. Subtitle Y. Real Property Tax Amendment Act of 2024	$ 5,583,000
Title VII. Subtitle AA. Child Tax Credit Amendment Act of 2024	$ -
Total	**$ 510,935,000**

Source: ODCA Analysis

And these subtitles would generate $2,448,869,000 over the Fiscal Year 2025-2028 budget and financial plan as certified by Chief Financial Officer in the Fiscal Year 2025 Budget. Figure 6 shows the certified total amounts.

Figure 6: Budget and Financial Plan Unobligated Revenue Certified in FY25 Budget

FY25 Budget Support Act Tax Changes	Budget and Financial Plan Unobligated Revenue Certified in FY25 Budget
Title II. Subtitle Q. District of Columbia Low-Income Housing Credit	$ -
Title IV. Subtitle L. Universal Paid Leave Program Amendment Act of 2024	$ 1,359,885,000
Title V. Subtitle C. Medicaid Inpatient Hospital Directed Payment Act of 2024	$ 337,378,000
Title V. Subtitle D. Medicaid Outpatient Hospital Directed Payment Act of 2024	$ 192,866,000
Title VI. Subtitle H. Motor Vehicle Excise Tax Amendment Act of 2024	$ 29,239,000
Title VII. Subtitle N. Reversing the Defunding of Our Climate Commitments Amendment Act of 2024	$ 97,990,000
Title VII. Subtitle A. Combined Reporting Amendment Act of 2024	$ 38,900,000
Title VII. Subtitle D. Earned Income Tax Credit Amendment Act of 2024	$ 27,701,000
Title VII. Subtitle F. Sales and Use Tax Amendment Act of 2024	$ 338,429,000
Title VII. R. Sports Wagering Amendment Act of 2024	$ 2,179,000
Title VII. Subtitle V. Income Tax Secured Bond and Out-of-State Municipal Bond Tax Amendment Act of 2024	$ 56,438,000
Title VII. Subtitle W. Small Retailer Property Tax Relief Amendment Act of 2024	$ (10,249,000)
Title VII. Subtitle Y. Real Property Tax Amendment Act of 2024	$ 23,207,000
Title VII. Subtitle AA. Child Tax Credit Amendment Act of 2024	$ (45,094,000)
Total	**$ 2,448,869,000**

Source: ODCA Analysis

Tax Increase for Paid Family Leave

The single largest tax increase approved in the FY 2025 budget debate was to the payroll tax that provided funding for the District's universal paid family leave program. The District's paid family leave program pays for up to two weeks of prenatal care and up to 12 weeks of leave on the birth or adoption of a child or to take care of an individual's or a family member's serious health issue. To date the employer payroll tax that supported the program was set annually and was 0.26% for the past year. The rate was significantly increased in this year's budget, with a majority of the funds to be transferred to the District's General Fund to cover other expenditures.

The Mayor's proposed budget included the requirement that covered employers pay a contribution rate of 0.62% of the wages of covered employees to the Universal Paid Leave Fund versus the contribution rate being set annually. This was certified by the CFO to generate $246,000,000 in FY 2025 and $1,038,000,000 over the budget and financial plan as additional revenue to the general fund. The Council increased the contribution rate of 0.62% proposed by the Mayor to 0.75% which was certified to generate $322,191,000 in FY 2025 and $1,359,885,000 over the budget and financial plan also as additional revenue to the general fund.[9] As noted in the Special Purpose Revenue fund section below, the Council also approved a sweep of $1,312,127 from the non-lapsing fund transfer subtitle.[10] The Committee of the Whole report on the FY 2025 budget support act acknowledges this increase but does not include any reasoning or justification.

Other tax policy changes

As shown in Figure 4 above, a handful of other tax policy changes are estimated to generate more than $10 million in additional revenue per year. Each of these subtitles was included in the Mayor's proposed Fiscal Year 2025 budget though some were amended by the Council.

These changes and the path each took to be enacted are summarized below.

Title V. Subtitle C. Medicaid Inpatient Hospital Directed Payment Act of 2024 and Title V. Subtitle D. Medicaid Outpatient Hospital Directed Payment Act of 2024. Both subtitles were included in the Mayor's proposed budget and included a transfer to the General Fund not to exceed 12% of the fees collected. As explained by the Committee on Health budget report, these two subtitles are similar and will codify the implementation and process to tax and reimburse hospitals using the Average Commercial Rate (ACR) for inpatient as well as outpatient gross revenue. The Committee on Health proposed increasing the rate to 13.125% which would also be used to fund components of the Prior Authorization Reform Amendment Act of 2023.[11] The final version of the FY 2025 Budget Support Act included the recommendations made by the Committee on Health.

Title VII. Subtitle F. Sales and Use Tax Amendment Act of 2024. As proposed by the Mayor, this subtitle increases the "general rate" sales tax to 6.5% in FY 2026 and up to 7.0% in FY 2027. As explained in the OCFO Fiscal Impact Statement, this increase is projected to cause some "accelerated planned purchases" before the sales tax rate increases starting October 1, 2025. Therefore, this sales tax increase generates $15,728,000 of additional revenue in FY 2025 and did not change from what Mayor introduced.

For the initial update on recent tax policy changes, we used publicly available information and did not engage any agencies or ask for any updates or additional information. We reviewed the 2023 edition of D.C. Tax Facts produced by the Office of the Chief Financial Officer,[12] and confirmed the tax categories

9 Bill 25-784, the Fiscal Year 2025 Budget Support Act of 2024 Title V.L. Universal Paid Leave Program Amendment Act of 2024.
10 Bill 25-784, the Fiscal Year 2025 Budget Support Act of 2024 Title IV. Subtitle H. Universal Paid Leave Implementation Fund Amendment Act of 2024, and Title VII.N. Non-Lapsing Fund Conversions Act of 2024, enrolled version.
11 Title I of the Prior Authorization Reform Amendment Act of 2023 (D.C. Law 25-100; D.C. Official Code § 31.3875.01 et seq.)
12 Office of the Chief Financial Officer, DC Tax Facts 2023.

with Table 1 of the February 2024 revenue estimate[13] and Volume 1 of the Fiscal Year 2024 Budget and Financial Plan[14] (Table 3-15 or Table 3-18). We also reviewed the 2023 ACFR and highlights. For this update we reviewed the Fiscal Year 2025 Budget and Financial plan including introduced and enrolled versions of the Budget Support Act and accompanying Fiscal Impact Statements and Committee reports.

13 Office of the Chief Financial Officer, February 2024 Revenue Estimates.
14 Office of the Chief Financial Officer, FY 2024 Approved Budget and Financial Plan, Volume 1 Executive Summary.

FY 2025 Budget: New Correctional Facility

In 2019, we issued a report, Poor Conditions Persist at Aging D.C. Jail; New Facility Needed to Mitigate Risks, including a recommendation that the District should move forward with a new D.C. Jail. In its January 30, 2019, response to the draft report, the Department of Corrections (DOC) noted that the Bowser administration (including the Deputy Mayor for Public Safety and Justice and the Director of DOC) and the D.C. Council have acknowledged that a new correctional facility is "desirable." The statement said the Mayor and Council were budgeting for facility maintenance rather than a new facility at the time, while also funding "a study that will document the needs for a new facility including how many people it will be designed to house, programming space, and other building and capacity considerations."

Since the ODCA report was published, capital funding for a new correctional facility has been included in some but not all of the subsequent annual approved fiscal year budgets and financial plans.[15] The proposed Fiscal Year (FY) 2025 budget and financial plan released by the Mayor in April 2024[16] included a proposed total capital funding commitment of $463 million from FY 2025 to FY 2030.

In 2019 a District Task Force on Jails and Justice was created by the Council for Court Excellence, which received grants from the Office of Victim Services and Justice Grants (OVSJG) and produced two reports summarizing stakeholder engagement on the design of a new facility and ways to reduce reliance on incarceration as well as a phased proposal for facility replacement.

In 2023 the Department of General Services awarded a contract to develop an architectural program to guide the design and construction of the Department of Corrections' new Correctional Treatment Facility Annex. What follows is an overview and general timeline (see Figure 7) of the efforts made and funding identified for a new correctional facility for the District of Columbia.

What is commonly referred to as the D.C. Jail is known formally as the Central Detention Facility and has the capacity to house approximately 2,164 residents who are male inmates serving misdemeanor sentences or awaiting adjudication on felony charges up to and including homicide. The Correctional Treatment Facility was operated privately on contract with the District of Columbia but today is owned and managed by D.C. and has the capacity to serve 1,400 residents. It houses women, some male inmates in minimum to medium custody, and serves as the department's medical facility.

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16 Fiscal Year 2025 Proposed Budget and Financial Plan, Volume 5 FY 2025-2030 Capital Improvements Plan, Project No. 100044, AMO-100044-AM0.CRB01C. New Correctional Facility for (CDF) Page 104-FL0.

Figure 7: Timeline for New Correctional Facility

Date	Event
2010	December 21, 2010, memorandum Department of Corrections (DOC) requested $420 million in capital funding allotments for the six-year period of 2012 through 2017 for a project entitled, "New facility - per DC General and Mass Ave Proposed Master Plan."
2015	Public Safety Master Plan (completed in 2015) recommended the city build a criminal justice center at Blue Plains or Hill East.
2016	FY 2017 Budget and Financial Plan - Project CRB01-New Correctional Facility for (CDT) and (CDF) for Department of Corrections (DOC) (FL0) opened with $5M of funding in Fiscal Year 2022.
2017	FY 2018 Budget and Financial Plan - Project CRB01-New Correctional Facility is not included in the budget.
	Office of Public-Private Partnerships' (OP3) reports new corrections center under consideration with the Department of Corrections and the Department of General Services as the agencies involved.
2018	FY 2019 Budget and Financial Plan - Project CRB01-New Correctional Facility is not included in the budget.
	Deputy Mayor for Public Safety and Justice Kevin Donahue said the planning for a new jail was placed on "pause" and that $100,000 had been budgeted to conduct a study within fiscal year 2019 to look at the need for a new facility. (August 2018)
	Office of Victim Services and Justice Grants (OVSJG) issued a Request for Applications, for a grant of up to $150,000 to engage an organization to build stakeholder engagement and solicit feedback related to the design and construction of a new correctional facility in the District of Columbia. (October 2018)
2019	District Task Force on Jails & Justice was founded as an independent advisory body. (April 2019)
	OVSJG awards grant to the Council for Court Excellence for "DC Correctional Facility Stakeholder Engagement".
	FY 2020 Budget and Financial Plan - Project CRB01-New Correctional Facility is included with $5M in funding in FY 2025.
	Funding for a FY 2020 Grant (Justice Grants)…"to build stakeholder engagement and solicit feedback related to the design and construction of a new correctional facility."
	Release of Phase I Findings and Recommendations of the District Task Force on Jails & Justice, "Jails & Justice: A Framework for Change" (October 2019). Includes Phase I Recommendation 12. Upon completing a plan for community investment, decarceration, and local control, the District should renovate or build facilities to support its new goals for prevention, intervention, secure detention, and reentry.

Date	Event
2020	Additional funding for FY 2021 through the Office of Victim Services and Justice Grants to complete the work of the Jails & Justice Task Force.
	FY 2021 Budget and Financial Plan - Project CRBNJ-New Correctional Facility is included with $5M in funding in FY 2025.
2021	Release of Phase II Findings and Implementation Plan, "Jails & Justice: Our Transformation Starts Today" (February 2021). Includes a ten-year timeline for the creation of a new correctional facility that consists of three stages.
	FY 2022 Budget and Financial Plan - No project for a New Correctional facility is included in the FY 2022 budget.
2022	FY 2023 Budget and Financial Plan - Project CRB01-New Correctional Facility is included with $4M in funding for FY2023 and a total $250.5M of funding over the six-year capital plan.
2023	Notice to Proceed & Letter Contract for Contract No. DCAM-23-CS-RFP-0007 with CGL Companies, LLC to develop and provide an architectural program to guide the design and construction of the new Correctional facility annex was executed on 5/9/2023 by the Department of General Services.
	Mayor Bowser announces selection of CGL Companies, LLC as the Architectural Program Consultant for Correctional Treatment Facility Annex at the DC Jail (May 2023).
	Mayor Bowser transmits Contract No. DCAM-23-CS-RFP-0007 with CGL Companies, LLC for $5,891,182.96 to the Council for approval (June 2023).
	Contract No. DCAM-23-CS-RFP-0007 for $5,891,182.96 with CGL Companies, LLC is deemed approved by the Council (June 2023).
	FY 2024 Budget and Financial Plan - Project CRB01-New Correctional Facility is included with $10M in funding for FY 2024 and a grand total of $276.5M of funding over the six-year capital plan.
2024	FY 2025 Budget and Financial Plan - Project No. 100044, AMO-100044-AM0.CRB01C. New Correctional Facility for (CDF) is included with $24M in funding for FY 2025 and a total of $463M of funding over the six-year capital plan.
	Mayor Bowser transmits modification two to exercise option period one of Contract. No. DCAM-23-CS-RFP-0007 with CGL Companies, LLC for $3,381,523.30 to the Council for approval (April 2024).
	Option period one of Contract No. DCAM-23-CS-RFP-0007 for $3,381,523.30 with CGL Companies, LLC is deemed approved by the Council (May 2024).

Source: ODCA analysis

As the timeline notes, the need for a new correctional facility expressed by DOC dates back at least to 2010 with the DOC requesting capital funding for a new correctional facility. The fiscal year 2017 capital budget included a project for a new correctional facility with $5 million budgeted in FY 2022, which, at the time, was the final year of the six-year capital improvement budget. This $5 million in funding was removed in the FY 2018 capital budget. Funding was not included again until the FY 2020 budget with $5 million identified for FY 2025, which again was the final year of the six-year capital improvement budget. The $5 million in funds remained in the FY 2021 budget but was removed in the FY 2022 budget which did not include funding for a new correctional facility.

In the FY 2023 and 2024 budgets substantial funding was included over the six-year capital improvement plan with a total of $250.5 million in the FY 2023 budget (including $4 million for FY 2023), and $276.5 million in the FY 2024 budget with $10 million for FY 2024. As previously noted, the Mayor's proposed budget for FY 2025 includes $463 million for a new correctional facility over the six-year capital improvement plan with $24 million identified for FY 2025.

In the three most recent capital budgets for a new correctional facility, the bulk of the funding is not immediate but appears in the out years. For example, the FY 2023 capital budget included $4 million for FY 2023, with no additional funding for four years with $120 million in FY 2027. While the FY 2024 capital budget showed $10 million for FY 2024, and a total of $20 million for FYs 2025 and 2026, funding in FY 2027 decreased to $45 million. The ongoing pattern of shifting the bulk of the capital funding for actual construction of a new correctional facility to later in the capital financial plan continued in the Mayor's proposed FY 2025 budget and financial plan and in actions taken by the Council. ODCA also noted this pattern in FY 2023 budget testimony to the Committee of the Whole.[17]

The District Task Force on Jails & Justice (task force) Phase 1 report[18] states that it is "…an independent advisory body dedicated to examining the questions of whether or how to build a new correctional facility in D.C. through deep and meaningful community engagement, data analysis and policy research." It also included the following recommendation:

> *12. Upon completing a plan for community investment, decarceration, and local control, the District should renovate or build facilities to support its new goals for prevention, intervention, secure detention, and reentry.*

In its Phase II report,[19] the task force developed a 10-year timeline for overhauling the District's jails and justice system, including the creation of a new correctional facility to be built in two parts in the form of a three-stage plan. The task force roughly estimated total new facility construction costs at around $500 million.

The Office of the Chief Financial Officer (OCFO) transmittal letter included in the FY 2025 budget and financial plan submitted by the Mayor notes under "Items to Watch," the DOC FY 2024 budget has a projected spending pressure as a result of a dramatic increase in the average daily population compared

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17 Office of the DC Auditor, FY 2023 Budget for the Office of the D.C. Auditor, March 22, 2022, page 3.

18 Council for Court Excellence, Jails & Justice: A Framework for Change Phase I Findings and Recommendations of the District Task Force on Jails & Justice (October 2019). Retrieved from chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.courtexcellence.org/uploads/publications/FrameworkForChange.pdf.

19 Council for Court Excellence, Jails & Justice: Our Transformation Starts Today Phase II Findings and Implementation Plan (February 2021). Retrieved from chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.courtexcellence.org/uploads/publications/TransformationStartsToday.pdf.

to what had been budgeted. According to the CFO, the Executive asserted this spike was not a trend, but the OCFO would monitor spending over the fiscal year to determine the validity of this assertion. However, the Fiscal Year 2025 budget oversight testimony provided by DOC Director Thomas Faust states "[s]ince July 2023, we have seen steady population growth within our facilities." And testimony provided by the Council for Court Excellence[20] notes a potential increase in people in D.C.'s current correctional facilities as a result of the passage of the Secure DC Omnibus Amendment Act.[21] ODCA could find no analysis in the FY 2025 budget indicating how many more people are expected to be admitted to the correctional facilities or their average length of stay. The Department's second quarter Financial Review Process (FRP) report indicates the CTF population had grown and states that "the agency will request additional funding."

In 2023, the Department of General Services (DGS) awarded Contract No. DCAM-23-CS-RFP-0007 to CGL Companies, LLC.[22] As noted in the Council contract summary, the contract is for an architectural program to guide the design and construction of the DOC's Correctional Treatment Facility Annex using funding from project AM0.CRB01C New Correctional Facility for (CDF) & (CTF) in the District Integrated Financial System (DIFS). The contract background notes that this is a large capital investment being undertaken by the District and the DOC to evaluate current programs and challenges and to develop a new expansion—the CTF Annex—which will reflect the future DOC operational goals and vision. The Council approval was for the base period of the contract (May 9, 2023, to May 8, 2024), which included a letter contract amount. According to invoices submitted to DIFS, as of January 2024, CGL had billed for a total of $5,359,168.98 which included the letter contract amount of $729,059.35 and $4,630,109.63 for work performed from May 2023 through January 2024.

DOC Director Faust was asked about the status of the project at an April 10, 2024, budget hearing before the Committee on the Judiciary and Public Safety. In response to questions by Councilmember Brooke Pinto, the committee chairwoman, Faust said that the purpose of the contract with CGL was to "develop concepts and essentially a roadmap for future architectural and engineering phases that have yet to come." And although, as noted, some $5.4 million had been spent with the contractor as of the end of January, he said, "there is not yet a design…we're not even at that stage yet."

In addition to a base period, the contract includes three option periods, with each period consisting of a specific phase in the project. A summary of the contract including option periods is shown in Figure 8.

20 Statement of the Council for Court Excellence, Budget Oversight Hearing for the Department of Corrections, dated March 10, 2024.

21 See Secure DC Omnibus Emergency Amendment Act of 2024, Act A25-410, effective March 11, 2024, and expiring on June 9, 2024. There is a Temporary version of this Act currently under Council review (B25-736). Additionally, a permanent version, titled "Accountability and Victim Protection Amendment Act of 2023" (now known as "Secure DC Omnibus Amendment Act of 2024") (Act A25-411) is under Congressional Review as of the date of this report publication.

22 CA 25-276, "Proposed Contract with CGL Companies, LLC". Approved by the Council on June 30, 2023.

Figure 8: Summary of Contract No. DCAM-22-CS-RFP-0007 with CGL Companies, LLC

Period	Phase	Term	Amount
Base Period	Pre-Design	June 2023 (award date)–June 2024	$5,891,182.96
Option Period 1	Design	Date of Excise of Option through 2 years thereafter	$3,381,523.30
Option Period 2	Construction	Date of Excise of Option through 3 years thereafter	$3,668,775.42
Option Period 3	Transition, Activation, and Post-Occupancy	Date of Excise of Option through 1 year thereafter	$348,822.68
Total			**$ 13,290,304.36**

Source: CA25-276 Council Contract Summary

DOC has included a link on its agency website to a New Correctional Facility webpage[23] that notes the Project Mission as follows:

> *"The mission of the CTF Annex project is to replace the aging CDF with a modern secure and resilient facility that has the necessary infrastructure to address the critical rehabilitation, treatment, and reentry needs of individuals in the custody and care of DOC. This significant investment is key to strengthening and advancing public safety and justice in the District."*

The webpage also included a tentative timeline and the expectation that a full project website would be launched along with community engagement meetings in the spring. The tentative timeline, which is subject to change, is summarized in Figure 9 and projects approximately nine years of construction of the new facility, in two phases. The groundbreaking would occur in 2026 and Phase I of construction would begin.

Figure 9: New Correctional Facility Tentative Timeline

Date	Event
2023	Project Start
2024–2026	Design
2026	Groundbreaking
2026–2030	Phase 1 Construction
2030–2035	Phase 2 Construction

Source: Department of Corrections website

23 https://doc.dc.gov/page/new-correctional-facility.

As of April, the DOC website did not include deliverables from the base period of the contract with CGL. Approval of Option period 1 of the contract with CGL was transmitted to the Council for review on April 25, 2024.[24]

In March 2024 correspondence from DGS and DOC to the Chairperson of the District Task Force on Jails & Justice declined the request to provide a briefing on the new facility including the timeline, programmatic or design decisions that have been made or are under consideration and plans for soliciting and incorporating community input. The letter also noted that "Currently DOC/DGS and CGL are working closely to complete the framework needed to develop the conceptual design of the new jail facility, however to date the conceptual design for the new jail has not yet been developed." The contract deliverables for the initial $5.9 million include a Draft Report on CTF Mission, Draft Final Report of Future DOC Population, Draft Development Plan and Draft Surveys for Advocacy Groups, Resident/Inmates, and Staff but few of the deliverables had been made public prior to Council consideration of the FY25 budget.

New Correctional Facility

Before the Council's first of two votes on the Fiscal Year 2025 Local Budget Act Chairman Mendelson proposed an adjustment included in the Committee of the Whole draft Report (circulated on May 29, 2024) to shift capital funding for Project AM0-10044-AM0.New Correctional Facility to Fiscal Year 2028 which could have the result of subjecting the project to further delay in its completion. While a portion of the outyear funding was restored on second reading following the Mayor's objection, the potential project delay due to delayed funding proposed by the Mayor remained. A comparison of the Mayor's proposed capital budget and the Council approved budget for Fiscal Year 2025 is shown in Figure 10.

Figure 10: Comparison of Mayor's Proposed and Council Approved Capital Budget for a New Correctional Facility

	FY25	FY26	FY27	FY28	FY29	FY30
Mayor Proposed	$ 24,000,000	$ 30,000,000	$ 85,000,000	$ 90,000,000	$ 145,000,000	$ 89,000,000
Council Approved	$ 24,000,000	$ 20,000,000	$ 30,000,000	$ 100,000,000	$ 144,500,000	$ 144,500,000
Difference	$ -	$ 10,000,000	$ 55,000,000	$ (10,000,000)	$ 500,000	$ (55,500,000)

Source: ODCA Analysis

On May 30th a new website, for the D.C. Correctional Treatment Facility Annex Project was announced and launched by the Department of Corrections in partnership with the D.C. Department of General Services and the lead architectural program consultant. This website (https://newcorrectionalfacility.dc.gov) includes information on project sequencing, presentations given, copies of Executive Summaries

24 CA25-702, Proposed Modification No. 2 to contract with CGL Companies, LLC.

of a resident survey and a staff survey. The website notes that "[t]he mission of the D.C. Correctional Treatment Facility Annex (CTF Annex) is to replace the aging Central Detention Facility (CDF) with a modern, secure, and resilient facility that has the necessary infrastructure to address the critical rehabilitation, treatment, and reentry needs of individuals in the custody and care of the Department of Corrections." And that "[a] new facility will allow the District to modernize its approach to justice and confinement so those confined will be **better prepared to reenter the community and change the trajectory of their lives."** As of July 25, 2024, the website notes that "the number of new beds has not been finalized" and acknowledges that the CDF will not be replaced until 2034: "The new housing building is expected to be complete in 2030," though "these dates are subject to change."

As with other sections of this report, we used publicly available information and did not engage any agencies, but reviewed information included in the District Integrated Financial System (DIFS). We reviewed capital budget chapters for the Department of Corrections, the two reports issued by the District Task Force on Jails & Justice, Department of Corrections responses to performance oversight and budget questions asked by the D.C. Council Committee on the Judiciary and Public Safety, budget testimony by the Department of Corrections and the Council for Court Excellence including correspondence referenced by the Council for Court Excellence, as well as the new correctional facility website.

FY 2025 Budget: Special Purpose Revenue Funds

In 2019, ODCA issued a report "Elected Officials Create Special Funds But "Sweep" Dollars for Other Purposes." As noted in the report, the Home Rule Act of 1972 specifies that Special Purpose Revenue Funds (SPRF) are only to be established from "time to time" as "may be necessary for the efficient operation" of the District government.[25] We found that the proliferation of Special Purpose Revenue Funds (SPRFs), and their use as a source of general fund revenue violate the intent of the federal statute that authorizes the creation of these funds.

We found that the "sweeping" of non-lapsing funds has increased dramatically without even minimal analysis of whether individual Fund performance was adequate. The practice of sweeping funds continued in this year's budget cycle. As noted in the 2019 report, sweeping funds from SPRFs has become a routine part of the District's annual budget process. Our observations about specific SPRFs and designated fund transfers follows including a breakdown of SPRF "sweeps" initiated by the Mayor and those initiated by the Council in the current and previous budget cycles.

There are approximately 210 special purpose funds according to Table 3-17 in the Fiscal Year 2025 proposed Budget and Financial Plan.[26] The FY 2025 Budget Support Act submitted by the Mayor proposed to transfer the fund balance of 103 of the non-lapsing funds to the unassigned fund balance of the General Fund[27] and would also repeal seven non-lapsing accounts.[28] The transfers to the general fund would have provided approximately $131.5 million to balance the proposed FY 2025 through FY 2028 budget and financial plan with funds coming from special purpose, dedicated tax and segregated local funds. As we noted in the 2019 report, the original source of each fund can be a fee, a fine, a special assessment, charges for services, or a form of reimbursement, and typically they are designed for a designated purpose for the District agency that collects the revenues.

The Mayor included at least two other SPRF sweeps in the FY 2025 proposed Budget Support Act: Subtitle VI(I) Automated Traffic Enforcement Revenue Amendment Act of 2024, and Subtitle VI(L) Securities and Banking Regulatory Trust Fund Amendment Act of 2024. For Subtitle VI(L) the Securities and Banking Regulatory Trust Fund Amendment Act of 2024, the proposed FY 2025 budget increases to $12.63 million the annual transfer from this fund to the general fund.

During the budget process the Committee on Business and Economic Development (Committee) asked for additional information on this change from the Commissioner of the Department of Insurance, Securities and Banking (DISB). The Report and Recommendations of the Committee on Business and Economic Development on the Fiscal Year 2025 Budget for Agencies Under Its Purview notes that in response the Commissioner of the DISB stated that "this subtitle would have a minor effect on the agency's operations,

25 See D.C. Code§ 1-204.50.

26 Fiscal Year 2025 Proposed Budget and Financial Plan, Volume I, Executive Summary, pages 3-49 to 3-59.

27 Bill 25-784, the "Fiscal Year 2025 Budget Support Act of 2024", Subtitle VII (N) – Non-Lapsing Fund Transfers Act of 2024, introduced April 3, 2024.

28 Bill 25-784, the "Fiscal Year 2025 Budget Support Act of 2024", Subtitle VII (M) – Non-Lapsing Account Repeals Amendment Act of 2024, introduced April 3, 2024.

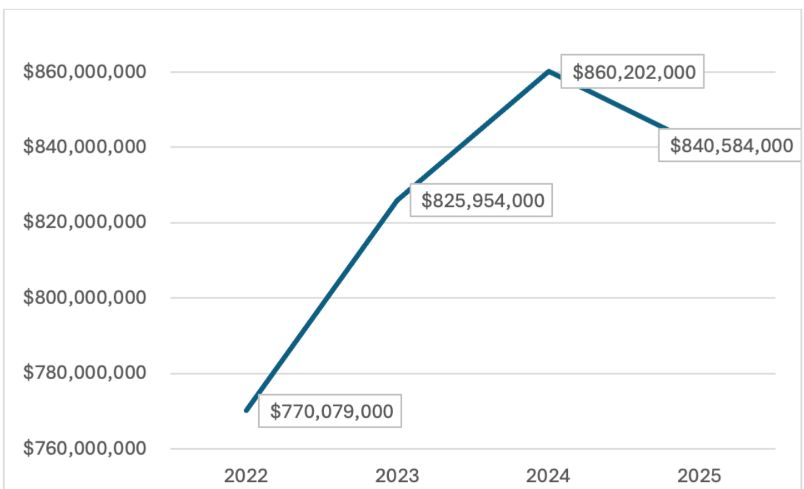
and that their regulatory functions and services would continue as planned." However, the Committee continued, "[t]he Commissioner also shared that the agency will seek additional revenues and grants to supplement their proposed FY 25 funding level."[29]

The purpose of the money in the Regulatory Trust Fund, as noted in the Fiscal Impact Statement for the FY 2025 Budget Support Act issued on April 3, 2024, is for DISB's Securities and Banking Bureau to carry out its administrative and regulatory operations. The Commissioner did not explain when or how any additional funding would be requested.

Last year in approving the Fiscal Year 2024 Budget and Fiscal Year 2024 Budget Support Act of 2023, the Mayor and Council swept 33 special purpose and two dedicated tax funds through Subtitle VII (E) Dedicated Fund Transfers Act of 2023. In addition, the Fiscal Year 2023 Revised Local Budget Adjustment Emergency Act swept approximately 95 funds, including dedicated taxes, which directed $147,508,313 to the general fund[30] in the then-current budget year. The latter action, adding funding roughly halfway through the fiscal year, was in addition to funds swept when the FY 2023 budget was first approved a year earlier.

According to Table 2-4 of the FY 2025 Proposed Budget and Financial Plan (Volume 1), the actual amounts remaining in SPRFs was $770 million in FY 2022, a total that reached $860 million in FY 2024 (revised) and decreased to $840 million in the FY 2025 proposed budget. While the FY 2025 proposal represented a decrease from the revised FY 2024 amount of $860 million, it shows an upward trend in special purpose revenue anticipated from FY 2022, as shown in Figure 11 below.

Figure 11: Special Purpose Revenue Fund Amounts by Fiscal Year



Source: Table 2-4 of the Fiscal Year 2025 Proposed Budget and Financial Plan

29 Report and Recommendations of the Committee on Business and Economic Development on the Fiscal Year 2025 Budget for Agencies Under Its Purview, May 10,2024 Page 62.
30 Act 25-134, the "Fiscal Year 2023 Revised Local Budget Adjustment Emergency Act of 2023" (70 DCR 9048) enacted June 27, 2023.

In comparing the 2019 ODCA report[31] to Table 3-17 in the Fiscal Year 2024 approved budget, as shown in Figure 12, it appears that several agencies that had more than 10 SPRF's apiece in 2019 now have fewer SPRFs reported in Table 3-17. However, two agencies, the District Department of Energy and Environment (DOEE) and the Office of the Chief Financial Officer (OCFO) have more individual SPRFs now compared to 2019. According to the FY 2024 approved budget DOEE has 27 SPRFs and the OCFO has 15 SPRFs.

Figure 12: Status of District Agencies That Had at Least 10 SPRFs in ODCA's 2019 Report

District Agency	# of SPRFs in FY24 Approved Budget (Table 3–17)	# of SPRFs From Figure 2 of ODCA 2019 Report (Agencies With More Than 10 SPRFs)
Department of Energy and Environment (DOEE)	27	24
Department of Health (DOH)	15	20
District of Columbia Public Library (DCPL)	6	19
District Department of Transportation (DDOT)	11	14
Office of the Chief Financial Officer (OCFO)	15	13
Department of Consumer and Regulatory Affairs (DCRA)[32]	10	13
Department of Insurance, Securities, and Banking (DISB)	7	12
District of Columbia Public Schools (DCPS)	10	11

Source: ODCA Analysis

In comparing Table 3-17 between the FY 2024 approved budget and FY 2025 proposed budget for the agencies listed in Figure 2 above, three agencies (DOH, DCPL and DDOT) have a lower number of SPRFs listed for FY 2025 as compared to FY 2024. However, we were unable to determine where and how the reduction in SPRF funds occurred or whether it was just an oversight in reporting. For DOH it appears one fund (the Opioid Abatement Fund) was listed twice in Table 3-17 in the FY 2024 approved budget (for DOH and for DBH) and is only listed once this year under DBH.

The following are examples of four of the 200-plus SPRFs including their original statutory purpose and the actions taken by elected officials in recent budget cycles.

ROD surcharge

In the 2019 ODCA report, we noted that the OCFO's Recorder of Deeds Automation Fund was established in 1996 and instituted a $5 fee per document for all documents accepted for recordation. It is unclear

31 Office of the D.C. Auditor, Elected Officials Create Special Funds But "Sweep" Dollars for Other Purposes, April 25, 2019, Figure 2, Page 4.
32 Department of Consumer and Regulatory Affairs (DCRA) is now the Department of Buildings (DOB) and the Department of Licensing and Consumer Protection (DLCP). Combined DOB (3 SPRFs) and DCLP (7 SPRFs) is a total of 10 SPRFs.

whether the surcharge remains at $5 as noted in the D.C. Code,[33] or $6.50 per document as noted on the Recorder of Deeds (ROD) website. The name and the purpose of this fund also has changed in recent years. While subsequent Local Budget Acts after publication of the 2019 report refer to the Automation Fund, the Revised Local Budget Emergency Acts as well as Table 3-17 in Volume 1 of the budget books reference a Recorder of Deeds *Surcharge Fund*.

The intent of the ROD fund was to cover the costs of updating the ROD automated system, including purchasing computer hardware and software, maintenance of the new computer system, and training staff on the new system. With the exception of maintenance, these would have been one-time expenditures. Nevertheless, the surcharge remains 28 years later. In 2015 and 2016, $3 million was transferred from the ROD Fund, and $931,891 was swept in 2017. However, as of May 2024, the ROD website notes that the ROD "...provides online access to its document images and index information from August 2021 to the present."

Subsequent Revised Local Budget Emergency measures passed immediately after publication of the 2019 report continued the sweep of the Recorder of Deeds Surcharge with a total of $5,895,924 directed to the General Fund from Fiscal Year 2019 through Fiscal Year 2023. Figure 13 shows the amount swept in each revised local budget emergency measure.

Figure 13: Amounts Swept from Recorder of Deeds Surcharge Fund Since ODCA 2019 Report

Revised Local Budget	Amount
FY19	$ 500,000
FY20	$ 700,000
FY21	$ 1,587,489
FY22	$ 1,830,000
FY23	$ 1,278,435
Total	**$ 5,895,924**

Source: Revised Local Budget Emergency Measures for Fiscal Years 2019 through 2023

The proposed Fiscal Year 2025 Budget Support Act includes a transfer of $957,834 from the Recorder of Deeds Surcharge to the General Fund, which was approved by the Council in the Fiscal Year 2024 Supplemental[34] essentially constituting a fee on real estate transactions used to support general fund expenditures.

33 D.C. Code §42-1211 (a). Surcharges.
34 Bill 25-787, the "Fiscal Year 2024 Revised Local Budget Adjustment Emergency Act of 2024", Sec. 5 Designated Fund Transfers, enrolled version.

Sustainable Energy Trust Fund

Another special purpose fund discussed in the 2019 ODCA report was the Sustainable Energy Trust Fund (SETF)[35] with funding permissibly collected by means of a surcharge added to the monthly bills of commercial and residential electric or natural gas customers.[36] The Public Service Commission (PSC) described how the SETF was established as a non-lapsing fund to "alleviate some of the obstacles to multi-year programming at the SEU [Sustainable Energy Utility]." In a 2015 letter the PSC complained that the SETF surcharge revenues "are being treated more like tax dollars and not for the statutory purposes they were intended." The letter from the PSC also points out that the SETF does not have "…an adjustment mechanism that reduces the surcharge for the District's utilities customers when the funds are not needed or used for the purpose for which they are assessed."

The 2018 Clean Energy DC Omnibus Amendment Act[37] (which was fully funded in the 2020 budget) raised additional ratepayer assessments that were slated to "taper off," but the 2023 Budget removed the "taper off" provision and held the ratepayer fees steady, which had been a recommendation by the Committee on Transportation and the Environment. In the FY 2024 budget the Committee on Transportation and the Environment recommended an "extremely small increase" in fees, and also expanded permissible uses of the SETF. At the same time another $7,178,851 of SETF funding was swept into the General Fund as part of the increase in authorized spending in the middle of the budget year as noted above.[38]

For FY 2025 the Committee on Transportation and the Environment again recommended an increase in the statutory assessment on natural gas usage beginning in Fiscal Year 2025 and every year thereafter generating $23,750,000 in additional funding in FY 2025. The stated purpose was to rebuild the SETF fund balance and be available for paying for the D.C. Sustainable Energy Utility contract, to assist low- and moderate-income households with energy efficient and appliance upgrades; ensure a minimum annual contribution to support the DC Green Bank; and provide financial and technical assistance to owners of affordable housing buildings with energy efficient upgrades. If past actions are an indication of potential future actions, there may be a move by the Mayor or Council to transfer additional amounts from the SETF into the General Fund during 2025 to support mid-year spending increases.

Ballpark Fund

In 2005, to bring baseball to D.C. and as part of the Ballpark Financing Act[39] the Council authorized a new gross receipts tax on businesses and creation of a Ballpark Revenue Fund[40] to collect the new ballpark tax and sales taxes from sales at the stadium including ticket, concessions, and parking. The Fund is used to pay the bonds issued to finance the building of Nationals Park baseball stadium. Permissible uses of the Ballpark Revenue Fund include the required bond payments and helping to fund capital improvements at the stadium. As with other SPRFs this tax on businesses and other revenues in the Ballpark Fund have

35 See D.C. Code 8-1774.10.
36 See D.C. Code 8-1774.10 (b)(5).
37 Law 22-257, effective March 22, 2019 (66 DCR 3973).
38 Bill 25-205, the "Fiscal Year 2023 Revised Local Budget Adjustment Emergency Act of 2023", Section 4, effective June 27, 2023.
39 Law 15-320, effective April 8, 2005 (52 DCR 1575).
40 D.C. Code § 10–1601.02. Creation of Ballpark Revenue Fund.

also been used to help balance the District's budget. More than $211 million transferred into the general fund since 2020. Fiscal impact statements for the Budget Support Acts for FY 2025 and FY 2024 have noted that a significant result of this fund transfer has been a delay from 2027 to 2028 paying off the bonds.

Subtitle (VII)(K) of the FY2025 Budget Support Act of 2024 given final approval by the Council on June 25, 2024, authorized another $10.4 million sweep from the Ballpark Fund for 2024, and $11.5 million for FY 2025. The total authorized for transfer to the General Fund in the Financial Plan (FY24-28) is $84 million. Nevertheless, the CFO's Fiscal Impact Statement for the Budget Support Act projects that "the bonds are expected to be fully repaid during fiscal year 2028."

Healthy DC Fund

The Healthy DC Fund (known formally as the Healthy DC and Health Care Expansion Fund) is a dedicated tax revenue fund established to "…be continually available to support the Healthy DC Program… and other medical assistance programs administered by the Department of Health Care Finance."[41] The Fiscal Year 2025 Budget Support Act as proposed by the Mayor includes two sweeps from and one transfer of funds to the Healthy DC Fund. First, the proposed FY 2025 Budget Support Act requires a yearly transfer of $5.567 million from the Healthy DC Fund to Local Funds in FYs 2025 through 2028.[42] Second is a transfer in FY 2024 of $9,473,628 to the unassigned fund balance of the General Fund.[43] And third, the FY 2025 Budget Support Act repeals the Medical Cannabis Social Equity Fund and transfers all dedicated taxes from the sale of medical marijuana to the Healthy DC Fund, which would increase the fund by $6.51 million over the multi-year financial plan.[44] The Council approved the yearly transfer of $5.567 million[45] and the transfer in Fiscal Year 2024 of $9,473,628[46], and through the amendment in the nature of a substitute moved on second reading, restored the Medical Cannabis Social Equity Fund with all medical cannabis sales tax being directed to the fund beginning in FY 2026.

As explained in the FY 2025 Budget and Financial Plan (Volume 1), "[t]he General Fund is the principal operating fund of the District, which is used to account for all financial resources except those required to be accounted for in another fund." The Local Fund is "…funded by tax and non-tax revenues that are not earmarked for a particular purpose and are allocated to fund District programs during the annual budget process."

Sweeping of Special Purpose Revenue Funds

The "sweeping" of special purpose revenue funds is a practice that continues yearly in the budget support act and also the revised local budget emergency act (known as the supplemental budget). While the

41 D.C. Code §31-3514.02 (a). Establishment of Healthy DC and Health Care Expansion Fund.
42 Bill 25-784, the "Fiscal Year 2025 Budget Support Act of 2024" Title V Subtitle (H) Healthy DC Fund Amendment Act of 2024.
43 Bill 25-784, the "Fiscal Year 2025 Budget Support Act of 2024" Title VII(N). Non-Lapsing Fund Transfers as introduced.
44 Fiscal Impact Statement for Bill 25-784, the "Fiscal Year 2025 Budget Support Act of 2024" as introduced, Subtitle V(M). Non-Lapsing Account Repeals Amendment Act of 2024.
45 Bill 25-784, the "Fiscal Year 2025 Budget Support Act of 2024" Title V(H) Healthy DC Fund Amendment Act of 2024, enrolled version.
46 Bill 25-787, the "Fiscal Year 2024 Revised Local Budget Adjustment Emergency Act of 2024", Sec. 5 Designated Fund Transfers, enrolled version.

Mayor's proposed version of these bills usually, but does not always, contain a subtitle that lists the specific fund transfers[47], the Enrolled version passed by the Council does contain such a title for FY 2020 through 2025 budgets. As shown in Figure 14 below, a review of the specific subtitle often used in the budget for fund transfers shows that in any given year since the report was published in 2019, as many as 95 funds have been swept (FY2023 supplemental) or as much as $409.8 million has been swept (FY 2023) to go to the general fund to cover authorized expenditures not related to the special purpose of the funds.

Figure 14: Budget Support Act and Revised Local Budget "Sweeps"

Fiscal Year Legislation	Introduced		Enrolled	
	Funds	Total Amt	Funds	Total Amount
FY20 Budget Support Act	12	$8,817,992	11	$1,156,700
FY19 Revised Local Budget Emergency	3	$9,096,188	39	$34,235,679
FY21 Budget Support Act	28	$80,383,157	18	$ 1,272,201
FY20 Revised Local Budget Emergency	15	$4,358,101	48	$93,971,588
FY22 Budget Support Act	21	$45,974,146	4	$172,474,494
FY21 Revised Local Budget Emergency	0	$ -	32	$19,496,545
FY23 Budget Support Act	19	$20,564,226	13	$409,879,217
FY22 Second Revised Local Budget Emergency	0	$ -	29	$22,155,473
FY24 Budget Support Act	90	$107,879,170	35	$3,006,471
FY23 Revised Local Budget Emergency	0	$ -	95	$147,508,316
FY25 Budget Support Act	103	$131,497,950	14	$4,448,729
FY24 Revised Local Budget Emergency	0	$ -	104	$127,176,543

Source: ODCA review of Fiscal Year Budget Support Acts and Revised Local Budget Emergency Acts.

The Fiscal Year 2023 Budget Support Act enrolled (final) version contained three funds to be swept that were also included in the Introduced version. The Fiscal Year 2024 Budget Support Act contains nine funds to be swept that were also included in the Introduced version. Recent fiscal year budgets passed by the Council include a sweep of fund balances in certain funds through the revised local budget emergency supplemental and also a sweep of future revenue through the budget support act. For example, in June

47 Bill 25-787, the "the Fiscal Year 2024 Revised Local Budget Adjustment Emergency Act of 2024" as introduced by the Mayor does not contain a specific designated fund transfers subtitle but includes three subtitles that direct funds to the general fund.

of 2023; the FY 2023 revised local budget emergency passed by the Council swept $147,508,316 from the unassigned fund balances for Fiscal Year 2023,[48] and the Fiscal Year 2024 Budget Support Act swept $6,748,471 in 2024 and 2025 revenue.[49]

Other significant sweeps into the general fund in the Fiscal Year 2025 budget include the Universal Paid Leave Program[50] which will provide $329.8 million to the general fund in FY 2025 (that is $328.1 million plus $1.3 million swept from the non-lapsing fund transfer subtitle) less $5.9 million of lost business income tax revenue. All told, this generates $323.6 million for the General Fund in FY 2025. The Mayor's proposed budget[51] generated $246,100,000 in additional revenue in Fiscal Year 2025. In comparison, the Council swept an additional $76,091,000 more than the Mayor's budget proposal for FY 2025. Significant sweeps are also seen in the Deed Recordation and Transfer taxes, and the Ballpark fee. As many as ten subtitles in the enrolled version of the budget support act transfer an estimated $1.6 billion over the course of the budget and financial plan, including Fiscal Year 2024, as shown in Figure 15.

48 Act 25-134, the "Fiscal Year 2023 Revised Local Budget Emergency Act of 2023", (70 DCR 9048) enacted June 27,2023, Sec. 4. Designated fund transfers (a).

49 Bill 25-202, the "Fiscal Year 2024 Budget Support Act of 2023", Law 25-0050, (70 DCR 012679) enacted September 22, 2023, Subtitle VII (E) - Designated Fund Transfers Sec. 7041 (c).

50 Bill 25-784, the Fiscal Year 2025 Budget Support Act of 2024, Title IV. Subtitle L. Universal Paid Leave Program Amendment Act of 2024 and Title VII. Subtitle N. Non-Lapsing Fund Conversions Act of 2024 enrolled version.

51 Bill 25-784 the Fiscal Year 2025 Budget Support Act of 2024, Title V. Subtitle L. Universal Paid Leave Program Amendment Act of 2024, introduced version.

Figure 15: Revenue from SPRFs FYs 2024–2028

FY25 Budget Support Act Subtitle	Amount
Title I. Subtitle I. Litigation Support Fund Amendment Act of 2024	$ 6,354,000
Title IV. Subtitle L. Universal Paid Leave Program Amendment Act of 2024	$ 1,359,885,000
Title V. Subtitle H. Healthy DC Fund Amendment Act of 2024	$ 5,567,000
Title VI. Subtitle C. Vision Zero Pedestrian and Bicycle Safety Fund Establishment Act of 2024	$ 203,307
Title VI. Subtitle F. District Department of Transportation Projects Amendment Act of 2024	$ 7,240,000
Title VI. Subtitle L. Securities and Banking Regulatory Trust Fund Amendment Act of 2024	$ 1,000,000
Title VII. Subtitle B. Excess Central Collection Unit Revenue Amendment Act of 2024	$ 1,667,000
Title VII. Subtitle C. Deposit of Deed Recordation and Transfer Taxes Act of 2024	$ 78,300,000
Title VII. Subtitle K. Excess Ballpark Fee Revenue Amendment Act of 2024	$ 84,031,000
Title VII. Subtitle L. Right-of-Way Fee, Gas Tax, and Surcharge Amendment Act of 2024	$ 62,409,000
Total	**$ 1,611,059,307**

Source: ODCA Analysis

For this section of the report, we also used publicly available information and did not engage any agencies. We reviewed the Fiscal Year 2024 proposed and approved Budget and Financial Plan, the Fiscal Year 2025 proposed and approved Budget and Financial Plan and fiscal impact statements, 2019–2023 Fiscal Year Budgets, Council Committee Budget reports and recommendations, as well as relevant sections of the D.C. Official Code.

Appendix A

2019 District Economics Group Chart

Table 9. Count of Tax Changes by Type and Effective Fiscal Year

FY Effective	Property	Sales and Excise	Income	Gross Receipts	Other Tax	Total
2002	0	0	0	0	1	1
2003	2	3	4	2	6	17
2004	2	0	1	0	0	3
2005	2	4	2	4	2	14
2006	5	2	4	2	0	13
2007	1	0	1	0	4	6
2008	3	1	4	0	0	8
2009	4	1	1	3	2	11
2010	2	5	2	1	0	10
2011	2	2	3	4	0	11
2012	2	6	3	1	0	12
2013	1	3	1	0	0	5
2014	1	3	1	0	0	5
2015	2	4	5	3	0	14
2016	1	5	10	2	1	19
2017	1	2	3	2	0	8
2018	1	3	2	2	3	11
2019	2	3	1	3	1	10
Total	34	47	48	29	20	178

Source: District Economics Group, 2018 D.C. Tax Facts from the Office of the Chief Financial Officer.

Appendix B

Updated Chart of Tax Changes

Updated Count of Tax Changes by Type and Effective Fiscal Year

FY Effective	Property	Sales and Excise	Income	Gross Receipts	Other Tax	Total
2002	0	0	0	0	1	1
2003	2	3	4	2	6	17
2004	2	0	1	0	0	3
2005	2	4	2	4	2	14
2006	5	2	4	2	0	13
2007	1	0	1	0	4	6
2008	3	1	4	0	0	8
2009	4	1	1	3	2	11
2010	2	5	2	1	0	10
2011	2	2	3	4	0	11
2012	2	6	3	1	0	12
2013	1	3	1	0	0	5
2014	1	3	1	0	0	5
2015	2	4	5	3	0	14
2016	1	5	10	2	1	19
2017	1	2	3	2	0	8
2018	1	3	2	2	3	11
2019	2	3	1	3	1	10
Sub Total	34	47	48	29	20	178
2020	**1**	**4**	**4**	**1**	**4**	**14**
2021	**3**	**4**	**4**	**2**	**1**	**14**
2022	**0**	**1**	**2**	**0**	**0**	**3**
2023	**0**	**2**	**0**	**0**	**0**	**2**
Sub Total	**4**	**11**	**10**	**3**	**5**	**33***
Grand total	**38**	**58**	**58**	**32**	**25**	**211**
Changes within last 10 years	**13**	**34**	**33**	**15**	**10**	**105**

Source: Tax Facts and ODCA analysis.

***Does not include one non-tax change in FY 2023.**

About ODCA

The mission of the Office of the District of Columbia Auditor (ODCA) is to support the Council of the District of Columbia by making sound recommendations that improve the effectiveness, efficiency, and accountability of the District government.

To fulfill our mission, we conduct performance audits, non-audit reviews, and revenue certifications. The residents of the District of Columbia are one of our primary customers and we strive to keep the residents of the District of Columbia informed on how their government is operating and how their tax money is being spent.

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