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Testimony Before the District of Columbia Council  
Committee on Public Works and Operations  
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Public Hearing:  
Budget Oversight Hearing  
Department of Licensing and Consumer Protection

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## **Introduction**

Good afternoon, Chairperson Nadeau, and members of the Committee. My name is Makenna Osborn. I am a Policy Attorney at Children's Law Center and a resident of the District. Children's Law Center believes every child should grow up with a strong foundation of family, health and education and live in a world free from poverty, trauma, racism and other forms of oppression. Our more than 100 staff – together with DC children and families, community partners and pro bono attorneys – use the law to solve children's urgent problems today and improve the systems that will affect their lives tomorrow. Since our founding in 1996, we have reached more than 50,000 children and families directly and multiplied our impact by advocating for city-wide solutions that benefit hundreds of thousands more.

Thank you for the opportunity to testify regarding the Mayor's proposed FY25 budget for the Department of Licensing and Consumer Protection (DLCP). Each year, Children's Law Center works with hundreds of families living in unsafe and unhealthy rental housing conditions that are harming a child's health.<sup>1</sup> When a family's landlord fails to address these harmful conditions in a timely manner, Children's Law Center attorneys help families take legal action to enforce the housing standards enshrined in the District's laws.<sup>2</sup> This task is not easy when a property's registered owner is a single-purpose entity, like a limited liability company (LLC), and not the actual person who is profiting from operating as a housing provider and ultimately responsible for

maintaining the property's habitability. That is why it is essential that DLCP has the resources it needs to collect and maintain accurate ownership information as required by the District's corporate transparency laws.<sup>3</sup>

We are very thankful to you Councilmember Nadeau, as Chair of the Committee, for meaningfully engaging with Children's Law Center and DLCP on this topic throughout last year's oversight process and providing funding for five new Full-Time Equivalent employees (FTEs) within DLCP in the FY24 budget to increase the agency's capacity to enforce the District's beneficial owner disclosure requirements.<sup>4</sup> My testimony today will detail why it is important for the Committee to ensure that DLCP's FY25 budget 1) protects the personnel investments the Committee made last year and 2) ensures that DLCP has the resources it needs to update its corporate registration system to support more efficient information collection and sophisticated analysis of beneficial owner information.

**The Council Should Protect Its Investment in DLCP's Capacity to Maintain Accurate Beneficial Owner Information for Corporations Operating in the District**

After DLCP testified during last year's Performance and Budget Oversight hearings that the agency did not have sufficient staffing to enforce the District's corporate beneficial owner disclosure requirements, this Committee funded five new FTEs within DLCP – three in the Corporations Division and two in the Enforcement Unit.<sup>5</sup> Based on communications with DLCP, the Committee believed these positions would enable the agency to "review more of the [beneficial owner] documentation received by the agency

– rather than random spot-checks – and have the enforcement resources to back it up.”<sup>6</sup>

In the agency’s pre-hearing Performance Oversight responses, DLCP agreed that “these additional FTEs will greatly assist the agency in enforcing the District’s laws and regulations, including adherence to the beneficial owner disclosure requirements.”<sup>7</sup>

During DLCP’s Performance Oversight hearing in February, Director Crowe testified that the agency had filled three of the five newly funded positions with plans to fill the remaining two.<sup>8</sup> Director Crowe explained that one of these positions had been held vacant so it could be adapted into a higher grade position “so that we have an analyst to actually do more evaluation of this beneficial ownership information proactively so we can see what [information] is being provided [and] does it make sense.”<sup>9</sup> The Director noted that filling this higher level analyst position would “allow [DLCP] to dig in further and improve the way [beneficial owner disclosure review] is working now.”<sup>10</sup> Children’s Law Center was very happy to learn about DLCP’s plans for the adapted position because that kind of proactive analysis of corporate filings is what we believe is necessary to fully implement the District’s beneficial owner disclosure requirements.<sup>11</sup>

Additionally, Director Crowe explained that one of the filled positions had been repurposed to conduct investigations in the agency’s Consumer Protection Unit (CPU) to give DLCP “additional bandwidth” to investigate complaints about “bad actor[s] [who are] trying to skirt the [beneficial owner disclosure] law.”<sup>12</sup> As Children’s Law Center plans to train all of our attorneys that work on housing matters to submit complaints to

DLCP's CPU, per the agency's suggestion, we agree with the Director's emphasis on ensuring the CPU team is adequately staffed.

Children's Law Center is therefore concerned that the Mayor's proposed FY25 budget for DLCP includes a decrease of one FTE in Corporation Services<sup>13</sup> and two FTEs in Consumer Protection.<sup>14</sup> Children's Law Center urges the Committee to determine 1) whether any of the cut positions were amongst those newly funded by the Committee in FY24 and 2) what impact the cuts will have on DLCP's capacity to increase substantive compliance with the beneficial owner disclosure requirement. We encourage the Committee to reverse any cuts that will hamper DLCP's ability to meaningfully enforce corporate transparency in the District. The Committee should protect the investments it made in DLCP last year so the agency can fulfill its role in ensuring bad actors that profit by operating as corporations in the District can be held accountable when they violate District laws and place the health and safety of DC residents at risk.

**The Council Should Ensure that DLCP has Sufficient Resources to Upgrade its Corporate Registration System**

In addition to funding new FTEs, the Committee made several policy recommendations to DLCP during the FY24 budget process to help the agency improve implementation of the District's beneficial owner disclosure requirements. After hearing from the previous DLCP Director about the limitations of the corporate registration system used by the agency,<sup>15</sup> the Committee recommended that DLCP modernize the technology used to collect beneficial owner disclosures and supporting documentation

“to make it easier to monitor compliance.”<sup>16</sup> In its pre-hearing Performance Oversight submitted to the Committee in February, DLCP indicated that “new software applications and enhancements” are still needed to support the agency’s work enforcing the District’s beneficial owner disclosure requirements.<sup>17</sup> During DLCP’s Performance Oversight hearing, Director Crowe informed the Committee that the agency had recently secured a statement of work from the Office of Contracting and Procurement so it could move forward to secure a vendor for the new corporate registration system.<sup>18</sup>

Adopting a new corporate registration system is a large – and presumably expensive – undertaking that is necessary for DLCP to develop a more proactive approach to reviewing corporate filings and effectively monitoring the completeness and accuracy of beneficial owner disclosures. Therefore, Children’s Law Center was concerned to see that the Mayor’s proposed FY25 budget includes cuts of \$1.31 million to DLCP’s Information Technology Services within the Agency Management Program and \$1.28 million to DLCP’s Corporation Services within Licensing Services.<sup>19</sup> We urge the Committee to establish whether either of these cuts will impede DLCP’s ability to move forward with its plans to secure and implement a new corporate registration system in FY25 and restore whatever level of funding is needed to accomplish this goal.

## **Conclusion**

Thank you for your continued attention to this critical issue. I appreciate the opportunity to testify and would be happy to answer any questions.

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<sup>1</sup> Children’s Law Center’s innovative medical legal partnership, Healthy Together, places attorneys at primary care pediatric clinics throughout the city with Children’s National, Unity Health Care, and Mary’s Center to receive referrals from pediatric providers for assistance with non-medical barriers to a child’s health and well-being. *See* Children’s Law Center, *available at*: <https://childrenslawcenter.org/our-impact/health/>.

<sup>2</sup> When unaddressed housing code violations are harming a child’s health, our attorneys represent clients in the Housing Conditions Calendar of the DC Superior Court, where tenants may sue landlords for housing code violations on an expedited basis and seek the limited relief of enforcing compliance with the housing code. *See* Housing Conditions Calendar, <https://www.dccourts.gov/services/civil-matters/housing-conditions-calendar>; *see also* 14 D.C.M.R. §§ 301, 400-999 (DC housing code).

<sup>3</sup> *See* D.C. Code §§ 29-102.01 – 29-102.13. Subchapter II. Filing., <https://code.dccouncil.gov/us/dc/council/code/titles/29/chapters/1/subchapters/II>.

<sup>4</sup> Council of the District of Columbia, Committee on Public Works and Operations, Committee Report on the Fiscal Year 2024 Budget and Financial Plan for Agencies Under its Purview, p. 178-180, (May 9, 2023), *available at*: [https://lims.dccouncil.gov/downloads/LIMS/52615/Committee\\_Report/B25-0203-Committee\\_Report6.pdf?Id=162494](https://lims.dccouncil.gov/downloads/LIMS/52615/Committee_Report/B25-0203-Committee_Report6.pdf?Id=162494).

<sup>5</sup> *Id.* at 179 (“Acting Director Kwan-Hui admitted to the Committee that DLCP does not have sufficient staffing or resources in FY2024 to ensure full compliance with the law.”).

<sup>6</sup> *Id.* at 179-180.

<sup>7</sup> Department of Licensing and Consumer Protection FY2023-2024 Performance Oversight Responses, response to Q59(b), p. 30, *available at*: <https://lims.dccouncil.gov/Hearings/hearings/275>.

<sup>8</sup> Council of the District of Columbia Committee on Public Works and Operations, Performance Oversight Hearing on the Department of Licensing and Consumer Protection (January 24, 2024) at 1:29:23, *available at*: [https://dc.granicus.com/MediaPlayer.php?view\\_id=58&clip\\_id=8631](https://dc.granicus.com/MediaPlayer.php?view_id=58&clip_id=8631).

<sup>9</sup> *Id.* at 1:29:37.

<sup>10</sup> *Id.*

<sup>11</sup> “To effectively implement DC’s beneficial owner disclosure requirements, DLCP must *actively* enforce the law. . . . DLCP should be systematically checking beneficial owner disclosures in new filings and registrations and auditing past disclosures to assess willful or ignorant noncompliance with the law and guide the agency’s enforcement.” Makenna Osborn, Children’s Law Center, Testimony Before the District of Columbia Council Committee on Public Works and Operations, (February 22, 2023), p. 4-5, *available at*: <https://childrenslawcenter.org/wp-content/uploads/2023/02/DLCP-Performance-Oversight-CLC-Written-Testimony-with-Attachments-Final-2.21.23.pdf>; *See also* Makenna Osborn, Children’s Law Center, Testimony Before the District of Columbia Council Committee on Public Works and Operations, (February 24, 2024), *available at*: <https://childrenslawcenter.org/resources/fy24-oversight-testimony-department-of-licensing-and-consumer-protection/>.

<sup>12</sup> Council of the District of Columbia Committee on Public Works and Operations, Performance Oversight Hearing on the Department of Licensing and Consumer Protection (January 24, 2024) at 1:30:18, *available at*: [https://dc.granicus.com/MediaPlayer.php?view\\_id=58&clip\\_id=8631](https://dc.granicus.com/MediaPlayer.php?view_id=58&clip_id=8631).

<sup>13</sup> Mayor’s Proposed FY 2025 Budget and Financial Plan, Volume 4 Agency Budget Chapters – Part III, Department of Licensing and Consumer Protection, Table CR0-4, Line (R01502), p. F-48. Note that in this year’s agency budget chapters, the line item for what the Committee referred to as the Corporations Division for the purposes of funding new FTEs in the FY24 budget is referred to as “Corporation Services.” *See id.* at F-50 (“Corporation Services – responsible for registering all [corporate] entities . . . conducting affairs within the District of Columbia.”).

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<sup>14</sup> Mayor’s Proposed FY 2025 Budget and Financial Plan, Volume 4 Agency Budget Chapters – Part III, Department of Licensing and Consumer Protection, Table CR0-4, Line (R01403), p. F-48. While the Committee funded two investigators in DLCP’s Enforcement Unit in the FY24 budget, Director Crowe explained during the agency’s 2024 Performance Oversight hearing that one of those investigators was placed in the Consumer Protection Unit instead and how that met the Committee and Children’s Law Center’s goal of increased capacity to investigate inaccurate or incomplete beneficial owner disclosures. Therefore, Children’s Law Center is concerned to see two positions cut from the Consumer Protections Unit in the Mayor’s proposed FY25 budget.

<sup>15</sup> Council of the District of Columbia, Committee on Public Works and Operations, Committee Report on the Fiscal Year 2024 Budget and Financial Plan for Agencies Under its Purview, p. 179, (May 9, 2023), available at: [https://lims.dccouncil.gov/downloads/LIMS/52615/Committee\\_Report/B25-0203-Committee\\_Report6.pdf?Id=162494](https://lims.dccouncil.gov/downloads/LIMS/52615/Committee_Report/B25-0203-Committee_Report6.pdf?Id=162494) (“Per Acting Director Kwan-Hui’s response, compliance is challenging due to the way in which supporting documentation is typically delivered to the agency – apparently in non-searchable PDFs and other formats difficult to track.”).

<sup>16</sup> *Id.* at 182.

<sup>17</sup> Department of Licensing and Consumer Protection FY2023-2024 Performance Oversight Responses, response to Q59(c), p. 31, available at: <https://lims.dccouncil.gov/Hearings/hearings/275>.

<sup>18</sup> Council of the District of Columbia Committee on Public Works and Operations, Performance Oversight Hearing on the Department of Licensing and Consumer Protection (January 24, 2024) at 1:36:00, available at: [https://dc.granicus.com/MediaPlayer.php?view\\_id=58&clip\\_id=8631](https://dc.granicus.com/MediaPlayer.php?view_id=58&clip_id=8631).

<sup>19</sup> Mayor’s Proposed FY 2025 Budget and Financial Plan, Volume 4 Agency Budget Chapters – Part III, Department of Licensing and Consumer Protection, Table CR0-4, Line (AMP0121) and Line (R01502), p. F-48.