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BUDGET AUTONOMY FOR THE DISTRICT OF COLUMBIA: RESTORING TRUST IN OUR NATION'S CAPITAL

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

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BUDGET AUTONOMY FOR THE DISTRICT OF COLUMBIA: RESTORING TRUST IN OUR NATION'S CAPITAL

FRIDAY, JUNE 13, 2003

HOUSE OF REPRESENTATIVES,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The committee met, pursuant to notice, at 10:04 a.m., in room 2154, Rayburn House Office Building, Hon. Tom Davis (chairman of the committee) presiding.

Present: Representatives Tom Davis of Virginia, Carter, Van Hollen and Norton.

Staff present: Peter Sirh, staff director; Melissa Wojciak, deputy staff director; Keith Ausbrook, chief counsel; David Marin, director of communications; Scott Kopple, deputy director of communications; Mason Alinger, professional staff member; Teresa Austin, chief clerk; Joshua E. Gillespie, deputy clerk; Shalley Kim, legislative assistant; Leneal Scott, computer systems manager; Rosalind Parker, minority counsel; Earley Green, minority chief clerk; Jean Gosa, minority assistant clerk; and Cecelia Morton, minority office manager.

Chairman TOM DAVIS. Good morning. The committee will come to order.

I want to welcome everyone to today's hearing to discuss options for expediting congressional consideration of the District of Columbia's local budget. After issuing six consecutive balanced budgets, receiving clean, unqualified financial audits and building up a general surplus and cash reserves of over $1 billion, I believe the time has come for Congress to consider relaxing some of its oversight controls over the Nation's Capital, having been instrumental in setting up those controls originally.

The District's government has come a long way since March 1995 when this committee issued a report declaring that the District of Columbia is insolvent, the city does not have enough cash to pay its bills. It's spending at a rate in fiscal year 1995 that would exceed its mandated expenditure limits by more than $600 million, nearly 20 percent above its congressional appropriation.

Through legislation written in 1995 by me, along with Representative Eleanor Holmes Norton, called the District of Columbia Financial Responsibility and Management Assistance Act, Congress established a financial control board and a Chief Financial Officer essentially to take over city operations until the District could stand on its own. I am pleased to say that, at a time when most

municipalities throughout the country are resorting to massive budget cuts in order to balance their budgets, the District has managed to stay its course of relative financial stability.

Now, after 6 years of governance under the financial control board and 2 years in a fairly stable post-control board environment, it is time for Congress to reconsider its oversight of the District. Every year the District submits its roughly $5.8 billion budget of locally raised funds to be approved by the U.S. Congress in conjunction with approximately $500 million in Federal contributions that Congress appropriates to the District annually. While Congress's involvement in the District's budget matters is the result of Congress's responsibility to ensure the financial well-being of our Nation's Capital, the unfortunate reality is that the city's local budget can get tied up in political stalemates over congressional appropriations that rarely have anything to do with the District's budget. In essence, we become part of the problem sometimes, and that is what we are trying to remedy today.

Now, we have worked with the Senate side, we have worked with some of our appropriation colleagues who have some concerns about this legislation as we move forward, but I think we are going to be able to bail out of here that will give you autonomy—if Congress doesn't act, will give you the protections that you need as a city that every other city in the United States has. You have gone through some tough times. We know the budget is still a little bit out of whack, as they say; there are structural issues. I might add that there are cities—our Commonwealth of Virginia has a structural issue as well that forces us to look at new strategies, and we will be working alongside with you on that.

So, we are pleased to have you here today. I think you have earned, the city has certainly earned, the right that other cities have to budget autonomy particularly over its own budget, and Ms. Norton and I are determined to move forward in a most expeditious manner.

[The prepared statement of Chairman Tom Davis follows:]

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INDEPENDENT

Opening Statement of Chairman Davis
Committee on Government Reform
"Budget Autonomy for the District of Columbia: Restoring Trust in Our Nation's Capital"
June 13, 2003, 10:00 a.m., Room 2154 Rayburn House Office Building

Good morning. I would like to welcome everyone to today's hearing to discuss options for expediting congressional consideration on the District of Columbia's local budget. After issuing six consecutive balanced budgets, receiving clean, unqualified financial audits and building up a general surplus and cash reserves of over a billion dollars, I believe the time has come for Congress to consider relaxing some of its oversight controls over the Nation's capital.

The District of Columbia government has come a long way since March of 1995, when this Committee issued a report declaring that "the District of Columbia is insolvent: the city does not have enough cash to pay its bills. It is spending at a rate in fiscal year 1995 that would exceed its mandated expenditure limits by more than $600 million, nearly 20 percent above its congressional appropriation."

Through legislation written in 1995 by me, along with Representative Eleanor Holmes Norton, called the District of Columbia Financial Responsibility and Management Assistance Act, Congress established a Financial Control Board and a Chief Financial Officer essentially to take over city operations until the District could stand on its own. I am pleased to say that, at a time when most municipalities throughout the country are resorting to massive budget cuts in order to balance their budgets, the District has managed to stay its course of relative financial stability.

Now, after six years of governance under the Financial Control Board and two years in a fairly stable post-Control Board environment, it is time for Congress to reconsider its oversight of the District. Every year, the District submits its roughly $5.8 billion budget of locally raised funds to be approved by the United States Congress in conjunction with the approximately $500 million in federal contributions that Congress appropriates to the District annually. While Congress's involvement in the District's budget matters is the result of Congress's responsibility to ensure the financial well being of our Nation's capital, the unfortunate reality is that the city's local budget can get tied up in political stalemates over congressional appropriations that rarely have anything to do with the District's budget.

We are here today to discuss how to develop legislation that would allow the District to submit its local budget to Congress for congressional review and consideration under an expedited review process that would ensure that the District can begin utilizing the next fiscal year's funds when the fiscal year begins. I would also like to discuss with the witnesses how they envision the expedited congressional consideration of the local budget would work. For example, what timelines are appropriate for the submission of the local budget to the Congress? How much say, if any, should the Congress have in the District's budget decisions?

Unlike states, which must first liquidate all assets before turning to the federal government for financial assistance, the federal government is directly responsible for the financial well being of the District of Columbia. Therefore, this legislation must protect Congress's right to intervene with local spending decisions when necessary. Congress will continue to have the constitutional responsibility to make sure the District does not return to the days of fiscal crisis.

The federal government will still be responsible for enacting an annual D.C. appropriations bill to fund criminal justice and defender supervision functions, courts and tuition assistance, so Congress will still be intimately involved in the District's operations. In addition, budget autonomy would be rescinded should the District trigger one of the "seven deadly sins" that would trigger the reinstatement of a DC Financial Control Board.

Now that I have laid the general outline of the proposal that we are discussing here today, I would like to recognize other Members of the Committee for their opening statements and then turn to the witnesses for their comments. I welcome the witnesses to today's hearing and I look forward to their testimony.

Chairman TOM DAVIS. And I yield to my colleague from the District, Eleanor Holmes Norton.

Ms. NORTON. Thank you very much, Mr. Chairman. I am pleased to welcome today's witnesses, congratulate them on the budget they have just finished sending to the Congress. And I thank you, Mr. Chairman, for convening this hearing on budget autonomy for the District of Columbia, a measure of great importance for the city.

In 30 years of home rule, the city has made many changes and reforms on its own and many others required by the Congress. However, the Congress continues to use essentially the same oversight processes it has used since the District was created as a functioning city more than 200 years ago. I cannot think of a single significant change Congress has made in its own processes, not even changes that would help the District improve its own management in all that time.

The approach to budget autonomy we have outlined would be an important first step for the Congress and for the District. The approach you and I first announced in February, Mr. Chairman, would still not resemble the self-contained and more efficient procedures used by every State and locality in our country; however, this step would take the city a great distance toward functional budget autonomy and away from a congressional process that adds large dollar costs and incalculable waste and inefficiency directly traceable to the congressional appropriations process.

I have called this step toward fuller budget autonomy functional budget autonomy not only because it would significantly streamline and untangle the process, it also would eliminate the most inefficient and demeaning impediment to the local control every other jurisdiction enjoys; namely, that the budget of a local jurisdiction, the District of Columbia, is enacted by the Congress of the United States just as Congress enacts the budgets of Federal agencies such as the Interior Department and the Labor Department.

For most of my service in Congress, the enactment requirement has usually kept the District from having a local annual budget with which to operate and manage the city for months at a time. The requirement of our bill that the D.C. budget always become operative at the start of the fiscal year in October would have large effects on everything from the District's bond rating to its ability to more efficiently manage every function of the D.C. government.

The irony is that Congress almost never changes the District's locally raised core budget. Even at its most intrusive, Congress has realized that when it comes to the complexities of budget decisions for city agencies, Congress is in foreign territory. This is only one of the reasons I think some Members of the House and Senate have been open to the changes we propose. I appreciate the support this approach is already receiving in the Senate.

For years, Congress has seen the D.C. budget wreck the larger appropriation process for the country. Too often the District appropriation, the smallest of the 13, has been, at worst, the largest impediment to the entire appropriation process and, at best, a major cause of delay.

I am especially grateful for the way Chairman Bill Young has worked with me to remove obstacles and often to rescue the D.C.

budget altogether. And Speaker Dennis Hastert and former Speaker Newt Gingrich have become involved as a last resort when only they could make the decision. I very much appreciate that they have always responded when I have asked for their help. However, the local balanced budget of a great city should not need extraordinary action by House Speakers or full appropriation Chairs.

Despite a national economy that has left States and local jurisdictions on their knees, the District has balanced its budget without raising taxes and without using its cash reserve funds. Because the Mayor and the city council have been cautious and conservative in their management of city finances and operations, the District has avoided the budget chaos that plagues many jurisdictions today. Most analysts agree that the District has managed its budget shortfall better than most jurisdictions, including those of our neighbors.

After 200 years of unchanged procedures here in the Congress, the city's record and the bill we are considering today should be the beginning of scrutiny and improvement of congressional processes in aid of greater efficiency for the D.C. government. Even full city autonomy over its local budget would not deprive the Congress of the right to make changes by legislation. If the District's local budget did not come to Congress at all this very day, congressional control would still resemble today's processes because the Revitalization Act requires the Federal Government to fund courts and prisons. Congressional control enactment of home rule after a century of struggle was a major breakthrough. However, Congress has made no major step toward self-government since 1973. Surely the place to begin is with the city's budget process, the most critical feature for financial and operational efficiency.

Today must mark a long-awaited step toward equal citizenship and equal treatment by the Congress. At the very least, the District is owed a congressional response in kind to the very substantial improvements the city has made in its financial and operations for 6 years. The way to begin is by matching the District's greater efficiency in managing its own finances and operations with the same in our own processes. The way to begin is with budget autonomy.

Thank you very much, Mr. Chairman.

Chairman TOM DAVIS. Thank you very much.

[The prepared statement of Hon. Eleanor Holmes Norton follows:]

ELEANOR HOLMES NORTON
DISTRICT OF COLUMBIA

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RANKING MINORITY MEMBER,
DISTRICT OF COLUMBIA

CIVIL SERVICE AND
AGENCY ORGANIZATION

Statement of Congresswoman Eleanor Holmes Norton at a Hearing of the Committee on Government Reform: Budget Autonomy for the District of Columbia: Restoring Trust in Our Nation's Capital.

June 13, 2003

Thank you, Mr. Chairman for convening this hearing on budget autonomy for the District of Columbia, a measure of great importance for the city. In 30 years of home rule, the city has made many changes and reforms on its own and many others required by the Congress. However, the Congress continues to use essentially the oversight process it has used since the District was created as a functioning city more than 200 years ago. I cannot think of a single, significant change Congress has made in its own processes, not even changes that would help the District improve its own management in all that time. The approach to budget autonomy we have outlined would be an important first step for the Congress and for the District.

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I have called this step toward fuller budget autonomy "functional budget autonomy" not only because it would significantly streamline and untangle the process. It also would eliminate the most inefficient and demeaning impediment to the local control every other jurisdiction enjoys, namely that the budget of a local jurisdiction. The District of Columbia is enacted by the Congress of the United States, just as Congress enacts the budgets of federal agencies, such as the Interior Department and the Labor Department.

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For most of my service in Congress, the enactment requirement has usually kept the District from having a local annual budget with which to operate and manage the city for months at a time. The requirement of our bill that the D.C. budget always become operative at the start of the fiscal year in October would have large effects on everything from the District's bond rating to its ability to more efficiently manage every function of the D.C. government.

The irony is that the Congress almost never changes the District's locally raised core budget. Even when it is most intrusive, Congress has realized that when it comes to the complexities of budget decisions for city agencies, Congress is in foreign territory. This is only one of the reasons that I think some members of the House and Senate have been open to the change we propose. I appreciate the support this approach already is receiving in the Senate. For years Congress has seen the D.C. budget wreck the larger appropriation process for the country. Too often the District appropriation, the smallest of the thirteen, has been at worst the largest impediment to the entire appropriation process and at best a major cause of delay. I am especially grateful for the way that Chairman Bill Young has worked with me to remove obstacles and often to rescue the D.C. budget altogether. And Speaker Dennis Hastert and former Speaker Newt Gingrich have become involved, as a last resort, only when they could make the decision. I very much appreciate that they have always responded when I have asked for their help.

However, the local balanced budget of a great city should not need extraordinary action by House speakers or full appropriation chairs. Despite a national economy that has left states and local jurisdictions on their knees, the District has balanced its budget without raising taxes and without using its cash reserve funds. Because the Mayor and the City Council have been cautious and conservative in their management of city finances and operations, the District has avoided the budget chaos that plagues many jurisdictions today. Most analysts agree that the District has managed its budget shortfall better than most jurisdictions, including those of our neighbors.

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Chairman TOM DAVIS. If there are no other statements, we will give Members 5 legislative days to submit opening statements for the record.

We now move to our distinguished witnesses. We have the Honorable Anthony Williams, the Mayor of the District of Columbia. Tony, it is great to have you back here again. Honorable Linda Cropp, chairman of the District of Columbia City Council. Good to have you back again as well. And Dr. Natwar Gandhi, the chief financial officer of the District of Columbia.

It is the policy of the committee that we swear all witnesses before they testify. Would you rise with me and raise your right hands.

[Witnesses sworn.]

Chairman TOM DAVIS. Thank you very much.

In order to allow time for more questions, if you'd try to limit your testimony to 5 minutes, we do have one panel today, we will be flexible on that to make sure you get your points across. But we have read the submitted testimony, that is all part of the record, and we want to get right into questions.

We will start with you, Mayor Williams, and move right down. And, again, good to have you back.

STATEMENT OF ANTHONY WILLIAMS, MAYOR, DISTRICT OF COLUMBIA GOVERNMENT

Mayor WILLIAMS. Thank you, Mr. Chairman, Congresswoman Norton, Congressman Carter. Thank you all so much. I will abbreviate my remarks, recognizing they have been submitted for the record, so we can have time for questions and answers.

I just leave you with the thought that, historically the District has had the dual identity of being a local government and a Federal agency. And in our Federal system of government, this one-of-a-kind structure has created one-of-a-kind challenges. And at the root of all these problems is the need identified by you, Mr. Chairman, and certainly by Congresswoman Norton for the appropriate level of managerial discretion and flexibility for a government like the District.

We are at the front line of service delivery like local governments are across the country, and we need the ability to respond quickly to locally changing needs, to locally changing economic circumstances.

I, along with Congresswoman Norton, certainly want to salute Speaker Hastert, former Speaker Gingrich, full committee Chairman Young for their working with us to get their budgets through. But she is right, it shouldn't take extraordinary action for regular government practice to move forward.

How does this requirement affect us? It affects us in a number of ways. First of all, the requirement now for this extensive review lengthens the time between the period of identifying a service need and implementing a solution. In fiscal year 2001, for example, we began cracking down on owners of slum properties to improve living conditions there. As we did so, however, we noted that residents of these properties needed to be relocated during the renovation process. Because of our lack of autonomy, however, we had to

wait for over a year for the Federal Government to approve this budgetary change in the local budget.

Service improvements are delayed by the continuing resolutions. In recent history the average congressional delay has been almost 3 months, which is almost a full quarter of the fiscal year. During these delays, critical new investments can't be funded. In fiscal year 2002, for example, these delayed investments included new school nurses, prescription drug benefits, police equipment and staffing. In fiscal year 2003, the delay—the congressional delay is planned through—lasted through February, was almost half a year. And ironically, as Chairman Cropp, has noted, the delay in this last fiscal year actually prevented us from operating at a lower level than the continuing resolution called for, which is quite ironic and paradoxical, given the demand that we be fiscally responsible with our funds.

Midyear budget reallocations require an act of Congress and disrupt service delivery. You, Mr. Chairman, and certainly Congresswoman Norton have spoken often about that. I am sure that CFO Gandhi will talk about the effect this has on the marketability of district bonds. They are looking for flexibility and the ability to move quickly in this certain—and the current restrictions certainly hamper that.

Finally, the lack of budget autonomy also has a paradoxical impact on us in that, perversely, program managers must use or lose funding at the end of the fiscal year. Congressional approval for spending expires at the end of the year, which punishes program managers who save funds by allowing those funds to carry forward. You know, the old traditional conventional use it or lose it is a rule, and that is certainly not good government.

Mr. Chairman, you mentioned the fiscal crisis at the District base. One of the things I'm proudest of, if you look at our city, Cleveland, Philadelphia, New York, and other cities, I think when you look back 50 years from now, you will see a city that has rebounded; it is in the front rank of American cities. And I think people will look back and they'll say, you know, one thing about the District during that time is they managed to get out of that fiscal crisis, certainly with the tremendous help of the 1997 act, but they did it without ever resorting to borrowing, to finance, their deficit. They basically paid that deficit down the old-fashioned hard way. And I think that is to our credit. I think, more than anything else, I think that demonstrates our ability to be prudent, to be responsible, and, as you have said, to earn budget autonomy. Thank you.

Chairman TOM DAVIS. Thank you very much, Mr. Mayor.

[The prepared statement of Mayor Williams follows:]

GOVERNMENT OF THE DISTRICT OF COLUMBIA

EXECUTIVE OFFICE OF THE MAYOR

Committee on Government Reform
United States House of Representatives

The Honorable Thomas M. Davis, III, Chairman
The Honorable Henry A. Waxman, Ranking Member

Budget Autonomy in the District of Columbia

Statement of

Anthony A. Williams
Mayor
District of Columbia

Friday, June 13, 2003
2154 Rayburn House Office Building
10:00 a.m.

Thank you Chairman Davis, Ranking Minority Member Waxman, and members of the committee for this opportunity to testify on budget autonomy for the District of Columbia. Chairman Davis, you have truly raised the bar for leadership and commitment to the District, and I feel encouraged that the interests of the District will be well served with you in this position.

As we discuss budget autonomy it is very appropriate that we are doing so under the leadership of the Committee on Government Reform. This is true because the critical outcome of budget autonomy will be to greatly advance the reform of service delivery in the District government. Where service delivery has been hampered by local management issues, we have taken aggressive action, and have made great progress. Now, we must examine where service delivery is hampered by larger constraints such as the federal approval process for our budget.

For the purpose of budgeting, the District has had the dual identity of being a local government and a federal agency. In our federal system of government, this one-of-a-kind structure has created one-of-a-kind challenges. At the root of all of these problems is the need for an appropriate level of managerial discretion and flexibility.

As the front line of government service delivery, no local governments can operate effectively without the ability to respond quickly to changing public needs. In a complicated society such as ours, there are new challenges and new opportunities that arise on a monthly, weekly, and sometimes daily basis. As the primary deliverer of services, local governments can only be effective if they can respond to changing circumstances by changing programs and services in a timely and responsive manner.

All state governments in our nation have this flexibility. They control their own programs and budget allocations without the need for approval from Congress. This allows them to allocate funding in a quick and responsive manner to meet emerging public needs. The District, on the other hand, must develop its budget according to the extremely complicated and lengthy federal appropriations process. This requirement disrupts service delivery in several troublesome ways:

1. ***It lengthens the time period between identifying a service need and implementing a solution.*** In fiscal year 2001, for example, we began cracking down on owners of slum properties to improve living conditions there. As we did so, however, we noted that residents of these properties needed to be relocated during the renovation process. Because of our lack of autonomy, however, we had to wait over a year for the federal government to approve this budgetary change in our local budget.

2. ***Service improvements are further hindered by federal delays in the budget approval process.*** Since 1996, the average Congressional delay has

been almost three months, *which is almost a full quarter of the fiscal year.* During these delays critical new investments cannot be funded.

In FY 2002, for example, the delay affected service improvements such as new school nurses, prescription drug benefits, police equipment and staffing, fire fighter hires, and the tenant relocation fund discussed earlier. In FY 2003, the Congressional delay lasted through February – *almost half a year.* That inaction has jeopardized new investments in foster care, public schools, and improved compensation for police and firefighters.

3. ***Mid-year budget reallocations require an act of Congress, and disrupt service delivery.*** Local governments need the flexibility to respond to rapid changes in their needs. The District is not allowed to significantly reallocate funds to meet changing needs without an act of Congress. Last year, for example, DC needed to reallocate funds to support the movement of children from foster care to adoption. This transfer of funding could not be complete for months until a supplemental appropriation bill moved through Congress.

4. ***Delays negatively affect marketability of District bonds.*** The uncertainty about whether the District will have a budget at the start of the fiscal year must be disclosed to potential buyers of DC's municipal bonds. In general, greater uncertainty means higher interest rates for DC, which in turn means that more of the budget goes toward paying interest, and less goes to other priorities.

5. ***Program managers must "use or lose" funding at the end of each year.*** Congressional approval for spending expires at the end of the year, which punishes program managers who save funds by not allowing them to carry those funds forward for other purposes.

To provide even more justification to the case for budget autonomy, it is important to note that despite the time-consuming budget review process, recent history shows that neither Congress nor the White House have made any changes to the actual allocation of local funds in the District budget. Instead, they have limited their changes to legislative provisions and direct federal appropriations – two things they can still add under a streamlined process.

In terms of specific changes required, first and foremost is exempting the District from future continuing resolutions. Just last week Chairman Frelinghuysen of our House Appropriations Subcommittee acknowledged the importance of this change, and committed himself to achieving it. As valuable as this change would be, however, an even better solution would be to create a passive review process. In this process, the District's budget is deemed approved unless Congress passes a joint resolution to disapprove it. This solution would not only eliminate delays associated with continuing resolutions, it would allow the District to realign its budget timeline

with a more standard state process, thereby providing the flexibility needed to further improve services.

The District has demonstrated its readiness for greater flexibility through a strong record of responsible financial management. For example, since the sunset of the control board, the District has balanced our sixth consecutive budget, and we completed our year-end financial audit with a clean opinion, with a marked reduction in management letter comments, and on a very timely basis.

Furthermore, the District has managed the recent economic pressures with great fiscal discipline. States across the country are facing the worst fiscal crisis since World War II, and the District is no exception. Due to the national economic downturn, the District experienced a decline in revenues of approximately $370 million in the first half of FY 2003. This decline equates to a 10% loss in our local operating budget. Because the economy has not yet recovered, these challenges continued into FY 2004, and the District began formulation of that budget with a projected gap of $114 million.

In facing these challenges, however, the District not only continued its record of sound fiscal management, we achieved a level of responsible and conservative budgeting found only among the most financially prudent governments. As a result, the FY 2004 budget transmitted today is balanced in the current and future years. More notably, the District's leaders balanced this budget entirely through budget reductions. No accounting gimmicks were used, no tax increases were adopted, and not one dollar of the $250 million in cash reserves was used.

This tremendous discipline demonstrates that the District is ready for greater budget autonomy. Accountability is a two-sided coin. If the Congress will restrict the District's autonomy when our performance lags, it should also increase our autonomy when our performance is strong.

As assurance that the District will continue its strong financial performance, the Congress has established Public Law 104-8, the Financial Responsibility and Management Assistance Act. This law ensures that the government continues to fulfill its financial obligations in a timely and responsible way. The District will also maintain an independent Chief Financial Officer who can support the continued financial recovery of the District.

In summary, I want to thank this committee for its leadership in promoting budget autonomy for the District. Last January, the President Bush issued a strong statement in favor of budget autonomy. That statement coupled with the support in both the House and Senate, give great cause for hope that the service improvement in the District can be greatly enhanced in the very near future.

Thank you for this opportunity to testify. After the statements of Chairman Cropp and Dr. Gandhi, I will be happy to answer any questions you may have.

Chairman TOM DAVIS. Chairman Cropp.

STATEMENT OF LINDA CROPP, CHAIRMAN, DISTRICT OF COLUMBIA COUNCIL

Ms. CROPP. Thank you very much, Mr. Chairman. And to Congresswoman Norton and Congressman Carter, let me say good morning to all of you, and thank you very much, Mr. Chairman, for holding this public hearing and for cointroducing with Congresswoman Norton the legislation under consideration here today to provide greater autonomy to the locally elected Mayor and council over the locally funded portion of the District of Columbia budget. We also very much appreciate the support of the President for this proposal and your efforts to make it happen.

I am just thrilled that we are here talking about this particular piece of legislation. If enacted, it would be the first real advancement of home rule in the District of Columbia since congressional enactment of the limited home rule 30 years ago. And, let me add, it is about time.

Submitted with my testimony is a proposed resolution signed by all 13 members of the council in support of budget autonomy for the District, which I will not read, but ask that it be included as part of the record.

Chairman TOM DAVIS. Without objection, it will be.

Ms. CROPP. As you've requested in your letter of invitation to this hearing, let me provide you with a few examples of the fiscal discipline exercised by locally elected officials since the Financial Authority became dormant and the mechanisms and safeguards in place to prevent the District from lapsing into a fiscal crisis.

This past February we received the annual CAFR, which certified that the District's fiscal year 2002 budget that ended on September 30 was our sixth consecutive balanced budget. Of course, it was the fourth consecutive surplus 2 years ago that caused the dormancy of the Financial Authority. Nonetheless the District is struggling to maintain the current fiscal year 2003 budget and keep it in balance primarily because of two factors beyond our control: One, the continuing revenue loss, particularly income, but also sales tax losses, due to the national downturn of the economy, and also due to a continuing aftermath of September 11, the anthrax, sniper, and terrorist alert; second, the continuing structural inequities in the District's financial relationship with the Federal Government, which has been verified recently in the report released by the U.S. General Accounting office, and which still exists despite the budgetary benefits provided to the District under your leadership, Mr. Chairman, due to the passage of the 1997 Revitalization Act.

In the face of these challenges, however, we have been able to work together in closing a $323 million budget gap that occurred within a short period after we had passed our budget last year, and then we did it in record time in the 3-week period. Then on April 1, 6 months into the fiscal year, once again the council took emergency action after the Mayor's recommendation to close a $134 million hole in this year's budget. Of course, our counterparts in Virginia, Maryland, and across the Nation face the same and similar challenges, although we think in the District that we have acted

more quickly, effectively, and responsibility to balance our budget without gimmicks or one-time savings in a very quick way.

Almost two-thirds of the District's initial revenue shortfall, or about $195 million, this year was closed through spending reductions, and the remainder was closed through revenue increases, but no increase in income, general sales, or occupied property taxes. We looked in areas where we had not made increases in a long time. The most recent budget pressures and revenue shortfalls this year required further programmatic reductions, a hiring freeze, suspension of pay steps, and other measures; but we took whatever measures were necessary to make sure that we stayed in place.

The council will continue to squarely face the challenge of fiscal discipline and strict oversight of financial management while continuing to fulfill our commitment to targeting expenditures and investments on critical priorities. In the fiscal year 2004 budget that we just forwarded to Congress, my colleagues and I, along with the Mayor, worked extremely hard to avoid any tax increases. We scrubbed the budget to identify surgical reductions in the growth of spending and in the growth of consulting contracts to a level closer to 4 percent of our budget.

For fiscal year 2005, we've mandated that there is limited growth within the local funds expenditures not to expend more than 3.5 over the budget. So we are very careful to make sure that we do not spend money more than what our revenues will bring in.

We have been vigilant in our oversight responsibilities, holding more oversight hearings than ever before in an effort to keep all of us accountable and living within our means while delivering the services that are budgeted to deliver to our residents, our visitors, and our businesses. The Chief Financial Officer has instituted an early warning system that notifies the council and the Mayor of budget pressures, whether on spending or on the revenue side of the ledger, and enough time to consider and take the necessary actions on various identified options to address these pressures before it is too late, and this has been going on constantly.

Another mechanism utilized by the District has been the pay-go funding, which allows appropriated dollars to be spent only after certain performance or other measurements are realized and certified. We have also worked with the Mayor and the CFO to craft local legislation to assure the continued independence of the Office of the Chief Financial Officer within the home rule context, which requires amendments to the Home Rule Act, and we hope that you will consider this.

Congressionally imposed reserve requirements, both budgeted and cash reserves, have also served to cushion the impact of budget shortfalls or to meet unanticipated needs in the District. Nonetheless, we think that the positive aspect of these reserves can be realized with somewhat more flexibility in how these reserves are set up and operated, and hopefully we can look at that in the future.

Perhaps the best evidence of the fiscal discipline that has been continually exercised by District officials for several years is that we have finally been recognized and rewarded on Wall Street. And, as you know, the District's bond rating was recently upgraded from stable to positive, and there is expectation for further upgrading. This achievement, which will result in significant savings in our

borrowing costs, has occurred at a time when other jurisdictions throughout this country, their bond rating has been downgraded. Our bond rating upgrades are occurring due to the hard work and positive image of the District that has been fostered by local officials working in partnership with our congressional counterparts and business community.

Mr. Chairman, although I think the District of Columbia has clearly demonstrated that we have earned the right to local budget autonomy, let me say, and I hope you would agree, that the fundamental right of self-determination in a representative democracy should not have to be earned by good behavior, however. Indeed, to be governed by the consent of the governed is the founding principle of the United States of America, and it is what this country preaches around the world as a basic human right that is worth fighting wars about. In fact, increased autonomy for locally elected officials, budget autonomy, as well as legislative autonomy, which we also hope you will consider, will necessarily increase accountability of the locally elected officials for their actions. Autonomy and accountability are what our form of Constitutional government is supposed to be all about.

Having the District's local funds of $3.8 billion in locally raised revenues be subject to the Federal appropriations process, where we do not have a vote, and the process of the Senate, where we do not have an elected voice, highlights undemocratic, separate, and unequal treatment of the District by the Federal Government. No other local or State jurisdiction in the United States is burdened by having the expenditure of its locally or State-raised revenue subject to congressional review of approval. But even if local or State government budgets are subject to congressional approval, at least the citizens would have voting representation in the body controlling their own pursestrings.

The current budget process is not only undemocratic, which should be enough reason by itself to enact budget autonomy legislation, the existing process is also a bad way to run government, as the Mayor has stated.

I am going to put most of it into the record for the rest of my testimony so that we can have time for questions and answers. But I would say in summary, because the congressional review and approval of the District's locals funds budget and local legislation is undemocratic, unnecessary, and runs counter to the principles of good government, I urge this committee and Congress to take expeditious action to provide both budgetary and legislative autonomy to the Mayor and council of the District of Columbia.

We really do appreciate this hearing and your leadership in this regard. We thank you again for holding this hearing today and for the opportunity to testify in favor of greater self-determination for the citizens of the District of Columbia. Thank you.

Chairman TOM DAVIS. Thank you very much.

[The prepared statement of Ms. Cropp follows:]

LINDA W. CROPP
Chairman

COUNCIL OF THE DISTRICT OF COLUMBIA
WASHINGTON, D. C. 20004

TESTIMONY OF
CHAIRMAN LINDA W. CROPP
COUNCIL OF THE DISTRICT OF COLUMBIA

BEFORE THE
UNITED STATES HOUSE
COMMITTEE ON GOVERNMENT REFORM

ON THE
"DISTRICT OF COLUMBIA
BUDGET AUTONOMY ACT OF 2003"

FRIDAY, JUNE 13, 2003
10:00 A.M.
RAYBURN HOUSE OFFICE BUILDING
ROOM 2154

Chairman Davis, Congressman Waxman, Congresswoman Norton, and members of the Committee on Government Reform, good morning! Let me begin by thanking you, Mr. Chairman, for holding this public hearing and for co-introducing, with Congresswoman Norton, the legislation under consideration here today -- to provide greater autonomy to the locally elected Mayor and Council over the locally funded portion of the District of Columbia budget. We also very much appreciate the support of the President of the United States for this proposal, and your efforts to make that happen.

If enacted, the "District of Columbia Budget Autonomy Act of 2003" would be the first real advancement of home rule in the District since Congressional enactment of the limited Home Rule Act nearly 30 years ago. And let me add, it's about time! Submitted with my testimony is a proposed resolution signed by all 13 members of the Council in support of budget autonomy for the District, which I will not read but ask that it be included within the record of this hearing.

As you have requested in your letter of invitation to this hearing, let me provide you with a few examples of the fiscal discipline exercised by locally elected officials since the Financial Authority became dormant, and of the mechanisms and safeguards in place to prevent the District from lapsing into a fiscal crisis.

Fiscal Discipline and Safeguards

This past February, we received the annual Comprehensive Annual Financial Report, which certified that the District's fiscal year 2002 budget that ended on September 30, 2002 was our sixth consecutive balanced or surplus budget. Of course, it was our fourth consecutive surplus two years ago that caused the dormancy of the Financial Authority.

Nonetheless, the District is struggling this year to maintain the current Fiscal Year 2003 budget in balance --- due primarily to two factors beyond our control:

(1) the continuing revenue losses (particularly income, but also sales, tax losses) due to the national downturn in the economy, and also due to the continuing aftermath of September 11th, anthrax, sniper and terrorist alerts; and

(2) the continuing structural inequities in the District's financial relationship with the Federal government, which has been verified by the recently released report by the United States General Accounting Office, and which still exists despite the budgetary benefits provided to the District, under your leadership Mr. Chairman, due to passage of the 1997 Revitalization Act.

In the face of these challenges, the Council took the lead and made tough decisions with the Mayor in closing a $323-million-dollar-plus revenue shortfall in this year's FY 2003 budget on the very first day of the Fiscal Year -- October 1,

2002. Then on April 1st, six months into the fiscal year, the Council took emergency action to close another $134 million hole in this year's budget. Of course, our counterparts in Virginia and Maryland and all across the country face similar challenges, although we think that the District has acted more quickly, effectively and responsibly to balance our budget without gimmicks or one-time-only savings.

Almost two-thirds of the District's initial revenue shortfall (or about $195 million) this year was closed through spending reductions, and the remainder was closed through revenue increases (but no increases in income, general sales or occupied property tax rates). The most recent budget pressures and revenue shortfalls this year required further programmatic reductions, a hiring freeze, suspension of pay step increases, and other measures.

The Council will continue to squarely face the challenge of fiscal discipline and strict oversight of financial management, while continuing to fulfill our commitment to targeting expenditures and investments on critical priorities. In the Fiscal Year 2004 budget that we just forwarded to Congress, my colleagues and I worked extremely hard to avoid any tax increases. Instead, we scrubbed the budget to identify surgical reductions in the growth of spending, and in the growth of consulting contracts, to a level closer to the 4% level of budget increases that we

had said a year ago was a more sustainable annual increase in local spending. For the FY 2005 budget, the Council has mandated that the Mayor limit growth in local funds expenditures to not more than 3.5% over the FY 2004 budget.

The Council has been vigilant in its oversight responsibilities -- holding more oversight hearings than ever before, in an effort to hold officials accountable for living within their means, while delivering the services they are budgeted to deliver to our residents, visitors and businesses.

The Chief Financial Officer has instituted an early warning system that notifies the Council and the Mayor of budget pressures -- whether on the spending or revenue side of the ledger -- in time to consider and take the necessary actions on various identified options to address these pressures before it is too late. Another mechanism utilized by the District has been Pay-Go funding, which allows appropriated dollars to be spent only after certain performance or other measurements are realized and certified. We have also worked with the Mayor and the CFO to craft local legislation to assure the continued independence of the Office of the Chief Financial Officer within the home rule context, which requires amendments to the Home Rule Act which we hope you will consider.

Congressionally imposed reserve requirements -- both budgeted and cash reserves -- have also served to cushion the impact of budget shortfalls or meet

unanticipated needs in the District; nonetheless, we think that the positive aspects of these reserves can still be realized with somewhat more flexibility in how these reserves are set up and operate.

Perhaps the best evidence of the fiscal discipline that has continually been exercised by District officials for several years is that we have finally been recognized and rewarded on Wall Street. As you know, the District's bond rating was recently upgraded from "stable" to "positive," and there is an expectation for further upgrading. This achievement, which will result in significant savings in our borrowing costs, has occurred at a time when other jurisdictions' bond ratings across the country have been downgraded. Our bond rating upgrades are occurring due to the hard work and positive image of the District that has been fostered by local officials, working in partnership with our Congressional counterparts and the business community.

Mr. Chairman, although I think that the District of Columbia has clearly demonstrated that we have earned the right to local budget autonomy, let me say, and I hope you would agree, that the fundamental right of self-determination in a representative democracy should not have to be earned by "good behavior." Indeed, to be governed by the consent of the governed is the founding principle of the United States of America, and it is what our country preaches around the world

as a basic human right that is worth fighting wars about. In fact, increased autonomy for locally elected officials -- both budgetary autonomy as well as legislative autonomy, which we also hope you will consider -- will necessarily increase accountability by locally elected officials for their actions. Autonomy and accountability are what our form of constitutional government is supposed to be all about.

Having the District's local funds budget of $3.8 billion in locally raised revenues be subject to the Federal appropriations process of the U.S.House of Representatives, where we have no vote, and to the process of the U.S. Senate, where we don't even have an elected voice, highlights the undemocratic, separate and unequal treatment of the District by the Federal Government. No other local or state jurisdiction in the United States is burdened by having the expenditure of its locally or state-raised revenues subject to Congressional review and approval. But even if local or state government budgets were subject to Congressional approval, at least their citizens would have voting representation in the body controlling their own purse strings.

The current budget process is not only undemocratic -- which should be enough of a reason by itself to enact budget autonomy legislation; the existing process is also a bad way to run a government. Requiring submission of the

District's local funds budget as part of the Congressional appropriations process requires the District to formulate a budget too far in advance of revised revenue estimates and expenditure needs that would otherwise be known and lead to more responsible and responsive decision-making. And requiring affirmative Congressional approval of the District's local funds budget has often led to the absurd result of the District getting caught up in national policy disputes that typically delay our local budget's enactment for several months into the fiscal year -- delaying new initiatives, preventing organizational reforms and creating uncertainty about different, often lower, allocations of spending.

In addition to being counter to principles of democracy and good government -- as if that also were not enough, Congressional review and approval of the District's local budget -- and local legislation for that matter -- is simply not necessary. Congress, as we are reminded constantly, retains exclusive jurisdiction over the District pursuant to section 8 of Article I of the U.S. Constitution. As such, Congress can enact legislation at any time affecting local policy and budgetary matters in the District.

Moreover, Congress itself, in enacting the Financial Responsibility and Management Assistance Act of 1995, established the fiscal criteria that would lead to the re-activation of the Financial Authority. That is more than enough "hammer"

hanging over locally elected officials' heads to take fiscally responsible actions in the best interests of the citizens of the District of Columbia.

Finally, let me note that the Council has imposed upon itself stringent fiscal impact requirements for the enactment of legislation. Council Rule 443(c) provides:

"....no bill, resolution, or an amendment to a bill or resolution may be enacted or approved by the Council without a Council fiscal impact statement and worksheet, if applicable, which has been approved by the Council Budget Director or the Chief Financial Officer in the measure or committee report, presented to the Council, at the time of its consideration. The Council fiscal impact statement shall include the estimate of costs which will be incurred by the District as a result of enactment of the measure in the current and each of the first 4 fiscal years for which the act or resolution is in effect, together with a statement of the basis for such estimate. The statement shall include the following:

"(1) A general statement of the effects the measure will have on the operating and capital budgets for the current and next 4 fiscal years;

"(2) A quantitative estimate of the expenditures needed to implement the measures;

"(3) An identification of the revenues and funds currently available, or likely to be available from existing revenue sources to implement the measure, if it is to be implemented within the current fiscal year;

"(4) A statement on the extent to which current appropriations are available to finance implementation of the measure, if it is to be implemented within the current fiscal year; and

"(5) An identification of the specific funding source to be recommended in the forthcoming fiscal years to implement the measure, if the cost of implementation is estimated to exceed $100,000 in that fiscal year."

In summary, because Congressional review and approval of the District's local funds budget and local legislation is undemocratic, unnecessary, and runs counter to principles of good government, I urge this Committee and the Congress to take expeditious action to provide both budgetary and legislative autonomy to the Mayor and the Council of the District of Columbia.

Thank you again for holding this hearing today, and for the opportunity to testify in favor of greater self-determination for the citizens of the District of Columbia.

Councilmember Phil Mendelson

Councilmember Sandy Allen

Councilmember Sharon Ambrose

Councilmember Harold Brazil

Councilmember David Catania

Councilmember Kevin Chavous

Councilmember Jack Evans

Councilmember Adrian Fenty

Councilmember Jim Graham

Councilmember Vincent Orange

Councilmember Kathy Patterson

Councilmember Carol Schwartz

Chairman Linda Cropp

A PROPOSED RESOLUTION

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To declare the sense of the Council on Full Budget Autonomy for the District of Columbia.

RESOLVED, BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this resolution may be cited as the "Sense of the Council Supporting the District of Columbia Budget Autonomy Act of 2003".

Sec. 2. The Council of the District of Columbia finds that: 1

(1) The District of Columbia is the only jurisdiction in the United States forced to 2 have its local budget composed of local tax dollars reviewed by the United States House of 3 Representatives and the United States Senate. 4

(2) The people of the District of Columbia are refused equal treatment as 5 American citizens in many ways: lack of control of local tax funds, lack of control of criminal 6 justice system, lack of control of local legislation, and lack of voting representation in the United 7 States House of Representatives and the United States Senate. The people of the District of 8 Columbia suffer politically, economically and psychologically from this form of colonial rule by 9 the Congress. 10

(3) The review of the local budget by the Congress should end because: 11

(A) The District of Columbia is the only jurisdiction in the United States 12 subject to this review, making it disparate and unequal treatment of the people of District of 13 Columbia and therefore inconsistent with the founding principles of the nation. 14

(B) Members of the United States Congress were elected by the voters of 15 their respective states to represent their interests and not those of the people of Washington, DC. 16

(C) The members of the United States Congress should not be burdened 17 with the responsibility of overseeing the minutia of District of Columbia's budget when they 18 have much greater issues to address. 19

(D) The delay and uncertainty caused by Congressional oversight and 20 review causes the people of the District of Columbia to pay unnecessary interest on bonds, and 21 the underfunding or nonfunding of new programs, such as special education, foster care 22

programs, etc. needed by the District.

(E) The need for Congressional review by legislators unelected by the people of the District of Columbia violates the human rights of the people of the District of Columbia by denying them representative government as stipulated in Article 21 of the Universal Declaration of Human Rights.

(F) The "District of Columbia Budget Autonomy Act of 2003" (sponsored by Delegate Eleanor Holmes Norton and U.S. Representative Tom Davis) would help lead to greater budget autonomy. Although the District's budget bill would be transmitted to Congress for a 30 day layover, there would be no requirement that the District budget be enacted by Congress. In any case, the Congress would be required to release the budget by October 1 (the beginning of the fiscal year) if it was submitted by the District by September 1st.

Sec. 3. It is the sense of the Council that the United States Congress should pass the "District of Columbia Budget Autonomy Act of 2003" this year.

Sec. 4. The Secretary to the Council shall transmit a copy of this resolution to the officers of both houses of Congress, to the committee chairs which have jurisdiction over District of Columbia affairs, and to the Congresswoman for the District of Columbia.

Sec. 5. This resolution shall take effect immediately upon the first date of publication in the District of Columbia Register.

Chairman TOM DAVIS. Dr. Gandhi.

STATEMENT OF NATWAR GANDHI, CHIEF FINANCIAL OFFICER, DISTRICT OF COLUMBIA GOVERNMENT

Mr. GANDHI. Thank you, sir. Good morning, Mr. Chairman, Ms. Norton, Mr. Carter. I will be very brief in my oral comments. I request that my written testimony be entered into the record.

Chairman TOM DAVIS. Without objection.

Mr. GANDHI. At the outset, let me say as both a citizen of the District and its senior financial manager, I wholeheartedly endorse expanding the District's authority to manage its own financial affairs.

Currently, as you pointed out, Mr. Chairman, Congress authorizes all District of Columbia spending through the Federal appropriation process, irrespective of the source of revenue underwriting such spending.

In the District in fiscal year 2003, the budget was roughly $5.5 billion, of which 3.8, or 68 percent, was comprised of revenues raised through local taxes, fees, fines, and user charges. Of the remaining $1.76 billion in Federal funds, about $1.7 billion was comprised of Federal transfer payments and grants. Only $47 million was uniquely and especially appropriated from Federal revenues for programs and projects peculiar to the District of Columbia.

Were the Congress to modify the current law, a range of possibilities remains to exercise oversight over the District's budget and operations. These might include periodic audits, after-the-fact review of the District's locally enacted budget, or review of the District's locally enacted budget by the appropriate oversight group in the Congress. Also, the Federal funds directly appropriated to the District would remain within the Federal appropriation process.

There are several benefits of the autonomy to the District, and I will mention just a few. First, faster enactment of budgets. Because the District currently receives all its authority to spend funds through the Federal appropriations process, the District cannot enact its locally approved budget until Congress passes and the President signs its appropriations bill. This situation guarantees a 5-month lag between local approval and Federal enactment. In practice, Federal appropriation bills are often delayed beyond this period.

There are adverse consequences for the District since it is tied to the Federal appropriation cycle. Bond rating agencies take the uncertainties of the Federal process into account in assessing the District's finances, and discount to a degree whatever ratings the District might otherwise receive. In the case of new or expanded programs approved and financed locally, no implementing action can be taken until the Federal appropriation bill is enacted. This delays program initiation and guarantees programs will not be executed as planned. Also, the more elapsed of time between the formulation of a budget and its execution, the more likely the operating assumptions underlying that budget will not hold true.

Second, the Federal appropriations cycle runs on an October/September fiscal year, a fiscal year cycle unsuited to local government. Were the District to have autonomy to appropriate its own funds like other local jurisdictions, my recommendation to the Mayor and

the council would be to revise the fiscal year to a July/June cycle. This would have two immediate advantages. First, it would conform the fiscal year to the school year, greatly enhancing the ability of the D.C. public schools and the University of the District of Columbia to manage their funds effectively. Second, it would more closely conform the District's fiscal year to its revenue cycle. The annual income tax payments are due in April, and the first semi annual real property tax payment is due on March 31. Data on these payments is used to update revenue projections for the upcoming fiscal year. Were the District to execute its fiscal year budget beginning in July, it would be proceeding on the most recently available and, therefore, most accurate revenue information.

Finally providing the District with authority to direct the spending of its locally raised revenue would substantially increase the District's ability to react to changing program and financial conditions. Under the current law, the District follows the Federal supplemental appropriations process to appropriate additional revenues or to make any significant realignment in resources among its appropriations. Program plans premised on supplemental appropriations are held in abeyance while Congress considers the request. The same problem is encountered on the other financial transactions. For example, all reprogramming of funds from one object class of the expense to another in excess of $1 million requires congressional review of 1 month before enactment.

The District has the financial infrastructure to permit it to manage its local funds effectively. We have a strong accounting system linked to our budget oversight processes. Monthly closings and cash reconciliation are in place. Financial managers have a clear understanding of expectations. Clean audit opinions by the District's independent auditors have become routine, and the number of management findings are substantially reduced.

The Office of Chief Financial Officer provides an independent assessment of key financial data—comprehensive annual financial reports, revenue estimates, fiscal impact statements, and all other consequential financial data. I believe a necessary corollary to increased local financial authority and autonomy is the inclusion of the authorities and responsibilities of the Office of Chief Financial Officer in organic law. Taken together, this legislative framework is sufficient to ensure fiscal discipline without the added complexity of putting local spending plans through the Federal appropriation process.

Mr. Chairman, that concludes my oral comments. I will be pleased to answer any questions you may have. Thank you, sir.

[The prepared statement of Mr. Gandhi follows:]

HEARING ON BUDGET AUTONOMY FOR THE DISTRICT OF COLUMBIA

Before the
U.S. House of Representatives
Committee on Government Reform
The Honorable Tom Davis, Chairman

June 13, 2003, 10:00 a.m.
Room 2154, Rayburn Building

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

Good morning, Mr. Chairman and members of the Committee. My name is Natwar M. Gandhi, and I am the Chief Financial Officer for the Government of the District of Columbia. I am here today to testify on the issue of budget autonomy for the District of Columbia. At the outset, I want to express my view that, both as a citizen of the District of Columbia and the District's senior financial manager, I wholeheartedly endorse expanding the authority of the District to manage its own financial affairs.

In anticipation of this hearing, I re-read clauses 17 and 18 of Article I, Section 8 of the Constitution of the United States:

> Clause 17. (The Congress shall have power) to exercise exclusive Legislation in all Cases whatsoever, over such District…as may by the Cession of particular States, and the Acceptance of the Congress, become the Seat of Government of the United States... and
> Clause 18. (The Congress shall have power) to make all Laws which shall be necessary for carrying into Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Officer thereof.

This language is unambiguous with respect to congressional authority over the legislative affairs of the District of Columbia. However, it gives the Congress wide latitude with respect to the execution of its constitutional mandate. With this in mind, let me speak to why I believe, from a financial management perspective, the District should have discretion with respect to the allocation of funds raised

from local sources and, further, how changes to current law would not affect Congress' constitutional role.

Under current law, all District of Columbia spending is authorized by the Congress through the federal appropriations process, irrespective of the source of revenue underwriting such spending. In the District's FY 2003 gross budget of $5.573 billion, enacted by Congress on February 20, 2003, about $3.813 billion, or 68 percent, was comprised of revenues raised through local taxes, fees, fines, and user charges ($3.602 billion + $211 million in private and other revenue). Of the remaining $1.76 billion in federal funds, $1.713 billion was comprised of federal transfer payments and grants. Only $47 million was uniquely and especially appropriated from federal revenues for programs and projects peculiar to the District of Columbia.

I would argue that only the federal funds that are specifically and uniquely earmarked for District programs or projects must be appropriated by the Congress – for example, funds provided to support federal events such as the inauguration or funds for tuition assistance. In the case of local funds, the Congress rarely alters an allocation made by the District. Federal transfer and grant payments to the District have already been appropriated to the federal agency responsible for program administration, and are reflected in the District budget for the sole purpose of showing a complete accounting of planned District spending. Having already been appropriated to a federal transferring agency, these federal funds do not need to be "reappropriated" to the District.

Were the Congress to modify current law in the direction of reducing its role in the District's appropriation process, a range of possibilities would still remain to

exercise oversight over the District's budget and operations. These might include periodic audits, after-the-fact review of the District's locally enacted budget, or review of the District's locally enacted budget by the appropriate oversight group in the Congress. Federal funds directly appropriated to the District would remain within the federal appropriations process.

Benefits to the District

Faster enactment of budgets. Because the District currently receives all its authority to spend funds through the federal appropriations process, the District cannot enact the budget approved by its elected representatives until Congress passes and the President signs its appropriations bill. This situation guarantees a five-month lag between local approval and federal enactment. However, federal appropriations bills are often delayed beyond this period. There are adverse consequences for the District since it is tied to the federal appropriations cycle. Bond rating agencies take the uncertainties of the federal process into account in assessing the District's finances for a bond rating. In the case of new or expanded programs approved and financed locally, no action can be taken during the fiscal year until Congress passes its appropriations act. This unnecessarily delays the start of programs and virtually guarantees programs will not be executed as planned. Also, the more time that elapses between the formulation of a budget and its execution, the more likely the operating assumptions underlying that budget will not hold true.

Conformance to the Standard Local Government Fiscal Year. Further, the federal appropriations cycle runs on an October-September fiscal year, a fiscal cycle unsuited to local government. Were the District to have autonomy to appropriate its own funds like other local jurisdictions, my recommendation to the Mayor and

Council would be to revise the fiscal year to a July 1-June 30 fiscal year. This would have immediate advantages.

First, it would conform the fiscal year to the school year, greatly enhancing the ability of D.C. Public Schools (DCPS) and the University of the District of Columbia to manage their funds effectively. This is important because public education spending accounts for nearly 25% percent of District general fund expenditures. In the DCPS planning cycle, the July-September period is the largest spending quarter. Under current budget law, this period falls at the end of the fiscal year, after DCPS has had to deal with all the exigencies of the prior three quarters. In fact, in recent years, DCPS has had to rely on funds advanced from the upcoming year's expected appropriation to support start-up costs for the upcoming school year. Thus, it would clearly be better for DCPS management, and make greater budgetary sense, to fund school year start-up costs – purchase of books, start-up maintenance and the like – at the beginning of the year and with current fiscal year funds, and then cope with remaining issues as they occur.

Second, it would more closely conform the District's fiscal year to its revenue cycle. The annual income tax payments are due in April, and the first semiannual real property tax payment is due on March 31. Data on these payments is key to updated revenue projections for the upcoming fiscal year. Were the District to execute its fiscal year budget beginning in July, it would be proceeding on the most recently available, and therefore most accurate, revenue information.

Currently, budgets are based in large part on revenue estimates completed in February, some seven months before the start of the new fiscal year in October and a total of 19 months before the end of that fiscal year. The District does not get

actual data on how accurate these revenue estimates were, and whether budgeted expenditures were fully covered, until after the end of that fiscal year, perhaps 24 months after the original revenue estimates were made.

Finally, changing the fiscal year also could improve cash flow management and reduce some budgeting risks. Larger tax payments received in September, particularly the local half-year real property taxes due on September 15, essentially "back load" the cash stream toward the end of the fiscal year. Even as some $5.6 billion in cash flows through our financial systems to pay for the budgeted $5.6 billion in District expenditures, the District needs additional cash to negotiate the timing of expected tax receipts during the year. Changing the fiscal year mitigates this by reducing uncertainty about year-end revenue accounting, particularly for real estate payments received after September 30, and by reducing the impact of the distribution of this revenue between fiscal years.

Increased Local Financial Flexibility. Providing the District with the authority to direct the spending of its locally raised revenue would substantially increase the District's ability to react to changing program and financial conditions. Under current law, the District must follow the federal supplemental appropriation process to appropriate additional revenues that become available during the course of the fiscal year or to make any significant realignment in resources among its appropriations. All program plans premised on supplemental appropriations are held in abeyance while Congress considers the request. The same problem is encountered on more mundane financial transactions, such as interappropriation transfers and reprogramming requests. For example, all reprogrammings from one object class of expense to another in excess of $1 million require a congressional review period of one month before enactment. In addition, opportunities to

increase revenue arise occasionally, but require spending additional funds. Particularly in tight budget circumstances, it is difficult for the District to wait as long as 18 months for a new budget cycle to begin.

Mechanisms and Safeguards for Assuring Financial Integrity

The District of Columbia Financial Responsibility and Management Assistance Act of 1995 (the Act), coupled with the continuation of an independent Office of the Chief Financial Officer, provides the framework for assuring financial integrity without the need for imposing the federal appropriation process on local fund budgets. The Act provides for the reinstitution of a control board and other constraints should the District fail to meet major financial obligations. By itself, the Act has been a powerful motivator for our elected officials to maintain a balanced budget and strong financial controls at all times.

Further, under current law, the Office of the Chief Financial Officer provides an independent assessment of key financial data – annual comprehensive financial reports, revenue estimates, fiscal impact statements, and all other consequential financial data. I believe that a necessary corollary to increased local financial autonomy is the inclusion of the authorities and responsibilities of the Office of the Chief Financial Officer in organic law. Taken together, this legislative framework should be sufficient to ensure fiscal discipline without the added complexity of putting local spending plans through the federal appropriations process.

Were the District to be permitted local spending autonomy, my recommendation to the Mayor and Council would be that we adapt existing federal appropriations law for local use. The District is already accustomed to working within this framework – one that prescribes rules for the treatment of funds, realignment of funds and

other matters related to the formulation and execution of budgets. I should note in this regard that the District recently enacted a local anti-deficiency law to stipulate the responsibilities of management officials in the financial arena and provide sanctions for those that are not in compliance.

Fiscal Condition and Financial Improvements

I believe the District has the financial infrastructure to permit it to manage its local funds effectively. We have a strong accounting system linked to our budget oversight processes. Monthly closings and cash reconciliation are in place. Financial managers have a clear understanding of expectations. Unqualified opinions by the District's independent auditors have become routine and the number of management findings substantially reduced.

In the budget area, the District has enhanced its analytical capabilities, moving toward performance budgeting to link agency outputs to cost. Automated budget monitoring systems have been put in place to give program and financial managers the capability to review their financial posture daily.

Further, the District is well along on a project that will integrate all its significant administrative systems – personnel, payroll, procurement, budget, accounting, property management, and pension administration. This integration will substantially enhance both information on and controls over all transactions affecting expenditures and do so at lower cost.

The Continuing Role of the Federal Government in District Finances

Notwithstanding the clear advantages to the District of having local autonomy in the appropriation of locally raised revenue, there remains the question of the

federal government's role in assisting the District in attaining a structural balance between spending needs and its revenue raising capability. In its report on Structural Imbalance and Management Issues in the District of Columbia (GAO-03-666), the General Accounting Office (GAO) clearly demonstrates, using objective, quantifiable criteria, that the District of Columbia has a substantial gap between its spending needs and its local revenue resources. This gap is calculated to be between $470 million and $1.1 billion annually, based on FY 2000 information. In all likelihood, the gap is toward the upper end of this spectrum, which more closely represents the economic circumstances of a city like the District.

The report clarifies four fundamental features of the District's fiscal problems:
1. *The District's expenditure requirements for providing a standard group of services are far higher than any state fiscal system.* The District faces these high expenditure requirements because it provides public services in a market with high labor costs, it provides services to a large commuter population, and it has many residents with high service needs. The report identifies areas where the District has the potential to improve the efficiency of operations. Even so, the District's higher costs of providing average services are determined by factors beyond its control and far beyond possible savings from greater efficiencies, many of which are now in place, and more of which we intend to achieve.

2. *The District taxes itself very heavily.* The District's tax effort is much higher than that of the average state. Although the District's tax capacity is large – more than 47 percent above the national average – because of its large expenditure requirements, the District must compensate with a tax effort that is about 50 percent above that, among the highest, if not the highest, in the nation.

3. *Even with high taxes, the District cannot pay for average levels of service to residents, commuters, and visitors.* The District's additional tax capacity is not enough to compensate for the District's higher expenditure burden. The urban composition of the District's population, and the standard services needed by such a population, overwhelm even the District's high tax effort.

4. *The District has a serious infrastructure problem.* The District faces an accumulated infrastructure backlog of at least $2.5 billion. The District has deferred capital investment to avert the operating costs associated with debt service. The problem is obvious when you consider that the District's general obligation debt service is about 10 percent of local revenues, and rising. Further, the problem is acute because our debt levels already are near the ceiling for maintaining credit-worthy debt ratings. Our capital borrowing analysis shows that only moderate additional borrowing would be acceptable to the agencies that rate the District's credit-worthiness. Whether expressed in per capita terms or in relation to revenue, the District's current outstanding debt is greater than any state fiscal system.

The report also recognizes that the federal presence imposes costs and limitations as well. To the extent that the federal government's property and purchases are off the tax rolls, or that non-resident income earned in the District cannot be taxed, these limitations are reflected in the tax base. Given these limitations, in order to try to pay for even an average level of service from the operating budget, District tax rates on the tax base available to it must be high. While the report does not quantify the actual costs of services provided to the federal government or incurred as a result of being the nation's capital, it puts these costs in perspective. When millions of dollars of expenditures related to being the nation's capital are

absorbed by the city, this diverts resources from ordinary services to residents, commuters, and visitors.

The District has made operating budget reductions of over $190 million in FY 2003, in part to balance expenditures and revenues, but also as part of a larger effort to deliver services more efficiently. While significant opportunities for efficiency improvements exist within District programs, even with such improvements, the GAO report points out that the District would still face a structural deficit.

By law, the District must balance its budget each year, but making the spending or revenue adjustments needed to do this is not the same as solving a structural deficit. Due to this structural deficit, the District is forced to choose between tax levels that are even higher than the national average, service levels that are lower than the national average, or combinations of both in order to balance its budgets.

Although the GAO report makes no recommendations, it provides a strong case for federal action to assist the District of Columbia, the nation's capital. As noted, the structural imbalances in both the operating and capital areas result primarily from cost and workload factors that are beyond the District's control, and, in addition, the District must provide services to the federal government.

With tax and debt burdens higher than other jurisdictions, it is not feasible for the District to solve the problem through more taxes or borrowing. One option noted in the report is for the federal government to relax taxing restrictions on the District to compensate it for its special status as the capital city.

The GAO report indicates that providing federal assistance to the District may encourage state fiscal systems with structural deficits to request the same or similar treatment. However, a strong case can be made that the District of Columbia is unique among all local and state jurisdictions and that unique conditions dictate unique solutions. All states have federally tax-exempt property, but the District has more in terms of value relative to the size of the economy. All states may forego some tax activity due to federal commercial activity, but the District certainly loses much more in relation to the size of its economy. The District also is subject to revenue and other constraints that are not imposed by the federal government on any other jurisdiction. These factors have been many times documented and indicate that the District merits a unique fiscal relationship with the federal government that corresponds to its unique operational arrangement.

There is a wide range of options available to the federal government for assisting the District in overcoming its structural deficit and in providing a level of service quality that befits the nation's capital. In contemplating budget autonomy for the District, the Congress would be well served to also examine its financial relationship with the District. Unless a change is made, one can predict a gradual deterioration of services provided by the District to residents, commuters and visitors. This would be unfortunate in the extreme, especially in light of the major progress made in all aspects of District quality of life over the past eight years.

Mr. Chairman, this concludes my remarks. I would be pleased to answer any questions you might have.

Chairman TOM DAVIS. First of all, because of the Federal involvement, the District of Columbia's budget plans are not even congruent with the school budget fiscal year. Is that right? You've set up different cycles to conform to Federal mandates in this case that probably no other city or State in the Commonwealth that I'm aware of has to conform to. Then you conform to that, and then we still don't give it to you on time usually because of issues unrelated to the District of Columbia, partisan bickering, fights between Congress and the President. And, you know, the image up here that some Members have that go back to the sheer impracticability barrier, that is not where the city is today. They don't understand that the number of employees have been reduced dramatically. There are certainly problems running a big city, we read about them every day here in the Washington Post, as there are in any city in the United States.

But let me ask you, Dr. Gandhi, this is a different city than we had a decade ago markedly, isn't it, fiscally?

Mr. GANDHI. Absolutely right, Mr. Chairman. Just to give one example, and the Mayor often mentions this—I am just appropriating from him, you know—in the mid 1990's we had roughly one-half billion dollars in deficits in our fund balance. Today, we have about $865 million of positive fund balance. That is about a $1.3 billion turnaround for the city. I think it speaks volumes of the effort that the elected leaders have made to really lift the city from insolvency to a financial height that is unparalleled in the records of the cities that have gone through the same experience.

Chairman TOM DAVIS. Now, we have done some things up here that have been helpful. The unfunded pension liability issue we addressed is a significant monkey off the back.

Mr. GANDHI. Absolutely.

Chairman TOM DAVIS. And realigning the felony prisoners and Medicaid. But still, as you look at it, the city has a lot of issues, as do most cities. But I think you have done well by and large.

Mr. GANDHI. And one more thing I would point out. I think in the last year, we have gone through a substantial decline in the revenues, and the Mayor and the council basically faced up to the challenge. As Ms. Cropp pointed out, within record time, just about 3 weeks, we brought back the budget of 2003, sent it back with the reconciliation of a $323 million problem.

Chairman TOM DAVIS. Well, let me give you my view, and it's not maybe one that is not shared across here, but, you know, democracy is not an automatic. We give democracy to a city, and then we second-guess every decision you make. And for it to work, you have to be allowed to make mistakes, the autonomy has to be there and the responsibility for people making decisions, good decisions and bad decisions. And one of the difficulties here is if we don't get the budget out on time, the city can't let its contracts out that you need to do, you can't hire new police officers, you can't hire teachers. All of these things are held up because of the uncertainty. And, you are right. From a bond rating perspective, this could end up costing taxpayers more money because of the reluctance of bond houses, and that's, one of the telling issues here.

We are going to do something. I can just tell you that right now. Ms. Norton and I are determined. We have been meeting. There is

opposition to everything here. This area, Congress, is more bureaucratic sometimes than any other—and full of turf fights and everything else. But this is, in my opinion, a very modest but commonsense step to take to give the city more autonomy, more authority over its own budget.

Ms. Cropp, it is not just that you've earned it. You are right, this is a fundamental right. This is the capital of the free world here in the District of Columbia, and we talk about we bemoan the fact that when Hong Kong goes over to China and the city council is changed, that in Iraq, setting up democracy; and here in the capital of the free world, it is not what it is in any other place in the United States for a lot of reasons.

But this is just a very modest step forward, as Ms. Norton noted, to return some authority to a city that not only has earned it, but has fundamental rights to it at this point, and I don't think we are taking a chance in doing that. We don't theoretically give up any oversight responsibility. That stays with us under the Constitution. But we are saying to the local officials, we could have confidence in the job you are doing.

And, Tony, I think as Mayor you have been a breath of fresh air on a lot of these, and Ms. Cropp has as chairman of the council. It has been a good team. I know you don't always agree on everything, but we are getting the essential job done. The fights are really over minutia items.

Mayor WILLIAMS. I also think, Mr. Chair, actually the fact that we have a strong council is to the city's benefit. I hate to say that, but it's true.

Chairman TOM DAVIS. It's not always to your benefit, but that's the way it goes sometimes.

Mayor WILLIAMS. Definitely to the city's benefit.

Ms. CROPP. If I could add, Mr. Chairman, I have said that I think that this council is an excellent council. And, Mr. Mayor, if it is any good feelings, it's hard on the Chair, too, to keep the council together. But the fact that it is such a hard-working council, it is to the benefit of the city.

And let me also put on the record, when we do have disagreements between the council and the Mayor, we understand that the most important issue is for us to run the government. After a very highlighted disagreement we had with regard to an issue of the inspector general, that very same day the Mayor and I were working together on another very important issue. We were sitting down, trying to resolve the issue. So, our disagreements, even though the media may highlight it, I think all of us understand the importance of good government and working together for that, and we are still doing that.

Mr. GANDHI. And if I may add a point, Mr. Chairman. I think one thing about which both the council Chair and the Mayor are in complete agreement is the financial viability and the financial credibility of the city. There is no doubt about that. And I can say that from personal experience over the last year, the way they have managed the revenue decline of $300 million plus.

Ms. CROPP. Mr. Chairman, you mentioned today—it is part of my testimony, but I do want to highlight this issue for those in Congress who may be a little—drawing back a little bit from support-

ing this. As you stated, and my testimony has very clearly, Article I, section 8 still is in effect. So if this bill passes, it does what is right, but it still leaves Congress with power.

Chairman TOM DAVIS. Absolutely. We don't—but what it does do is, if we delay, you don't—but you don't get caught up in these other petty squabbles. That is really what it does. It also moves things on a timeframe where, if we want to act, we can act. But if we don't act in time, life goes on, and you are not held up while we're trying to make our decision or somebody puts a hold on something in the Senate or something like that.

Ms. CROPP. Do you know that there are—have been times—if I just may add——

Chairman TOM DAVIS. Sure.

Ms. CROPP. It really is important. There have been times that because we have not had the congressional enactment on our budget, we have had to go out and borrow money. So it is actually costing the District money with the fact that our budget may not have been passed on time.

Mr. GANDHI. And the amount of money, to supplement Ms. Cropp's point, is about $3 million in borrowing cost for short-term borrowing.

Chairman TOM DAVIS. And I think the idea that it cuts your whole schedule in terms of not just contracting out, but hiring police officers, hiring teachers. There is a ramification now. In terms of hiring these meter maids, you can postpone that; I've had my clashes with that office, and if I could write an amendment into that, I would do that. But I think fundamentally that is right.

There is another issue that is below the surface here that we need to face head on; and that is that Members—we all come from different districts. Ms. Norton's district is far different from mine out in Fairfax and far different from Judge Carter's down in Texas. And the view of the world that comes from Judge Carter's district in Texas is a different view of the world than comes from my constituents in Fairfax and is far different from Ms. Norton's. And whenever the D.C. bill comes up to Congress, someone puts an amendment on. And to defend a vote back home, D.C. wants to do things different than my constituents do or Judge Carter's, and when we try to impose our values, Members end up having to vote their home values instead of the city's values. That is just the way it is. That is politics. If you don't, somebody attacks you back home.

You know, we went through this domestic partners, which I'm not a big fan of, but I ended up over time—Congress split its time and said, if that's what the city wants to do, you've got hundreds of other cities across the country doing it. Why are we standing in the way of allowing this city to make that decision and basically make insurance more available to its employees and families than you would otherwise? And so, to me, it's a local government issue, not necessarily my affirmation of this or not, and I have mixed feelings about it, but Members having to go back home could be faced in a primary or something, but they voted. And that makes it unattractive.

This still gives us the authority to do that, but I think it's less meddlesome when we have this time period on here than when we would take our time before.

I think that the writers that have traditionally been on abortions at the hospital and that kind of issue, which traditionally cities have taken different views than suburban and rural constituencies, will probably stay. And I think we all understand that, and this legislation allows that. But some of the more meddlesome issues that come up at this point, I think if they are not addressed quickly, life goes on in the city. And I am not sure that we serve democracy when we start applying those values.

Now, there is the issue, it is the Nation's Capital ought to represent the values. You know, we go through all that every day, and you have to understand that is an issue that may surface to a lot of Members when we start giving this up and trying to strike the appropriate balance.

But this legislation, as Ms. Cropp knows, doesn't take any authority away from Congress, but if we don't act in a timely manner, life goes on, and you can go ahead and hire your police officers and keep the city safe. You can hire your teachers, get these kids the education they deserve. You can get your contractors out there so they can improve your computer systems and those kinds of issues, and it's not held up, and you don't have to borrow and go out to the bond houses and just good things result.

I don't think there is any downside for critics the way the city runs, and we are going to work hard getting it through here. I think the chances are pretty good for success.

So I want to thank each of you for the job you are doing. Thanks for being up here today. We've got other contentious issues on the city that we'll be facing over the next year here on this committee, but this is one from, I think, Ms. Norton's and my perspective and from our leadership that I think is going to get resolved in fairly short order.

Ms. Norton.

Ms. NORTON. Thank you very much, Mr. Chairman. It seems to me your comments were so much to the point both as to efficiency and to democracy that my inclination would be to stop while I am ahead and rest on what you've said. And I really don't think I could have offered a better analysis.

I think really what I ought to do is to simply allow the witness to elaborate some of the more important points that you've made.

For example, Mr. Mayor, I don't think anybody up here, perhaps except Tom and me, know—and you did, and you said it, but it is so profound that I wish you would elaborate on it. You indicated—and I remember when this happened, I think it was last year—that you were prepared to operate at a lower level than I believe the continuing resolution allowed, but you had to operate—no, I'm sorry. You were prepared to operate at a lower level, but you had to operate under continuing resolution and at that level. Would you explain and lay that out on the record so that we can understand how the local jurisdiction wanted to reduce its costs, but, by maintaining its budget up here, the Congress forced it to operate at higher level of cost?

Mayor WILLIAMS. Right. And I will ask the council Chair on that to join with me. But essentially, as we all know, with a continuing resolution you go to the previous year's budget mark. Obviously, in a difficult fiscal situation, you are trying to reduce that previous

year's mark. If you are held at that previous year's mark all the way through January, you are essentially operating at a higher level than you should be, and that's what happened here in 2003. Knowing in 2003 that we had a problem, we reduced it from 2002 to lower marks in some levels, and then we adjusted it again, as council Chair Cropp has said, what, in October. But here we were in January still operating back at the 2002 level, which doesn't make any sense.

I might also add, as you know, Congresswoman Norton, you have taken a lead along with Majority Leader DeLay and others in getting us to improve—and Senator DeWine is another one—to improve children and family services. This is another example that Chairman Davis is talking about. Everybody is saying improve children and family services, improve children and family services. In the budget, we had a provision for hiring more social workers to reduce the number of cases, you know, the social worker/client caseload, and we were unable to do that because of the continuing resolution.

Ms. NORTON. Mr. Mayor, that was going to be one of my questions. We had a hearing—I mean, the Chairman testified indeed on a GAO report on this very issue. Yes, Mr. DeLay and I had a bill so that Congress has continuing interest in this area. And your testimony says that for 6 months, almost half a year, you couldn't hire the critical personnel. And of course, social workers are among the most critical personnel. And so here we call you up and say, why haven't you done what you are supposed to do on foster care? And the budget process is never mentioned. I'll bet it was never mentioned in that, during that hearing, because Congress is simply unaware of the consequences of its own actions.

By the way, your budget goes to the President of the United States before it comes here, right?

Mayor WILLIAMS. Right.

Ms. NORTON. He never does anything with the budget, does he? He just sends it up here. The President supports the budget autonomy that we are requesting; is that not correct?

Mayor WILLIAMS. That is correct.

Ms. NORTON. Well, here we have, one example of how the budget might be handled here. It's not as if the Congress couldn't double back on the budget, but it could simply pass the budget through and double back in its own time if that's what it wanted to do.

Dr. Gandhi, I could not have been more intrigued than by what you said, what you indicated in your testimony about the possibility of changing the District's budget year to the same budget year that everybody else in the United States uses, July to June, capturing, therefore, the great problems that our schools have. Here is another agency that time and time again has been hit over the head and shoulders, but of course it must operate on the school year budget, and we are the only jurisdiction that operates on a different budget year from our school year.

First let me ask you, does your testimony imply that you think this could be done even with the bill before us—sorry, with the bill before us now, or that you think this is where we ought to move toward?

Mr. GANDHI. Well, I think what I would propose, if you have budget autonomy, then I would recommend to the council and the Mayor that we should have a budget cycle which is more attuned to places where the local funds flow. One of them, of course, is the schools, and 20 percent of our budget is education. And so what we need to do is to make sure that we handle our cash-flows according to that line. Further——

Ms. NORTON. Well, let me stop you, because, you know, that, of course, would be an extraordinarily important change. Now, the way in which this process would work under even our budget autonomy bill is that the final approval would still come through September 30.

Mr. GANDHI. Well, we would have to work out those details. But all I'm saying is, the financial realities are such that our cash-flows are more attuned to local government than the Federal appropriations process, like our real property inflow of cash, and income taxes. All that basically has to be reconciled on a local basis. So we will simply have to work out the details with the committee on that.

Ms. NORTON. I would like to invite you to look at that issue.

Mr. GANDHI. Sure.

Ms. NORTON. And look closely at that issue on what we could do either to this bill or to move us to that very important change. And that, of course, has implications for your testimony with respect to how long in advance you have to—how far in advance you have to forecast budgets. Could I ask you how you're able to do that?

Mr. GANDHI. You only have help on that front, to some extent, in our ability to "advance" money to the schools at 10 percent of their appropriation for the next fiscal year. But that really messes up our accounting to some extent, so we will have to sort those things out.

Ms. NORTON. Well, what I don't understand—let me ask you all what you do about contractors. Let's say you look at your contracts. You understand that your payments go up every year with inflation, so a contractor is due an increase, let's say, for the next fiscal year, but you are held here, let's say, on a continuing resolution. Are you able to meet your contractual obligations if, in fact, you are held to last year's contract in effect? And what does that do with respect to your legal and contractual obligations to these contractors?

Mr. GANDHI. If I may comment on that, Ms. Norton. We cannot start any new programs. We can continue at the level of the last year. But initiating new——

Ms. NORTON. See, I understand that with respect to city programs. And as the Mayor said, with many of the programs, foster care is—some of the foster care programs are examples. I'm talking about now somebody outside the government that you have contracted for and he has a program, it is not a new program.

Ms. CROPP. I would suspect that if it's part of the next year's budget, that approval rate would not go into effect until the budget has been approved, and it may mean that later on we may have to go back once the budget is approved and make adjustments. But we may have said that we are going to fund this particular agency at this level based on the approval of the budget, but until that

budget is approved, we can't make any changes in that funding level.

Ms. NORTON. So here we are jeopardizing small businesses that do business with the District as well.

Ms. CROPP. Very much so in the sense that, in some instances, particularly in the human services area, over the past several years we have reduced their contracts significantly. And there are areas, when we finally do increase the contracts, they may need it very desperately in the sense that they may be going from payroll to payroll. And some businesses have said that if they could not get the increases just to meet their costs, that it may make them go under. So that is a twofold problem if that occurs. Not only are we jeopardizing a business, but if, in fact, they go under, then it's a service that we may need that we will no longer have; and how do we deal with the constituents who need that particular service?

Ms. NORTON. And the whole cost of then going out and getting somebody else to do the service, contract and competing—I mean, competing for contracts and so forth is just another cost that the Congress would have put on you.

Mr. Mayor, I was very interested in what you had to say about the use it or lose it notion. You know, you'd better hurry up and use this money because you are coming to the end of the congressional fiscal year. What would be the alternative to that? And what would you desire as the alternative to the use it or lose it?

Mayor WILLIAMS. Personally I think that we should keep our strong cash reserve. I think it's a sign of good fiscal standing, and it has definitely helped us on Wall Street. I think we should keep some restrictions on our accumulated balance so that keeps us on a conservative track. But year to year, if there are funds that are left over from year one, like every other State and local government in the country, our government ought to be able to prudently use those funds for business tax incentives. Maybe we can use them for critical reserves. Maybe we can use them for schools and education.

Ms. NORTON. What kind of change would that require us to make? Would this bill help that or solve that, or would we need other changes to solve that?

Mayor WILLIAMS. I think this bill would do it.

Ms. CROPP. If not, we would ask that——

Mayor WILLIAMS. That would do it.

Ms. CROPP. Yeah, that it would do it; that no other business cannot carry over funds from 1 year to the next year.

Ms. NORTON. So tell me how you operate then. What do you do if you are fortunate enough to have some funds at the end of the year that you know you need somehow in the District of Columbia?

Mayor WILLIAMS. I can tell you as former CFO and now as kind of chief program manager, if you will, if you are running an agency, and you are down into now—and this happened when I was in the Federal Government. If you're down into, say, July, and you know your agency still has funds that are going to lapse, you—unfortunately, you just start spending them on things that are colorable and plausible under your different allocations, and so you end up with not the smartest spending. So, in other words, you spend 9 months managing well, and then the last 2 or 3 months trying to

throw everything you can into spending so you don't end up losing something.

Ms. NORTON. So, here, the Congress is making you spend money that you might otherwise reserve for more prudent uses by holding it over to another period.

Mayor WILLIAMS. That is correct.

Ms. CROPP. The other side of that, Congresswoman Norton, is that, you know, at some point you can be cash rich and service poor. The government has been extremely prudent in trying not to increase taxes and trying to live within our means, but if money keeps falling to the bottom line, at what point do we have too much money? We have 7 percent of our money in cash reserve. I would suspect that no other government in the country has that much money in cash that is just sitting there. But in addition to the cash reserve of 7 percent, it's saying that any extra money you have, you have to keep it in the bottom line in the fund balance, which is growing at this alarming rate somewhat when we need to be able to provide the service. It is just bad business sense, bad government, and bad for our constituents in the District of Columbia when they may have needs for something, and the money is sitting here, and we say, well, we'd like to do it, but we can't carry this excess money from 1 year to the other.

Mr. GANDHI. And just to give some numbers to what Ms. Cropp is saying here, we have as of now about $250 million in cash reserves. By 2007, we would have $420 million in cash reserves. So, roughly 57 percent of our fund balance will be in cash, pure cash. So the issue here is that to what extent——

Ms. NORTON. This has to be an unintended consequence.

Ms. CROPP. I think it's an unintended consequence of the District being at one point an agency of the Federal Government, but not treating the District, and I think it was just an unintended consequence, and it is just bad business.

Mayor WILLIAMS. Well, the goal of having a cash reserve and strong budget reserves, as you know, Congresswoman Norton, that was a real push by Senator Hutchison when she was a Chair, and we actually all agreed that we needed to take a strong prudent position. But the unintended consequence now is that we have set this trajectory, and we really haven't checked it. And now so as Nat and I go around saying we are a reserve-happy jurisdiction, we have a lot of reserves; we've got these cash reserves, accumulated fund balance, we've got a budget reserve of $50 million that we carry on top of this—which we haven't even—I will give you an example. The recommendation to the council with the State bail-out money that's come from the tax bill, we are putting a lot of that money into reserves to take a conservative course. But, you know, while we may disagree on how conservative we may be, I think at some point you've got to be able to put this money back into tax incentives, put it back into critical services that your city needs above a certain level.

Mr. GANDHI. And the conditions of using those reserves are so onerous; that is, you have to put it back, replenish it the following year.

Chairman TOM DAVIS. Well, let me ask. We're just talking. Do you know any other city that has that level of reserves? We always

had a balance reserve in Fairfax that we budgeted, and we kept our triple A bond rate, but it wasn't to this extent.

Mr. GANDHI. And we have done some surveys of that. I do not know of any city with that kind of reserves in cash. Only one State, Mississippi, has a 7.5 percent requirement. But, again, the replenishment conditions are never as onerous as we have it here. Basically what this means is that the cash is untouchable unless you have a real emergency, like a FEMA-type energy.

Ms. NORTON. Well, for example, Mississippi is it that you don't have to replace the whole thing?

Mr. GANDHI. Not immediately, as we have to do it.

Ms. NORTON. And you have been unable to get any relaxation on that?

Mr. GANDHI. Right. We have a very strict access requirement.

Ms. CROPP. One of the——

Chairman TOM DAVIS. We don't want you to emulate Mississippi. That's not a Federal mandate here. I just want to say that.

Ms. CROPP. The council did introduce a bill, and the Mayor and the CFO, we've been talking about a bill, that on our replacement requirement—it is not part of this year's budget, but we are looking at it—that we look at a replacement that would make much better sense, that instead of having to replace it the next year—if there is a financial crisis that loomed ahead quickly, more than likely you're—the scene, the environment is not going to change in a very short period of time. So we are looking at a longer period where we have to replace it; maybe not immediately the next year, but perhaps in a couple of years, 2 or 3 or 4 years, that we should be able to replace it.

Ms. NORTON. I would request that you look at—often there are model laws. I mean, I'm not even sure. Still it continues to accumulate apparently ad infinitim. There must be a point at which one is held, based on the budget itself, to have a good and sufficient accumulated reserve. There must be examples of model laws that we could pattern on, and I'd very much like to work with the city. I think the chairman would work with me on that with the Appropriations Committee.

Ms. CROPP. Ms. Norton, there is one other issue I think that is important. We all know that a good bond rating is extremely important, and to the extent that our bond rating goes up, our debt service goes down, and we can take money that we would just be paying for borrowing money to provide services to our citizens, this budget process that we have is really an impediment for our bond rating getting improved. Every time we go to Wall Street, the one thing that they cite that is detrimental to the city's getting a higher bond rating, would you believe, is our process of our budget coming through Federal Government each year.

Mr. GANDHI. And again, to supplement Ms. Cropp's point, over the last 10 Federal budgets, only twice were they on time, enacted 1995 and 1997. Those were the years where we were on time.

The other fundamental point that we still want to keep in mind here about our bond rating is that as long as the structural imbalance is there, to the tune of $500 million to $1 billion, as GAO pointed out recently, we will have that fundamental issue hanging over us from the bond agencies.

Ms. NORTON. We certainly don't need to add to it through the congressional appropriation process.

Would you explain, Dr. Gandhi, what's happened to the District bond rating? One of you indicated in your testimony that it had recently gone into positive. We thought it was positive before that. So would you explain what has happened to the District's bond rating in recent years?

Mr. GANDHI. Right. As Ms. Cropp and the Mayor pointed out, that during our control period we were basically junk bonds. Since then we had two upgrades. Now we are triple B plus, investment grade—investment grade rating from the bond agencies, bonds rating agencies.

Again, what we want to remember, this is a time when hundreds of municipalities, States and counties are put on a negative outlook, meaning possibly leading to a downgrade, and several have been already downgraded. At that time the city, the District of Columbia, is put on a positive outlook, which may mean that next time we go borrow, there be an upgrade to an "A" category. I think it is a great tribute to our elected leaders that they are able to manage the city's finances in such a responsible fashion.

Ms. NORTON. You recommend kind of as a safeguard to move us forward toward budget autonomy that you, Mr. Gandhi, Dr. Gandhi, would recommend that we adopt existing Federal appropriations law for local use. What do you mean by that, and how would that be different from what you are already doing? How would that add any safeguards?

Mr. GANDHI. I think we have already begun that process, Ms. Norton. The council just passed and Mayor signed a local antideficiency law, which supplements the Federal antideficiency law and is far stricter. The Mayor has already issued an administrative order alerting all agency managers of their responsibility—the senior manager as well as the middle-level manager, and the chief financial officers of each of these agencies—that they would be held personally liable in terms of their performance if the agency were to come up with deficits at the end of the year. So they are monitoring on a quarterly basis, to make sure that this kind of budgetary situation which results in deficits, does not occur. So we have already begun that process of emulating the Federal appropriation process.

Ms. NORTON. It was Ms. Cropp's—is it Ms. Cropp's testimony—yes—that you outlined council rule 443(c), which sounds very stringent to me, that there has to be a fiscal impact statement on every bill that comes through the council, including what its effect will be 5 years up the line. Is this council rule essentially taken from what the control board did during the control period?

Ms. CROPP. No, it is not. I am pleased to say that this is the council rule that the council placed on itself. When the council was trying to get a handle of why we had so many problems in the District of Columbia, one of the things that came to mind was that legislation would be passed that was unfunded. So in order to make sure that the council would not be a part of future problems, as in the past, we passed a law ourselves on ourselves that said that any piece of legislation that would move forward must be funded and

must have a fiscal impact statement, that we couldn't just pass a law without coming up with the dollars to finance it.

Ms. NORTON. Were you able to do that without substantial delay to go through that process with each and every bill? Because it's very extensive. Identification of revenues currently and would be available up the line, you are able to do that quickly?

Ms. CROPP. We do that with each and every bill, and if something comes forward that is questionable, if my budget director or if the CFO says there are problems, I have ruled it out of order and taken it off where we could not vote on it. The council has policed itself very strictly on that.

I will say that there is one issue. It still holds true that we don't pass unfunded bills, but we will add, in some instances, subject to the availability or the appropriation of funds, so that a piece of legislation will not go into effect until the funding has been appropriated.

Ms. NORTON. So there are no unfunded mandates from the council?

Ms. CROPP. Not at all. I will rule them out of order. Sometimes I will allow a discussion and a debate on them. We have one, for example, that is before us right now where I have enabled a debate, but as we talked about it on the debate, I very clearly stated that I will rule it out of order unless I saw the financing, and the council has been very strict on policing itself on that.

Mr. GANDHI. If I may supplement, we just don't look at 1 year. It is a 5-year process, so——

Ms. NORTON. The next 4 fiscal years, it says.

Mr. GANDHI. Yes. So we have a long-term——

Ms. CROPP. And not only that, there is another very important point to that we also look at, and the Mayor and the council have been very strong on this issue. We have been looking at money as to whether or not it is one-time money or whether or not it's money that will continue, and if it's one-time money, we have been extremely strict in making sure that we do not build those costs into the base. We would have to look for some type of program or product or something that will also be one time.

Ms. NORTON. This really may have gone a long way from saving you from being a victim of the roaring economy of the late 1990's the way some jurisdictions have been. If they've done this, it may have stopped them from going ahead with programs that they enacted without sufficient thought.

I have only one more question. And while we are on legislative budget autonomy, I'd like you to discuss the kind of autonomy that I think would be even easier for the Congress to grant, and that is legislative autonomy. I'd like to know what difficulties are posed for the city that you do not have legislative autonomy, and what it means not to have legislative autonomy.

Ms. CROPP. Well, a city sometimes needs to act extremely quickly in order to resolve a problem. If—without legislative autonomy, our bills have to come up here, they have to have layovers, and sometimes we just can't get the appropriate action taken immediately. It does not enable us to meet the needs of our citizens and our constituents in a timely manner, and it's extremely important that the locally elected leadership with legislation that the Mayor may in-

troduce and I then introduce it on his behalf, that we be able to enact the laws that would be able to help us move this government along.

Ms. NORTON. If I could just indicate, Mr. Chairman, you and I have not, in fact, overturned D.C. law and even—before you became chairman, there were only three or four D.C. laws overturned. So this looks like a law that's obsolete on its face, and to the extent that the District—Congress thinks it needs some fail-safe, I would like to work with the chairman on legislative autonomy in the same way that he and I have worked on budget autonomy.

Mayor WILLIAMS. Just to add to that, Congresswoman Norton, periodically the aide comes to my office with a packet of bills to sign, and I just say to myself, have we just enacted the Great Society or something, because you'll have like 20 or 30 bills, 40 bills. I'm saying, Lord have mercy, what is going on? Most of these bills are basically we've got to pass an emergency, and we've got to pass a temporary, and then we've got to pass a permanent. We just go through this cycle over and over and over, an enormous amount of paperwork, in order to meet this requirement.

Ms. CROPP. You would——

Mayor WILLIAMS. From alley closings all the way up to big things.

Ms. CROPP. You would probably be surprised to just look at the legislative agenda of the council and sometimes see the enormous number of bills that have congressional review, and it's just that we've passed it once, we have to come back and pass it again, because the time period or whatever reason we did not have the appropriate congressional review, come back again, the same bill. We pass it two or three times. It's also difficult for—sometimes people see some of the bills just keep coming, coming, coming, but it's congressional review.

Ms. NORTON. Mr. Chairman, one of the ways to deal with this, in this bill we do not have—in the bill you and I are considering, the District's budget would go into effect in 30 days. It does not say 30 legislative days. It is the 30-day legislative day problem, I think, that is at the center of this issue.

Chairman TOM DAVIS. My counsel would be let's get this bill done; then we'll talk about the next one. I don't want to take my eye off this. You want to move the ball down the field here, but I want to get a win here. But I think your points are well taken.

Ms. NORTON. Thank you, Mr. Chairman.

Chairman TOM DAVIS. Thank you very much.

Judge Carter.

Mr. CARTER. Thank you, Mr. Chairman.

This is a new world to me, so I'm looking at this from the eyes that I bring from Texas. You've heard about those eyes before. And at first glance I think I need to start by commending you. I know what it takes to get a bond rating up. It means that somebody has been doing some good management. So you ought to be commended for that because I used to be in the practice back when I was practicing law now almost 30 years ago of working with a lot of bond counsel, and we worked hard to bring the bond ratings up on projects that we were working on. I know how difficult that is and

what that entails. So I want to first congratulate you on being able to do that. I think that's great.

And, Mayor, I want to tell you that if you figure out a way to get government to get away from the use it or lose it mentality, I hope that you will lecture governments around the United States so that—because since the first day I got in government right out of law school, almost 40 years ago now, I was shocked by the lose it if you don't use it mentality that we passed down to our departments, and our departments say you've got to spend it or you're going to lose it. It looks like to me sometime somebody ought to figure out how to save it.

So if you can get this worked out, God bless you. I hope you do, and teach us how to do it, because every government I've ever been involved with has had a problem with that, and I commend you for at least setting that as a target to not only get out of that situation as you deal with us, but hopefully as you deal with those under you, you will also be able to figure out a way to get out of that situation, because I've found that appalling since I was a young dumb lawyer straight out of law school.

And finally, anybody that can get themselves out of deficit spending is to be congratulated by the folks up here; so I want to congratulate you on that. From what I've been able to hear today, it sounds like to me this is a bill that needs to be done, and it needs to be done right away. It's interesting—and as I told the chairman, I'm not going to say a whole lot because I'm in the learning process here, and I've learned a lot today. It's interesting how your relationship with the Federal Government is peculiar to you and you alone, and you have to work your way through it. I think your management is well in good hands, and I think you've done a good job. My only comment is to commend you.

I will support this bill, and I think it's long overdue. We need to get this going. I would hope, and I think you've got it in place, that this type of management will be continued and will be encouraged to continue, and you establish it, and it's so well entrenched that it will continue on as the political process and the waves of political process change in the District so that we lock it in and continue the good management process.

So those are the only comments I'd like to make as it looks like to me you're doing a good job, and somebody needs to say thank you; so I'm doing it. Thanks.

Mayor WILLIAMS. Thank you, Congressman.

Chairman TOM DAVIS. Let me just thank all the Members.

Mr. Van Hollen just walked in. Do you have any questions, any comments you'd like to make?

Mr. VAN HOLLEN. Yes. Thank you, Mr. Chairman.

First I want to welcome an old friend, the Mayor of Washington, DC; and the chairman of the city council Ms. Cropp; and Dr. Gandhi. Congratulations to all of you on your work over the years, really, to put the District of Columbia on sound financial footing. I think you all deserve a tremendous amount of credit, and I want to thank Ms. Norton for her leadership over so many years on this. And I'm really here just to say to Ms. Norton and Mr. Davis that as the other Representative—as the Representative representing the other neighboring area in the State of Maryland, neighbor of

the District of Columbia, I wholeheartedly support this legislation and look forward to working with you to see it through. So thank you for your initiative.

Chairman TOM DAVIS. Thank you very much.

Let me just add one other item. We're going to probably need to use—how do you envision the CFO being structured and statured as we go forward with this bill? Because as we move out of—the CFO, in noncontrol board years we need to look at reauthorizing that, and I just want to know how you envision this. Any thoughts?

Ms. CROPP. Yes. Mr. Chairman, actually we have a bill that I believe is before you. It's up here in Congress, and our intent is for us to have an independent CFO. And we did the bill I believe it was a couple of years ago, so we are ready to move on having a strong CFO, having an independent CFO is what we want, and we would ask that as you pass this piece of legislation, that you also pass the independent CFO piece of legislation that the council passed and that the Mayor signed and is up here waiting.

Mayor WILLIAMS. I would agree. I ultimately think that offices like the CFO ought to be independent in the charter. They're that important to the city and provisions in local law, honored year by year, as Congressman Carter was saying, beyond us, conservative estimate of expenditures and revenues as well, it's absolutely important.

Ms. NORTON. Mr. Chairman, we've also been talking with the Senate about this. To the city's credit they have enacted a stronger CFO law than the Congress enacted in the control board statute, a term, for example, for the CFO which we did not have before, and we are only waiting for the appropriate vehicle. We had thought this bill might be a good vehicle.

Chairman TOM DAVIS. We'll discuss that.

Thank you all for testifying.

I've just got one other thing to say. Today is a very, very important day, of course, because it's Ms. Norton's birthday, and I just wanted to, on behalf of all of us here, wish you a happy birthday, Ms. Norton.

And we thank our witnesses, and the hearing is closed.

[Whereupon, at 11:24 a.m., the committee was adjourned.]

[Additional information submitted for the hearing record follows:]

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Statement of Senator Paul Strauss

District of Columbia Budget Autonomy Hearing

Before the

Committee on Government Reform

House of Representatives

June 13, 2003

2154 Rayburn House Office Building

Chairman Davis, Congressman Waxman, Congresswoman Norton, other distinguished members of this committee, I am Paul Strauss, United States Senator for the District of Columbia. I am a strong advocate for Budget Autonomy for the District of Columbia and am excited that you are having this important hearing today.

The legislative concept of removing the District of Columbia's local budget from the Federal appropriations process promotes a new level of budget autonomy for the District of Columbia that is both rightful and deserved; I strongly support the prompt passage of a bill that would call for such a change. District citizens have long deserved the right to have their budget not only drafted and approved by their local elected officials but also enacted without external interference. The District's elected officials know best the specific needs of the District, and have been chosen by District of Columbia citizens, the people who are most greatly affected by decisions made regarding the allocation of government money. Removing the local budget bill from the Federal appropriations process would also eliminate common delays. The local budget proposed by the District of Columbia Council languishes in continuing resolutions. This would be a significant step toward an ideal budgetary process for the District of Columbia. Furthermore, the District's elected officials have proven that, when left to their own devices, they are able to create a balanced, responsible budget, as they have done for the past six years. Doing that is challenge enough. Given the large structural imbalance that the District of Columbia has with the Federal government as proven by the recent General Accounting Office report, is astounding. A change such as the one proposed would be an efficient and reasonable move for the District of Columbia.

Before I continue to discuss the legislative concept at hand, I would like to express my hope with the emergence of a bill that would remove the locally raised budget from Congressional Oversight entirely. Even if a bill passes that takes the District of Columbia Budget out of the specific Federal appropriations process, we will not have complete budget autonomy until the District of Columbia is allowed to pass its own local budget without Congressional Oversight. It is comical to think that the Governor of Virginia would be told that before his state's budget can be passed it has to be sent to Congress for final approval; therefore, to apply the same concept to the District of Columbia's Budget should be as comical. I am pleased the issue of Budget Autonomy is being addressed, as it will have a profound effect on District citizens as well as the health of the District itself. I welcome any future changes that would keep the budgetary process completely in the hands of District leaders and ultimately District citizens. While the argument for a more democratic District of Columbia is often based in the theoretical, I would like to offer pragmatic reasons for increased self-determination as well.

The efficiency of the District of Columbia in providing services to its citizens and prompting health and growth of the District as a whole would be greatly increased if the District were extended budgetary autonomy. Citizens of the District of Columbia would be able to promote their own priorities more directly via their elected officials as their elected officials would have the final say on how District of Columbia's money is spent. There are two ways in which budget autonomy would make District of Columbia's budget process more efficient that I would like to outline. One way is an end to the budget being held up in continuing resolutions and second, more accurate forecasts of the economic situation in how the money will be spent.

In this fiscal year, the District of Columbia's Appropriations Bill was not passed until more than a quarter had already gone by. Attached to the Appropriations Bill, the local budget was forced to run on continuing resolutions. Congress finally passed a resolution that specifically stated District of Columbia's local budget was no longer attached and D.C. can begin spending its Fiscal Year 2003 local budget. Until the local budget was unattached, District of Columbia had to continue spending at the same rate the Fiscal Year 2002 Bill had authorized. This made it impossible for District of Columbia to implement new programs and scrap old ones while causing many of the same problems associated with continuing resolutions.

District of Columbia's local budget has to be prepared earlier than the budget of other states and municipalities because of the extra steps taken due to congressional oversight. When the District of Columbia is formulating its budget it must forecast farther into the future. This makes the economic predictions used to base the budget more difficult to envision. Moreover, the changes being discussed today appear an obvious and long-awaited step toward a more just government.

I thank the Chair and Members of the Committee for holding this hearing and fully supporting budget autonomy for the District of Columbia. I would like to take this opportunity to acknowledge a member of my legislative staff, Deborah Rosenberg, for her help in preparing my testimony today..

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