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EXAMINING THE CHALLENGES THE DISTRICT WILL FACE TODAY, TOMORROW, AND IN THE FUTURE

HEARING

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

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EXAMINING THE CHALLENGES THE DISTRICT WILL FACE TODAY, TOMORROW, AND IN THE FUTURE

TUESDAY, JULY 18, 2006

U.S. SENATE,
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT
MANAGEMENT, THE FEDERAL WORKFORCE,
AND THE DISTRICT OF COLUMBIA,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:08 a.m., in room SD–342, Dirksen Senate Office Building, Hon. George V. Voinovich, Chairman of the Subcommittee, presiding.

Present: Senators Voinovich and Akaka.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. Good morning. This meeting will come to order. I want to thank you all for coming. Today, the Subcommittee on the Oversight of Government Management, the Federal Workforce, and the District of Columbia is holding a hearing entitled "Examining the Challenges the District Will Face Today, Tomorrow, and in the Future."

The purpose of this hearing is to examine the overall health of the District of Columbia. Mayor Williams, I would like this hearing to explore the successes and challenges you have experienced during your terms in office. It is hard to believe that 8 years has gone by. I would like you and your colleagues to outline for us the challenges the next Mayor will have to confront.

As a former Mayor of Cleveland, I understand what it is like to be handed a city that is in economic distress. When I became mayor in 1979, the city of Cleveland was in default. Through much hard work and unprecedented help from the private sector, we were able to rebuild the city's government and restore Cleveland's finances.

Mayor Williams, I imagine you are proud of the city's overall economic performance. Since you took office in 1999, many parts of the city have experienced a strong economic revival. Many neighborhoods that were once stricken with poverty and crime are now showing signs of new life. For example, Chinatown has undergone a dramatic transformation. It is now a thriving entertainment and retail district where residents live, work, and enjoy themselves. It is a model for urban renewal for other parts of the District.

Another example of urban renewal is taking place on the Anacostia waterfront. Earlier this year, I was able to tour the redevelopment, which is part of an extensive public-private partnership among 20 local and Federal agencies called the Anacostia Waterfront Initiative.

As many of you know, I have introduced a bill, which I hope the Committee will soon consider, that will transfer nearly 200 acres of land, mostly along the Anacostia River, from the Federal Government to the District Government. I am confident that this land can be better used by the District and further the economic revival in this area.

These are just two examples, but I will give you another example, where I live. I have been in the Easter Market area for 8 years. It is just amazing, the profound improvement that has been made in that area, particularly in public improvements that have been made with Eastern Market. There is just an unbelievable change that has occurred there in that neighborhood.

In addition, the city's financial/fiscal situation has dramatically improved over the past decade. In fact, as Dr. Gandhi notes in his testimony, it is the fastest financial turnaround of any comparable city facing similar fiscal challenges. At the same time, the GAO has noted that the District faces a long-term structural fiscal imbalance which still must be addressed.

However, positive economic developments in the District are tempered by continuing bad news in some other areas. The District's public education system continues to fail its residents. According to the Census Bureau, in 2003 and 2004, the per pupil spending in the District of Columbia was about $12,800 per pupil, which is one of the highest spending rates in the Nation. This high spending is not, however, translating into higher achievement. The student dropout rate is also a major challenge confronting the District and the Nation. I am not just picking on you, Dr. Janey. One of the greatest problems facing America today is the urban school system. We cannot keep going the way we are with half of our kids in these districts dropping out of school. It just is something that this Nation better wake up to, and rather fast. If it is not addressed, we risk social upheaval and the loss of our Nation's greatest resource—its human capital. The greatest resource is our people, and we are not developing them fully so that they can make a contribution, take care of themselves, their families, and make a contribution to society.

The city will never attract a strong middle class which would strengthen its tax base until the District can improve underperforming schools and provide all of its students with an excellent education.

Again, I just want to say I am from Cleveland. I have told the Cleveland community—we were an all-American city three times. When I was mayor, I said we will never be an all-American city until we have an all-American school system.

I am pleased to see, Superintendent, that you have developed a strategic plan to improve the District of Columbia Public Schools. I look forward to a more detailed discussion of what this plain entails and how you will measure success, and I offer whatever as-

sistance I can. I am sure the Members of this Subcommittee will do the same.

One of the most worthwhile things I have done during my time in the Senate was to sponsor the creation of the District of Columbia Tuition Assistance Grant Program. Since the program's inception, the District has seen a 28-percent increase in college attendance, with more than half of these students being the first in their family to attend college.

I am very encouraged also, Mayor Williams, to see that you have taken full advantage of the public-private partnerships such as the District of Columbia College Access Program. CAP is a nonprofit organization headed up by Don Graham, president and CEO of the *Washington Post*. The organization is funded by Washington area corporations and provides counseling and financial assistance to District students who might otherwise never have the opportunity to go to college. Programs like this are a step in the right direction.

Finally, in recent days, we have read many stories regarding the spike in violent crime in the District. As reports have stated, there have been 15 murders in the District since July 1, and two robberies have taken place on the National Mall. If not brought under control, this increase in violent crime could have serious consequences for the District's tourism industry, which is a significant source of revenue for the city, as well as the willingness of residents to live here long term. Mayor Williams, I am sure that we are going to hear some thoughts from you about how that situation should be taken care of.

In short, the District and its citizens continue to face many challenges in education, public safety, and long-term finances. The new mayor will certainly have his or her hands full. But I would like to say that, from my perspective looking at what has happened in the District, I have seen dramatic changes. I do not want to finish on a negative note. You have really come a long way, Mayor. During the time that you have been mayor, you have put in a good team that has helped you. The citizens of the District should be proud of what all of you have been able to accomplish together, understanding that there are always more things that need to be taken care of. It is constant.

I would now like to yield to the Ranking Member of this Subcommittee, my good friend, Senator Akaka, who has worked with me conscientiously to try and stay on top of what is happening in the District in terms of our oversight responsibilities.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you. Mr. Chairman, thank you for holding today's hearing to give us an opportunity to find out what is happening in the District today and to address its future.

Over the past decade, the District has gone through a number of changes. In 1995, Congress established the DC Control Board to oversee the District's fiscal management because of long-standing budget deficits, questionable internal oversight of city funds, and a failure to provide residents with adequate public services.

Management of the District was returned to local officials in the year 2001 after the city balanced four consecutive budgets. Since

then, Congress has sought to conduct oversight over the District while respecting "Home Rule."

A key player in the District's recovery is Mayor Williams, first as Chief Financial Officer, and now as Mayor. It is imperative that the improved financial management practices put into place by Mayor Williams are sustained.

While DC governance has improved dramatically over the past few years, areas of concern still remain. As a former teacher and principal, I believe public education can help many of society's problems. That is why I am concerned with low test scores and wasted funding in the DC Public Schools (DCPS). Moreover, this spring, the U.S. Department of Education named DCPS as a high-risk grantee, citing inadequate financial accountability and poor management of Federal funds.

It is imperative that DCPS avoid providing fodder for the movement that is, in effect, working to abandon our public school system in favor of school vouchers. Just last week, the Senate Appropriations Committee approved an expansion of the DC School Voucher Program. I would like to see Congress move away from school vouchers and renew our commitment to public schools.

Superintendent Janey, you must help us ensure that DCPS is a good steward of taxpayer dollars and provides DC youth with a top-notch education, particularly for those who cannot afford to attend private schools without voucher assistance.

Another serious and quite public issue facing the District is crime. As the Nation's capital, DC is one of the world's primary tourist destinations. Its museums and national monuments are enjoyed by millions of people every year. Guaranteeing the safety of visitors and residents alike must be a priority for the DC Government. I am hopeful that the renewed commitment by the Mayor and Police Chief Ramsey to keep the District a safe and thriving city will yield positive results.

That brings me back to my push for improved educational opportunities for DC youth. Without significant resources and commitment, District youths may be denied the benefits of strong educational programs. Educational opportunities equal economic opportunities.

Mr. Chairman, thank you again for holding this hearing. I welcome our witnesses and look forward to their thoughtful testimony on where DC stands today and how the District can be improved in the future.

Thank you, Mr. Chairman.

[The prepared statement of Senator Akaka follows:]

PREPARED STATEMENT OF SENATOR AKAKA

Thank you, Mr. Chairman. Today's hearing is a chance for the Subcommittee to look towards the future of the District of Columbia.

Over the past decade, the District has gone through a number of changes. In 1995, Congress established the DC Control Board to oversee the District's fiscal management because of long-standing budget deficits, questionable internal oversight of city funds, and a failure to provide residents with adequate public services. Management of the District was returned to local officials in 2001 after the city balanced four consecutive budgets. Since then, Congress has sought to conduct oversight of the District while respecting Home Rule.

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While DC governance has improved dramatically over the past few years, areas of concern remain.

As a former teacher and principal, I believe public education can help many of society's problems. That's why I'm concerned with low test scores and wasted funding in the DC Public Schools (DCPS). Moreover, this Spring, the U.S. Department of Education named DCPS as a high-risk grantee—citing inadequate financial accountability and poor management of Federal funds. It is imperative that DCPS avoid providing fodder for the movement that is—in effect—working to abandon our public school system in favor of school vouchers. Just last week, the Senate Appropriations Committee approved an expansion of the DC school voucher program. I would like to see Congress move away from school vouchers and renew our commitment to public schools.

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That brings me back to my push for improved educational opportunities for DC youth. Without significant resources and commitment, District youths may be denied the benefits of strong educational programs. Educational opportunities equal economic opportunities.

Mr. Chairman, thank you for holding this timely hearing. I welcome our witnesses and look forward to their thoughts on where DC stands today and how the District can be improved in the future.

Senator VOINOVICH. Thank you, Senator Akaka.

We have an excellent panel joining us today. First we have Mayor Williams. I appreciate the relationship that we have had, and I recall spending a lot of time with you when you first came in. I apologize for not spending more time with you as you have gone through the years as Mayor.

We are also very pleased to have Dr. Natwar Gandhi, the Chief Financial Officer of the District of Columbia. Dr. Gandhi, we are pleased to have you here.

Dr. Clifford Janey, the Superintendent of the District School System.

And, finally, we have Alice Rivlin, the Director of the Greater Washington Research Program at The Brookings Institution. From 1998 to 2000, Dr. Rivlin chaired the District of Columbia Financial Management Assistance Authority, more commonly known as the "Control Board." She is also former Vice Chairman of the Federal Reserve Board and a former Director of the Office of Budget and Management. Dr. Rivlin, thank you for your service to our country and to this city. We thank you for joining us today, and I look forward to an informative discussion.

As you know, it is the custom of this Subcommittee to swear in the witnesses. If you will stand, I will administer the oath. Do you swear that the testimony you are about to give this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mayor WILLIAMS. I do.

Mr. GANDHI. I do.

Mr. JANEY. I do.

Ms. RIVLIN. I do.

Senator VOINOVICH. As is the custom in the Subcommittee, if the witnesses could limit their testimony to 5 minutes, I would be most appreciative.

Mayor Williams, we are looking forward to your testimony.

TESTIMONY OF HON. ANTHONY A. WILLIAMS,[1] MAYOR, DISTRICT OF COLUMBIA

Mayor WILLIAMS. Good morning, Mr. Chairman and Ranking Member Akaka, and other distinguished Members who may join us. I want to thank you for inviting me and my fellow panelists to testify before you today. I will abbreviate my comments, Mr. Chairman, not because I believe that there are abbreviated successes in my administration, but because I want to honor the time. I am not going to talk a lot about one of our key successes, all of us working as a team together, and that is, financial stability and integrity, because I think that Natwar Gandhi, whom I am proud to say I first appointed as Deputy Chief Financial Officer during my term as CFO, can speak very comprehensively and eloquently on that point, although I would underscore his point to the Subcommittee, which is that I believe that the District for a number of different reasons has proceeded faster and farther than other similarly situated jurisdictions in financial duress. And I am very proud of that record.

I am also proud, Mr. Chairman, of the District's record in the health area and, as a matter of fact, in the human services area. This was a very painful effort on my part—I think I suffered substantially politically for it—the transformation of the DC General Hospital to the DC Alliance. This conversion put the District in a wonderful position. All that torment I think was for a good purpose because the District continues now to be the only jurisdiction in the United States offering health insurance coverage to all residents up to 200 percent of poverty. Now other jurisdictions are looking to the District model in order to address the needs of their uninsured population.

Additionally, this year we are adding dental coverage within the Medicaid program for adults. I am expecting within a few days now a draft report of a task force that I have looked at on the expenditure of $200 million of securitized tobacco funds and how we can best use that money. Is it building a National Capital Medical Center or is it taking this money and deploying it primarily to neighborhood-based clinics? So that is something that is coming up and that is a major challenge for our city.

In the human service area, I am proud to say that all five of the receiverships imposed by Federal and local courts that were in place at the beginning of my administration have been terminated. These included public housing, child welfare, medical and mental health services, a public mental health system, and educational services at Oak Hill.

Having said this, there are still major challenges in this area: In the area of mental health to ensure that while we move our mental health services into the community, we maintain not only adequate but the optimum care for our residents in an institutional setting.

[1] The prepared statement of Mayor Williams appears in the Appendix on page 29.

We have a new Director of Mental Health from Baltimore, whom I believe is in an excellent position to do that for us.

In the mental retardation MRDDA, Mental Disability and Retardation Department, we have a person that we have put in place, Kathy Smith, whom I believe in conjunction with the court will not only keep that agency out of receivership, but will allow us to advance the goals of providing quality care to patients with mental disabilities.

And, finally, educational services at Oak Hill, where, in addition to building a new detention center that actually rehabilitates juveniles, we are actually, under Vince Schiraldi, undergoing, I think, a massive comprehensive effort to improve that department as well. But there is an enormous amount of work to be done there.

In the basic service improvement area, I would argue that my successes—I am really paraphrasing here, Mr. Chairman. My remarks in total are submitted for the record. But I would say in the basic service area, a lot of my progress I think can be attributed to the fact that at the beginning of my administration—and I am not just saying this because you are Chairman of the Subcommittee—I talked to individuals who I thought had been good mayors of their cities, and I slavishly duplicated what I thought they had done well. I talked to you, Mr. Chairman, as you know; Ed Rendell, who I thought was a great Mayor of Philadelphia; Dennis Archer, the Mayor of Phoenix, who had, for example, a good call center in his city.

So, for example, when I became Mayor in 1999, residents had to navigate a bewildering, confusing maze of offices, phone numbers, people, in order to make the simplest request. One of the first changes we made was to institute a single point of contact phone number. This is 727–1000. We have now had over 1,000,000 callers to that number.

Another departure was to create a robust and comprehensive website. It is now believed that the District, if we were considered a State, would have more online services on our website than any other State in the country. And this is a website that sometimes receives 200,000 to 300,000 hits a day.

An example of this basic service improvement is a substantial turnaround at the Department of Motor Vehicles. When your neighborhood organizations, who are your fiercest critics—and I am sure that both you and Senator Akaka can appreciate this. When they all sit down and vote the Department of Motor Vehicles the most improved government agency, you know you have made progress, because this is a very hard audience to convince.

In the education area, you have talked about the Tuition Assistance Program, and I think this is a marquee Federal initiative. I think the Congress should be proud of its role in this initiative, particularly the role that the Tuition Assistance Program has played, as you have mentioned, Mr. Chairman, in the huge increase of college matriculation in the District, but also in the role that the tuition assistance plays in conjunction and in concert with the College Access Program. This is precisely the kind of success that I think you and the Congress have called for, and it is precisely the kind of public-private partnership that allows us to leverage scarce government resources for maximum public gain.

In the area of economic development—or one other area in education is our effort, Mr. Chairman, to improve our library system for the 21st Century, and I would love to talk about that. This is not only about building a new central library, but using a new central library in our city as a cornerstone, one, of improving libraries throughout the city; and two, even more importantly and fundamentally, getting at and attacking the chronic problem of literacy in our city where 37 percent of our citizens are struggling at a third or fourth grade level of literacy.

In the area of economic development, I am proud of the $45 billion of investment that has come to our city, but I will say that a challenge remains, particularly in the area of jobs and in the area of housing. I will talk about jobs in a second as we talk about a challenge in education. But in the area of housing, we have gone from around two or three units of housing planned or under production to over 30,000 now, and half of them are affordable. We have, I think, on a per capita basis one of the most robust, aggressive efforts to build new affordable housing and fund that affordable housing in the country. But I have to say, Mr. Chairman, I believe that for cities like mine—and they're scattered across our country—the most important way to preserve affordable housing in our cities is to preserve the affordable housing we have. There are countless expiring contracts. Many of them are Section 8. Many of them are other arrangements under programs with HUD that are expiring that, without the intervention of our cities, hopefully in partnership with our States and the Federal Government, would be lost to affordable housing.

Another big part of our affordable housing challenge is providing rental housing for our working families. I convened and Alice Rivlin chaired a housing task force. We have attempted in our most recent budget to fund major components of that housing task force in an effort to get at the need for housing for our people.

I was most troubled, when Dr. Rivlin came to speak to me, about her report that many of the families who are struggling for housing are poor families. But they are not the stereotype of poor families sitting around watching TV. These are poor families who are working. They are working trying to support their families, and they still cannot afford a home. And as you have said, Mr. Chairman, our cities will never be great American cities unless they are cities for every income class. We cannot just have cities that are for the very rich and the very poor.

Which leads me to the situation of public safety. The good news on public safety, Mr. Chairman, we are at a low in crime of some 20 years. Crime has decreased substantially during my time here in the city, particularly my time here as Mayor. But we have had a recent spike in crime that, if left unattended and if left uncorrected, I believe can undo much of the work that we have done to improve the reputation of the District and, even more importantly, and substantially undergirding all that, improve the experience of our residents and visitors. And I have asked the chief and he has declared a crime emergency, not to alarm everybody but to take proactive measures to get more officers on the street. We are going to be meeting with the Council today seeking the Council's authorization of a series of steps to not only get additional police on the

street, I believe we can get another 350 police on the street by moving to a 6-day week on an emergency basis: Expanding on a selective basis the use of closed-circuit cameras in neighborhood commercial areas; creating a rebuttable assumption; allowing us to detain adults and juveniles who are charged with violent robbers; allowing us to better share information about juveniles—not juveniles who are convicted of shoplifting or doing something relatively minor, which many of us did as juveniles—I cannot speak for anybody else, but certainly for myself.

I am talking about juveniles who are involved in violent activity. Our police should be able to have that information so that when we detain or arrest a juvenile, we are able to use that information. And certainly we're able to use that information in some of the rehabilitative programs that we have to have in place.

Which leads me to education. One of my biggest regrets is that we have not come farther in our city.

Senator VOINOVICH. Mayor, I have given you 10 minutes.

Mayor WILLIAMS. OK. If I could just wrap up, Mr. Chairman. I know I have a lot to say, and I am sorry I have taken too long. Voting rights is a big concern in our city, and if you and the Subcommittee can be supportive of our effort to give Congresswoman Norton a vote, I would certainly and my citizens would certainly appreciate that.

Thank you.

Senator VOINOVICH. Thank you, Mayor, and you will have an opportunity to talk during the question period.

Dr. Gandhi.

TESTIMONY OF NATWAR M. GANDHI,[1] CHIEF FINANCIAL OFFICER, DISTRICT OF COLUMBIA

Mr. GANDHI. Thank you, Mr. Chairman. Good morning, Mr. Chairman, Senator Akaka. I am Natwar M. Gandhi, Chief Financial Officer for the District of Columbia. In my brief remarks, I will summarize, first, the fiscal recovery over the past decade. I will also address our capital spending needs. And, finally, I will address our ongoing commitment to remain fiscally balanced in the future, despite facing significant challenges.

The chart[2] that appears as an attachment to my testimony and that appears here before you, sir, is a history of the remarkable fiscal comeback achieved by the District over the past decade. Our fiscal low point occurred in 1996, when the general fund balance hit a negative $518 million. Through the efforts of Mayor Williams, the District Council, and the Control Board, we were able repeatedly to balance the District's budget for nine consecutive balanced years. The Control Board was deactivated in 2001. Between 1996 and 2001, there was about a $1 billion increase in the fund balance to a positive $562 million by the end of fiscal year 2001.

The real test for the District was the challenge of sustaining fiscal stability in the post-control period. As you can see, at the end of 2005, the general fund balance had risen another $1 billion, to $1.6 billion. Of the $2.1 billion increase in general fund balance be-

[1] The prepared statement of Mr. Gandhi appears in the Appendix on page 39.
[2] The chart referred to by Mr. Gandhi appears in the Appendix on page 52.

tween 1996 and 2005, the amount of gain since the control period ended was about equal to the gain during the control period, demonstrating the commitment of the District's leadership to ongoing fiscal restraint.

The measure of this success is reflected in the District's bond rating. All three rating agencies recognized the improved creditworthiness of our bonds by raising the District's bond ratings from "junk bond" status to "A" status—the highest level ever achieved by the District.

How did we do this? A great deal of the increase in fund balance was driven by the growth in local revenues, resulting from the strong regional economy. That was the easy part. Credit for making the difficult decisions must go to Mayor Williams, the Council, and the Control Board. The Congress also transferred to the Federal budget some of the functions normally provided by State governments. The Mayor and the Council demonstrated their commitment to prudent fiscal stewardship by controlling spending.

The Office of the Chief Financial Officer, which was created in its current form by the Congress, was given the task of strengthening our tax administration in order to collect every dollar that was due to the District, and we have made significant improvement in that area. Over the past 10 years, we have collected an additional $1.6 billion despite declining tax rates.

On the revenue side, the role of forecasting revenues—a difficult and essential part of budgeting—was also the responsibility of the Chief Financial Officer. In every year for the past decade, our actual revenues have met or exceeded our forecasts, demonstrating the careful, conservative approach that we have taken to estimate revenues.

Mr. Chairman, despite efforts to fund the District's capital needs—and we have profound needs—I must point out to the Subcommittee that this government continues to struggle to function with a structural imbalance that you have yourself noted, sir. This means that the District's revenue capacity, under the national norms, falls far short of the cost of delivering services. The reasons lie in a large population in need; high regional costs for labor, land, and other resources; and accumulated infrastructure deficiencies.

The District is unique in many ways. It has the economy and the needs of a city plus the added public responsibilities of a State, county, and school district. We cannot tax nonresident workers, who account for two-thirds of income earned in the city. Over one-third of all assessed property value in the District—about $43 billion—is exempt from taxation, and the District cannot tax its largest employer—the Federal Government. Not only that, but 10 of the District's 13 largest employers are also exempt from taxation.

So the District faces unique expenditure requirements. State-like services provided by the District Government to its residents amount to about $1.2 billion per year.

What is the result? The accumulated unfunded needs of the past and present show up as real problems for residents and visitors in the form of: Crowded Metro cars, stalled trains, potholes in the street, crumbling swimming pools, libraries, and school buildings. The average age of school buildings is more than 60 years. And there are many other concerns that we have.

So how do we resolve this? The District has made great strides in fiscal management and in providing better services, but two difficult consequences of the structural imbalance between the District's revenue base and its spending requirements remain: One, a high per capita tax burden with some of the highest tax burden in the region and in the country; and, two, the highest per capita borrowing. The District's tax burden on households ranks in the upper one-third when compared to the largest cities in the country.

As to the borrowing, the District's per capita borrowing reflects the city's effort to sustain infrastructure generally provided by multiple jurisdictions. The District's per capita debt burden now exceeds $8,000, the highest of any major city in the Nation, fully 20 percent above New York City, the second highest. Furthermore, with additional borrowing anticipated in the next 4-year capital plan, it is projected to increase to over $13,000 per person. Clearly, we cannot borrow our way out of the structural imbalance.

So what are our challenges, sir? Challenges that add to the structural imbalance that we already experience. First, the revenue challenge is made even greater in the District by Federal prohibitions against taxing incomes earned by nonresident workers and incomes earned by certain professional services.

Second, the District has a large urban population that needs help. Like other cities, the District is accountable for greater efforts to help the less advantaged in the city's population. Unlike other cities, however, the District does not have a State or suburbs that share in its overwhelming costs.

In conclusion, Mr. Chairman, the leadership provided by the Mayor and the Council allowed the District to return to fiscal health. I would like to thank this Subcommittee for its diligent and continuous oversight work on the District's finances during this sustained recovery period. We look forward to continuing to work with you, sir, to ensure that the Nation's capital remains fiscally strong and ready to meet challenges of the future.

Next January, the District will have a new Mayor, a new Council Chair, and we will have a number of new Council members. Though our current financial position is strong, the new leadership will face the need for ongoing vigilance to protect the gains that were hard won. Until the District's tax base is widened, given our needs and the ongoing structural imbalance, we are still in a precarious position. Like many American families who are just a paycheck or two away from financial hardship, the District continues in a critical struggle for financial security.

We are committed to continuing to make the hard decisions in order to balance our budgets. Clearly, the District needs Federal assistance to provide adequate infrastructure improvements to secure the safety of the city's residents and the millions of Americans who visit our Nation's capital every year.

Thank you, sir.

Senator VOINOVICH. Thank you, Dr. Gandhi. Dr. Janey.

TESTIMONY OF CLIFFORD B. JANEY,[1] SUPERINTENDENT AND CHIEF STATE SCHOOL OFFICER, DISTRICT OF COLUMBIA PUBLIC SCHOOLS

Mr. JANEY. Thank you. Thank you very much, Mr. Chairman. I am Clifford Janey, Superintendent and Chief State School Officer of the District of Columbia Public Schools. I am pleased to be here today to discuss public education in the District of Columbia, past and present, and to share my views on what challenges and opportunities lay ahead for a future mayoral administration.

First, I would like to take sincerely this opportunity to acknowledge Mayor Anthony A. Williams for his leadership and support. I thank him greatly for his commitment to improving education and increasing opportunities for children and families of the District of Columbia. It has been a pleasure working with him, and I look forward to developing an equally respectful and productive relationship with our next mayor.

I cannot underscore more the importance of a strong relationship among city leaders to the success of widespread education reform and the ability of that reform to be effective and sustained. As many of you know, not too long ago our city did not enjoy such support and cooperation among those invested with the responsibility and accountability for public education.

Just a little less than a decade ago, public education in the District was characterized by instability, chaos, lack of direction, and other less than flattering descriptors. For example, over the last several years, the District grappled with the following challenges: Federal takeover of the city and a congressionally appointed educational board of trustees, new and untested school board structure, a revolving door of superintendents, recurring deficits, declining student enrollment, explosion of public charter schools, poor student performance, and the like.

Thankfully, our work is no longer entangled in this web of worries, but I share these examples as an illustration of what unstable leadership and the lack of clear responsibility and accountability for educational decisionmaking has bred as we face changes in the city's leadership at the mayor, council, and board level. We will have a new board president come this January. I ask all of us to be mindful of our past mistakes and to look to the tremendous progress we recently have experienced as a blueprint for moving forward.

When I became superintendent almost 2 years ago, it was with the unqualified and unified support of the Board of Education, Mayor Williams, the DC Council, the city administrator, and key community stakeholders. This support has proven extremely crucial as we continue to tackle long-standing challenges and implement a reform agenda that is designed to transform DCPS into the world-class education system that the District of Columbia and its residents so richly deserve.

We are making progress in creating a foundation for academic success in the District of Columbia Public Schools. Last fall, we implemented new and more rigorous academic standards in reading/language arts and mathematics. Standards in science and social

[1] The prepared statement of Mr. Janey appears in the Appendix on page 54.

studies were adopted earlier this year, and we will be implementing during the upcoming year more of these standards.

It is important to note that while many States typically take 4 to 8 years and sometimes 4 to 6 years to develop and adopt new learning standards, we successfully adopted in four different subject areas in less than 2 years.

It is worth noting some other indicators of progress. The number of schools meeting, adequate yearly progress (AYP), in both reading and mathematics at the District level, using the Stanford 9, increased from 63 schools to 72 in school year 2004–05. Student attendance also increased from 85 to 89 percent District-wide. Additionally, English language learners dramatically improved their proficiency in both reading and mathematics, rising from 30.8 percent to 50.4 percent in reading, and from 50.8 percent to 56.4 percent in mathematics. We have a number of our schools that have been recently identified as high-performing, some 20. They partner with schools that are doing less than acceptable performance.

We are also taking note of the work that we have done at the national level with respect to NAEP. We have made some progress there. We certainly have a long way to go.

We are continuing to work with our students in terms of postsecondary experience. The number of students taking advanced placement courses has increased, and certainly the number of students earning scores of 3, 4, or 5 have also increased. Additionally, the number of students who are males, their performance has increased, scoring 3, 4, or 5.

To support the academic progress, in the past year we have been fortifying our business systems. Recently, DCPS became the first school district in the country to partner with a municipality—and they sit right next to me on my right—in operating a state-of-the-art procurement system. It is now automated. We went live on March 24 and April 27. This means from the initial requisition to the approval to the receipt of goods takes within a week. It used to be 3 to 4 months. So schools and departments can order goods now electronically. We know where all the accountability steps are. In fact, if it is sitting on someone's desk, there is an escalator provision that kicks it up to the next approval level so that we are not interrupting services in terms of academic performance.

We are mindful of the need to have an efficient business system, given the fiscal realities we face, and because of those fiscal realities, we have successfully sought and continue to participate in some effective partnerships that will help us reach our goals.

I want to summarize the last couple of pages, and, of course, my testimony is before you, and it has been entered into the record. But let me just highlight some things that have happened in the last couple of years.

We are encouraged by another recent partnership. The Wallace Foundation took a look at a number of municipalities throughout the country and selected three—Boston, Chicago, and Washington, DC—for consideration of a major investment in our city through our youth. We will be in receipt of $8 million over the next 3 years targeting out-of-school time for our middle-school students, so what happens after school, what happens during recess breaks, what happens during our summer periods. We are aligning our work to-

gether so that what we do within the school district with respect to the new rigorous learning standards will also be part of the work of CBOs who are involved with our after-school programs for youth.

We are about at the national average in terms of our graduation rate, but as you know so well, it is not so much what the percentage is; it is also about who is graduating in terms of race and ethnicity and whether or not those students are college and work ready, because there is a gap between the graduation rate and those who are college and work ready, and that is why it is significant to have very formidable, rigorous learning standards in all of our subject areas and an assessment to go along with that.

I would finally add that with respect to some of the expectations for a relationship with the new mayor, new council chair, and certainly our new board president coming in, let me just cite the following as I conclude: Congress has passed a new fiscal year for DCPS. We look to collaborate with you and others to make that one that is most successful. We would like consideration of having a multi-year budgeting process that would align our work with the 3-year plans that we are obligated to do under No Child Left Behind.

Dr. Gandhi have been in discussion about realigning the reporting structure currently for the school district CFO and the work that he does. I would like to see that happen in terms of benchmarking our performance over the next 2 or 3 years so that we will be in a position of readiness to assume that responsibility, given some of the progress points we have made, particularly balancing our budget in the last couple of years and having a fund balance in 2005 of about $12,000.

We are moving forward to more clearly delineate our State and local functions. I am sure you have become conversant with that particular point, given some of the reporting in the local media.

So I stand before you committed to make this change.

Senator VOINOVICH. Thank you. Dr. Rivlin.

TESTIMONY OF ALICE M. RIVLIN,[1] DIRECTOR, GREATER WASHINGTON RESEARCH PROGRAM, THE BROOKINGS INSTITUTION

Ms. RIVLIN. Thank you, Mr. Chairman. I will summarize my statement very briefly and hope that the entire statement can appear in the record.

Senator VOINOVICH. It will be.

Ms. RIVLIN. I think my claim to being on this panel is that I chaired the now infamous Control Board, which is no more, and which made a considerable contribution to the financial and managerial turnaround that has been alluded to.

I want to mention that one legacy of the Control Board era is the Office of the Chief Financial Officer itself, ably led by Dr. Gandhi. I believe that the contribution to fiscal discipline that can be made by a strong, independent CFO has been amply demonstrated by the District's fiscal turnaround. The Congress and the District Government should ensure that the role of the independent CFO continues in the years ahead.

[1] The prepared statement of Ms. Rivlin appears in the Appendix on page 61.

I will not discuss the fiscal transformation of the District, which has been ably discussed and which is impressive.

Let me mention that the turnaround in budgeting and accounting systems, a less glamorous and dramatic subject, has also been impressive. The city did not used to even be able to close its books on time. Now nobody notices at the end of the closure period, and we get a clean audit routinely.

The efforts on this subject have been partly the CFO, partly the Mayor's office, partly the Office of the Chief Technology Officer, Suzanne Peck, who has done wonders in this city to improve the systems. This is not glamorous work, creating budgeting, accounting, and statistical systems for the city, but it will benefit the city in the years to come.

Another major turnaround has been the re-creation of the city's Planning Office. When Mayor Williams took over, the Planning Office was practically nonexistent. It has been built back up into a nationally respected, professional organization that can help the city plan for years to come. And the creation of the Anacostia Waterfront Corporation to lead the redevelopment of the waterfront is another institutional improvement which I think is extremely important.

The Mayor has talked about economic development and its successes and also mentioned the downside of the city's burgeoning development, which has been the rapid increase in real estate prices, housing, and rents all over the city. That helps with the fiscal picture, but it is very difficult for low- and moderate-income people and creates a problem which we must focus on.

The management has been turned around in many but not all departments, as the Mayor has mentioned. Something needs to be done there. But the Mayor has attracted two very strong city managers, John Koskinen and Robert Bobb, who have helped turn this from a badly governed city to a much better one.

Finally, an accomplishment I would like to mention is the perception of the city, nationally and internationally. The Mayor and the Council and others have worked very hard to make clear that we have turned things around here, and the result has been that businesses that would not look at the District of Columbia a few years ago are now eager to invest here, put stores here, and that has been a very important contribution.

Challenges. First is Dr. Janey's issue of education—not his issue alone, but clearly one that is high on the agenda for new city leaders going forward. It sometimes sounds, though, as there are no good schools in the District of Columbia. That is definitely not true. My granddaughter goes to one of them, and it is terrific. And Banneker School Without Walls and other public schools are doing extremely well, as are many of the charter schools which serve low-income and disadvantaged young people and are scoring, many of them, extremely well.

We have an arsenal of tools here in the District that ought to be working together. The traditional public schools, the vibrant charter school movement, and the voucher system—those can all be part of improving the quality of the District of Columbia's publicly supported education.

I believe we also need a high-quality community college in the District of Columbia. We do not have one. It should either be part of the University of the District of Columbia or be set up separately. But it is an urgent need, as is improvement of the city's adult education and job training programs.

The Mayor mentioned, in connection with affordable housing, the task force that I co-chaired recommending that the city redouble its effort. The city has done a lot, but we are fighting a losing battle because rents and prices are going up so fast. And I have been very gratified with the Mayor's and the Council's response.

I agree with the Mayor that the decision that we all participated in that was so painful, to close DC General Hospital and create the Health Alliance, was the right one. We do not need another hospital now. We have lots of hospital beds. We need to devote increased resources to primary care and disease management, substance abuse treatment, and the detection and treatment of HIV/AIDS in the city.

This is a city starkly divided by race and income, as many cities are. But we have an opportunity in this city to reduce the starkness of that divide if we work with all of the tools available bringing the two sides of the city together.

Another challenge on which some progress has been made, but more needs to be done, is reform and coordination of the city's programs, collocation of city services in the same building, and other evidences of good management of the city's resources. And we need to cooperate better with the whole region.

Finally, very briefly, Mr. Chairman, what can the Congress do? What can you and your colleagues do? I think four things.

First, you should find a way to give the citizens of the District of Columbia the right to vote for a representative in the House and the Senate, and I mean a voting representative not just delegate status.

Second, the Congress can and should approve legislation that would provide enough Federal compensation to the district to close the $1 billion or so structural deficit that the Government Accountability Office and others have identified in the District's fiscal structure. Congresswoman Norton has introduced a bill that would make a compensatory contribution to the District. I believe this legislation should be enacted.

Third, the Congress should permit the locally funded portion of the city's annual budget, our own money, once it is approved by the mayor and the mouncil, to go into effect at the start of the fiscal year without needing congressional approval.

And, finally, Mr. Chairman, the Congress should actively support regional efforts to improve transportation, air and water quality, access to affordable housing, and other things on which this vibrant region and the District of Columbia must cooperate.

Mr. Chairman, I appreciate this opportunity. Thank you very much.

Senator VOINOVICH. Thank you very much.

Senator Akaka, most of our witnesses have spoken for 10 minutes, but I thought that it was very worthwhile to get their best presentations.

I would like to again thank you all for being here. Mayor, you have done a good job. You should feel very proud. I hope that this is not the last time that we will see you before this Subcommittee. Maybe some other role that you may take on may cause you to be invited back to the Subcommittee.

I think of the schools, Dr. Janey, and as you know, I have been close to the DC TAG and the DC CAP programs. The District's school system should be the best in the country. The District's school system should be a model for the country. It should be a school system that is worthy of the Shining City on the Hill. Perhaps it is time that we joined the resources of the public and private sectors to try and really look at a District that has the problems that you have. You have about 60,000 students today. You have charter schools and you have your good schools. There has to be something done pretty quick to look at and dissect what it is and what needs to be done and how we can make it possible that we can improve our urban districts. I would like to talk to your more about that.

Mayor, you seem to know a lot about health care. I have been working with The Brookings Institute and with The Heritage Foundation now for a couple of years on the Health Partnership Act. Hank Aaron at The Brookings Institute has been working with Stuart Butler at The Heritage Foundation, and they have come up with some suggestions. I have introduced legislation to move forward with a State initiative that would try out different systems around the country. I would like to send some of that information to you. I would be interested from your perspective on whether you think it makes sense.

You have made some really good progress in many areas in the District, and I am sure you have identified areas where you need to make more progress. Mayor Williams, I would like your comments on if you think you have institutionalized the transformation. Dr. Rivlin, one thing that always bothers me is that we have an administration that comes in, they get the job done. But when people leave all of their hard work goes with them. Does the city have the workforce and the core competencies that are necessary? Do they have the trained workforce? In the Federal Government a lot of folks are retiring or taking an early retirement. I wonder if the District has addressed this issue? I feel strongly that you are only as good as your team, Mayor Williams?

Mayor WILLIAMS. Well, I would speak to a couple of things on that, one kind of internal, Mr. Chairman, and the other external.

On the internal point, a couple of things. One is I have made it a point as Mayor to appoint the very best people. I know this sounds like Mom and apple pie, but I really have tried to do this, to appoint the very best people regardless of politics. A great example is when John Koskinen left, who I thought had been a great city administrator, I was talking with him about the appointment of the successor we appointed. In consultation with him, I agreed that my best appointment would be Robert Bobb. I did not know Mr. Bobb from Adam, had never met Mr. Bobb before. Mr. Bobb had kind of a MacArthur reputation or a Patton reputation, kind of going for the Rhine before he got orders from high command. But he had a reputation, more importantly, of getting the job done.

I brought Mr. Bobb in. He has done a great job for us. And I have done that with every single manager, and I believe that they in turn, very importantly, have done that with their subordinates. There is a message from my administration that the head office is not interfering with your management decisions, because I believe that ultimately I am going to get more political credit by more getting done than by trying to micromanage whether Harry or Betty got hired.

On the external point of view, Mr. Chairman, we have the beginnings—I am not saying we are there yet because there is an enormous amount left to be done. But we have tried to put in the beginnings of a performance system. I got this from the time I was CFO in the Department of Agriculture and working with people like Dr. Rivlin and the Federal Government, to put results management into the District, performance measurements around outcomes. There is still an enormous amount left to be done, but at least there is a vocabulary now in our city about outcomes of our government agencies.

And, very importantly, I mentioned the call center. One of the things that we do with the call center is when you call 727–1000, you get a tracking number, and then someone calls you randomly to ask you how was the service you received. Was your e-mail answered? Was your phone call answered? How was it answered? And then there is a feedback mechanism into the personnel system to see that people comply. I am not saying that this is a perfect system, but, again, the initial steps have been put into the institution to see that results happen.

Senator VOINOVICH. Does anyone want to comment on the issue of retirement? What does the situation look like?

Mr. GANDHI. Mr. Chairman, if I may comment on the financial cluster, I am basically quite confident that the second tier that is emerging in the Office of the Chief Financial Officer is big and as much competence in terms of accomplishing the results, balancing the budget, assuring financial viability of the city to the Hill and to the citizens. I am very confident of their ability to do that. And your point about a retiring Federal Government, indeed, when I became the head of the Office of Tax and Revenue under then-Chief Financial Officer Anthony Williams, I went to the IRS and asked for a list of the people that I can borrow from them. And there were many retiring superb IRS administrators. I hired 15 of them, and they really transformed our tax administration. As I pointed out, we collected $1.6 billion more over the last few years with declining tax rates.

And just to cite one example, the returns and the refunds. It used to take months and tons of calls to get your refund from the District Government. Today, if you file on the Web—and we were the first city in the country to have Web filing. You can go to the Mayor's website and file your tax return. If you file on the Web, you get your refund in 1 week. If you file on paper, you get it in 2 weeks. That is a remarkable change in our tax administration. Why? Because we hired very able retired IRS tax administrators. Then in turn trained our own people.

So I think I am very confident that in the Office of the Chief Financial Officer we have a group of people, some of them sitting in

this room, who are very capable of carrying this message and the performance of financial viability, financial stability, and fiscal prudence.

Senator VOINOVICH. Thank you.

Ms. RIVLIN. Mr. Chairman, could I add something? I agree with the Mayor and Dr. Gandhi about the positive successes in building a professional corps. But it is very hard, as you know, to reach down to all of the agencies in the city and to turn them around. It is not just a question of putting the right person in at the top. I think we have seen that in the emergency response system, we have seen it in the District's regulatory authority. It takes a long time to re-engineer the systems, re-educate the people, make sure that you have people on the front line at the bottom who know what their job is and are adequately trained and have the right leadership. There is still much to be done in this city on that score.

Senator VOINOVICH. Is there a specific amount of money that is allocated for training of city workers? One of the things I did when I was Mayor was recognize that major corporations that are successful spend a nice percentage of their money to upgrade the skills of the people in their workforce.

Mr. JANEY. May I take a stab here?

Senator VOINOVICH. Yes.

Mr. JANEY. Let me just retreat back first to your question about stability and providing a high-quality workforce, because it is a workforce issue. And one of the challenges that we are going to face, not uniquely as a school district, is recruiting and retaining and developing particularly teachers in some of the hard-to-recruit areas—mathematics and science. The pipeline is just not there. It is not there in special education.

So knowing that we have to do well in the long term but do well in the here and now, we have contracted with a national firm that provides us services in terms of social workers, occupational therapists, physical therapists, and special education teachers. And we are contracting with them to provide those services directly.

I would further point out we are spending about 8 percent of our budget on employee development. That includes teachers, administrators, and support staff. Our remaining challenge, not lingering but a very biting challenge, is the fact that we have high out in particular business system areas. And it is because we do not have compensation comparable to other entities. We are behind the District of Columbia and behind the Federal Government which creates a lot of out for us and turnover.

We are putting our plans together for the next couple of years to address that, and that is for staff that reports to——

Senator VOINOVICH. The management and so forth, that you are not as competitive as you should be, because in the District you have so many other public agencies that may be paying more than you are.

Mr. JANEY. Right. For comparable work, someone could go and become an human resources specialist in the area of retirement somewhere else, and it has nothing to do with performance, nothing to do with accountability.

Mayor WILLIAMS. Mr. Chairman, there is a cohort moving through the system where you are going to have a lot of retire-

ments. I know, for example, that with teachers you have a large cohort of teachers that are going to be retiring in a few years, and this has radiated out throughout the other departments. And I would be happy to share with you the exact numbers. Generally, that is a problem in our government and governments across the country.

Senator VOINOVICH. Well, Senator Akaka and I are trying to make sure that it does not drown the Federal Government.

Senator Akaka, I have taken more than enough time. We will have 10-minute rounds of questions since I violated my own rule. [Laughter.]

Senator AKAKA. Well, thank you very much, Mr. Chairman.

I want to commend you, Dr. Rivlin, for your summary and your testimony of the status of DC, which was excellent. And I want to commend all of you for your commitment to public service.

Mr. Mayor, yesterday you wrote a letter to the Chairman of the Council asking the Council to return to deal with an anti-crime package that you proposed. You are moving quickly to do this, and, of course, the possibility is, if everything happens, that you can do it in 30 days.

However, according to the ACLU, your proposals may violate your citizens' privacy rights, and my question to you is: How would you respond to the concerns raised by the ACLU?

Mayor WILLIAMS. Senator Akaka, I am not a practicing lawyer, but I think that if we argue, as many civil libertarians do, that malls, for example, are a public space and malls have extensive use of cameras, then to me it follows as a corollary that we ought to be able to use cameras in other public spaces. That would be one argument.

Another argument is that, with the approval of the Council, we are going to try to tailor this to best effectuate crime reduction while respecting people's legitimate rights. And I think one thing that I have learned by talking to other mayors in other American cities and other foreign cities is to have citizens empowered—or business groups empowered with the responsibility to retain the digital tape of the activities in an area. And then if there is a crime, the police would request specific evidence to be used in solving that crime so that you do not have the specter of the police sitting there watching everyone's daily activities. And I think that would address the concerns of libertarians.

But it has been used in other cities. For example, in Chicago, it has had an effect in reducing crime in that city and leveraging your police presence in that city. And I think facing the problems that we face in Washington, we ought to give our police, obviously subject to protecting everyone's civil liberties, every tool at our disposal to back them up.

Senator AKAKA. Well, I want to commend you, as you say, that your program may reduce crime by 50 percent if all of this passes. And I also understand that the Council is planning to convene for this purpose. So I wish you well.

Mayor WILLIAMS. Thank you.

Senator AKAKA. Mr. Gandhi, some DC agencies have sought exemption from the CFO's oversight. Are there any DC agencies that you believe should be exempt from the CFO's authority?

Mr. GANDHI. Senator, to the extent that the Chief Financial Officer is responsible for delivering a balanced budget to the Mayor, to the Council, to the Congress, and to the citizens at large, I think all District agencies must be under the purview of the Chief Financial Officer.

As Dr. Rivlin pointed out, we need to make sure that this independent Chief Financial Officer retains the authority to basically control expenditure and to make sure that we provide financial services—I do tell my staff on a consistent basis that we are a service function. We have to make sure that we help the managers, the Mayor, the directors, the Superintendent to accomplish their mission. But at the end of the day, we have to balance the budget and secure a clean audit opinion from the auditors, external auditors, so that is all verifiable.

So my answer to that is this: That, to the extent that I am responsible for balancing the budget for the city as a whole, then I should have control over the finances of those agencies.

Senator AKAKA. Dr. Rivlin, before I call on the Mayor, would you comment on that question?

Ms. RIVLIN. I think it is extremely important that the Office of the Chief Financial Officer be independent, as it was set up by the Congress, and that it have responsibility and authority over all of the agencies that spend city money.

Senator AKAKA. Mayor.

Mayor WILLIAMS. It is a general rule, I believe, Senator, and no one has worked harder than I have, initially as the CFO when all this independence was built in, it was hard—ladies and gentlemen, you cannot imagine how hard it was to actually in a real, concrete, tangible way create an independent CFO when the Mayor did not want one. I can tell you from experience. No one has worked harder and believes more strongly than I do in a strong CFO.

As a matter of fact, I remember talking to Dr. Rivlin shortly after I had become Mayor about whether the CFO should have budget authority. And there is always some question in CFO land as to whether the administrator or the CFO should have budget authority. There is an overlap there and there is a blur there between program and finance. But I felt, for a lot of different reasons, that budget should go to the CFO. So I believe very strongly that the CFO should be very paramount, and very independent.

But I do believe in the case of the Water and Sewer Authority (WASA), this was at the time I was CFO—we created a Memorandum of Understanding working with Congressman Davis over in the House, Dr. Brimmer, and the Water and Sewer Authority to give them a degree of autonomy and independence that the other District agencies did not have because while there are commingling of city funds over there, it really is a regional enterprise, more analogous to the airport, and it really is an enterprise function. So we gave them a degree of autonomy the other agencies did not have. Our Attorney General for our city, as well as Dr. Gandhi's counsel, we are now seeing that the language is, at best, ambiguous and that WASA should come back under the CFO. I believe that it should remain autonomous. That is my own view.

Senator AKAKA. Mr. Gandhi, in his statement Superintendent Janey requested that DCPS should have its own CFO that is inde-

pendent from you and your office. I would like to ask you and Dr. Rivlin to share your thoughts on that specific proposal.

Mr. GANDHI. I have been working very closely with the Superintendent on this issue, and the bottom line from my perspective, Senator Akaka, is that DCPS, with about $1 billion, including the Federal funds going there, is about 20 percent of our budget. If I am responsible for balancing the city's budget in total, then I cannot let 20 percent of the budget be managed financially elsewhere.

Further, DCPS has a chronic history of overspending. When I became the CFO, we had basically given $80 million, after having the budget formulated, and year after year we are giving them more money. That is fine. That is a congressional and city elected officers' decisions, Council and the Mayor. But the bottom line still is that I am expected to make sure that they balance the budget, because if DCPS does balance its budget, the city will not be able to balance the budget.

So I would resist a Chief Financial Officer independent of the District CFO over the schools because I am expected to balance the budget.

But at the same time, I expect the CFO over there to work very closely with the Superintendent and help him achieve his mission. If our CFOs are no good for him, then they are no good for me. That is the expectation I have of all Chief Financial Officers in a variety of agencies—police, fire, corrections, etc.

So the bottom line for me is that we have had substantial improvement in city schools' finances. We have been balancing budgets. But that is because we monitor very closely month by month, and towards the end of the fiscal year week by week, how the money is spent to determine whether we will have a balanced budget.

Senator AKAKA. Dr. Rivlin.

Ms. RIVLIN. I believe the city and the school system have a joint interest in strong fiscal accountability and should work together on it. The important fact here is that the school system has no independent source of revenue. Many school systems do. They have an earmarked portion of the property tax or the like. This school system does not. Nor does it have independent borrowing authority.

So to create an independent CFO for the school system that did not cooperate with the city's CFO would seem to me to make no sense. It is all the same pot of revenue and the same pot of borrowing authority.

Senator AKAKA. Thank you. I would like to give, before I conclude, Superintendent Janey a chance to comment.

Mr. JANEY. A chance to rebut. Let me offer this perspective.

First, school districts throughout the country, particularly urban, there are financially independent and financially dependent school districts throughout the country, and the proposition of still collaborating and working with the municipality, whether it is a straight municipality or a municipality within a county, is not uncommon.

Second, from the point of view of we being a school district, that is a distinction that should be understood, and we are not a regular agency within the municipality. And the level of collaboration that we currently have in my proposal, in my conception of this, would

not cease. It would mean, however, that the CFO who works on behalf of Dr. Gandhi's office and on behalf of the school district and Board of Education would have a direct reporting line for accountability purposes. But the oversight would still continue, but in terms of being part of the senior leadership management team and the like, that would reside within the school district.

This is something that Dr. Gandhi and I do not agree upon at this point in time, and I have, therefore, proposed a way by which we can demonstrate the progress that we have made recently and see to what extent that progress continues. And at any point in time we make that determination that the fit is right and the systems are right, we would go forward.

Senator AKAKA. Thank you very much, Mr. Chairman.

Senator VOINOVICH. Thank you, Senator Akaka.

The issue of the increased revenues, Dr. Gandhi, would you say that the biggest source of your increased revenues has come from the property tax?

Mr. GANDHI. Yes, sir.

Senator VOINOVICH. Are you at all concerned about some of the things that have happened around the country in terms of property values and overbuilding? I spent several hours down in Anacostia to see what was going on there. There is a lot of new housing that is going in. Do you have any concern that you might have so much of it that you start to see a sag in the property values and its impact on your revenues?

Mr. GANDHI. We already see that, and some of that is already included in our 5-year plan. But there is one fundamental difference, as Dr. Rivlin pointed out, that under the Mayor's administration and the delivery of services, the perception about the city has fundamentally changed. So not only are we the hottest real property market in the country in residential properties, commercially we are among the hottest in the world. People from all over the world want to put money here.

Senator VOINOVICH. Yes, the cranes are flying.

Mr. GANDHI. They are everywhere, indeed. No doubt about that. But your point is well taken, sir, that the growth in the real property taxes that we had experienced in the past 2 years, about 10, 11 percent every year, I do not expect that to continue. But nor do I expect it to go down substantially. The growth will be moderated, and in our 5-year projections we do indeed have a moderate growth in real property. And I think we have to be very careful. We have a very able revenue estimation staff headed by our Chief Economist, Dr. Julia Friedman, and every quarter we sit down and look at this issue. We talk with the people in the real property market on a regular basis. We look at the surrounding jurisdiction, look at other economic trends.

But as of now, we still are holding a substantial advantage compared to regional jurisdiction and compared to the country. But I take your point very seriously, sir.

Senator VOINOVICH. As property values escalate, what do you do for the working poor whose options are closed down?

Mr. GANDHI. And that is an extremely important issue, sir, and as the Mayor has pointed out and so has Dr. Rivlin, we do have a very major effort undergoing under the Mayor's leadership in the

housing production trust. We are continually concerned about funding it. Indeed, under the provision of the law, we basically are adding about $16 million every year towards that funding for affordable housing and leveraging it to generate a huge amount of——

Senator VOINOVICH. This is your own revenue that you are using?

Mr. GANDHI. Yes, sir.

Senator VOINOVICH. And are you taking advantage of any of the other Federal programs?

Mr. GANDHI. Yes, we are.

Senator VOINOVICH. Section 8 and so forth.

Mr. GANDHI. Absolutely right. I think we are among the most aggressive jurisdictions to do that, and the Mayor may want to talk about it.

Mayor WILLIAMS. One of the things I regret, though, Mr. Chairman, I think one of the greatest things HUD has done over the last couple of years is the HOPE VI program has been an enormously successful program. I do not understand why the President and Secretary Jackson really want to cut it back. I really disagree with them on that. And what we have tried to do in our city is, with the reduction in that program, we have tried to actually model it using local dollars. So if you hear about the Northwest One, which formerly was known as Sursum Corda, there we have actually seen a huge reduction in homicide and violent crime, buy-in of the community to create a mixed-income community there analogous to what we are doing next to the Forest City Development and Southeast Waterfront, the ballpark complex at Carlsberg, the same thing at Lincoln Heights and Berry Farms, a notorious complex, which we hope to work with the residents and make a model mixed-income community.

Senator VOINOVICH. I have a question for you, Mayor. It is a little bit off the subject, but I think it is one that I am sure may be of concern to you and the entire community. This Subcommittee has held two hearings on the security of the National Capital Region. At these hearings it became evident that the region lacked a strategic plan, which we think is unacceptable. I would like to know what has your administration done to prepare for a terrorist attack or a natural disaster. Are you concerned with the lack of a plan in the National Capital Region and the coordination between the region?

Mayor WILLIAMS. My perspective, Mr. Chairman, is that we have in the region—we have not worked as well as we should, in as streamlined a way as we should in the obligation and disbursement of Federal dollars that have come to the region. We surely, looking back, should have been moving more quickly to come up with a strategic plan, although one of the things I have done as Mayor is to meet regularly with the county executives. I also meet regularly with the two adjoining States' governors. As a matter of fact, just last week there was a meeting with Governor Kaine of Virginia and Governor Ehrlich of Maryland. We are going to be meeting with the Council of Governments, which is the regional collaborative body, to actually unveil a regional emergency response plan.

So I think that there is an effort underway to address your concern. It is overdue, but——

Senator VOINOVICH. You would agree that we are not where we should be.

Mayor WILLIAMS. Absolutely. I would agree, though, that we are not where we should be on both the local level and on the Federal level. As the Mayor of the city, I am perplexed at how Indiana can be more of a—and I have nothing against the Midwest, not just because you are from a Midwest State. I think, for example, people talk about Omaha. I can understand how Omaha has got critical infrastructure that has to be protected. But I cannot understand how the District can be on the lowest rung of areas in need of homeland security oversight and protection.

Senator VOINOVICH. Thank you.

Dr. Janey, do you have a plan to address the education issues facing the District?

Mr. JANEY. Yes, there is. We made public our strategic plan in February of this year, and we have begun the implementation of such, and I would be happy to join you and your staff to brief you on that matter in more detail.

Senator VOINOVICH. And you have metrics in place to measure success?

Mr. JANEY. We have benchmarked all of our work on the academic side and on the business system side.

Senator VOINOVICH. Does this include responding to the Department of Education's declaring that you are high-risk grantee?

Mr. JANEY. That distinct strategic action plan will be advanced to them July 29. They are in receipt of our draft. We are working that draft through a number of different organizations in addition to the Department of Education. But they will be in receipt of that document on July 29.

Senator VOINOVICH. I would like to give all of you an opportunity to share with me what you think is the No. 1 challenge that the new mayor will face. I am sure, Mayor Williams, you are thinking about it. I know I tried to advise Mayor White who he followed me about some of the problems I thought he needed to be aware of. I am sure you have been thinking about that for your successor. I would be interested in what you think the No. 1 priority should be.

Mayor WILLIAMS. There is no question in my mind that the No. 1 fundamental obligation of the city should be to secure a vote for Congresswoman Eleanor Holmes Norton to put us in the best position in order to fend our way through the Federal system. I think that is so important. And it is so important that in the capital of the country we honor fundamental voting rights. But it has got a practical impact as well because, I will tell you, Senator, in a practical matter this whole issue of Dr. Gandhi and Dr. Janey and where the CFO should be, I still believe in my heart that in a urban system, the best model of governance is to have the school system under the Mayor or you would not have this issue. And I tried twice to get it through our local Council. If we had a vote up here in the Congress, I would not have hesitated a second to come to the Congress and ask for that support if we had a vote up here, because if you look at other cities in the country—New York is a great example. Mayor Bloomberg went to the State legislature. But New York City has a vote in that legislature, which made it possible.

So that is my biggest regret. I would say to Council Chair Cropp—who I hope will be elected, but if it is Councilman Fenty, so be it—to either one of them, or someone else, your No. 1 priority clearly is education because we are in a great position, having set up a situation where if a student gets an education and gets prepared, they can get a job in this city. That is not true in every city.

Senator VOINOVICH. I would like to congratulate you on your involvement with the education system. I recall that when we were considering the issue of vouchers, which is very controversial. As a matter of fact, I lost the endorsement of the Ohio Education Association because I supported vouchers for the District. Although Cleveland was the first city in the country to provide vouchers to nonpublic schools. Your support of charter schools, and then vouchers was encouraging and most people would have backed away from it. But you got involved.

But your feeling is that some consideration should be given in terms of the school coming into the auspices of the Mayor's office.

Mayor WILLIAMS. Because I think that is the best way to do a number of things, Mr. Chairman. First of all, I have worked—and Dr. Janey can tell you this. I meet with him every week. I meet with the school board more than probably any other elected official. I am willing to make this system work, but I have to tell you what I think. I think that if you want to coordinate all the governmental and nongovernmental and private sector resources around individual children, if you want to coordinate best so all the physical facilities that Dr. Rivlin is talking about, and if you want to move toward what modern technology allows us to do to start managing individual cases of kids, looking at all the resources, governmental and nongovernmental, the best way to do that is to put it under one point of accountability.

Senator VOINOVICH. Now, the current situation is you elect school board members. Is that right?

Mayor WILLIAMS. Yes, we elect five of them, including the president, and then the Mayor appoints four of them. I supported that——

Senator VOINOVICH. In other words, the board then selected you, Dr. Janey?

Mr. JANEY. That is correct.

Senator VOINOVICH. How do you feel about what the Mayor is talking about?

Mr. JANEY. I think it makes some sense, depending upon the jurisdiction. I know that is true in Boston. One of the examples that Boston has been able to advance to the public in terms of its growth was the stability of not only the superintendent, its school board, but also the mayor. I think the Mayor there is in 13 years. The superintendent just retired after 11 years. And they have had not only stability of individuals, but continuity of their effort and the promulgation of their policies in terms of education.

Senator VOINOVICH. I know how difficult that is. I had to personally jam through the State legislature a new governance for Cleveland. As the Mayor, I was very frustrated with the schools.

Mr. JANEY. But one of the things that I would like to make sure the record reflects is here, unlike any other place in the country, we have more than one mayor. We have about 50 mayors that sign

up every day to tell us how to do education. We have hundreds of council members and numerous board members who are not official in their capacity. And there is almost an invitation for that kind of free-for-all because the notion of public education, while it is a concern of everybody, it is everybody's business, but it just comes down to a few people in terms of the responsibility. And for cities and jurisdictions that have made serious progress, people own the responsibility of public education outside of the school district, and even outside of the mayor's office. Everybody has a bit of it, appropriately.

It is different here. It is almost as if protest has its own reward, and that is what people do. That has to change culturally. We are changing systems. We are changing standards. We can change governance. But we also have to change the environment in which all of this takes place.

Senator VOINOVICH. In the city of Cleveland, we had a panel of distinguished people from various universities, community colleges, and so forth that nominate people to the school board, and then the mayor then chooses from that group of nominees for the board, and then the board then selects the superintendent. In the first instance, the mayor was able to appoint the superintendent. But it is not an easy endeavor.

Dr. Rivlin.

Ms. RIVLIN. I think there are lots of ways to argue about the ideal governance of a school system in a municipality. But right now, we have a strong superintendent who has only been here 2 years and who has put together an excellent master education plan. It would seem to me that the highest priority for everybody is to get that plan implemented, stop fussing about the governance issue, and pull together to support the superintendent and make sure that he stays, because the worst thing that could happen here would be another revolving door on the superintendency.

Senator VOINOVICH. I think that is great. I think that what you are saying makes a great deal of sense. I have been in management for a long time over the years in the city and the State, and you can have the best organizational structure, but if you do not have the right people in it, you cannot be successful. You can have a lousy organizational structure but with good people and you can make it work.

I think the continuity issue is really important. Dr. Janey, you have a very heavy responsibility.

Mr. JANEY. My wife tells me that every day. [Laughter.]

Senator VOINOVICH. It takes time for transformation. In general, it takes 5, 6, 7 years to have some real transformation that is really going to stick and be institutionalized. So I wish you good luck in your efforts, and I want you to know that we would like to help you in any way that we possibly could.

I really appreciate all of you being here today. I would like to again compliment Mayor Williams. You brought a unique perspective to the Mayor's job. You have, with the aid of your colleagues, but I think from my point of view your personality, you have been able to advance the image of the District and give people confidence in the future of the District. I can say that as a former Mayor and president of the National League of Cities, I had a

chance to observe the DC situation. I must tell you, your leadership has been like sunshine in the District. Now, that is not saying everything is perfect, but certainly the image of the District is so much better than it ever has been. You should feel very good about that.

My only advice to the citizens of this community is to recognize how important it is to have the right leader of the District of Columbia. It is important to the citizens of the community, but there is an element there that they need to look at, and that element is just what kind of relationship is the mayor going to have in terms of not only the Congress, but the country, and, quite frankly, the world. You have really fulfilled that role, and I hope that everyone is grateful to you for your years of service.

I have enjoyed working with you, and as I said to you before, I hope that maybe some way you will come back in here in some other capacity. I do not know what you have decided to do with your future, but I am just so grateful, for example, that Dr. Rivlin has been able to come back here and visit with us and give her perspective. It is so valuable to us to have someone that understands it and is not in it anymore but watching what is going on to give us some good advice. Thank you for sharing with this Subcommittee regarding voting rights in the District, and the Federal compensation for the structural imbalance.

This has been very helpful to me, and I know there are a lot of folks—Dr. Gandhi.

Mr. GANDHI. Mr. Chairman, may I just take a moment to reitterate from my narrow financial perspective, what I see to be the challenge for the next leadership as I pointed out in my testimony.

Sir, the chart[1] that you see there from where we were and where we are today is truly a remarkable recovery, and it is all real. But it is quite precarious. All that shows is that we can resolve and address our day-to-day emergencies and day-to-day operations of the city. Unless we have a stable tax base—currently it is very narrow and highly restricted. Of every $100 earned in the city, we get to tax only $34. It is like going to a restaurant and one-third of the people eating there would pay, the other two-thirds will not pay, and everybody will complain about the service and the food. We are in that condition now.

My sense here is that whoever is the next mayor and the council chair and the council members, I think we always want to make sure that our fiscal prudence and financial responsibility take a great priority; and that if we ever were to go back to the old ways of doing it, we would lose whatever limited home rule that we do have. I think home rule, limited democracy is very precious, and we should not let the finances of the city take it away from us.

Senator VOINOVICH. Does anyone else have any last comments?

[No response.]

Well, we thank you very much for coming today. The meeting is adjourned.

[Whereupon, at 11:52 a.m., the Subcommittee was adjourned.]

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[1] The chart referred to by Mr. Gandhi appears in the Appendix on page 53.

APPENDIX

Government of the District of Columbia

Executive Office of the Mayor

U.S. Senate Committee on Homeland Security and Government Affairs

The Subcommittee on Oversight of Government Management,
the Federal Workforce and the District of Columbia

The Honorable George V. Voinovich, Chairman
The Honorable Daniel Akaka, Ranking Member

Examining the Challenges the District will Face Today, Tomorrow, and in the Future

Testimony of
Anthony A. Williams
Mayor
District of Columbia

Tuesday, July 18, 2006
342 Dirksen Senate Office Building
10:00 a.m.

Good morning Chairman Voinovich, Ranking Member Akaka, and other distinguished members of this subcommittee, good morning. Thank you for inviting me to testify before you today on, *Examining the Challenges the District will Face Today, Tomorrow, and in the Future.* I appreciate the working relationship we have established and also appreciate your interest in the future of the District of Columbia.

SUCCESSES

I was asked to discuss the successes and challenges the District has experienced during my two terms as Mayor and to identify the challenges I anticipate the new mayor will face. Let me start with an assessment of my two terms. Over the past eight years, the District government has had to address the following areas of need:

- Financial Stability and Integrity
- Basic Service Improvements
- Accountability
- Education
- Economic Development
- Citizen Engagement

Financial Stability and Integrity

When I took office as the District's first Chief Financial Officer in 1995, the District was running a $500 million deficit. The submission of the FY 2007 budget represents the District's ninth consecutive balanced budget. We finished FY 2005 with a $370 million general fund surplus and a $1.6 billion fund balance. This dramatic turnaround has increased the confidence of the financial markets as the three bond rating agencies who once essentially rated our debt as junk bonds, have assigned ratings of A (Fitch), A+ (Standard & Poors) and Positive (Moodys). These improved bond ratings lowered interest costs and saved the District millions of dollars each year.

This decade of financial improvement and stability for the District is distinguished by a marked increase of faith in our ability to self-govern now demonstrated by our residents, the financial markets, and Congress. Our improved financial state has also provided flexibility to invest in improvements in government service that were not possible 10 years ago.

Basic Service Improvements

When I took Office as Mayor in 1999, residents had to navigate a frustrating and confusing maze of offices, phone numbers and people in order to make the simplest request of the government. One of the first changes I made was to institute a single point-of-contact phone number for services, 727-1000. Last August, the Mayor's Citywide Call Center took its one-millionth request for service or information. Now residents can call that phone number, request a wide range of services—from bulk trash collection to rat abatement to tree trimming. Callers receive a tracking number that allows for them to oversee the progress being made in addressing their concern. Residents can make similar requests via the District Website. As of the end of FY 2005 (September 2005), agencies with services available via the Call Center or the website had completed 87% of those services on-time. That we even have this type of data for agencies to identify and improve problem areas of performance is indicative of how far we have come.

Another example of basic service improvement is the dramatic turnaround at our Department of Motor Vehicles (DMV). DMV is significant because almost every adult resident of the District of Columbia interacts with the DMV. From 1999 to 2000, the best way to describe DMV was an operation experiencing a melt-down on multiple levels. Going to a DMV facility could turn into an all-day affair as customers frequently experienced waits of 2, 3 or 4 hours before they could get to a service representative. Upon arriving at the counter, customers frequently found that they did not have all of the documents necessary to complete their transaction, primarily because they could not get the correct information from us. As to getting information on the Internet, let alone completing a transaction on-line: that was not an option.

When I first came into office, a tremendous amount of the e-mails that I received from residents were complaints about their experiences at DMV. A comprehensive review by the department of its policies and procedures resulted in the updating, rationalizing, and modernizing of the regulations governing DMV activities. This allowed all 300 pages of the DMV website content to be updated with information that is now consistent and complete. Concurrently, all DMV employees were re-trained on policies, procedures, and customer service skills, along with improvements to the service center facilities.

Today, District residents can complete an array of motor vehicle transactions – from renewing licenses and registrations to paying tickets – via the Internet. When residents do need to visit a DMV facility, they are greeted at a concierge desk to determine the nature of the transaction and to direct them to the service representative best able to help. During peak periods, managers are able to see work loads in real-time, adjust assignments and, when necessary, step in to provide direct service. Average transaction times for most services in DMV are less than an hour where the time standing in line before you ever saw a representative seven years ago exceeded two hours. The DMV was designated the Most Improved Government Agency by the Federation of Citizens Associations in April 2006 – an indication of just how dramatic the turnaround for that agency has been.

Agency and Personnel Accountability

The service improvements at the Citywide Call Center and the Department of Motor Vehicles are examples of how we have tried to improve performance at all District agencies. Technology and infrastructure improvements were essential to making those improvements but they were paired with hard work on the part of the people who make up the District Government workforce. From the beginning of my administration, I have emphasized setting performance goals and rewarding high performance or correcting poor performance.

Agencies develop strategic business plans that are aligned to performance-based budgets. Agency directors establish personal performance goals aligned to the key result measures in those plans, and I evaluate their performance against those metrics at the end of each year.

Senior and middle managers who comprise the Executive Service, Excepted Service and the Management Supervisory Service establish performance plans each year and they are evaluated at the end of the year. Those evaluations determine both the amount and whether or not the employee will receive a bonus for that year. For the first time in FY 2006, the percentages of Excepted Service employees' raises were determined by their performance rating.

Education

I want to mention several areas in which my administration has attempted to support educational advancement in the District of Columbia. One of the key efforts is to move the District Public Library System into the 21st Century. I created the Mayor's Blue Ribbon Task Force on the Future of the DC Public Library System, comprised of local and national experts. The Task Force recommendations included adding multi-lingual support, securing new computers with broadband technology, and providing deep reference materials and programs for children. While we want to make the library experience more appealing and enjoyable, the key goal is to have a new central library which serves as the hub for a more modern public library system. A universally accessible, state-of-the-art public library system has the ability to serve as the foundation for success in the classroom and beyond. Additionally, an invigorated library will serve the educational and recreational demands of the city's youth and adult populations. In this way we can instill a thirst for knowledge in the classroom and a desire for life-long learning opportunities.

The District of Columbia's Tuition Assistance Program is a marquee federal initiative established by Congress in the 1999 District of Columbia College Access Act. This program compensates the District for our lack of a state university system by allowing our high school graduates to attend out-of-state public universities at in-state tuition rates and providing them grants for attending selected private universities. Currently over 6,500 District students pursue educational opportunities in colleges and universities throughout the country that might not otherwise have been feasible. For 75 percent of the students surveyed at Woodson High School, TAG affected their decision to pursue post-secondary education and 65 percent said the program affected their school choice. What is most gratifying is that 55 percent of participants are the first members of their immediate family to attend college.

Economic Development

Over the past eight years, a number of development projects have contributed greatly to the District economic growth.

As home to women's and men's profession basketball, hockey, NCAA tournaments, concerts, and numerous large events, the Verizon Center is a major attraction for the China Town/Gallery Place area. Many may have forgotten when that area consisted of abandoned warehouses, a closed Hecht's Department store, and surface parking lots. Now it is a magnet attracting residents and visitors to museums, sports events, major retailers, and restaurants.

Plans to revitalize the Anacostia Waterfront will bring about a much needed environmental rebirth to the River and the neighborhoods that border it. As the Verizon Center did for China Town / Gallery Place, the arrival of a new baseball stadium will inevitably turn the Anacostia Waterfront into a new epicenter of employment and entertainment for District residents and visitors.

While the District's unprecedented growth over the past decade has certainly been exciting in its ability to attract newcomers to our city, it is important that we not forget those who were already here. We must be mindful that the city's recent economic prosperity has been more advantageous for some than others. For this reason, it is important for us to develop and renovate housing in the District that is attractive and inclusive for those on both ends of the economic spectrum to ensure that we build a District that does not marginalize those who have lived here for a long time and those who make less money.

These projects are part of a larger initiative to reinvigorate communities and turn previously uninviting areas into spaces that will provide jobs, encourage local entrepreneurship, leading people to areas of the city they previously would not have explored.

Citizen Engagement

One of the initiatives of which I am most proud is the manner in which my administration has sought out and engaged citizens in setting the priorities of government. Throughout my two terms, my Office of Neighborhood Action has held town hall meetings in each of the Wards and special meetings on topics of significant interest to residents. What is unique about my administration is our practice of holding citywide Citizen Summits every other year.

Each of the Citizen Summits has involved between 2,000-3,000 citizens in a day-long conversation on setting priorities for the city. The first Summit in 1999 introduced the idea of a Citizen Summit and outlined the first Citywide Strategic Plan. The second Summit in 2001 refined the Citywide Strategic Plan, identified priorities unique to each of our diverse neighborhoods and addressed concerns fresh in the minds of residents due to the wounds laid bare by the events of September 11, 2001.

For the third and fourth Citizen Summits in 2003 and 2005, we took a different tack. Rather than update the Citywide Strategic Plan, we identified priority areas where we had not made as much progress as we would have preferred and drilled down into the details with the residents. The feedback from residents at those day-long summits and at follow-up meetings helped formed the development of the District's budgets. Were we to hold future Summits—and I hope my successor will do so—there are improvements I would make in the way in which citizen opinions are reflected in the District budgets. But I challenge you to find a jurisdiction in the United States that has held comparable events that engage citizens in as deep and complex manner as our Citizen Summits on a recurring basis.

CHALLENGES

Now let me talk about challenges that the District faces.

Public Safety

As is the case with all municipalities, the District strives to provide its residents with a sense of well-being and feeling safe. And as is the case with most urban centers, there are times when our efforts are severely challenged. The District is currently grappling with a surge in crime. Last week Chief Charles Ramsey of the Metropolitan Police Department declared a crime emergency in response to a sharp increase in criminal activity. We have also seen a sharp increase in juvenile criminal activity.

District officials are coming together to address this urgent matter. In addition to youth development strategy to offer alternative activities to young people and a focus on at-risk youth, we are considering legislative approaches as well.

Our goal is to reduce violent crime by 50 percent over the next 30 days.

Structural Imbalance

One key concern that I believe all of us on this panel share is that we worry about the structural imbalance that the District continues to face. Each year, the District prepares a balanced budget and a balanced 5-year financial plan. Nonetheless, there are needs for services that are unmet and that simply cannot be financed. Revenues are not and cannot be sufficient to sustain current or long-term expenditure needs given the sources currently available to us.

The unique structure of the District is that we have the jurisdictional responsibilities of a city, a county, and a state. For us, the financial challenges common to other cities are especially difficult to address and finance because the District must be the city, the county, and the state. The District's fiscal imbalance cannot be resolved without some change in the District's relationship with the federal government.

The Government Accountability Office prepared a report analyzing the District's financial capabilities. The key concerns they identified were revenue restrictions imposed by the federal government and the overburdening of the District government to provide services for commuters and visitors. The most significant restrictions imposed on the District are:

- The inability to tax income at its source, and
- The large percentage of property that is tax exempt because it is owned by the federal government, an international entity, or nonprofits.

While the District has the economy of a core city, it also has the service responsibilities and additional revenue structure of a state. As a result, the individual and business income taxes play a large role in District revenues. Unlike states and some other urban cities, the District is prohibited by the federal government from taxing nonresidents' income – restricting approximately two-thirds of the District's income tax base from taxation at the site where it is earned.

The result of this restriction against taxing much of the income that is earned here is that the District has very high individual income and franchise tax rates in order to generate sufficient revenue to provide services.

Another challenge is that federal restrictions and federal ownership of land remove 42 percent of the city's property (by land area) from taxation. Other non-District exemptions remove another 11 percent. Because federal real property is tax exempt, private property must be taxed at a higher rate simply to generate sufficient revenue to pay for city services.
Federal limitations on the height of buildings – including office buildings and apartments – further limit the real property tax base and the available revenue generated by the real property tax.

The District must undertake its city, county, and state functions with a severely restricted tax base while also providing over $200 million in unreimbursed services to the federal government. The District is not able to tax the more than one million non-residents who use our services daily without any financial contribution to the city's tax base. This structural imbalance must be resolved.

Voting Rights

Another area of concern is voting representation in the Congress. The District is the capital of the world's greatest democracy and yet its citizens suffer from the exact disenfranchisement that this nation was founded to end. The United States continues to promote, sacrifice, and invest in spreading democracy worldwide, yet denies full democracy to 600,000 people at its very heart.

We are very appreciative of the work that Congresswoman Eleanor Holmes Norton and Congressman Tom Davis have done to put forth legislation that would provide the District a vote in Congress. I hope to see that legislation move forward during this session of Congress.

I urge you to end the injustice of having America's capital city lacking voting representation in our nation's legislature. While the current legislation is a good starting point, anything short of full democracy for the residents of the District of Columbia should be a personal outrage for all Americans.

CONCLUSION

Let me thank you again for the opportunity to come before you this last time. We have faced numerous challenges and I truly appreciate the Committee's willingness to be supportive of and work closely with the District of Columbia.

This concludes my remarks today. I look forward to answering any questions you may have.

HEARING

On

EXAMINING THE CHALLENGES THE DISTRICT WILL FACE TODAY, TOMORROW AND IN THE FUTURE

Before the

Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia
Committee on Homeland Security and Governmental Affairs
U.S. Senate

The Honorable George V. Voinovich, Chairman

July 18, 2006, 10:00 a.m.
Room 342, Dirksen Senate Office Building

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

Good morning, Chairman Voinovich and members of the subcommittee. I am Natwar M. Gandhi, Chief Financial Officer for the District of Columbia, and I am here to offer brief remarks about the accomplishments of the District with regard to its fiscal health and the challenges we face today and in the future.

First, I will summarize the fiscal recovery over the past decade. I will also address our capital spending needs and the continuing structural imbalance – that is, the mismatch between capital spending needs and the ability to raise local revenues sufficient to fund those needs. Finally, I will address our on-going commitment to remain fiscally balanced in the future, despite facing significant challenges especially in the area of infrastructure needs.

Fiscal Recovery 1996 – 2005

The chart that appears as Attachment A to my testimony and that appears here before you is a history of the remarkable fiscal comeback achieved by the District over the past decade. Our fiscal low point occurred in FY 1996, when the General Fund balance hit a negative $518 million. Through the efforts of Mayor Williams, the District Council and the Congressionally-mandated Control Board, we were able repeatedly to balance the District's budget for nine consecutive years. The Control Board was de-activated in 2001. Between FY 1996 and the end of FY 2001 there was a $1.1 billion increase in the fund balance, to a positive $562 million by the end of FY 2001.

The real test for the District was the challenge of sustaining fiscal stability in the post-control period. As you can see, at the end of FY 2005, the General Fund balance had risen another $1.0 billion, to $1.6 billion total. Of the $2.1 billion increase in General Fund balance between FY 1996 and FY 2005, the amount of

gain since the control period ended was about equal to the gain during the control period, demonstrating the commitment of the District's leadership to ongoing fiscal restraint.

The measure of this success is reflected in the District's bond ratings. All three rating agencies—Fitch Ratings, Moody's Investors Service, and Standard & Poor's—recognized the improved creditworthiness of our bonds by raising the District's bond ratings from "junk bond" status during the control period to "A" category ratings–the highest level ever achieved by this jurisdiction.

It is notable that compared to other major cities that experienced periods of extreme financial stress, including New York, Philadelphia, Cleveland and Detroit, this turnaround was the fastest in terms of both the time it took to return to investment grade ratings and the time to achieve their highest ratings. For example, New York City remained below investment grade for eight years, Cleveland for seven years, Detroit for six years, and Philadelphia for five years. In contrast, the District achieved investment grade ratings within four years and has since received multiple upgrades from all three rating agencies.

How was this successful turnaround accomplished? A great deal of the increase in fund balance was driven by the growth in local revenues, specifically by real estate, income and sales taxes resulting from the strong regional economy. That was the easy part. Credit for making the difficult decisions necessary to restore the District to fiscal health must go to Mayor Williams, the Council and the members of the Congressionally-mandated Control Board. The Congress also transferred to the federal budget some of the functions normally provided by state governments. The Mayor and Council demonstrated their commitment to prudent fiscal

stewardship by controlling spending, cutting unnecessary and inefficient programs and adding new spending only for essential services.

The Office of the Chief Financial Officer, which was created in its current form by the Congress, was given the task of strengthening our tax administration in order to collect every dollar that was due to the District, and we have made significant improvements in this area. Over the past ten years we have collected an additional $1.6 billion despite declining tax rates.

On the revenue side, the role of forecasting revenues – a difficult and essential part of budgeting – was also the responsibility of the Chief Financial Officer. In every year for the past decade, our actual revenues have met or exceeded our forecasts, demonstrating the careful, conservative approach we have taken to estimate revenues. Further, by controlling expenditures the District's elected leaders ensure that the city will live within its means. Table 1 below shows a comparison of tax revenues, General Fund balance and reserve funds in FY 1996 compared to FY 2005; it reflects the revenue growth and prudent financial management that contributed to the increased General Fund balance.

Table 1

Comparison of Key Financial Measures
($ in millions)

	FY 1996	FY 2005	Change
Tax Revenues	$ 2,402.5	$ 4,052.1	+$1,649.6
Operating Surplus/(Deficit)	($33.7)	$369.7	+$403.4
General Fund Balance	($518.2)	$1,584.7	+$2,102.9
Reserves Available for Operations*	($332.4)	$428.9	+$761.3
Operating Reserves as % of Expenditures	--	8.5%	

*Includes Congressionally-mandated Emergency and Contingency Reserves plus unreserved undesignated General Fund balance.

General Fund Balance Use

It is the function of government to provide badly needed services. With this in mind, the FY 2006 budget included provisions for spending a portion of the funds that had accumulated over the years as a result of unprecedented growth in local revenues. This drawdown of fund balance was largely driven by one-time spending on capital needs and programs. We currently estimate a net reduction by September 30, 2006 of roughly $550 million in the General Fund balance for urgent capital infrastructure needs and major investments to meet future pension obligations.

It should be noted that despite this reduction in cumulative fund balance, the District will still retain about $350 million in operating reserve (including the federally mandated emergency and contingency reserves) every year throughout the 5 year budget and financial plan. (See Attachment B.)

Structural Imbalance

Despite efforts to fund the District's considerable capital needs, I must point out to the Committee that this government continues to struggle to function with a structural imbalance. This means that the District's revenue capacity, under national norms, falls far short of the cost of delivering services assuming average efficiency, again as measured by national norms. The reasons lie in a large population in need; high regional costs for labor, land, and other resources; and accumulated infrastructure deficiencies.

The District is unique in many ways. It has the economy and needs of a city plus the added public responsibilities of a state, county and school district. We cannot tax nonresident workers, who account for two-thirds of income earned in the city. Over one-third of all assessed property value in the District – or $43.2 billion – in 2005 was exempt from taxation, and the District cannot tax its largest employer – the federal government. Not only that but ten of the District's thirteen largest employers are exempt from taxation.[1]

The District also faces unique expenditure requirements. State-like services provided by the District government to its residents amount to $1.2 billion per year (see Table 2). This is in addition to state-like services provided by the federal government. Under the National Capital Revitalization Act of 1997, the federal government did assume some state-like services (in the areas of judiciary, Medicaid and pensions) offset by the end of the federal payment. Since then, the

[1] Tax-exempt employers include Howard University, George Washington University, Georgetown University, Washington Hospital Center, Children's National Medical Center, Howard University Hospital, American University, Georgetown University Hospital, Providence Hospital and George Washington University Hospital. Taxable employers include Fannie Mae, Washington Post and Potomac Electric and Power Company.

annual net value to the District has risen from $200 million to $250 million in constant dollars.

Table 2

Program Function	2005 Local Funds (Operating) ($ in millions)
Medicaid (remaining 30% share not paid by federal government	$ 362
Mental Health	153
Child and Family Services	143
Human Services	259
UDC subsidy	50
Motor Vehicle registration and inspection	41
WMATA operating subsidy	164
Total	**$1,172**

Source: DC Fiscal Policy Institute and The Brookings Institution, "A New Federal Contribution To The District of Columbia? The Need, Likely Impact, and Some Options", November 2005.

The District continues to provide services to the federal government and to the region, some of which are not reimbursed. For example, the District maintains the local streets and bridges that the Federal and suburban workforce use to travel to and from jobs in the District.

The accumulated unfunded needs of the past and present show up as real problems for residents and visitors in the form of:

- crowded Metro cars, stalled trains, and unreliable escalators;
- potholes in the streets;
- crumbling swimming pools, libraries, and school buildings (the average age of school buildings is more than 60 years);
- concerns about potable water; and
- numerous other outcomes.

These matters will only get worse without intervention. Intervention to rebuild in the short-term will not prevent a future infrastructure meltdown unless maintenance funding becomes available.

The District's fiscal stress is confirmed by the GAO in its 2003 study of the District's finances. This study is an extensive analysis comparing D.C.'s revenue and expenditure bases to those of state and local jurisdictions all across the U.S. From every perspective on structural imbalance examined by GAO, the District is at or near the top of the most burdened jurisdictions in the nation. The report verifies that the District suffers from a long-term structural imbalance of $470 million to $1.143 billion annually.

Although the District has made great strides in fiscal management and in providing better services, two difficult consequences of the structural imbalance between the District's revenue base and its spending requirements remain. These are: (1) a high per capita tax burden with some of the highest tax burdens in the region and the country; and (2) the highest per capita borrowing. The District's tax burden on households ranks in the upper one-third when compared to the largest cities in the U.S. (for total state and local burden of sales, income, property, and automobile taxes) according to a highly-regarded annual study, prepared by my office, comparing tax burdens in D.C. to those of the largest city in each state.[2]

The burden is greater on businesses. The District's tax rate on net business income is 9.975 % (compared to 7.0% in Maryland and 6.0% in Virginia, and exceeded by

[2]Government of the District of Columbia, Office of the Chief Financial Officer, Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison, various years. This annual study is the basis for many public uses, such as an annual analysis by Money Magazine, and has been cited in the New York Times, Wall Street Journal, CNN, and many other places. It is available on the web at http://cfo.dc.gov/ under Tax Rates and Revenues, Tax Burden Comparisons.

only 2 states, Alaska and Iowa); the gross receipts tax on public utilities used by businesses is 11 % (compared to 2% in Maryland and 1% in Virginia); and the real property tax on commercial property is $1.85 per $100 of value as compared to a range of $0.92 to $1.16 in neighboring suburbs.

The GAO ranks the District's tax burden among the very highest in the country:

> "The District's tax burden (actual revenue collected from local resources relative to their own-source revenue capacity) is among the highest of all fiscal systems . . . . The District's actual tax burden exceeded that of the average state fiscal system by 33 percent, based on our lower estimate of its own-source revenue capacity, and by 18 percent, based on our higher estimate of that capacity."[3]

There is no way for the District to tax its way out of structural imbalance – indeed, higher taxes simply make the problem worse.

The District's very high per capita borrowing reflects the city's effort to sustain infrastructure generally provided by multiple jurisdictions. The District's per capita tax-supported debt burden now exceeds $8,000, the highest of any major city in the nation and fully 20% above New York City, the second-highest. Furthermore, with the additional borrowing anticipated in the 4-year capital plan, it is projected to increase to over $13,000 per person. Clearly, we cannot borrow our way out of the structural imbalance.

[3] GAO-03-666, District of Columbia, Structural Imbalance and Management Issues, May 2003, page 41.

Future Challenges

Challenges may arise, adding to D.C.'s structural imbalance in coming years. First, all state and local revenue systems are stressed by the changing nature of the economy, as it evolves into a more service-oriented economy. Because state and local tax systems were developed around the manufacturing and sale of goods, the old ways of gathering tax revenue are increasingly inadequate. The revenue challenge is made even greater in the District by the federal prohibitions against taxing incomes earned by non-resident workers and incomes earned by certain professional services. Additionally, a recent trial court ruling challenges the District's capacity to tax any unincorporated business income generated in the District except as reported on the individual returns of residents. Already the partnership income of District residents that is earned elsewhere is exempt from taxation here, reducing the District's potential income tax revenue by about $60 million in tax year 2004.

Second, the District has a large urban population that needs help. Like other cities, the District is accountable for greater efforts to help the less advantaged in the city's population. Unlike other cities, however, the District does not have a State or suburbs that share in its overwhelming costs.

Census data for 2004 estimate the District's poverty rate at about 19%, the fourth highest in the nation when compared to states, after Mississippi, Louisiana, and New Mexico, and comparable to other large urban populations like Baltimore, Boston, Cleveland and Philadelphia (see Table 3 below). Of D.C.'s 248,563 households, 18% have income of less than $15,000.[4] Fully 25% of residents are

[4] American Community Survey, 2004.

Medicaid eligible as compared to 12% in Maryland and 9% in Virginia. The District spends, on average, $7,242 per enrollee, compared to $5,509 in Maryland and $5,177 in Virginia. (Recall that, unlike Maryland and Virginia, the District has no rural areas with lower costs to help offset the much higher cost of care in urban areas.)

The cost per District resident to provide Medicaid services is $1,776, compared to $649 in Maryland and $445 in Virginia. The extra per capita burden of Medicaid costs in D.C. is quite high. Even if it were realistic to improve efficiency by 25 percent, the District's cost per capita would still remain twice as high as Maryland's and 3 times that of Virginia.

Like some other large cities the District has lost population since the 2000 census, resulting in losses in federal funding for social services, community development, and vocational rehabilitation.

Table 3

City	Population Change 2000-2004	Adult Poverty Rate	Child Poverty Rate
Detroit, MI	-5.0%	33.6%	47.8%
Milwaukee, WI	-2.1%	26.0%	41.3%
Philadelphia, PA	-2.9%	24.9%	35.7%
Baltimore, MD	-1.9%	23.9%	34.6%
Washington, DC	**-3.1%**	**18.9%**	**33.9%**
Cleveland, OH	-3.8%	23.2%	32.2%
Boston, MA	-3.4%	19.0%	26.9%
Denver, CO	0.3%	15.1%	24.8%
Portland, OR	0.7%	16.5%	23.3%
Seattle, WA	1.3%	17.3%	22.0%
Las Vegas, NV	10.6%	11.6%	16.9%
Top 30 Cities	1.5%	NA	NA
Top 251 Cities	2.7%	NA	NA
United States	4.1%	12.7%	17.3%

Sources: Population Division, US Census Bureau and American Community Survey, US Census Bureau, 2004

Median household income is about $46,600. This contrasts weakly with the Washington Metropolitan Area's median household income of about $70,400.[5] Only about a third of D.C.'s households are at or above the metropolitan median.

Conclusion

The leadership provided by the Mayor and the Council allowed the District to return to fiscal health. I would like to thank this committee for its diligent and continuous oversight work on the District's finances during this sustained recovery period. We look forward to continuing to work with you to ensure that the Nation's Capital remains fiscally strong and ready to meet the challenges of the future.

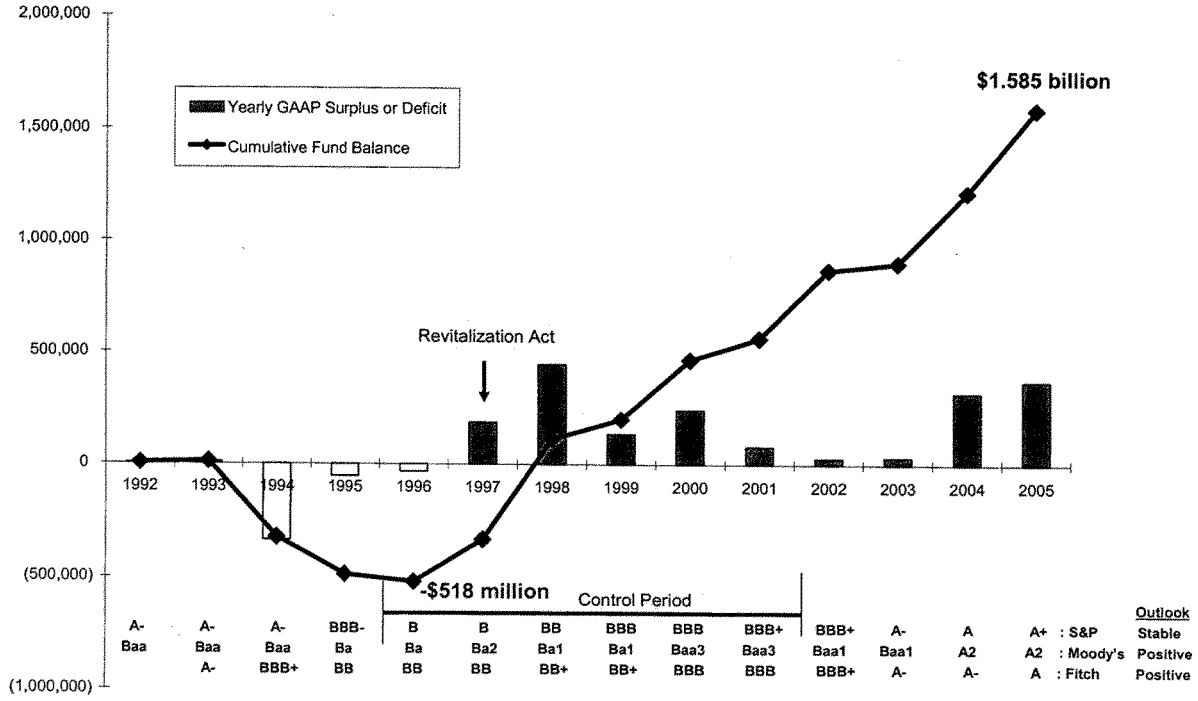
[5] American Community Survey, 2004 and Economy.com, 2004.

Next January, the District will have a new Mayor and a new Council Chair, and it is possible that we will have a number of new Council Members. Though our current financial position is strong, the new leadership will face the need for ongoing vigilance to protect the gains that were hard won. Until the District's tax base is widened, given our needs and the on-going structural imbalance, we are still in a precarious position. Like many American families who are just a paycheck or two away from financial hardship, the District continues in a critical struggle for financial security.

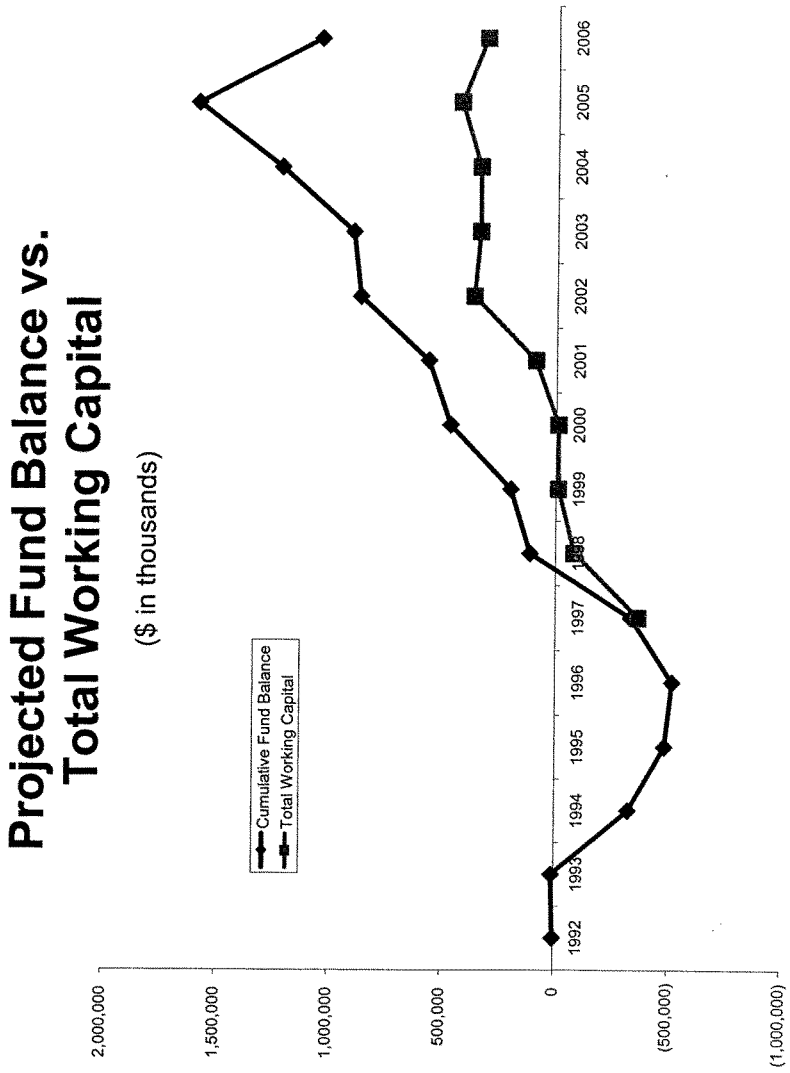
We are committed to continuing to make the hard decisions in order to balance our budgets. But clearly, the District needs Federal assistance to provide adequate infrastructure improvements to secure the safety of the city's residents and the millions of Americans who visit our Nation's Capital every year.

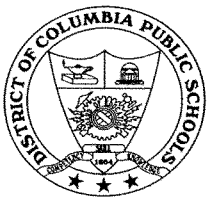
ATTACHMENT A

Surplus and Bond Rating History



ATTACHMENT B





TESTIMONY OF
DR. CLIFFORD B. JANEY
SUPERINTENDENT AND CHIEF STATE SCHOOL OFFICER
DISTRICT OF COLUMBIA PUBLIC SCHOOLS

BEFORE

US SENATE SUBCOMMITTEE ON
OVERSIGHT OF GOVERNMENT MANAGEMENT,
THE FEDERAL WORKFORCE AND
THE DISTRICT OF COLUMBIA

TUESDAY, JULY 18, 2006

THANK YOU VERY MUCH, CHAIRMAN VOINOVICH AND SUBCOMMITTEE MEMBERS. I AM CLIFFORD B. JANEY, SUPERINTENDENT AND CHIEF STATE SCHOOL OFFICER OF THE DISTRICT OF COLUMBIA PUBLIC SCHOOLS (DCPS). I AM PLEASED TO BE HERE TODAY TO DISCUSS PUBLIC EDUCATION IN THE DISTRICT OF COLUMBIA, PAST AND PRESENT, AND TO SHARE MY VIEWS ON WHAT CHALLENGES AND OPPORTUNITIES LAY AHEAD FOR A FUTURE MAYORAL ADMINISTRATION.

FIRST, I WOULD LIKE TO TAKE THIS OPPORTUNITY TO ACKNOWLEDGE MAYOR ANTHONY A. WILLIAMS FOR HIS LEADERSHIP AND SUPPORT. I THANK HIM GREATLY FOR HIS COMMITMENT TO IMPROVING EDUCATION AND INCREASING OPPORTUNITIES FOR CHILDREN AND FAMILIES OF THE DISTRICT OF COLUMBIA. IT HAS BEEN A PLEASURE WORKING WITH HIM, AND I LOOK FORWARD TO DEVELOPING AN EQUALLY RESPECTFUL AND PRODUCTIVE RELATIONSHIP WITH OUR NEXT MAYOR.

I CANNOT UNDERSCORE MORE THE IMPORTANCE OF STRONG RELATIONSHIPS AMONG CITY LEADERS TO THE SUCCESS OF WIDESPREAD

EDUCATION REFORM AND THE ABILITY OF THAT REFORM TO BE EFFECTIVE AND SUSTAINED. AS MANY OF YOU KNOW, NOT TOO LONG AGO OUR CITY DID NOT ENJOY SUCH SUPPORT AND COOPERATION AMONG THOSE WHO HAD BEEN VESTED WITH RESPONSIBILITY AND ACCOUNTABILITY FOR PUBLIC EDUCATION.

JUST A LITTLE LESS THAN A DECADE AGO, PUBLIC EDUCATION IN THE DISTRICT WAS CHARACTERIZED BUY INSTABILITY, CHAOS, LACK OF DIRECTION AND OTHER LESS THAN FLATTERING DESCRIPTORS. FOR EXAMPLE, OVER THE LAST SEVERAL YEARS THE DISTRICT GRAPPLED WITH THE FOLLOWING CHALLENGES:

- FEDERAL TAKEOVER OF THE CITY AND A CONGRESSIONALLY APPOINTED EDUCATIONAL BOARD OF TRUSTEES
- NEW AND UNTESTED SCHOOL BOARD STRUCTURE
- REVOLVING DOOR OF SUPERINTENDENTS
- RECURRING DEFICITS IN DCPS FUNDING
- DECLINING STUDENT ENROLLMENT WITHIN DCPS
- EXPLOSION OF PUBLIC CHARTER SCHOOLS
- POOR SCHOOL AND STUDENT PERFORMANCE
- THE TRANSPORTATION SYSTEM PUT IN RECEIVERSHIP
- SPECIAL EDUCATION CHALLENGES
- CONTENTIOUS RELATIONS BETWEEN BOARD, MAYOR AND COUNCIL
- AN ATTEMPTED MAYORAL TAKEOVER

THANKFULLY, OUR WORK IS NO LONGER ENTANGLED IN THIS WEB OF WORRIES. BUT I SHARE THESE EXAMPLES AS AN ILLUSTRATION OF WHAT UNSTABLE LEADERSHIP AND LACK OF CLEAR RESPONSIBILITY/ACCOUNTABILITY FOR EDUCATIONAL DECISION MAKING HAS BRED. AS WE FACE CHANGES IN THE CITY'S LEADERSHIP AT THE MAYOR, COUNCIL AND BOARD LEVEL, I ASK US ALL TO BE MINDFUL OF OUR PAST MISTAKES AND TO LOOK TO THE TREMENDOUS PROGRESS WE RECENTLY EXPERIENCED AS OUR BLUEPRINT FOR MOVING FORWARD.

WHEN I BECAME SUPERINTENDENT TWO YEARS AGO, IT WAS WITH THE UNQUALIFIED AND UNIFIED SUPPORT OF THE BOARD OF EDUCATION, MAYOR WILLIAMS, THE CITY COUNCIL, THE CITY ADMINISTRATOR AND KEY COMMUNITY STAKEHOLDERS. THIS SUPPORT HAS PROVEN EXTREMELY CRUCIAL AS WE CONTINUE TO TACKLE LONGSTANDING CHALLENGES AND IMPLEMENT A REFORM AGENDA THAT IS DESIGNED TO TRANSFORM DCPS INTO THE WORLD-CLASS EDUCATION SYSTEM THAT THE DISTRICT OF COLUMBIA AND ITS RESIDENTS SO RICHLY DESERVE.

WE ARE MAKING SIGNIFICANT PROGRESS IN CREATING A FOUNDATION FOR ACADEMIC SUCCESS IN THE DISTRICT OF COLUMBIA PUBLIC SCHOOL. LAST

FALL, WE IMPLEMENTED NEW AND MORE RIGOROUS ACADEMIC STANDARDS IN READING/LANGUAGE ARTS AND MATH. STANDARDS IN SCIENCE AND SOCIAL STUDIES WERE ADOPTED EARLIER THIS YEAR AND WILL BE IMPLEMENTED DURING THE UPCOMING SCHOOL YEAR. IT IS IMPORTANT TO NOTE THAT WHILE MANY STATES TYPICALLY TAKE 4-6 YEARS TO DEVELOP AND ADOPT NEW ACADEMIC STANDARDS, THIS DISTRICT SUCCESSFULLY ADOPTED STANDARDS IN 4 DIFFERENT SUBJECT AREAS IN LESS THAN 2 YEARS. WE EXPECT TO RELEASE THE RESULTS OF THE DC-CAS, A NEW ASSESSMENT INSTRUMENT AND ACCOUNTABILITY SYSTEM THAT IS ALIGNED WITH THE STANDARDS, IN OCTOBER AND EARLY RESULTS ARE ENCOURAGING.

IT IS WORTH NOTING OTHER INDICATORS OF OUR ACADEMIC PROGRESS OVER THE LAST TWO YEARS:

- THE NUMBER OF SCHOOLS MEETING ADEQUATE YEARLY PROGRESS (AYP) IN BOTH READING AND MATH INCREASED DISTRICT WIDE; INCREASING FROM 63 SCHOOLS IN SCHOOL YEAR (SY) 2003-04 TO 72 SCHOOLS IN SY 2004-05. AT THE ELEMENTARY LEVEL, THE NUMBER OF SCHOOLS MEETING THESE TARGETS INCREASED FROM 55 TO 58 AND AT THE SECONDARY LEVEL FROM 8 TO 14.
- STUDENT ATTENDANCE ALSO INCREASED, RISING FROM 85 TO 89 PERCENT DISTRICT WIDE.
- ADDITIONALLY, ENGLISH LANGUAGE LEARNERS DRAMATICALLY IMPROVED THEIR PROFICIENCY IN BOTH READING AND MATH; RISING FROM 30.8% TO 50.4% IN READING; AND FROM 50.8% TO 56.4% IN MATH.
- MORE THAN 20 OF OUR SCHOOLS HAVE RECENTLY BEEN IDENTIFIED AS HIGH-PERFORMING SCHOOLS. THESE ARE SCHOOLS THAT MET AYP IN ALL ACADEMIC AND NON-ACADEMIC INDICATORS AND HAD 70 PERCENT OF THEIR STUDENTS SCORING AT OR ABOVE PROFICIENT LEVELS. BECAUSE OF OUR DESIRE TO PROVIDE POSITIVE REINFORCEMENT, AND TO ENCOURAGE INNOVATION, THESE SCHOOLS WILL RECEIVE ADDITIONAL MONEY FROM OUR SCHOOL INCENTIVE FUND. THEY WILL SET UP DEMONSTRATION SITES OF INSTRUCTIONAL BEST PRACTICES FOR OTHER SCHOOLS TO MODEL. A NUMBER OF OTHER SCHOOLS HAVE RECEIVED AWARDS FOR SIGNIFICANT IMPROVEMENT.

WE ARE ALSO MOVING IN THE RIGHT DIRECTION ON NATIONAL BENCHMARKS.

- DCPS IS ONE OF 11 DISTRICTS TO PARTICIPATE IN THE NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS (NAEP) TRIAL URBAN DISTRICT ASSESSMENT (TUDA).
- AS ILLUSTRATED IN THE RECENT REPORT FROM THE COUNCIL OF GREAT CITY SCHOOLS, TITLED "BEATING THE ODDS," WE HAVE REDUCED THE GAP BETWEEN STUDENTS PERFORMING BELOW BASIC AND THOSE SCORING AT PROFICIENCY ON THE NAEP: THE

PERCENTAGE OF STUDENTS SCORING BELOW BASIC DECREASED BY NINE PERCENT. AND THE PERCENTAGE OF STUDENTS SCORING AT PROFICIENT LEVELS INCREASED BY THREE PERCENT.

WE ALSO CONTINUE TO MAKE PROGRESS IN OUR ABILITY TO PREPARE STUDENTS FOR SUCCESS IN POSTSECONDARY EXPERIENCES.

- THE NUMBER OF STUDENTS TAKING ADVANCED PLACEMENT (AP) COURSES HAS INCREASED FROM 818 TO 832. MOREOVER, THE NUMBER OF STUDENTS SCORING 3, 4 OR 5 ON AP EXAMS HAS INCREASED FROM 531 TO 549; WITH A 17 PERCENT INCREASE AMONG MALES ALONE.
- IN ADDITION, WE HAVE SEEN A SLIGHT INCREASE IN STUDENT PERFORMANCE ON THE SCHOLASTIC ACHIEVEMENT TEST (SAT), WITH AVERAGE VERBAL SCORES INCREASING FROM 412 TO 414 AND MATH SCORES FROM 402 TO 404. TO HELP STUDENTS GAIN EXPERIENCE IN TAKING THE SAT, WE HAVE BEGUN TO STRONGLY ENCOURAGE ALL ELIGIBLE 9TH GRADERS AND ALL 10TH AND 11TH GRADERS TO TAKE THE PSAT SINCE STUDIES CLEARLY SHOW THAT STUDENTS WHO TAKE THE PSAT SCORE HIGHER ON THE SAT.

TO SUPPORT ACADEMIC PROGRESS, IN THE PAST YEAR WE HAVE BEEN FORTIFYING OUR BUSINESS SYSTEMS. RECENTLY, DCPS BECAME THE FIRST SCHOOL DISTRICT IN THE COUNTRY TO PARTNER WITH A MUNICIPALITY IN OPERATING A STATE-OF-THE-ART PROCUREMENT AUTOMATED SUPPORT SYSTEM (PASS). PASS ALLOWS US TO ORDER SUPPLIES, EQUIPMENT AND INSTRUCTIONAL MATERIALS MORE QUICKLY AND MORE EFFICIENTLY; AS WELL AS, HELPS LEVERAGE OUR BUYING POWER AS A SYSTEM. AS A NEXT STEP IN IMPROVING OUR BUSINESS OPERATIONS, WE WILL BE TACKLING OUR HUMAN RESOURCES AND PAYROLL SYSTEMS TO ENSURE THAT THEY TOO, EFFECTIVELY SUPPORT THE WORK WE HAVE AHEAD. OF NOTE IS THE RECENT BOARD OF EDUCATION ADOPTION OF THE LABOR CONTRACT WITH THE TEACHER'S UNION. THE CONTRACT WAS RATIFIED BY A OVER 80 PERCENT OF THE UNION MEMBERSHIP AND WAS SUCCESSFULLY APPROVED BY THE BOARD, MAYOR AND COUNCIL WITHOUT THE ACRIMONY OF THE PAST NEGOTIATIONS.

WE ARE EVER MINDFUL OF THE NEED TO HAVE AN EFFICIENT BUSINESS SYSTEM, GIVEN THE FISCAL REALITIES WE FACE. AND BECAUSE OF THOSE FISCAL REALITIES, WE HAVE SUCCESSFULLY SOUGHT AND CONTINUE TO PARTICIPATE IN SOME EFFECTIVE PARTNERSHIPS THAT WILL HELP US REACH OUR GOALS.

OUR RECENT PARTNERSHIP WITH THE WORLD BANK, FOR EXAMPLE, WILL ASSIST US IN OUR ABILITY TO RECRUIT AND TRAIN 100 TEACHERS A YEAR, FOR THE NEXT FIVE YEARS, IN ORDER TO ACHIEVE NATIONAL BOARD

CERTIFICATION FOR ALL TEACHERS, WHICH, IN TURN, WILL FORTIFY THE QUALITY OF TEACHING IN OUR CLASSROOMS.

I MENTIONED EARLIER THE PARTNERSHIP WITH THE CITY OF THE DISTRICT OF COLUMBIA THAT RESULTED IN OUR NEW PROCUREMENT SYSTEM. WE ARE HOPING FOR SIMILAR PARTNERSHIP OPPORTUNITIES AS WE IMPROVE OUR HUMAN RESOURCES, BUDGET AND TECHNOLOGY INFRASTRUCTURE.

WE ARE ALSO ENCOURAGED BY ANOTHER RECENT PARTNERSHIP. THE DC CHILDREN AND YOUTH INVESTMENT TRUST CORPORATION (THE TRUST) RECENTLY ANNOUNCED THAT THE WALLACE FOUNDATION IS INVESTING UP TO $8 MILLION OVER THREE YEARS TO IMPROVE OUT-OF-SCHOOL PROGRAMS FOR STUDENTS IN THE DISTRICT OF COLUMBIA. THE INITIATIVE WILL BEGIN IN THREE PILOT MIDDLE SCHOOLS IN JANUARY AND WILL SERVE A TOTAL OF ABOUT 600 CHILDREN. ULTIMATELY, THE GOAL IS THAT ALL MIDDLE-SCHOOL CHILDREN IN THE DISTRICT WILL HAVE ACCESS TO HIGH-QUALITY ACTIVITIES OUTSIDE OF THE SCHOOL DAY – IN THE AFTERNOONS, ON WEEKENDS, AND DURING THE SUMMER.

PERHAPS THE GREATEST EXAMPLE OF WHERE COLLABORATION AND CONSENSUS HAS BEEN EFFECTIVE IS IN THE ESTABLISHMENT OF THE DISTRICT OF COLUMBIA EDUCATION COMPACT (DCEC). THE DCEC IS COMPOSED OF PARENTS, TEACHERS, PRINCIPALS, SCHOOL ADMINISTRATORS, BUSINESS LEADERS, COMMUNITY ACTIVISTS, FOUNDATION STAFF, ELECTED OFFICIALS, AND CONCERNED CITIZENS WHO SHARE OUR VISION OF HIGH-QUALITY TEACHING AND LEARNING IN ALL OF OUR SCHOOLS ALL OF THE TIME. AS A RESULT OF THE COMPACT, DCPS, IN CONCERT WITH CITY LEADERSHIP, IS GAINING THE BUSINESS COMMUNITY AS AN ACTIVE AND VIABLE PARTNER IN PUBLIC EDUCATION IN UNPRECEDENTED WAYS.

IN THIS CLIMATE OF COLLABORATION, THE SCHOOL DISTRICT HAS BEEN ABLE TO MOVE AT A RAPID BUT LOGICAL AND STRATEGIC PACE. USING THE "DECLARATION OF EDUCATION," WHICH IS OUR STRATEGIC PLAN FOR CHANGE, AS A FOUNDATION, WE HAVE DEVELOPED A "MASTER EDUCATION PLAN" THAT SPELLS OUT THE ACADEMIC GOALS WE HAVE SET FOR THE CHILDREN OF THE DISTRICT OF COLUMBIA. THESE ACADEMIC GOALS NECESSARILY INFORM HOW OUR FACILITIES WILL BE USED AND SO, WE HAVE ALSO DEVELOPED A "MASTER FACILITIES PLAN" WHICH ARTICULATES OUR VISION OF HAVING FULLY MODERNIZED STATE-OF-THE-ART CAMPUSES FOR ALL OF OUR CHILDREN.

THIS GROUNDWORK CREATES A CLEAR-THINKING APPROACH TO OUR CURRENT EFFORTS TO STRATEGICALLY PLAN FOR EFFECTIVE USE OF OUR BUILDINGS TO SUPPORT OUR ACADEMIC MISSION. THE BOARD OF EDUCATION HAS ACTED TO ELIMINATE APPROXIMATELY 1 MILLION SQUARE FEET OF EXCESS SPACE BY RIGHTSIZING OUR SCHOOL INVENTORY AND MAXIMIZING

ITS USE THROUGH EDUCATIONAL CONSOLIDATIONS, OPERATIONAL EFFICIENCIES AND CO-LOCATIONS WITH COMMUNITY-BASED ORGANIZATIONS, CITY AGENCIES AND PUBLIC-PRIVATE PARTNERSHIPS. THIS WILL RESULT IN THE CONSOLIDATION OF FIVE SCHOOLS, WHICH CREATES THE OPPORTUNITY FOR RICHER AND MORE DIVERSE EDUCATIONAL OFFERINGS AT ALL SCHOOLS BECAUSE OF A BETTER USE OF OUR RESOURCES.

THIS REALIZATION THAT WE MUST BETTER MANAGE OUR RESOURCES HAS HELPED US USHER IN A NEW ERA OF FISCAL DISCIPLINE FOR DCPS. NO LONGER PLAGUED BY OUR PAST MISTAKES, DCPS HAS ADVANCED BALANCED BUDGETS FOR THE PAST THREE YEARS. THE MAYOR AND COUNCIL'S COOPERATION AND SUPPORT IS DULY NOTED IN THEIR INCREASES TO THE PUBLIC EDUCATION BUDGET OVER TIME, INCLUDING AN ADDITIONAL INVESTMENT OF $21 MILLION LAST YEAR TO ADDRESS UNMET EDUCATIONAL NEEDS.

IN SHORT, WE ARE MAKING SIGNIFICANT PROGRESS, BOTH ACADEMICALLY AND PROGRAMMATICALLY. I AM HOPEFUL THAT IF WE AS A CITY CONTINUE TO WORK TOGETHER AND REMAIN FOCUSED ON WHAT IS IN THE BEST INTEREST OF CHILDREN WE WILL BE ABLE TO CONTINUE AND ACCELERATE OUR EFFORTS TO TRANSFORM LIVES THROUGH HIGH QUALITY TEACHING AND LEARNING. BASED ON WHAT WE HAVE ACCOMPLISHED IN TWO YEARS, THE STRIDES WE COULD MAKE WOULD BE PHENOMENAL WITH MORE TIME AND STABILITY. ALTHOUGH WE HAVE BUILT A STRONG FOUNDATION, WE WILL NEED THE CONTINUED SUPPORT OF THE CITY'S LEADERSHIP TO COMPLETE A PERMANENT EDUCATIONAL STRUCTURE THAT STANDS THE TEST OF TIME AND ONE IN WHICH THE EXCELLENCE WILL OUTLAST ALL OF OUR ADMINISTRATIONS.

WE LOOK TO THE FUTURE MAYOR, FUTURE COUNCIL MEMBERS AND FUTURE MEMBERS OF THE BOARD TO PROVIDE THE SAME DEGREE OF SUPPORT, LEADERSHIP, AND COMMITMENT TO PROBLEM-SOLVING THAT HAS TAKEN US TO WHERE WE ARE TODAY. WE ALSO ANTICIPATE YOUR THOUGHTFUL CONSIDERATION OF HOW THIS COMMITTEE CAN SUPPORT THE WORK THAT WE ARE DOING, WHICH IS ANCHORED IN OUR COMMITMENT TO CREATE A WORLD-CLASS EDUCATION SYSTEM THAT IS REFLECTIVE OF THIS CAPITOL CITY AND THAT RECOGNIZES THE UNTAPPED POTENTIAL OF OUR YOUTH. SPECIFICALLY, WE LOOK FOR OUR FUTURE LEADERS FOR SUPPORT OF OUR EFFORTS TO:

- CHANGE THE DCPS FISCAL YEAR TO JULY – JUNE - WHILE WE RECOGNIZE THAT THIS WILL NECESSITATE CHANGES TO THE APPROPRIATIONS CALENDAR AND THAT THERE MAY BE OTHER OBSTACLES TO IMPLEMENTATION, WE ARE WILLING TO WORK WITH THE CITY LEADERSHIP AND THIS COMMITTEE TO RESOLVE THOSE

OBSTACLES. WE BELIEVE IT IS CRITICAL TO IMPROVED OPERATIONS TO HAVE A FISCAL YEAR THAT IS ALIGNED WITH OUR ACADEMIC YEAR.

- ADOPT MULTI-YEAR BUDGETING AND TO CARRY FORWARD OUR FINANCIAL CONDITION – THIS WOULD HELP TO ELIMINATE THE FISCALLY IMPRUDENT "USE IT OR LOSE IT MENTALITY" OF MANY OF OUR SCHOOLS, AND TO STRENGTHEN OUR CAPACITY TO MORE STRATEGICALLY AND PROGRAMMATICALLY PLAN.
- OBTAIN A CFO WHICH REPORTS DIRECTLY TO THE SUPERINTENDENT - ALTHOUGH OUR CURRENT RELATIONSHIP WITH THE CFO IS BETTER THAN IT HAS BEEN IN THE PAST, AS A SYSTEM, WE CANNOT MANAGE EFFECTIVELY BASED ON A GOOD WORKING RELATIONSHIP AS OPPOSED TO HAVING A SOUND ORGANIZATIONAL STRUCTURE OF OUR OWN. AS A SCHOOL SYSTEM, OUR MISSION IS CLEARLY DIFFERENT FROM THAT OF OTHER CITY AGENCIES, AND WE SHOULD NOT BE TREATED AS JUST ANOTHER DISTRICT AGENCY IN THIS OR OTHER REGARDS.
- CLEARLY DELINEATE STATE AND LOCAL FUNCTIONS - WE HAVE BEGUN TO DEVELOP METHODS AND MECHANISMS TO DELINEATE SEA/LEA ROLES AND RESPONSIBILITIES, PARTICULARLY AS THEY RELATE TO OUR RECENT HIGH-RISK DESIGNATION BY THE DEPARTMENT OF EDUCATION. OVER THE NEXT FEW MONTHS, WE WILL BE WORKING WITH THE CITY LEADERSHIP TO CRAFT LEGISLATION THAT WILL BETTER CLARIFY ROLES AND RESPONSIBILITIES IN THE DISTRICT. WE WILL LIKELY LOOK TO YOUR LEADERSHIP TO HELP US IN THIS REGARD.

WHILE ACKNOWLEDGING THE PROGRESS WE HAVE MADE, WE ARE FULLY AWARE OF THE CHALLENGES BEFORE US. BUT, WE HAVE BEEN SUCCESSFUL IN TURNING AROUND A MIRED GOVERNANCE AND MANAGEMENT STRUCTURE SUCH THAT OUR WORK IS NOW CHARACTERIZED BY CONFIDENCE AND TRUST IN EACH OTHER TO APPROPRIATELY EXECUTE OUR RESPECTIVE PART OF THE EDUCATION ARENA IN THE DISTRICT. THE BOARD AND SUPERINTENDENT ARE ACTIVELY ENGAGED IN ONGOING OPPORTUNITIES TO IMPROVE HOW WE WORK TOGETHER. THE MAYOR, COUNCIL, BOARD AND OTHER PUBLIC OFFICIALS MEET REGULARLY TO DISCUS CRITICAL EDUCATION ISSUES AND TO IMPROVE OUR EFFECTIVENESS AS EDUCATION POLICYMAKERS AND IMPLEMENTERS. GIVEN WHAT WE HAVE ACCOMPLISHED IN THE SPIRIT OF COLLABORATION CREATED BY THE OPPORTUNITIES OF THE WILLIAMS ADMINISTRATION, I AM CONVINCED THAT IF THIS ENVIRONMENT IS NURTURED BY FUTURE ADMINISTRATIONS, THE STUDENTS IN THE DISTRICT OF COLUMBIA WILL HAVE THE TYPE OF EDUCATION THEY DESERVE TO COMPETE IN THE GLOBAL MARKETPLACE. I STAND READY TO WORK WITH WHOMEVER TO DO MY PART TO ADVANCE THIS GOAL.

THANK YOU FOR YOUR TIME.

TESTIMONY OF ALICE M. RIVLIN
DIRECTOR
OF THE GREATER WASHINGTON RESEARCH PROGRAM
THE BROOKINGS INSTITUTION

BEFORE THE
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT,
THE FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
US SENATE

July 18 2006

Mr. Chairman and members of the Subcommittee. I am delighted that you are holding this hearing on the major accomplishments of the District government over the last seven years and the significant challenges that lie ahead. I have had the opportunity to observe dramatic positive changes in the District of Columbia since January 1999. I share the view of many long term residents that the city has emerged from the depths of despair into which it fell in the mid-1990s and is facing an increasingly hopeful future. The city's fiscal situation has improved dramatically. Its government is far better managed and systems are in place and coming on line that will assist future managers. Services have improved in many departments—although by no means all. Thousands of units of housing are being constructed and renovated, new stores are opening and older ones expanding. Neighborhoods are showing new signs of life all over the city.

But major challenges remain, as they do in other central cities. We are still a city strikingly divided by race and income. Our education system is still far from delivering quality education for all children. The housing boom is creating hardship for low and moderate income people. Health outcomes for many city residents are poor. Meeting these challenges will test the effectiveness of the city's elected leadership in the years ahead.

The federal government should also be a partner in meeting these challenges. It should share the responsibility for ensuring that the Nation's capital has a sound fiscal base, modern infrastructure, and a voice in the Nation's democratic process.

The Situation at the beginning of 1999

I would like to start by reminding the Committee of the situation facing the new Administration seven and a half years ago and then review briefly some of the major developments of that period before turning to the challenges ahead.

When Mayor Anthony Williams was elected in November, 1998, the District of Columbia Financial Management and Assistance Authority -- usually called the "Control Board" -- was still running the city by authority of the Congress. The Control Board was not just a financial oversight board; it had line authority over all the major departments of the city. I had only recently taken over as chair from Andrew Brimmer, who served from 1995 to 1998. Dr. Brimmer and his colleagues deserve much of the credit for bringing a demoralized city government back from the edge of bankruptcy. The Brimmer Control Board worked with the City Council, Anthony Williams, then the Chief Financial Officer, Natwar Gandhi, then the head of the Tax department, and many others, to impose painful, but necessary discipline on the city's spending and tax systems.

By late 1998, the worst of the crisis was over and the city was beginning to function again.

My Control Board colleagues and I believed strongly that an unelected board should not run a city except in a dire emergency. Hence, we drew up a Memorandum of Understanding (MOU) that turned line authority back to the elected government, while retaining fiscal oversight. Mayor Anthony Williams signed the MOU accepting the executive responsibility within minutes of taking the oath of office in January of 1999. Thereafter, the Control Board worked closely with the Mayor, the Council, and other city officials until the federally legislated criteria were met and we were legally allowed to go out of business on Sept. 30, 2001.

While the Control Board is gone, one of the important legacies of the federal intervention is the Office of the Chief Financial Officer, mandated under the 1995 federal statute that created the Control Board. I believe that the contribution to fiscal discipline that can be made by a strong CFO with a measure of independence from the political process has been amply demonstrated in the District's fiscal turnaround. The Congress and the District government should ensure that the role of the independent CFO continues in the years ahead.

Major Accomplishments since January 1999

Fiscal transformation. The District's record over these last eight fiscal years of consistently balanced budgets speaks volumes about the distance the city and its leaders have traveled since the Control Board period. This careful fiscal management has taken the city's bond rating from "junk" status up to grade A, a first for this city. The Mayor, the CFO, and the DC City Council all have good reason to be proud of this record, as do the citizens of our city and the Members of Congress who supported the tough, disciplined action taken by these officials to get us to this point.

Systems improvement. Less visible but just as important for the long run have been significant improvements in the structure and content of various fiscal management systems in the city. Officials are now able to keep track of city spending in a timely and thorough way. The city closes its books on time after the end of each fiscal year. And it now routinely receives a clean audit. With each year, the budget process itself has matured and become more robust. City Administrator Robert Bobb has played an important role in improving the long-neglected capital budget process.

Backing up these key systems improvements have been an aggressive program of investments in new technologies. The city's Office of the Chief Technology Officer (OCTO), led by its director, Suzanne Peck, has steadily raised the quality of the city government's communication and information systems to the point where DC now regularly wins awards for its IT achievements. Ms. Peck and her colleagues have been able to link up a variety of city databases, making them accessible by all city agencies, thereby vastly improving communication among city offices on both routine and emergency matters. Citizen access to information and services on-line has also taken a great leap forward to levels achieved in other well-run American cities.

Improving financial systems, internal decision processes, and information technology is painstaking work that does not make headlines or impress voters. Moreover, Washington at its low ebb had fallen so far behind other cities that a major effort was needed just to catch up to best practices of the late 20th century, let alone move into the 21st. Some administrative systems—notably procurement and personnel—still need substantial improvement. Nevertheless, the next administration and council will find it far easier to govern the city, thanks to major progress in administrative systems and technology over the last eight years.

Planning. One of the casualties of the city's fiscal crisis was its once-strong planning department. A city without the resources to build anything or even maintain its infrastructure hardly needs a planning department. A lasting contribution of the Williams administration has been the recreation of a strong, highly professional planning staff for the city, led by nationally known planners Andrew Altman and Ellen McCarthy. Thanks to the Mayor, the Council, the city's planners and housing and economic development officials, the city now has on the drawing boards or in the works a breathtaking array of major projects across the District.

Particularly along the Anacostia waterfront, on both sides of the river, the city is being transformed in ways that will be increasingly visible over the next few years. The articulation of a bold vision and a detailed plan, coupled with the creation of a single development authority (the Anacostia Waterfront Corporation) to oversee the plan, should provide the focused, targeted guidance that such large, long-term development requires. Federal agencies (especially the Navy Yard, the Department of Transportation, and the National Park Service) have also been extremely important partners in the waterfront development, and their continued participation is essential to realizing the vision.

I have been impressed with the Mayor's commitment to build an inclusive city and doing it with extensive involvement of citizens in the planning process. A thorough and detailed revision of the city's Comprehensive Plan is nearing completion. Whole new neighborhoods of mixed income housing with provision for neighborhood commercial services are slated for key sites around the city. . The transformation of troubled public and assisted housing areas into thriving mixed-income communities is well underway both through the Federally-funded HOPE VI program and now under the New Communities Program, a city version of the HOPE VI approach. Equally impressive has been the city's willingness to support major development projects that advance the city's overall interests,

using tax increment financing and other creative approaches. One has only to walk around Gallery Place or the new convention center to see the result.

The downside of the city's burgeoning development has been the rapid rise in real estate prices and rents all over the District, which has reduced the ability of low and moderate income people to live in the city. In response to this problem, the Mayor and the Council created a task force designed to set a comprehensive housing strategy for the city that reported its recommendations to the city in January. I co-chaired this task force and am gratified by the seriousness with which the Mayor and Council have taken the proposals, most significantly by their decision to provide funding for many key task force affordable housing suggestions in the city's budget for 2007 just now being completed.

Management. As many District citizens will tell you, the quality of service in a number of city agencies has improved markedly over the last seven years. The agency most often cited is the Department of Motor Vehicles where it is now routine to get one's driver's license renewed or tags changed in minutes rather than hours. And much of this business is now handled on line rather than in person. Similarly, the trash and recycling collection systems run by the Department of Public Works are much improved. And the DC Department of Transportation is now much quicker at filling potholes, resurfacing streets, and repairing or replacing sidewalks. An impressive number of city agencies have emerged from court receivership and begun to function effectively. That some city agencies are still in need of major improvement does not diminish the substantial achievements of the managers who have turned their agencies around.

Perception of the city. Finally, although they have taken a lot of heat for some of the travel associated with it – unfairly in my view – there is little doubt that the efforts by the Mayor, his staff, and members of the Council to change the

perception of the District of Columbia, both domestically and internationally, have borne important fruit for our town. We are not thought of by visiting business people and tourists as a financially troubled, crime-ridden and unfriendly place any longer. Major retailers and other investors who once shunned the District are now eager to build here. Only persistent, steady communications—including endless presentations to meetings of retailers and other businesses--along with visible change in the landscape, have altered past perceptions of failure and risk. The leaders of our city deserve credit for turning this view of DC around.

Biggest challenges for the Next few Years

Looking forward, I see major challenges ahead for the new city leaders to take office in January 2007.

Education Most importantly, the city needs to raise the performance of its schools to a much higher level so that it is providing a high quality education for all children in the District. All other problems the city faces pale by comparison to achieving educational quality. It is true that in the District, as in most American cities, the management of the system of public education is not under the direct control of the Mayor and Council. The superintendent is appointed by and responsible to the Board of Education, a majority of whose members are elected by the public. Nonetheless, the mayor has more power to influence education policy in Washington than in most other cities. He appoints four out of the nine members of the Board of Education and has the potential to influence the schools' operating and capital budgets, since the school system has no independent revenue source or borrowing authority. Hence, there is much that a mayor can do to make that office a significant force for improving schools and their connection to the community. Fortunately, the city now has a strong, experienced superintendent who has put major effort into a Master Plan for the future of public education in the District. The next Administration and Council should cooperate closely with the Superintendent in his efforts to set firm,

feasible, financially viable plans for the school system. Such support will help ensure that the superintendent stays long enough to implement the plans, so that we can break the past cycle of constantly changing of guard in such a critical leadership position.

With significant assistance from the Congress, the city has in place several systems with the potential to increase access to high-quality publicly-supported education. Beyond the conventional public school system, the city has one of the largest public charter school systems in the country – one that shows no sign of slowing growth. And with help from Congress, the city now provides vouchers for a modest number of students to attend private schools. The challenge for city leaders is to bring these sometimes diverse systems, which sometimes seem hostile to each other, into harmony and cooperation so that the whole becomes greater than the sum of its parts and our kids get a quality education in the process.

City leaders also ought to create an accessible, high quality community college in the District—either as part of the University of the District of Columbia or separately. UDC does currently offer certificates and associate degrees, but its community college functions are overshadowed by its four-year and graduate programs. Preparing young people for the world of work is not just the province of the elementary and secondary school system, although reinvigorating vocational education at the high school level is also crucial. Many of the jobs that are available in profusion in our city and region's relatively high skilled economy do not require a four year undergraduate degree. We need an institution that sees its mission as preparing people for the jobs that are available and doing so flexibly, creatively and in full cooperation with the private sector that needs these workers.

In addition to K-12 and community college programs, the city's adult education and job training programs also pose a major challenge. Too many

District residents have low literacy levels, lack a high school degree, and/or are disconnected from the labor market. Current adult literacy, GED and job training programs serve only a fraction of those in need of such services. Nor are there strong systemic connections between organizations offering different types of services. Theoretically, there is a hierarchy of educational and training programs along the skill continuum, ranging from adult basic education at the lowest end to community college courses at the highest end. In practice, however, programs are rarely structured so that the completion of one program leads to entry into the next program in a sequence. In short, the District needs more slots in adult education and job training programs, better coordination among those programs, and an increased focus on quality to ensure that programs lead to improved employment outcomes.

Affordable housing. While the Williams administration and the current Council deserve credit for ramping up construction of affordable housing in the District, much more needs to be done. As a result of booming land values and demand for housing, the city is losing housing affordable to low and moderate income households (including many federal and District employees) faster than it can replace it. Federal reductions in assisted housing programs have exacerbated the problem. Finding the resources and leadership to achieve the affordable housing production and preservation goals now before the city will take a concerted effort by all parties. It won't just happen by itself.

The city should work hard to grow its population. The Mayor Williams has boldly (and rightly) espoused a goal of increasing the city's population by 100,000 both to increase the customer base for the city's businesses and to broaden the tax base and help offset the city's structural fiscal imbalance. In large part because of the Congressional prohibition on District taxation of non-resident income, the city must grow its residential tax base if it is to be able to afford or provide high quality services to residents and non-residents alike. But a city composed of small upper-income households is not viable in the long run,

nor would most of us want to live there. Hence, the city must redouble its efforts to make it possible for low and moderate income families with children to remain in the city and for working families, especially teachers, firefighters, police officers, and civil servants to live in the city whose citizens they serve.

Improving the health of District residents. The District has distressingly high incidence of chronic disease, including asthma, diabetes, cardio-vascular disease and cancer. It also has an extraordinarily high incidence of HIV-AIDS and drug abuse. These disastrous health outcomes are heavily concentrated in the poorer sections of the city. The current Administration and Council have devoted considerable attention to improving health services—including city partnership with the Medical Homes Project, designed to expand and upgrade the city's non-profit primary care health centers—but sustained effort will be required to improve the health and productive capacity of District residents. The city does not need an additional hospital. Rather it needs to reduce unnecessary hospital use (including current over-use of emergency departments) by aggressively supporting efforts to provide accessible primary care, disease management, substance abuse treatment and detection and treatment of HIV-AIDS.

Reducing the race and income divide. Washington is starkly divided by race, income and geography. It is one of a handful of American cities with a barbell-shaped income distribution--many more high-income and low-income households than middle-income households. It is also one of the few large cities in which the concentration of poverty increased in the 1990s. The poverty rate for African-Americans, Asians and Latinos here is between 20 and 25 percent compared to about 8 percent for non-Latino whites in the city. African Americans account for about three-quarters of all District residents in poverty, and make up the vast majority of residents (84 percent) in the District's high-poverty neighborhoods. These high poverty neighborhoods lie on the eastern side of the

city—isolated from the more prosperous, predominantly white neighborhoods on the western side.

Such a stark divide is incompatible with the thriving, inclusive city that the nation's capital should aspire to be. Moreover, the rising prosperity of the city and the growing tax base it creates provide the potential for policies that dramatically improve incomes and opportunities on the poorer side of the city. The New Communities Program and the Anacostia waterfront development can create thriving mixed-income and mixed race communities that draw the sides of the city together. Continued transformation of schools and health services are essential. High priority should be given to upgrading the city's fragmented job training activities and moving aggressively to recruit and train the District's low income population for the jobs (and potential careers) created by the burgeoning development of the city. The Community College mentioned above should be a center piece of this effort.

Reform and Coordination of programs and services. The next Mayor and Council also need to take on the challenge of meshing the programs and policies of the city agencies that impact on the development and sustenance of the District's many neighborhoods. This means finding effective, recurring ways for planners of school, housing, workforce training, libraries, economic development, health care, transportation, public safety, recreation and open space programs and facilities to work together at the city and neighborhood levels. This means looking for opportunities to collocate functions in the same building, such as schools, libraries and health care clinics. We should not pass up the many opportunities before us to enhance the synergy of our public programs and find ways to deliver these services more efficiently.

The new Mayor and Council also need to continue current efforts to reform those city agencies that have not yet been turned around. The Departments of Consumer and Regulatory Affairs, Employment Services and the Department of Health are but three examples of agencies that still fail to provide acceptable

service and quality programs. Fortunately the new leadership at DCRA seems to be on the right track and now needs time and continued support to effect the needed change.

Much hard work remains before the citizens can be confident that public agencies are well managed and the municipal bureaucracy functions at a high professional level. A variety of problems have been exposed in recent months—tragic lapses by a broken Emergency Medical Services system, security breaches at the DC Jail, shoddy care for highly vulnerable mental health patients, and a steep rise in violent crime. Allowed to fester, these challenges to the city's well-being are just the sort of trouble than can undo years of hard work in turning this city around.

Cooperation with the Region. Finally, our city's future prospects are intimately tied to those of the Washington metropolitan area and to a considerable extent the region's prospects are linked to those of its central city. With that in mind, District leaders must find common ground with its Maryland and Virginia suburbs and with their state capitals so that challenges such as creating dedicated sources of revenue for mass transit, reducing traffic congestion and providing affordable housing can be addressed at a regional scale.

How the Congress can (and should) Help?

And what can Congress do to assist the new District leaders? I will close by posing four important challenges for the Congress.

First, Congress can and should find a way to give citizens of the District the right to vote for representatives in the House and the Senate – and I mean voting representation, not just delegate status. I am offended, Mr. Chairman, and so should you and your colleagues be, that I come before you today after almost

fifty years of residing in this great city and I have not in all that time been represented in this body. It is an outrage and something must be done to change it.

Second, Congress can and should approve legislation that would provide enough federal compensation to the District to close the $1 billion or so structural deficit that the Government Accountability Office and others have identified in the District's fiscal structure. This deficit is partly a result of the large amount of land in the city given over to federal and federally exempted activity that does not pay real estate taxes. This, in combination with the Congressional prohibition against letting the city tax the income earned in the city by non-residents, results in a significant reduction in the city's fiscal base. Congresswoman Norton has introduced a bill that would make a compensatory contribution automatically to the District, a bill which has the co-sponsorship of the entire suburban delegation in the House from Maryland and Virginia. This legislation should be enacted forthwith.

Third, Congress should permit the locally-funded portion of the city's annual budget, once it is approved by Mayor and Council, to go into effect at the start of the fiscal year without needing Congressional approval. It adds insult to injury that we not only lack voting representation in Congress but we are also precluded from spending our own money without first getting permission from Congress.

Fourth, because of the federal Government's special interest as the major employer in the efficient functioning of the Washington metropolitan area, Congress should support regional efforts to improve transportation, air and water quality, and access to affordable housing, among others. This would entail instructing the Executive Branch to come to the regional table in a constructive and positive way, working with the District and the surrounding jurisdictions to better rationalize area-wide decisions, and then for Congress to back up this

process and resist intervening in response to special pleading from one interest or another.

Mr. Chairman, I appreciate this opportunity to share these thoughts with you and the Committee about the District's prospects. I look forward to your comments and questions.

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