



TESTIMONY OF ED LAZERE, EXECUTIVE DIRECTOR

At the Public Hearing on

PR20-477, The Chief Financial Officer of the District of Columbia Jeffrey S. De Witt

Confirmation Resolution of 2013

District of Columbia Committee on Finance and Revenue

October 23, 2013

Chairman Evans and other members of the committee, thank you for the opportunity to testify today. My name is Ed Lazere, and I am the executive director of the DC Fiscal Policy Institute. DCFPI engages in research and public education on the fiscal and economic health of the District of Columbia, with a particular emphasis on policies that affect low- and moderate-income residents.

I am not here to comment on the qualifications of Mr. De Witt to serve as the District's Chief Financial Officer. I have tremendous respect for Mayor Williams and Alice Rivlin, and I believe the process to search for a new CFO was thorough and professional. I therefore trust that Mr. De Witt is a highly capable financial official who will serve the District of Columbia well.

Instead, I would like to focus my comments on the issues that I hope Mr. De Witt will focus on in his new role. It almost goes without saying that the most important tasks are the core financial management functions: tax administration, budget development and execution, revenue forecasting, and debt management. Strong, stable, and clean finances are critical to the District's ability to meet its ongoing obligations to residents and businesses.

But I also hope Mr. De Witt will be able to focus on a select number of other big-picture fiscal issues. One set of issues relate to maintaining progress made in recent years.

- The CFO's fiscal impact statements now identify costs of proposed legislation beyond the four-year financial plan window, to give policy makers and residents the full picture of the costs of any legislation. This is very important because sometimes costs can grow rapidly over time, and because having a four-year scoring window creates a natural incentive for bills to be designed in ways that push costs beyond four years.
- The Office of Budget and Planning developed an online tool, CFO Info, to help the public access budget information quickly and serves as a platform for providing more detailed budget information than is found in DC's published budget books.
- The District set a 12 percent cap on the portion of the budget that can be used for debt service. Prior to the cap, policymakers faced little constraints with regards to debt-financed projects, especially economic development, often resulting in limited scrutiny. I understand that there is some concern that the debt cap limits the District's economic development efforts. I urge that the debt cap be maintained, and if it is changed, that new measures be put in place to ensure that debt-financed economic development projects receive proper scrutiny.

Beyond maintaining these efforts, I hope that the Office of the Chief Financial Officer will be able to make further progress in a select number of areas.

Enhanced Budget Transparency: The District has taken many steps toward more transparent budget documents, but there is always room for progress.

- CFO Info should be modified to be easier to navigate and to include more detailed information, such as breakdowns of expenditures by funding type — mainly local and federal — for all line items. We believe that CFO Info would be utilized more if it were both easy to navigate and provided more detailed information than can be found in basic budget documents.
- The Current Services Funding Level, a document to identify the costs of maintaining existing services into the next year, should be provided at a more detailed level. Currently, the CSFL only provides current services levels at the agency level — such as for the entire Department of Public Works — rather than for each division within an agency.
- The CFO should work with community stakeholders and DC government agencies to restructure budget documents to provide more clarity, such as including information on the revised current – year budget and breaking down agency budgets into activity line items that match programs and services delivered by agencies. For example, officials at DC Public Schools routinely comment that the structure of their budget, as set by the CFO, bears little connection to how the school system organizes its functions and how it thinks about resource allocation. This makes it hard for DCPS to use its budget as a management tool, and it makes it impossible for parents and other advocates to get involved in school budget issues in a meaningful way.

Addressing Federal Restrictions on DC’s Budget and Reserves: I hope Mr. De Witt will work closely with the Mayor and DC Council leadership to promote greater budget autonomy. District voters approved a budget autonomy referendum this spring, and if it had become effective as October 1, the District’s budget would not have been caught up in the federal budget shutdown. The District should move ahead to implement the budget autonomy act when it becomes effective January 1. It is important to note that key congressional leaders have endorsed further budget autonomy for the city, even if they took issue with the referendum approach.

The recent federal government shutdown also highlights the need to reform the restrictive federal rules governing DC’s locally funded emergency and contingency reserves. DCFPI has noted for years that the rules imposed on the use of our reserves are far more restrictive than in most states. Due to rules set on use of the city’s reserves, District officials chose to tap one reserve during shutdown, but not the other. Had both reserves been tapped, the District would have been able to pay more of its bills, such as to Medicaid providers. Now is the time to work to give the District the same flexibility over use of its reserves that most states have.

Focus on improving the working relationships of Agency Directors and Agency Fiscal Officers: The creation of an independent CFO in DC resulted in a situation where agency directors generally report to the Mayor and agency fiscal staff generally report to the CFO. While this does not preclude a good working relationship between the agency director and financial staff, it has at times led to confusion and inefficiency. Mr. De Witt could explore ways to give agency fiscal staff more encouragement and flexibility to work cooperatively with agency directors.

Thank you for the opportunity to testify.