



*An Affiliate of the
Center on Budget and Policy Priorities*
820 First Street NE, Suite 460
Washington, DC 20002
(202) 408-1080 Fax (202) 408-8173
www.dcfpi.org

**TESTIMONY OF JENNY REED, POLICY ANALYST
At the Public Roundtable on
The Fiscal Year 2012 Revised Budget Request Emergency Adjustment Act of 2012
District of Columbia Committee Of the Whole
January 24, 2012**

Chairman Brown and members of the committee, thank you for the opportunity to testify today. My name is Jenny Reed, and I am a policy analyst with 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 how policies impact low-and-moderate income families.

I am here today to testify on the Mayor's FY 2012 Supplemental Budget request, more specifically to ask several questions that the mayor's supplemental budget proposal raises and suggest an alternative to the Council.

Budgeting is not an exact science. Unexpected expenses occur over a fiscal year that cannot be anticipated, which makes it necessary to add and subtract funds to make the budget balanced. From the information provided in the Mayor's supplemental budget, the majority of these appear to be true spending pressures and amount to less than 1 percent of the District's \$6.4 billion local budget.

However, we are concerned that only four months into Fiscal Year 2012, the Mayor's proposed supplemental budget would use the entire \$42.2 million of additional FY 2012 revenue projected by Chief Financial Officer Natwar Gandhi. This raises several important questions that the Council should consider:

1. Is this the full picture of the District's spending pressures? Are there other spending pressures that are not being addressed in the Mayor's proposed supplemental budget?
2. How would using all of the additional FY 2012 revenue now, impact the District's ability to address future spending pressures?
3. How will this additional spending impact the budget gap already identified for FY 2013 and the remainder of the four-year financial plan?

First, is this the entirety of spending pressures for Fiscal Year 2012? I raise this question because when making decisions about scarce public resources it is important to make sure that we have as much information as possible. It would be helpful to know if there are other spending pressures that are not covered in this supplemental budget, why they were not chosen to be funded with additional revenues, and how agencies plan to address them. This would help the public and the Council assess whether these are the highest priority pressures to address.

Second, it is very likely that other spending pressures will arise since we are only one-third of the way through the current fiscal year. If all of the additional revenue is devoted to the eight programs identified in this supplemental budget, it is unclear how the District would address other equally

urgent spending pressures that arise later in the year. Moreover, the CFO is expected to release another revenue forecast in late February, and if that reflects a downward revision of projected revenues, the District may no longer have the \$42.2 million in additional funds for FY 2012 announced in December.

Third, how will the added spending on ongoing programs impact the budget in fiscal year 2013 and beyond? In the most recent revenue estimate, Dr. Gandhi projected a revenue decline for FY 2013 when compared with the projections made at the time the current budget was adopted. Any additional ongoing services funded this year would add to the anticipated budget gap in FY 2013.

Mr. Chairman, the DC Fiscal Policy Institute would like to propose an alternative approach to the current supplemental budget. We recommend that the Mayor and Council set the \$42 million in additional revenue for FY 2012 aside and wait until later in the fiscal year, perhaps three months from now, when the District can have a better sense of what spending pressures remain and what our revenue picture looks like. In the meantime, the Mayor could work with agencies to address urgent needs through re-programming, and the Mayor and CFO could work with agencies to address some of the spending pressure internally. DCFPI suggests that at that time, the Mayor provide an update of the spending pressures to the Council and public, as well as a plan for how to use any additional revenues to cover those urgent spending pressures that cannot be covered internally.

Lastly, the Mayor and Council should work to restore the operating reserve in each year's annual budget. Until a few years ago, the DC budget had a \$50 million operating budget reserve to help cover these kinds of spending pressures that arise after the budget is adopted. In order to make the use of the reserve more transparent, the Council could require that the proposed uses of the fund come before the Council for approval.

Thank you for the opportunity to testify, and I'm happy to answer any questions.