

**TESTIMONY OF ED LAZERE, EXECUTIVE DIRECTOR  
At the Public Roundtable on  
The Chief Financial Officer of the District of Columbia Natwar M. Gandhi Confirmation  
District of Columbia Committee on Finance and Revenue  
June 28, 2012**

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 here to offer my enthusiastic endorsement of Dr. Gandhi's nomination for a third 5-year term as the District's Chief Financial Officer. Dr. Gandhi has handled this complex task very competently and diligently and has shown a great devotion to the future of the District of Columbia, which relies above all things on stable management of public resources. I may not agree with Dr. Gandhi on every issue, but I always respect his perspective.

Under Dr. Gandhi, the District has developed a sophisticated and experienced financial management system. I and my staff interact on a regular basis with the entire alphabet soup of divisions within the CFO cluster — ORA, OBP, EDF, OTR, OFOS, and OFT. Almost to a person, I find the staff of these divisions to be competent and responsive fiscal stewards and public servants.

I will highlight just a few examples of the practices of the CFO's office that I find impressive, without intending to slight others.

- Under Dr. Gandhi, the Office of Revenue Analysis produces fiscal impact statements that extend well 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 bill proponents to push costs beyond four years.
- Under Dr. Gandhi, the Office of Budget and Planning has developed a new 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.
- Under Dr. Gandhi's suggestion, the District has set a 12 percent cap on the portion of the city's budget that can be used for debt service. Prior to establishing the cap, policymakers faced very little constraints with regards to debt-financed projects, especially economic development projects. This often resulted in limited scrutiny of such projects. Now, policymakers must make choices and set priorities over the use of economic development resources.

- Under Dr. Gandhi, the District has conducted thorough reviews of proposed economic development subsidies, sometimes question the timing or level of proposed subsidies and ultimately leading to deals that are more in the District's interests.

I also would like to use this hearing to lay out what I consider some of the priorities for the District's financial management over the next five years.

**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 greatly 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, some adult job training funds in the Department of Employment Services are included with other services in the “program performance monitoring” line, which makes it hard to find this funding and track funding levels over time.

**Addressing Federal Restrictions on Use of DC Resources:** Dr. Gandhi should work closely with the Mayor and DC Council leadership to promote greater budget autonomy and to reduce federal control and oversight. This effort should start with changes to the overly restrictive federal rules governing DC's local rainy day reserves. Given that the District is now working to build reserves, it would be a good time to promote better flexibility over use of reserves, since federal policy makers and others would not be able to argue that we are seeking to loosen the rules in order to access those funds.

**Focus on improving the working relationships of Agency Directors and Agency Fiscal Officers:** The creation of an independent CFO in DC, a fairly unique structure, 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. Dr. Gandhi 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.