

**PUBLIC HEARING ON
THE FY 2012 BUDGET REQUEST FOR THE OFFICE OF
BUDGET AND PLANNING (OBP)**

**Before the
Committee of the Whole
Council of the District of Columbia**

The Honorable Kwame R. Brown, Chairman

**May 6, 2011, 3:00 p.m.
Room 412, John A. Wilson Building**



**Testimony of
Gordon McDonald
Deputy Chief Financial Officer
Office of Budget and Planning**

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

Good afternoon, Chairman Brown and members of the Committee of the Whole. I am Gordon McDonald, Deputy Chief Financial Officer for the Office of Budget and Planning (OBP). I am here today to testify in support of OBP's FY 2012 Budget Request. With me today is James Spaulding, Associate Deputy Chief Financial Officer. I will cover the following areas in my remarks:

- OBP's Fiscal Year 2012 Budget Request;
- Fiscal Year 2011 Accomplishments to Date; and
- Fiscal Year 2012 Key Program Initiatives.

OBP's Fiscal Year 2012 Budget Request

Our operating budget request is \$5.40 million and 42.0 FTEs, a net increase of \$31,558 in budget authority and a net decrease of 3.0 authorized FTEs from the FY 2011 approved budget of \$5.37 million and 45 FTEs. Since FY 2009, OBP has lost a total of 20 authorized positions, from 62 to 42 FTEs, a 32 percent reduction. This includes the transfer of 6 Information Systems positions as part of the OCFO's information technology consolidation. The FY 2012 Proposed Budget provides the minimum staffing required to fulfill our mission.

Fiscal Year 2011 Accomplishments to Date

We began FY 2011 faced with another challenge to rebalance the annual budget due to a revenue loss of \$99.8 million in September, coupled with spending pressures of \$88 million. We worked with the Mayor and the Council to successfully address the \$188 million gap in December 2010. We will continue to ensure that the FY 2011 budget remains in balance.

I will now discuss some of our other accomplishments.

FY 2012 Budget Formulation and Transparency

During the FY 2012 budget formulation process, OBP collaborated with the Mayor's staff, agency program staff, and OCFO financial staff to produce a number of key budget products, which I will briefly review:

The Mayor's FY 2012 Proposed Budget Request – OBP hosted the FY 2012 budget kickoff on November 5th, 2010. To prepare for the kickoff, we updated the budget formulation manuals and requisite information technology systems, and conducted both internal and external budget development training. After the kickoff, we partnered with Mayoral, agency program, and agency financial staffs to prepare the balanced budget that was delivered to Council on April 1st. A component of the FY 2012 budget development was the conversion of over 60 Special Purpose Revenue

accounts to Local funds. In addition, we transferred from the capital budget to the operating budget more than 270 FTEs, a shift of \$26.5 million, and transferred over \$19.9 million of Office of Public Education Facilities Modernization routine and on-call maintenance costs to the operating budget. These changes reflect better accounting of direct capital and operating costs and will enable us to invest more capital budget on capital investments. I'm proud to say these complex tasks were accomplished in time to support the timely delivery of the FY 2012 budget to the Council.

In the end, by working collaboratively with the Mayor's Office of Budget and Finance, OBP prepared and delivered on time the Mayor's FY 2012 Proposed Budget request, which is balanced in FY 2012 and throughout the multiyear financial plan. We look forward to collaborating with you and your staff on the consensus budget.

Current Services Funding Level (CSFL) – As part of the FY 2012 budget development, we created the Current Services Funding Level (CSFL), which was published March 31st, 2011. This document provides an analysis of the cost of operating District agencies in FY 2012, without consideration of any new policy decisions.

Budget Transparency – In order to maintain budget transparency, the Mayor’s FY 2012 Proposed Budget was again posted to the internet in the improved manner that was implemented last year. This format shows operating and capital budget information by agency rather than in multiple budget volumes and, as applicable, also contains a restructuring crosswalk. This allows the reader to see everything related to an agency in one place, without having to find pieces of it in different budget volumes. Furthermore, the capital budget was consolidated into one volume and included the Highway Trust Fund budget, which had previously been published separately and on a different timeline from the Mayor’s budget submission. In addition, we are now including the anticipated operating budget impacts of new capital projects in the operating budget. We have instituted these improvements in order to increase transparency and make it easier for both the Council and the public to access budget information.

Budget Execution

Like last year, the current economic climate, while improving, continues to reinforce the need for effective OBP budget execution. Furthermore, the uncertainty of reduced federal spending levels and its potential impact on District revenues underscore the need to closely monitor budget execution. I would like to review our current budget execution initiatives.

Financial Review Process – We continue to closely monitor agency spending through the Financial Review Process (FRPs). Detailed FRPs are due to my office on a quarterly basis. In addition, agencies are required to provide monthly FRP reports at the summary level and updated FRPs in the event of a substantial change from the previous FRP. This ensures that agencies have a frequent reporting requirement for the identification of spending pressures, revenue shortfalls, excess funds, or other financial matters.

Spending Pressures – A component of monitoring budget execution is the identification of spending pressures. As you know, we work very closely with the agencies and the Mayor’s Office of Budget and Finance to identify spending pressures. To develop the initial FY 2011 pressure listing, OBP partnered with agency financial staff to vet the pressures, which included reviewing FRP reports from the agencies, participating in onsite meetings, and conducting independent analysis. In March 2011, when additional spending pressures were identified, we then briefed each affected Council Committee and the Council Budget Office. We will work with the Mayor’s Office of Budget and Finance to develop a plan to resolve these pressures.

Cost Driver Initiative – We have continued to expand the cost driver initiative and provide the cost driver information in the CFO\$olve

application. Approximately 29 agencies' data are available. Another 15 agencies are ready to be loaded into the application, which will be accomplished once we have approval from the agency program and financial staffs. Currently, the cost driver team is working with 16 more agencies from all budget clusters. We have initiated the first cost driver effort in the capital area with DDOT as the first agency, and have made cost driver briefings available for all Council offices.

Federal Stimulus Funding – Within OCFO, my office continues to serve as the lead agency for stimulus funding, which includes processing grant budget modifications and making them available to agencies and reporting the use of stimulus funds by District agencies.

Capital Improvements Program – The Capital Improvements team has closed out over 55 capital projects since the start of the fiscal year and made over \$1.4 million of capital funds available for reprogramming through the WMATA Project Support Fund as a result. In addition, we worked closely with the Council budget staff on the legislation and modeling of the dissolution of the Unified Fund at DDOT, which created greater transparency of the agency.

FY 2012 Key Program Initiatives

Bolstered by the successes of the past fiscal year, our central goal is to continue to improve OBP's performance. OBP's major operational goals for FY 2012 are as follows:

- Automate the submission of quarterly and monthly FRP reporting by the agencies to OBP and expedite agency completion of FRPs through the use of new CFO\$olve reports;
- Provide quality support to the Board of Review for Anti-Deficiency Act Violations by continuing to provide reports of potential violations in both operating and capital funds;
- Continue to improve our reporting, planning, and coordination functions in order to work within the current economic environment;
- Incorporate lessons learned from the FY 2012 budget development process into the FY 2013 budget development process;
- Support the implementation of the Budget Revision Automated Management System (BRAMS) as a way to improve the processing and reporting of reprogrammings and other budget modifications;
- Actively participate in the initiative to replace the current financial management system of record and the budget formation module;

- Continue to improve the Capital Improvements Program with further analysis of the operating budget effects from completed capital projects; improve budgeting and accounting for capital-funded FTE positions; and continue to enhance our technological capabilities, particularly in reporting and analysis;
- Continue to improve the grant budget monitoring and reporting function within our office and coordinate with agencies to maximize use of their grant funds to reduce lapsed funds; and
- Expand CFOInfo to add modules related to grants, special purpose revenue, capital, and current-year data.

Conclusion

We look forward to working collaboratively with the Council during the development of the FY 2012 Consensus Budget. Mr Chairman, this concludes my remarks. I will be pleased to answer any questions that you may have.