

February 27, 2002

Council of the District of Columbia

PUBLIC HEARING ON BILL 14-535, "FY 2002 TAX REVENUE ANTICIPATION NOTES ACT OF 2002"

Testimony of N. Anthony Calhoun, Treasurer and Deputy CFO for Finance and Treasury, before the Committee on Finance and Revenue

Good morning Chairman Evans and members of the committee. My name is Anthony Calhoun, and I am Treasurer and Deputy Chief Financial Officer for Finance and Treasury in the Office of the Chief Financial Officer (OCFO). I am here to testify on behalf of the OCFO regarding Bill 14-535, the "Fiscal Year 2002 Tax Revenue Anticipation Notes Act of 2002."

This bill would authorize the District to issue up to \$200 million of tax revenue anticipation notes (TRANs) to finance general government expenditures for fiscal year 2002. Revenue anticipation notes are typically issued to finance seasonal cash shortages that arise due to differences in the timing between the receipt of revenues and the disbursement of expenditures within a given fiscal year.

As you are aware, fiscal year 2001 marked the first time in recent history that the District had sufficient cash flow for operations throughout the entire fiscal year without the need for short-term borrowing. This was due to the dramatic improvement in the District's financial condition over the past several years. The short-term borrowing authority contained in this proposed legislation is being sought primarily for contingency purposes, as our current cash flow projections indicate that there should not be a need for a short-term borrowing in fiscal year 2002. However, in light of the events of Sept. 11, the related effects on the District's economy, and the potential for other unforeseen circumstances that could affect the District's economy and its finances, the OCFO is of the position that it is prudent to have the ability to execute a short-term borrowing on short notice in the event that such a need arises.

One option available to the District is obtaining a bank line of credit, which would involve only a minimal cost to put in place and would be drawn upon only in the event that an actual borrowing need arises. Once it is established, executing a draw on the line of credit could be accomplished in a very short time frame. Such a line of credit would be structured in the form of a TRANs issuance, and would be authorized by this proposed legislation.

The FY 2002 appropriations bill includes \$500,000 for interest on short-term borrowing. This is a relatively small amount; however, we anticipate that it will be sufficient, and thus there is no expected fiscal impact associated with this proposed legislation beyond what has been budgeted. As stated earlier, our current expectation is that a short-term borrowing will not be necessary. However, in the event that it is necessary, it would likely be for an amount less than the proposed maximum of \$200 million and would likely be for a relatively short duration. Again, we think it is prudent to have such a vehicle in place to protect the District and its cash position from unforeseen negative circumstances and the associated consequences of such.

Mr. Chairman, this concludes my testimony. Thank you for your consideration of this proposed legislation. I am prepared to answer any questions that you may have at this time.