

**November 12, 2002**

Council of the District of Columbia

PUBLIC HEARING BILL 14-811, "DISTRICT ANTI-DEFICIENCY ACT OF 2002"

## **Testimony of Natwar M. Gandhi, Chief Financial Officer**

**Before the Committee of the Whole**

Good morning, Madame Chair and members of the Committee. My name is Natwar M. Gandhi, and I am the Chief Financial Officer for the District of Columbia. I am here today to testify about Bill 14-811, "The District Anti-Deficiency Act of 2002." My statement will be relatively brief, in order to allow time for any questions you and the members wish to pose. With me today to help address specific issues or questions, as needed, are Jerry Malone, my General Counsel; Bert Molina, from the Office of Budget and Planning; and Anthony Pompa, from the Office of Financial Operations and Systems.

I applaud the Council for its focus on continually strengthening and improving our financial management processes. Doing so is a key to maintaining home rule and increasing the District's latitude for independent action. By demonstrating our commitment to fiscal responsibility, we increase the likelihood of further delegations of financial independence by the Congress. We also strengthen the possibility of a further upgrade in the District's bond rating.

My understanding of the proposed Act is that it will introduce local requirements and processes for ensuring that expenditures do not exceed appropriated amounts and will provide sanctions for officers of the Government of the District of Columbia who are found negligent in this regard. This Act would supplement, at the local level, the existing federal anti-deficiency statute codified in Title 31 of the US Code, which applies to the District. The Act, from a financial perspective, appears to complement existing federal law. However, federal law with respect to anti-deficiency violations remains in effect and must be complied with by the District, notwithstanding our own local provisions.

I believe it is altogether appropriate that the District should take this step, tailoring anti-deficiency provisions to meet our own local needs and concerns. The law as proposed contains the following key provisions:

- *Monthly Spending Plans.* It requires managers, as part of the budget process, to develop monthly spending plans that can then be used to track actual spending against plan.
- *Quarterly Apportionments.* It requires the Office of the Chief Financial Officer (OCFO) to apportion appropriated funds by program or agency, making a controlling allocation of funds by quarter that may not be exceeded without OCFO approval.
- *Modifications.* It authorizes the Chief Financial Officer to modify apportionments in instances where changes in programs/ spending plans require such an adjustment.
- *Monitoring.* It requires the OCFO to report to the Mayor and the Council on a quarterly basis on actual spending against plan, including observations on the steps taken to ensure that actual spending remains within appropriated amounts.
- *Sanctions.* Finally, the proposed Act stipulates actions that would constitute violations and institutes a procedure for assessing culpability and recommending appropriate disciplinary action.

I believe this proposed Act would greatly support our efforts to increase systemic spending controls in the District, and would work to enhance the relationship between agency heads and OCFO personnel in managing spending to authorized availability. As I have stated before, we will begin instituting spending plans as a component of SOAR this year, so that actual spending can be monitored against planned

spending. We have also reformatted the SOAR system, so that it can provide a real-time, online picture of where each agency stands with respect to spending. Finally, we will begin to institute quarterly apportionments for selected agencies, although these apportionments will not be managed by lockout capabilities inherent in SOAR. By lock-out capability, I mean that SOAR has a capacity, if activated, to prevent agency spending in excess of its apportioned amount by rejecting attempts to obligate additional amounts until the condition causing the lock-out has been resolved.

I believe that the eventual enactment of this law will work to end the “spending pressure” culture to which we have all become accustomed. I think the ultimate goal should be to make it possible for the OCFO to use the SOAR system to control spending, and to give managers an incentive to comply by providing them with greater flexibility.

Madame Chair, this concludes my statement. My colleagues and I will be pleased to answer any questions you and the members may have.

# # #