

PUBLIC HEARING ON
BILL 16-191, “SCHOOL, LIBRARY, AND RECREATION
CENTER REVITALIZATION THROUGH
TRANSPARENT BUDGETING ACT OF 2005”

Before the
Committee on Education, Libraries and Recreation
Council of the District of Columbia

The Honorable Kathy Patterson, Chairman
July 13, 2005, 10:00 a.m.
Room 412, John A. Wilson Building



Testimony of
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Good afternoon, Madame Chair and members of the committee. My name is Bert Molina, and I am the Deputy Chief Financial Officer for the Office of Budget and Planning (OBP). I am here today to testify on Bill 16-191, the “School, Library, and Recreation Center Revitalization through Transparent Budgeting Act of 2005.”

The bill requires the Chief Financial Officer (CFO) of the District of Columbia to deposit at the end of each fiscal year all unspent personal services funds and all unspent special purpose revenue funds that would otherwise revert to the general fund (local funds) at the end of the fiscal year into two non-lapsing segregated funds: a newly established Public Library and Recreation Center Revitalization Trust Fund (“Library and Recreation Fund”) and the School Construction and Modernization Trust Fund (“School Fund”), which was created as part of the FY 2006 District budget. The bill directs the CFO to deposit 70 percent of these funds to the School Fund and to deposit the remaining 30 percent of such funds to the Library and Recreation Fund. Finally, the bill establishes a five-member Board of Directors to manage and administer the proposed Library and Recreation Fund.

My testimony will be divided into two parts. The first part will be a fiscal assessment on the financing components of the two trust funds, and the second part will consist of observations.

Fiscal Assessment of the Proposed Bill

Enactment of this legislation would result in no new cost to the District, since it will be operating within its approved budget and the certified resources (both fund balance and current revenues) supporting that budget. This proposed bill would

reprogram previously unspent and available resources. The Office of the Chief Financial Officer does not perceive any additional risks to the District's fiscal position. Consequently, the enactment of this proposed bill is a policy matter to be decided by the Mayor and the Council.

Observations on the Proposed Bill

1. Since resources would be accumulated for the purposes identified for each fund, provisions would need to be made for budget authority to become available to spend the funds in FY 2006. Since the District's consensus FY 2006 operating and capital budgets are under consideration by the Congress, the District would need to quickly submit a request to amend its budget.

Please note that for start-up operations in FY 2006, funds would not be available (for expenditure and commitment) from the designated sources for the "Library and Recreation Fund" and the "School Fund" until the issuance of the FY 2005 Comprehensive Annual Financial Report (CAFR) in January 2006.

2. The transfer of each fiscal year's unspent balances would be one-time in nature, because the amount available from each agency and the District as a whole will vary from year-to-year based on actual staffing levels and revenues generated by the special purpose funds. In essence, these are "Paygo" transfers from the General Fund to the newly created capital-type funds.
3. From an OBP perspective, the unspent balances would be reprogrammed out

of the personal services accounts into a “Paygo” transfer account and recorded in the CAFR yearend closing process. To efficiently implement this proposed bill, the CFO should be delegated authority to execute the budget reprogrammings that authorize the “Paygo” transfers. Otherwise, a budget reprogramming request, based on estimates not actuals, would be transmitted in September of each fiscal year to the Council for its review and approval.

4. Since the District would be spending prior year available balances in the following fiscal year, it is effectively appropriating additional fund balance, though not in the General Fund but in the newly created capital-type funds.

Conclusion

This concludes my testimony on Bill 19-191. I would be pleased to answer any questions that you may have.