

**PUBLIC HEARING ON**  
**BILL 17-0073, “DISTRICT FUNDS RESERVED ACT**  
**OF 2007”**

**Before the**  
**Committee on Finance and Revenue**  
**Council of the District of Columbia**

**The Honorable Jack Evans, Chairman**

**March 19, 2007, 2:00 P.M.**  
**Room 120, John A. Wilson Building**



**Testimony of**  
**Lasana Mack**  
**Treasurer and Deputy Chief Financial Officer**  
**Office of Finance and Treasury**

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

Good morning, Chairman Evans and members of the committee. My name is Lasana Mack, and I am the District's Treasurer and Deputy Chief Financial Officer for Finance and Treasury. My responsibilities include managing the Office of Finance and Treasury within the Office of the Chief Financial Officer. I appreciate the opportunity to testify on Bill 17-0073, the "District Funds Reserved Act of 2007."

This proposed legislation would amend the District's Financial Institutions Deposit and Investment Act of 1997 to provide for up to 10 percent of District funds available for deposit and investment to be set aside for deposit/investment with local financial institutions. This would have the effect of increasing the amount of District funds deposited in local banks, which, in turn, allows the local financial institutions to increase their monetary base and increase their potential for growth.

The implications of this potential for growth with respect to local investment, job development, and the generation of new public sector revenues are most difficult to quantify. However, what we can say from the experience of a similar State of New York program is that there can be a community-investment payoff if other key community groups (such as local development organizations) work with local financial institutions to help them find appropriate, creditworthy local partners. This payoff may be particularly important in a large city (e.g., in this case, New York City) with respect to serving the needs of small businesses in areas dominated by larger banks that do not have a history of focusing on small business lending, and in expanding banking services to residents in underserved urban communities.

There will be an impact, albeit a very small one, with respect to the interest income that accrues to the District of Columbia treasury. It is a decrease in interest income that can be expected to result from the fact that large national and regional financial institutions are often able to offer higher interest rates for District funds available for investment; thus, increasing the amount of District funds that are deposited/invested in local institutions would likely result in the District receiving lower interest rates, on average, on these locally-placed funds.

If enacted, the Office of Finance and Treasury will ensure that this legislation is implemented effectively. In that regard, we will seek to deposit/invest the funds allowed to be set-aside pursuant to this proposed legislation with local financial institutions that have a demonstrated commitment to using their resources to provide loans, investments and other banking services in District communities, particularly in areas of the District that have been underserved with respect to banking services.

We will work in conjunction with the District's Department of Insurance, Securities and Banking (DISB) to accomplish these objectives. We are aware that Commissioner Hampton and his office are supportive of this proposed legislation, as they believe that it will help make a substantial difference in the provision of banking services to District communities. We are also aware that they have proposed a few modifications to the proposed legislation, as has my office, in an effort to ensure that it is most effective in accomplishing its desired objectives. Again, we will work with the DISB to reach agreement on these proposed modifications as the legislation moves through the Council's process.

Mr. Chairman, this concludes my testimony. I am prepared to address any questions that you or other members of the committee may have.