

BUDGET HEARING
THE FISCAL YEAR 2012 BUDGET REQUEST OF THE
OFFICE OF REVENUE ANALYSIS (ORA) OF THE
OFFICE OF THE CHIEF FINANCIAL OFFICER
(OCFO)

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

The Honorable Jack Evans, Chairman

April 21, 2011, 10:00 a.m.
John A. Wilson Building, Council Chamber



Testimony of
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Good morning Chairman Evans and members of the Finance and Revenue committee. I am Fitzroy Lee, Deputy Chief Financial Officer for Revenue Analysis and the District's Chief Economist. I am pleased to appear before you today to testify on the Fiscal Year 2012 budget request for this Office of Revenue Analysis (ORA).

The FY 2012 budget request for ORA builds upon the data analysis infrastructure that ORA has created over the years to provide policymakers and stakeholders with high quality fiscal and economic analyses to inform decision-making and policy discussions. In FY 2012, ORA will continue to improve its ability to: 1) generate quarterly revenue estimates that enable the District to develop and maintain an annual budget and financial plan that avoids a deficit; 2) prepare fiscal impact statements that analyze the financial impact of proposed policy changes on the District's expenditures and revenues to ensure that the budget and financial plan remains in balance; 3) issue annual and monthly fiscal and economic reports on a timely basis; and 4) conduct research and analyses on a wide range of fiscal and economic issues at the request of the Mayor and Council, or as directed by the Chief Financial Officer.

At this point, I would like to mention a few of the projects and new initiatives that ORA plans to undertake in FY 2012 as it continues to build its capacity to deliver the forecasts and analyses that policymakers rely on to aid decision-making and policy discussions.

First, ORA will explore the recently released detailed 2010 Census data on DC to better understand, at a micro level, the income and demographic trends of the District population over the last decade. More specifically, the study will

determine the impact of these income and demographic trends on the District's tax base and the implications of these trends for the long-term fiscal health of the District.

Second, over the past two years ORA has been developing indexes of coincident and leading economic indicators for the District's economy. An index of coincident indicators would combine several District economic indicators into a single measure that captures the state of the District's economy in a given period. An index of leading indicators is a measure that forecasts where the economy is likely to be in the future and can serve as an early warning of a slowdown in the District's economy. The impetus for the project has been the recognition, during the last recession, that national economic forecasts do not capture certain peculiarities of the District's economy (for example, the unusually large commuter population). As a result, the timing and duration of national economic slowdowns do not necessarily coincide with the timing and duration of economic slowdowns in the District. Indexes of coincident and leading indicators tailored to the District's economy should more accurately forecast slowdowns in the District's economy than would national economic indicators. In FY 2012, ORA will continue developing and testing these indexes. If the testing is successful—that is, we are sufficiently satisfied that these indexes more accurately capture the state of the District's economy—we will deploy the indexes on a trial basis at first, then eventually publish them monthly as part of our Economic Trends Report.

Third, ORA plans to change the way the current ORA reports are presented on the OCFO's website. In addition to making the information easier to find, the various products now presented on the web only in PDF format will be

reformatted and presented in a way that is much more user-friendly. As part of the website re-design efforts, ORA has already reformatted the web-accessible fiscal impact statements so that the text in the body of the fiscal impact statements (FIS) is searchable. Once the accompanying search engine is in place, users will be able search all fiscal impact statements on the OCFO website. This is a change that many users of the on-line FIS repository have long requested.

The FY 2012 budget request for the Office of Revenue Analysis is \$3.62 million and 25 FTEs. Compared to the FY 2011 budget, it represents a 4.4 percent increase. However, this is not so much an increase as it is an adjustment to reflect underfunding over the past several years. This program includes the budget for both the Office of Revenue Analysis and the Office of Economic Development Finance. Of the total FTEs, 21 are assigned to the Office of Revenue Analysis and 4 to the Office of Economic Development Finance.

ORA will continue to deliver the high quality of service necessary to ensure the fiscal stability of the District. We look forward to continuing our work with the Mayor, Council, and agencies of the District government to achieve this goal.

Chairman Evans, I thank you and the members of the committee for the opportunity to present testimony today. I will be pleased to address questions that you may have.