

**PUBLIC ROUNDTABLE
ON
BILL 19-789, “THE FISCAL YEAR 2013 TAX
REVENUE ANTICIPATION NOTES ACT OF 2012”**

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

The Honorable Jack K. Evans, Chairman

**June 25, 2012, 10:00AM
John A. Wilson Building, Room 500**



**Testimony of Lasana K. Mack
Deputy Chief Financial Officer and Treasurer
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. I am Lasana Mack, Treasurer and Deputy Chief Financial Officer in the Office of the Chief Financial Officer. I am here to testify regarding Bill 19-789, the Fiscal Year 2013 Tax Revenue Anticipation Notes Act of 2012.

This bill would authorize the District to issue up to \$800 million of Tax Revenue Anticipation Notes (TRANs) to finance general government expenditures for fiscal year 2013. Revenue anticipation notes are typically issued to finance seasonal cash shortages resulting from differences in the timing between the receipt of revenues and the disbursement of expenditures within given fiscal year. The level of the District's available cash-on-hand and its normal cash peaks and valleys over the course of a fiscal year require short-term borrowing in order to maintain sufficient operating cash throughout the year.

The District's planned use of approximately \$700 million of its accumulated fund balance in recent years reduced the amount of cash-on-hand available to cover operating expenses in advance of the receipt of certain tax revenues during a given fiscal year. This increased the amount needed for short-term borrowing for cash flow purposes in recent years. In October 2011, the District issued \$820 million of TRANs to finance FY 2012 seasonal cash flow needs, its highest-ever cash flow borrowing amount. However, based on an improved cash position produced by the FY 2011 operating surplus and the funding of a new Cash Flow Reserve account in FY 2012 with funds available due to the FY 2011 surplus, the cash flow borrowing need is

expected to be lower in FY 2013. Our current expectation is that the size of the FY 2013 cash flow borrowing will be approximately \$700 million. As we approach the time of the borrowing, the exact amount of the borrowing need will be determined. It is prudent to authorize borrowing in the requested amount of up to \$800 million in order to ensure that the District has adequate operating cash balances at all times. The FY 2012 approved authorization was for up to \$900 million

A substantial portion of the District's tax revenues are received relatively late in the fiscal year. In particular, real property taxes, which are approximately 30% of the total General Fund Revenue, are received semi-annually in the sixth and twelfth months of the fiscal year, which makes it understandable that short-term borrowing would be necessary to finance certain on-going operating expenses that occur more evenly throughout the fiscal year. In fact, real property taxes make up a larger percentage of the District's revenues than they once did, which also puts upward pressure on the cash flow borrowing needs. However, to put this in perspective in relation to the District's total budget and cash flows, the requested amount of short-term borrowing authority for FY 2013 is less than 10% of the District's gross funds budget and the total cash flows in and out of our operating accounts during a fiscal year.

There are sufficient funds in the Proposed FY 2013 Budget and Financial Plan to cover the interest expense that would accompany the borrowing that this proposed legislation would authorize.

Chairman Evans, this concludes my testimony. I am prepared to address any questions that the Committee may have.