

June 6, 2001

DC Financial Responsibility and Management Assistance Authority
HEARING ON THE CERTIFICATION OF GRANT, PRIVATE AND OTHER REVENUE ESTIMATES AND
RE-CERTIFICATION OF FY 2001 AND FY 2002 LOCAL FUND REVENUE ESTIMATES

Testimony of Julia Friedman, Deputy Chief Financial Officer for Research and Analysis

Good afternoon, Madam Chairman and members of the Authority. I am Dr. Julia Friedman, Deputy Chief Financial Officer for the Office of Research and Analysis. I am testifying on behalf of Dr. Natwar M. Gandhi, Chief Financial Officer for the District of Columbia.

I am here to request certification of the District's revenue estimates for Grant and Private and Other revenue sources for FY 2001 - 2005, and re-certification of the District's FY 2001 and FY 2002 Local Fund revenue estimates and FY 2003 - 2005 projections.

The FY 2001 and FY 2002 estimates for total General Fund revenue, which include local source, grant and private and other revenue, are \$5,395.7 million and \$5,292.8 million respectively. Please note that total General Fund revenue for FY 2001 includes \$245.9 million budgeted from the fund balance for approved spending.

In February, the Authority re-certified the FY 2001 revenue estimate, and certified the original FY 2002 estimate and FY 2003 - 2005 projection. At that time, Dr. Gandhi testified that estimates for Grant and Private and Other revenue could be certified when the budget was ready for submission to Congress.

The District's retail and property-based economy continues to outperform expectations, and sales and deed tax revenues continue to grow more than anticipated. Also in FY 2001, the District has received a few, very large, one-time payments in corporate and estate taxes. The individual income tax, however, is substantially unchanged from a year ago due to higher refunds and lower payments. After years of accelerating growth, this revenue source is currently plateaued.

The adjusted FY 2001 local source revenue estimate is \$3,458.6 million. This is an increase of more than \$86.0 million, or 2.6 percent, over the February estimate.

The adjusted FY 2002 estimate for local source General Fund revenue is \$3,555.9 million. This represents a \$25.3 million increase over the February estimate. The bulk of this increase is attributable to continued strength in sales and deed tax collections.

The District anticipates \$1,396.5 million and \$1,543.0 million in grant revenue in FY 2001 and FY 2002 respectively, along with \$294.7 million in Private and Other revenue in FY 2001 and \$193.9 million in FY 2002. The drop in Private and Other revenue in FY 2002 is attributable to the elimination of the \$109.9 million federal reimbursement associated with the closing of the Lorton Prison Facility.

Finally, the adjusted estimate for the Convention Center fund transfer is \$61.2 million for FY 2001 and \$65.3 million in FY 2002. Estimated Water and Sewer Authority revenue is \$254.27 million for FY 2002. The estimate for the Highway Trust fund from the Motor Fuel Tax is \$31.0 million in FY 2002; the Arena Fee collection of \$14.8 million in FY 2002 will fully pay off the Arena Bonds.

This concludes my prepared remarks. Let me now answer any questions you may have.