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Council Chamber

PUBLIC OVERSIGHT HEARING ON THE PERFORMANCE OF THE OFFICE OF BUDGET AND PLANNING DURING FISCAL YEARS 2000 AND 2001

Testimony of Wayne Upshaw, Deputy Chief Financial Officer for Budget and Planning, before the DC Council Committee of the Whole

Good afternoon, Chairman Cropp and members of the committee. My name is Wayne Upshaw, and I am the Deputy CFO for Budget and Planning. I am pleased to appear before you today to present testimony on the Fiscal Year 2000 and Fiscal Year 2001 expenditure performance for the Office of Budget and Planning. Since arriving at the Office of Budget and Planning (OBP) five months ago, I have been impressed with the hard work that goes into budget preparation and execution, by not only my own staff but also staff of agencies across the city, the executive branch leadership, and the District Council. As we move forward in the Fiscal Year 2002 budget formulation process, I anticipate working closely with the Mayor to complete the budget submission and with the Council to finalize a budget that can deliver services to citizens of the District as efficiently as possible.

In my remarks today, I will cover the following three areas:

- Fiscal Years 2000 and 2001 Operating Expenditure Performance
- Fiscal Year 2001 Operational Goals
- Capital Improvements Program

Before summarizing OBP's performance and ongoing operations, I would like to provide a brief overview of changes being made to strengthen the office's capabilities and improve the District's budgeting process. To strengthen our capabilities, we have recruited a number of new employees, at both the analyst and management levels, with experience and analytic skills that will enable us to better formulate and execute the District's budget. In addition, we have organized the office to ensure that various support functions are better able to integrate with our budget formulation, budget execution, and capital staff. Finally, we are beginning the process of improving the presentation of the budget by including program-level information for certain agencies in the FY 2002 budget book, which I will describe more fully when I discuss the FY 2002 budget.

Fiscal Years 2000 and 2001 Operating Expenditure Performance

In Fiscal Year 2000, the Office of Budget and Planning spent \$3.60 million, about \$60,000, or 1.7 percent, below the approved budget of \$3.66 million. This spending consisted of \$1.99 million (of a budgeted \$2.00 million) in local funds and \$1.61 million (of a budgeted \$1.66 million) in intra-District funds. The Fiscal Year 2001 budget for OBP is \$3.82 million, an increase of about \$220,000 over FY 2000 expenditures. Total operating expenditures through January 2001, four months into the fiscal year, were \$1.23 million, or 32 percent of the approved budget. We are on pace to end the fiscal year within our approved budget.

I would now like to discuss the operational goals of the budget office for this fiscal year.

FY 2001 Operational Goals

The major operational goals of OBP are:

- To execute the Fiscal Year 2001 Budget, including producing accurate monthly financial reports, and
- To develop a balanced budget for Fiscal Year 2002.

Execute the Fiscal Year 2001 Budget

One of OBP's most critical oversight functions is to ensure that agencies spend within their approved budgets. An early example during Fiscal Year 2001 is the warning issued in November of spending pressures in the current year. Sound financial management requires that such pressures are identified as early as possible and that this information is shared with all stakeholders. As detailed for this Committee, we foresaw potential overspending of over \$200 million if corrective actions were not taken, and we

subsequently took several steps to alleviate these spending pressures:

- We worked with several agencies to develop plans to reduce pressures in those agencies through reorganizations or other corrective actions.
- We identified which pressures met the criteria for spending from the \$150 million budgetary reserve for FY 2001 or the carryover reserve from FY 2000 (the "freed-up appropriations").
- We identified other pressures that require a supplemental appropriation from local funds that represent higher-than-anticipated revenues, and we calculated the amount required.

In addition, we worked with the City Administrator's office early in this fiscal year to ensure that savings due to both management reform and operational improvement efforts would be realized. As you know, we certified about \$39 million of the \$47 million savings that were initially proposed and have requested further information on proposed additional savings. We have continued to work together to achieve the additional \$8 million in savings.

Changes made in the past two years have greatly improved our ability to track spending throughout the year. The Financial Review Process (FRP) report ensures that agencies maintain budget discipline by operating within their approved budgets. The FRP report also is used in preparing monthly Financial Status Reports. We are working this year to provide more useful information in these reports and to issue them in a timely manner.

Develop a Balanced Budget for Fiscal Year 2002

The second major goal for Fiscal Year 2001 is to develop a balanced budget for Fiscal Year 2002. We have improved the process for creating the baseline budget for FY 2002 by estimating the effects of key budget drivers, such as salary increases, more precisely. In addition, we are trying to eliminate any "non-allocated" savings items such as those that appeared last year under the labels "management reform" and "operational improvements." Rather than including line items for non-allocated savings, we have identified savings in particular agencies that could be achieved and have worked to build them into those agencies' baseline budgets. We are on track to submit the Mayor's budget to the Council on March 12, 2001.

My vision for improving the District's budgeting process is demonstrated by the changes that we are making to the budget book as we strive to present program-level budget and performance information. The FY 2002 budget book will provide a down payment on this vision by including a special chapter that includes examples of this budget presentation for selected programs in seven critical service delivery agencies:

- Department of Health
- Department of Human Services,
- Department of Motor Vehicles,
- Department of Public Works,
- Fire and Emergency Medical Services Department,
- Metropolitan Police Department, and
- DC Public Schools.

The program-level presentation will describe programs in terms of services provided to taxpayers and the dollars that fund those services. It will display performance measures related to the programs and benchmark data – that is, data from other jurisdictions on dollars spent and services provided in their corresponding programs.

We will deliver more fully on the vision in the FY 2003 budget book by expanding program-level presentations within these seven agencies and seeking to incorporate additional agencies, with the goal of more clearly identifying the costs of services. Decisionmakers will have additional information to target resources toward (1) programs that need more resources, as signaled by benchmark data and performance measures showing outcomes, and (2) program areas that can add value with additional resources, as signaled by performance measures showing efficiencies.

I would now like to briefly discuss the Capital Improvements Program.

Capital Improvements Program

Our multi-year assessment of the entire capital improvement program began in FY 2000. In this first stage, the capital improvement program's focus was on reconciling financing levels and approved capital budget authority. We now have data that reflect accurate financing. The next phase of the process involved collecting revised spending plans and scopes of work from each agency. Teams of analysts made field visits to agencies to meet with program and financial staff. Agencies were required to assess their current program and ongoing capital projects to make any necessary adjustments. As a result of these meetings, agencies submitted revised spending plans, scopes of work, milestone data, and other critical information that accurately reflect the agency's goals and project objectives. OBP analysts are currently reviewing and analyzing the data submitted by the agencies.

Should it be determined that certain projects are no longer consistent with the overall mission of the agency or can no longer be justified, the available financing will be reallocated or reprogrammed within the capital budget in accordance with established provisions of law. To the extent this reduces or delays the need for borrowing, it will reduce spending pressures on the operating budget by lowering debt service payments.

Conclusion

In closing, the Office of Budget and Planning and the OCFO are currently working with the Mayor's Chief of Staff, City Administrator, and Deputy Mayors to develop and finalize the Mayor's FY 2002 Budget and Financial Plan. I look forward to working with the Council and the other policy makers to develop a consensus budget for Fiscal Year 2002.

Madam Chairman, I thank you and the members of the Committee for the opportunity to testify today. I will be happy to answer any questions you might have.