

April 4, 2001

Council of the District of Columbia

PUBLIC HEARING ON THE MAYOR'S FISCAL YEAR 2002 BUDGET SUPPORT ACT OF 2001, TITLE I
REPROGRAMMING POLICY AMENDMENT ACT OF 2001

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

Good morning Chairman Cropp and members of the committee. I am Gordon McDonald, the associate chief financial officer for the Office of Budget and Planning (OBP). I am pleased to appear before you today on behalf of Wayne Upshaw, the deputy chief financial officer for OBP, to present testimony in support of the Fiscal Year 2002 Budget Support Act of 2001, Title I Reprogramming Policy Amendment Act of 2001. In my testimony today I will address the following three areas:

- Problems with the current reprogramming policy and procedures;
- Proposed solution: updating the reprogramming policy; and,
- Benefits from adopting the proposed solution.

Problems with the Current Reprogramming Policy and Procedures

The District's current reprogramming policy is governed by the Reprogramming Policy of 1980, DC Law 3-100 (DC Code 47-362). This policy was designed to allow agencies to shift funds approved for a particular purpose to meet changing programming and, often times, emergency needs. The level of approval is based on threshold amounts established by the reprogramming law. These thresholds have been in place since the enactment of the reprogramming policy in 1980. The law sought to maintain a balance between fiscal discipline and agency flexibility.

Unfortunately, the current law establishes many complex thresholds, which require different levels of approval. OBP, the Council, the Authority, and Congress must approve different threshold amounts. A table detailing the existing thresholds and requirements is attached to this testimony.

Usually a shift in excess of \$50,000 between responsibility centers requires Council approval. In a control period, pursuant to Public Law 104-8, the Control Board must provide an analysis to the Council within 15 days. Upon receipt of the Control Board's analysis, Council has 14 days to approve the reprogramming providing that one or more Council members do not file a notice of disapproval. In the majority of cases, reprogrammings submitted to Council are approved through this process. This means that the agency may have to wait as long as 30 days before the additional budget authority is available. Usually, shifts of less than \$50,000 require the review of OBP. OBP's review is usually completed in several days.

There are two major problems with the existing reprogramming policy. First, the thresholds were established in 1980, over 20 years ago. The thresholds are relatively small because they have not kept up with inflation. The District's total general operating budget has more than tripled since these threshold amounts were established. In FY 1980, the District's appropriated budget totaled \$1.5 billion. The FY 2001 appropriated budget totals \$4.9 billion.

In addition, the cumulative inflation rate over a twenty-year period, beginning in 1980, has more than doubled. These threshold amounts should be adjusted in order to maintain the intended level of control and flexibility that was established in 1980. For example, \$50,000 is a very small amount for agencies such as the Department of Health, Department of Human Services, and the Department of Public Works. Reprogramming requests submitted by these and other large agencies usually require the approval of the Council, the Authority, and, in some cases, Congress.

Second, the approval process is lengthy. Deciding on a \$50,000 reprogramming may take as long as

30 days in a control period. Even after the control period ends, Council action will normally still take 14 days. For example, in FY 1999 when the Office of the Auditor needed to shift funds in the amount of \$70,000 to obtain personnel to complete necessary audits, revenue analyses, and certifications, the funds could not be made available for well over a month.

Under the existing policy, the frequency in which agencies must submit reprogramming requests, combined with the lengthy review process, constrains the ability of agencies to move funds to meet changing needs. The budget development process begins a year in advance of budget execution; agencies should not be unduly constrained in managing their budgets and programs.

We note that last year, OBP surveyed the reprogramming policies of surrounding jurisdictions. These included Fairfax County, Montgomery County, Prince Georges County, Arlington, and the city of Alexandria. None of the jurisdictions surveyed had a complex reprogramming policy with many threshold levels.

Proposed Solution: Update the Reprogramming Policy

To address these problems, we have proposed a straight-forward solution in the FY 2002 Budget Support Act of 2001. We propose adjusting the thresholds to reflect the cumulative inflation rate as established by the Consumer Price Index (CPI). For the 20-year period from 1980 – 2000, this is an increase of 109 percent. In addition, the thresholds would be updated annually in accordance with the CPI.

For example, the change would increase the threshold amount for reprogramming between responsibility centers from \$50,000 to \$104,000. A table detailing all of the recommended threshold adjustments for FY 2002 is attached to this testimony.

The proposed solution is a collaborative effort among the Council's budget office, the executive office of the Mayor, and the Office of the Chief Financial Officer (OCFO).

Benefits from the Adoption of Proposed Solution

Adoption of these revised reprogramming thresholds would increase an agency's flexibility to make changes to meet pressing needs including spending pressures. This would result in increased efficiencies within the District of Columbia. These changes do not remove the Council from the approval process. Just as before, the Council must approve a reprogramming request for material changes in budget authority. The CFO is committed to fiscal discipline. He holds agencies accountable for operating within their approved budgets; however, agencies must be provided the flexibility to do so. The proposed change in reprogramming thresholds is a beginning for streamlining the entire reprogramming process. The OCFO will continue to work closely with the Council and the Mayor to further refine the process.

Madam Chairman, I thank you and the other members of the committee for the opportunity to testify before you today. I will be happy to respond to any question that you may have.

ATTACHMENT 1

Approvals and Congressional Notification Required for Reprogramming of Budget Authority

Threshold	Within RC			Between RCs	Between CCs	Between RCs and CCs for Human Services
	B/T comptroller objects W/I comptroller source group	B/T comptroller source group within object category	B/T object categories			
Under \$25,000	Agency	OBP	OBP	OBP	OBP, and if >10% of CC, Authority, and Council	OBP
\$25,000 - \$50,000	Agency	OBP	OBP	OBP, and if 10% of RC, Authority and Council too	OBP, Authority, and Council	OBP
\$50,000 – \$400,000	Agency	OBP	OBP, Authority, Council		OBP, Authority, and Council	OBP, Authority, and Council
Over \$400,000	Agency	OBP	OBP, Authority, Council	OBP, Authority, Council	OBP, Authority, and Council	OBP, Authority, and Council
	----- NON-CUMULATIVE THRESHOLDS -----			-----CUMULATIVE THRESHOLDS -----		
Over \$1,000,000 or 10% of project, program or activity, whichever is less	N/A	OBP approval and Congressional notification (30 days in advance)	OBP, Authority, and Council approval and Congressional notification (30 days in advance)			

ATTACHMENT 1 – CONTINUED

Approvals and Congressional Notification Required for Reprogramming of Budget Authority for:

- D.C. Board of Education**
- The Board of Trustees of the University of the District of Columbia**
- D.C. General Hospital Commission**

Threshold	Between CCs for DC Board of Education D.C. Courts Board of Trustees for UDC	Between CCs for D.C. General Hospital Commission (Nonlocal Funds)
Up to \$50,000	OBP for review and comment	OBP for review and comment
Over \$50,000 - \$1,000,000	OBP, Council, and Authority for review and comment	OBP, Council, and Authority for review and comment
Over \$1,000,000 or 10% of project, program or activity, whichever is less	OBP, Council and Authority for review and comment, and Congressional notification (30 days in advance)	
Increases by 20% or more of personnel assigned to project, program or activity	OBP, Council and Authority for review and comment, and Congressional notification (30 days in advance)	

ATTACHMENT 2

Recommended Threshold Adjustments

Description	The District's Current Threshold Requirements	Recommended Threshold Adjustments after rounding up to the nearest thousand
Council approval is not required for any reprogramming up to this amount.	\$25,000	\$52,000
Council must approve any reprogramming request that individually or cumulatively results in a change to the original appropriated authority of any responsibility center of more than this amount or 10% (whichever is less) of the original appropriated authority.	\$400,000	\$836,000
Council approval is required for any reprogramming which individually or cumulatively results in additional changes of more than this amount or 10% (whichever is less).	\$100,000	\$209,000
The Mayor may also submit to the Council for approval any shifts in funding among object categories within the same responsibility center that individually exceed this amount within the fiscal year.	\$50,000	\$104,000
Council approval is required for any subsequent actions, which individually move funds in excess of this amount among object categories within the same responsibility center in a given fiscal year.	\$50,000	\$104,000
The D.C. Board of Education and the Board of Trustees of the University of the District of Columbia do not require Council approval. However, reprogrammings among control centers of budget authority in excess of this amount on a cumulative annual basis must be submitted to OBP, Council, and the Authority for review and comment.	\$50,000	\$104,000