

PUBLIC HEARING
ON
BILL 15-288, “FISCAL YEAR 2004 TAX REVENUE
ANTICIPATION NOTES ACT OF 2003”

Before the
Committee on Finance and Revenue
Council of the District of Columbia
The Honorable Jack Evans, Chairman

November 17, 2003; 10:00 a.m.
Room 120, John A. Wilson Building



Testimony of
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Natwar M. Gandhi
Chief Financial Officer
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Good morning, Chairman Evans and members of the committee. My name is Anthony Calhoun, and I am treasurer and deputy chief financial officer for finance and treasury in the Office of the Chief Financial Officer (OCFO). I am here to testify on behalf of the OCFO regarding Bill 15-288, the “Fiscal Year 2004 Tax Revenue Anticipation Notes Act of 2003.”

Purpose of the Bill

This bill would authorize the District to issue up to \$250 million of tax revenue anticipation notes (TRANs) to finance general government expenditures for fiscal year 2004. Revenue anticipation notes are typically issued to finance seasonal cash shortages that arise due to differences in the timing between the receipt of revenues and the disbursement of expenditures within a given fiscal year.

Recent TRANs Experience

In fiscal year 2003, the District issued \$150 million of TRANs to finance its seasonal cash needs. As required, these notes were repaid by September 30, 2003. The amount that we intend to borrow in FY 2004 is \$250 million, \$100 million higher than the FY 2003 amount. This increase is primarily attributable to the fact that the District’s FY 2004 budget includes the expenditure of \$149 million of funds that are in the District’s fund balance. This means that there are no current-year revenues to cover these expenditures, and as such, from a cash standpoint, such expenditures are to be covered by existing cash-on-hand, reducing the District’s operating cash balances.

The District's positive operating results and corresponding increases in its fund balance since the mid-1990s have resulted in an improved cash position, including the establishment of the Emergency and Contingency Cash Reserves that contain a total of \$254 million. However, as you are aware, this cash is not available to be used for normal operating expenditures. 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 aforementioned FY 2004 expenditure of substantial amounts from the fund balance, combined with a few cash flow timing factors, result in an increase in the required borrowing amount for FY 2004 to the requested amount of \$250 million.

The budget authority in the proposed FY 2004 Budget and Financial Plan is expected to be sufficient to cover the interest expense associated with this proposed short-term borrowing. If there is a negative variance, it will likely be relatively small, and will likely be able to be covered by reprogramming funds from another debt service category.

Mr. Chairman, this concludes my testimony. I would be happy to respond to any questions you may have.

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