

**PUBLIC HEARING ON
THE FY 2016 BUDGET REQUEST FOR THE OFFICE OF
BUDGET AND PLANNING (OBP)**

**Before the
Committee of the Whole
Council of the District of Columbia**

The Honorable Phil Mendelson, Chairman

**April 23, 2015, 11:00 a.m.
Room 500, John A. Wilson Building**



**Testimony of
Gordon McDonald
Deputy Chief Financial Officer
Office of Budget and Planning
Office of the Chief Financial Officer**

**Jeffrey S. DeWitt
Chief Financial Officer
Government of the District of Columbia**

Good afternoon, Chairman Mendelson and members of the Committee of the Whole. I am Gordon McDonald, Deputy Chief Financial Officer for the Office of Budget and Planning (OBP) in the Office of the Chief Financial Officer (OCFO). I am here today to testify in support of OBP's FY 2016 Budget Request. With me today is James Spaulding, Associate Deputy Chief Financial Officer. I will cover the following areas in my remarks:

- OBP's Fiscal Year 2016 Budget Request;
- Fiscal Year 2015 Accomplishments to Date; and
- Fiscal Year 2016 Key Program Initiatives.

OBP's Fiscal Year 2016 Budget Request

Our operating budget request is \$6.19 million and 42.0 FTEs, a net increase of \$401,000 in budget authority from the FY 2015 approved budget of \$5.79 million, with no change in the number of FTEs. The increase is due primarily to an adjustment to personal services costs for step increases and fringe benefits. The FY 2016 Proposed Budget provides the minimum staffing required to fulfill our mission.

I will now discuss some of our recent accomplishments and our plans for the remainder of FY 2015 and for FY 2016.

FY 2016 Budget Formulation and Transparency

During the FY 2016 budget formulation process, OBP collaborated with the Mayor's Office of Budget and Finance (OBF), agency program staff, and OCFO financial staff to produce a number of key budget products, which I will briefly review:

Current Services Funding Level (CSFL) – As part of the FY 2016 budget development, we created the CSFL and published it on November 21, 2014. This document provides an analysis of the cost of operating District agencies in FY 2016, for Local funds only, before consideration of any new policy decisions beyond the FY 2015 budget. The FY 2016 CSFL adjustments to the FY 2015 Local funds budget are described in the table named *FY 2015 Approved Budget to FY 2016 Proposed Budget, by Revenue Type* (table 5) of nearly every District agency budget chapter. In addition to serving as a comparative tool for policy decisions made by the Mayor, the CSFL for each agency served as the agency's FY 2016 Local funds Maximum Allowable Request Ceiling (MARC) as they made their budget requests.

The Mayor's FY 2016 Proposed Budget Request – OBP hosted the FY 2016 budget kickoff on October 2, 2014. To prepare for the kickoff, we updated the budget formulation manuals and requisite information technology systems, and conducted both internal and external budget development training. After the

kickoff, we partnered with Mayoral, agency program and agency financial staffs to prepare the balanced budget that was delivered to Council on April 2nd. Because of the use of the CSFL as the starting point for agency operating budget requests, we believe the changes in operating budgets from FY 2015 to FY 2016 are laid out more clearly than ever before, enhancing the ability of the Council and the public to see the changes that are being proposed. We worked closely with the City Administrator and the Mayor's staff to produce a balanced FY 2016 Proposed Budget and Financial Plan. We look forward to collaborating with Council and its staff on the consensus budget.

Budget Transparency – In order to maintain budget transparency, the Mayor's FY 2016 Proposed Budget was again posted on the Internet in a customer-friendly format. It presents operating and capital budget information by agency and, as applicable, also contains a restructuring crosswalk. This allows the reader to see everything related to an agency in one place, without having to find different pieces of it in the various budget volumes. In the capital budget, we also include the anticipated impacts of new capital projects on the operating budget and financial plan, as well as the number of approved capital FTEs by agency and by project. We continue to make improvements in the format to increase transparency and make it easier for both the Council and the public to access budget information.

Operating Budget Execution

Like last year, the current economic climate, while improving, continues to reinforce the need for effective OBP budget execution. We continue to closely monitor agency spending through the Financial Review Process (FRPs). Detailed FRPs are due to my office on a quarterly basis, and agencies are required to provide monthly FRP reports at a summary level, or at a detail level in the event of a substantial change from the previous FRP. This ensures that agencies identify, on a regular basis, spending pressures, revenue shortfalls, excess funds and other important financial matters. FRPs are a primary source for identifying spending pressures. We will continue to work very closely with the agencies and OBF to identify any potential FY 2015 spending pressures and to maintain a balanced budget.

Capital Improvements Program

As with the operating budget, OBP collaborated with the Mayor's budget staff, agency program staff and OCFO financial staff to develop the Mayor's FY 2016 - FY 2021 capital budget request. We also worked closely with the Office of Finance and Treasury to ensure that the District stays within the debt cap, so that debt service is projected to be no more than 12 percent of operating budget expenditures, throughout the six-year capital plan. OBP continues to focus a great deal on management of the capital improvements program, including implementation of the DDOT Capital Project Review and Reconciliation Act of 2011 and the Capital Project Support Fund, a method for capturing small, unused budgets from older,

inactive capital projects. We have closed more than 750 projects in DDOT and over 310 projects in other agencies to consolidate capital budgets, allowing the Mayor and Council to direct scarce capital dollars where they can be used most effectively. The Capital Improvements Program continues to report on project spending issues that are inconsistent with spending plans to the Board of Review for Anti-Deficiency Violations, and we continue to make capital project data available to the public on the CFOInfo website by agency and by ward.

CFOInfo and Additional Budget Data

We have made several recent improvements in the amount and type of budget and expenditure data available to the public.

CFOInfo Expansion – With the release of the Mayor’s FY 2016 Proposed Budget and Financial Plan, OBP has added to the data available in CFOInfo, the web-based tool that allows public users to explore budget data. Working with the OCFO’s Chief Information Officer, we continue to provide reports to allow users to see activity-level data rather than data only at the program level. In addition, we now show 6 years of data: actual expenditures for FY 2011 through FY 2014, the FY 2015 Approved Budget, and the FY 2016 Proposed Budget. As before, users can obtain data by fund and by expenditure category (Comptroller Source Group) as well.

Reporting – We are putting all of our monthly and quarterly reports on the OCFO’s website and have taken steps to enhance timeliness of the more than 40 reports we issue each year.

FY 2016 Key Program Initiatives

Our central goal is to continue to improve OBP’s performance. OBP’s major operational goals for FY 2016 are as follows:

- Incorporate lessons learned from the FY 2016 budget development process into the FY 2017 budget development process;
- Continue to monitor agency spending through FRP analysis, identify potential spending pressures, resolve them quickly, and issue timely reports on current fiscal year financial operations;
- Continue improvements in the Capital Improvements Program with further analysis of the operating budget effects from completed capital projects, monitor the capital fund balance, improve budgeting and accounting for capital-funded FTE positions, and enhance our technological capabilities for reporting and analysis;
- Implement a new Property Use Tracking System (PUTS) which will enable us to track the acquisition, use and disposition of all District-owned property assets, and help ensure that we are not in violation of any financing-related issues where we have used tax exempt bonds for construction;

- Continue to improve the grant budget monitoring and reporting function within our office and coordinate with agencies to maximize use of their grant funds to reduce lapsed funds; and
- Provide quality support to the Board of Review for Anti-Deficiency Act Violations by continuing to report potential violations in both operating and capital funds.

Conclusion

We look forward to working collaboratively with the Council during the development of the FY 2016 consensus budget. Mr. Chairman, this concludes my remarks. I will be pleased to answer any questions that you may have.