

PUBLIC OVERSIGHT HEARING
ON
THE FY 2012 AND FY 2013 SPENDING AND PERFORMANCE OF
THE OFFICE OF BUDGET AND PLANNING (OBP)

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

The Honorable Phil Mendelson, Chairman

March 14, 2013, 10:30 a.m.
Room 500, John A. Wilson Building



Testimony of
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Good morning, 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). I am here today to testify on the FY 2012 performance and FY 2013 plans of the Office of Budget and Planning. I am honored to appear today and present testimony on the accomplishments of my office and our plans for improving OBP's performance and the services we offer to citizens and District agencies in the future. With me today is Mr. James Spaulding, Associate Deputy Chief Financial Officer for OBP.

I will cover the following areas in my remarks:

- Fiscal Years 2012 and 2013 operating expenditures;
- FY 2012 performance; and
- FY 2013 operational goals.

Fiscal Years 2012 and 2013 Operating Expenditures

OBP is one of the major programs within the agency of the Office of the Chief Financial Officer (OCFO), but we make up only 4 percent of the OCFO's total gross budget. In FY 2012, OBP operated within its Local funds revised budget of \$4.89 million, spending \$4.88 million, or over 99.9 percent of our available Local funds. The FY 2013 budget for OBP is \$5.82 million, all in Local funds. Through February 28, we have expended and obligated \$1.68 million, or 28.8 percent of our budget. We anticipate completing the year within our current budget. Our authorized FTEs total 42.

FY 2012 Performance

Our major accomplishments were in four areas.

1. Development of FY 2012 Budget Revisions and the FY 2013 Budget. The budget balancing process continues to be a year-round exercise. We published the District's FY 2012 budget on August 10, 2011, following approval of the Budget Support Act by the Council earlier that summer. The August 10 budget incorporated changes made following the June revenue estimates, the policy priority list, and an additional budget action in July.

Following a revised revenue estimate in February 2012, the Mayor proposed a Supplemental Appropriation. Council approved increases for two agencies in April and approved an additional Supplemental in June.

The Mayor proposed his FY 2013 budget on March 23, 2012. As always, my staff worked long hours with the Mayor's budget staff to create this budget, incorporating the Mayor's policy priorities. During April, we worked closely with Council staff to review the budget, and after the Council's budget hearings, the Council passed the budget on May 15, 2012, and we published the budget on June 22 for transmission to the President and Congress. As you know, the District is currently operating under a Continuing Resolution, as Congress has not yet approved our FY 2013 budget. This is not unusual – the District has not had its budget approved by the October 1 fiscal year start since FY 1997. The attachment to my testimony shows enactment dates for each year's budget

since FY 1990. I am very proud of the efforts of my staff, who worked many late nights and weekends to produce the FY 2013 budget in both March and June while executing and maintaining balance in the FY 2012 budget.

2. Budget Execution. Keeping agency budgets balanced in the face of reduced revenues required greater emphasis on budget execution. While revenues have staged a recent rebound, multiple consecutive quarters of declining revenues in prior years underscored the need for increased monitoring of agency spending and revenue collections. I will now discuss our key budget execution tools.

Financial Review Process - The major tool that is used to monitor agency spending is the Financial Review Process (FRP) report, prepared by the agency fiscal officers and submitted through the agency directors to OBP for review and analysis. We use the FRP to analyze agencies' projected year-end expenditures and revenue collections and compare them to agency budgets. The FRP is also used to report spending pressures. The early identification of spending pressures allows us to work with agencies to develop gap-closing action plans and avoid violating anti-deficiency laws. OBP continues to use its FRP SharePoint website for agencies to use to submit their FRPs. This facilitates the agencies' submission of FRPs, the tracking of those submissions, reporting on the timeliness of the submissions to the Board of Review of Anti-Deficiency Violations (BRADV), and internal access to the FRPs for analytical review. The website also provides instruction on its availability and use to agencies District-wide.

Reprogrammings - In FY 2012, we worked closely with agency fiscal officers and the Executive Office of the Mayor to process 361 local, capital, and special purpose revenue reprogramming requests, of which 138 required Council approval. We will continue to work with the Mayor and Council to reform and streamline the reprogramming and intra-District transfer process.

Grants Management - OBP continued to improve grants management by processing grants modifications on a regular basis and requiring quarterly grant lapse reports from the agencies. In FY 2012, OBP processed 1,199 grant budget modifications and conducted four grants-related training classes. We performed monthly grant budget reconciliations to ensure that grant budget modifications are accurately reflected in SOAR.

Reporting - OBP produces monthly Financial Status Reports on operating budget spending and quarterly reports on capital budget spending, in addition to a variety of reports on such topics as reprogrammings, the Emergency and Contingency Reserve Funds, capital project reconciliations and transfers, and capital-funded FTEs. In total, we issued 43 reports covering FY 2012 budgets and actuals. As we have discussed in prior testimonies, the OCFO has published CFOInfo, a web-based application allowing the public to see current-year operating Financial Status Report data with about a one-month lag. Capital project data are now also available to the public through CFOInfo.

3. Capital Budget Improvements. We continued to improve management of the capital improvements program, including making data available on the CFOInfo web site, by agency, by project, and by ward. With the Council's support, our capital branch implemented the DDOT Capital Project Review and Reconciliation Act of 2011, and during Fiscal Year 2012 we reconciled 42 local transportation projects at DDOT. Of these projects, 24 were closed, resulting in a total budget transfer of \$1,559,152 to provide each ward project with additional budget of \$194,894. We also reconciled 502 Highway Transportation Fund (HTF) projects with total budget of almost \$124 million and formally closed 136 HTF projects, moving total budget of over \$36 million back to the HTF master projects. In addition, the capital branch closed 23 projects and made budget of \$118,698 available as a result of the Capital Project Support Fund, a method for capturing small, unused budgets from older, inactive capital projects. Finally, we continue to report on project spending issues that are inconsistent with spending plans to the Board of Review for Anti-Deficiency Violations.

4. Financial Management Systems

Budget Management and Planning System (BMAPS) - In July 2011, OBP and Office of the Chief Information Officer (OCIO) started work on the new budget system which will replace the Budget Formulation Application (BFA). BMAPS is an Oracle product that will interface with the new accounting system, Oracle E-Business Suites (EBS), which the Office of Financial Operations and Systems (OFOS) will implement. OBP plans to use BMAPS to both formulate and execute

the budget beginning in FY 2015. BMAPS will assume position control for District employees, and OBP is working with OCIO, the Office of the Chief Technology Officer (OCTO), and the D.C. Department of Human Resources (DCHR) on this project.

DC SOAR Replacement Project (DCSRP) - OBP has been working with OFOS, OCIO, and consultants on the Oracle EBS system. Decisions regarding the Oracle EBS system will greatly influence how the design of BMAPS is completed, and OBP continues to assist in testing and updating budget structures to keep the two systems in alignment.

FY 2013 Key Program Goals and Initiatives

Our central goal for FY 2013 is to continue to build on our successes. OBP's major operational goals are as follows:

- Having already developed an accurate Current Services Funding Level, work with the Mayor and Council to develop a balanced budget and financial plan for FY 2014;
- Continue to monitor agency spending through FRP analysis, aggressively seek early identification of spending pressures, and work with agencies to develop gap-closing plans as appropriate;
- Continue to improve capital budget management and oversight by (a) ensuring the FY 2014 – FY 2019 Capital Improvement Plan remains within the 12-percent debt cap; (b) monitoring the capital fund balance to minimize any effects on cash

flow; and (c) continuing to monitor capital-funded full-time equivalent (FTE) positions;

- Continue to improve budget transparency by (a) expanding CFOInfo, by adding more years of data and adding activity-level data where possible, and (b) putting more of our reports on-line, including the Emergency and Contingency Reserve reports and reprogramming reports;
- Improve timeliness of budget execution functions, for example, issuing reports closer to the relevant closing date in the financial system and processing reprogramming requests more quickly; and
- Continue to work collaboratively with the Mayor and the Council on all budget issues.

Conclusion

Currently, the OCFO's staff is working with the Mayor's Office of Budget and Finance and the Office of the City Administrator to develop the Mayor's FY 2014 Budget and Financial Plan for transmittal to the Council on March 28th. I would like to take this opportunity to thank the entire OBP team for their hard work and professionalism during what has been another very challenging year for the District. We look forward to working with the Council and other policy makers during the consensus process to develop a transparent and balanced budget for FY 2014. Mr. Chairman, this concludes my remarks. I would be pleased to answer any questions that you may have.

Congressional Appropriations Act History 1990 - 2013			
Fiscal Year	Public Law	Signed by President	Number of Months Delayed
2012	112-74	December 23, 2011	3
2011	112-10	April 15, 2011	7
2010	111-117	December 16, 2009	3
2009	111-8	March 11, 2009	5
2008	110-161	December 26, 2007	3
2007	110-5	February 15, 2007	5
2006	109-115	November 30, 2005	2
2005	108-335	October 18, 2004	1
2004	108-199	January 23, 2003	4
2003	108-7	February 20, 2003	5
2002	107-96	December 21, 2001	3
2001	106-522	November 22, 2000	2
2000	106-113	November 29, 1999	2
1999	105-277	October 21, 1998	1
1998	105-100	November 19, 1997	2
1997	104-194	September 9, 1996	0
1996	104-134	April 26, 1996	7
1995	103-334	September 30, 1994	0
1994	103-127	October 29, 1993	1
1993	102-382	October 5, 1992	0
1992	102-111	October 1, 1991	0
1991	101-518	November 5, 1990	1
1990	101-168	November 21, 1989	2

Notes:

Number of months delayed rounded to the nearest month.

Starting in FY 2003, the Congress gave the District authority to spend Local revenues at the proposed level while under the CR.