

**TESTIMONY OF ALICE M. RIVLIN
DIRECTOR
OF THE GREATER WASHINGTON RESEARCH PROGRAM
THE BROOKINGS INSTITUTION**

**BEFORE THE
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT,
THE FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
US SENATE**

July 18 2006

Mr. Chairman and members of the Subcommittee. I am delighted that you are holding this hearing on the major accomplishments of the District government over the last seven years and the significant challenges that lie ahead. I have had the opportunity to observe dramatic positive changes in the District of Columbia since January 1999. I share the view of many long term residents that the city has emerged from the depths of despair into which it fell in the mid-1990s and is facing an increasingly hopeful future. The city's fiscal situation has improved dramatically. Its government is far better managed and systems are in place and coming on line that will assist future managers. Services have improved in many departments—although by no means all. Thousands of units of housing are being constructed and renovated, new stores are opening and older ones expanding. Neighborhoods are showing new signs of life all over the city.

But major challenges remain, as they do in other central cities. We are still a city strikingly divided by race and income. Our education system is still far from delivering quality education for all children. The housing boom is creating hardship for low and moderate income people. Health outcomes for many city residents are poor. Meeting these challenges will test the effectiveness of the city's elected leadership in the years ahead.

The federal government should also be a partner in meeting these challenges. It should share the responsibility for ensuring that the Nation's capital has a sound fiscal base, modern infrastructure, and a voice in the Nation's democratic process.

The Situation at the beginning of 1999

I would like to start by reminding the Committee of the situation facing the new Administration seven and a half years ago and then review briefly some of the major developments of that period before turning to the challenges ahead.

When Mayor Anthony Williams was elected in November, 1998, the District of Columbia Financial Management and Assistance Authority -- usually called the "Control Board" -- was still running the city by authority of the Congress. The Control Board was not just a financial oversight board; it had line authority over all the major departments of the city. I had only recently taken over as chair from Andrew Brimmer, who served from 1995 to 1998. Dr. Brimmer and his colleagues deserve much of the credit for bringing a demoralized city government back from the edge of bankruptcy. The Brimmer Control Board worked with the City Council, Anthony Williams, then the Chief Financial Officer, Natwar Gandhi, then the head of the Tax department, and many others, to impose painful, but necessary discipline on the city's spending and tax systems.

By late 1998, the worst of the crisis was over and the city was beginning to function again.

My Control Board colleagues and I believed strongly that an unelected board should not run a city except in a dire emergency. Hence, we drew up a Memorandum of Understanding (MOU) that turned line authority back to the elected government, while retaining fiscal oversight. Mayor Anthony Williams signed the MOU accepting the executive responsibility within minutes of taking the oath of office in January of 1999. Thereafter, the Control Board worked closely with the Mayor, the Council, and other city officials until the federally legislated criteria were met and we were legally allowed to go out of business on Sept. 30, 2001.

While the Control Board is gone, one of the important legacies of the federal intervention is the Office of the Chief Financial Officer, mandated under the 1995 federal statute that created the Control Board. I believe that the contribution to fiscal discipline that can be made by a strong CFO with a measure of independence from the political process has been amply demonstrated in the District's fiscal turnaround. The Congress and the District government should ensure that the role of the independent CFO continues in the years ahead.

Major Accomplishments since January 1999

Fiscal transformation. The District's record over these last eight fiscal years of consistently balanced budgets speaks volumes about the distance the city and its leaders have traveled since the Control Board period. This careful fiscal management has taken the city's bond rating from "junk" status up to grade A, a first for this city. The Mayor, the CFO, and the DC City Council all have good reason to be proud of this record, as do the citizens of our city and the Members of Congress who supported the tough, disciplined action taken by these officials to get us to this point.

Systems improvement. Less visible but just as important for the long run have been significant improvements in the structure and content of various fiscal management systems in the city. Officials are now able to keep track of city spending in a timely and thorough way. The city closes its books on time after the end of each fiscal year. And it now routinely receives a clean audit. With each year, the budget process itself has matured and become more robust. City Administrator Robert Bobb has played an important role in improving the long-neglected capital budget process.

Backing up these key systems improvements have been an aggressive program of investments in new technologies. The city's Office of the Chief Technology Officer (OCTO), led by its director, Suzanne Peck, has steadily raised the quality of the city government's communication and information systems to the point where DC now regularly wins awards for its IT achievements. Ms. Peck and her colleagues have been able to link up a variety of city databases, making them accessible by all city agencies, thereby vastly improving communication among city offices on both routine and emergency matters. Citizen access to information and services on-line has also taken a great leap forward to levels achieved in other well-run American cities.

Improving financial systems, internal decision processes, and information technology is painstaking work that does not make headlines or impress voters. Moreover, Washington at its low ebb had fallen so far behind other cities that a major effort was needed just to catch up to best practices of the late 20th century, let alone move into the 21st. Some administrative systems—notably procurement and personnel—still need substantial improvement. Nevertheless, the next administration and council will find it far easier to govern the city, thanks to major progress in administrative systems and technology over the last eight years.

Planning. One of the casualties of the city's fiscal crisis was its once-strong planning department. A city without the resources to build anything or even maintain its infrastructure hardly needs a planning department. A lasting contribution of the Williams administration has been the recreation of a strong, highly professional planning staff for the city, led by nationally known planners Andrew Altman and Ellen McCarthy. Thanks to the Mayor, the Council, the city's planners and housing and economic development officials, the city now has on the drawing boards or in the works a breathtaking array of major projects across the District.

Particularly along the Anacostia waterfront, on both sides of the river, the city is being transformed in ways that will be increasingly visible over the next few years. The articulation of a bold vision and a detailed plan, coupled with the creation of a single development authority (the Anacostia Waterfront Corporation) to oversee the plan, should provide the focused, targeted guidance that such large, long-term development requires. Federal agencies (especially the Navy Yard, the Department of Transportation, and the National Park Service) have also been extremely important partners in the waterfront development, and their continued participation is essential to realizing the vision.

I have been impressed with the Mayor's commitment to build an inclusive city and doing it with extensive involvement of citizens in the planning process. A thorough and detailed revision of the city's Comprehensive Plan is nearing completion. Whole new neighborhoods of mixed income housing with provision for neighborhood commercial services are slated for key sites around the city. . The transformation of troubled public and assisted housing areas into thriving mixed-income communities is well underway both through the Federally-funded HOPE VI program and now under the New Communities Program, a city version of the HOPE VI approach. Equally impressive has been the city's willingness to support major development projects that advance the city's overall interests,

using tax increment financing and other creative approaches. One has only to walk around Gallery Place or the new convention center to see the result.

The downside of the city's burgeoning development has been the rapid rise in real estate prices and rents all over the District, which has reduced the ability of low and moderate income people to live in the city. In response to this problem, the Mayor and the Council created a task force designed to set a comprehensive housing strategy for the city that reported its recommendations to the city in January. I co-chaired this task force and am gratified by the seriousness with which the Mayor and Council have taken the proposals, most significantly by their decision to provide funding for many key task force affordable housing suggestions in the city's budget for 2007 just now being completed.

Management. As many District citizens will tell you, the quality of service in a number of city agencies has improved markedly over the last seven years. The agency most often cited is the Department of Motor Vehicles where it is now routine to get one's driver's license renewed or tags changed in minutes rather than hours. And much of this business is now handled on line rather than in person. Similarly, the trash and recycling collection systems run by the Department of Public Works are much improved. And the DC Department of Transportation is now much quicker at filling potholes, resurfacing streets, and repairing or replacing sidewalks. An impressive number of city agencies have emerged from court receivership and begun to function effectively. That some city agencies are still in need of major improvement does not diminish the substantial achievements of the managers who have turned their agencies around.

Perception of the city. Finally, although they have taken a lot of heat for some of the travel associated with it – unfairly in my view – there is little doubt that the efforts by the Mayor, his staff, and members of the Council to change the

perception of the District of Columbia, both domestically and internationally, have borne important fruit for our town. We are not thought of by visiting business people and tourists as a financially troubled, crime-ridden and unfriendly place any longer. Major retailers and other investors who once shunned the District are now eager to build here. Only persistent, steady communications—including endless presentations to meetings of retailers and other businesses--along with visible change in the landscape, have altered past perceptions of failure and risk. The leaders of our city deserve credit for turning this view of DC around.

Biggest challenges for the Next few Years

Looking forward, I see major challenges ahead for the new city leaders to take office in January 2007.

Education Most importantly, the city needs to raise the performance of its schools to a much higher level so that it is providing a high quality education for all children in the District. All other problems the city faces pale by comparison to achieving educational quality. It is true that in the District, as in most American cities, the management of the system of public education is not under the direct control of the Mayor and Council. The superintendent is appointed by and responsible to the Board of Education, a majority of whose members are elected by the public. Nonetheless, the mayor has more power to influence education policy in Washington than in most other cities. He appoints four out of the nine members of the Board of Education and has the potential to influence the schools' operating and capital budgets, since the school system has no independent revenue source or borrowing authority. Hence, there is much that a mayor can do to make that office a significant force for improving schools and their connection to the community. Fortunately, the city now has a strong, experienced superintendent who has put major effort into a Master Plan for the future of public education in the District. The next Administration and Council should cooperate closely with the Superintendent in his efforts to set firm,

feasible, financially viable plans for the school system. Such support will help ensure that the superintendent stays long enough to implement the plans, so that we can break the past cycle of constantly changing of guard in such a critical leadership position.

With significant assistance from the Congress, the city has in place several systems with the potential to increase access to high-quality publicly-supported education. Beyond the conventional public school system, the city has one of the largest public charter school systems in the country – one that shows no sign of slowing growth. And with help from Congress, the city now provides vouchers for a modest number of students to attend private schools. The challenge for city leaders is to bring these sometimes diverse systems, which sometimes seem hostile to each other, into harmony and cooperation so that the whole becomes greater than the sum of its parts and our kids get a quality education in the process.

City leaders also ought to create an accessible, high quality community college in the District—either as part of the University of the District of Columbia or separately. UDC does currently offer certificates and associate degrees, but its community college functions are overshadowed by its four-year and graduate programs. Preparing young people for the world of work is not just the province of the elementary and secondary school system, although reinvigorating vocational education at the high school level is also crucial. Many of the jobs that are available in profusion in our city and region's relatively high skilled economy do not require a four year undergraduate degree. We need an institution that sees its mission as preparing people for the jobs that are available and doing so flexibly, creatively and in full cooperation with the private sector that needs these workers.

In addition to K-12 and community college programs, the city's adult education and job training programs also pose a major challenge. Too many

District residents have low literacy levels, lack a high school degree, and/or are disconnected from the labor market. Current adult literacy, GED and job training programs serve only a fraction of those in need of such services. Nor are there strong systemic connections between organizations offering different types of services. Theoretically, there is a hierarchy of educational and training programs along the skill continuum, ranging from adult basic education at the lowest end to community college courses at the highest end. In practice, however, programs are rarely structured so that the completion of one program leads to entry into the next program in a sequence. In short, the District needs more slots in adult education and job training programs, better coordination among those programs, and an increased focus on quality to ensure that programs lead to improved employment outcomes.

Affordable housing. While the Williams administration and the current Council deserve credit for ramping up construction of affordable housing in the District, much more needs to be done. As a result of booming land values and demand for housing, the city is losing housing affordable to low and moderate income households (including many federal and District employees) faster than it can replace it. Federal reductions in assisted housing programs have exacerbated the problem. Finding the resources and leadership to achieve the affordable housing production and preservation goals now before the city will take a concerted effort by all parties. It won't just happen by itself.

The city should work hard to grow its population. The Mayor Williams has boldly (and rightly) espoused a goal of increasing the city's population by 100,000 both to increase the customer base for the city's businesses and to broaden the tax base and help offset the city's structural fiscal imbalance. In large part because of the Congressional prohibition on District taxation of non-resident income, the city must grow its residential tax base if it is to be able to afford or provide high quality services to residents and non-residents alike. But a city composed of small upper-income households is not viable in the long run,

nor would most of us want to live there. Hence, the city must redouble its efforts to make it possible for low and moderate income families with children to remain in the city and for working families, especially teachers, firefighters, police officers, and civil servants to live in the city whose citizens they serve.

Improving the health of District residents. The District has distressingly high incidence of chronic disease, including asthma, diabetes, cardio-vascular disease and cancer. It also has an extraordinarily high incidence of HIV-AIDS and drug abuse. These disastrous health outcomes are heavily concentrated in the poorer sections of the city. The current Administration and Council have devoted considerable attention to improving health services—including city partnership with the Medical Homes Project, designed to expand and upgrade the city's non-profit primary care health centers—but sustained effort will be required to improve the health and productive capacity of District residents. The city does not need an additional hospital. Rather it needs to reduce unnecessary hospital use (including current over-use of emergency departments) by aggressively supporting efforts to provide accessible primary care, disease management, substance abuse treatment and detection and treatment of HIV-AIDS.

Reducing the race and income divide. Washington is starkly divided by race, income and geography. It is one of a handful of American cities with a barbell-shaped income distribution--many more high-income and low-income households than middle-income households. It is also one of the few large cities in which the concentration of poverty increased in the 1990s. The poverty rate for African-Americans, Asians and Latinos here is between 20 and 25 percent compared to about 8 percent for non-Latino whites in the city. African Americans account for about three-quarters of all District residents in poverty, and make up the vast majority of residents (84 percent) in the District's high-poverty neighborhoods. These high poverty neighborhoods lie on the eastern side of the

city—isolated from the more prosperous, predominantly white neighborhoods on the western side.

Such a stark divide is incompatible with the thriving, inclusive city that the nation's capital should aspire to be. Moreover, the rising prosperity of the city and the growing tax base it creates provide the potential for policies that dramatically improve incomes and opportunities on the poorer side of the city. The New Communities Program and the Anacostia waterfront development can create thriving mixed-income and mixed race communities that draw the sides of the city together. Continued transformation of schools and health services are essential. High priority should be given to upgrading the city's fragmented job training activities and moving aggressively to recruit and train the District's low income population for the jobs (and potential careers) created by the burgeoning development of the city. The Community College mentioned above should be a center piece of this effort.

Reform and Coordination of programs and services. The next Mayor and Council also need to take on the challenge of meshing the programs and policies of the city agencies that impact on the development and sustenance of the District's many neighborhoods. This means finding effective, recurring ways for planners of school, housing, workforce training, libraries, economic development, health care, transportation, public safety, recreation and open space programs and facilities to work together at the city and neighborhood levels. This means looking for opportunities to collocate functions in the same building, such as schools, libraries and health care clinics. We should not pass up the many opportunities before us to enhance the synergy of our public programs and find ways to deliver these services more efficiently.

The new Mayor and Council also need to continue current efforts to reform those city agencies that have not yet been turned around. The Departments of Consumer and Regulatory Affairs, Employment Services and the Department of Health are but three examples of agencies that still fail to provide acceptable

service and quality programs. Fortunately the new leadership at DCRA seems to be on the right track and now needs time and continued support to effect the needed change.

Much hard work remains before the citizens can be confident that public agencies are well managed and the municipal bureaucracy functions at a high professional level. A variety of problems have been exposed in recent months—tragic lapses by a broken Emergency Medical Services system, security breaches at the DC Jail, shoddy care for highly vulnerable mental health patients, and a steep rise in violent crime. Allowed to fester, these challenges to the city's well-being are just the sort of trouble than can undo years of hard work in turning this city around.

Cooperation with the Region. Finally, our city's future prospects are intimately tied to those of the Washington metropolitan area and to a considerable extent the region's prospects are linked to those of its central city. With that in mind, District leaders must find common ground with its Maryland and Virginia suburbs and with their state capitals so that challenges such as creating dedicated sources of revenue for mass transit, reducing traffic congestion and providing affordable housing can be addressed at a regional scale.

How the Congress can (and should) Help?

And what can Congress do to assist the new District leaders? I will close by posing four important challenges for the Congress.

First, Congress can and should find a way to give citizens of the District the right to vote for representatives in the House and the Senate – and I mean voting representation, not just delegate status. I am offended, Mr. Chairman, and so should you and your colleagues be, that I come before you today after almost

fifty years of residing in this great city and I have not in all that time been represented in this body. It is an outrage and something must be done to change it.

Second, Congress can and should approve legislation that would provide enough federal compensation to the District to close the \$1 billion or so structural deficit that the Government Accountability Office and others have identified in the District's fiscal structure. This deficit is partly a result of the large amount of land in the city given over to federal and federally exempted activity that does not pay real estate taxes. This, in combination with the Congressional prohibition against letting the city tax the income earned in the city by non-residents, results in a significant reduction in the city's fiscal base. Congresswoman Norton has introduced a bill that would make a compensatory contribution automatically to the District, a bill which has the co-sponsorship of the entire suburban delegation in the House from Maryland and Virginia. This legislation should be enacted forthwith.

Third, Congress should permit the locally-funded portion of the city's annual budget, once it is approved by Mayor and Council, to go into effect at the start of the fiscal year without needing Congressional approval. It adds insult to injury that we not only lack voting representation in Congress but we are also precluded from spending our own money without first getting permission from Congress.

Fourth, because of the federal Government's special interest as the major employer in the efficient functioning of the Washington metropolitan area, Congress should support regional efforts to improve transportation, air and water quality, and access to affordable housing, among others. This would entail instructing the Executive Branch to come to the regional table in a constructive and positive way, working with the District and the surrounding jurisdictions to better rationalize area-wide decisions, and then for Congress to back up this

process and resist intervening in response to special pleading from one interest or another.

Mr. Chairman, I appreciate this opportunity to share these thoughts with you and the Committee about the District's prospects. I look forward to your comments and questions.