

**DISTRICT OF COLUMBIA APPROPRIATIONS FOR
FISCAL YEAR 2000**

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

ON

H.R. 2587, 3064, 3194/S. 1283

AN ACT MAKING APPROPRIATIONS FOR THE GOVERNMENT OF THE
DISTRICT OF COLUMBIA AND OTHER ACTIVITIES CHARGEABLE IN
WHOLE OR IN PART AGAINST THE REVENUES OF SAID DISTRICT FOR
THE FISCAL YEAR ENDING SEPTEMBER 30, 2000, AND FOR OTHER
PURPOSES

**Council of the District of Columbia
Office of the Mayor
Financial Responsibility and Management Assistance Authority**

Printed for the use of the Committee on Appropriations



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**DISTRICT OF COLUMBIA APPROPRIATIONS
FOR FISCAL YEAR 2000**

WEDNESDAY, JUNE 9, 1999

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:38 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Kay Bailey Hutchison (chairman) presiding.

Present: Senators Hutchison and Durbin.

DISTRICT OF COLUMBIA

OFFICE OF THE MAYOR

STATEMENT OF HON. ANTHONY A. WILLIAMS, MAYOR

COUNCIL OF THE DISTRICT OF COLUMBIA

STATEMENT OF LINDA W. CROPP, CHAIRMAN

FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE
AUTHORITY

STATEMENT OF DR. DARIUS MANS, MEMBER

OPENING STATEMENT OF KAY BAILEY HUTCHISON

Senator HUTCHISON. I would like to call this meeting to order. I am very pleased to get the budget from the District and see the good working relationship that seems to be going forward between the Control Board and the District.

Let me start with a brief opening statement and then, if Senator Durbin or Senator Kyl arrive, I will ask them also, and then I will look forward to having opening statements from each of you.

Of course, this is the hearing to review the District's consensus budget for fiscal year 2000 and to examine the new tax cut package. We recognize that both the consensus budget and the tax cut package are the result of long and I am sure strenuous debate between the Mayor and the District Council, and I am pleased that all of you are in agreement. I look forward to hearing a few more of the details of some of those issues.

FISCAL YEAR 1998 SURPLUS

At the end of fiscal year 1998, the District boasted an annual surplus of \$445 million. That surplus allowed the District to elimi-

nate its deficit and realize a \$112 million positive fund balance. Certainly it is a very good thing that the balance is now over 6 percent of the year's gross budget. By the end of fiscal year 1999, it will be \$282 million, which is another good sign.

BOND RATING

I hope that we continue to see improvements in the bond ratings because, of course, the debt for the District is still high, and I would hope that any restructuring would have the improved bond ratings to lower the costs of debt.

However, I would have to say that, while the economic condition really is good, still there are many problems that confront the District and the elected leadership. The school system, particularly the special education system, is still largely dysfunctional, and there are three agencies under receivership or court supervision. The District continues to lose some of its tax base to surrounding suburbs, which are booming, and I think, while the District is on the road to recovery, we still need to do more.

FEDERAL FUNDS

More Federal spending, however, is not the answer. I will say that in the Appropriations Committee on the Senate side, while every other subcommittee budget took a cut from the President's budget, the District did not. The District was fully funded at the President's budget request, and we are going to stick to that number, which I think should be a good number.

IN-STATE COLLEGE TUITION

I think the management that I have seen in the District is really creative, and I am very pleased to see that. I want you to know that I have introduced two pieces of legislation that will directly affect the District. One is to give college students in the District the ability to pay as an in-state resident of the colleges and universities in Maryland and Virginia, in fact, throughout the country. Budget constraints are probably going to put limitations on that, but I would still like to see it go forward as a pilot project, so that a District student who qualifies will have the chance to pay in-state tuition in Virginia and Maryland by scholarships that would make up the difference.

COMMUNITY REVITALIZATION TAX CREDIT

Second, I have introduced the community revitalization tax credit, which would offer tax credits to business owners that are located in enterprise zones toward the cost of renovating buildings and upgrading the value of property. That will not be in the District bill, but I hope to get it in the overall tax cut bill that we hope will go through Congress. I believe upgrading property will create better and safer neighborhoods, and I applaud you for the efforts you are making also in your budget along that line.

So I think that we have come a very long way since I became a member of this committee and I applaud the leadership of the District, both the new Mayor, Mrs. Cropp as the Chairman of the Council, and Dr. Mans representing Mrs. Rivlin and the Control

Board. I think this is a team effort that is working. I do have some questions about some of the specifics, but I think in the bigger picture there really is light at the end of this tunnel, and I am very pleased with the hard work that has gone into this effort on the part of all of you.

So with that, Senator Durbin is on his way, but I want to continue with the hearing, so I would call on you, Mayor Williams, to—right on cue.

If you are ready to make your opening statement.

Senator DURBIN. Go ahead, I will waive that.

Senator HUTCHISON. Then I would call on you first, Mayor Williams, and welcome you to this committee for the first time that I have been able to chair it. I have really enjoyed our previous ability to work together and look forward to the future.

STATEMENT OF MAYOR ANTHONY A. WILLIAMS

Mayor WILLIAMS. Thank you. Thank you, Chairman Hutchison and Senator Durbin and members of the committee. I want to thank you for the opportunity to testify before you and, more broadly, for the opportunity to work with you to make our Nation's capital the best city in our country.

Indeed, I am very proud of the progress. I will say, incidentally, that I have submitted my full statement for the record, so I am just going to paraphrase and characterize my statement in the interest of time.

I am proud of the progress that we have made over the last 5 months, and I am committed to doing even more. Ultimately, however, the success of our efforts will depend on the short-term fixes, getting points on the board, and on long-term planning and strategic investments in our infrastructure.

STABILIZED REVENUE STREAM

Over the last few years, through the work of our elected leadership, through the work of our Financial Authority, and I would say through the work of our financial sector in the CFO's office, we have stopped the financial bleeding and stabilized the revenue stream. Through cooperation and hard work, we have put the District temporarily, I would say, on a sound footing.

However, the fiscal health of the District needs to be pointed in a long-term corrective position. The people of the District deserve innovative initiatives reflecting the results of the election. So the time has come for us to make the crucial decisions that will put us in a competitive position for the next millennium, decisions about what the government can and cannot do, should and should not do, decisions that will determine to a large extent whether our city ultimately succeeds or fails.

I believe that this budget has taken these tough decisions head-on and will put the District on a path to a stable future, ensuring for years to come that Washington will be a source of pride for all Americans. Most importantly, it strengthens our investments in crucial areas such as supporting children, improving government services, rebuilding the human service network, and, as the chairman was saying, expanding our economy.

ANNIE E. CASEY FOUNDATION REPORT

At this point I would like to turn briefly to discuss these different areas and how they affect our budget. In education, for example, the Annie E. Casey Foundation recently released a report that measured the wellbeing of children. The District rated worst in the Nation in every category but one, from infant mortality to the rate of teenage births, to statistics chronicling child poverty. Clearly, we have serious work to do.

PER PUPIL FUNDING FORMULA

In education, in fiscal year 2000 the District of Columbia public schools will begin using a per-pupil funding formula as described in the School Reform Act of 1995. Under this formula, the proposed amount of \$526 million represents an increase of \$67 million, and State education costs of \$74 million over fiscal year 1999.

INSTITUTE OF PUBLIC SAFETY AND JUSTICE

Regarding higher education, \$500,000 is provided for fiscal year 2000 to establish the Institute of Public Safety and Justice at the University of the District of Columbia.

UDC CAMPUS

The University of the District of Columbia campus desperately needs an overhaul, in excess of \$125 million. The proposed move of the university across the river unfortunately diverted the attention away from the necessary review of its mission and status. The question is whether we go down the same track, allowing it to continue unfocused, or invest so that it survives and thrives?

This week, I would add, the New York Times has run a series of stories on the request by former Yale University President Benno Schmidt that recommended the dramatic overhaul of the City University of New York system. Once a jewel in the crown of public education, the university has fallen off track. The public officials in charge of its oversight realize that in its present form it was failing the needs of its constituents. Their willingness to take on entrenched interests and refocus that mission for the future to save the institution I believe should be a model for UDC.

CHILDREN AND YOUTH INVESTMENT

Another area, the children and youth investment partnership that we have created will distribute \$15 million for out-of-school programs. This approach allows services to be competed for by community organizations and government agencies. This is part of a new paradigm we want to push of public-private partnerships that is a core principle of my administration.

MAKING GOVERNMENT EFFICIENT

A second focus is the whole area of making our government more efficient. The areas we are focusing on there, briefly, are managed competition, work force investment strategies, and the savings to be derived. The simple point to be made, Senator, is that what we are doing is a two-pronged approach. On one level it is to do an

assessment of work force in each of our service areas, to make sure that our workers have the very best teams as a group facing the competition we all must face, to invest in our workers with investment in our non-union employees, investment in our union employees, and working conditions and systems and enablers. All these things to allow them to do a job, to compete, but to recognize that to face that competition, we must introduce what we call managed competition throughout our government.

I am not a pessimist but an optimist. I happen to believe that if we invest in our workers, if we give them the consulting tools with which to bid and compete, we will find, as we found in Philadelphia, as we found in Indianapolis, as we found in many, many States, that our workers will not only survive that competition, they will prevail in that competition. They will end up being proud of their jobs because they will be doing a better job for our people at less cost.

MANAGEMENT REPORT

I am also very proud of the fact that, as part of the anthology, if you will, of this budget we have included a management report of our overall progress to build a performance management system in our city. As you know, our city has had a troubled history, I will put it that way, with this committee in terms of management reporting. We believe that we have established a very good baseline with the investments that our city and the Authority have made in our government operations. This will give this committee, the Council and the Financial Authority, and all the folks involved in supervision and oversight, a great tool kit to use to judge where we have started, where we want to go, and our progress along the way to get there. So I am very proud of the management report that we have submitted as part of this proposal.

HEALTH CARE SYSTEM

Briefly, in terms of improving the human service network, the key feature is our health care system. As evidenced by the troubles that we have seen with one of our hospitals, Greater Southeast, we have a number of problems with our health care delivery system right now. Right now it is very, very costly. Right now it is not serving all of our residents, and right now we have a situation where supply and demand are mismatched.

We have a situation where many of our hospitals are struggling. As we work with Greater Southeast to put it on a sound financial footing and to get it out of what I call the financial emergency room, the Financial Authority, the Mayor, and the Council, recognized that we had to look at a longer term strategy of balancing our needs and balancing our interests. That was important so that we could move to a model where our health care dollars were following our patients and our citizens and their choices, as opposed to strictly following the needs of our institutions.

We do not believe, I do not believe, that in the first year we can expect our institutions to change overnight to a new competitive service delivery model. But we do believe that, while allowing our institutions to be put on a sound competitive footing, they have to compete. We cannot ensure the survival of all of our institutions

against any thought of competition. I do not think our hospital association expects that. I do not think our clinics expect that. Our patients do not expect that.

That is the motto under which we are proceeding, and I think it holds great hope. I think Greater Southeast has been a wakeup call for us in the work that we need to do.

RECEIVERSHIPS

Madame Chair, you have mentioned our situation with our receivers. We consider one of our most important objectives to be to rebuild the human service network. One of the real tragedies over the last 10 years is that much of our human service network has been dismantled. It has been lost to receivership, it has been lost in mismanagement, it has been lost to underfunding, it has been lost to a lack of competitiveness.

We are determined—and I mention this in a number of areas in my testimony—we are determined to rebuild this human service network as part of our legacy for the future and as part of being the great city we must be.

EXPANDING THE ECONOMY

The fourth focus of our budget is on expanding the economy and, very briefly, the components include: neighborhood revitalization and an investment by the Mayor and the Council in public works, in nuisance management and elimination, in coordinating public works and public safety. In other words, to make a more customer-friendly, more business-friendly, and a cleaner city recognizing that our neighborhoods are a foundation for bringing back the kind of city that we want.

TAX CUT PLAN

Tax cuts are a big part of this economic revitalization program. The democratic process sometimes is bumpy. The democratic process is often not very pretty. But we have come to a consensus on a tax cut plan that we believe addresses my need and my objective to focus our tax reduction on the needs of small business and business in general and to match that tax reduction with overall economic development aims and the broader need stated by all the elected officials, and particularly the Council, to make sure that our District is competitive from a tax vantage point with our surrounding jurisdictions and other cities with which we compete.

I believe that we are on that road with a multi-year program of a 5-year tax reduction that will get there. I believe we have to be ever vigilant to ensure that this tax reduction program is fiscally responsible, and we are going to do everything we can possibly do to ensure that happens. I think we have to remain vigilant to ensure that while we are providing needed tax reduction we give our managers the flexibility, not with tax and spend, not with spend-thrift management, but with the flexibility to improve service delivery in the area of public works, public safety, and education, that are a cornerstone for bringing our neighborhoods back.

DEBT RESTRUCTURING

Finally in the area of debt restructuring, debt restructuring is a big part of our economic development plan. Indeed, the first year of our tax reduction is funded by debt restructuring. The simple fact of the matter is, as we look at a picture of our debt from now into the out years, we find that it is heavily front-loaded and that there is a mismatch between generations of benefit and burden.

Our generation today is paying a heavy burden, a disproportionate burden, for benefits that are going to be enjoyed by the next generation 10, 15, 20 years away. I believe that it is as irresponsible to do this as it would be irresponsible to borrow indiscriminately from pension funds and enjoy a benefit today for a burden imposed on our children. I think it works both ways. Our debt restructuring is an attempt to do that in a fiscally responsible way.

A final point to the committee—I am strongly in support of the notion of prudent fiscal management. I supported formerly as CFO and now as Mayor a prudent, conservative approach to expenditure projections and a prudent conservative approach to managing and projecting our revenues. I believe that we should have a strong rainy day fund. I recommended this as the CFO. I am proud of the fact that, as we enter the year 2000, we will be ahead of competing jurisdictions in managing a rainy day fund.

\$150 MILLION RESERVE

I just believe that as we approach this \$150 million reserve that is required presently in law each fiscal year, that we look at it in the broader context of how we manage our finances and that we make sure that we are not tripping over ourselves in our effort to be conservative—in our effort to be fiscally responsible—a goal that we all share.

With that, I conclude my remarks and I look forward to the testimony of my colleagues and the questions from this committee.

Senator HUTCHISON. Thank you, Mayor Williams.

[The statement follows:]

PREPARED STATEMENT OF ANTHONY A. WILLIAMS

Chairman Hutchison, Senator Durbin and Members of the Committee, thank you for the opportunity to testify before you today. It is indeed an honor and a privilege to share with the Committee the District of Columbia's fiscal year 2000 budget.

A DIFFERENT BUDGET FOR A NEW DAY IN THE DISTRICT

This is a budget that we can be proud of on a number of different levels. This budget reflects all of the strengths of democracy forged out of intense and thorough negotiations between the Office of the Mayor, the City Council and the Control Board.

This budget is also a product, as is often the case in this country, of a political movement that resulted in higher expectations of the District's elected officials. I have tried to live up to those expectations in the Executive Branch. In the first five months we have made steady and substantial progress toward a government that works for everyone.

I am proud of the progress we have made in the past five months, and I am committed to doing even more. But ultimately, the success of our efforts will depend not on short-term fixes, but on long-term planning and strategic investments in our infrastructure.

BUDGET PHILOSOPHY BOLD CHOICES

Over the last few years, largely through the work we did in the CFO's Office, we have stopped the financial bleeding and stabilized the revenue stream. Through cooperation and hard work we have put the District temporarily on sound footing. However the fiscal health of the District needs to be pointed in a long-term corrective position. The people of the District deserve innovative initiatives reflecting the results of the election.

The time has come for us to make the crucial decisions that will put us in a competitive position for the next millennium—decisions about what the government can and cannot do, should and should not do. Decisions that will determine, to a large extent, whether our city ultimately succeeds or fails.

This budget takes those tough decisions head on. It will put the District on a path to a stable future, ensuring for years to come that Washington will be a source of pride for all Americans. Most importantly, it strengthens our investment in critical areas such as: supporting children, improving government services, rebuilding the human service network, and expanding the economy.

At this point, I would like to briefly discuss how the budget affects each of these priority areas, and submit my full testimony for the record.

SUPPORTING OUR CHILDREN

As Mayor, I am acutely aware that our government has a moral obligation to do more for children. The Annie E. Casey Foundation recently released a report that measured the well-being of children. The District rated worst in the Nation in every category but one, from infant mortality to the rate of teenage births to statistics chronicling child poverty. Clearly, we have serious work to do.

Education.—In fiscal year 2000, the District of Columbia Public Schools will begin using the per-pupil funding formula as described in the School Reform Act of 1995. The use of this formula provides \$526 million, an increase of \$67 million and state education costs of \$74 million over fiscal year 1999. Regarding higher education, \$500,000 is provided for fiscal year 2000 to establish the Institute for Public Safety and Justice in the University of the District of Columbia.

University of the District of Columbia.—UDC's campus desperately needs an overhaul costing in excess of \$125 million. The proposed move of the University across the river unfortunately diverted the attention away from the necessary review of its mission. The question is do we go down the same track allowing it to continue unfocused or invest so that it survives and thrives. This week, the New York Times has run a series of stories on the report, by former Yale University President Benno Schmidt, that recommended the dramatic overhaul of the CUNY system. Once a jewel in the crown of a public higher education system, the University has fallen off track. The public officials in charge of its oversight realized that in its present form it was failing the needs of its constituents. Their willingness to take on entrenched interests and refocus their mission to save the institution should be a model for UDC.

INVESTMENTS IN CHILDREN AND YOUTH

The children and youth investment partnership will distribute \$15 million for out-of-school programs. This approach allows services to be competed for by community organizations and government agencies. This is part of a new paradigm of public-private partnerships that is a core principle of my administration.

Some people have questioned whether it makes sense to provide these services through community organizations rather than government agencies. While I believe that our agencies have a critical role to play in the lives of our children, we need to make use of the energies and expertise of service providers in the community. I feel strongly that these programs should be community based—designed by people familiar with particular neighborhood needs, and implemented by performance-driven, efficient non-profit organizations.

In addition to the \$15 million, I have included more than \$21.3 million for new and expanded District programs. These funds support child care, foster care programs, youth employment and internship programs, resources for public libraries, and services for youth in the juvenile justice system. Investments in foster care and juvenile justice will help better serve children and meet mandated court requirements and specific performance criteria.

IMPROVING GOVERNMENT SERVICES

A second focus of the consensus budget process was to make our government more efficient and to ensure our ability to deliver the basic government services our resi-

dents deserve and demand. The following investments are part of our proposed budget.

Managed competition.—The fiscal year 2000 budget includes \$400,000 for the development of a managed competition program in the District. These initiatives are projected to produce almost \$45 million in savings over the course of the financial plan. Because the goal is to improve services through competition, rather than simply outsourcing or cutting, the current workforce can participate in the bidding process.

Workforce investment strategies.—Beginning in fiscal year 2000, all non-union District employees will receive a 6 percent base pay increase, which will take effect at the beginning of the third quarter. This increase narrows the pay disparity between the union and non-union workforce. On the same timeline as the non-union pay increase, the financial plan includes over \$1 million to provide optical and dental benefits to the non-union workforce. These initiatives reflect the efforts of the District's leadership to reduce the growing disparity between union and nonunion pay schedules.

Savings from improved operations.—The District has begun a new era of accountability and reform, and as such has committed to producing dramatic improvements in service delivery and in cost efficiency. The efficiencies achieved are projected to produce over \$40 million in savings in fiscal year 2000, growing to \$80 million by fiscal year 2003. To maintain a fiscally responsible and conservative approach, however, the District is committed to maintaining a reserve of the same amount in case actual savings fall short of these targets.

Management Report.—Part of our overall effort to improve government services is a performance management system that will hold our agencies accountable to measurable, high standards of efficiency and effectiveness. In accordance with the Federal Payment Reauthorization Act of 1994 and the Government Managers Accountability Act of 1995, the District must develop a performance accountability plan addressing every agency and activity in our government that uses public funds. The District of Columbia Management Report, which we provided as part of our proposed budget, sets the performance baseline for fiscal year 2000 and will be supplemented by regular interim reports throughout the fiscal year. This is a valuable management tool that will help our government work more effectively.

REBUILDING THE HUMAN SERVICES NETWORK

A third focus of this budget is rebuilding the human services network. During the financial crisis, and because of many years of mismanagement and neglect, many of our basic human services have been slashed. Nearly a third of our human services network has been allowed to lapse into receivership. The District currently has a 17 percent uninsured rate and a number of other pressing human service needs. To address these issues, the budget includes investments in the following areas.

Health care.—The fiscal year 2000 includes local funding increases for a number of health care investments within the Department of Health over fiscal year 1999 levels. Investments include increases for Medicaid, for community based substance abuse services, expansion of HIV/AIDS services, staff for STD and TB clinics, and funding for a Women's Health Initiative. In addition to these increases, the fiscal year 2000 budget calls for shifts of \$6 million in Medicaid Disproportionate Share Funds to provide health insurance to 2,500 childless adults and 500 children District residents with incomes under 200 percent of the federal poverty level. The City Council enacted part of my initial budget proposal to expand health care to those who are uninsured and underinsured, however we are only part of the way there. I call on the Council to pass the second part of my health care plan as part of the fiscal year 2001 to build on this year's progress.

Greater Southeast.—One example of our commitment to both reinvent the way health services are delivered while maintaining quality care for our most needy residents is the ongoing effort to save Greater Southeast Hospital. Greater Southeast is experiencing grave financial troubles that endanger the health care options of our residents living east of the river. Under an agreement reached between the District Government, Greater Southeast Hospital will seek reorganization protection. The District Government has agreed to extend a loan, loan guarantee, or advance to the Hospital to help them operate for the next 90 days, while they reorganize and assess—in conjunction with District officials—how to best meet the needs of residents east of the River.

Welfare, child care, and homelessness.—The fiscal year 2000 proposed budget contains an increase of \$13 million over fiscal year 1999 for child care subsidies. This increased funding supports subsidized child care for approximately 2,000 more children and increased child care subsidy rates. The fiscal year 2000 budget includes

an increase of \$5.2 million in local funds for homeless services, which includes \$200,000 for homeless shelter maintenance. The fiscal year 2000 proposed budget also includes \$140.3 million for the Temporary Aid to Needy Families (TANF) program. This budget supports the placement of 8,000 TANF recipients into work activities.

EXPANDING THE ECONOMY

The fourth focus of the fiscal year 2000 budget is on expanding the economy. The continued success of our financial recovery depends in large part on our ability to maintain a robust economy, and create new opportunities for job growth and small business development. Our strategy is based on fiscal responsibility and a commitment to revitalization of our neighborhoods and communities. The following proposals are included in the fiscal year 2000 budget.

Neighborhood revitalization.—The fiscal year 2000 budget invests resources in neighborhood revitalization, which is a multi-agency initiative designed to improve the District's capacity to address a variety of economic development issues. The policy invests needed resources in neighborhood initiatives to ensure that streets and alleys are clean and vacant buildings are stabilized or demolished. Specifically, the Department of Public Works' (DPW) fiscal year 2000 proposed operating budget includes an increase of \$2.5 million to finance equipment needs in the fiscal year 2000 Master Lease Program. This funding will be used to ensure the timely replacement of equipment within critical service areas including Solid Waste Management, Division of Parking Services, Division of Transportation, and Fleet Management Division.

Tax Cuts.—District leaders have agreed to the largest tax reduction in the history of our city, one which I believe will stimulate job growth and bring the District's tax code closer in line with surrounding jurisdictions. Combined with critical service improvements and better education, these tax cuts will help reverse the outflow of residents and businesses from our city. I am particularly proud of the targeted tax relief for businesses, which will have maximum economic benefit for our city. Even though returning surplus tax revenue to workers and families is a worthy goal-one which I fully support-we must continue to safeguard our recovery. We must be vigilant against the temptation to overpromise on tax cuts while underdelivering on services. As we move forward, I will continue to insist on sound financial planning, increased efficiency, and fiscal prudence.

Debt Restructuring.—The fiscal year 2000 appropriation request for Repayment of Loans and Interest is \$328,417,000, which is a decrease of \$53,753,000 from the fiscal year 1999 approved budget. The substantial decrease in debt service from fiscal year 1999 to fiscal year 2000 is attributable to debt restructuring. This entails refunding certain outstanding bonds by issuing new bonds that mature at later dates. This has the effect of reducing the District's debt service expenditures over the next several years and increasing such expenditures in future years. However, because the District's existing debt service is heavily front-loaded-i.e., debt service is relatively high over the next several years and then declines sharply in subsequent years-restructuring is a prudent option (for further discussion of debt restructuring, see the Financial Strategy section). The budget includes the projected debt service on bonds expected to be issued in fiscal year 2000 to finance capital expenditures.

Pre-payment of debt service.—To best capitalize on current economic growth, the District has planned to pre-pay \$30 million in debt service during fiscal year 1999. The benefit of this transaction will accrue in fiscal year 2002 and fiscal year 2003, thereby helping to protect against potential economic downturns in the future.

Metro.—In addition, the fiscal year 2000 budget for the Washington Metro Area Transit Authority includes \$2.6 million in additional funding to increase bus service to the opening Metrorail segments, relieve Metrobus overcrowding, implement a small bus service plan, and to plan and develop the proposed New York Avenue Metrorail station.

THE \$150 MILLION QUESTION

As a final point, it is important for the Committee to note that all of the investments that I've discussed were made despite a great burden placed on the District. The Congress has required that the District budget a \$150 million reserve in each fiscal year, beginning in fiscal year 2000. The District has complied with this requirement, however, I strongly believe that the provision for the reserve is an excessive requirement for three reasons:

First, it is unnecessary due to the current financial position of the District government. Based on the financial results of fiscal year 1998 and preliminary fiscal year 1999 revenue and expenditures projections, the District will have a positive fund

balance of more than \$300 million at the end of fiscal year 1999. This is over 6 percent of general fund expenditures, which is higher than the norm of 5 percent for a positive fund balance.

Second, it would prevent needed investments to improve service delivery in the District. Setting aside an additional \$150 million reserve would severely limit the funds available for critical initiatives such as health care, education, and economic development.

Third, it is inconsistent with budget stabilization practices in other jurisdictions. Many states establish a 'rainy day' fund and use prior year revenues as a cushion against potential economic downturns. The District has projected a fund balance that can be used as a reserve without the need to contribute additional resources.

Even though it is well-intentioned, setting aside a \$150 million reserve is not the best strategy for putting the District on stable footing for the 21st Century. I am proposing strategic investments to train and prepare our workforce, repair our crumbling schools, and secure our infrastructure. We must address the problems that are steadily eroding the long-term viability of our city.

TOWARD THE 21ST CENTURY

At its core, this is a budget about ideas. Efficient ideas like using managed competition to improve services. Innovative ideas like partnering with community organizations to provide programming for children, rather than relying on government bureaucracies. Fair and just ideas like putting patients first and expanding health insurance to the working poor.

This budget reflects the commitment of the elected leaders of the District of Columbia to chart a new course for our city. It demonstrates our ability to work together to develop a budget that is fiscally responsible, and makes strategic investments in our future. It is not a perfect budget, but it is a sturdy platform for us to stand upon as we rebuild the District into the great city it can and must become.

I look forward to working with you, Madam Chair, and the other members of the Committee, to pass this budget as quickly as possible. At this time, I would be happy to answer any questions the Committee may have.

Thank you.

STATEMENT OF LINDA W. CROPP

Senator HUTCHISON. Mrs. Cropp.

I would like to ask Mrs. Cropp and Dr. Mans if you can hold your remarks to about 5 minutes. It would be helpful. We will not enforce that rigorously, but that would be our preference.

Mrs. CROPP. Thank you. Good morning, Chairman Hutchison, Senator Durbin. It is indeed a pleasure to be here with you and with my colleagues, the Mayor and Darius Mans, as we talk about the District's fiscal year 2000 budget.

There is a sense of renewed hope in the District of Columbia. I certainly feel it and I feel it when I go and I meet with the citizens. There is a sense of looking at people with their shoulders back and their head held high. It marks a change that is occurring in the District of Columbia. It also signifies the beginning of change. We still have a long way to go, but I think we have the resolve to take our city where it needs to go.

CONSENSUS BUDGET AND TAX PACKAGE

On May 11, the Council unanimously approved a consensus budget and tax package that offered something for everyone in the District, not only for the fiscal year 2000 but for the future years as well. There are tax breaks for our citizens, tax relief for our business community, more programs to serve our young and our old, and a host of top priority service improvements.

We are confident that this budget has the real potential to dramatically improve the city, provide long-awaited tax relief that will

expand the District's economy, and ensure long-term fiscal stability. But we must always continue to be vigilant.

CONSENSUS/BALANCED BUDGET

During the past several weeks, the Council has worked extremely hard with the Mayor and the Authority to produce this financial plan that was conceived out of numerous consensus meetings, many hours of discussion, protracted negotiations, and tough decisions. Throughout the process, the Council has always been determined to present a consensus balanced budget to Congress.

No doubt the process was tedious, long, and at times contentious. However, we have strived to ensure that the priorities of the Mayor and the Council are aligned and have successfully compromised on a budget that will make this city a much better place to live for everyone.

I have a copy of the Council's committee budget report and I will make that part of the record.

When the Mayor submitted the budget to us in mid-March, the Council had already developed and adopted a list of priorities that we would like to be included as part of the final budget process: financial debt management, economic tax relief, economic development, health care for the indigent, an improved school system for our children, cleanup programs for our neighborhoods, and citywide improvement for service delivery.

HEARINGS ON BUDGET

As part of our budget review process, 21 hearings on the fiscal year 2000 budget were conducted by the standing committees, not to mention the number of oversight, accountability and performance hearings we had on each agency for this current fiscal year. The hearing process affords an opportunity for the citizen to have input into the budget. All of these hearings contributed and culminated in decisions and recommendations of each committee markup in the budget.

Following a review of the standing committees' recommendations, the committee of the whole made additional revisions in order to bring the budget into balance. In making these decisions, the committee considered many factors: goals and objectives raised at the consensus meetings by all of the stakeholders, the principals, the Mayor, and the Authority, including the Council; revenue, baseline budget expenditure assumptions, budget adjustments, and spending options proposed by the Office of Chief Financial Officer; discretionary funding versus mandatory funding, consensus in allocating resources for the Mayor-Council priorities, implications of the Council's tax plan, findings from the various working groups on key budget issues, and our commitment to avoid an annual operating deficit for the fiscal year 2000.

FINANCES NO LONGER IN SHAMBLES

In this budget we are proud to say that D.C. finances are no longer in shambles. For a second consecutive year, we have earned an unqualified or clean bill of health, as we did in 1997. We ended 1998 with an operating surplus of \$445 million and judiciously

used \$332 million to pay off the accumulated deficit. Not only did we not borrow, but we have \$112 million in reserves.

For fiscal year 1999, the Council is projected to have another surplus of approximately \$282 million. In addition, the city has regained Wall Street's confidence, with its recently upgraded investment bond rating, and there is a new buzz of commercial and residential activities that are clear indicators of its economic rebound.

RAPID RECOVERIES

In fact, this renaissance has been touted as one of the most rapid and remarkable recoveries of any city in the Nation, and there are many reasons for this: the legislative reductions in programs and personnel throughout the government by the Council, which were politically difficult but necessary; tight controls on spending; better and improved tax collections, a robust economy, which we hope will continue, but we certainly cannot depend upon that; the revitalization plan that transferred costly state-like functions related to the criminal justice system from the District to the Federal Government; and an increase of the Federal Medicaid share from 50 to 70 percent.

HIGHLIGHTS OF BUDGET

I would like to briefly talk about some of the highlights of this budget and then comment on the tax package which was adopted by the Council as part of our commitment to improve the lives of the residents. The budget includes: a \$55 million increase in public schools over the current year funding, including \$2 million for the Y Care 2000 program; \$13 million to public works to clean up the city from its gateways to streets and alleys; \$5.8 million to clean up neighborhoods and abate nuisance properties, because not only must we strengthen our businesses, but we must also strengthen our neighborhoods if, in fact, we want this city to survive; \$4 million to support and bolster the Mayor's plan to promote managed competition and productivity savings, to improve government service and delivery; a pay raise for our workers, who had really gone below the competitive rate.

TAX PACKAGE

The Council plan, co-authored by two of my colleagues, Jack Evans and David Catania, is an affordable, progressive package that will cut individual tax rates for D.C. residents in the low and middle income bracket and stimulate the District's economy. Taxpayers making \$20,000 to \$50,000 would see the largest tax reduction.

This tax package will not be paid out of the Council's accumulated surplus and will be gradually implemented over 5 years, subject to trigger controls should there be an economic downturn or if the city's revenues lag behind projections. So this tax plan will not threaten the District's long-term financial stability or crowd out needed investments to improve services to cities.

Other beneficiaries of this tax proposal include: commercial property taxpayers, which will receive a 15 percent tax cut; residential

rental owners, who will receive significant tax relief; and small businesses.

As you consider our appropriations request, we ask that this budget, which has been diligently and responsibly put together by locally elected officials, be left intact and free of unnecessary riders.

At the end of the consensus process, the Council, the Mayor, and the Authority found themselves on the same page: approving a city budget that makes critical short-term investments in service delivery, continues management reform, and moves toward tax parity for residents and businesses. The Council will continue to exert oversight of executive operations and expenditures. We will continue to collaborate with the Mayor, the Authority, and Congress, and the surrounding governments to achieve our mutually shared goals.

We may not always agree with our partners, but we will continue to be at the table, asserting ourselves as an institution and working for the betterment of the future of the citizens of the District of Columbia.

We are here today to ask you to please join our consensus team by supporting our budget and endorsing it because it will move the city forward and in the right direction.

Thank you again for having us here today.

Senator HUTCHISON. Thank you, Mrs. Cropp.

[The statement follows:]

PREPARED STATEMENT OF LINDA W. CROPP

Good morning, Chairwoman Hutchison and members of the Senate Appropriations Subcommittee on the District of Columbia. I am pleased to be here with my colleagues to testify on the District's fiscal year 2000 budget.

INTRODUCTION

On May 11, the Council unanimously approved a consensus balanced budget and tax package that offers something for everybody in the District, not only for the fiscal year 2000 but for future years as well. There are tax breaks for our citizens, tax relief for our business community, more programs to serve our young and old, and a host of top-priority service improvements. We are confident this budget has the real potential to dramatically improve the city, provide long-awaited tax relief that will expand the District's economy, and ensure long-term fiscal stability.

During the past several weeks, the Council has worked extremely hard with the Mayor and the Authority to produce this financial plan that was conceived out of numerous "consensus" meetings, many hours of discussions, protracted negotiations, and tough decisions. Throughout the process, the Council has always been determined to present a consensus balanced budget to Congress. No doubt, the process was tedious, long, and at times, contentious. However, we have strived to ensure that the priorities of the Mayor and the Council are aligned and have successfully compromised on a budget that will make the city a better place to live.

COUNCIL'S REVIEW PROCESS OF FISCAL YEAR 2000 BUDGET

When the Mayor submitted the budget to us in mid-March, the Council had already developed and adopted a list of priorities, e.g., financial/debt management, economic tax relief, economic development, health care for the indigent, an improved school system for our children, clean-up programs for our neighborhoods, and city-wide service delivery. As part of our budget review process, 21 hearings on the fiscal year 2000 budget were conducted by the standing committees, not to mention the number of oversight accountability and performance hearings we had on each agency for this current fiscal year.

All these hearings contributed and culminated in the decisions and recommendations of each committee in the mark-up of the budgets. Following a review of the standing committee recommendations, the Committee of the Whole made additional

revisions in order to bring the budget into balance. In making these decisions, this Committee considered many factors:

- goals and objectives raised at the consensus meetings of stakeholders;
- revenue, baseline budget, expenditure assumptions, budget adjustments, and spending options proposed by the OCFO;
- discretionary funding versus mandatory funding;
- consensus in allocating resources for Mayor/Council’s priorities;
- implications of the Council tax plan;
- findings from the various working groups on key budget issues, and;
- our commitment to avoid an annual operating deficit for fiscal year 2000.

DISTRICT’S REMARKABLE FISCAL RECOVERY

In this budget, we are proud to say that DC finances are no longer in shambles. For a second consecutive year, we have earned an unqualified or clean bill of health as we did in fiscal year 1997. We ended fiscal year 1998 with a operating surplus of \$445 million and judiciously used \$332 million to pay off the accumulated deficit. Not only did we NOT borrow, but we have \$112 million in reserves. For fiscal year 1999, the District is projected to have another surplus of approximately \$282 million. In addition, the city has regained Wall Street’s confidence with its recently upgraded investment bond ratings¹ and there is a new buzz of commercial and residential activities² that are clear indicators of its economic rebound. In fact, this “renaissance” has been touted as one of the most rapid and remarkable recoveries of any city in the nation and there are many reasons for this:

- legislated reductions in programs and personnel throughout the government by the Council which were politically difficult but necessary;
- tight controls on spending; iii) better and improved tax collections;
- a robust economy, which we hope will continue but cannot depend upon;
- the President’s Revitalization Plan that transferred costly state-like functions related to the criminal justice system from the District to the Federal government, and increased the federal Medicaid share from 50 percent to 70 percent.

HIGHLIGHTS OF THE FISCAL YEAR 2000 BUDGET

I would like to briefly talk about some highlights of this budget and then comment on the tax package that was adopted by the Council. As part of our commitment to improve the lives of the residents, we have made specific investments to restore and enhance services, including:

- \$55 million increase to public schools over its current year funding, including \$2 million for the “Y Care 2000” program;
- allocating \$13 million to Public Works to clean up the city, i.e., from the gateways to its streets and alleys;
- \$5.8 million to clean up neighborhoods and abate nuisance properties;
- increased funding for human services in several critical areas, i.e., \$3 million for HIV/AIDS and for substance abuse programs, \$5 million for homeless, \$2 million for the Roving Leaders program for our children (in addition to the Mayor’s \$15 million for the youth initiative), and \$1.2 million for the elderly;
- \$4 million to support and bolster the Mayor’s plan to promote managed competition and productivity savings to improve government service delivery, and;
- a pay raise for our workers, i.e., a \$8 million funding for our non-union workers to bring them to parity with the unionized employees.

COUNCIL TAX PLAN

This tax plan, co-authored by two of my colleagues, Jack Evans and David Catania, is an affordable progressive package that will stimulate economic development and lower individual income tax rates for DC residents in the lower- and middle-income bracket. Tax payers making \$20,000 to \$50,000 would see the largest tax reductions.³ This tax relief package will not be paid out of the District’s accumulated surplus and will be gradually implemented over five years, subject to “trigger controls” should there be an economic downturn or if the city’s revenues lag behind projections. Thus, this tax plan will neither threaten the District’s long-term finan-

¹ Standard & Poor’s recently upgraded the District’s bond ratings from a BB to a BBB.

² In the past year, the District has leased out some 3 millions square feet of office space and home sales have jumped by a record high of 29 percent, i.e., 6,300 properties sold in 1998 compared to 4,900 in 1997, according to the DC Department of Housing and Community Development.

³ The tax cuts vary from about 32 to 30 percent reduction for those earning less than \$50,000 compared to 28 to 19 percent in the \$50,000 and more income bracket.

cial stability nor crowd out needed new investments to improve services to citizens. Other beneficiaries of this tax proposal include commercial property taxpayers which will receive a 15 percent tax cut, residential rental owners who would receive significant tax relief, and small businesses.⁴

As you consider our appropriations request, we ask that this budget, which has been diligently and responsibly put together by locally-elected officials, be left intact and free of unnecessary riders. At the end of the consensus process, the Council, the Mayor, and the Authority found themselves on the same page, approving a city budget that makes critical short-term investments in service delivery, continues management reform and moves toward tax parity for residents and businesses. The Council will continue to exert oversight of executive operations and expenditures. We will be responsive to our constituents who call Washington their home or headquarters. We will continue to collaborate with the Mayor, the Authority, Congress, and the surrounding governments to achieve mutually shared goals. We may not always agree with our partners, but we will continue to be at the table, asserting ourselves as an institution, and working for the betterment and future of the citizens of the District. Please join our consensus team by supporting our budget and endorsing it because it will move the city forward and in the right direction.

STATEMENT OF DR. DARIUS MANS

Senator HUTCHISON. Dr. Mans.

Dr. MANS. Good morning, Madame Chair and Senator Durbin. On behalf of my colleagues of the Financial Authority, let me say that it is a great pleasure to be here with you today to discuss the consensus fiscal year 2000 budget, which balances expenditures and revenues for the fourth consecutive year.

HIGHLIGHTS OF 2000 BUDGET

This morning I will be brief. I would like to highlight five points about the budget and the financial plan that are very important from the Authority's perspective. First, I am pleased to note that the fiscal year 2000 budget is part of a solid multi-year financial plan of balanced budgets that will aid in ensuring long-term fiscal health for the District.

TAX RESTRUCTURING

Second, the budget includes tax restructuring and reductions of tax rates that will be implemented in a measured way over the next 5 years. The tax package will bring the District's tax structure in line with those of surrounding jurisdictions and will stimulate economic growth. It also is designed to be affordable, but there will be an automatic halt to the planned tax reductions if there is a substantial deterioration of recent economic conditions, so that the financial plan remains in balance.

FINANCIAL PLAN

Third, the financial plan addresses some of the concerns previously expressed by the Congress about the heavily front-loaded nature of the District's long-term debt. This year the District plans to prepay, restructure, and refinance some of its debt. These transactions will provide budget relief over the next 5 fiscal years that will help the District accomplish critical service delivery initiatives and help pay for the tax package. They also will help the District

⁴For the business community, there are proposed tax incentives for technology firms, including the elimination of the personal property tax on the first \$50,000, no tax on Internet sales, an accelerated depreciation rate for computer equipment, and lowering the corporate and unincorporated business franchise taxes to 8.5 percent from 9.975 percent.

service the additional debt associated with the capital improvements plan.

SIX-YEAR CAPITAL IMPROVEMENT PLAN

Fourth, the deterioration that the city has suffered over the years in its streets, bridges, schools, and municipal buildings has had a negative effect on business activity, property values, service delivery, and operating costs for the city. The District's leadership is determined to reverse this. The proposed 6-year capital improvements plan includes some improvements in infrastructure that are critical to the successful revitalization of the city.

\$150 MILLION RESERVE

Finally, the fiscal year 2000 budget and financial plan adhere to the Congressionally mandated reserve fund of \$150 million. The goal of this reserve, to offset financial shortfalls, is very prudent. However, the financial plan anticipates that the District will continue to enjoy general fund balances of more than 5 percent of general fund expenditures each year, which is a Wall Street benchmark for fiscal health.

In light of this, we believe the amount of the reserve should be reduced in later years, in accordance with the financial plan, to help maximize the District's financial flexibility and help meet pressing service delivery needs of the city.

Let me say in summary, Madame Chair, that we believe the District is well on its way to accomplishing the goals and objectives of the Congressional statutes that establish the Authority. I know that the Mayor and the Council Chair join me in welcoming opportunities to come back and report to the subcommittee on the District's progress as we move toward the statutory objectives that will help bring about a return to normal governance.

[The statement follows:]

PREPARED STATEMENT OF DARIUS MANS

Good morning Madam Chair and Members of the Subcommittee. On behalf of my colleagues of the District of Columbia Financial Responsibility and Management Assistance Authority (Authority), let me say that it is a great pleasure to be here with you today to discuss the District of Columbia's fiscal year 2000 Budget and Financial Plan.

I would like to briefly describe the overall historical context for the budget and financial plan and what it seeks to achieve, highlighting the most important aspects from the Authority's perspective. I will then close with a few brief remarks on where we go from here.

As you know, the Authority was created by an act of Congress in April 1995, to assist the District in restoring financial solvency and improving management effectiveness. At the time of the Authority's creation, the District Government was in terrible financial shape. It was running a significant operating deficit and had a large accumulated deficit. The District's bonds could not be sold at market rates. The U.S. Treasury and the Federal Government were the District's only source of non-tax revenue.

Now, four years later, the District is in much better financial shape. Thanks to the efforts of the former members of the Authority, Mayor Williams in his former position as Chief Financial Officer, Members of the Council, the President and the Congress, the District has not only stemmed the deterioration of its finances, it has considerably improved its overall financial condition.

For fiscal year 1998, the District ran an operating surplus for the second straight year and was able to pay off its accumulated deficit and had a positive fund balance of \$112 million. The City has greatly improved the integrity and internal controls of its budgeting process and financial systems. With better systems in place, the

District is now able to more effectively monitor expenditures, to act in a more financially responsible fashion, and to make financial decisions that accurately reflect policy. The bills get paid, taxes are collected, and the District's debt obligations sell at market rates. Recently, Standard and Poor's upgraded the District's credit rating to investment grade, and the other two major credit agencies have the District on credit watch with positive implications. From a financial standpoint, the City's comeback has been remarkable, unlike any to date including New York City, Philadelphia and Detroit.

Despite this progress, it is important to recognize that the City still faces an uncertain financial future. Its tax base is narrow. Vigorous and sustained efforts are needed to attract new residents and enhance business opportunities. Moreover, the District has considerable deferred maintenance and a history of inadequate investment that have left a legacy of decayed and outmoded infrastructure. These problems will take substantial resources to put right.

On the service delivery side, you may recall that when the Authority was created, the District was not responding adequately to the service needs of its citizens. Streets were filled with potholes and often went unplowed in winter. Citizens seeking ordinary services, such as motor vehicle inspections or building permits encountered long delays and confused records. Medical care for the needy, child welfare services, and assistance to the elderly were often lacking or inadequately provided. Crime was rising, neighborhoods were decaying, and the public schools were deteriorating. Residents and businesses were fleeing the City.

Now four years later city services, including public schools, public safety and public works, have also begun to improve. The Mayor has publicly stated his strong intentions to make immediate, very visible improvements in public services, and has made a very credible start at it. But we are also conscious that many aspects of the delivery of public services in the District are still very deeply broken. Clearly it will take a sustained effort to repair them.

Recognizing the challenges ahead of the District, in January the Authority and the Mayor signed a Memorandum of Agreement. It made clear that, while the Authority retains all its responsibilities under the statute, the Mayor is in charge of the day-to-day running of the City and supervision of executive branch departments. The Mayor also has the responsibility for program and policy matters related to these departments and agencies. The Congress subsequently passed legislation that enacted this basic agreement into law.

To ensure effective cooperation and communication, the Authority has invited the Mayor to attend meetings of the Authority in a non voting capacity. The Authority has extended the same invitation to the Chair of the Council. We meet weekly under this arrangement and are communicating well. We are very pleased by the strong working relationships that the elected and appointed officials of the City have developed. Together we reached consensus on the fiscal year 2000 Budget and Financial Plan.

Madam Chair, the Authority and the District government are very pleased to present a budget that balances expenditures and revenues for the fourth consecutive year. Given the City's many structural problems, to which I alluded earlier, this is no small accomplishment. Furthermore, the achievement of four consecutive balanced budgets conforms to the requirements of the Financial Responsibility and Management Assistance Act.

The District has submitted to Congress a fiscal year 2000 budget totaling \$4.65 billion in revenues and expenditures. It provides considerable resources to public safety, public education, public works/infrastructure, and economic development, while ensuring basic services to disadvantaged citizens. In their testimony Mayor Williams and Council Chairman Cropp will describe to the Committee the specifics of the budget agreement. They will explain how the budget will build on the recent efforts to improve public education, promote better government services and a more efficient workforce, begin to improve health care services, help strengthen economic development in the neighborhoods and make significant new investments in children. I would like to highlight six points that are very important from the Authority's perspective.

First, going through the budget process all of us recognized that the decisions we make now have an impact on the city's financial prospects in the coming years. Consequently, budget decisions were made in the context of a multi-year financial framework. In that context I am pleased to note that the fiscal year 2000 budget is part of a solid four-year financial plan of balanced budgets that will aid in ensuring long-term fiscal health for the District. The financial plan preserves structural balance throughout the plan period, fiscal year 2000 to fiscal year 2003, by matching the growth of revenues to the growth of expenditures over the course of the plan.

Second, the financial plan includes significant savings from planned improvements in the efficiency of government operations. Savings are expected from management and productivity improvements in the government that the Mayor intends to make. Savings are also expected from the introduction of managed competition in a number of government services starting this year. The cost of general supplies for the government is expected to decline due to more cost-effective procurement with the implementation of the new computerized procurement system. Together, these measures are expected to produce expenditure savings of more than \$40 million in fiscal year 2000 and should reach \$80 million by 2003. In four years tax collections are expected to improve by at least \$25 million once the new integrated tax system is fully implemented.

Third, the budget reflects major tax reforms and reductions that will be implemented over the next five years that will help to improve both our neighborhoods and our business districts across the city. Beginning with a \$59 million total reduction in fiscal year 2000, the plan reduces taxes on individual income, personal property, franchises and other areas in an effort to stimulate economic growth and bring the District's tax structure in line with those of surrounding jurisdictions. The consensus budget partners have also agreed to a circuit breaker that would halt the planned tax reductions if there is a substantial deterioration of recent economic conditions.

Fourth, the Financial Plan also addresses some of the concerns previously expressed by the Congress related to the heavily front-loaded nature of the District's long-term debt. The District plans to use some of the higher-than-expected tax revenues due to economic growth this year to prepay some of its debt. The Financial Plan also anticipates the restructuring of approximately \$420 million of long-term debt and a refinancing of approximately \$260 million this year. These measures will help the District pay for the tax reductions and restructuring which are so desperately needed to fuel the economic engine of the District. It should be noted, however, that even after the proposed debt prepayment, restructuring and refinancing the amortization of the District's long-term debt will still remain on the aggressive side of industry norms compared to other cities. But these measures will achieve present value savings and needed budget relief over the next five fiscal years that will help the District accomplish critical service delivery initiatives. It also will help the District to service the additional debt associated with the Capital Improvements Plan.

Fifth, the fiscal year 2000 Budget also adheres to a Congressionally mandated reserve fund of \$150 million. We believe that the goal of this reserve to finance needed one-time expenditures or revenue shortfalls is very prudent. However, the size of the reserve fund should better reflect the District's actual financial condition. As you may know, the fiscal year 1998 surplus not only eliminated the accumulated deficit, it also created a \$112 million positive fund balance. The fund balance is projected to grow to \$282 million by the end of fiscal year 1999, which is over 6 percent of the current year's gross budget. We anticipate over the coming years that the District will continue to enjoy General Fund balances of more than 5 percent of general fund expenditures each year, which is a Wall Street benchmark for fiscal health. In light of this, we believe the amount of the reserve should be reduced in the later years in accordance with the Financial Plan to help maximize the District's financial flexibility and meet the pressing service delivery needs of the District.

Sixth, the Capital Improvements Plan also is an important part of the District's budget. The District's leadership is determined to reverse the deterioration that the City has suffered in its streets, bridges, schools and municipal buildings. The deterioration of these important assets over time have had a far-reaching negative effect on business activity, property values, service delivery and operating costs for the City. The Proposed Six-Year Capital Improvements Plan makes major strides by including some important infrastructure improvement projects. Those projects will require a significant commitment of funds. There is \$721 million in planned funding for fiscal year 2000 and \$2.7 billion in planned funding over the six-year period fiscal year 2000 and fiscal year 2005. We believe that these resources devoted to infrastructure improvements are critical to the successful revitalization of the City.

Madam Chair, I would also like to mention some of the priorities that we are working on with the Mayor and the Council, going beyond the fiscal year 2000 Budget and Financial Plan. One of the fundamental goals that we have agreed upon is accelerating economic development. In collaboration with Congress and the Administration, the District recently completed a strategic plan and funding plan for the National Capital Revitalization Corporation, a new entity that holds great promise for helping the City to facilitate private sector led development efforts throughout the District.

The District, through a collaborative process with the private sector, non-profit organizations and community groups, last fall formulated an economic development strategy that focuses on 40 specific action plans to leverage jobs and growth in the City. Good progress is being made on implementation of those action plans. We view this as the beginning of an intensive effort to make the District more attractive to new-business, retaining those businesses and Federal agencies that are already located in the City, and creating greater opportunity for neighborhood development—not just activity in the central business district. The economic health and future vitality of the District are directly tied to the success of our efforts in this area.

The Authority is working closely with the public and charter schools to build on the strides made in the last year to rebuild decaying schools, make school facilities safer, increase the quality of the education that all children receive, and lay the foundation for sustained improvement in education. The Authority, in collaboration with the Superintendent of Schools, the Emergency Transitional Education Board of Trustees, the elected Board of Education and the charter schools must make the city's schools a beacon of hope and opportunity for the District. We are hopeful that the District's Board of Education will implement successfully the agreed upon transition plan for the return of full authority to the Board on June 30, 2000.

Along with the Mayor and the Council, we are also working closely with UDC to strengthen public higher education in the District. The Authority is also working closely with the Mayor, the Council, and health care providers in the city to improve access to quality and competitive health care delivery in the District.

In summary, Madam Chair, we believe that the District is well on its way to accomplishing the goals and objectives of the congressional statutes that established the Authority. But let me stress that we are not there yet. In my testimony today, I have highlighted some of the achievements made so far and some of the issues that we will be working on in the coming months. Through the cooperation that the Mayor, the Council and the Authority have established, I believe we will continue making progress in meeting the goals set by Congress so that the District can make the transition to normal governance as soon as possible.

In closing, I wish to say again how pleased all the members of the Authority are that a new, more promising era has dawned in the District. It is an exciting time of new leadership and new opportunity. There is renewed energy in the District and a sense of hope that, through the cooperative efforts of the city, the metropolitan region and the Federal Government, the progress that the Nation's Capital has made in the past few years will accelerate.

My four colleagues and I, along with Mayor Williams and the Council look forward to working with the Subcommittee to build on the positive results the District has recently achieved. We all have the same goal: to bring about permanent and positive change for the citizens of the District and the Nation's Capital. I know that the Mayor and the Council Chair join me in welcoming opportunities to come back to the Hill and report to the Subcommittee as we move toward the statutory objectives that will help to bring about a timely return to normal governance.

Madam Chair, that concludes my testimony. I would be delighted to answer any questions that you or the members of the Subcommittee may have.

Senator HUTCHISON. Thank you very much. I want to thank all three of you for the efforts that you are making in this regard.

ADDITIONAL \$220 MILLION FEDERAL FUNDS

I want to start by clarifying the issue of the additional \$220 million above the President's proposed \$394 million for the Federal share of the budget. As you know, Mayor, you received a letter signed by Congressman Davis, Senator Voinovich and myself expressing concerns about the appearance of this extra \$220 million in the original budget that came to us. I appreciated very much your response, which said that this was actually an error, and I wanted to submit copies of both my letter and your response for the record and ask if you had any further comments on that.

[The information follows:]

LETTER FROM SENATOR KAY BAILEY HUTCHISON

U.S. SENATE,
Washington, DC, May 27, 1999.Mayor ANTHONY WILLIAMS,
Suite 1100, One Judiciary Square,
441 Fourth Street, N.W. Washington, DC.

DEAR TONY: It is our understanding from several D.C. officials involved in the budget process that the fiscal year 2000 consensus budget of the District of Columbia seeks an additional \$220.4 million in federal funding above the President's request of \$394 million. These funds may be targeted for worthy goals, but the additional funding would appear to violate the spirit of the District of Columbia Financial Responsibility and Management Assistance Act (Public Law 104-194).

As you know, that Act transferred responsibility of several District programs including the Department of Corrections, the pension system and 70 percent of costs associated with the Medicaid system, and in exchange the District would not receive an annual federal payment. This request is particularly questionable in light of the fact that the District is expected to report its third consecutive fiscal year surplus of \$400 million. If the District deems these programs worthy of funding it should pay for them within its budget.

We have applauded the past efforts of your office, the D.C. Control Board and the City Council in producing three fiscal years of budget surpluses. Congress has responded on a bipartisan basis by restoring some of the management functions to the Mayor. However, the inclusion of \$220.4 million beyond the President's request for fiscal year 2000 could undermine this progress.

Further, the D.C. Appropriations Subcommittee was the only non-defense Subcommittee that did not have its allocation reduced from the President's request. Thus, it is unlikely that more funding is forthcoming.

In light of our concerns, we urge you either to reconsider your request for an additional \$220.4 million beyond the consensus budget or assist us in identifying spending offsets within your budget.

Sincerely,

KAY BAILEY HUTCHISON.

LETTER FROM MAYOR ANTHONY A. WILLIAMS

JUNE 3, 1999.

Senator KAY BAILEY HUTCHISON,
Senate Office Building,
Washington, DC.

DEAR SENATOR HUTCHISON: Thank you for your May 27, 1999 letter inquiring about certain provisions of the 2000 fiscal year budget. On behalf of the District of Columbia I want to respond to the questions raised. I would also like to take this opportunity to convey how pleased I am that you have taken such a pro-active and engaged role in the revitalization of the District of Columbia during your tenure as Chair.

Specifically, I want to clarify and address the question raised about an additional \$220.4 million for mental health programs, school construction and special education programs. I understand how the language in the budget book could be construed as new monies over and above President Clinton's federal funding goal, as well as above other funding caps set by Congress. However, this is simply not the case.

These funds for these programs represented what the District would receive if our funding needs were allocated like the needs of the other fifty states. Yet, we fully recognize the District's unique situation and so while these numbers were part of the initial discussions on the budget, they never advanced beyond the theoretical stage nor were they discussed during budget negotiations between the City Council, the Control Board and the Office of the Mayor.

I want to reiterate that these figures should not be construed as an official request but were mistakenly included in transmittal. In fact, during my initial meetings with you, as well as in my meetings with Chairman Istook and with Speaker Hastert, I repeatedly emphasized that the District will not request any new funds. I apologize for any confusion that this may have caused and look forward to continuing to work with you on behalf of the residents of the District of Columbia.

Sincerely,

ANTHONY A. WILLIAMS.

Mayor WILLIAMS. It has been my position, and I think it is a position that is shared by the chairman of the board of the Financial Authority—I think our Chair of our Council can speak—that our first effort is to build the credibility of our city, command the respect of our country in how we conduct our affairs to work with the Federal Government as a good corporate citizen, and then on that basis look at partnerships in the future and ways in which there can be mutual gain between us and the Federal Government on the basis of additional investment by the Federal Government. But for right now, no additional request is made in Federal funds. And that is our position.

Senator HUTCHISON. Thank you.

I want to follow up now on the issue of debt restructuring. You now have at least two rating agencies that have given you investment grade. That is good, but it is still to be improved upon, as you know, and I want to make sure that everything we do is so prudent that that rating will go up.

DEBT RESTRUCTURING

What appears to me is that it is the debt restructuring that is going to add costs in the out years that is mostly financing the tax cut package. At the same time, you are wanting to cut back on the \$150 million reserve requirement. So I want to make sure as we go forward that we are not doing anything that would cause the bond rating agencies to see a red flag or in the out years actually not take care of a potential downturn in the economy.

So I have a couple of questions. First, how far out do you want to go in long-term debt restructuring? And is the amount of debt that we now have and what you would restructure adding costs in the out years within the framework of sound financial principles that would be set down by the rating agencies?

Mayor WILLIAMS. Madame Chair, I can get you the details on how far out we plan to go, the sizing and the parameters of the debt restructuring.

[The information follows:]

DEBT RESTRUCTURING

The District issued a total of \$926,905,000 in Series 1999A and Series 1999B General Obligation Bonds. The Series 1999A bonds, in the amount of \$241,190,000, are new-money bonds that were issued to fund the District's fiscal year 1999 capital projects. The restructuring/refunding portion of the bond issuance, the Series 1999B bonds, totaled \$685,715,000. These bonds mature in years ranging from 2000 to 2015. The bonds that were restructured/refunded, i.e., the bonds that were paid off and replaced with the refunding/restructuring bonds, had original maturities ranging from 2000 to 2006. In other words, bonds that would have matured over the course of the next 7 years were replaced with bonds that mature over the course of the next 16 years as a result of the restructuring.

Given that the District's long-term debt was heavily front-loaded, i.e., due to be repaid over a relatively short time frame, the restructuring represents sound financial principles and was viewed favorably by the rating agencies. Prior to the restructuring, approximately 43 percent of the District's debt was to be amortized over the next 5 years, and 75 percent was to be amortized over the next 10 years. Following the restructuring, these figures have been reduced to 30 percent over 5 years and 65 percent over 10 years. The rating agencies have established benchmarks that consider amortization of 25 percent over 5 years and 50 percent over 10 years to be sufficient near-term amortization. Thus, even after the restructuring, the District's debt amortization is still significantly more aggressive (favorable) than the rating agencies' benchmarks for appropriate amortization.

Moreover, although the District extended the maturity of some of its debt through the restructuring, it was able to obtain favorable interest rates that generated \$5.18 million of net present value savings to the District due to relatively low market interest rates and the District's improved credit ratings. All three major rating agencies upgraded their credit ratings on the District's outstanding long-term bonds to investment-grade levels earlier this year. Subsequently, these investment-grade ratings were affirmed for the Series 1999A and 1999B Bonds. This is evidence that the restructuring transaction was in accordance with sound financial principles and was viewed favorably by the rating agencies.

Attached are spreadsheets associated with the restructuring/refunding that document (i) the details, including maturity dates, associated with the bonds that were restructured/refunded, (ii) the details, including maturity dates, associated with the bonds that were issued to effect the restructuring/refunding (the Series 1999B bonds), and (iii) the net present value savings associated with the transaction.

SAVINGS—DISTRICT OF COLUMBIA G.O. BOND PROGRAM (ROUNDED)

[Series B—July 1999]

Date	Prior debt service	Refunding debt service	Refunding receipts	Refunding net cash flow	Savings	Present value to 08/12/1999 @ 5.3333029 percent
10/01/1999			\$2,788,428.28	-\$2,788,428.28	\$2,788,428.28	\$2,788,428.28
10/01/2000	\$138,954,911.26	\$75,319,938.41		75,319,938.41	63,634,972.85	61,431,392.78
10/01/2001	170,718,993.76	90,554,931.26		90,554,931.26	80,164,062.50	73,767,132.98
10/01/2002	153,183,793.76	57,259,481.26		57,259,481.26	95,924,312.50	83,492,814.79
10/01/2003	126,717,524.83	40,778,331.26		40,778,331.26	85,939,193.57	70,748,836.39
10/01/2004	108,638,471.26	63,513,231.26		63,513,231.26	45,125,240.00	35,297,795.58
10/01/2005	75,249,438.76	43,048,006.26		43,048,006.26	32,201,432.50	23,507,028.06
10/01/2006	42,255,947.50	40,008,256.26		40,008,256.26	2,247,691.24	1,333,795.57
10/01/2007		56,986,981.26		56,986,981.26	-56,986,981.26	-38,033,104.49
10/01/2008		80,984,956.26		80,984,956.26	-80,984,956.26	-51,168,445.36
10/01/2009		100,982,731.26		-100,982,731.26	100,982,731.26	-60,457,773.80
10/01/2010		105,982,756.26			-105,982,756.26	-60,156,907.13
10/01/2011		63,985,181.26		63,985,181.26	-63,985,181.26	-34,473,291.90
10/01/2012		62,986,681.26		62,986,681.26	-62,986,681.26	-32,177,817.05
10/01/2013		66,984,731.26		66,984,731.26	-66,984,731.26	-32,442,796.89
10/01/2014		81,984,106.26		81,984,106.26	-81,984,106.26	-37,641,136.21
10/01/2015		1,448,906.26		1,448,906.26	-1,448,906.26	-631,107.15
Total	815,719,081.13	1,032,809,207.31	2,788,428.28	1,030,020,779.03	-214,301,697.90	5,184,844.44

SUMMARY OF BONDS REFUNDED—DISTRICT OF COLUMBIA G.O. BOND PROGRAM (ROUNDED) NEW MONEY AND REFUNDING/RESTRUCTURING

[Series 1999 A&B July 29, 1999]

Bond	Maturity date	Interest rate (percent)	Par amount	Value on Aug. 12, 1999	Call date	Call price
Series 1988A GO Debt, 1988A: SERIALS	12/01/2000	7.250	\$3,260,000.00	\$3,260,000.00	12/01/1999	101.500
Series 1988B GO Debt, 1988B: SERIALS	06/01/2000	7.250	465,000.00	465,000.00	9/22/1999	101.500
Series 1988C GO Debt, 1988C: SERIALS	06/01/2000	7.500	4,605,000.00	4,605,000.00	9/22/1999	101.000
Series 1989A GO Debt, 1989A: SERIAL	06/01/2000	7.300	3,960,000.00	3,960,000.00	9/22/1999	102.000

SERIAL	06/01/2001	7.300	4,250,000.00	4,250,000.00	9/22/1999	102.000
SUBTOTAL			8,210,000.00	8,210,000.00		
Series 1989B GO Debt, 1989B:						
SERIAL	6/01/2000	6.750	13,090,000.00	13,090,000.00	9/22/1999	100.750
SERIAL	6/01/2001	6.750	13,975,000.00	13,975,000.00	9/22/1999	100.750
CABS	6/01/2000	6.800	7,753,600.00	15,163,680.00		
CABS	6/01/2001	6.850	7,210,720.00	14,170,400.00		
CABS	6/01/2002	6.900	4,187,100.00	8,268,500.00		
CABS	6/01/2003	6.950	3,886,354.10	7,711,988.29		
CABS	6/01/2004	6.950	3,629,700.00	7,202,700.00		
SUBTOTAL			53,732,474.10	79,582,268.29		
Series 1990A GO Debt, 1990A:						
SERIALS	6/01/2000	7.200	7,175,000.00	7,175,000.00		
SERIALS	6/01/2001	7.250	7,690,000.00	7,690,000.00	6/01/2000	102.000
SUBTOTAL			14,865,000.00	14,865,000.00		
Series 1990B GO Debt, 1990B:						
SERIALS	06/01/2000	7.100	7,810,000.00	7,810,000.00		
SERIALS	06/01/2001	7.200	8,360,000.00	8,360,000.00	06/01/2000	102.000
SUBTOTAL			16,170,000.00	16,170,000.00		
Series 1991A GO Debt, 1991A:						
SERIALS	6/01/2000	6.200	7,120,000.00	7,120,000.00		
SERIALS	6/01/2002	6.500	8,055,000.00	8,055,000.00	6/01/2000	102.000
SERIALS	6/01/2003	6.600	8,590,000.00	8,590,000.00	6/01/2000	102.000
SERIALS	6/01/2004	6.700	9,155,000.00	9,155,000.00	6/01/2000	102.000
SUBTOTAL			32,920,000.00	32,920,000.00		
Series 1992B GO Debt, 1992B:						
SERIALS	6/01/2005	6.300	13,545,000.00	13,545,000.00	6/01/2002	102.000
SERIALS	6/01/2006	6.300	14,435,000.00	14,435,000.00	6/01/2002	102.000
SERIAL2	6/01/2000	5.900	9,980,000.00	9,980,000.00		
SERIAL2	6/01/2001	6.000	10,590,000.00	10,590,000.00		
SERIAL2	6/01/2002	6.000	11,250,000.00	11,250,000.00		
SUBTOTAL			59,800,000.00	59,800,000.00		
Series 1993A GO Debt, 1993A:						
SERIALS	06/01/2000	5.300	7,440,000.00	7,440,000.00		

SUMMARY OF BONDS REFUNDED—DISTRICT OF COLUMBIA G.O. BOND PROGRAM (ROUNDED) NEW MONEY AND REFUNDING/RESTRUCTURING—Continued
 [Series 1999 A&B July 29, 1999]

Bond	Maturity date	Interest rate (percent)	Par amount	Value on Aug. 12, 1999	Call date	Call price
SERIALS	06/01/2001	5.500	16,765,000.00	16,765,000.00	.....	.....
SERIALS	06/01/2002	5.625	17,685,000.00	17,685,000.00	.....	.....
SERIALS	06/01/2003	5.750	21,925,000.00	21,925,000.00	.....	.....
SERIALS	06/01/2004	5.800	23,185,000.00	23,185,000.00	.....	.....
SERIALS	06/01/2005	5.875	24,535,000.00	24,535,000.00	.....	.....
SUBTOTAL			111,535,000.00	111,535,000.00		
Series 1993C GO Debt, 1993C:						
SERIAL	12/01/2000	5.250	21,050,000.00	21,050,000.00	.....	.....
SERIAL	12/01/2001	5.000	22,155,000.00	22,155,000.00	.....	.....
SERIAL	12/01/2002	5.250	12,765,000.00	12,765,000.00	.....	.....
SERIAL	12/01/2003	5.250	13,450,000.00	13,450,000.00	.....	.....
SUBTOTAL			69,420,000.00	69,420,000.00		
Series 1993D GO Debt, 1993D:						
SERIALS	12/01/1999	4.700	13,050,000.00	13,050,000.00	.....	.....
SERIALS	12/01/2000	4.900	13,695,000.00	13,695,000.00	.....	.....
SERIALS	12/01/2001	5.000	14,030,000.00	14,030,000.00	.....	.....
SERIALS	12/01/2002	5.100	12,680,000.00	12,680,000.00	.....	.....
SERIALS	12/01/2003	5.250	8,350,000.00	8,350,000.00	.....	.....
SUBTOTAL			61,805,000.00	61,805,000.00		
Series 1993E GO Debt, 1993E:						
SERIALS	6/01/2000	4.750	7,970,000.00	7,970,000.00	.....	.....
SERIALS	6/01/2001	5.000	8,415,000.00	8,415,000.00	.....	.....
SERIALS	6/01/2002	5.000	8,890,000.00	8,890,000.00	.....	.....
SERIALS	6/01/2003	5.000	9,415,000.00	9,415,000.00	.....	.....
SUBTOTAL			34,690,000.00	34,690,000.00		
Series 1994A GO Debt, 1994A:						
SERIALI	6/01/2001	4.550	880,000.00	880,000.00	.....	.....
SERIALI	6/01/2002	4.650	12,430,000.00	12,430,000.00	.....	.....
SERIALI	6/01/2003	4.750	6,725,000.00	6,725,000.00	.....	.....

SERIAL1	4.850	5,310,000.00	5,310,000.00	.....
SERIAL1	4.950	9,305,000.00	9,305,000.00	.....
SERIAL2	5.050	85,000.00	85,000.00	.....
SERIAL2	4.550	2,700,000.00	2,700,000.00	.....
SERIAL2	4.650	8,420,000.00	8,420,000.00	.....
SERIAL2	4.750	8,815,000.00	8,815,000.00	.....
SERIAL2	4.850	6,855,000.00	6,855,000.00	.....
SERIAL2	4.950	4,745,000.00	4,745,000.00	.....
SERIAL3	5.000	7,830,000.00	7,830,000.00	.....
SERIAL3	5.100	8,225,000.00	8,225,000.00	.....
SERIAL3	5.200	8,640,000.00	8,640,000.00	.....
SERIAL3	5.300	9,095,000.00	9,095,000.00	.....
SERIAL3	5.400	9,575,000.00	9,575,000.00	.....
SERIAL3	5.500	10,095,000.00	10,095,000.00	.....
SUBTOTAL				.....
Series 1994B GO Debt, 1994B:				.....
SERIALS	5.300	2,165,000.00	2,165,000.00	.....
SERIALS	5.375	2,840,000.00	2,840,000.00	.....
SERIALS	5.400	3,580,000.00	3,580,000.00	.....
SERIALS	5.600	4,390,000.00	4,390,000.00	.....
SERIALS	5.700	5,265,000.00	5,265,000.00	.....
SUBTOTAL				.....
Series 1994C GO Debt, 1994C:				.....
SERIALS	5.125	2,660,000.00	2,660,000.00	.....
SERIALS	5.250	2,955,000.00	2,955,000.00	.....
SERIALS	5.375	3,275,000.00	3,275,000.00	.....
SERIALS	5.400	3,625,000.00	3,625,000.00	.....
SERIALS	5.500	3,995,000.00	3,995,000.00	.....
SUBTOTAL				.....
Series 1996A GO Debt, 1996A:				.....
SERIALS	5.900	100,000.00	100,000.00	.....
SERIALS	5.900	100,000.00	100,000.00	.....
SERIALS	5.900	3,000,000.00	3,000,000.00	.....
SERIALS	6.000	3,100,000.00	3,100,000.00	.....
SERIALS	6.000	3,280,000.00	3,280,000.00	.....
SERIALS	6.000	3,575,000.00	3,575,000.00	.....

SUMMARY OF BONDS REFUNDED—DISTRICT OF COLUMBIA G.O. BOND PROGRAM (ROUNDED) NEW MONEY AND REFUNDING/RESTRUCTURING—Continued
 [Series 1999 A&B July 29, 1999]

Bond	Maturity date	Interest rate (percent)	Par amount	Value on Aug. 12, 1999	Call date	Call price
SERIALS	6/01/2006	6.000	3,780,000.00	3,780,000.00	.....	.....
SUBTOTAL			16,935,000.00	16,935,000.00		
Series 1997A GO Debt, 1997A:						
SERIALS	6/01/2000	5.000	100,000.00	100,000.00	.....	.....
SERIALS	6/01/2001	5.000	100,000.00	100,000.00	.....	.....
SERIALS	6/01/2002	5.000	100,000.00	100,000.00	.....	.....
SERIALS	6/01/2003	5.000	100,000.00	100,000.00	.....	.....
SERIALS	6/01/2004	5.000	100,000.00	100,000.00	.....	.....
SERIALS	6/01/2005	6.000	3,695,000.00	3,695,000.00	.....	.....
SERIALS	6/01/2006	6.500	3,915,000.00	3,915,000.00	.....	.....
SUBTOTAL			8,110,000.00	8,110,000.00		
Series 1998A, 1998A: SERIALS	06/01/2006	5.000	3,405,000.00	3,405,000.00	.....	.....
Series 1998B GO Debt, 1998B: SERIALS	6/01/2006	5.000	4,210,000.00	4,210,000.00	.....	.....
TOTAL			658,617,474.10	684,467,268.29		

BOND DEBT SERVICE—DISTRICT OF COLUMBIA G.O. BOND PROGRAM (ROUNDED)

[Series B—July 1999]

Period Ending	Principal	Coupon (Percent)	Interest	Debt Service
10/01/1999				
10/01/2000	\$42,685,000	4.250	\$32,634,938.41	\$75,319,938.41
10/01/2001	55,190,000	5.500	35,364,931.26	90,554,931.26
10/01/2002	24,930,000	5.500	32,329,481.26	57,259,481.26
10/01/2003	9,820,000	5.500	30,958,331.26	40,778,331.26
10/01/2004	33,095,000	5.500	30,418,231.26	63,513,231.26
10/01/2005	14,450,000	5.500	28,598,006.26	43,048,006.26
10/01/2006	12,205,000	5.500	27,803,256.26	40,008,256.26
10/01/2007	29,855,000	5.500	27,131,981.26	56,986,981.26
10/01/2008	55,495,000	5.500	25,489,956.26	80,984,956.26
10/01/2009	78,545,000	5.500	22,437,731.26	100,982,731.26
10/01/2010	87,865,000	5.500	18,117,756.26	105,982,756.26
10/01/2011	50,700,000	5.500	13,285,181.26	63,985,181.26
10/01/2012	52,490,000	5.500	10,496,681.26	62,986,681.26
10/01/2013	59,375,000	5.500	7,609,731.26	66,984,731.26
10/01/2014	77,640,000	5.500	4,344,106.26	81,984,106.26
10/01/2015	1,375,000	5.375	73,906.26	1,448,906.26
TOTAL	685,715,000		347,094,207.31	1,032,809,207.31

Mayor WILLIAMS. But we talked about the debt restructuring with the rating agencies when we made our presentations to them over the last couple of months and gave them a perspective. On that basis we have received two rating increases because I think it is their belief that we are going about this responsibly and prudently.

RAINY DAY FUND

One factor is that we will have a rainy day fund in place that is again, I think, a percentage ahead of the norm, which is 5 percent of operations. Ours will be 6 percent of operations. We will have the \$150 million that we are managing year by year.

We have a record now firmly in place of conservatively budgeting our expenditures and our revenues. Even after the debt restructuring, we will still have, again against industry norms, an aggressive—maybe not—yes, aggressive rate of repayment, both on the front end of the debt and on the end of the debt. I think there is an understanding that when you look at the assets and the life of our assets that what we are doing with this debt restructuring in a responsible way is again correcting an imbalance where folks 10, 15 years from now are going to be enjoying the useful life of assets that we front-loaded on taxpayers today. So we really are evening out the benefit and burden.

Senator HUTCHISON. Are you not looking at some 30-year debt in this restructuring?

Dr. MANS. We are restructuring the debt out to 12 to 14 years. There will be net present value savings of about \$8 million after these transactions are made. So in addition to trying to stretch out this debt mountain that we have, this very aggressive, heavily

front-loaded debt, we will after these transactions still have a very fast repayment compared to other jurisdictions on the debt.

Senator HUTCHISON. Is the longest year out 15 years in your debt restructuring?

Dr. MANS. I think it is 14, actually.

Senator HUTCHISON. That is the longest. I think that is prudent. I had seen some figures that showed you were going out to 20, 27, which did cause me great concern.

Dr. MANS. I think those figures you may have seen were the net present value calculations that were made.

INFRASTRUCTURE IMPROVEMENTS

Senator HUTCHISON. Second, with respect to the \$720 million that you are looking at for infrastructure improvements in the budget, is that all financed, partly financed, or not financed? When you are talking about your capital improvements 6-year plan, \$720 million the first year, and then the total over 6 years I think is over a billion.

Mayor WILLIAMS. As to what percentage would be pay-go and what percentage would be financed, again I could get you the exact amount. But a couple things. Our better position has given us the ability to do some capital investments that have been foregone for a long, long time. Debt restructuring is the same thing of prudently, responsibly seizing an opportunity.

UNFUNDED PENSION LIABILITY

We front-loaded all of our debt because in years past we were looking at this looming unfunded pension liability. When the President and the Congress passed the Revitalization Act that removed that unfunded pension liability, it exposed this heavily front-loaded picture, and we are working now to correct that.

Mrs. CROPP. Senator.

Senator HUTCHISON. Yes.

Mrs. CROPP. With regard to the debt restructuring, the Council initially looked at that idea with somewhat of a jaundiced eye, and the Council really did a lot of research into the whole issue of the debt restructuring to make sure that we believed that it was the right thing for the District to do.

One of the things that was made clear to us from many, many different financial experts was that this was the appropriate time for us to make the type of modest debt restructuring that we were doing, at a time when our recovery was coming back, and that the extension of it was not going so far out that it would be harmful.

After reviewing it, listening to an awful lot of financial experts from many different areas, we agreed with the Mayor that this is the appropriate time for us to do the debt restructuring.

DEBT TO REVENUE RATIO

Senator HUTCHISON. Let me ask you this. Is the debt to revenue ratio considered prudent for the District of Columbia? For your overall revenue, is your amount of debt within the range of other cities that have high bond ratings?

Mayor WILLIAMS. Senator, our debt load as a percentage of operations or revenue, our debt per capita is high. There is a lot of history behind that in terms of management practices and everything else, but also the fact that a lot of times there is a mismatch in the comparison in that you are comparing a city that had state responsibilities with other cities that only had city responsibilities. It is all merged, for example, with the Highway Trust Fund. It makes it a blurry picture.

But it is clearly our goal to, yes, achieve the objective of aggressive investment in our plant and infrastructure, understanding that the constraint is we have to be competitive in our overall debt posture.

To answer your other question, Senator—

Senator HUTCHISON. But you are saying it is high. I realize there are other factors.

Mayor WILLIAMS. It is.

Senator HUTCHISON. But it is high. And is that part of what you are factoring in in the restructuring?

Mayor WILLIAMS. In the restructuring and in overall financing, we have more flexibility than we are using, because we are trying to be prudent and responsible in the way we approach this.

Senator HUTCHISON. Let me ask this another way. Is it your goal to bring the debt down to a more conservative level?

Mayor WILLIAMS. To bring expenditures down, to bring our debt down, by expanding our economy, absolutely.

Senator HUTCHISON. But debt payoff will be a major part of your calculation as you go?

Mayor WILLIAMS. Absolutely, Madame Chair. We consider being competitive being competitive in all different respects.

Dr. MANS. If I could add, if you look at rating agency norms, over a period of 5 years, 25 percent of the debt gets repaid, over 10 years, half. The District currently within 5 years is at 43 percent instead of 25, to show you how front-loaded and how aggressive our repayment is. It is 75 percent within 10 years, compared to a rating agency norm of 50 percent.

After these transactions it will be 31 percent in 5 years compared to the rating agency norm of 25 percent; it will be 64 percent compared to the rating agency norm of 50 percent after 10 years. So it still will be very aggressive.

Senator HUTCHISON. In repayment?

Dr. MANS. Yes.

Senator HUTCHISON. Okay.

FISCAL YEAR 2000 FINANCING PROGRAM

Mayor WILLIAMS. Madame Chair, to answer your other question on the fiscal year 2000 financing program, out of the \$720 million, about a third of that is going to be long-term financing and the rest will either be grants, Highway Trust Fund, or other sources. So it is a reasonable amount, I believe.

Senator HUTCHISON. I am not against financing infrastructure. I think that is sound, and I think a lot of States and cities, frankly, have not done that as much as they could. But I think it is much better as a principle than financing operations. I realize we are in a catch-up mode here, but that is the one thing that I think could

sink this progress we are making, if we do get so aggressive in the debt restructuring that we get in a hole toward the end.

I do understand it was much too heavy in the front end, so I want to watch that very carefully.

I am going to ask one more question and then I am going to turn it over to Senator Durbin. I am going to come back because I have a number of questions. I have taken a lot of time, I know, but this is a big issue for me.

The other question that I would have is, in your debt restructuring, are you looking at a mixed package that also has, for instance, perhaps sales tax revenue-based short-term financing, and is all of your restructuring going to include the ability to prepay without penalty?

Dr. MANS. I think this is something we should come back to you on, because no final decision has been taken. We have looked at a range of options changing the sourcing for the repayment of some of our debt obligations. So let us come back to you with this.

Senator HUTCHISON. I would just say on this subject that I hope it will be a package of various types of debt, some long-term—I think 14 years is certainly prudent, particularly when it is infrastructure-based—but also some short-term, perhaps sales tax-based, because that will get you good rates, and then always having the prepayment option so that you can pay down and get out from under that interest.

PRUDENT DEBT-REVENUE RATIO

I would like to, along that line, work with you to establish what would be a prudent debt-revenue ratio that would be our goal for the city to reach. Then when we start talking about bringing down the reserve fund, I have an idea of perhaps looking at that issue, setting a percent of reserve that is somewhat higher than the 5 percent norm, but something that we could agree would be reasonable.

Then as you get excess surplus beyond that, half would go to debt repayment and half to spending programs that you are seeking. That is something that I would like to work on and work out the details, see what our goal would be on the right debt ratio and work toward that as we look at this reserve fund, because I am hearing your point on the reserve fund, but I think we could have maybe a win-win situation by a division there.

With that, Senator Durbin.

STATEMENT OF SENATOR RICHARD J. DURBIN

Senator DURBIN. Thank you, Senator Hutchison.

Mayor Williams, Ms. Cropp, and Dr. Mans, thank you for joining us.

Let me say at the outset, I did not make an opening statement because I was running a few minutes late. I was meeting with someone who was discussing a scholarship idea which I think will come up in another hearing. So I apologize for my tardiness.

QUALITY OF LIFE IN DISTRICT

I first set foot in the District of Columbia in 1963 as a student, and for 36 years, with perhaps a 7-year interruption, I have been a part-time resident of the District of Columbia, either as a student, a Congressman, or a Senator. I do not profess to be an expert on the District, but I have probably lived through the same experience as many. I have gone about my life and I have looked around at the quality of life in the District of Columbia and I have seen many changes, some good and some not good.

I was here before Metro. I was here a long time ago. I think the population in the metropolitan area has more than doubled in the 36 years that I have been around, and there have been dramatic changes.

I have seen many good things in the District of Columbia. I have personally witnessed and been involved in many terrible things. I have witnessed a murder. I have had my car broken into. I was mugged as a Congressman. I have had members of my staff who have been mugged, and a lot of serious things have happened which continue to convince me that there are many problems still to be solved in the District.

Having said that, Mayor Williams, I am one of your biggest fans. I am glad you are where you are. I am glad the people of the District have entrusted you with this responsibility, and it is a very, very tough one. I think you have created some hope where there was none for a long period of time among those of us who have observed the District of Columbia.

I am sorry that the administration of the city was basically taken away from it, but I think it was inevitable and I think the result has been positive in terms of starting to resolve some of the basic problems facing the District of Columbia.

ANNIE CASEY FOUNDATION REPORT

Having said that, though, I want to be more specific in terms of testimony and some of the questions which have been given to me. Let us start with schools. Mayor, when you say in your testimony that Annie Casey Foundation finds the District of Columbia schools "the worst in the Nation in every category but one, from infant mortality to the rate of teenage births to statistics chronicling child poverty," what is the expenditure per pupil in the District of Columbia?

Mayor WILLIAMS. Based on the fiscal year 2000 budget request of \$717,288,000 and an enrollment of 71,889 as of October 1998 the per pupil expenditure will be \$9,977.

SUPPORT FOR CHILDREN

Senator DURBIN. Let us address schools if we might, because I know you made a reference to it. What is the expenditure per pupil in the District of Columbia?

Mayor WILLIAMS. It is in the basis of \$5,500 per pupil in the formula. There are a couple adjustments to that, but that is basically per student.

MANAGEMENT PROBLEM

Senator DURBIN. If you were asked to give some reasons why the schools are having problems in the District and why the Annie Casey Foundation reached this conclusion, what would you identify as the biggest problem that you face?

Mayor WILLIAMS. Well, the Annie Casey Foundation, Senator, I think was addressing our overall support for children in our human service network, and our failings in that respect I think have been management largely. That is why we have a number of receiver-ships in our city or special masters, because the management has not been there.

In many cases—I think this report documents it—we have failed our children and we need to do a better job. In education, I believe that Arlene Ackerman has set the right agenda for our schools in academics and in curriculum, and I strongly support her. I believe that we need to look at the management side, the operation side, to see that we have the same kind of attention to detail that she is showing on the academic side.

SPECIAL EDUCATION

I think that many of the things that have bedeviled the schools and are causing constant problems are on this management side. Special education, you could argue, has really gotten to the point where it is because of a lack of management attention for a long, long time.

Senator DURBIN. When you say lack of management attention, are you talking about the quality of the managers or the number of managers or both?

Mayor WILLIAMS. Both.

Senator DURBIN. So in other words, you are going to need better people managing these programs and you may need more of them?

Mayor WILLIAMS. What I would like to do as Mayor—again, I am a strong supporter of Arlene Ackerman; I want to emphasize that over and over again—is to work with our business community, work with our stakeholders, to see that she has the very best management operational support to do her job, because we brought in Arlene Ackerman as an academic officer and that is her forte. So that is not intended as a criticism of her.

You asked me the question. That is my—

CHICAGO PUBLIC SCHOOL SYSTEM

Senator DURBIN. No, I understand your response.

Let me—it is natural for those of us from either Texas or Illinois to be very proud of success stories in our home States. I would suggest to you that we have gone through a renaissance in our Chicago public school system, which has been acknowledged by the President. The Chicago public school system is 95 percent minority, 85 percent poverty. The District may be facing even greater challenges, but the Chicago public school system was rated at one point the worst in the Nation. The expenditure per pupil is \$4,500 per year. Dramatic changes have been made, positive changes.

I hope there are ways that the District of Columbia can learn from our experience and we may learn from the District of Columbia. But progress is being made in some respects.

DRUG PROBLEM

Let me address an issue that is closer to home to at least some of my staffers, and that is the whole question of the drug problem in the District of Columbia. Less than two miles from the Capitol, in the vicinity of 16th and D Streets, Southeast, there has just been an ongoing problem with open air drug markets for years. Residents in the area, fed up with it, have called the police time and time again, organized, brought the police out. There will be a momentary lull in the drug activity, the police show in force, and then leave, and the drugs continue to be sold on street corners.

Just recently one of the leaders, Dennis Dolinger, in that area was murdered in his home. It is believed that it was related to the fact that he had been outspoken and active in fighting drugs in that community.

The people who live there cannot understand this, how they are doing what they are supposed to do in their neighborhood and they call on the District of Columbia to do its part and nothing changes. It just goes from bad to worse.

Could you comment on that, Mayor?

Mayor WILLIAMS. Public safety is a core responsibility of our city. I and I am sure all of our leadership in our city are outraged by what happened over there particularly, but generally by our need to address the situation.

CRIMINAL JUSTICE COORDINATING COMMITTEE

To tell you what we are doing, number one, we are taking our criminal justice coordinating committee, which was originally intended to help essentially resuscitate the police department under what was called a memorandum of agreement, and turn it into a real strategic planning tool, where we can bring together not only our police department, but our U.S. attorney, our prosecutorial force, the probation people, the parole people, so we have a consistent approach to improving criminal justice in our neighborhoods.

DRUG MARKETS IN OUR CITY

Number two, and more immediately and with I think more impact immediately, we are looking this summer to begin a systematic, comprehensive, intensive approach to initially six drug markets in our city. The idea—and we are working on our operations plans right now—is to attack a drug market. As the police take down that drug market, to come in immediately with the other government services, the support of the civic leadership, the small business community, whatever we need to do, to secure the abandoned property, convert that abandoned property back to homeownership, improve the streets, clean up the neighborhood, so that once we have taken the drug market down we have actually done some seeding. We have actually done something to really revive the

neighborhood and keep the drug market out, do six more drug markets and continue to do that until we have made a lasting impact.

We are committed to doing that. We are going to be doing it within another month or so. We are putting an intensive amount of effort and planning into this because I think it can crack this chronic problem that resulted in this tragic, outrageous death.

COLLABORATION BETWEEN POLICE AND PUBLIC WORKS

Mrs. CROPP. Senator Durbin, in addition to what the Mayor just said, I think you will also find that in this budget there will be about—there will be several million dollars that will go towards public works. One of the things that we have found was that in addition to the public safety, there needs to be collaboration between the police department and public works department to deal with nuisance properties, where in many neighborhoods that has been sort of like a haven for the drug market. So while the police would do something on one side, if you had the abandoned housing and the nuisance properties there it did not help the police department.

FUNDS FOR SUBSTANCE ABUSE

Additionally, this budget also has for the first time in many years dollars that will be going toward substance abuse treatment and prevention.

Senator DURBIN. Well, let me add that that is one of the other points that was made. The waiting list for drug treatment in the District of Columbia is enormous.

I take it from your testimony that you are suggesting—let me just ask you point blank: Do you need more police to make the District of Columbia safer?

3,800 POLICE FORCE

Mayor WILLIAMS. We have 3,800 police. In addition, we have police from the other services here in our city. That per capita makes us—and that is not even counting the other forces—that makes us the highest per capita in the country, I believe. I believe the 3,800 we are authorized, and we are committed in our financial plan to get you that 3,800, gives us what we need. We just have to use it aggressively. We need to step up the effort, which we are in the process of doing.

But as I am saying and as the Council Chair is saying, we need to strongly relate it to what we are doing elsewhere in the neighborhoods.

CONVERTING ABANDONED NUISANCE PROPERTIES

We said as part of our 6-month agenda that we would convert 100 units of housing, abandoned nuisance properties, often they are crack houses, into homeownership. We got bids from a number of firms to convert 300 units of abandoned housing. That is how strong the market is. So we are in an ideal position to convert these nuisance properties into viable, productive uses for the neighborhoods.

Senator DURBIN. That will cost money.

Mayor WILLIAMS. Pardon me?

Senator DURBIN. That will cost money.

Mayor WILLIAMS. Well, no. This is the private market looking to do this. So it is minimizing the cost to government, so that is a good thing.

\$27 MILLION FOR DRUG TREATMENT AND PREVENTION

Second, we spend \$27 million on drug treatment and prevention in this budget. It is not expressed necessarily in the numbers, but in this budget we are looking to retool and focus our management of our drug treatment and prevention to get better mileage, so that we are getting more impact for our \$27 million.

HALFWAY HOUSES

Senator DURBIN. Let me ask you about the halfway houses, where 60 percent of the 376 District inmates recorded as walk-aways from halfway houses during a recent 3-month period were waiting for trial. This is a chronic problem. It goes back. I can see that it was noted during the administration of Mayor Kelly and even before that.

What is the problem there? Why do you have people who are scheduled to go to trial for serious offenses who literally walk away?

Mayor WILLIAMS. We have not had the management, have not had the oversight, have not had the accountability—the usual—I sound like a broken record, or maybe a broken CD, I guess, more modern.

But a couple of things. One is we brought from your State, Senator, Odie Washington, who was the head of corrections in that State and is nationally recognized as a real leader in corrections. We brought him here to our city. He is now heading up corrections in our city, and he is looking to police to tighten up that effort with our halfway houses.

CONTRACTORS

Number two, we did this with mental health, but I think the analogy applies here. With the support of the Council, we are strengthening our laws that would allow our government to go in and close down operators who are not meeting their expectations and their responsibilities. So if you are an operator and you are doing a home for the mentally disabled, or if you are doing a halfway house, or you are doing any number of different things under contract with this government and you are not doing your job, we are going to close you down.

CRIMINAL JUSTICE COORDINATING COUNCIL

Mrs. CROPP. Senator, the criminal justice coordinating council that the Mayor talked about earlier is putting an awful lot of focus in that area. You are having the corrections department, as the Mayor stated. You are also having the courts working with the executive branch, the Authority, and with the Council. By July you will probably see a set of new legislation that will come out that will in fact address that issue.

LOSING FEDERAL GRANTS

Senator DURBIN. There was a story in March of this year in the Washington Post about the District of Columbia losing over \$22 million in Federal grants for a variety of different programs related to hospitals and education and children, suggesting that because of poor management the District of Columbia was not even receiving the money from the Federal Government that it could have been eligible for, and to the detriment, of course, of those who would have been served, the children and those in hospitals and the like.

Mayor, again, what was the reason for that?

Mayor WILLIAMS. Well, I think we had a whole spectrum of problems, Senator. The money that we received from the Federal Government in years past sometimes was not spent as rapidly as it could have been spent. We would have lapsed funds at the end of a year because the money was not spent. It was a problem of—there were financial problems. There was a problem of the financial relation with managers. We had problems in that we have not historically been very, very competitive in seeking out new grants.

PROBLEM WITH SUPPLY LINE

I think there are two fundamental problems. One is a problem with what we call the supply line. We have a weekly meeting now, supply line meeting with our agencies, and we ask our agencies, are you having a problem with personnel or finance or procurement or property or any of these cross-cutting functions that are getting in the way of your doing your job? And if you do, we want to remove those barriers.

It is the same thing we are doing with the private sector in business investment. If there is a barrier in your way to business investment, we want to move it.

INCENTIVES TO MANAGERS AND PROGRAM PEOPLE

But the second problem, I think, is a more chronic problem, and that is that we have not in the past really given incentives to our managers and our program people to go out there and do the best job. This Congress has called for performance management. It has called for a management report. In this budget and otherwise, we are giving our managers incentives now to go out there, get their program in the ground in the most rapid time possible, as cost effectively as possible.

If we give them those incentives, the same way incentives are given to managers across the country, they are going to be beating down the doors of the Federal Government to get those grants because they have a reason to do it.

Senator DURBIN. I hope they do.

QUALITY OF CARE FOR CHILDREN

Let me say, I am going to conclude this round of questioning and I have some more. But let me just tell you, after I go through this list which we have just talked about—the quality of care for children in the District of Columbia, the quality of schools, the amount of drug crime, where neighborhoods have literally been taken over by drug gangs despite the best efforts of the residents of those

neighborhoods, halfway houses where people who are scheduled for trial just walk out the door with little or no accountability, the lack of the District of Columbia to even apply successfully for Federal grants which could help try to solve some of these problems—I am—I am going to try to temper my language here. Let me say I am startled by the suggestion of a tax cut for the District of Columbia.

TAX CUT

I am startled by the suggestion of a \$59 million tax cut for the residents of the District of Columbia, and let me tell you why. I do not believe that there is a resident in the District of Columbia—and I calculated how much the tax cut is for an average person, \$200, \$300—who would trade better schools, who would trade safe neighborhoods, who would trade halfway houses that were being well managed, for \$300.

The thought that you are going to attract people back into the District of Columbia to live with a tax cut while these things are going on is naive. It is naive to suggest that this is going to create economic growth and development in this town.

QUALITY OF LIFE

For goodness sakes, \$200 or \$300. As a politician, I would love to announce that to every resident of my State, to everybody in the United States. There would be great applause. But then people would have a legitimate question: Is it safe to live in this town? Are the schools worth attending? Are there rats running all over the sidewalks and streets?

I mean, these are basic questions, quality of life questions, which really raise in my mind the wisdom of a tax cut at this point, not to mention the fact that the tax cut is coming by large measure from Federal contributions back to the District of Columbia.

So I have to tell you I am troubled by this idea. I do not understand where this came from. I know it is a so-called “consensus” idea. I do not think it is a good idea, and I frankly would like to see better results in terms of the basics in the quality of life in the District of Columbia before we declare a dividend. I think it is time to meet the basic obligations to the city before we start giving away tax cuts.

I yield, and I have some more questions.

Senator HUTCHISON. I am going to follow up with a couple questions on schools, and then I have another couple of areas also.

SPECIAL EDUCATION

Last year’s omnibus appropriations bill included \$30 million in emergency supplemental spending for the District’s special education costs, and yet, despite that, a U.S. district judge recently issued a judgment against the District Government for the failures of the special education program.

Could you tell me where the \$30 million went and why this issue of special education still does not seem to be on the road to improvement, as we are seeing in some of the other areas, and perhaps what are the plans for improving it?

Mayor WILLIAMS. Well, in special education, I think the general plan for improving special education is again, it is better management. The Council, I think in conjunction with the Authority, is going to be holding a set of hearings on special education, producing a set of findings and recommendations to begin putting in short-term, medium, and long-term steps to improve the management of special education.

I am not responsible for the management of special education. I am not trying to shirk responsibility, but—

Mrs. CROPP. Senator, when we looked at the budget last year, one of the greatest problems happened to have come from the whole special education area. It was very clear that we needed to put together a group of us from the school system, the Mayor, the Council, the Authority, to look at the special education issue and try to get a handle on it from all aspects.

SPECIAL COMMITTEE FOR SPECIAL EDUCATION

The Council has recently established a special committee to review the special education issue and problem within the school system. We have even sought outside help and support as we look at this issue. We will be doing this in conjunction also with the executive branch and the school system.

It is very clear to us that if we are going to get a handle on the problems of the school system, if we look at where our costs have been increasing geometrically in the school system, it has been in the arena of special education, that we need to deal with that area, and we plan on doing that.

We want to also look at ways in special education where we spend a large amount of money in sending many of our students outside of the District of Columbia. We would like to be able to bring our students back in the District of Columbia, but that would also mean that we need to provide the appropriate services to meet their needs. So that is an area where we understand that there is need for great focus. In the school system it probably needs the greatest amount of attention, and you will see us looking at that in the very near future.

CHARTER SCHOOLS

Senator HUTCHISON. Thank you.

The area of charter schools seems to be one that is growing and giving good alternatives for the school system in the District, and in fact it may be the best ray of hope there is for the education system in the District. But the budget this year I think has \$27.8 million and, while the budget for public schools is based on one enrollment formula, charter schools have a different one. I think the number of students signing up for charter schools has exceeded the original estimate.

So I would like to hear either from Dr. Mans or any of you who could speak to whether you think the funding for charter schools is sufficient. Are you putting enough emphasis, and do you also consider that this is a good sign for the future, that they are being oversubscribed?

Mrs. CROPP. Yesterday the Council in the Budget Support Act looked at the issue of charter schools and again it was part of the

consensus budget. We are not certain what the enrollment for the charter schools will be next year, but it is very clear that it probably will be more than what had initially been budgeted.

SCHOOLS MONEY IN ESCROW

In an effort to try to compensate and make sure that we have the dollars there as needed, and also that the dollars would be able to follow the children, we all agreed that we would hold 5 percent of the school system's money in escrow—comes to almost \$30 million in doing that—and then we will look at the school figures, the enrollment figures for the charter schools, and also the D.C. public schools in late September, early October to make a determination.

If you look at schools, not only here in the District but also throughout the country, frequently you have no idea of where the actual—what the actual enrollment is until after the children get there, and usually there is an adjustment. We hope to do that adjustment at this time.

We also see that there will be a need for us to go back and look at the formula and look at some of the other rules that we had established with regard to charter schools, and we are going to have to be flexible enough to make adjustments. What they will be at this point, we are not certain. But we have set up a process by which we can assure that the dollars will follow the children, and by putting the dollars in escrow it will certainly help that.

COMPETITION BETWEEN CHARTER AND PUBLIC SCHOOLS

Senator HUTCHISON. Are you pleased with the general charter school increases in enrollment and their productivity?

Mrs. CROPP. I have mixed feelings. You are talking to an old educator here. I tend to think that public education has been the equalizing force in our society to a great extent. There is no doubt, however, that it has not been functioning in the way that it should. Something needs to happen, and frequently competition helps to make something work better and charter schools will be that competing force, I guess, for our public schools, to challenge them and help them to work better.

I think we need to be vigilant, however, on two things. There are many charter schools. Some of the charter schools are working extremely well. I have seen some wonderful programs in some of our charter schools. I do think, however, we need to make sure that while we are creating charter schools that we do not, through a backdoor approach, do great harm to public education. I think we have to watch that and see the impact that it will have on public education in the long run.

Dr. MANS. I guess I would just add by saying the experience has indeed been mixed. Some have done very well, some have not done well. Parents have voted with their feet because they are looking for an alternative. Some of the schools have been able to meet that challenge.

But we should all recognize that in many cases they are educating the same population that we have in the public schools, the same disproportionate share of children who come from impoverished backgrounds, who do not have the family support that they

need in order to succeed academically, so it is a challenge for them both. So it is not surprising that it is mixed.

Senator HUTCHISON. Well, I certainly think that the competition has increased the awareness that we need to address public education. I am a total product of public education myself. I believe in it. I think it is the equalizer for America, and I think charter schools add to the mix rather than subtracting from it. So I hope that you will not in any way stifle the charter schools. I think parents are voting with their feet, and they are getting services that they have been looking for. So I do believe that they are an addition.

PAY RAISES FOR COUNCIL MEMBERS

The budget approves a pay increase for the members of the Council, a 15 percent pay raise to \$92,500. Your position is full time and it is a 13 percent increase, but the Council is part-time. I would just ask you how you would justify a 15 percent increase to \$92,500 for part-time Council members who are able to work outside the Council? And then 13 percent for you, though you are full time, I think is in a little different category, but it is still rather high compared to other government employees that would be the norm.

Could you explain that, what the thinking was and if you think that is in the right proportion?

Mrs. CROPP. Surely. The Council salary, as you may be well aware, was tied to the Chairman's salary, that is tied to the highest paid executive. And when the highest paid executives over the past several years have received—have gone somewhat out of the box with regard to pay increases—for a long time pay, salary levels have been stifled. They have been at the same level. They have been capped, and for a number of years they have not increased.

Over the past several years, for many reasons the pay levels of the executives have increased. By a law that has been in effect for a long time, the Council Chair's salary was tied to the highest paid cabinet individual. If we looked at that by just who the highest paid cabinet individual would be, then the Council Chair salary would have gone up to possibly \$150,000. That obviously would be quite ridiculous.

We looked at the law and decided it was time for us to make a change because our executives do need to have a higher pay scale. They need to be competitive with surrounding jurisdictions. I think our police chief and many of the other individuals should have that higher salary level. The Council raised the Mayor's salary last year higher than the 13 or the 15 percent. We believe that that was indeed appropriate.

But we also felt that it was time for us to change the law so that the Council Chair's salary would not be tied to the highest paid executive. We put in a new law that is part of this budget, that would decouple the Council Chair's salary, so that it would limit it—it would no longer be tied to the highest paid cabinet person. It set it at a particular salary level, and it also stated that we would have to then come back in the future and vote.

COUNCIL CHAIR NO OUTSIDE EMPLOYMENT

So I think what you will see that has happened is we followed the law as it existed. By congressional law, the Chair is not allowed to have any outside employment.

But I would also like to say that Council members, even though they are considered part-time, I am not certain if you could really say that it is part-time. They put in an awful lot of hours. Certainly, prior to becoming the Chair I did not have outside employment as a Council member. I looked at the number of hours—it is somewhat 7 days a week, almost 24 hours. You are always working, you are always doing something, and you are always on call.

Senator HUTCHISON. Well, let me just follow up. In 1997 there was a pay increase, the Chairman to \$90,000, the Council members to \$80,000. Then this year that would go up to the Chair at \$102,000 and the members, the Council members, to \$92,000. So the Council members, who are part-time and can have outside employment besides Council, would be moving from \$80,000 to \$92,500.

Mrs. CROPP. That is correct.

Senator HUTCHISON. Do you think that is supportable for part time?

HOURS OF COUNCIL MEMBERS

Mrs. CROPP. Yes, it is. Yes, it is. I have to say, Senator, it says that they can have outside employment, but, as I said, I think that you will see that the Council members put in long hours.

Senator HUTCHISON. Do you think you should take away the ability to have outside employment at a level of \$92,000?

Mrs. CROPP. That has been an issue that has been debated quite frequently. I have seen—I have looked at Council members who have had outside employment. I have not seen where their outside employment has stifled their productivity.

WORK PRODUCT OF COUNCIL

Over the past 2 years, during the period where I have been Chair, because of the control years it has been somewhat of a different atmosphere. We have had to have an awful lot of meetings. I think our meetings have increased. If you look at the work product of the Council, I believe—and I would like to present these statistics to you—I think you will see that the work product of the Council has increased significantly, the number of hearings that we have, oversight hearings that we have, the number of meetings that we attend.

I have not seen where for those who have outside employment, where it has hindered them. As Chair, I have had the responsibility of calling quite a few meetings, sometimes unscheduled meetings. I am happy to say that the Herculean share of my colleagues are in attendance at those meetings and making decisions.

If I saw where outside employment were harmful, where they did not meet their responsibilities, where they did not attend meetings, then I think I would be the first one. But I have not seen that, and I have called an awful lot of meetings, sometimes too many.

The Council is scheduled, for example, to go on recess usually during August. Since I have been on the Council we have not been able to do that. Folks have worked straight through many of the recess periods. I hope we can do one this year, however. We have worked through.

So if you are looking at it in terms of Council members not being able to perform their duties by having outside employment, I would suspect that their Council responsibilities have been a priority and they have been first. And I can submit to you some of the information that will show you the number of hearings, the number of meetings that individuals have attended. They must be extremely exhausted individuals in order to accomplish all of this, but I have not seen where it has had a negative impact on them.

Senator HUTCHISON. I do understand the hard work, and I sympathize with that. I do have some concern about the amount of the increases, for the part-time people especially. I think 15 percent at a time when other salary increases in the Federal Government are in the 3 to 4 percent range, 5 percent maybe, seems a bit much. I would hope that you would keep that in mind, and certainly we will as well.

Senator Durbin.

DEBT RESTRUCTURING

Senator DURBIN. Yes, I would like to ask about the debt restructuring. Mayor, is this your field or Dr. Mans'?

Mayor WILLIAMS. It is kind of our joint field.

Senator DURBIN. Pardon me?

Mayor WILLIAMS. It is our joint area.

Senator DURBIN. Okay. Do I understand—I am looking at page I-18, I guess it is. If I understand this correctly—first, what is the indebtedness of the District of Columbia? Is there any figure that we can point to?

Dr. MANS. \$3.5 billion.

Senator DURBIN. \$3.5 billion, okay. If I read this debt restructuring paragraph correctly, it says, "The fiscal year 2000 appropriation request for repayment of loans and interest is \$328.4 million, which is a decrease of about \$53.7 million from the fiscal year 1999 approved budget." And you go on to say that this is a result of the restructuring of the debt, that "This entails refunding certain outstanding bonds by issuing new bonds that mature at later dates. This has the effect of reducing the District's debt service expenditures"—this is the key sentence, "This has the effect of reducing the District's debt service expenditures over the next several years and increasing such expenditures in future years." Is that correct?

Dr. MANS. Yes.

Senator DURBIN. So let me see if I can get an analogy that works here. If I have a 15-year term mortgage on my home with a high payment that is reducing the principal because it is a 15-year term, and I decide that I do not want to make that kind of payment, I can then go for a 30-year mortgage and have a longer term, spread it out, and not reduce the principal as much. So my monthly payment is going to go down, but I am going to trade off the paydown of the principal in the process.

SHIFTING OF PROFILE

Is that analogous to what is happening with these bonds?

Dr. MANS. There are several things that are happening in the debt management strategy that is implicit in this. There is refinancing of the type that you have described. There is also restructuring of the debt. But never during this process will the total amount of debt service that has to be paid increase. We are just shifting the profile. And to show that, in fact there are net present value savings.

Senator DURBIN. Dr. Mans, I have got to stop you there because then this sentence is wrong. If it is wrong, let us get it straight.

Dr. MANS. Can you say what page it is again?

Senator DURBIN. I-18, "This has the effect of reducing the District's debt service expenditures over the next several years and increasing such expenditures in future years."

Senator HUTCHISON. Yes, correct.

Mayor WILLIAMS. That is true.

Senator DURBIN. All right.

Mayor WILLIAMS. We have a mountain of debt, Senator, and what we are doing is shaving off the top of the mountain and spreading it into the out years.

Senator DURBIN. It is right before the section on financial plan over here on debt restructuring, I-18. Well, and it looks like the savings for this year is, according to this statement, about \$53.7 million, coincidentally very close to the \$59 million tax cut. Was there some kind of a linkage there?

TAX CUT FOR SMALL BUSINESS

Mayor WILLIAMS. The original linkage in my budget was to say that we were going to invest the savings in a tax reduction program, focused tax reduction program on small business, and we have now—on small business in our neighborhoods, because my belief was that small businesses were most susceptible to a small amount of tax relief. These are small businesses under \$3 million. They are 60 percent of your economy. They are in our neighborhoods and the areas we are talking about. It was affordable.

PRODUCTIVITY SAVINGS AND ECONOMIES

We have now extended that, built on that small business tax program, into individual tax relief. In the out years it is paid for by productivity savings and economies in other areas, so it is not paid for solely by debt restructuring in the out years.

Senator DURBIN. It would be an interesting thing to explore, productivity savings and other savings.

Senator HUTCHISON. If I could just interrupt, though, that is actually in the testimony of the Control Board, that the payment for the tax reductions is the restructuring.

Mayor WILLIAMS. In the first year.

Senator DURBIN. I think this is interesting as well. The point I made earlier about a \$100 or \$200 tax cut in a city where we have such fundamental problems seems like a very difficult thing to justify. I do not think people are going to buy back into the District of Columbia for \$100 or \$200 when it faces such basic problems.

REFINANCING/RESTRUCTURED DEBT

Then when we find out that the source of this money, as Senator Hutchison has said, is because you have taken the debt of the District of Columbia, and admittedly you have refinanced it, perhaps gotten some better terms, but you have also restructured it so that you are reducing current payments in anticipation of raising those payments later on, this does not sound like good management from where I am sitting.

I mean, for us to suggest we are going to give a tax cut because we are going to have a momentary or a few years of reduced payments on the debt, when we know full well down the line that there is going to be a substantial increase in payment according to what is right here in your budget—

Mayor WILLIAMS. Could I, Senator, just a couple things? I would really urge the committee in general and you in particular to decouple the debt restructuring from the tax reduction.

Senator DURBIN. Well, that is not what the Control Board said.

FRONT LOADED DEBT

Mayor WILLIAMS. I know it is paid for, but let us assume that—let us assume that tax restructuring is not happening—reduction is not happening; just talk about debt restructuring. I believe that on its own terms the debt restructuring is a good thing for our city because we have hugely, almost grotesquely, front-loaded debt in this city.

Senator DURBIN. Absolutely. Mayor, I do not argue with that. I do not argue with that at all. If you were coming to me and saying, and listen, we are going to take the savings, the \$53.7 million, we are going to do something about D.C. schools, we are going to do something about D.C. crime, we are going to do something about halfway houses where people just walk out the doors, we are going to hire people who are literally going to bring more Federal money back into the District because we have been losing right and left, we are going to make this a safer, cleaner city, make the streets better, I would say to you: Mayor, you are on the right track.

QUALITY OF LIFE/TAX CUT

You want to get people to live in the District of Columbia? Talk about quality of life, do not talk about a \$200 tax cut. That is the part where you lose me.

Mayor WILLIAMS. On the second part, Senator, over the summer for 6 months I talked to people about a cleaner, more customer-friendly, business-friendly city, and I heard what people's priorities were. Clearly, they want this government to work for people. That is what is on their mind, and we are committed to do that.

IMPROVEMENT IN CITY SERVICES

The management report that we have provided to Congress I think is going to give you a way to see that, in halfway houses, grants management, the drug markets, the rats on the streets, that where we sit right now, where we sit 6 months from now, where we sit a year from now, I guarantee you there will be marked improvement in every single one of these areas.

On the tax reduction, I fought the good fight on the tax reduction within the city. But I believe that we have come with a consensus budget that represents a consensus of our leadership. I believe that it is fiscally responsible. Does it give me all the room I would like? No. But does it give our managers enough room to make marked progress in the areas that are absolutely important to you and me? I believe that it does, and I would urge you to respect the consensus.

SO-CALLED CONSENSUS

Senator DURBIN. Mayor, your impulse, your initial impulse, I think was the right one. You were overcome by the City Council. They wanted to go ahead with this tax cut and it ended up being a so-called consensus. But from where I am sitting, I cannot understand the logic behind this.

Mrs. Cropp.

Mrs. CROPP. Let me just say that I do not think you can take the tax cut in isolation. The tax cut is part of the budget, and when you look at what the whole picture looks like that is what will make the city better. Yes, the tax cut is part of it.

WILL TAX CUT MAKE A DIFFERENCE

Because we did the tax cut will we see a difference tomorrow? I doubt that very seriously. But we need to look at approaches and ways in which we can help our economy to grow, to expand our tax base, which means more than just the tax cut. That is one part of it. But when you look at the entire budget, there are other things that you have talked about that the Council said was needed in addition to the tax cut.

That is why there was also talk about the nuisance properties, the things that we needed to do to make a very strong neighborhood, that had to be added with it. That is why there was talk about the need for substance abuse and treatment programs, because when you look at the problems in the city with public safety, when you look at problems with the city with children going into foster care, substance abuse, problems touch upon all of that.

So we did not take one issue and say this is going to be the panacea, this is going to be what will solve the problem. But when you look at the entire budget and you put everything together, and we looked at ways and approaches that we can take to expand our tax base—and we are going to have to do that.

When we talked to the financial experts, they suggested that this may be a good approach for us to take.

Senator DURBIN. They may be right. I disagree with them. I respectfully disagree with them. A \$5 billion D.C. budget, \$1.86 billion coming out of the Federal treasury, and you are saying we are going to take \$59 million of that right this year and give it away, we do not need it, we cannot think of a place to spend it, we would rather create a good mood about the feeling in the District of Columbia.

PROBLEMS IN DISTRICT

I do not think this is about creating a good mood about the future of the District of Columbia. I think this is about solving problems that are very real and very graphic, problems where the Casey Foundation says kids in this District of Columbia are in worse shape than almost anywhere in America, school problems that are very real and very graphic, drug problems on the street, crime in the District of Columbia.

All these things are very real and you are saying: Do not worry, be happy; \$59 million in tax cuts; we can do it all. We can do it all; we can solve the problems and give away the money. I do not buy it.

INVESTMENT IN CITY

Mrs. CROPP. I do not think that is what we are saying. We are saying it is an investment in the city, in conjunction, and when you add to it all of those other things that you are talking about—the nuisance property, the substance abuse treatment programs, looking at public safety issues—that you put it all together.

Senator DURBIN. Thank you.

Senator HUTCHISON. Dr. Mans.

TAX STRUCTURE

Dr. MANS. Just to say a few words about this. It is not an either-or proposition. There have been extensive studies going back for many years that show very clearly statistically that our tax structure is associated with the loss of jobs in the District of Columbia. Look at our real property tax. We are way out of line with neighboring jurisdictions. Look at effective tax rates on individual citizens in this town—way out of line with neighboring jurisdictions.

So we need to address this problem. Just one simple change that has been made on the first-time home buyer's credit and we see what the response has been. We know that it will have an effect on economic growth. So it is an investment.

CRIME IS DOWN

But you cannot do that without addressing the fundamental service delivery issues that you have rightly raised. The Mayor has explained the efforts, the determination that they have to address that agenda. Crime is down. We know that is part of a national trend, but it is down in the city. Much more needs to be done. This budget includes hiring more police officers to get them out in the street.

FUNDAMENTAL ISSUE IS MANAGEMENT

But it is not a question of money. I think that is clear in a number of these examples that you have raised, that the fundamental issue is management, having accountability, having people focused on clear goals and holding them to it. It is not just a question of throwing more money at the problem. We have been down that road and we know we have not gotten the mileage we need.

The missing piece is what the Mayor has described as part of his vision for moving this government. We have to do both.

Senator HUTCHISON. I have a couple of other questions and then we will be finished, and I do appreciate the enormous amount of time you are giving us this morning. But I think these are important issues.

RECEIVERSHIPS

The next question I have is on the receiverships. As you know, there are still three areas of government in receivership: Child and Family Services Agency, Commission on Mental Health Services, and Corrections Medical receivers. I certainly think in your own testimony you have said, Mayor, that the District's human services network has become so mismanaged that one-third of the agencies have gone into receivership.

My simple question is what is the status of your plan to get those other three agencies out of receivership, and when do you expect the District to be able to regain control of those functions? What are your plans?

Mayor WILLIAMS. What we did during our transition is we had a group of attorneys from the private sector representing a range of different interests get together. They talked to the different receivers, they talked to the different judges involved, and they tried to give us an inventory of where we stood with the different receiverships.

HOUSING RECEIVERSHIP

Frankly, they run along a spectrum. For example, the housing receivership, where David Gilmore, I think, has done a brilliant job, will shortly be coming back to the District, and we are working with him and working with our leadership to see the best way to ensure that, yes, we get an integration of what public housing is doing with our overall economic development, but that it remains depoliticized and performance-based and professional.

MENTAL HEALTH RECEIVER

On the other end of the spectrum, Madame Chair, you have the mental health receiver, where frankly our discussions with the folks involved with the receiver, it looks like that receivership may go on another 2 to 3 years. But during that time we want to see that his efforts are integrated into our broader health policy efforts that I talked about a little while ago, and too—and this is very, very important I think for the Congress to understand—that somehow or another we are reconciling our receiverships and their ambitions and their dreams with our overall budget, because frankly I think sometimes our receivers do not see themselves as part of the District's global budget and believe that they have some kind of entitlement to spend what they like and basically they send us the bill.

ESTABLISHMENT OF PUBLIC LAW 104-8

I am not sure it is supposed to work that way. When the Congress established Public Law 104-8 and established the Financial Authority and the CFO, essentially they were applying increased

oversight over both the District's finances and its management recovery.

To, under that aegis, say that these receiverships are stand-alone entities that really are not accountable to anyone but a judge seems to fly in the face of that basic structure, framework, and concept. I think if we are going to be on a recovery program, everybody ought to be linked up and pulling in the same way.

Senator HUTCHISON. Is there any way you can work with them, even though the lines are clearly drawn, to have more input into efficiencies? Clearly they are in receivership because they are a mess, but if you are saying that the answer is not for receivers to have no accountability, is there a way you can work that to get more input?

MEMORANDUM OF AGREEMENT WITH RECEIVERSHIPS

Mayor WILLIAMS. Well, again we have had these discussions from before the beginning of my administration. We have tried to sign memorandums of agreement with the different receivers and under the terms of these agreements set ourselves on a time line and bring them back into regular responsibility of the District Government. And then there is this general effort to see that they are working reasonably within our overall budget framework.

FOSTER CARE RECEIVERSHIP

Most of them want to do that. We have had some problems with the foster care receivership, but I am hoping we can iron them out.

Senator HUTCHISON. All right. That is an area I would like to have a continuing report on.

Mayor WILLIAMS. Okay, absolutely.

DEATH PENALTY FOR KILLING POLICEMEN

Senator HUTCHISON. The last question I have is on the issue of public safety. I think Senator Durbin pointed out many of the problems. As you all know, I sponsored a bill last session that would give the death penalty for killing policemen in the District. Every surrounding district, including the Capitol Police, have that law. It was not a mandate, but it did allow the option for juries in the District to give the death penalty to anyone who would kill a policeman, as Brian Gibson, for whom I named the law, was killed. That is, someone walked up to him in a police car and shot him in the head.

I want to have the harshest of all penalties for someone who would do that, as a disincentive. So I would just ask you if there is any view on the Council to continue to look at that issue? I know you voted against it. You were not there, but the Council voted against it last year. I would just like to ask if you see a disparity there for all the other policemen to have that protection throughout Virginia, Maryland, the Capitol Police, all Federal law enforcement agents, but not District police, and if there is any view to re-addressing that issue?

CAPITAL PUNISHMENT/DETERRENT

Mrs. CROPP. Well, I must say, Senator, that you probably have two or three members on the Council who probably share your belief strongly, and because of that I would suspect that we will revisit the issue at some point. However, I think the overall feeling is that capital punishment has not necessarily shown to be a deterrent in the views of many, and that the approach would be to look at a sentence of life without any possibility of parole, of ever coming out, is where the Council has somewhat ended up.

Let me end by saying I do believe that it will be revisited. I have heard a couple of my colleagues say that they would like to look at that issue again. So I would not think it is a dead issue. I think the debate will go on. In all candor, I do not necessarily see at this point the Council making any big change. I do not see the sentiment going against what the earlier decision has been. But I think that the debate will continue.

Senator HUTCHISON. Mayor, do you have any addition?

Mayor WILLIAMS. I believe we should have this debate. I think it is a healthy debate. I believe that we need to do a better job in rehabilitation. I believe we need to do a better job in prevention. I talked about where we are with our children.

But I do believe that retribution has a role in our society. I think it is a debate we should have, and I think a healthy democracy will come to the right conclusion.

Senator HUTCHISON. Did you have any further questions?

Senator DURBIN. No.

Senator HUTCHISON. I will close the hearing by saying, of course, I disagree with you on that issue, but you know that. I hope you will come to a different decision. That is my preference.

BUDGET BALANCED AND GOOD

But in the main, I want to make it clear that I think overall the budget is balanced and good. I do support tax cuts as an incentive to bring more people back into the District. The District income taxes are higher than both Virginia and Maryland. I certainly think it is a business incentive and I think it is high time that there be more commercial activity in the District, more business investment, and I think the tax cuts will be an incentive for that. So I do support those.

DEBT PER CAPITA

My areas of concern with which I hope to work together concern the amount of debt per capita in the District I think is high. I am concerned that the restructuring of the debt be very, very carefully done. The tax cuts are related to the restructuring of the debt. I do not disagree that restructuring is a good thing, but I think the amount just flat needs to be lower, and I think we should work toward that.

RESERVE

I think the amount of reserves should be higher than the normal city, just because we are still working out of a lot of holes. But I think perhaps we could do something with the \$150 million re-

serves that relates to paying down debt and also giving you a little more leeway to spend for the things that Senator Durbin has discussed and your infrastructure needs as well.

So I think in the main we are on the right track. I certainly think that as a resident of the District also, I have seen improvement and I want to continue to see that. I am, I hasten to add, a part-time resident of the District because of course my full time home is my State.

D.C. BEACON FOR AMERICA

But I think that I look at our District as something much bigger than my part-time residence. It should be the beacon for America as the very best that we have. I think that the buildings in this city that were built by our predecessors rank with any in the world, and I want to make sure that the whole city is the best that America has for every American that is a taxpayer that comes to visit—this is their capital—for every foreign visitor to see the best that we are. It should be the example.

So I am going to work with you to make sure that that is the case, and I know that is our mutual goal. And I thank you.

ADDITIONAL COMMITTEE QUESTIONS

Before recessing, let me say that the record will remain open until 5 o'clock today for any additional testimony or responses that you might wish to add or any member might wish to include.

Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the Departments for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO MAYOR ANTHONY WILLIAMS

QUESTIONS SUBMITTED BY SENATOR DURBIN

Question. Federal appropriations to the District of Columbia for fiscal year 1999 included more than 20 individual Federal payments for specific projects which are non-recurring in the fiscal year 2000 budget. This, in large measure, accounts for the decrease in Federal funds from \$621.839 million in fiscal year 1999 to \$393.740 million in fiscal year 2000.

Some of these special projects are very important to the city. For example, the fiscal year 1999 appropriations bill included: \$25 million for Metrorail improvements and expansion; \$25 million for a Federal payment for management reform; \$15.6 million for a Federal payment for public education; \$7.1 million for a Federal payment for Boys Town, U.S.A.; \$18.8 million for the Nation's Capital Infrastructure Fund; \$7 million for an environmental study and related activities at the Lorton Correctional Complex; \$25 million for a National Capital Revitalization Corporation; \$30 million for a public schools special education program; \$20 million for year 2000 compliance.

The fiscal year 1999 appropriations bill included a number of additional payments for special projects. Mayor Williams, would you care to comment generally on how the District Government is proceeding to implement these special projects? After your comment in general, would you provide for the record a list of the projects and a schedule for implementation, including significant milestone events leading to full completion of each of the projects.

Answer. The District Government is moving aggressively to implement these projects in accordance with the funding availability timelines set by the Congress. Attached you will find a list of projects and their progress to date in utilizing these funds for project implementation. For projects not yet completed, completion targets are provided.

Question. In fiscal year 1994, the District Government ran a deficit of \$335 million, leading to the fiscal crisis. This led to the establishment of the Control Board, and with the strong emphasis on fiscal responsibility—which you helped achieve in your previous role as the District’s Chief Financial Officer—the city ended fiscal year 1997 with a surplus of \$185 million, the first since 1993.

In fiscal year 1998, the District achieved a surplus of \$445 million and eliminated the accumulated deficit of \$332 million. This left a year-end balance of \$112 million for fiscal year 1998. This year-end fund balance is projected to grow to \$282 million by the end of fiscal year 1999, which is about 6 percent of the gross budget. This fund balance is expected to continue at \$282 million for fiscal year 2000, and remain at about that level through fiscal year 2003.

During the same period—fiscal year 2000 through fiscal year 2003—the District is proposing to enact tax relief which will diminish revenue by \$58.95 million in fiscal year 2000 and \$225.966 million by fiscal year 2003.

In view of the serious financial difficulties from which the District Government has only recently extricated itself, how confident are you that the District Government will not lapse back into the financial difficulties which it experienced earlier in the decade?

I would like to hear from the Chairman of the D.C. City Council and the representative of the Control Board after the Mayor.

What I am getting at is, how do I respond to my constituents in Illinois what could argue: The District Government has barely gotten itself back on its feet financially, and now it gives a big tax break. What is to keep the District Government from lapsing back into deficits at the first sign of an economic downturn? Big deficits and irresponsible finances will require another Federal Government bailout, with its costs being borne by the taxpayers around the country. Meanwhile, the District taxpayers will continue to enjoy the tax breaks. What kind of safeguards do you have in place to assure such a scenario cannot take place?

And by the way, please place in the record some statistics so I can be aware of who will get the tax breaks. Will it be the average family? Will it be the poorest families? Or will the well-to-do receive most of the benefit?

Answer. There is great confidence that the District will not repeat the mistakes that created the financial crisis over the past decade. A new era of financial discipline has begun, where services will be improved, tax burdens will be lightened, and at the same time, the District’s financial health will be preserved as a primary priority. In full cooperation with the Chief Financial Officer, the Mayor’s office will ensure that fiscal responsibility and discipline remain the order of the day.

The Tax Parity Act will benefit residents and businesses at all income levels. With regard to the individual income tax rate, for example, this act will reduce the tax rate for individuals making under \$10,000 per year from 6 percent to 4 percent. For individuals making \$10,000 to \$20,000, the rate will be reduced from 8 percent to 6 percent. The threshold for taxation in the top tax bracket will be raised from \$20,000 to \$40,000, and for those in this bracket, the rate will be reduced from 9.5 percent to 8.5 percent.

In addition, the Tax Parity Act includes rate reductions in commercial and rental real property tax rates and in the franchise tax rates. Personal property depreciation rates are accelerated and a threshold is introduced for payment of the personal property tax. Other provisions include elimination of the Arena Fee for those businesses with less than \$2 million in District gross receipts, elimination of net operating loss carry-back and provision of a District-specific net operating loss provision and elimination of the sales tax on Internet access.

The tables below provide more detail concerning the revenue impact of the proposal by year and the projected phase-in schedule for the tax rate reductions.

TAX PARITY ACT OF 1999

Tax Type/ Proposal	Effective Date	Current Rate	FY2000 Rate	FY2001 Rate	FY2002 Rate	FY2003 Rate	FY2004 Rate
Personal Property:							
Threshold Of \$50 K In value	July 1, 2000	All property taxable	\$50K value Threshold	\$50 K value Threshold	\$50 K value Threshold	\$50 K value Threshold	\$50 K value Threshold
Accelerate Depreciation	July 1, 2000	Current depreciat ion schedule	Accelerate deprec.	Accelerate deprec.	Accelerate deprec.	Accelerate Deprec.	Accelerate deprec.
Franchise Tax:							
Rate Reduction	Tax years after Dec. 31	9.975%	9.975%	9.975%	9.975%	9.0%	8.5%
Real Property:							
Class 2 Rate	October 1	\$1.54	\$1.34	\$1.15	\$0.96	\$0.96	\$0.96
Class 4 Rate	October 1	\$2.15	\$2.05	\$1.95	\$1.85	\$1.85	\$1.85
Class 5 Rate	October 1	\$5.00	\$2.05	\$1.95	\$1.85	\$1.85	\$1.85
Individual Income Tax:							
\$0-10K NTI	Calendar Year	6.0%	5.0%	5.0%	5.0%	4.5%	4.0%
\$10-20K NTI	Calendar Year	8.0%	7.5%	7.5% (\$10-30K)	7.0% (\$10-30K)	7.0% (\$10-40K)	6.0% (\$10-40K)
Top Bracket Threshold	Calendar Year	\$20,000	\$20,000	\$30,000	\$30,000	\$40,000	\$40,000
Top Bracket Rate *	Calendar Year	9.5%	9.5%	9.3%	9.0%	8.7%	8.5%
Miscellaneous Provisions:							
No sales tax On Internet Access	October 1 1999	5.75%	0%	0%	0%	0%	0%
NOL/Carry- Back	January 1 2000	NOL non-DC, Carry- back	DC NOL, No Carry- back	DC NOL, No Carry- back	DC NOL, No Carry- back	DC NOL, No Carry- back	DC NOL, No Carry- back
Arena Fee \$2 M Threshold	FY 2000	All business pays	\$2 million threshold	\$2 million threshold	\$2 million threshold	\$2 million threshold	\$2 million threshold

* Rate for top bracket could be reduced to as low as 8%, depending on performance of revenues as certified by Comprehensive Annual Financial Report (CAFR)

Question. The District of Columbia Government, the Mayor and Council, with the approval of the District of Columbia Financial Responsibility and Management Assistance Authority, submitted for Congressional approval a single consensus fiscal year 2000 budget request exceeding \$5.0 billion. The proposed budget includes \$614.1 million in Federal payments to the District of Columbia principally in the area of corrections, the courts, offender services, special education, and school construction.

The budget anticipates an additional \$1,246,600 in Federal funds in support of such activities and agencies as public works, public education, and public safety. This includes \$875 million in human support services, such as the District's health and social services activities and agencies, including the Departments of Health, Human Development, Recreation and Parks, and the Office of Aging.

In summary, total Federal payments and assistance to the District of Columbia Government is anticipated to be \$1.86 billion in fiscal year 2000.

Does it not seem to you, Mr. Mayor, with all this Federal assistance coming in and the District's proceeding to diminish revenue by \$59 million in fiscal year 2000 and \$226 million by fiscal year 2003, that the Federal Government is in effect paying for the local tax reduction?

Answer. These federal payments and tax reduction are coincident, but not causal. The District's financial position has improved dramatically due to improvement in local tax collection, a robust local and national economy, and the assumption of federal responsibilities by the federal government. While federal payments continue to

play a valuable role in the improvement of District services, these payments are not responsible for producing the fiscal prosperity that allowed for the reduction of local taxes. Nonetheless, the District will carefully monitor the phased implementation of this tax reduction to ensure that it will not threaten the District's financial health, should an economic downturn occur.

Question. After balancing the budget, the next step is to improve the delivery of services. What are your plans in this area? Are there some simple things you can do to show progress, such as eliminating the potholes and eliminating the wait at the Motor Vehicle Administration? These are highly visible activities upon which the citizens often gauge the effectiveness of a government. What are your plans in this area?

Answer. The Williams Administration has aggressively attacked the need for immediately improving service delivery in the District by implementing a short-term action plan. The plan focuses on achieving 42 immediate, visible, tangible improvements in 7 (seven) areas, including: (1) Customer Service, (2) Cleanliness, (3) Employment Opportunities, (4) Business Friendliness, (5) Enhancing Neighborhoods, (6) Safety, and (7) Health. Actions such as establishing the Mayor's Information Call Center (727-1000) (March 31); launching a pothole blitz to fill potholes within 48 hrs. (Feb. 28); Providing public and private sector jobs for youth in summer (May 31); Expediting the building permit process from 6 months to 30 days (Feb. 28); Selling vacant properties to District residents for \$250 (Aug. 31); Abating six open air drug markets (Aug. 31); and ensuring that all city pools were opened on time (June 21) have given District residents clear evidence of service delivery improvements and effectiveness in this administration. Further, a new Director of the DMV has been hired to address the ongoing concerns of waiting and customer service.

Question. What are your five most difficult and trying management problems and how does your budget address each of them?

Answer. The most pressing management problem is a lack of trained and competent managers, coupled with a lack of performance measures and expectations for both managers and staff.

This is being addressed via several means:

1. The establishment of an Executive Service, where managers are "at will."
2. The implementation of a "pay for performance" system, that will reward individual employees (managers and staff alike) for superior service.
3. The implementation of "gainsharing" proposals, that will reward an organization for meeting specified financial improvement goals. Gainsharing will be paid from savings from existing programs.

The companion piece to a need for better managers is a lack of a sense of "urgency" among managers and staff to streamline operations, improve service quality and service delivery, and become "customer-centric." This is being addressed, in part, by the changes I am making in accountability as discussed above.

In addition, I am addressing this issue through the Office of Competitive Services (OCS). The OCS is charged with achieving service quality and performance improvements using a variety of methods, including but not limited to business process re-engineering, managed competition, outsourcing, public-private partnerships, and the establishment of Employee Stock Option Plans. These activities are undertaken in cooperation with operating offices and agencies. Funding for this Office is contained in the Reserve budget. In addition, the current proposed budgets contain approximately \$35 million to be used for severance pay, managed competition, and productivity gains. I expect that a significant amount of these funds will support activities of OCS undertaken with operating agencies and offices.

Question. From time to time, I have occasion to send some questions to your office for reply. Would you make sure that Mr. Terry Sauvain, Deputy Director of the full Appropriations Committee, who is also responsible for D.C. matters, can get quick responses to the matters which he send to you for reply? This takes some direction on your part, and I would be appreciative if these matters could be speeded up.

Answer. I have instructed my office to respond as promptly as possible to all congressional inquiries.

Question. The Mayor and Chief Ramsey have stated community policing is a major component of the city's crime reduction strategy. Yet there is sparse evidence that a community policing strategy is in place. What is the status of the city's community policing effort?

Answer. Community Policing has been a major component of the city's crime reduction strategy, which focuses on the Metropolitan Police Department's (MPD) core mission: to prevent crime and the fear of crime, and to collaborate with others to help build safe and healthy neighborhoods throughout the District of Columbia. Policing for prevention has been the District's new strategy of community policing. It is founded on the basic building blocks of community policing, i.e., partnerships,

problem solving and information sharing. Policing for prevention intervenes early and effectively in crime problems through more focused and proactive law enforcement. It helps to stabilize communities through neighborhood-based problem solving, while promoting long-term prevention by addressing the underlying causes and conditions that lead to crime in the first instance.

The policing for prevention strategy is supported by an organizational structure that makes members of the MPD accountable for crime prevention at all levels. The District of Columbia is divided into 83 police service areas (PSA's). The PSA's range in size from several square blocks that make up a single neighborhood, to a few square miles that may encompass several neighborhoods. Each PSA is lead by a MPD lieutenant, who is accountable for the overall quality of police service in that PSA. The PSA lieutenant is supported by a team of sergeants and patrol officers. Individual residents, community organizations, businesses, and other stakeholders work with the PSA team by providing information, participating in PSA meetings and helping to design and implement problem-solving strategies.

The 83 PSA's are organized into seven police districts that are each lead by a commander. The districts are full-service operations that include patrol, tactical, investigative, and administrative services. Under the supervision of the commander, each district is responsible for analyzing the problems on its PSA's, and developing a district-wide strategy for addressing those problems. The community has an input in addressing these problems through their citizen advisory councils. Finally, the seven police districts are organized into three regional operations commands (ROC's), each led by an assistant chief. Each ROC chief is responsible for addressing crime problems that are common throughout the region.

The policing for prevention strategy focuses on three parts: (1) Focused Law Enforcement, (2) Neighborhood Problem Solving, and (3) Systemic Prevention. Enforcing the law and responding to criminal complaints are the unique responsibility of the police, and remains a responsibility under the policing for prevention strategy. Focused law enforcement prevents individual offenders from committing more crimes, but it does not address the problem of other offenders committing the same types of crimes. The second part of policing for prevention, Neighborhood Problem Solving, expands the focus on prevention from the individual offender to a specific community. Neighborhood problem solving helps to stabilize communities that have been experiencing crime and disorder problems by giving the residents hope and the tools for keeping their neighborhoods safe and healthy. Under neighborhood problem solving, the PSA team works with city agencies, residents, business owners, and other community stakeholders to identify and prioritize local crime and disorder problems, to analyze why those problems exist, and to develop collaborative strategies for addressing them. Neighborhood problem solving addresses the offender, the victims and the locations in which the problems are occurring. Some of these strategies involve removing, graffiti, boarding vacant buildings, towing abandoned cars, improving alley and street lights, and cleaning up vacant lots. The community also gets involved in designing and implementing the strategies through various efforts. Finally, the Systemic Prevention part focuses on taking a broad look at the source of crime and addressing what can be done over the long haul.

To date, the Mayor and the Chief of Police have initiated their PARTNERSHIPS FOR PROBLEM SOLVING (PPS) INITIATIVE pilot program in six PSA's. By the end of September, it is expected that the PPS program would expand to 14 additional PSA's. The remaining PSA's would be addressed throughout the year by priority and resources. Should Durbin need more specifics on the problems targeted by each of the pilot PSA's, and their accomplishments let me know. All in all, community policing, through MPD's restructuring and program implementations, has been a success. Communities are beginning to embrace this new form of policing, which is producing evident and enduring results.

Agencies and departments under the Public Safety Cluster, for the most part, do not lend themselves to managed competition. However, the major problem with most of these agencies has been in procurement, which will be addressed agency by agency and with the Mayor's new director.

Agency Name	Fiscal Year 1999 Federal payment allocations	Federal payment	Mgt. Ref.	Year to date ex- penditures	TYD encum- brances	Committed bal- ances	Available bal- ance Federal payment	Available bal- ance mgmt. ref.	Status/action required
DC public schools: ¹									
Management Re- form.	\$11,360,000		X	\$1,416,697	\$9,943,303				The funds were approved by the Authority on July 2 for projects associated with the academic reform and other areas. Expenditures are being transferred to pay for a retroactive pay raise as agreed upon by the Washington Teacher's Union.
Special education	30,000,000	X		29,726,653	273,347				DCPS has transferred local PS special education expenditures to the federal payment.
Public charter schools	15,622,000	X		15,622,000					Of the 15,622 federal payment, 14,143,300 was spent on charter schools through the Uniform Per Student Formula, while the remaining amount of 1,478,700 was transferred to the revolving student loan fund as required by statutory law (Public Law 105-100 Section 172) on July 6, 1999.
Metropolitan Police Department.	1,200,000	X				\$1,200,000			The 1.2 million is a federal payment given to fund the Office of Citizen Complaint Review. Selection of board members is in progress.
Department of Health: Office Relocation	4,853,984		X	1,975,589	2,778,395		\$100,000		The relocation will be completed and all but approximately \$100,000 will be expended by the end of the fiscal year.
Regulatory Reform	198,390		X			\$50,000	148,390		DOH plans to spend \$50,000 of these funds for the salary of an administrative law judge and for electronic software to record hearings.
Department of Consumer and Regulatory Affairs.	1,966,910		X	240,638	87,811	1,521,576	116,885		The committed balance includes \$840,000 in a re-allocation request, dated 8/4/99 to the City Administrator, to shift funds within this management reform project from PS to contractual services for housing inspections, information technology, and other contract areas. The balance reflects PS costs for the rest of the fiscal year. Due to delays in hiring new staff, there will be a \$117,000 balance at the end of the fiscal year. Reallocation request pending approval by OCA.

Agency Name	Fiscal Year 1999 Federal payment allocations	Federal payment	Mgt. Ref.	Year to date ex- penditures	TVD encum- brances	Committed bal- ances	Available bal- ance Federal payment	Available bal- ance mgmt. ref.	Status/action required
Department of Public Works.	4,615,992	.....	X	3,019,581	1,123,060	411,491	.....	61,860	The committed balance is comprised of, first, \$111,491 in pending encumbrances that will be reflected in SOAR as soon as possible. Second, the committed balance includes \$300,000 to be reallocated to management reform project, PW-20, Citizen Inquiry Process (to establish a One Call Center). This reallocation request is under internal review and will be submitted to OCA as soon as possible.
Department of Housing and Community Development.	3,000,000	X	.....	.....	.....	3,000,000	.....	.....	As required by law, agency will complete 30-year leases with all existing lessees within 2 to 3 weeks. At that time, a contract with the Army Corps of Engineers to study improvements to Southwest Waterfront will commence. The Deputy Mayor for Economic Development is working to make these funds nonlapsing and to carry them over to the next fiscal year.
Mayor's Homeowner- ship Initiative.	3,000,000	.....	X	.....	.....	3,000,000	.....	.....	The Mayor requests these funds to begin a project in coordination with the Washington Interfaith Network (WIN), pending submission of detailed information, including a spending plan. The Authority's approval is required.
Management Re- form.	809,894	.....	X	545,270	264,624	.....	.....	.....	Agency projects using 100% of management reform funds. The committed balance amount is for consultant services to complete two management reform projects.
Office of Property Management.	500,000	.....	X	480,000	20,000	.....	.....	.....	The agency will expend all funds by the end of the fiscal year.
Office of the City Administrator.	700,000	.....	X	63,361	360,015	276,624	.....	.....	In order to expend all funds before the end of the fiscal year, the agency has requested a reallocation from PS to NPS.

Agency Name	Fiscal Year 1999 Federal payment allocations	Federal payment	Mgt. Ref.	Year to date ex- penditures	TYD encum- brances	Committed bal- ances	Available bal- ance Federal payment	Available bal- ance mgmt. rel.	Status/action required
Business Services and Economic Development ³	25,000,000	X				25,000,000			Funding is designated for the National Capital Revi- tization Corporation (NCRC). The Office of Eco- nomic Development is assisting in the develop- ment of the structure of the NCRC and will de- velop spending plans. The agency is currently awaiting the appointment of Board members by the White House. These funds will be transferred to the NCRC.
Metropolitan Police Depart- ment.	18,778,000	X		1,586,986	15,737,719	1,378,220			The 18 million is represented in capital funding for facilities renovation. It is being utilized for mul- tiple projects such as cleaning and painting the exteriors of MPD buildings, roof replacements, fix- ing the air conditioning and hearing in the sta- tions, and removing underground storage tanks. The MPD will encumber and/or spend remaining 1.4 million before the end of the calendar year. OCFO will expend all funds by the end of the year to complete initiatives for SOAR.
Office of the Chief Finan- cial Officer.	5,261,117		X	4,394,081	866,925	111			Spending plans for Anacostia River Clean up (\$5m) and Tech City (\$12m) are currently being reviewed by Congress. Spending plans for economic devel- opment projects (\$33m) are being reviewed by the Authority.
Congressional Infrastruc- ture Fund.	50,000,000	X				17,000,000	33,000,000		
Totals	99,039,117			5,981,067	16,604,644	43,378,331	33,000,000		

¹ These amounts are one-year appropriations, i.e., must be spent by September 30, 1999.

² These amounts are no-year appropriations.

³ These amounts are three-year appropriations and will expire on September 30, 2001.

Question. Two reports by the National Conference of State Legislatures and the D.C. Applesed Center suggested that the City Council undertake major management and procedural reforms in an effort to strengthen the legislative process. The studies noted the need for professional staffing and the need to minimize reliance on the emergency legislative process. What is the status of the Council's reform efforts?

Answer. The information follows:

I. STATUS OF COUNCIL REFORM

The Council initiated this reform process because we are committed to building a stronger, independent, effective, and accessible legislature. At the February retreat, the Council agreed to several reform initiatives proposed by the Chairman to address recommendations in the NCSL and Applesed Reports. Significant progress was made in the following areas:

Central Staff Support Services and Committees

Council Budget Office.—We have strengthened the ability of this office to conduct independent analysis by doubling the number of staff.

Council Committee Staff.—We have increased the analytical capabilities of Council committees by: adding staff; upgrading the salary of the top committee staff to a more competitive level to attract and retain qualified staff, and; providing access to LEXUS, an on-line legal research tool.

Legislative Support Services.—Enhanced the legal services support to the Members by adding another attorney to provide legal review of legislation and more bill drafting support for Members.

Council Budget.—Modified our budget to fund special oversight projects, using the Special Committee on Police Misconduct and Management as the model.

Operational Efficiency in Legislative Process

Legislative Record-Keeping.—We have modernized our record-keeping so that all legislative records will be easier to track, more accessible to the Council and the public, and available on-line. The Council contracted with an information systems design consultant to design a new legislative information management system that will be completed in the fall. Our objective is for the public to have access to all legislative documents—not just proposed bills—and reports from the Mayor, the Authority, and other reports required by law.

Automation of Time and Attendance Records.—The Council is now on the comprehensive automated personnel system (CAPS) to minimize errors and improve efficiency. The Council is in the forefront of this reform. Less than 10 percent of employees are on the automated system.

Use of Technology in the Chamber.—A computer and printer linked to the LAN were installed in the Chamber's staff room. Council staff can now draft amendments and quickly access legislation or other legislative records.

Time Clock.—We have installed a time clock to allow full discussion by all the Members and to keep public hearings on track.

Prohibition of Cell Phones and Pagers.—We have adopted a rule prohibiting the use of cell phones and pagers during official Council meetings to minimize disruptions.

Council Staff Manual.—We have published a manual that outlines employee rights and other personnel policies.

Staff Committee.—We have established a staff committee to recommend changes on committee report format and to produce a manual for committee staff. This project will be worked on during recess.

Enhanced Accessibility and Accountability

In addition to increasing Council resources for research, analysis and information, the Council has taken a number of steps to enhance public access to Council information.

Council Web Site.—It has been upgraded and enhanced. It now includes more information about the Council, i.e., committee membership and schedule, is linked to most frequently used services, and looks better. We also intend to add the text of the legislation on line. In addition, each Member now has the technical capability to upgrade his or her own web page.

On-line Voting Records.—Future plans include on-line access to the voting records of members, the ability to sign up for public hearings on-line, and to comment on proposed legislation for the official record.

Improved Cable Television Coverage.—We are continuously working to improve the coverage of Council hearings broadcast on City Cable 13. Working with the Of-

office of Cable Television, we have made a number of changes, i.e., identifying public witnesses, identifying the hearing taking place, and announcing the Council's Web Site.

Council Press Secretary.—We have hired a press secretary in the Chairman's office to better inform the public of Council actions.

Publication of Council Schedule.—We have begun publishing the Council schedule in District Weekly of the Washington Post as another way to inform the public of upcoming meetings.

New Legislative Agenda Format.—We have created and reformatted our legislative agendas to make them easier for the public to follow. We have also increased the distribution of our agendas to attendees at legislative meetings.

Other Future Initiatives

Review of the Legislative Process.—In addition to setting up the staff committee to review the standards for committee reports, I recommend that we also review the entire legislative process with the intent to streamline the process while maintaining reasonable public notice. For example, our public notice rules require that a measure be published in the DC Register 15 days before the Council takes action. This means that a proposed bill generally has been introduced a minimum of four weeks before the Council can take action, including holding a public hearing. The Council will research the notice requirements of other municipalities, particularly for such actions as confirmation resolutions to Boards and Commissions, to consider whether our requirements are the norm or if we can expedite the process without infringing on the ability of the public to comment.

Committee Process.—I asked the Secretary to look at the history of each bill that became law in Council Period 12 and determine how long the process took from the time it was introduced until it became law. This document was in the notebook for the retreat.

Emergency Legislation.—Finally, I think we should discuss the alternatives to emergency legislation in the Rules. We did an examination of the emergencies and in at least 83 percent of the cases, the emergency has a permanent bill.

II. COUNCIL MEMBERS AND HEARINGS

As a measure of time and dedication of the Council Members to the District, I have included data on the number of hearings held and the amount of legislation introduced.

All meetings of the Council at which official action is taken is open to the public. No resolution, rule, act, or other official action shall be effective unless taken, made, or enacted at an open meeting. The Council shall hold a hearing when required by law and may hold a hearing on any matter relating to the affairs of the District that is properly within the committee's jurisdiction as provided in the Council Rules (see Rules for the Council of the District of Columbia, Council Period XIII Resolution of 1999, PR #13-1).

Tabulated below is number of the public and oversight hearings as conducted by Council Members for each two-year period.

Council period	Public hearings	Oversight hearings
Eleventh (1995-96)	303	27
Twelfth (1997-98)	280	51
Thirteenth (1999-2000)	80	34

III. EMERGENCY LEGISLATION

Every legislative period, the Council Members introduce bills or resolutions that affect the District and its residents. The Council may pass an emergency act if two-thirds of the members vote by an emergency declaration resolution that such an emergency exists. An emergency act does not go through the Committee process and is passed by a majority on a single reading. It becomes effective when the Mayor signs it, and is not subjected to a Congressional review.¹ If the Mayor vetoes it, the

¹ Except for emergency acts and special legislation, an approved Act will be transmitted by the Chairman to Congress for the mandated review period, i.e., 60 legislative days to review changes to criminal code and 30 legislative days to review other legislation.

Council can override with a two-thirds vote whereby the emergency act remains in effect for 90 days.

COUNCIL EMERGENCY LEGISLATION

Council period	Types of emergency legislation	Number
Twelfth	Emergency Acts Adopted (41 percent or 134 acts were due to Congressional Review).	329
		168
	Emergency Acts with Permanent Bills	123
	Permanent Bills Adopted	45
	Bills that Died in Committee	
Thirteenth	Total Emergency Acts Adopted (38 percent or 45 acts were due to Congressional Review).	118

Question. Would you please comment on the following letter, which is included in the record, regarding the needs of the Children's National Medical Center.

Are any of the needs met in the consensus budget? How could the District Government respond positively to the needs outlined?

Answer. This letter demonstrates the need for a comprehensive review of our medical service delivery system. This analysis is ongoing, but I believe the concerns raised in the May 17 letter, by the National Children's Center, have been addressed in the fiscal year 2000 Appropriations bill.

LETTER FROM WHAYNE QUIN AND EDWIN K. ZECHMAN, JR.

CHILDRENS'S MEDICAL CENTER,
Washington, DC, May 17, 1999.

Hon. RICHARD J. DURBIN,
*Ranking Minority Member, District of Columbia Subcommittee,
Senate Committee on Appropriations, Washington, DC.*

DEAR SENATOR DURBIN: We write to bring to your attention an important community pediatric health initiative underway at Children's National Medical Center (Children's Hospital) geared to providing a safety net for high risk children in the District of Columbia through the establishment of urban neighborhood clinics for the medically under-served and un-insured.

Children's Hospital was fortunate to receive initial funding for this initiative in the amount of \$1 million in the fiscal year 1999 District of Columbia Appropriations Conference Report. We write at this time to request your leadership and support in the fiscal year 2000 DC Appropriations cycle to bring this critically needed project to completion. Marianne Upton of your staff has been briefed on our funding partnership request. DC Committee Clerks, Mary Beth Nethercutt and Terry Sauvain, were also given extensive information on the goals and objectives of the community pediatric health clinics during calendar year 1998.

We would welcome the opportunity to brief you in person in your capacity as the new Ranking Member of the District of Columbia Appropriations Subcommittee. Your service on the Subcommittee comes at an important time of change in the District's governance, and we look forward to working with you as together we grapple with the serious issues and challenges facing the District's health care delivery system. In the meantime, by means of this letter, we would like to provide some summary information on the scope and nature of the community pediatric health initiative.

Since 1967, Children's has provided the full range of primary, pediatric care including well-child care, immunizations, counseling, health education and specialty referral services to generations of children and families who are traditionally underserved by health care providers. Two inner-city clinics, one located in the Shaw neighborhood of the District and the other in Adams Morgan, record more than 15,000 patient visits and serve over 7,000 children annually. Many children at both clinics come from single parent homes and those where grandmothers or other family members are the legal guardians for grandchildren whose lives and families have been affected by societal problems such as violence or substance abuse. The clinics also service teenaged mothers who are struggling to care for young children.

Our two existing clinics are equipped with 24-hour on-call access to doctors, bilingual staff, and on-site services that provide assistance to parents who want to apply for financial assistance programs. The clinics have been enormously successful in reducing hospitalization rates and the impact of childhood diseases in their patients

by providing early intervention and comprehensive primary and preventive health care services. Only 1 percent of the clinic patients have been hospitalized, and we have achieved a 98 percent immunization rate for our patients by age two.

Based on our longstanding service and expertise in addressing the needs of children and families in the Shaw and Adams Morgan neighborhoods, we plan to replicate our successful model to serve children in Wards 5, 7 and 8. Funds appropriated in the fiscal year 1999 cycle will be obligated for critically needed renovation of our existing 11th Street Clinic (Shaw), and for establishing a new primary care clinic on Good Hope Road in Ward 7. Fiscal year 2000 funds in the amount of \$3.5 million will allow us to re-locate our Adams Morgan Clinic (currently housed in the Marie Reed Learning Center) to another site in Adams Morgan that will give us more space and a more conducive environment in which to provide state-of-the-art primary care. Fiscal year 2000 funds will also be obligated for the purpose of serving children in Ward 5.

We would welcome the opportunity to testify at the hearing for public witnesses to be scheduled by your Subcommittee sometime this spring. We also want to underscore our hope that you will be able to personally visit our 11th Street Clinic at a convenient time on your schedule.

All of us in the Children's National Medical Center community are deeply grateful for the support of the District of Columbia Appropriations Subcommittee last year. With your leadership and assistance, we will be able to bring this project to fruition for needy children and families in the District. Thank you for your counsel and support.

Sincerely,

WHAYNE QUIN,
Chairman, Board of Directors.
EDWIN K. ZECHMAN, JR.,
President & CEO.

CHILDREN'S NATIONAL MEDICAL CENTER

COMMUNITY PEDIATRIC HEALTH INITIATIVE: A COORDINATED APPROACH TO COMMUNITY
PEDIATRIC HEALTH CARE FOR HIGH RISK CHILDREN

BACKGROUND

Since 1967, Children's Community Pediatric Health Center (CPHC) clinics have provided services to children and families who are traditionally underserved by health care providers. Children's has provided these children the full range of primary, pediatric care including well-child care, immunizations, counseling, health education and specialty referral services to generations of children and families.

Two inner-city clinics, one located in the Shaw neighborhood of the District and the other in Adams Morgan at the Marie Reed Learning Center, record more than 15,000 patient visits and serve over 7,000 children annually including a large majority of low income, high risk infants and children.

Many children at both clinics come from single parent homes and those where grandmothers or other family members are the legal guardians for grandchildren whose lives and families have been affected by societal problems such as violence or substance abuse. The clinics also service teenaged mothers who are struggling to care for young children. Such stressed caregivers thrive on a relationship with a supportive family doctor.

By providing comprehensive pediatric services to children in the Shaw and Adams Morgan communities, Children's CPHC clinics have greatly improved access to health care in Washington's inner city. They are the only organized clinical services in the community that are linked with a full-service pediatric health care facility, Children's Hospital.

The Adams Morgan site (located at Marie Reed) is one of the largest providers of services to the Hispanic population in the District.

These clinics are equipped with 24-hour on-call access to doctors, bilingual staff, on-site services that provide assistance to parents who want to apply for financial assistance programs.

The Clinics have been enormously successful in reducing hospitalization rates and the impact of childhood diseases in their patients by providing early intervention and comprehensive primary and preventive health care services. Only 1 percent of CPHC patients have been hospitalized, and they have a 98 percent immunization rate by age two.

HISTORY OF FUNDING

Children's contract with the District Government Department of Human Services, up to 1995, has resulted in the Clinics receiving a small subsidy of \$18.77 per visit, totalling approximately \$262,000 annually. The subsidy is only a portion of the total direct per visit costs of providing care to these children, and it has not increased in a decade.

In March 1995, the District Government abruptly cancelled its health services contracts with all health care providers in the City, including Children's Hospital, thereby ending the subsidy provided for patient visits at the Community Pediatric Health Clinics.

Despite the successes of the clinics, changes in health care delivery and payment procedures have made a profound impact on the ability of Children's to continue to provide health care to the communities served by CPHCs.

Children's has used its own operating revenues to subsidize the clinics for years, but the District's actions have threatened the viability of the clinics by doubling their annual operating deficit to \$700,000. This situation occurs at a time of rapid change in the City's health care delivery system.

Despite the increased costs assumed by Children's National Medical Center, CNMC believes that this model of pediatric health care is vitally important to high risk children. Therefore, it is proposing the following continuation and expansion of this service through a public-private partnership, as outlined below.

CURRENT PROPOSAL FOR COMMUNITY PEDIATRIC HEALTH CLINICS

Children's National Medical Center recognizes the critical need to provide a coordinated approach to community pediatric health care for high risk children in the District of Columbia, and wishes to continue to play a leadership role in designing a model of coordinated pediatric care in the community. Children's is seeking a federal partnership for the purpose of upgrading and renovating its long-existing clinics in Adams Morgan and Shaw, and replicating these clinics to other areas of the District of Columbia in particular need. Specifically, CNMC proposes:

(a) The main campus of Children's Hospital on Michigan Avenue will serve as the "hub" for a network of Community Pediatric Health Centers in five locations of the District: Adams Morgan; Shaw (11th Street site); Good Hope Road/Naylor (Ward 7); Livingston Manor (Ward 8); Site to be identified (Ward 5).

(b) The existing clinics in Adams Morgan and Shaw will be the models for replication of the clinics in Wards 5, 7 and 8. Both the Adams Morgan and Shaw facilities are in poor condition and urgently in need of renovation. The Adams Morgan Clinic will need to be re-located from its existing location within the Marie Reed Learning Center to another site in Adams Morgan.

(c) This model of pediatric primary care delivery provides unique opportunities to improve access and:

- Provide clinical and supportive services to adolescents at-risk for STDs, including HIV infection, and early pregnancy;
- Provide access to low-cost preventive and pediatric treatment services for chronic illnesses like asthma and diabetes often exacerbated by lack of access/insurance;
- Provide both clinical health services delivery and outcomes research; provide parenting education.
- Implement an effective home visitor program geared to training and deploying community residents (targeting recipients of public assistance) to measure the effectiveness over a three year period of targeted health promotion and maintenance outreach to children and adolescents between the ages of 0 to 18 residing in medically underserved neighborhoods in the District of Columbia; and
- Monitor and identify families at risk for inadequate pre- and post-natal health care; and family violence/child neglect.

Funds allocated through federal partnerships would be specifically obligated for: Community Facility Expansion & Improvement (Renovation of existing Community Health Clinic in Shaw (11th Street); relocation of Adams Morgan clinic and enhancement of Adams Morgan clinic facilities and services; establishment of new clinics in Wards 5, 7 and 8; and some renovation and improvements on main campus on Michigan Avenue—the hub for the clinics).

Technology Development/Integrating Telemedicine into Community-Based pediatric preventive primary care health delivery system.

Pediatric Health Promotion Outreach Programs and Outcomes Research.

CNMC is requesting a federal partnership for these project components and programs in the total amount of \$7.5 million towards a total cost of \$16.2 million.

Due to strong Congressional support for the need for such a project, and given CNMC's own institutional commitment to this project, Congress appropriated \$4 million in the fiscal year 1999 Omnibus Appropriations Bill to begin renovation of the Shaw Clinic and to establish clinics in Wards 7 and 8.

CNMC is seeking the remaining \$3.5 million in the fiscal year 2000 appropriations process through the District of Columbia Appropriations Bill.

QUESTIONS SUBMITTED TO LINDA W. CROPP

QUESTIONS SUBMITTED BY SENATOR DURBIN

Question. In the fiscal year 1999 Omnibus Appropriations Act, the President included an additional \$50 million for infrastructure needs in the District. These funds were deposited into an escrow account of the control board (Financial Authority).

What is the status of these funds?

Answer. Pursuant to the Fiscal Year 1999 Appropriations Act (Public Law 105-277), the \$50 million of infrastructure bank funds remain in the Financial Authority's escrow account. Over recent months, the Authority has received allocation request from the Office of the Mayor against these funds, and have approved four (4) District projects totaling \$23,306,000, leaving an unallocated balance of \$26,694,000. When the Authority approved the amounts requested by the District, it was unaware of a provision in the joint explanatory statement of the Committee of Conference, section 134 which states that none of the funds can be obligated or expended until at least 30 days after the authority submits a spending plan to Congress.

The Authority is in the process of fulfilling the requirements of the Congress and is preparing to submit the spending plans for each of the four (4) District projects requested by the District and approved by the Authority.

Question. Please provide a detailed accounting of the expenditure, commitment, or obligation of these funds?

Answer. The authority has refrained from transferring any funds over to the District for the four (4) projects requested by the District and approved by the Authority, until such time as it has complied with section 134 of the joint explanatory statement of the Committee of Conference.

The four (4) projects to be funded follows:

Department of Health: Anacostia River cleanup	\$5,000,000
Department of Public Works:	
Rat abatement trashcans	806,000
Tree trimming initiative	2,500,000
Office of Chief Technology: Tech city initiative	15,000,000
Total	23,306,000

SUBCOMMITTEE RECESS

Senator HUTCHINSON. That concludes today's hearing and the subcommittee is recessed.

[Whereupon, at 11:23 a.m., Wednesday, June 9, the hearing was concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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