



COMMITTEE ON OVERSIGHT & GOVERNMENT REFORM

Hearing on the Mayor's Fiscal Year 2012 Proposed Budget and Financial Plan

Testimony of Mayor Vincent C. Gray

GOOD MORNING CHAIRMAN GOWDY, AND MEMBERS OF THE COMMITTEE, I AM VINCENT C. GRAY, MAYOR OF THE DISTRICT OF COLUMBIA. I AM HERE TODAY TO DISCUSS THE PROPOSED FY12 BUDGET FOR THE DISTRICT OF COLUMBIA.

I'VE HAD TO MAKE TOUGH CHOICES IN SUBMITTING THIS BUDGET. CHOICES THAT I WISH I DID NOT HAVE TO MAKE. THE REALITY IS THAT THE FINANCIAL HEALTH AND BACKBONE OF OUR CITY COULD BE IMPERILED UNLESS THOUGHTFUL, BALANCED AND MEASURED CHOICES ARE MADE AND HONORED. THIS BUDGET WAS THE PRODUCT OF THREE VERY INTENSE MONTHS OF SCRUBBING AGENCY BUDGETS AND EXPLORING EVERY REASONABLE OPTION FOR ADDITIONAL REVENUE. I PARTICIPATED IN OVER ONE HUNDRED HOURS OF INTENSIVE MEETINGS FOCUSED EXCLUSIVELY ON THE BUDGET WITH THE CITY ADMINISTRATOR, OUR DEPUTY MAYORS, AGENCY DIRECTORS, AND OUR OFFICE OF BUDGET AND FINANCE. THIS BUDGET MEETS AND ADDRESSES THE REALITY WE FACE: A REALITY THAT I HAVE DISCUSSED IN TOWN HALL MEETINGS WITH DISTRICT RESIDENTS IN ALL EIGHT WARDS DURING THE PAST SEVERAL WEEKS.

IN ORDER TO CLOSE A \$322.1 MILLION STRUCTURAL BUDGET GAP, I EMPLOYED A BALANCED APPROACH OF EXPENDITURE REDUCTIONS AND REVENUE INCREASES. MY BUDGET FOCUSES ON THE FOUR KEY PRIORITIES OF MY ADMINISTRATION:

- (1) FISCAL STABILITY;
- (2) HIGH QUALITY PUBLIC EDUCATION;
- (3) JOBS AND ECONOMIC OPPORTUNITIES; AND
- (4) SAFE COMMUNITIES.

OUR GOAL IS TO ENSURE A STRUCTURALLY BALANCED BUDGET.

FISCAL YEAR 2012 BUDGET OVERVIEW

THE FISCAL YEAR 2012 GROSS FUNDS BUDGET FOR THE DISTRICT OF COLUMBIA IS \$8.986 BILLION, REPRESENTING AN INCREASE OF \$164.69 MILLION OR A 1.9% INCREASE ABOVE THE FISCAL YEAR 2011 APPROVED BUDGET.

THE MAJORITY OF THE 1.9% GROWTH OCCURRED IN TWO AREAS. \$96.38 MILLION OCCURRED IN THE PUBLIC EDUCATION CLUSTER, LARGELY DUE TO ENROLLMENT INCREASES IN BOTH OUR DC PUBLIC SCHOOLS AND DC PUBLIC CHARTER SCHOOLS AND \$67.76 MILLION OCCURRED IN OUR FINANCING AND OTHER APPROPRIATION TITLES DUE LARGELY TO MANDATORY INCREASES IN DEBT SERVICE FOR CAPITAL BORROWING UNDER THE PRIOR ADMINISTRATION. THIS BUDGET HAS BEEN CERTIFIED AS BALANCED BY THE INDEPENDENT CHIEF FINANCIAL OFFICER.

FISCAL STABILITY

I WOULD LIKE TO TAKE THIS OPPORTUNITY TO DETAIL EACH OF MY FOUR KEY PRIORITIES IN THIS BUDGET. THE FIRST IS TO INTRODUCE A BUDGET THAT RE-

ESTABLISHES FISCAL STABILITY IN THE DISTRICT OF COLUMBIA. WHEN WE MET WITH THE BOND RATING AGENCIES IN FEBRUARY, ALL THREE AGENCIES HIGHLIGHTED THREE GENERAL RECOMMENDATIONS FOR ENSURING THE DISTRICT'S REPUTATION ON WALL STREET AFTER THE LAST FOUR YEARS, IN WHICH OUR FUND BALANCE WAS SPENT DOWN BY 41% FROM \$1.5 BILLION TO \$890 MILLION. THEY UNDERSCORED THE NEED TO:

- (1) HAVE A STRUCTURALLY BALANCED BUDGET, MEANING THE DISTRICT SHOULD NOT SPEND MORE THAN IT BRINGS IN FROM REVENUE;
- (2) TO LIVE WITHIN THE DISTRICT'S 12% DEBT CAP AND GRADUALLY REDUCE LONG-TERM BORROWING THROUGH THE USE OF PAY-AS-YOU-GO CAPITAL; AND
- (3) REBUILD THE FUND BALANCE.

MY FISCAL YEAR 2012 BUDGET ACHIEVES THESE GOALS AND ITS ADOPTION WILL PUT THE DISTRICT ON THE CORRECT COURSE TO LONG-TERM SUCCESS.

HIGH QUALITY EDUCATION

HIGH QUALITY EDUCATION IS THE SECOND OF MY FOUR KEY PRIORITIES. PROVIDING HIGH QUALITY EDUCATION FOR ALL DISTRICT RESIDENTS IS CRITICAL TO OUR LONG-TERM PROSPERITY. THIS BUDGET PROVIDES THE RESOURCES NECESSARY TO CONTINUE THE PACE OF SCHOOL REFORM AND TO PROVIDE AN EDUCATIONAL CONTINUUM FROM AGES 3-24. MY ULTIMATE GOAL WILL BE TO EXTEND THIS CONTINUUM TO AGES 1-2 AS THE ECONOMY REBOUNDS AND MORE FUNDING BECOMES AVAILABLE.

THE INCREASES IN THE BUDGET FOR DC PUBLIC SCHOOLS AND DC PUBLIC CHARTER SCHOOLS ARE DUE PRIMARILY TO INCREASED ENROLLMENT. WE ARE NOW BEGINNING TO WITNESS THE SUCCESS OF THE UNIVERSAL PRE-KINDERGARTEN PROGRAM. WE ARE RETAINING STUDENTS WHO ENTERED THE PRE-K PROGRAM AT ITS INCEPTION THROUGH A GROWTH OF ENROLLMENT IN GRADES K TO 2.

MY PROPOSED BUDGET ALSO FOCUSES ON CONTINUING TO EDUCATE ADULTS BY MAINTAINING FUNDING FOR ADULT LITERACY AND PROVIDING AN ADDITIONAL \$4.5 MILLION FOR THE UNIVERSITY OF THE DISTRICT OF COLUMBIA, OF WHICH A MINIMUM OF \$4 MILLION IS DIRECTED TO THE COMMUNITY COLLEGE OF THE DISTRICT OF COLUMBIA.

AND THIS BUDGET INCLUDES FUNDING TO BEGIN TO SOLVE THE LONGSTANDING PROBLEM OF THE DISTRICT PAYING TENS OF MILLIONS OF DOLLARS ANNUALLY TO EDUCATE CHILDREN WITH DISABILITIES IN NON-PUBLIC SCHOOLS.

JOBS AND ECONOMIC OPPORTUNITIES

JOB CREATION AND PROVIDING ECONOMIC OPPORTUNITIES FOR ALL DC RESIDENTS IS THE THIRD OF MY FOUR KEY PRIORITIES. DESPITE REDUCTIONS TO FEDERAL AND SPECIAL PURPOSE REVENUE FUNDING, I AM CONTINUING FUNDING FOR ADULT JOB TRAINING BY ADDING \$2.6 MILLION TO THE FY 2012 BUDGET.

AS EVERYONE KNOWS, I HAVE BEEN A MAJOR PROPONENT OF THE CONCEPT OF "ONE CITY". HOWEVER, THE CURRENT DISPARITY BETWEEN AREAS IN OUR CITY IS PARTICULARLY PRONOUNCED IN THE AREA OF JOBS, WITH A NUMBER OF

COMMUNITIES EXPERIENCING CHRONIC UNEMPLOYMENT. IN WARD 7, THE UNEMPLOYMENT RATE IS OVER 17% AND, IN WARD 8, IT IS OVER 25%.

THIS IS NOT DUE COMPLETELY TO A SHORTAGE OF JOBS. THE WASHINGTON-METROPOLITAN AREA HAS LED THE NATION IN NEW JOB GROWTH. HOWEVER, THE SKILL SETS OF OUR RESIDENTS SEEKING JOBS OFTEN DO NOT MATCH THE JOBS THAT ARE BEING CREATED. WE MUST MOVE FORWARD WITH A TWOFOLD STRATEGY OF INCREASING THE TRAINING OF RESIDENTS, WHILE AT THE SAME TIME ENSURING DISTRICT RESIDENTS RECEIVE MORE OF THE JOBS IN NEW CONSTRUCTION OR RETAIL PROJECTS THAT UTILIZE DISTRICT FUNDING. TO FACILITATE THAT, WE HAVE INCREASED ENFORCEMENT OF FIRST SOURCE LAWS WHILE ALSO ESTABLISHING A PILOT PROJECT THAT PROVIDES INCENTIVES TO HIRE DISTRICT RESIDENTS.

SAFE COMMUNITIES

MY FOURTH PRIORITY IS SUSTAINING SAFE COMMUNITIES SO THAT RESIDENTS FEEL SAFE IN THEIR NEIGHBORHOODS. MOST OF THE AGENCY BUDGETS IN THE PUBLIC SAFETY AND JUSTICE CLUSTER WERE HELD CONSTANT AT THEIR FISCAL YEAR 2011 LEVEL. WE ARE PROVIDING FUNDING TO HIRE 140 POLICE OFFICERS TO REOPEN THE POLICE ACADEMY WHICH ESSENTIALLY HAD BEEN SHUTOFF.

BUDGET AUTONOMY

MR. CHAIRMAN, THE DISTRICT OF COLUMBIA RAISES OVER \$5.5 BILLION PER YEAR IN LOCAL FUNDS FROM OUR RESIDENTS IN PROPERTY TAXES, SALES TAXES, AND INCOME TAXES. A MAJORITY OF THE FUNCTIONS OF THE DISTRICT GOVERNMENT, INCLUDING ALL THE SERVICES PROVIDED BY ANY OTHER STATE, ARE FUNDED THROUGH THESE LOCALLY RAISED DOLLARS. NEVERTHELESS, IT IS THE LENGTHY