



**TESTIMONY OF GLEN LEE
CHIEF FINANCIAL OFFICER
GOVERNMENT OF THE DISTRICT OF COLUMBIA**

**Before the Committee on Oversight and Accountability
U.S. House of Representatives**

**The Honorable James Comer, Chairman
The Honorable Jamie Raskin, Ranking Member**

**Wednesday, March 29, 2023, 10:00 a.m.
Rayburn House Office Building, Room 2154**

TESTIMONY

I. Greetings, Introduction, Summary of Testimony

Good morning, Chairman Comer, Ranking Member Raskin and members of the House Committee on Oversight and Accountability. I am Glen Lee, Chief Financial Officer of the Government of the District of Columbia. The Office of the Chief Financial Officer (OCFO) is an independent agency charged with ensuring the long-term financial health and viability of the District of Columbia. I am pleased to provide testimony today on the state of the District's finances and economy.

II. Strength of the District's Finances

The District of Columbia has made a remarkable journey to the strongest financial position in its history with a positive general fund balance exceeding \$4.8 billion. Today, the District sits at the highest possible credit rating of Triple-A, an accomplishment achieved by only ten of the 25 largest cities and a rating higher than 38 other states. This turnaround is testimony to the financial practices put into place and that continue to be enhanced by the District's elected leadership and key stakeholders.

The District's financial practices include a balanced budget and multi-year financial plan, a six-year capital improvement plan, quarterly revenue estimates to ensure spending stays on track, a self-imposed debt limit to restrict excessive borrowing, and best practices when it comes to cash reserves. District law sets a cash reserve policy of 60 days of operating revenues as compared to the federally mandated requirement of approximately 22 days.

The District has implemented a comprehensive capital asset inventory system and long-range financial and capital plan to bring all assets or infrastructure to a state of good repair within the next ten years. No other city or state in the United States has developed an implementable program to reach this goal. The District also has fully funded its public safety and teacher pension trust funds, a funding level few if any other state can claim. Finally, the District has achieved 26 consecutive years of clean audits as verified by outside independent auditors.

A common misperception is that the District is strictly a government town. In fact, only 26% of the workforce are federal government employees (see attachment). The reality is the District and the Washington metropolitan area have developed into a vibrant and dynamic region with a diversifying economic base and a fast-growing private sector. That said, the District is facing economic headwinds due to Federal Reserve action to raise interest rates to contain inflation and declining commercial property values due to post-pandemic employment patterns (remote work). These factors have been incorporated into our revenue forecast and financial plan, and the District elected leadership must balance their spending against the implication of these headwinds. In my experience, this level of fiscal discipline is unique in state and municipal government finance.

III. Federal Government and the District Budget

In many respects, the District functions as a state, county and city. As a result, the District collects personal and business income taxes, administers worker's unemployment compensation programs and runs a Department of Motor Vehicles. In addition, the District provides local services to businesses and residents, including police, fire and public works services and operates a school district.

The District is similar to states in that we receive federal grants mostly for Medicaid, education, other human services and transportation. While the federal government's presence drives a large part of the District's economy, the District's budget is comparable to states in its reliance on federal dollars as a part of total revenue. A 2016 study¹ estimated that the 50 states average 32 percent of state revenue derived from federal grants-in-aid. In the District, only 23 percent of the fiscal year 2020 revenue will come from federal sources. Direct comparisons are difficult to make because the District performs both state and local functions. However, this illustrates that the District relies less on federal dollars to balance its budget than a considerable number of states.

The District's resident population is approximately 672,000, making it the 23rd largest city according to the U.S. Census. However, prior to the pandemic, a roughly equal number of workers, from Virginia and Maryland, many of them federal, come to the District to work every day, almost doubling the population served during business hours. Services, operations, and infrastructure must be sized to handle this large level of commuter population. In addition, approximately 30 percent of our total commercial property is owned by the federal government. Foreign mission buildings are another category of non-taxable property disproportionately located in the District. Between the diplomatic and federally-owned buildings, we estimate the District forgoes over \$640 million annually in real property tax revenue.

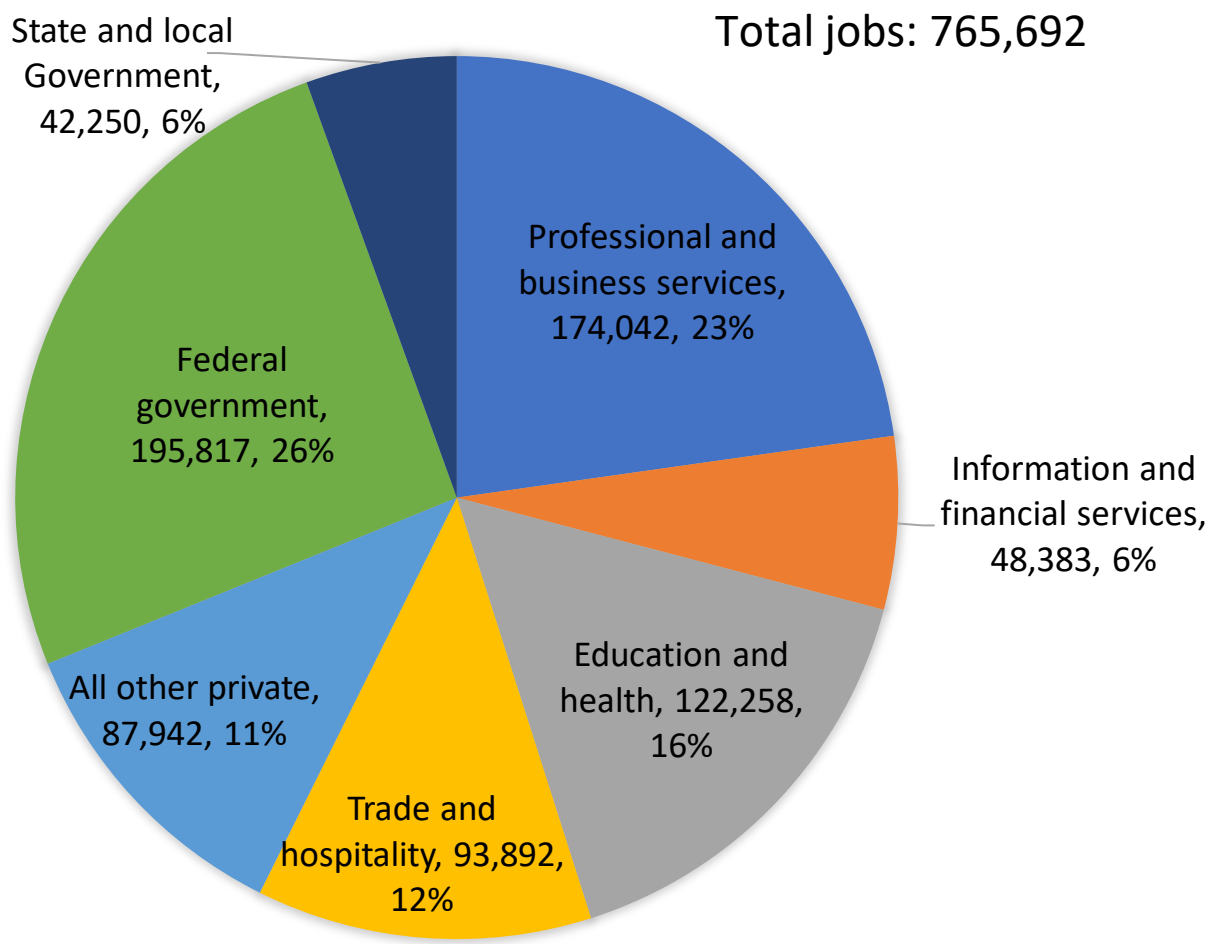
¹ Fiscal Year 2016 figures from the Tax Foundation.

V. Conclusion

In conclusion, the fiscal foundation of the District is extremely strong and is capable of overcoming any fiscal challenges that may lie ahead due to its strong financial condition and institutionalized best financial practices.

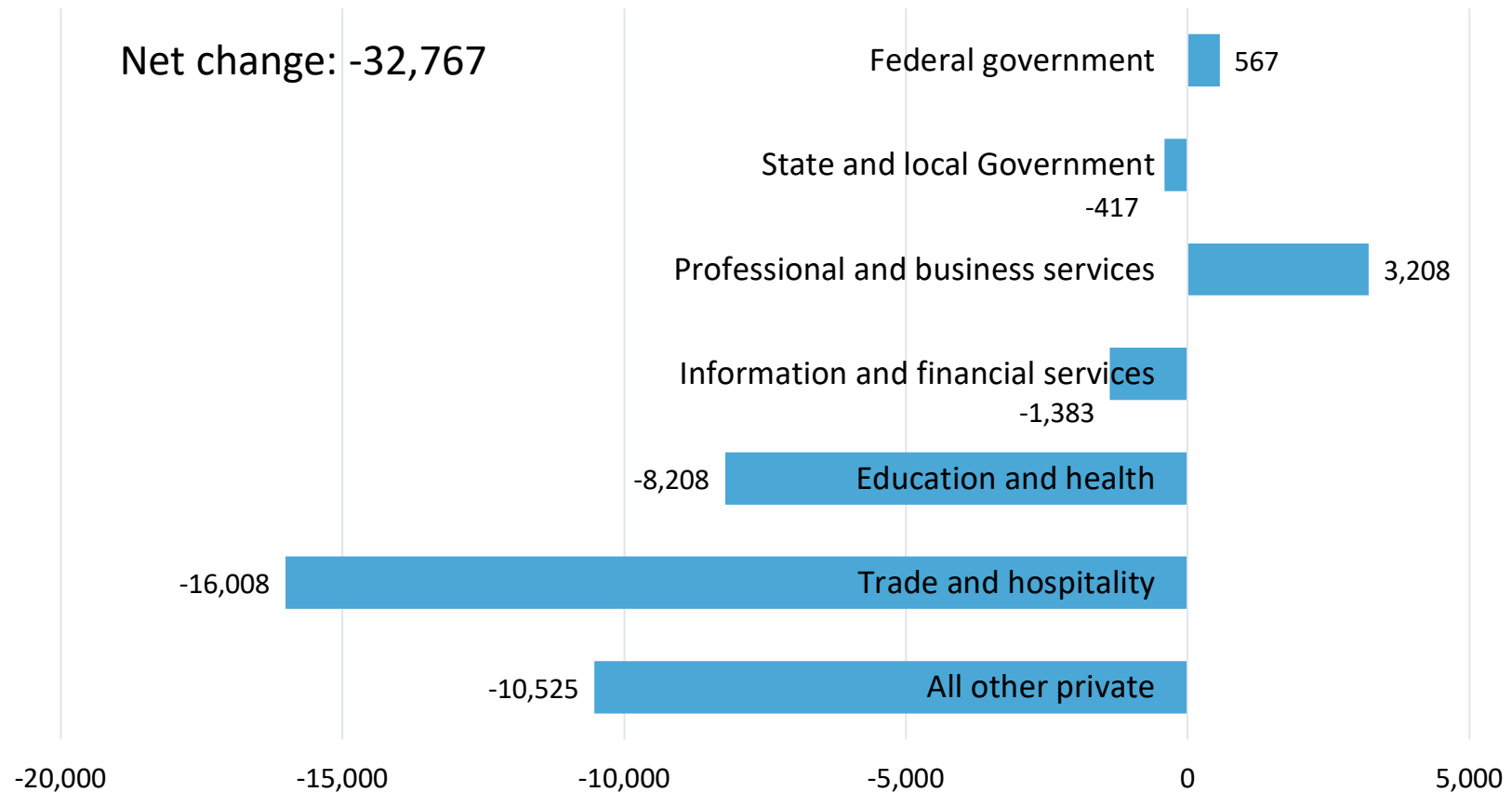
I thank you for allowing me the opportunity to provide testimony at this important hearing, and I am happy to answer any questions you may have.

Wage and salary jobs in DC by sector : December 2022



Source: U.S. Department of Labor, Bureau of Labor Statistics (12-month average)

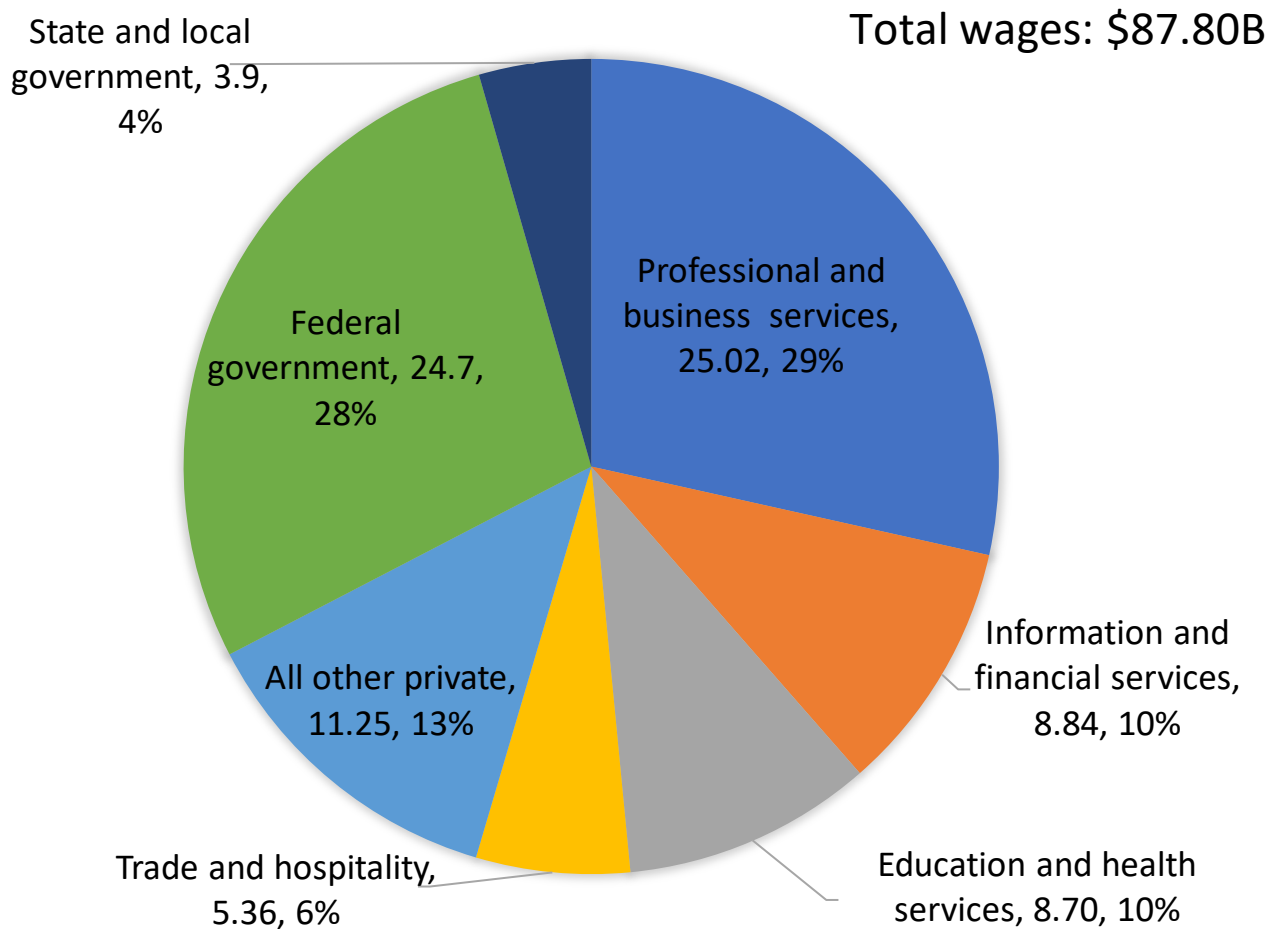
Change in wage and salary jobs in DC by sector: December 2019 vs December 2022



Source: U.S. Department of Labor, Bureau of Labor Statistics (12-month average)

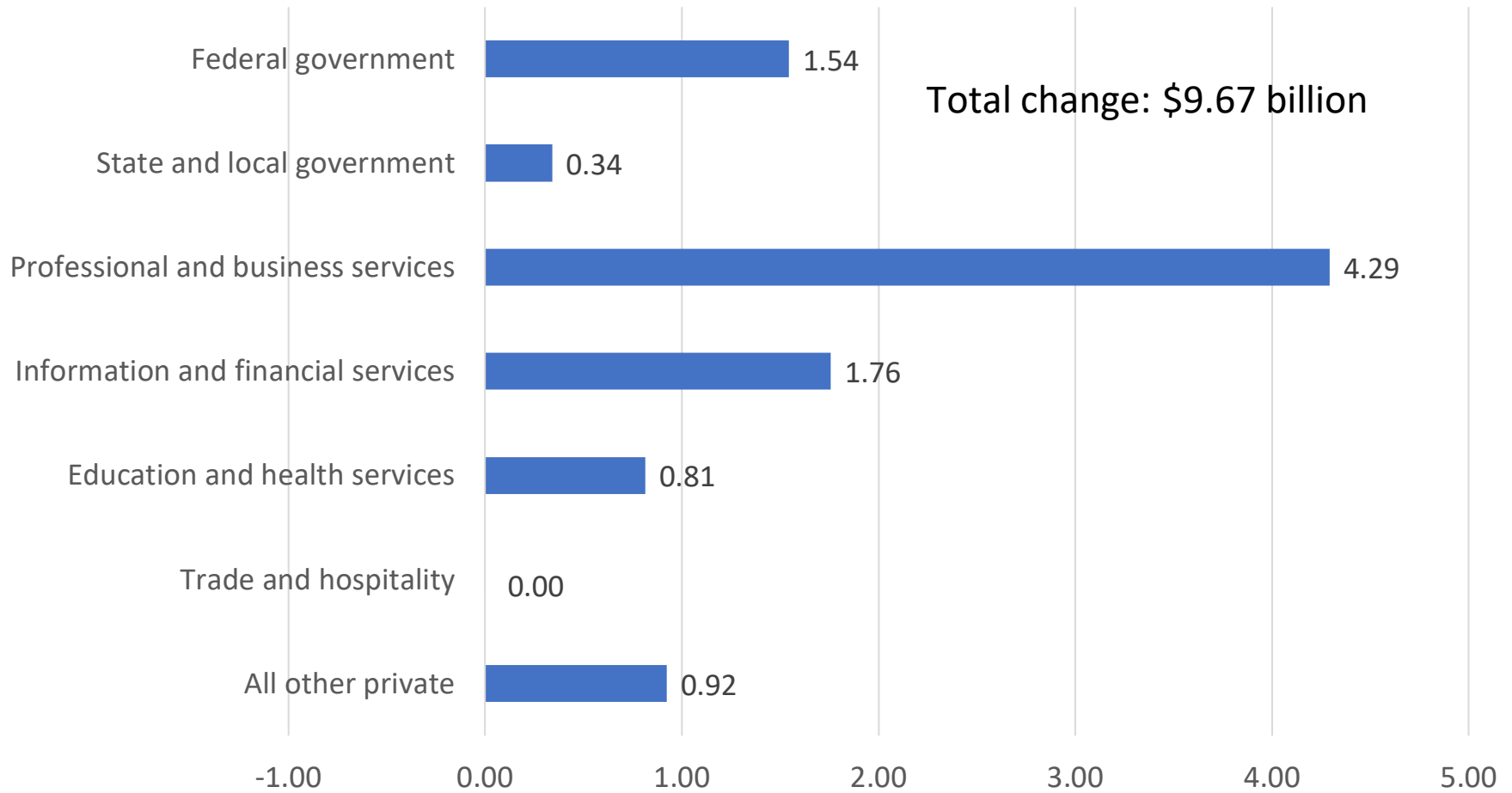
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Wages and salaries earned in DC by sector: September 2022 (\$billions)



Source: U.S. Department of Commerce, Bureau of Economic Analysis (12-month average)

Change in wages and salaries earned in DC by sector: September 2019 vs September 2022 (\$billions)



Source: U.S. Department of Commerce, Bureau of Economic Analysis (12-month average)