

“The Case for Fiscal Autonomy in the District of Columbia”

Statement of Alice M. Rivlin*

Hearing on Greater Autonomy for the Nation’s Capital

Subcommittee on Federal Workforce, Postal Service and the District of Columbia

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Mr. Chairman and members of the committee:

I am happy to be here to discuss greater autonomy for the District of Columbia. I support both of the bills before you, but will focus most of my remarks on H.R. 1045, “The District of Columbia Budget Autonomy Act of 2009.”

I believe that greater autonomy for the District of Columbia is a test of the seriousness of Congress’ commitment to democracy. The United States is justifiably proud of our democratic tradition. We send our finest young men and women to far away places to fight and die for democratic ideals. Our national leaders advocate democracy around the World. We preach that democratically-elected governments are more responsive to public needs, that they require greater accountability for public funds, are more transparent and less corrupt, and that they are more likely to foster economic efficiency and peaceful resolution of disputes. We use our public resources to teach others how to hold elections and make democratically-elected governments function, even in places with no tradition of political freedom or public engagement comparable to our own.

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But right here at home, Congress apparently doubts that the citizens of the District of Columbia can be trusted to elect leaders who will make wise decisions about local policy, even about how to spend their own locally-collected tax revenues. The Home Rule Act of 1973 grudgingly allowed the District to elect a Mayor and City Council, but retained ultimate control over D.C. legislation, budgeting, and borrowing. At the time, Congressional skepticism was understandable. The citizens of the District had been ruled like colonial subjects for a long time, and had no experience with electoral politics or self-government. Home Rule was viewed as an experiment, and when the District came close to bankruptcy in 1995 many viewed the experiment as a failure—never mind that New York, Cleveland, Philadelphia, and many other cities also had similar fiscal crises. So the federal government once more took charge.

I believe that Congress, working with the Clinton Administration, took necessary and appropriate action when it created the D.C Financial Resources Management and Assistance Authority (better known as the “Control Board”) in 1995. That legislation temporarily transferred fiscal authority to an unelected board in a serious crisis, but provided for the transfer of power back to elected leadership once the District had demonstrated its ability to handle its financial affairs responsibly by balancing its budget and obtaining clean audits for several successive years. The same legislation created an independent Office of the Chief Financial Officer (OCFO)—a much needed contribution to strengthening fiscal oversight in the District. Control Board actions, supported by the City Council and combined with an improving economy, turned the District’s budget outlook from dismal to positive in a remarkably short time. The District of Columbia Revitalization Act of 1997 also helped put the District’s finances on a more solid basis by transferring to the federal government some of the state-like spending responsibilities of the District and relieving it of the unfunded pension liability left over from the “colonial” period. By the time I took over as the second chair of the “Control Board” in 1998, the city was on the way back to fiscal health. The Board then worked closely with the Mayor,

the Council, and the OCFO to transition the city back to elected leadership, and went out of business on September 30, 2001.

Young democracies learn from their mistakes, and the District of Columbia Government has amply demonstrated in recent years that it learned from the experience of the 1990's and is able to manage its own resources responsibly. It has balanced its budget every year since the control period ended and earned clean audits (albeit with some expressions of concern from the auditors about specific weaknesses). It has built up a large fund balance and significant cash reserves. Growing Wall Street respect for the District's financial management has been reflected in increasingly favorable ratings for its general obligation bonds and a triple A rating for a recent income-tax backed bond issue. The executive and the legislative branches have often had different priorities, but they have worked out their differences and made budget decisions on time. The District weathered the recession at the beginning of this decade, making the necessary adjustments when slower economic growth cut into revenues. It appears to be adjusting to the more severe current recession as well.

Now is the time for the Congress to show its commitment to democratic government by trusting the citizens of the District of Columbia, through their elected officials, to handle their own fiscal affairs without interference or delay from Congress. In fact, in recent years Congress has interfered far less than it used to in District budgets and tried to accommodate the District's needs by keeping District appropriations from getting caught in lengthy disputes over other federal spending bills that drag on long after the budget year has begun. This confidence is reassuring but should be reflected in law.

If H.R. 1045, "The District of Columbia Budget Autonomy Act of 2009," were enacted, District officials could design their own process for coming to budget decisions. Once a budget reflecting spending out of its own source revenues was passed by the Council and signed by the Mayor, it could not be altered by Congress

or delayed by the Congressional appropriations cycle. The District would be able to choose its own fiscal year. Like most States it would likely choose a fiscal year starting on the first of July to shorten the period of budget debate and make sure educational institutions received their funding well before the school year started. Such a vote of confidence in democracy and in the citizens of the District would free the Congress from the task of second guessing the District's government on local spending issues. Enacting this legislation would not affect Congressional responsibilities for the District under the Constitution, nor would it repeal the legislation that would revive the "Control Board" in the event of a future financial meltdown in the District.

Budget autonomy for the District is a win-win for the District and the federal government, as well as a demonstration of national confidence in the democratic process.

Thank you, Mr. Chairman and members of the Committee.