



D.C. POLICY
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PUBLIC HEARING ON

B25-0785 - FY 2024 Local Budget Act of 2025
B25-0788 - FY 2024 Revised Local Budget Temporary Act of 2024
B25-0787 - FY 2024 Revised Local Budget Emergency Act of 2024
B25-0786 - FY 2025 Federal Portion Budget Request Act of 2024
B25-0784 - FY 2025 Budget Support Act of 2024

Before the Committee of the Whole
Chairman Phil Mendelson

Friday May 3, 9:30 AM

Hearing in Room 500

Testimony of Dr. Yesim Sayin
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Good morning, Chairman Mendelson, and members of the Committee of the Whole. My name is Yesim Sayin, and I am the Executive Director of the D.C. Policy Center—an independent non-partisan think tank advancing policies for a strong, competitive, and compelling District of Columbia. I am grateful for the opportunity to testify on the Fiscal Year 2025 Budget Legislation.¹

Mayor Bowser’s proposed fiscal year 2025 budget and financial plan include both spending cuts and tax increases,² but balancing the financial plan still requires \$2.3 billion in fund balance use (past savings) over the next four fiscal years to close the gap between recurring expenditure and recurring revenue.

Positive revenue surprises are unlikely to close the gap between recurring expenditures and recurring revenue. For example, in the proposed fiscal year 2025 budget, the local budget spending is \$855 million above the local recurring revenue, even after including the new revenue proposals.³ To close this gap, revenues would have to grow by 8.1 percent during fiscal year 2025. To compare, the projected growth for baseline revenue in the February revenue estimate is 2.8 percent—about a third as fast. Through the four-year financial plan period, revenues, on average, would have to grow by 5.2 percent to make up for the fund balance use. This is more than twice as fast as the projected average annual revenue growth through fiscal year 2028 in the February revenue letter (2.3 percent) (See Appendix Table).

There is a lot of pressure on the Council to restore some of the cuts, but there are no easy fixes to the underlying structural problems without decisive action. Restoring what the Mayor has cut—through cutting other programs, through raising taxes, or through delaying contributions to the locally required reserves—will leave the structural gap between recurring expenditures and recurring revenue the same.

The hard task for the District’s elected officials this budget season and in the coming years is to right-size the budget so annual revenue and spending are eventually

¹ For a more detailed examination of the issues covered in this testimony, please see Sayin, Y. & Burge, D. (2024). “Laying the foundation for a resilient fiscal future for the District of Columbia.” D.C. Policy Center. Available at <https://www.dcpolicycenter.org/publications/foundations-for-a-resilient-fiscal-future-for-dc/>

² The baseline revenue for fiscal year 2025, before the proposed revenue initiatives, is \$10.2 billion. Revenue initiatives include both new or higher taxes, and resources freed for general operating funds by the undoing of certain commitments to specific programs. The total new resources funding the general fund budget comprised of local funds, dedicated taxes, and special purpose revenue is \$2.2 billion over the financial plan period.

³ Not included in these numbers, but also supporting total spending are resources diverted from other recurring transfers such as transfers from TIF and PILOT accounts, including the Baseball Fund, which is coming to an end in fiscal year 2028, when the baseball bonds are defeased.

aligned. In the short run, comprehensive evaluation of spending on programs that grew significantly during (and after) the pandemic can help assess if these programs are meeting needs as intended. D.C. already conducts sporadic program evaluations, but its track record in making budget decisions based on such evaluations is mixed.

In the intermediate term, thematic landscape analyses can help identify programs spread across multiple agencies serving similar needs. This type of analysis can help streamline the budget, or direct resources to programs that are most impactful. The District has some examples of such landscape analyses⁴ but, once again, their findings are not regularly considered in budgeting decisions.

The District has rigorous financial management practices, but the city can improve its financial resiliency by stress testing the assumptions used to develop its long-term budget projections. There should also be more transparency around the assumptions used to develop the financial plan.

Lastly, the city needs to assess its use of one-time funding to pay for expenditures that it incurs year after year. One-time enhancements included in the fiscal year 2025 budget add up to \$353 million, including \$20 million in personnel expenditures,⁵ \$3 million in snow removal, \$5 million for fleet management, and \$3 million for forensic testing. All of these expenditures **are** recurring needs. Other one-time enhancements include items that are legally discretionary but appear to meet continuous needs. These include subsidies such as \$12 million for Emergency Rental Assistance, \$1.9 million for youth homeless services, \$30 million for rapid rehousing, \$25 million for the not-for-profit hospital, \$11 million for home purchase assistance, \$11 million for safe passage, \$9 million for mental health and rehabilitation services, and \$6.8 million for out-of-school time programs. The District has provided these programs year after year and there will be pressure in future years to keep these expenditures in the budget.

The city has the necessary foundation to build a resilient fiscal future, but it needs a dedicated effort to develop viable strategies to right size its budget and a commitment from city leaders to faithfully implement these strategies. This budget season, the elected officials should consider putting in place a formal commitment to completely close the gap between recurring expenditures and recurring revenues by

⁴ These include landscape analyses conducted by the D.C. Council's Office of the Budget Director (for example [services for seniors](#) and [subsidized affordable housing programs](#), an annual summary of all [workforce development programs](#) across all government agencies published by the WIC, and the biennial [tax expenditure report](#) prepared by the OCFO.

⁵ This is also presented as a potential risk in the CFO's certification letter.

fiscal year 2029. They should also consider standing up an Expenditure Commission early in the fiscal year to collect community and stakeholder feedback, conduct necessary analyses, and recommend budget actions that can help the city reach this critical goal.

Thank you for the opportunity to testify. I welcome any questions from the Committee.

APPENDIX TABLE

Fund balance use in the financial plan compared to recurring revenues

Fiscal Years 2025 through 2028

(Dollar amounts in millions)	FY 2025	FY 2026	FY 2027	FY 2028	Four-year
Recurring revenue including revenue proposals	\$10,582	\$10,856	\$11,160	\$11,501	\$44,099
Planned fund balance use	\$855	\$578	\$477	\$401	\$2,317
Fund balance use as a share of recurring revenue	8.1%	5.3%	4.3%	3.4%	5.2%
Baseline revenue growth in February letter	2.8%	2%	2.1%	2.2%	2.3%

Source: Fiscal Year 2025 Budget Book, Financial Plan and February Certification Letter.

Note: The growth necessary to cover the fund balance use is the author's estimate.



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