MANAGEMENT REFORM—COST, SAVINGS, NET

HEARING

BEFORE THE

SUBCOMMITTEE ON THE
DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON
GOVERNMENT REFORM
AND OVERSIGHT
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

SECOND SESSION

JANUARY 30, 1998

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MANAGEMENT REFORM—COST, SAVINGS, NET

FRIDAY, JANUARY 30, 1998

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 2154, Rayburn House Office Building, Hon. Thomas M. Davis (chairman of the subcommittee) presiding.

Present: Representatives Davis, Morella, Horn and Norton.

Staff present: Ron Hamm, staff director; Howard Denis, counsel; Anne Mack, professional staff member; Ellen Brown, clerk; and Cedric Hendricks, minority professional staff member.

Mr. DAVIS. The meeting will come to order.

Good morning and welcome. This is a continuation of the hearing held by this subcommittee on December 19. At that time, we began our review of the management reforms mandated by Congress for the District of Columbia. I announced then that additional hearings would be held to review the issues in greater detail, and that is our intention today.

Subsequent to our last hearing, the Control Board sent its management reform plans to Congress and appointed Dr. Camille Barnett to be chief management officer for the city. Dr. Barnett's first day on the job was January 15, 1998. Today marks her first appearance before Congress, so a special welcome to Dr. Barnett. I note that Dr. Barnett was quoted as urging an executive team to focus on improving the services to citizens. That is exactly what we are all striving to achieve.

When Congress created the Control Board in 1995, the District was faced with a spending and management crisis of epic proportions. We embarked then on a critically important process to address these serious issues in a truly bipartisan way. I am, as always, grateful to the ranking member, Delegate Eleanor Holmes Norton, the vice chair of the subcommittee, Connie Morella, Speaker Gingrich, Representative Horn, who has had three generations born here in this city, the congressional leadership and the executive branch, for working together through so many difficult issues.

With patience and perseverance, much needed fiscal discipline has been instilled in the city's complex budget process. I thank each and every member of city government and the Control Board and the respective staff working for Congress for helping to achieve so many positive results under such difficult circumstances.

Though I am not always satisfied with the pace of action and the results, we should not overlook the progress that has been made.

Without the control board, we would not have been in a position to pass and see signed into law last year the D.C. Revitalization Act and related measures. The result has been a basic restructuring of the relationship between the Federal Government and the District of Columbia.

Key elements of the Revitalization Act include Federal assumption of certain functions performed by State governments and incentives for economic development and private sector jobs. The District's financial and managerial tasks were reduced through cost avoidance of some of the fastest growing parts of its budget. Authorization of any funds was conditioned on specific budget and management reforms. The Federal Government is making significant investment in many key areas. Tax incentives were also included in the equally historic Tax Reform Act of 1997.

The management reforms were not motivated by a desire to confer or remove specific power from existing governmental entities. Rather, it sprang naturally from a strong desire to provide direction to the Control Board and the city. I am convinced that management reform is the key to the District's future.

Because so many of the issues addressed in the Revitalization Act were time sensitive, passage of a consistent city budget was essential, and this was done.

Information, systems, and the right personnel must be in place before progress can be made in any endeavor. In the District, we now have had 2½ years of investigations, data collection, and analysis by the control board. Spending controls, systems, consultant's reports and recommendations are in place. Now we have an experienced operational manager ready to implement reform and revitalization of city services and process.

I look forward not only to the testimony but to the results that must follow. Today we will continue our review of the progress that has been made and assess the timetable for implementation of the management reforms. I am interested in learning how the management plans were decided upon, what role the teams mandated by the statute played in the process, the scheduling and sequencing of implementation, the costs over time, and the role to be played by the chief management officer.

Some concern has been expressed about the process being followed for decisionmaking and implementation. The subcommittee looks forward to hearing any such concerns.

I also look forward to assessing the prospects for regulatory reform, another key area addressed in the Revitalization Act.

So while I acknowledge the historic accomplishments which have been achieved, it is clear that many serious issues remain, and the momentum must be maintained.

I look forward, as always, to working with my colleagues, the control board, the controller, the city government, and all those who can help us build on the progress we have made.

I now yield to Delegate Norton, the ranking member of the subcommittee, for an opening statement.

[The prepared statement of Hon. Thomas M. Davis follows:]

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REP. TOM DAVIS
CHAIRMAN, D.C. SUBCOMMITTEE
JANUARY 30, 1998
OPENING STATEMENT

Good morning and welcome. This is a continuation of the Hearing held by this Subcommittee on December 19, 1997. At that time we began our review of the management reforms mandated by Congress for the District of Columbia. I announced then that additional hearings would be held to review the issues in greater detail. That is our intention today.

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Ranking Member Delegate Eleanor Holmes Norton, Vice-Chair Connie Morella, Speaker Gingrich, the Congressional leadership, and the Executive Branch for working together through so many difficult issues.

With patience and perseverance, much-needed fiscal discipline has been instilled into the City's complex budget process. I thank each and every member of the City Government and the Control Board and respective staff for working with Congress and for helping to achieve so many positive results under such difficult circumstances. Though I am not always satisfied with the pace of action and results we should not overlook the progress that has been made.

Without the Control Board we would not have been in a position to pass and see signed into law last year the D.C. Revitalization Act and related measures. The result has been a basic restructuring of the relationship between the Federal government and the District of Columbia.

Key elements of the Revitalization Act include federal assumption of certain functions performed by state governments, and incentives for economic development and private sector jobs. The District's financial and managerial tasks were reduced through cost-avoidance of some of the fastest growing parts of its budget. Authorization of any funds was conditioned on specific budget and management reforms.The federal government is making significant investments in many key areas. Tax incentives were also included in the equally historic Tax Reform Act of 1997.

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to the District's future.

Because so many of the issues addressed in the Revitalization Act were time-sensitive, passage of a consistent City Budget was essential. This was done.

Information, systems, and the right personnel must be in place before progress can be made in any endeavor. In the District we have now had 2 and a half years of investigations, data collection, and analysis by the Control Board. Spending controls, systems, consultants reports and recommendations are in place. And now we have an experienced operational manager ready to implement reform and revitalization of services and process.

I look forward not only to the testimony but to the results that must follow.

Today we will continue our review of the progress that has been made and assess the timetable for implementation of the management reforms. I am interested in learning how the Management Plans were decided upon, what role the "teams" mandated by the statute played in the process, the scheduling and sequencing of implementation, the costs over time, and the role to be played by the Chief Management Officer.

Some concern has been expressed about the process being followed for decision-making and implementation. The Subcommittee looks forward to hearing any such concerns.

I also look forward to assessing the prospects for regulatory reform, another key area addressed in the Revitalization Act.

So while I acknowledge the historic accomplishments which have

been achieved, it is clear that many serious issues remain and that momentum must be maintained. I look forward, as always, to working with my colleagues, the Control Board, the City Government, and all those who can help us build on the progress we have made.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. Chairman, I very much appreciate this oversight hearing on the implementation of management reform in the District government because so much is riding on improved services. To be specific, the stakes are tied to the drain of residents which has accelerated rather than abated, the direct needs of our disillusioned, high-paying taxpayers, and the future of self-government for the capital of the United States.

Elected officials and the Control Board have already demonstrated that they know how to do it and that they can do it. They produced a consensus balanced budget a year ahead of statutory requirements, and earned the $1 billion lifesaving President's rescue package as a result. The work of Chairman Davis and this subcommittee on both the Control Board statute and the rescue package, and of Mayor Barry, the City Council, the Control Board and the chief financial officer on the budget, is finally bearing fruit. The District's problems have not been entirely self-inflicted, but the city's repair must be completely self-generated.

The initiative taken by the Congress on management reform was not the place to begin last summer, and it is not the place to begin now. The city can be successfully reformed only by a joint venture of elected officials, the Control Board, and appointed officials.

I appreciate that the Control Board lost no time in complying with the requirements to implement the reforms that were mandated by Congress. I realize that at least some deficiencies in rapidly produced consultant reports may result in part from the tight timeframes Congress imposed. Congress was concerned that without these time lines, the process would not get under way fast enough or be rapid enough to address urgent operational problems.

Reform is burdened by the District's multilayered set of officials. Ironically, while Congress seeks an efficient government, Congress has imposed a highly inefficient structure to do the job. Nevertheless, even the present cumbersome structure can operate far more efficiently than it has.

For example, nothing in the Control Board's statute or subsequent enactments require sequential decisionmaking. When power must be shared, decisions and information must always be shared. The best way to assure efficiency in such a jerry-built governmental structure is to get everyone in the same room at the same time, rather than operating sequentially in quarrelsome layers. Collegial decisionmaking for the most part has worked to produce improved results in the Metropolitan Police Department, for example.

Unselfish and mature collaboration is the only way to hasten the management reform essential to return democracy to the District. The only way to assure that Congress keeps its promise to return democracy after 4 years of balanced budgets is to do more than balance the budget. If the city looks like it does today, I will have a major fight on my hands to enforce the 4-year provision. I will fight bare-knuckled, if I have to.

But today I ask elected and appointed officials alike, and residents as well, to do what is necessary to assure that democracy returns easily, without yet another battle.

I ask this help today for another reason. I do not intend to wait 4 years to seek to recapture democracy for the city. After a town meeting on democracy and self-government in the District next Thursday, I intend to submit a series of bills designed to incrementally return and expand democracy in this city. This strategy, of a rapid, step-by-step return of self-government, will not work, unless I can point to substantial improvements in the operations and management of the D.C. government.

In the end, I want the management reform to succeed quickly for a far more important reason, however: District taxpayers deserve far better than they have gotten. From 1990 to 1995, the District lost 46,000 residents, more than in the entire 1980's, and astonishingly, in only 2 years since 1995, the District has lost as many residents as it lost during the entire 10-year period of the 1980's.

Since 1990, the District has lost 78,000 residents and has reached its lowest population since the Depression. Those residents who have stuck with us deserve an immediate turnaround in services they are paying taxes to receive. District residents deserve what every American expects, both good government and citizen control.

At the time Congress enacted the Control Board statute, elected officials had virtually all the power they had before the act was passed. District officials were left in the same position as New York city officials when the Control Board was enacted for that city.

This was a hard fought home rule victory that began with this subcommittee when Chairman Davis and I negotiated a statute that left elected democratic control intact. However, anyone who doubts the willingness of Congress to renege on democracy need only recall the substantial loss of control by elected officials through appropriation subcommittee enactments in the ensuing years. District officials had already lost substantial control through sweeping language in appropriation statutes when much of what was left was stripped by the Faircloth provision. We must provide no excuses and no reasons, real or manufactured, for delay in returning democratic control.

I would be the first to agree that linking self-government to a particular administration's management of operations is an outrageous exception to democracy as it has always been practiced in this country. However, it is not sufficient to rail on the House floor or at 1 Judiciary Square. I want to do more than get mad; I want to get even. With the help of elected and appointed officials, we shall all get even.

I welcome all of today's witnesses, and, again, I thank you, Mr. Chairman.

Mr. DAVIS. Thank you, Ms. Norton.

Would anyone else care to make a statement?

If not, Members will be given 5 days to put anything in the record they desire.

I would ask our first witnesses to come up and testify. Our first panel will consist of the Honorable Mayor Marion Barry, and the District Council Chair, Linda Cropp.

As you know, it is the policy of the committee to be sworn before you testify, so if you would just rise.

[Witnesses sworn.]

Mr. DAVIS. I would ask unanimous consent that your written statements be made part of the record. If you could limit your oral statements to 5 minutes, we will have time for questions. The members of the committee have had an opportunity to read your statements. Try to highlight what is important, and anything you feel you need to put in the record, then we will go right to the questions.

We very much appreciate both of you being here today and being part of the team. Thank you.

STATEMENTS OF MARION BARRY, MAYOR, DISTRICT OF COLUMBIA; AND LINDA CROPP, COUNCIL CHAIR, DISTRICT OF COLUMBIA CITY COUNCIL

Mayor BARRY. Good morning, Mr. Chairman, members. I would like to thank you for the opportunity to testify on the National Capital Revitalization Act of 1997 and my participation in management reform of the District of Columbia government.

Mr. Chairman, you may recall my first appearance before this committee was in February 1995, soon after you had become chair of this subcommittee. At that time, I requested increased Federal share of Medicaid, Federal insurance of our capital debt, assumption of the unfunded pension liability, taxing authority on nonresident income, and Federal assumption of various State functions.

This was an idea whose time had come, and I am thankful that many of these ideas and suggestions ended up as part of the Revitalization Act last July.

Mr. Chairman, before I continue, let me thank you and Mrs. Norton and Mr. Horn and other members of this subcommittee for the hard and constructive work you did to get the Revitalization Act passed by the House of Representatives. However, as Mrs. Norton has alluded, it was in the Senate where Senator Faircloth was successful in getting the Senate and the House to agree to what I consider immoral and antidemocratic so-called management reform measures. More on that later.

Just for the record, Mr. Chairman, let me just indicate that it was almost 3 years ago that I identified a possible $722 million shortfall. That is what started this entire discussion. We couldn't go to the bond market to borrow short-term or long-term.

But we didn't just talk about that. We did something about it, even before the legislation was passed establishing the financial management system of authority. We took drastic measures back in those days. We went from a $335 million deficit in 1994 to a $54 million deficit in 1995.

Also, Mr. Chairman, as you all may recall, we presented a well thought out transformation strategy that was to form the basis of governmentwide restructuring. We continued to work as hard as we could on that. In my statement there are a number of activities that happened, and one or two I would just like to point out.

Our work force was reduced from 47,000 to 36,000 in less than 2 years, a phenomenal event. No other city had done that. New York City took 4 years to get to a 25 percent reduction. We did it in 2 years.

We also privatized major city services, including the Correctional Treatment Facility, food services, D.C. Village, Oak Hill, and others, and also we reduced AFDC benefits and others to make our government more in line with surrounding jurisdictions.

This brings us to the present. There has been a great deal of discussion about the 1997 audit results. Even though we don't have the official audit, the preliminary audit anticipates the District having a balanced budget for fiscal year 1997, a full 2 years ahead of what was anticipated in the legislation and what we all thought.

Mr. Chairman, let me just point out, so we don't get this surplus confused with what we are going to talk about today, this surplus occurred because expenditures were closely monitored. Almost every department of the D.C. government came in under their approved 1997 budget, which meant that we have brought budget discipline to the District of Columbia government.

The other part of this is that, in my view, the revenue estimators had been rather conservative in their estimates, which was good. There has been improved tax collection, which Mr. Williams will talk about later. But, more importantly, it was the discipline and hard work of the D.C. government employees that helped bring it about. The Revitalization Act had no influence on these results, because it had not even been enacted and implemented until October 1 of this year, as well as the reforms were not an integral part of this. I wanted to say this so people will not think we just sort of took advantage of all these ideas and didn't do it. I wanted to commend Mr. Williams, his staff, and other budget managers and department heads who brought this about.

It does not mean we should rest on our laurels, just because that happened, but to continue this discipline, continue this balanced budget approach, continue the sacrifices that we have made in the past.

Mr. Chairman, let me just talk about a few other items here. I have been very disturbed, so it is no secret I am going to speak about this in terms of Senator Faircloth going too far in terms of taking what you all had was a good idea and eroding democracy, and I am always going to stand up and say that wherever I am.

But also in my view, and I said this to the Control Board, they went even further than the Congress had anticipated. In August, they ordered nine departments to report to them. That was not, in my view, the intention of the legislation. The model we wanted to use was the police department model. The police department does not report to the Control Board.

We have a memorandum of understanding with seven of us in a very efficient and effective way in that room at the same time, and there is—everyone is making decisions collectively and together, not hierarchically, where somebody makes one and somebody makes another and somebody makes another. That is the way these other agencies ought to be operated, but they are not operated that way, so we have a bifurcated system. You have got a governance which is splintered, fractured, it is a many-headed beast, where everyone has some power and the Financial Management Assistance Authority is the ultimate decider of policy.

It is being managed like no other government in the free world, appointed and elected officials, receivers, consultants. This man-

agement structure has certainly caused confusion. Sometimes management chaos, sometimes competition, sometimes disrespect, and, more importantly, low morale among our employees. We must work to correct this situation. It is terrible in terms of what our D.C. government employees have to endure, not knowing who is in charge from one week to another. So as Mrs. Norton pointed out, we need to move back to a point of a memorandum of understanding, similar to the Metropolitan Police Department.

Let me say that has worked because crime has declined by over 20 percent last year, which is among the leading reductions in the Nation. Homicides are the lowest in 10 years. And all of this did work, and the police department did not report directly to the Management Assistance Authority. It is wrong to keep that process going.

In terms of the management reforms, Mrs. Cropp will allude to this. Initially, elected officials were not actively involved at the beginning of the process. We should have been involved with the selection of the consultants. We were not involved with that. We think we could have had some input into that process.

Also, in my view, the act should have included the new CFO, because I think the CFO being at the table as we discuss these management reforms could have given us much more instant budget information about the budgetary impact of these situations.

Also, another concern I had, and I would question Dr. Brimmer, the five members of the Control Board had other schedules from time to time, so we had to in some instances schedule our meetings around their schedules as opposed to when we all were available. Mrs. Cropp and I sat in on all 12 management reform teams, all of them, each and every one of them, and we came up with 270 projects which cost about $183 million that there was almost unanimous agreement on what those projects ought to be.

But on the other hand, because of the scheduling of the Control Board members, I suspect that we are, in my view, a couple months behind. We now have the projects, have the recommendations. The funding has not yet been completely identified, and we need to get on with the business of starting the recommendations being implemented that need funding. Some of them that didn't need funding have already started, but they were probably less than 10 or 15 percent of the whole package.

Again, I would urge this Congress to re-look at how the management reform situation is structured. Let's take away the antidemocratic part of it, where these agencies are reporting to the control board, and let's put them back into a collegial relationship.

Mr. Chairman, let me speak briefly about management reform as it relates to regulatory reform. On Wednesday, January 21, I signed legislation implementing some of the recommendations of the Business Regulatory Reform Commission, which was appointed to examine regulatory and business permit reforms. I think this legislation will prove valuable to the future economic development of the District.

The Business Regulatory Reform Commission devoted over 4,000 hours to this effort. The commission found an overriding need for technology, automation, and training at DCRA. It recommended

plowing fees and license revenues back into the agency to fund these initiatives.

I want to certainly commend Mr. Brazil and Mrs. Cropp and other members of the council for moving expeditiously to review these antiquated regulations and bring us into the 21st century.

I have instructed the corporation counsel to move vigorously and forthrightly to review the rulemaking process and make sure that regulations are quickly promulgated to implement this law.

There was some philosophical and problematic differences around environmental and health and rental housing accommodations. The council accommodated those differences, and I think most of us are very, very satisfied with that.

On the other hand, I was disturbed, as has been other members of the council, as the $800,000 that the Control Board spent to get a study done which really just sort of duplicated what the Business Regulatory Commission had done. This was unnecessary study, in my view, and a waste of money.

Finally, Mr. Chairman, I think we need to look to the future, and use the 1999 budget as a way of finding ways to deal with economic development. We can have the best managed government in the world and the most efficient government in the world. Unless we find a way to expand our tax base, to expand our employment base, and to be more competitive, we are not going to be on stable ground for very, very long.

In 1995, I put out some proposals that were not quickly grabbed onto. So I put out some for 1999 involving the Federal Government continuing to take over some of our State functions, like mental health, 100 percent of Medicaid, a continued Federal contribution. If we get $750 million of revenue enhancements, we can then cut our taxes in half, sales taxes and personal income taxes and corporate taxes and commercial property taxes, and taxes in the tourist area, where we would become competitive to Maryland and Virginia. That is our next step. I know it is sort of maybe a little ahead of its time, but I ask us to look at that as we also look at the continuation of these management reforms.

I feel good about where we are. Our city is in much better shape today than it was this time last year. It is cleaner, it is safer, and it is being managed better.

Thank you.

Mr. DAVIS. Mr. Mayor, thank you very much.

[The prepared statement of Mayor Barry follows:]

GOOD MORNING MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE. THANK YOU FOR THE OPPORTUNITY TO TESTIFY ON THE NATIONAL CAPITAL REVITALIZATION ACT OF 1997 AND MY PARTICIPATION IN MANAGEMENT REFORM OF THE DISTRICT OF COLUMBIA GOVERNMENT.

YOU MAY RECALL MY TESTIMONY BEFORE YOU IN FEBRUARY 1995, WHERE I REQUESTED:

- INCREASED FEDERAL SHARE OF MEDICAID;
- FEDERAL INSURANCE OF OUR CAPITAL DEBT;
- ASSUMPTION OF THE UNFUNDED PENSION LIABILITY;
- TAXING AUTHORITY ON NON-RESIDENT INCOME; AND
- FEDERAL ASSUMPTION OF VARIOUS STATE FUNCTIONS.

I ASKED FOR THESE THINGS TO HELP INSURE THE FINANCIAL STABILITY OF OUR CAPITAL CITY, TO BETTER ALLOCATE RESPONSIBILITY FOR CERTAIN STATE AND MUNICIPAL FUNCTIONS, AND TO IMPROVE THE ECONOMIC VIABILITY OF THE DISTRICT. SOME, BUT NOT ALL, OF THESE ISSUES WERE INCORPORATED INTO THE REVITALIZATION ACT LAST JULY. THE FINAL VERSION AND ITS MANAGEMENT REFORM PROVISIONS SURPRISED ALL OF US AND EXACTED A TOLL ON DEMOCRACY.

MR. CHAIRMAN, BEFORE I CONTINUE, LET ME THANK YOU FOR THE HARD AND CONSTRUCTIVE WORK YOU DID TO GET THE REVITALIZATION ACT PASSED BY THE HOUSE OF REPRESENTATIVES. HOWEVER, IT WAS IN THE SENATE WHERE SENATOR FAIRCLOTH WAS SUCCESSFUL IN GETTING THE SENATE AND THE HOUSE TO AGREE TO HIS IMMORAL AND ANTI-DEMOCRATIC-SO-CALLED MANAGEMENT REFORM. MORE ON THAT LATER.

WHEN I TOOK OFFICE THREE YEARS AGO, I DISCOVERED AND ANNOUNCED TO THE CITIZENS THE DESPERATE AND SORRY STATE OF THE DISTRICT'S FINANCES: THE PREVIOUS ADMINISTRATION HAD OVERSPENT BY $335 MILLION THAT, IT WAS AN AMOUNT THAT IF LEFT UNCHECKED, WOULD HAVE SPIRALED INTO A $722 MILLION SHORTFALL.

IN THE REMAINING MONTHS OF FISCAL YEAR 1995, WE MOVED TO AVERT THIS CALAMITY BY TAKING DRASTIC MEASURES. AMONG THE STEPS TAKEN WAS CUTTING ACTUAL SPENDING BY $151 MILLION -- A FEAT OF MONUMENTAL PROPORTIONS AND BECAUSE OF MY LEADERSHIP WE REDUCED THE POTENTIAL $722 MILLION DEFICIT TO A MERE $54 MILLION, WITHOUT MUCH HELP FROM THE FINANCIAL MANAGEMENT ASSISTANCE AUTHORITY.

A YEAR LATER, I PRESENTED A WELL-THOUGHT OUT TRANSFORMATION STRATEGY THAT WAS TO FORM THE BASIS FOR GOVERNMENT-WIDE RESTRUCTURING. THE TRANSFORMATION CALLED FOR BUILDING A CULTURE OF ACCOMPLISHMENT AND BETTER SERVICE, AGENCY-BY-AGENCY. HOWEVER, OUR EFFORTS WERE ULTIMATELY HAMPERED BY LACK OF FUNDING, AND THE FAILURE OF THE COUNCIL TO ENACT THE FIRST SET OF REORGANIZATION PLANS, FOR BUSINESS SERVICES AND ECONOMIC DEVELOPMENT (BSED) AND PUBLIC PROTECTION. DESPITE THESE SETBACKS, WE MADE CONSIDERABLE PROGRESS. WE CONTRIBUTED TO BALANCING THE BUDGET, AND SET THE STAGE FOR MANAGEMENT REFORMS BEING DISCUSSED TODAY.

MY OWN TRANSFORMATION EFFORT MADE SUBSTANTIAL PROGRESS IN ITS FIRST TWO YEARS FOR WHICH YOU, THE WASHINGTON POST AND OTHER FAIL TO ACKNOWLEDGE. WE ACCOMPLISHED MUCH AND WERE ON THE PATH OF REFORM. WE:

- REDUCED THE WORKFORCE FROM 47,000 TO 36,000;

- PRIVATIZED SEVERAL MAJOR CITY SERVICES INCLUDING THE CORRECTIONAL TREATMENT FACILITY, FOOD SERVICES AT ALL CORRECTIONAL FACILITIES, THE POLICE & FIRE CLINIC, DC VILLAGE, AND OAK HILL EDUCATIONAL ACADEMY. WE CLOSED FACILITIES AND HANDED PROGRAMS TO THE PRIVATE SECTOR FOR COST SAVINGS AND REVENUE ENHANCEMENT;

- ACCOMPLISHED SIGNIFICANT ORGANIZATIONAL CHANGE AS WELL, CREATING A DEPARTMENT OF HEALTH AND A PUBLIC BENEFITS CORPORATION THAT WILL DRAMATICALLY IMPROVE HEALTH CARE IN THE DISTRICT, AND WE ALSO CREATED AN INDEPENDENT, REGIONAL WATER AND SEWER AUTHORITY;

- REDUCED AFDC BENEFITS, UNEMPLOYMENT BENEFITS AND WORKERS COMPENSATION COSTS;

- CREATED A CENTER FOR EXCELLENCE IN MUNICIPAL MANAGEMENT WITH GEORGE WASHINGTON UNIVERSITY TO BETTER TRAIN OUR MANAGERS,

- LAUNCHED A CITYWIDE LABOR-MANAGEMENT PARTNERSHIP PROCESS TO FOSTER COLLABORATION, CULTURE CHANGE AND SERVICE IMPROVEMENT;

- INSTITUTED CITYWIDE PERFORMANCE MEASUREMENT;

- TOOK THE LEAD IN TACKLING THE DISTRICT'S "YEAR 2000" PROBLEM;

- INITIATED REAL ESTATE MANAGEMENT, REGULATOR AND PERSONNEL REFORM; AND

- DETERMINED CITYWIDE TELECOMMUNICATION NEEDS .

THIS BRINGS US TO THE PRESENT. THERE HAS BEEN A GREAT DEAL OF DISCUSSION ABOUT 1997 RESULTS. THE PRELIMINARY AUDIT ANTICIPATES THE DISTRICT HAVING A BALANCED BUDGET FOR FISCAL YEAR 1997. WE TURNED AROUND AN ANTICIPATED $74 MILLION DEFICIT INTO A MAJOR SURPLUS. FOR 1997 OPERATING REVENUES EXCEEDED OPERATING COSTS SIGNIFICANTLY. MR. CHAIRMAN, THIS OCCURRED BECAUSE EXPENDITURES WERE CLOSELY MONITORED TO ENSURE THAT EVERYONE STAYED WITHIN THEIR BUDGET OR BELOW; BECAUSE OF CONSERVATIVE REVENUE ESTIMATES, IMPROVED TAX COLLECTIONS...AND THE DISCIPLINE AND HARD WORK OF THE ADMINISTRATION AND EMPLOYEES.

MR. CHAIRMAN, LET ME MAKE IT VERY CLEAR THAT THIS TURNAROUND HAPPENED WITHOUT THE BENEFIT OF THE REVITALIZATION ACT OR THESE SO-CALLED MANAGEMENT REFORMS. AGAIN, I WANT TO CONGRATULATE THE FINANCIAL AND PROGRAM MANAGERS OF THE DISTRICT OF COLUMBIA FOR BALANCING THE DISTRICT BUDGET TWO YEARS AHEAD OF SCHEDULE.

IN MARCH OF LAST YEAR, I TESTIFIED BEFORE THIS SUBCOMMITTEE ON THE WHITE HOUSE PROPOSAL, THE REVITALIZATION ACT. WE SUPPORTED THE FEDERAL ASSUMPTION OF THE DISTRICT'S UNFUNDED PENSION LIABILITY, THE TAKEOVER OF THE PRISON SYSTEM, AN INCREASED FEDERAL SHARE OF THE MEDICAID PAYMENTS, ESTABLISHMENT OF A NEW ECONOMIC DEVELOPMENT CORPORATION, AND TAX CREDITS.

WE ASKED FOR, BUT DID NOT RECEIVE, A CONTINUED FEDERAL PAYMENT, AND ECONOMIC RELIEF FOR OUR STATE MENTAL HEALTH SYSTEM.

WE DID NOT EXPECT, AS PART OF THE REVITALIZATION ACT, THE LOSS OF SOME HOME RULE. SO LET ME SAY AT THE OUTSET, AS I HAVE SAID MANY TIMES SINCE JULY 1997, IT IS CLEAR TO ME THAT THESE SO-CALLED-ANTI-DEMOCRATIC REFORMS WENT WAY BEYOND WHAT I BELIEVE WAS ENVISIONED BY THE MEMBERS OF THIS SUBCOMMITTEE, THE WHITE HOUSE, AND CERTAINLY WHAT WAS DISCUSSED WITH THE ELECTED LEADERSHIP OF WASHINGTON, DC.

THROUGHOUT THE NEGOTIATIONS ON THIS BILL, AND IN MY CONVERSATIONS WITH SENATOR FAIRCLOTH, THERE WAS NO INDICATION THE ACT WOULD GO AS FAR AS IT DID IN REMOVING HOME RULE. THE FINAL VERSION OF THE ACT WAS A FAR CRY FROM WHAT YOU REPRESENTED TO ME AS THE SUBSTANCE OF WHAT WAS BEING DISCUSSED BETWEEN THE HOUSE AND THE SENATE. THE FINAL BILL WAS LITERALLY CRAFTED BY SENATOR FAIRCLOTH AND THE HOUSE LEADERSHIP "IN DARK OF NIGHT".

WHAT WAS INTENDED TO BE A FEDERAL GOVERNMENT ASSUMPTION OF ITS PENSION AND MEDICAID RESPONSIBILITIES AND OF CERTAIN STATE FUNCTIONS, TURNED INTO A SAD AND HISTORIC EPISODE OF CONGRESSIONAL MICROMANAGEMENT OF LOCAL GOVERNMENT OPERATIONS. ULTIMATELY, IT LED TO SENATOR FAIRCLOTH AND CONGRESS DISRESPECTING THE CITIZENS OF WASHINGTON, D.C. AND TAKING A MEASURE OF DEMOCRACY FROM DISTRICT RESIDENTS.

IN ADDITION TO FURTHER ERODING DEMOCRACY, THE FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE AUTHORITY WENT EVEN FURTHER THAN THE CONGRESS AND WAS MORE ANTI-DEMOCRATIC IN THEIR AUGUST ORDER DIRECTING NINE DEPARTMENTS TO REPORT SOLELY TO THEM. (IN READING THE REVITALIZATION ACT ONE CAN FIND NO BASIS FOR THIS). THUS THE FINANCIAL AUTHORITY HAS CREATED A A FRACTURED GOVERNANCE STRUCTURE OF UNEQUAL, UNELECTED, INDEPENDENT PARTS.

THE AUGUST ORDER ISSUED BY THE FINANCIAL AUTHORITY IS A MUCH MORE AUTOCRATIC PROCESS IN WHICH THE FINANCIAL AUTHORITY, WITHOUT ANY CONSULTATION WITH ELECTED OFFICIALS OR MEMBERS OF THIS SUBCOMMITTEE, AND WITHOUT PUBLIC HEARINGS, TOOK CONTROL OVER NINE AGENCIES AND FOUR CROSS-CUTTING FUNCTIONS.

IT WAS MY UNDERSTANDING THAT WHAT YOU AND OTHER MEMBERS OF THE SUBCOMMITTEE HAD IN MIND WAS AN "MOU" PROCESS WHICH MIRRORED THE COLLABORATIVE PARTNERSHIP USED WITH THE METROPOLITAN POLICE DEPARTMENT. PARTNERS IN THAT PROCESS ENGAGE IN POLICY DECISIONS AND THE AGENCY AND THE AGENCY DIRECTOR ARE RESPONSIBLE FOR IMPLEMENTING THEM.

I BELIEVE THAT THE FINANCIAL AUTHORITY MISREPRESENTED BOTH THE SPIRIT AND THE LETTER OF THE REVITALIZATION ACT AND ITS OWN CHARTER AS AMENDED, WHEN IT ASSUMED MANAGEMENT CONTROL OF THESE AGENCIES. THIS IS RESOUNDINGLY SIMILAR TO ITS ACTIONS IN REMOVING POWER FROM THE LOCALLY-ELECTED SCHOOL BOARD AND CREATING AN EMERGENCY BOARD OF TRUSTEES TO OVERSEE THE CITY'S SCHOOL SYSTEM. AS YOU KNOW, THE APPEALS COURT OF THE DISTRICT OF COLUMBIA RECENTLY RULED THESE ACTIONS TO BE ILLEGAL.

I FIRMLY BELIEVE THAT ANY GOVERNMENTAL RESTRUCTURING MUST ABIDE BY BOTH THE PROVISIONS OF LAW AND THE INTENT OF CONGRESS. THE FINANCIAL AUTHORITY HAS OVERSTEPPED BOTH OF THESE, IN MORE THAN ONE INSTANCE.

SPECIFICALLY, BOTH GOVERNANCE CHANGES AND REORGANIZATIONS REQUIRE REVIEW AND ACTION BY THE COUNCIL, AND IN SOME CASES, ACTION BY CONGRESS. THESE PROCEDURES WERE NOT FOLLOWED.

THE GOVERNANCE STRUCTURE OF THIS CITY IS SPLINTERED. FRACTURED. IT IS A "MANY-HEADED BEAST" WHERE EVERYONE HAS SOME POWER AND THE FINANCIAL MANAGEMENT

AUTHORITY IS THE ULTIMATE DECIDER OF POLICY. IT IS BEING MANAGED LIKE NO OTHER GOVERNMENT IN THE FREE WORLD. APPOINTED AND ELECTED OFFICIALS.... RECEIVERS.... CONSULTANTS..... THIS FRACTURED MANAGEMENT STRUCTURE HAS NEVER BEEN TRIED OR TESTED. IT IS NOT BEING TAUGHT IN PUBLIC ADMINISTRATION CLASSES, I CAN ASSURE YOU OF THAT. IT HAS CREATED CONFUSION. MANAGEMENT CHAOS. DUPLICITY. COMPETITION. DISRESPECT. LOW MORALE. WE MUST WORK TO CORRECT THIS INJUSTICE THROUGH THE BUDGET PROCESS.

SEVEN MONTH HAVE PASSED AND I HAVE SEEN AND FELT AND HEARD A NEGATIVE IMPACT AND I AM MAKING AN APPEAL TO YOU NOW TO CORRECT THIS TRAVESTY.

I URGE YOU TODAY TO INITIATE A "MEMORANDUM OF UNDERSTANDING" SIMILAR TO THE METROPOLITAN POLICE DEPARTMENT TO MANAGE DISTRICT GOVERNMENT AGENCIES AND TO FACILITATE THE REFORM PROCESS. AGAIN, I REPEAT IT SHOULD BE MUCH LIKE THE ONE USED FOR THE METROPOLITAN POLICE DEPARTMENT, WHICH IS A COLLABORATIVE PROCESS INCLUDING STAKE HOLDERS WORKING TOGETHER FOR THE COMMON GOOD. THE METHOD HAS WORKED WELL WITH THE METROPOLITAN POLICE DEPARTMENT , IN THAT REFORM HAS OCCURRED AND CRIME HAS BEEN GREATLY REDUCED. IN 1997, OVERALL, CRIME DECLINED 20% WHILE HOMICIDES ARE THE LOWEST IN 10 YEARS, AND THE POLICE DEPARTMENT DOES NOT REPORT DIRECTLY TO THE FINANCIAL MANAGEMENT AUTHORITY, NOR DID THE FINANCIAL AUTHORITY SOLELY DIRECT THE MOU REFORMS. IMPROVEMENT OF THE POLICE DEPARTMENT IS BEING IMPLEMENTED AND MONITORED BY HIGH-LEVEL STAKEHOLDERS WORKING COLLABORATIVELY.

A LOGICAL EXTENSION OF THIS COLLABORATIVE PROCESS WOULD BE INCLUSION OF THE MAYOR AND CHAIRMAN OF THE COUNCIL AS EX-OFFICIO AND VOTING MEMBERS OF THE FINANCIAL AUTHORITY.

THE MANAGEMENT REFORM TEAMS PROVIDE AN INTERESTING CONTRAST TO THE SUCCESS OF THE MOU PROCESS. I WAS INTEGRALLY INVOLVED ON ALL TWELVE TEAMS AND I PERSONALLY ATTENDED THE VAST MAJORITY OF MEETINGS. LET ME SAY FOR THE RECORD THAT THE MANAGEMENT REFORM PROCESS PRODUCED SOME GOOD RESULTS, BUT IT COULD HAVE BEEN IMPROVED IN A NUMBER OF IMPORTANT WAYS.

- ELECTED OFFICIALS WERE EVENTUALLY INVOLVED IN THE PROCESS. THE ACT SHOULD HAVE INCLUDED THE CHIEF FINANCIAL OFFICER AS A MEMBER OF THE MANAGEMENT REFORM TEAMS. THE CHIEF FINANCIAL OFFICER'S INCLUSION AND PARTICIPATION WOULD HAVE SERVED TO ELIMINATE MANY OF THE UNANSWERED QUESTIONS RELATING TO THE COSTS AND FUNDING OF ALMOST $200 MILLION WORTH OF REFORM PROJECTS.

- THE CONSULTANTS WHO WERE USED WERE SELECTED UNILATERALLY BY THE FINANCIAL AUTHORITY. ALL TEAM MEMBERS OUGHT TO HAVE BEEN INVOLVED IN THE STRATEGY AND THE SUBSTANCE OF THE EFFORT RIGHT FROM THE START.

- MANAGEMENT REFORM TEAM MEETINGS WERE SCHEDULED AT THE CONVENIENCE OF FINANCIAL AUTHORITY MEMBERS. THE SCHEDULING OF FINANCIAL AUTHORITY MEMBERS SOMEWHAT IMPEDED THE PROCESS.

FEW OF THE REFORMS HAVE ACTUALLY STARTED. EVEN THOUGH THE MANAGEMENT REFORM TEAMS HAVE MADE FINAL RECOMMENDATIONS TO SUPPORT 270 PROJECTS, THE IMPLEMENTATION OF THE FUNDING OF THIS PROCESS, TO MY KNOWLEDGE, HAS YET TO BEGIN. THESE 270 PROJECTS WERE WELL THOUGHT OUT AND PRESENTED OUR BEST EFFORTS.

THE MANAGEMENT REFORM PROCESS, HOWEVER THOROUGH, IS TWO MONTHS BEHIND SCHEDULE. CONGRESS AND THE FINANCIAL AUTHORITY HAVE SET UP EXPECTATIONS. THE PUBLIC WANTS AND EXPECTS MANAGEMENT REFORM PROGRESS, BUT THAT IS NOT APPARENT EVEN AT THIS LATE DATE.

FOR THE FUTURE, LET US AGREE ON THIS: CONFERRING EXCLUSIVE AUTHORITY TO THE FINANCIAL AUTHORITY IS NOT A MODEL FOR SUCCESS. WE NEED TO LOOK AT THE "MOU" PROCESS USED FOR THE POLICE DEPARTMENT, WHICH HAS A PROVEN TRACK RECORD AND IS INCLUSIVE OF ALL STAKEHOLDERS, ELECTED AND APPOINTED.

AN MOU GROUP CAN BE FORMED AND CAN MEET EACH MONTH TO MAKE SURE MANAGEMENT REFORM IS ON TRACK, ISSUES ARE RESOLVED, FUNDS ARE PROPERLY EXPENDED AND PROJECTS ARE COMPLETED IN A PRIORITY FASHION. STAFF FROM EACH MOU PARTNER SHOULD BE ACTIVELY INVOLVED WITH IMPLEMENTATION AND MONITORING. THIS HAS NOT OCCURRED TO DATE UNDER THE FINANCIAL AUTHORITY.

THIS IS MY RECOMMENDATION ON MANAGEMENT REFORM, GOING FORWARD: AN AGREEMENT MUST BE REACHED AMONG THE PARTNERS, SIGNED AND MODELED AFTER THE POLICE MOU PROCESS.

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I WILL NOW ADDRESS REGULATORY REFORM. ON WEDNESDAY, JANUARY TWENTY-FIRST I SIGNED LEGISLATION IMPLEMENTING SOME OF THE RECOMMENDATIONS OF THE BUSINESS REGULATORY REFORM COMMISSION, WHICH I APPOINTED TO EXAMINE REGULATORY AND BUSINESS PERMIT REFORM. THIS LEGISLATION WILL PROVE VALUABLE TO THE FUTURE ECONOMIC DEVELOPMENT OF THE DISTRICT OF COLUMBIA.

THE BUSINESS AND REGULATORY REFORM COMMISSION DEVOTED 4,000 HOURS OF UNCOMPENSATED TIME AND DEVELOPED 120 SUBSTANTIVE RECOMMENDATIONS. DESPITE THEIR HERCULEAN EFFORTS, THE FINANCIAL AUTHORITY DUPLICATED THEIR EFFORTS BY SPENDING MORE THAN $800,000 ON A CONSULTANT TO STUDY REGULATORY REFORM.

THE COMMISSION FOUND AN OVERRIDING NEED FOR TECHNOLOGY, AUTOMATION AND TRAINING AT DCRA. IT RECOMMENDED PLOWING FEES AND LICENSE REVENUES BACK INTO THE AGENCY TO FUND THESE INITIATIVES. THE CORPORATION COUNSEL WILL RIGOROUSLY REVIEW THE RULEMAKING PROCESS TO ENSURE THAT ALL D.C. LAWS THE COUNCIL PASSES HAVE RULES WHICH ARE WRITTEN, APPROVED AND ENACTED.

CERTAIN PROPOSALS REGARDING ENVIRONMENTAL AND RENTAL HOUSING REGULATION WERE REMOVED FROM THE COUNCIL LEGISLATION. THIS OCCURRED AFTER A PUBLIC OUTCRY FROM ALL PARTS OF THE CITY. THE CITIZENS OF THE DISTRICT SPOKE OUT FORCEFULLY ON THESE ISSUES. THEIR VOICES MUST BE RESPECTED BY CONTROL BOARD AND THE CONGRESS. NO FURTHER ACTION SHOULD BE TAKEN TO FURTHER DISREGARD THE WILL OF THE PEOPLE IN THIS COMMUNITY.

ANY CHANGE TO THE ENVIRONMENTAL AND RENTAL POLICIES OF THIS CITY MUST COME THROUGH OUR LEGISLATIVE PROCESS WITH PARTICIPATION FROM THOSE AFFECTED BY THESE CHANGES. UNILATERAL DECISIONS MUST NOT BE IMPOSED ON THE GOOD PEOPLE OF THE DISTRICT OF COLUMBIA. YOU WOULD NOT SIT STILL FOR SUCH AN IMPOSITION UPON YOUR CONSTITUENTS. AS MAYOR, I DO NOT EXPECT YOU TO IMPOSE YOUR WILL UPON THE PEOPLE OF THE DISTRICT OF COLUMBIA.

AS I STATED EARLIER, THE FY99 BUDGET SHOULD BE A VEHICLE THROUGH WHICH THE INEQUITIES OF THE REVITALIZATION ACT ARE ADDRESSED. THE FINANCIAL AUTHORITY'S CHARTER SHOULD BE AMENDED TO INCLUDE THE MAYOR AND THE CHAIR OF THE D.C. COUNCIL AS EX-OFFICIO MEMBERS. CONGRESSIONAL ACTION IS NEEDED TO MANDATE THE CREATION OF AN MOU PROCESS TO BETTER MANAGE THE REFORM PROCESS AND RESTORE DEMOCRACY TO THE DISTRICT.

ONE OF MY MAIN FOCUSES IS FINDING WAYS TO FUEL ECONOMIC REVITALIZATION IN THE DISTRICT. I HAVE PROPOSED AN REVITALIZATION PLAN PART II, WHICH IS IMPORTANT WHEN COUPLED WITH THE INITIAL ATTEMPTS OF THE PRESIDENT'S REVITALIZATION ACT TO FOSTER ECONOMIC VITALITY IN THE

DISTRICT. WE RENEW OUR CALL FOR AN ECONOMIC DEVELOPMENT CORPORATION WHICH REPRESENTS ALL SECTORS, INCLUDING NEIGHBORHOODS.

I BELIEVE THAT TRUE REVITALIZATION OF THE NATION'S CAPITAL WILL OCCUR IF, AND ONLY, IF, A MORE REFINED RELATIONSHIP IS ESTABLISHED WITH THE FEDERAL GOVERNMENT THAT PERMITS THE DISTRICT TO GENERATE THE REVENUES NECESSARY TO SPUR ECONOMIC GROWTH, BECOME MORE COMPETITIVE WITH MARYLAND AND VIRGINIA AND CONTINUE TO INSIST THAT THE FEDERAL GOVERNMENT ACT AS OUR STATE AND FUND ADDITIONAL STATE FUNCTIONS, MEDICAID, MENTAL HEALTH, FOOD STAMPS, ETC.

TRUE REVITALIZATION MEANS HAVING THE REVENUE STREAMS NECESSARY TO EXPAND THE ECONOMIC BASE OF THE DISTRICT AND USE THE FEDERAL GOVERNMENT'S PRESENCE TO STRENGTHEN OUR ECONOMIC BASE. FURTHERMORE, TRUE REVITALIZATION MEANS THE RETURN OF FULL SELF-DETERMINATION BY THE LOCAL ELECTED OFFICIALS SINCE EXPANDING THE ECONOMIC BASE CANNOT REPRESENT THE INTERESTS OF THE CITIZENS UNLESS THEY ARE AFFORDED THE OPPORTUNITY TO BE PART OF THE REVITALIZATION PROCESS.

FINALLY, AS I STATED IN MY WEEKLY PRESS CONFERENCE ON WEDNESDAY, WE ARE REQUESTING A CONTINUED FEDERAL CONTRIBUTION OF $328 MILLION FOR PAYMENT IN LIEU OF TAXES.

AS YOU KNOW, WE LOSE $1.5 BILLION A YEAR IN TAX REVENUES AND WE LOST AN ADDITIONAL $660 MILLION A YEAR WHEN THE FEDERAL PAYMENT WAS CUT OUT. THIS IS NOT A SUBSIDY OR A

BAILOUT BUT THAT WHICH IS LEGITIMATELY OWED TO D.C. CITIZENS. WITH THIS TREMENDOUS LOSS IN REVENUES LET US SAY THE CITY IS BEING LAND-LOCKED, OUR ECONOMIC BASE CANNOT EXPAND.

BUT THE PRESIDENT HAS THE OPPORTUNITY TO CORRECT THIS FLAW IN THE FY99 BUDGET CYCLE BY MERELY TRANSFERRING COSTS BORNE BY THE DISTRICT IN SUCH AREAS AS MENTAL HEALTH SERVICES, HIGHWAY FUNDS AND FULL MEDICAID FUNDING, FOR EXAMPLE. BY TRANSFERRING THESE STATE COSTS TO THE FEDERAL GOVERNMENT AND RECEIVING AN EQUITABLE FEDERAL CONTRIBUTION, WE CAN COMPETE MORE EFFECTIVELY WITH OUR REGIONAL NEIGHBORS AND ATTRACT AND RETAIN MORE RESIDENTS AND BUSINESSES.

THANK YOU FOR THE OPPORTUNITY TO ADDRESS YOU TODAY. I WILL NOW ANSWER ANY QUESTIONS YOU MAY HAVE.

Mr. DAVIS. Chairman Cropp.

Ms. CROPP. Good morning, Congressman Davis and members of the subcommittee. I am Linda W. Cropp, chair of the Council of the District of Columbia. On behalf of the council, I am pleased to appear before you today to testify on the management and regulatory reform initiatives mandated by the National Capital Revitalization Act of 1997.

I join the Mayor in thanking you for your interest in the District. I concur with our own Congresswoman, Eleanor Holmes Norton, that we all need to work together in an effort—and do those things that are necessary, in an effort to expedite the return of democracy to the citizens of the District of Columbia.

In the beginning of the management reform process, the council had concern regarding the failure of the financial authority to consult the council and the Mayor regarding the selection and cost of the consultants. The council could have provided valuable input in crafting the scope of work in the request for proposals prior to the award of the contracts. This would have eliminated significant issues that were missed in the consultant's report.

However, after these initial concerns, due primarily to the short time period the financial authority had to obtain the consultants and complete the necessary tasks, the preparation and selection of the management reform initiatives was a collaborative process with all of us being involved.

Accepted projects which required no additional budget resources were immediately implemented, or they were continued. For other recommendations, the team applied a cost-benefit analysis of all of the projects, examining the costs of the projects, potential revenue that would be generated, and the benefits to the customers served. The teams closely examined the crosscutting issues and initiatives, personnel, procurement, information technology and asset management to ensure the initiatives would complement one another.

That being said, let me tell you the easy part is over. The more significant course of action has yet to be completed; that is, the implementation of the management reforms. The implementation of these reforms will require continued collaboration among all of the members of the management team with adequate input from each team member.

Many of the recommendations are not new. Quite frankly, over the years numerous studies, reviews, and recommendations have lined the shelves. The important difference this time is funding for the implementation of these recommended initiatives.

I want to raise two council concerns in the implementation of these plans. The first concern is the financing of the management reform. A variety of funding sources are proposed for its financing. These funding sources include existing appropriated operating and capital budgets and initiatives that will generate cost savings and increase revenues which can be reinvested in the management reform.

The council is concerned that some of the costs associated with the reforms are underestimated, or it is unclear exactly how the costs will be obtained. Further analysis is needed prior to implementation. Without such further analysis, there exists the possibility of uncompleted projects or, even worse, cost overruns that could

negatively affect the District's budget. The management reform teams must work closely with the chief financial officer to ensure that the implementation of the reforms is consistent with our fiscal budget and our multiyear financial plan and does not jeopardize our financial recovery. The worst nightmare could be that cost overruns and other costs that would be associated with this would prolong the years in which the financial authority would stay in existence.

The second concern is the use and cost of the consultants. The management reform teams must ensure that wherever and whenever it is cost effective and appropriate, that the implementation of the reform projects be done by existing government personnel. Some of the consultants built into their recommendations continued work. The consultants' charge should be to analyze the problem, start the implementation plan based on the recommendations and the findings, and monitor the projects' progress. The consultants' participation should be short-lived and not looked upon as a substitute for government personnel and functions.

We have already spent millions and millions of dollars on consultants to date. Although the further use of consultants will be necessary for some projects, we must also provide the existing government employees the necessary training and resources so that they have the ability to execute the reform measures long after consultants are gone. This is to be a temporary effort, and, if that is the case, we should not build in longevity, and we should make sure our work force is trained to continue the efforts.

One area in which the council has taken the lead is in the business and regulatory reform area. I am pleased to report earlier this month the council approved the comprehensive business regulatory reform legislation. This legislative initiative is part of the council's ongoing efforts to address regulations which are unnecessarily and inappropriately impairing economic development in the District. The council's initiative in this area began prior to, but is not inconsistent with, the mandate to the financial authority contained in the Revitalization Act.

In December 1994, the council approved legislation establishing a business regulatory reform commission. The commission's mandate was to identify statutes and regulations that were obsolete, inconsistent, or duplicative, with particular attention to permitting and licensing related to buildings and land uses, businesses, occupations and professions.

The commission consisted of 12 public members representing business occupations and professions regulated by the District, and seven Government members. The chairman of the council and the chairman of the council's Committee on Consumer and Regulatory Reforms served on the commission.

This fall, the commission submitted its final report to the Mayor and the council. The council held extensive public hearings on the recommendations contained in the report, over 3 days of hearings, more than 21 hours of testimony.

In addition, the council received hundreds of written comments on the legislation from interested parties. The final legislation approved reflects the concerns and comments raised by District residents at those hearings.

This is not the end of the council's business regulatory reform efforts. Other legislation has been introduced in the council which will lower the cost of doing business in the District, and the final report of the tax revision commission established by the council will be released this April.

All of these efforts reflect the council's recognition of the need to establish a more business-friendly environment in the District while protecting the health, safety, and welfare of District residents and visitors.

In conclusion, we have provided a good first step in working within the Revitalization Act in correcting the structural inequities in the relationship between the District and Federal Government. However, the gains realized by the act came at a cost of the further erosion of the District's limited home rule. My concern in that regard is extremely great.

The council looks forward to cooperating and working with Congress and the President in restructuring the District and the Federal Government's relationship by creating economic growth and restoring the democratic rights of District residents.

Thank you for this opportunity.

Mr. DAVIS. Chairman Cropp, thank you very much for your testimony.

[The prepared statement of Ms. Cropp follows:]

TESTIMONY OF
CHAIRMAN LINDA W. CROPP
COUNCIL OF THE DISTRICT OF COLUMBIA

BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT'S
SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA
ON
MANAGEMENT AND REGULATORY REFORMS

JANUARY 30, 1998

GOOD MORNING. CONGRESSMAN DAVIS AND MEMBERS OF THE SUBCOMMITTEE, I AM LINDA W. CROPP, CHAIRMAN OF THE COUNCIL OF THE DISTRICT OF COLUMBIA. ON BEHALF OF THE COUNCIL, I AM PLEASED TO APPEAR BEFORE YOU TODAY TO TESTIFY ON THE MANAGEMENT AND REGULATORY REFORM INITIATIVES MANDATED BY THE NATIONAL CAPITAL REVITALIZATION ACT OF 1997.

PURSUANT TO THE REVITALIZATION ACT, I, ALONG WITH THE MAYOR, THE CHAIR OF THE FINANCIAL AUTHORITY, AND HEADS OF THE AFFECTED GOVERNMENT DEPARTMENTS SERVE ON THE MANAGEMENT REFORM TEAMS. IN THE BEGINNING OF THE MANAGEMENT REFORM PROCESS, THE COUNCIL HAD CONCERN REGARDING THE FAILURE OF THE FINANCIAL AUTHORITY TO CONSULT WITH THE COUNCIL REGARDING THE SELECTION AND COST OF THE CONSULTANTS. THE COUNCIL COULD HAVE PROVIDED VALUABLE INPUT IN CRAFTING THE SCOPE OF WORK IN THE REQUEST FOR PROPOSALS PRIOR TO THE AWARD THE CONTRACTS. THIS WOULD HAVE ELIMINATED SIGNIFICANT ISSUES THAT WERE MISSED IN THE CONSULTANT'S REPORTS. HOWEVER, AFTER THESE

INITIAL CONCERNS, DUE PRIMARILY TO THE SHORT TIME PERIOD THE FINANCIAL AUTHORITY HAD TO OBTAIN THE CONSULTANTS AND COMPLETE THE NECESSARY TASKS, THE PREPARATION AND SELECTION OF THE MANAGEMENT REFORM INITIATIVES WAS A COLLABORATIVE PROCESS.

THE CONSULTANTS IN THEIR REPORTS ASSESSED THE MANAGEMENT AND PROGRAM OPERATIONS OF THE AFFECTED AGENCIES, IDENTIFIED IMPROVEMENT PROJECTS AND PROPOSED MANAGEMENT REFORM PLANS. THE MANAGEMENT REFORM TEAMS THEN REVIEWED ALL OF THE CONSULTANT RECOMMENDATIONS, AS WELL AS ADDITIONAL PROJECTS RECOMMENDED BY THE COUNCIL. MANY OF THE RECOMMENDATIONS WERE FAMILIAR AS THEY HAD APPEARED IN PAST COUNCIL REPORTS OR EXECUTIVE INITIATIVES.

ACCEPTED PROJECTS WHICH REQUIRED NO ADDITIONAL BUDGET RESOURCES WERE IMMEDIATELY IMPLEMENTED OR WERE CONTINUED. FOR THE OTHER RECOMMENDATIONS, THE TEAMS APPLIED A COST BENEFIT ANALYSIS TO ALL OF THE PROJECTS, EXAMINING THE COST OF THE PROJECTS, POTENTIAL REVENUE THAT WOULD BE GENERATED, AND THE BENEFITS TO THE CUSTOMERS SERVED. THE TEAMS CLOSELY EXAMINED THE CROSS-CUTTING INITIATIVES: PERSONNEL, PROCUREMENT, INFORMATION TECHNOLOGY, AND ASSET MANAGEMENT TO ENSURE THE INITIATIVES WOULD COMPLEMENT ONE ANOTHER. THE RESULT IS A MANAGEMENT REFORM PLAN CONTAINING 269 PROJECTS COVERING EIGHT DISTRICT GOVERNMENT AGENCIES AND FOUR GOVERNMENT-WIDE FUNCTIONS, AT AN ESTIMATED COST OF $184.9 MILLION.

THAT BEING SAID, LET ME TELL YOU THE EASY PART IS OVER, THE MORE SIGNIFICANT COURSE OF ACTION HAS YET TO BE COMPLETED - THAT IS THE IMPLEMENTATION OF THE MANAGEMENT REFORM PLANS. THE IMPLEMENTATION OF THE MANAGEMENT REFORM PLANS WILL REQUIRE CONTINUED COLLABORATION AMONG ALL OF THE MANAGEMENT REFORM TEAM MEMBERS. THE HEAD OF EACH AFFECTED DEPARTMENT IS RESPONSIBLE FOR THE IMPLEMENTATION OF THE MANAGEMENT REFORM PLANS. THE FINANCIAL AUTHORITY CREATED AND FILLED THE POSITION OF CHIEF MANAGEMENT OFFICER TO OVERSEE THE IMPLEMENTATION OF THE REFORM PLANS. IT IS EXTREMELY IMPORTANT FOR THE COUNCIL TO CONTINUE AS A PARTNER IN THIS PROCESS. I HAVE PERSONALLY MET WITH THE CHIEF MANAGEMENT OFFICER, CAMILLE BARNETT, AND LOOK FORWARD TO WORKING WITH HER IN THE IMPLEMENTATION OF THE REFORM PLANS.

MANY OF THE RECOMMENDATIONS ARE NOT NEW. OVER THE YEARS, NUMEROUS STUDIES, REVIEWS, AND RECOMMENDATIONS HAVE LINED THE SHELVES. THE IMPORTANT DIFFERENCE THIS TIME IS FUNDING FOR THE IMPLEMENTATION OF THESE RECOMMENDED INITIATIVES.

I WANT TO RAISE TWO COUNCIL CONCERNS IN THE IMPLEMENTATION OF THE MANAGEMENT REFORM PLANS. THE FIRST CONCERN IS THE FINANCING OF THE MANAGEMENT REFORM PLANS. A VARIETY OF FUNDING SOURCES ARE PROPOSED FOR THE FINANCING OF THE REFORM. THESE FUNDING SOURCES INCLUDE EXISTING APPROPRIATED OPERATING AND CAPITAL BUDGETS, AND

INITIATIVES THAT WILL GENERATE COST SAVINGS AND INCREASED REVENUES WHICH CAN BE REINVESTED IN MANAGEMENT REFORM.

THE COUNCIL IS CONCERNED THAT SOME OF THE COSTS ASSOCIATED WITH THE REFORMS IS UNDERESTIMATED OR UNCLEAR. FURTHER ANALYSIS IS NEEDED BEFORE IMPLEMENTATION. WITHOUT SUCH FURTHER ANALYSIS, THERE EXISTS THE POSSIBILITY OF UNCOMPLETED PROJECTS OR EVEN WORSE, COST OVERRUNS THAT COULD NEGATIVELY AFFECT THE DISTRICT'S BUDGET. THE MANAGEMENT REFORM TEAMS MUST WORK CLOSELY WITH THE CHIEF FINANCIAL OFFICER TO ENSURE THAT THE IMPLEMENTATION OF THE REFORMS IS CONSISTENT WITH OUR FISCAL BUDGET AND MULTI-YEAR FINANCIAL PLAN AND DOES NOT JEOPARDIZE OUR FINANCIAL RECOVERY.

THE SECOND CONCERN IS THE USE AND COST OF CONSULTANTS. THE MANAGEMENT REFORM TEAMS MUST ENSURE THAT WHEREVER AND WHENEVER IT IS COST EFFECTIVE AND APPROPRIATE THAT THE IMPLEMENTATION OF THE REFORM PROJECTS BE DONE BY EXISTING GOVERNMENT PERSONNEL. SOME OF THE CONSULTANTS BUILT INTO THEIR RECOMMENDATIONS CONTINUED WORK FOR THEMSELVES. THE CONSULTANT'S CHARGE SHOULD BE TO ANALYZE THE PROBLEM, START THE IMPLEMENTATION PLAN WITH SPECIFIC RECOMMENDATIONS, AND MONITOR THE PROJECT'S PROGRESS. THE CONSULTANT'S PARTICIPATION SHOULD BE SHORT LIVED AND NOT LOOKED UPON AS A SUBSTITUTE FOR GOVERNMENT PERSONNEL AND FUNCTIONS. WE ALREADY HAVE SPENT MILLIONS OF DOLLARS ON CONSULTANTS TO DATE.

ALTHOUGH THE FURTHER USE OF CONSULTANTS WILL BE NECESSARY FC SOME PROJECTS, WE MUST ALSO PROVIDE EXISTING GOVERNMENT EMPLOYEE THE NECESSARY TRAINING AND RESOURCES SO THAT THEY HAVE THE ABILITY TO EXECUTE THE REFORM MEASURES LONG AFTER THE CONSULTANTS ARE GONE.

UNLIKE PREVIOUS STUDIES AND REPORTS, THIS MANAGEMENT REFORM PLAN WILL HAVE THE NECESSARY RESOURCES AVAILABLE TO MAKE SIGNIFICANT IMPROVEMENTS. THIS IS A UNIQUE OPPORTUNITY. THE COUNCIL LOOKS FORWARD TO PARTICIPATING IN REAL AND SIGNIFICANT MANAGEMENT REFORM INITIATIVES TO CORRECT LONG-STANDING DEFICIENCIES IN MANAGEMENT AND PROGRAM OPERATIONS.

ONE AREA WHERE THE COUNCIL HAS TAKEN THE LEAD IS IN BUSINESS REGULATORY REFORM. I AM PLEASED TO REPORT THAT, EARLIER THIS MONTH THE COUNCIL APPROVED COMPREHENSIVE BUSINESS REGULATORY REFORM LEGISLATION. THIS LEGISLATIVE INITIATIVE IS PART OF THE COUNCIL'S ON-GOING EFFORTS TO ADDRESS REGULATIONS WHICH UNNECESSARILY AND INAPPROPRIATELY IMPAIR ECONOMIC DEVELOPMENT IN THE DISTRICT. THE COUNCIL'S INITIATIVE IN THIS AREA BEGAN PRIOR TO, BUT IS NOT INCONSISTENT WITH, THE MANDATE TO THE FINANCIAL AUTHORITY CONTAINED IN THE REVITALIZATION ACT.

IN DECEMBER OF 1994, THE COUNCIL APPROVED LEGISLATION ESTABLISHING A BUSINESS REGULATORY REFORM COMMISSION. THE

COMMISSION'S MANDATE WAS TO IDENTIFY STATUTES AND REGULATIONS THAT WERE OBSOLETE, INCONSISTENT OR DUPLICATIVE, WITH PARTICULAR ATTENTION TO THE PERMITTING AND LICENSING RELATED TO BUILDINGS AND LAND USES, BUSINESSES, OCCUPATIONS AND PROFESSIONS. THE COMMISSION CONSISTED OF TWELVE PUBLIC MEMBERS, REPRESENTING BUSINESSES, OCCUPATIONS, AND PROFESSIONS REGULATED BY THE DISTRICT, AND SEVEN GOVERNMENT MEMBERS. THE CHAIRMAN OF THE COUNCIL AND THE CHAIRMAN OF THE COUNCIL'S COMMITTEE ON CONSUMER & REGULATORY AFFAIRS SERVED ON THE COMMISSION.

THIS FALL, THE BUSINESS REGULATORY REFORM COMMISSION SUBMITTED ITS FINAL REPORT TO THE MAYOR AND COUNCIL. THE COUNCIL HELD EXTENSIVE PUBLIC HEARINGS ON THE RECOMMENDATIONS CONTAINED IN THE REPORT, OVER THREE DAYS AND 21 HOURS OF TESTIMONY. IN ADDITION, THE COUNCIL RECEIVED HUNDREDS OF WRITTEN COMMENTS ON THE LEGISLATION FROM INTERESTED PARTIES. THE FINAL LEGISLATION, APPROVED BY THE COUNCIL, REFLECTS THE CONCERNS AND COMMENTS RAISED BY DISTRICT RESIDENTS AT THOSE HEARINGS.

THE OMNIBUS LEGISLATION ADDRESSES A NUMBER OF REGULATORY REFORMS INCLUDING BUSINESS LICENSING; INSURANCE PREMIUM TAX; HEALTH REGULATIONS; ELIMINATION OF OBSOLETE AND REDUNDANT BOARDS AND COMMISSIONS; BUILDING AND LAND REGULATIONS; AND VENDING REGULATIONS.

THIS IS NOT THE END TO THE COUNCIL'S BUSINESS REGULATORY REFORM EFFORTS. OTHER LEGISLATION HAS BEEN INTRODUCED IN THE COUNCIL WHICH WILL LOWER THE COST OF DOING BUSINESS IN THE DISTRICT, AND THE FINAL REPORT OF THE TAX REVISION COMMISSION, ESTABLISHED BY THE COUNCIL, WILL BE RELEASED THIS APRIL. ALL OF THESE EFFORTS REFLECT THE COUNCIL'S RECOGNITION OF THE NEED TO ESTABLISH A MORE BUSINESS FRIENDLY ENVIRONMENT IN THE DISTRICT, WHILE PROTECTING THE HEALTH, SAFETY, AND WELFARE OF DISTRICT RESIDENTS AND VISITORS.

IN CONCLUSION, THE REVITALIZATION ACT PROVIDED A GOOD FIRST STEP IN CORRECTING THE STRUCTURAL INEQUITIES IN THE RELATIONSHIP BETWEEN THE DISTRICT AND FEDERAL GOVERNMENTS. HOWEVER, THE GAINS REALIZED BY THE ACT CAME AT THE COST OF THE FURTHER EROSION OF THE DISTRICT'S LIMITED HOME RULE. MY CONCERN IN THIS REGARD IS GREAT. THE COUNCIL LOOKS FORWARD TO COOPERATING AND WORKING WITH THE CONGRESS AND THE PRESIDENT IN RESTRUCTURING THE DISTRICT AND FEDERAL GOVERNMENTS' RELATIONSHIP BY CREATING ECONOMIC GROWTH AND RESTORING THE DEMOCRATIC RIGHTS OF DISTRICT RESIDENTS.

Mr. DAVIS. I wanted to ask one quick question and will turn it over to Mr. Horn for questioning. You both have touched on the regulatory reform, the fact you have had a very comprehensive package, the business community has been involved, you have held hearings, you have passed some legislation. Have either of you seen the Holland and Knight report?

Ms. CROPP. I have seen excerpts from it. I have not seen the entire report. I have been briefed. It seems to a certain extent to contain a lot of the work that had been done in the commission's report, and thereby our concern was raised even more that $800,000 would be paid to duplicate an effort.

Beyond that, when you have members of your community who come and volunteer their services in a pro bono measure or effort, it sort of undercuts the potential for that occurring again. You may have some other individuals who you would like to come and do pro bono work, but their answer could be, we need $800,000 or $1 million in order to do it, particularly when it is a duplication or a lot of the work may be almost what they had done in the first place.

Mayor BARRY. Mr. Chairman, I have seen the report. I have not read it cover to cover, but a lot of what was contained in the report was already known or had been done by the Business Regulatory Commission. That is why I said earlier in my statement that the Control Board should have not paid $800,000 to get that kind of information.

Mr. DAVIS. I understand. Let me say this. I have not read the report. I understand there may be some additional things. The fact they put in some items that our people recommended and held hearings on is a validation of what your people have done.

When the report is released, I would ask you to supplement any comments and send them here. I am going to reserve judgment over whether this is a good or bad idea until I have seen the report. I would ask you to do the same. The committee is really interested in if there are additional ideas that come out of this report, so please send your comments up to us so we can sit down and address what is doable in the political process.

Mayor BARRY. Let me say the Board of Trade and political council and other organizations were very happy, very satisfied with the breadth and comprehensiveness of what the council passed. Of course, there was some concern the council didn't deal with the whole question of rent control or the Environmental Policy Act, but those were the only two areas where I think there was some disagreement between the business community and Mayor and City Council.

Mr. DAVIS. When the total report comes out, read it, then supplement your comments, so we can sit down and continue with discussion. We are clearly moving in the right direction with what you have done, even without that report. I will concede that. When the total report is written, my understanding is there are some additional ideas that you might want to entertain, and we can learn from each other. I would be happy to hear your comments at that point.

Let me recognize the gentleman from California.

Mr. HORN. Thank you very much, Mr. Chairman.

Mr. Mayor, I think every big city mayor and medium city mayor would share your frustration about economic development.

My own experience as head of a university, one of the largest employers in my city of Long Beach over 25 years, has been the following is needed if you are going to have economic development.

One, you have got to shape up your bureaucracy. You have got to get people in there that are facilitative, not just sitting there reading a novel between 9 and 5. You have got to get people that can turn things around in the permitting process and be helpful to people, not just sit there and throw a rule book at them and don't even know what is in it themselves. You need a zoning office, a planning office, permitting offices that are working with professionals heading them, not political appointees, but people that have a track record in this area over the years. And you also need a city that has decent schools, a noncorrupt government; fills the potholes so you can have a decent drive in this town or you can move commerce rapidly to wherever some new development is, and to get lights in the traffic lights, which would be helpful.

As I drive around this town, and I lived here for 13 years of my life previously, we have things that have gone downhill substantially, and that has to be turned around. I think your new chief management officer has a national reputation as an outstanding administrator, and if she can shape up the city government, if the control board gives her that authority, and the City Council, you will have a city that will attract people here for economic development.

It just seems to me there are a lot of things that have to be done. Obviously, control of crime is one of them. Nobody in their right mind is going to come to parts of this District unless we get the critical mass of turning that section around.

Now, there is the old story of the Middle Eastern ruler many centuries ago who wanted to find out what his people thought, and he went around and put the cloak over his face at night and started asking them. You are a pretty visible guy, so you are not the one to go around asking people what they think. They will know you are the Mayor, et cetera. But maybe you can get some staff that are unknown that can go out and really listen to people.

My listening experience was about a year ago. I had purchased the residential permit, I don't have to, but I did, just to be a good citizen living in the District, and I went down—my wife was in California. I went down to renew it. I didn't have any congressional insignia on or anything else, sports shirt, it was a hot day and whatnot. I ask three people, where do you do this in city government? They directed me to a spot in Northeast, and I went there. The line was about 100 ahead of me when I got there. By the time I finally got served, there were about 100 behind me. It took 3 hours to do this.

No one came out and even had the first sense of management of saying, gee, you know, I am sorry, it is a hot day, come on in from the outside; 100 people sitting in the boiling sun or standing. Move them around in a queue so they will at least be in a place where it would be cooler than it is outside.

It was clear that the officer, and I don't know whose department that is, but a very friendly person, but nobody had given her any

guidance, nobody had given her any training to tell people where this, that and this was. I happened to say, where do you go to get a residential permit to park beyond 2 hours, et cetera? Nowhere is there a sign posted anywhere to guide people what this thing does. There are about five windows there.

It took me 3 hours to get to the head of the line. When I finally asked for what I wanted, they said, oh, that isn't here, even though three people had told me it was here. They said, you need to go over to the Municipal Building. And I went over there, and I said, phooey, who needs this?

You ought to have heard the people, the 90 percent black, 10 percent white, standing there criticizing city government. The manager of that operation was nowhere to be found, didn't come out and say, gee, I am sorry, we have a big pileup and so forth, we will try to do the best we can to accommodate you. Nobody cared.

As I said, I was a university president. The first 2 days I was president, students happened to be registering. There was a line of hundreds of students. I stood out there 8 hours a day, shook hands with everyone, asked them what was good about this place, what was bad about this place. Believe me, at the end of 2 days, I had an agenda if I didn't come with one. I had come with one, too.

That is what we need is somebody that will go out and listen to people and not just listen to the plaudits or the damnation of the crowd, but listen to people that have very real problems working their way through the bureaucracy.

And I guess I would ask you on this management thrust, is there an office of management that reports to the new chief management officer? Does it report to the Mayor? Does it report to the council? Who has got control of the group of people that know something about management? I am not talking fiscal management, I am talking organization and getting the job done and arranging people, training people and so forth and so on?

Mayor BARRY. Congressman Horn, let me certainly say what happened to you was just terrible in terms of that kind of not knowing where to go. I periodically go over to 301 C Street where they issue driver's license now. Of course, I am visible, but at least I can still see whether or not the lines are too long, whether or not people are being referred to the right place. And the good news is that at that place, there is a person whose sole job is to walk the lines and talk to people and make sure you are not in the wrong line for registration or for this and so on.

If you go down to 301 now, you will find a facilitator, where you would not have to stand in that line some 3 hours or 2 hours or 1 hour or half an hour before you were told you were in the wrong place. That person just has a blazer on and just moves around. That person's total job is that, and the person has the personality, too, to deal with that.

The part that I try to do in my town meetings is ask people about what they think. Now, you don't always get all what you probably could get if I were as anonymous a kind of person asking, but I do that, and I go over to where you went in Northeast, and H Street, which is a horrible place. The conditions are physically not very good. You are right, there are no signs up there to tell you where to go, and that is one of the challenges I think that the de-

partment has is to make sure that there are signs up, that they are customer-friendly, the kinds of activities going on there.

Another concern I have is that we can sit in these management reform meetings and decide policy, but there has to be a commitment on down to the lowest worker that we are going to do these kind of things, that the customer comes first, so that is the challenge.

Because of this bifurcated system, where you have the management reform teams meeting, you have the city administrator who has some responsibility for some agencies, and you have the Control Board responsible for other agencies, you do not have what you just suggested.

Mr. HORN. In other words, the office of management, where they could go around and help department heads look at their operation, given good experience themselves, who maybe have been managers but also know where best practices are, we don't have that in the District?

Mayor BARRY. I don't think so.

Mr. HORN. You see, we have an Office of Management and Budget in the Federal Government. When President Nixon combined the management function or gave it at least visibility, they had had a management function with budget. I thought that was a terrific idea because we get budget clout to have the administrators of programs pay attention also to the management question. I was dead wrong.

It is not a good idea, and I am going to be offering legislation shortly to remedy the problem with a separate Office of Management, the director reporting directly to the President. Because anybody, it doesn't matter what administration, what ideology, they either appoint an economist down there, they appoint an ex-accountant or they appoint—they don't appoint somebody who knows a thing about management. Rarely—we can get at least a little attention.

I think that is usually also the experience in a lot of other places and you need some group that can advise the Mayor, chief management officer, other key city officials on, look, here is how we solve that problem. It isn't hard. Let's just arrange some of this and, as you say, educate people, get them sensitive to what the citizen wants, the resident wants, out of their government, and get what we are trying to do nationally, a results-oriented government.

There is only one in the United States, the State of Oregon. There are about three in the world. Two of them are New Zealand and Australia, where you tie the pay of the executives to the contractual results they say they are going to deliver.

Mayor BARRY. On the other hand, Congressman, we do have a performance management movement that's going on. We are beginning to tie the pay, not the initial pay but the pay raises to performance. In fact, the council has five or six of my nominees now over there where they sat for 4 or 5 hours and were asked in very specific detail, what are your performance measures as a manager, what are the department's performance measures and how close to those have you come?

So we are beginning to do it. I think you have an idea where to look at, is how do we in the government, have a manager who does what you just suggested?

In terms of the economic development conference, let me say that you are absolutely right about the environment. Incidentally, we have fixed over 60,000 potholes, about another 8,000 to go, and spent about $12 million doing that. And Constitution Avenue finally is being resurfaced so you can tell all your colleagues when they come across Key Bridge and the Roosevelt that they now can come down Constitution Avenue with a resurfaced and repaved road.

Mr. HORN. I appreciate you telling me. I better switch from Independence to Constitution because my axle is about ready to go into the mercury mode.

Mayor BARRY. On the other hand, Washington is unique. When you do all that, when you get the public safety down, when you get people processing permits very easily, quickly, we are a border city competing with Maryland and Virginia for businesses and, therefore, one of the major impediments to doing business in the District, outside of perception of a sluggard bureaucracy, is the economics of it.

Our commercial taxes are higher here than they are in Maryland and Virginia, and our income taxes and sales taxes. And so that's why I am advocating another revenue stream to compensate for those high taxes and then cut those taxes in half. And I think we will be more competitive in that regard.

Mr. HORN. You mentioned, I think, earlier, you had a meeting with Dr. Barnett on January 20, and I just wonder, were there any specific ideas that you have given the new chief management officer as to more effective and efficient delivery of basic city services? Has the Mayor's office sent over a list of things they think she ought to consider?

Mayor BARRY. No, I haven't done that. We were just initially meeting to see where all were and have some dialog on the city government, how things had been managed in the past, what are some of the options or some of the challenges and some of the other areas, and we agreed to come back together on some specific kinds of suggestions as to where she should focus some of her time and attention and some priorities.

One of the priorities is to—is to move us into the implementation phase of these management reforms. We need to get that done starting like yesterday, because the expectations have been raised by the Congress and by the media of how quickly we are going to get this done. We need to get about the business of doing that.

The other thing, Congressman, that we have to work on, I started this yesterday, for a lot of reasons—and you have been a university president; you know about city governments—we have to depend on motivated workers to do this work. And for a lot of reasons the morale among our workers is very low. They haven't had a pay raise since 1994. There are just a whole range of things. So we started a motivational speaker. That's not the answer to all of this but we had 150 people yesterday who now are more inspired to come to work and work harder and, as Mrs. Cropp talked about, we need to and ought to immediately start massive training of our

employees. It is not their fault that they haven't been trained on certain procedures and processes, and so I think you are going to see a more motivated work force and therefore a better product at the end.

Ms. CROPP. Congressman Horn.

Mr. HORN. How many—excuse me. Let me just ask one question related to this, and then fine. How many professional staff people are in your office that could deal with—deal with citywide problems or specific problems?

Mayor BARRY. In my office?

Mr. HORN. In your office, as Mayor.

Mayor BARRY. Probably less than 15.

Mr. HORN. OK. That is the total Office of the Mayor?

Mayor BARRY. City administrator's office and the Mayor's office, yes.

Mr. HORN. That also includes the city administrator?

Mayor BARRY. Yes. We have—I have a small office called the Office of Ombudsman, but that office had some people—until the budget was cut we had four people who really basically handle complaints. They are not the thinkers and the visionaries who are saying we ought to be looking at best practices and doing this kind of thing. What they are doing is when all else fails——

Mr. HORN. Because I would think they would be the people who would have their ear to the ground and they would be very helpful in getting those new ideas that you are talking about that needs to be done.

Pardon me. Go ahead.

Ms. CROPP. Yes. Congressman, you raised an issue that, quite frankly, has been a concern of many of us trying to turn this government around to perform better, and that has to do with regard to training of our work force. We have not had the appropriate type of training in order for our work force to function and do the jobs that they need to do. However, in this year's budget, money was placed in there to train our work force and, in fact, many of the managers, since this summer, have been going through a training program on management.

We have been joined with the corporate world and universities to help in this whole training process, and they go through a very comprehensive series that will put them through a whole training thing to deal with management and to come back, to share it with the extra individuals in the work force. Then another group of workers go through this whole process of training. We anticipate that we will see a great difference in what we are doing in the city because of this process and other training initiatives that have started and will continue.

Mr. HORN. I am glad to hear that.

Let me just make two last suggestions. One is: The best thing, I think, I ever did to shape up an organization was to get our trustees, and it was a systemwide effort, to tie pay to performance, to get rid of some of the idiotic classifications that had been done. When we started this system in 1961, they hired two people from the U.S. Civil Service Commission. That was the mistake of their life.

They brought in all the nonsense that had been carried over with no new thought for 50 years. And what we did, and it turned the place around in no time, if you identified your management group—and I had about 110 executives starting with the supervisor of maybe 80 to 100 janitors—you work your way right up through vice president and you tied it to—you got rid of all the civil service classifications for managers and you have had four overlapping groups, where the salary range was maybe $20,000 overlapping either way, and you tied it to a contract on what has to be accomplished in a 6-month period, in a 1-year period.

And that's exactly what the New Zealand Government has done. And believe me, people start paying attention as managers when you have got them tied down to a contract they have signed on the dotted line and this is what we are going to accomplish and don't give me any excuses. If so, get out of here.

Ms. CROPP. You may be interested to know that as the Mayor stated, the council has required performance measures for our work force and we, in fact, will be holding a series of hearings starting in February, with each and every department, where we will go down through the performance measures that have been identified, the time lines in which they were to have accomplished it, and we will be looking to see whether or not they have met them, what their performance measures will be for next year, and we are—plan on holding individuals accountable for those performance measures.

The council feels very strongly that it is a very, very important and good step to make sure that we make this government work better.

Mayor BARRY. Congressman, also there are a number of departments, notably the Department of Public Works, where the director or the administrators and the deputy administrators have signed a performance measure contract with very specific performance measures and timeframes, and these are being evaluated right now as to see whether or not people are on track.

But what happened in this city, because of the bifurcation with the control board, with the city council, with the Mayor and with the school system, there is an inequity and disparity in how pay is achieved. My own view, that similar work ought to be paid similar pay, but you have situations where in one entity, say the control board, where similar work and similar pay is different than over in the council or in the Mayor's office or in other parts of the government. That's very discouraging to employees who see this disparity where you have someone making this amount of money with less work than somebody else.

Mr. HORN. One idea, Mr. Chairman, and then I am done, I thought at the time of the Disney effort to take over the battlefield in Virginia how it was obviously, I thought, wrong headed, and I thought people come to this area and they don't have to go out to a battlefield and see artificial history. But it would be wonderful if a Disney-type group came right here to the District of Columbia, where history is made, and history is all around us, and got about 20 block square of dilapidated housing, where you could put in that kind of an operation and you would provide jobs for thousands of people.

And these could be jobs where if they have no skills you could be training them as long as they are—they can relate to people and so forth. And I just wonder if, as an economic development matter, it seems to me the city ought to be thinking about something like that.

Ms. CROPP. Congressman, we are extremely excited about a new economic development corporation and also we have the ability to deal with TIFF's in the city, to look at those areas where we have had absolutely no development. We have cooperation between the business community, between the government. We are getting neighborhoods that are actually excited and for the first time you really see neighborhoods that are interested and are competing to try to bring economic development into their community because in the past it has been not in my backyard.

So we are looking forward to opportunities with the EDC, the Economic Development Corp., with our TIFF legislation to be able to possibly do some of the things that you just articulated.

Mayor BARRY. Also, Congressman, you mentioned professionalism. I am happy to report that we do have in our planning office a highly skilled, highly trained professional planner who runs it, Jill Dennis. We also have in the Department of Housing and Community Development a very professional director, Richard Monteilh. He was the executive director for all of the construction of the Olympics in Atlanta, so he managed over $2 billion of construction. So we now have him here in Washington thinking about downtown housing, which we need, thinking about the ideas you had about trying to get Disney or someone to come in and do a major kind of development.

We have a very controversial project but it is the National Children's Island over at the Anacostia River. I would like to get with you privately just to further discuss some of your ideas about economic development and reforming government and sort of pick your brain about that.

Mr. HORN. Thank you.

Mayor BARRY. Your ideas.

Mr. HORN. Chair Cropp and Mayor Barry.

Mr. DAVIS. Thank you, Mr. Horn.

Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman.

I would like to acknowledge that councilmember Hilda Mason has arrived and to welcome her to this hearing.

Mayor Barry, let me—as you might—as you might have heard from my opening statement, I regret that we have layer upon layer of government and it hasn't worked very well very often. Your testimony indicates that the MOU process is working; it probably is the best example in the present government structure for something that has worked reasonably well.

This isn't a structure that you invented. It is a structure that Congress imposed while proclaiming nevertheless the desire for more efficient government.

Congress transferred nine agencies and left you with several others. You wrote the Control Board with an interesting proposition some months ago, and I would like to question you about that proposition given the success of the MOU process, and I judge that suc-

cess simply by results. I mean, the crime came down after the MOU process began and after the consultants came in and it was going up before, and I don't have any other evidence to go on. It may be a lot of other things that contributed to it, but I am glad to give the city credit for the way in which the before and after looks.

Now, under ordinary circumstances, with this bifurcation that has developed, your proposal to have concurrent and bilateral responsibility, where everybody—you know, this side gives up something and that side gives up something, in a world of ordinary grown-up people, who wanted to streamline the government, that would have been a slam-dunk and that would have been the end of it. So I have to ask you: What is the status of the proposal, what has been the response of the control board, and have you pressed it further than writing them about it?

Mayor BARRY. Ms. Norton, I tried to lay out a memorandum of understanding that began to clarify a lot of the roles and responsibilities, so—as it was done in Philadelphia. As you know, one of the first things that the Control Board did in Philadelphia was have a memorandum of understanding between the mayor and the city council, and I also will tell you it worked that way.

I sent this over to the Control Board. Dr. Brimmer said there wasn't much interest in it. He and I talked further about it, and the last conversation we had was at least we ought to have a dialog on it before you just reject that out of hand.

Ms. NORTON. Has there been any dialog on it since then?

Mayor BARRY. No, there has not been.

Ms. NORTON. See, the concern that the Congress would have would not only—would not only be about the awkwardness, but obviously it is going to cost some money, and this is where I lose patience altogether. You now have come forward with a proposal that you need somebody to administer the agencies you have, and they have somebody to administer the agencies that they have, and I can understand that if people can't get together and share responsibility for everybody doing it together.

And I have to tell everybody, including the control board, you all can continue to operate that way if you want to but that is—what is it, your nose to spite your face? I mean, the notion—with the control board having substantial responsibility I am not sure what in the world there would be to lose. But I have to ask you, there is something in—the budget does—the charter does allow you to hire a city administrator. Do you truly intend to go forward and hire a $110,000, or whatever is the amount, administrator in order to administer a few agencies or is there some hope that this expenditure could be avoided by discussions with somebody with any sense over in the Control Board?

Mayor BARRY. Ms. Norton, part of the difficulty here is that—I said earlier in my statement that the ideal situation would have been last August, the most workable situation.

Well, first of all, let me preface this by saying that this government structure is the worst anywhere around. I mean, it is terrible, very inefficient. What the control board, in my view, should have done in August 1997, was to adopt the MOU process for all those

agencies, not seize power, seize control, say I am in charge of all of this, and we would have had a better structure.

On the other hand, for me to voluntarily say you ought to transfer those agencies over to the Control Board would be giving up home rule. I mean, that would be——

Ms. NORTON. You can't do it unless—there is no such thing as a win/lose here.

Mayor BARRY. It is like putting the bullet in the gun and shoot you.

Ms. NORTON. I just want to know one other thing. I think your proposal, particularly given the fact that the Control Board has the supreme authority, I think your proposal was a reasonable one, and at any point that it didn't work, then, of course, they could always pull back from it.

I can tell you this much: I don't think that the taxpayers of the District of Columbia should have to pay for two administrators, one who is very high cost that has just been brought in and another one that has come in under the charter. I don't think we should ask people to pay for that, surplus notwithstanding. We have a lot of things to spend that money on. So I want to encourage you to continue to press that notion forward.

Let me——

Mayor BARRY. Ms. Norton, also in recognition of this bifurcation here, I am proposing a downsized, restructured city administrator's office. I mean, it doesn't make sense to have a budget the same as it was before we had these agencies transferred, but there is a lot of work to be done in the other agencies.

Also, Mrs. Norton——

Ms. NORTON. See, so in the real world of negotiation, the Control Board should have seized the opportunity to negotiate a downsizing of your office and of whatever was necessary to save money, so that all of us could have saved money. See, I don't understand—and I understand the negotiations were difficult and, you know, and for awhile dictatorship works better but ultimately it is costing us money, and I know that it is—that, you know, you put it forward and it doesn't fly, I can only urge you to keep pressing it if for no other reason in the name of saving money and streamlining the process.

I also must say that for workers, I resent the notion that there may be two classes of workers. People may consider that there are two classes of workers in the District of Columbia. There are not two classes of workers. There are not some workers who are more important than others. There are not some workers who should get the attention of one set of people who have authority and others who are not deserving of that kind of attention.

And, again, we—as frustrating as it may be, if you get pushed back on one occasion, I urge you to push forward with them. And, Ms. Cropp, I urge you to push with them, too. I mean, you are paying for this, too. If, in fact, you all essentially sanction two governments within a government—of course, some would say there are five or six governments within a government.

Go ahead, Mr. Barry.

Mayor BARRY. Again, Ms. Norton, I appreciate what you are saying, and I will again press forward on trying to get a more—a

memorandum of understanding between the Control Board, because also that memorandum has a relationship with the council, too. I mean, all of us have been sort of cut out of this, and despite the very structure, it is not working very, very well and I think we ought to revisit how we make it work.

Ms. NORTON. I just think you ought to revisit. I mean, happened—I can understand your concern about what happened before. But, again, I think everybody around the table is reasonable. If you keep pressing, I think something will come of it.

I was concerned about your answer on your relationship with the staff member who has been hired by the Control Board to help them manage the nine agencies. I would like to know how you are going to go about forming a working relationship with Dr. Camille Barnett which might facilitate the kinds of things you and I have just been talking about.

Mayor BARRY. One of the first things that we agreed to do, she had a meeting last Friday with the agency directors that's in that Control Board operation, and she asked me if the agency directors under my specific control could be a party to that. I agreed. They went to the meeting. They were all part of it. I also suggested to her that those agency heads that report to the control board ought to come to my cabinet meetings so at least we can at that level give the view that there is no—well, two separate things over here. And she and I will discuss further operationally how we make things work, what kind of information do we share with each other, how do we express various management concerns that I may have or she may have. And we are going to work on that.

So we have not yet come back together on it but we intend to. Even though I disagree with the structure and the board, I am committed to trying to do all I can to make this wrong-headed animal work better.

Ms. NORTON. Thank you. And I think that is right. I think it is our obligation. What they give us is all we have got.

Mayor BARRY. It is a wrong head, Chairman Davis. It is terrible.

Ms. NORTON. Mr. Mayor, do labor contracts continue to be under your purview, the negotiating of labor contracts?

Mayor BARRY. Well, the Office of Labor Relations is—we have been working directly with them to develop a citywide labor strategy. And technically what happens is that once negotiations have been concluded and ratified by labor unions, I then have the obligation to identify the funding for that and send it to the City Council.

Ms. NORTON. I see, but your office continues to have responsibility for the negotiating of labor?

Mayor BARRY. The Office of Labor Relations, yes.

Ms. NORTON. What is the status of the contracts at the moment?

Mayor BARRY. Several things.

Ms. NORTON. And what effect will they have on any possible surplus?

Mayor BARRY. The—there is something called compensation units one and two. This covers the general workers, the clerical workers, workers in DHS and the correctional offices, a whole range of workers, about 10,000 workers, representing eight unions.

Last summer, these unions came to an agreement with the city on a proposed 1998, 1999 and 2000 package, ratified by six of those

eight unions, and what has held up me sending it to the City Council was funding.

Mr. Williams was looking at various ways of identifying about $10.6 million. I just say—I told Tony this, and I will tell this committee, I intend to recommend that since we do have additional revenues that we fund this $10.6 million pay increase. At the same time we ought to look at our nonunionized workers. They have not had an increase since 1994. They are not represented by anybody, except me, in terms of trying to advocate to give them the same package that the union had.

The police got 10 percent, as you know; fire is getting 5.9 percent, and there is a controversy about nurses and doctors at D.C. General. So that's basically where we are. I intend to, by the end of the next week, have a whole comprehensive package, how much it would cost for all of our workers to get some modest increase in 1998, 1999, I think 2.7 percent, and then the year 2000.

Ms. CROPP. Congresswoman.

Mayor BARRY. I don't intend to advocate that we use all of this surplus for that but we certainly have got to use a little bit of it to pay for these. These workers deserve to be paid.

Also, Ms. Norton, I think that——

Ms. NORTON. I think workers deserve to be paid, especially when some workers get bonuses.

Mayor BARRY. It is terrible, I mean to give people sign-on bonuses.

Ms. NORTON. Then the rest of the workers ought to at least get their annual increases and ought to be assured that each year something that they have bargained for is going to happen or is not going to happen. You cannot reform this government. People have to be assured of that.

Mayor BARRY. I was going to say, we have got to insist on similar pay for similar work. I mean, it is discouraging for a worker who is doing the same thing. I am doing what Ms. Cropp is doing and she gets a third more pay than I get, that's not right.

Ms. NORTON. That is not right?

Mayor BARRY. No, it's not right.

Ms. CROPP. I just wish it was true that I would get a third more.

Mayor BARRY. You get the point, though.

Ms. CROPP. Yes, I get the point.

Let me say that the council joins with the Mayor for the need for us to increase the compensation for our workers. Over the past several years, our workers have been drained. They are really demoralized to a great extent, for many reasons. We have reduced the work force significantly in the city over the past several years. But while we have reduced the work force, the demand that we have put on the remaining work force has increased. Individuals have to do more money with fewer people—more work with fewer people, and in some instances it has been with less pay from time to time

because of a furlough day. When they had been furloughed in the past, it was actually money that was lost.

And then when the workers see where certain groups within the government have received increases, high increases, 10 percent, as was cited by the Mayor with the police department, you have other areas where individuals have received high salaries—and let me go on record and say that I think our salaries for our managers are low and we do need to increase those also. But I do believe that we need to take a comprehensive approach and not just give extremely high salaries to one level and not give any raises whatsoever to those who have to carry out the mandate of the policymakers and the managers, and not only not give them an increase at this point but they have not had one for many years and we demand more of them.

It is extremely important for us to train our work force, to make sure that our work force will do what they are responsible for doing, but it is also important for us to compensate them for a job well done.

If we want to turn this city around and really implement these management reforms, all of us can say whatever we want to say but it will be up to the workers to carry out that charge. And we cannot do that with a demoralized work force. It is extremely important for us to do better in that regard.

Ms. NORTON. Ms. Cropp, I was pleased to—that in your testimony, you said that since the initial RFPs for contracts, there had been a collaborative process. First of all, I will say that I don't think the Control Board, and you say so in your testimony, had a lot of choice in terms of waiting around for everybody to get together and choose a contractor.

Ms. CROPP. Uh-huh.

Ms. NORTON. Because the Congress was very concerned that this process would not get off the ground and they really put, and I concurred, in placing very strong timeframes on. I also think that a lot of the hue and cry about contracts in the first place doesn't lie in the mouth of anybody in the District.

For example, nothing happened in the police department until the contractor came in there. Nobody believes that the police department would have begun to move if the contractor had not uncovered what he uncovered.

So we have to be very careful, because I think that the workers are sitting there without state-of-the-art knowledge and the managers are sitting there without state-of-the-art knowledge. So if the council and the Mayor, who didn't have the resources to do this before, and didn't do it, say we also don't want contractors who may have state-of-the-art knowledge, then in a real sense you would be stuck on stupid, because the fact is the government stood there for years and nothing happened. And if the police department is any indication, part of the reason was that people who had some knowledge of best practices simply were not there.

It doesn't—it is not very credible to say let us do it, and your testimony says that. I think what you should say is, let us have—and you say the contractors should come in and then get out. I am glad that the police contractor is still there. And I believe that if you want home rule back, given the absence of state-of-the-art manage-

ment knowledge and state-of-the-art technology, that you are better served by having contractors in there long enough to keep progress going, rather than throwing it back to workers who you have not had time to train and who are left with no better tools than they had before the contractors were in.

I couldn't agree with you more that we wouldn't want to leave them dependent on contractors, but it scares me a little bit to think that a contractor could come in and go out, and if my experience with the D.C. government is any guide, have the thing revert to type, then bye-bye home rule. So I think everybody has to understand that while it is a craw in all of our throats to have this situation, we have got to find the best way to get it out.

Now, we got a letter from five members of the City Council that protested exclusion from not the contracting process but from work on the consultant teams. I would like you to describe how the collective—how the collaborative process is working if you are satisfied with it, because five members of your council wrote directly to us and were not.

Ms. CROPP. Well, I think from the letter that you received, I think it does include part of the RFP process with the council members. In addition to that, there was great concern that as we were going through the process of dealing with the initiatives, the consultants, to some extent, did not talk with council members.

There was a desire for some council members for the consultants to talk through a hearing process, to find out about different issues. There were many reports that had been developed by the council, information that had been obtained in the past by the council, that it was felt was left out of some of the consultants' reports and that, in fact, everyone would be served better if the consultants had had an opportunity to hear all of that.

As we look at the truncated process by which, quite frankly, as you had said and my testimony had said, the Authority had to get a report back to Congress, it really did not allow for an ongoing discussion that in some instances it was felt was needed.

I think that some of the concerns are possibly resolved if, in fact, as we go through the implementation process, that there is ongoing dialog and involvement with all members of the team and not just done by dictate, that particular part can be resolved.

Let me also respond to what you had suggested my testimony said with regard to contracts—contractors. I want to be clear.

Further in my testimony, it clearly states that in some aspects we will need to have contractors to do the work. I have been one who understands clearly that we don't have the capacity to do all of it within the District government, but I must keep my resolve and great concern. When you look at some of the reports that have come back from some of the consultants, you have where it has been built in, ongoing work for the consultants. We may need to do that. But prior to just accepting that, it seems to me that we need to do an analysis as to which would be the most cost-effective way and approach for the government to do it.

The further—further in my testimony, I state that we need the consultants to continue with monitoring and evaluation, because in many instances they have the expertise that we may be lacking in the District to do that and we understand the need for that.

But unless the District is planning to continue to pay these Herculean shares, there must be this training component with the consultants to work with the District employees, to enable the District government to be able to do that so that at some point the consultants can get out. They come in, they analyze, they look, they work with us, they recommend, they monitor.

Ms. NORTON. We have no disagreement on this. My only caution is that I don't think the Control Board has any reason to want to keep consultants in there any longer than necessary. The Control Board, as far as the Congress is concerned, does not lack credibility on the question of consultants. No one in the Congress thinks that the Control Board is lining their pockets or trying to keep consultants in there longer than necessary.

And let me tell you something, the control—the Congress looks at the police department. The Congress does not believe that if the consultants left everything would just be hunky-dory. We still see, for example, that you don't have—you have got lots of officers out on the street and there are a lot of them that it is going to take management reform in order for them to get out on the streets. So I don't think we have any disagreement. I couldn't want our people to be in charge more.

Mayor BARRY. Ms. Norton, let me say that——

Mr. DAVIS. Mr. Mayor.

Mayor BARRY [continuing]. In terms of this election of the contractors, if Ms. Cropp and myself had been involved, it wouldn't have delayed this process at all. I mean, it wasn't that difficult. Because once we got our management reform team together, we worked rather rapidly on that. That's what she and I were concerned about.

Also, what she was concerned about, about the contractors and consultants in some instances had built in a role for them that had not been decided by the decisionmakers, that's what I think she was saying.

Mr. DAVIS. Mr. Mayor, thank you.

I have tried to give everybody ample time but we have to hear from two other panels. Certainly, if you would take questions, if Members have other questions they would like to submit to you, I would give you an opportunity to answer those and keep those in the record.

So I want to thank this panel for appearing, and we will allow you to supplement anything you would like to put forward within the next 10 days.

Mayor BARRY. Thank you, Mr. Davis.

Let me say in closing that when I came into the hearing room somebody asked me about my right eye. It is a little puffy because I have been fighting so hard for self-determination.

Mr. DAVIS. OK. Thank you so much.

I would like to call our second panel to testify now. It will consist of Dr. Andrew Brimmer, chairman of the Control Board; Dr. Camille Barnett, the chief management officer for the District of Columbia; Mr. Anthony Williams, the chief financial officer.

I think each of you know it is the policy of the committee that all witnesses be sworn before they can testify. So if you would step forward and raise your right hands, we will swear you in. You will

testify first, Dr. Brimmer, then Dr. Barnett, and last, Mr. Williams. Thank you all for being patient.

[Witnesses sworn.]

Mr. DAVIS. I ask unanimous consent that any written statements be made a part of the permanent record.

As I mentioned in my opening statement, this is Dr. Barnett's first appearance before Congress in her new capacity as the CMO. So a special welcome to you, Dr. Barnett. You have an impressive background. You appear to have gotten off to a very good start.

I would ask all witnesses to try to limit their testimony to 5 minutes. We have read the testimony, so if you could highlight it, stay within the 5-minute limit, then I am going to enforce the 5 minutes on Members, at least for the first round and then we will do another round to try to make sure that we can get everybody to testify and be out of here by about 12:40.

We will begin with Dr. Brimmer and then follow with Dr. Barnett and Mr. Williams.

STATEMENTS OF ANDREW BRIMMER, CHAIRMAN, D.C. FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE AUTHORITY; CAMILLE BARNETT, CHIEF MANAGEMENT OFFICER, DISTRICT OF COLUMBIA; AND ANTHONY WILLIAMS, CHIEF FINANCIAL OFFICER, DISTRICT OF COLUMBIA

Mr. BRIMMER. Thank you very much, Mr. Chairman, and members of the committee. You have my statement in front of you so I will not read it. I will hit a few highlights. I am delighted that I am able to appear here today with Dr. Barnett, who is the new chief management officer.

The history of the management reform effort is spelled out in great detail in the record already, so I will not go through that. I would say that with the transfer to the Authority of the responsibility to oversee the activities of nine departments and four cost-cutting functions, along with the activities of the schools and the Police Department, we now have responsibility for about 90 to 95 percent of the government.

I want to stress that. So while the focus of management reform is on nine departments and four cost-cutting functions, de facto we have responsibility for management reform in the District government. I want to stress that.

The way we went about selecting the consultants, and according to Congress' mandated, have been spelled out in great detail in earlier testimony and I will not repeat it here.

Let me say, however, that the selection of the consultants was done within the framework established by the Congress. It was a competitive selection. We sent out solicitations to 133 potential consultants. Seventy-one proposals were received, and on September 4, 1997, within the 30-day statutory requirement, we were able to award management reform contracts to the consultants, at a cost of about $6.6 million.

As required by the legislation, we were able, within the 120 days of issuing the contracts to the consultants, to submit our report to Congress, which we did on January 2, 1998.

Mr. Chairman, I would request that the committee include the summary, the first volume of that report, as a part of my testi-

mony, because it, in fact, supplements much of what I will say and I will not need to go over that.

Mr. DAVIS. Without objection, that will be put in the record.

Mr. BRIMMER. Thank you very much.

Let me mention a few items that have been raised by previous witnesses, and I will comment on them very quickly. First, the procedures which we went through to select the project that would be finally implemented, did in fact include collaboration and participation by the team, and I note that the management reform team consisted of the Mayor, the chair of the council and the chair of the Authority.

Very early in our deliberations, we, the principals, decided that we would serve on each of the teams. I want to. The statute said that the principals could name alternates, if they chose. Neither one of us chose to do that. Instead, we selected principal alternates, those who would serve in our absence. For the chair of the council, the chairs of the council committees became principal alternates. The Mayor named his senior staff.

At the Authority, I asked those board members who already have oversight for certain departments and agencies to serve as principal alternates. They did and they were an integral part of the team in everything.

Now, at the end of the process, we ended up with 340 management reform project recommendations. Of those recommendations for implementation, we have now given instructions and the implementation is already under way. We are highly confident that we will have the funds to finance the implementation of the management reform projects.

Let me say very quickly that the cost of implementation is in the neighborhood of $185 million; $185.

The existing budget for fiscal year 1998 contains approximately $44.4 million that can be applied to management reforms and have been so earmarked. We had an $8 million direct Federal appropriation, and we have said that we would use a part of the planned borrowing, of up to $50 million for new capital. We will use another $30 million of that benefit for implementation of management reform. Those three sources amount to $82.4 million.

We also anticipate that cost savings or revenue increases as a result of the implementation of the management reform project would generate about $140 million in fiscal year 1998. Therefore, we have in sight, with an assured availability, of some $222 million.

If we were to do that, we would still have available from that net benefit a substantial amount to enable us to make a sizable reduction in the accumulated deficit.

Mr. Chairman, I would mention one piece of the Revitalization Act that is causing concern. The committee will recall that under the Revitalization Act the Federal Government assumed the responsibility for sentenced felons. It was also anticipated that the Federal Government, until it took over responsibility for housing sentenced felons in 2001, would assume the cost of the District's sentenced felon population.

Unfortunately, that has not been done, and it is a source of a shortfall that would cause us to find as much as $30 million in fis-

cal year 1998 to fund the shortfall in the Department of Correction's budget for the cost of the sentenced felons. For fiscal year 1999, we estimate that the shortfall would be at least $40 million. That is a problem. We will have to work on it, and I wanted to mention it to the committee at this time.

Mr. DAVIS. Thank you.

Mr. BRIMMER. Now, looking down the road, we have, as I said, already set out to implement the management reform projects with respect to the activities of the reform teams, and one of the previous witnesses, in fact both witnesses, mentioned that activity.

Let me say that the teams are being activated. I have asked my staff to canvass to see whether we could have a meeting of the management reform team next week. We will be doing this very quickly. We have also set out and adopted a number of steps for implementation.

Now, Dr. Barnett will describe these in greater detail.

Mr. DAVIS. Thank you.

Mr. BRIMMER. But let me repeat, we are active and the process is under way. No one is asleep on the job. Thank you, Mr. Chairman.

Mr. DAVIS. Thank you. Dr. Brimmer, thank you very much.

[The prepared statement of Mr. Brimmer follows:]

In accordance with Section 11103 of Public Law 105-33, The National Capital Revitalization and Self-Government Improvement Act (Revitalization Act), the District of Columbia Financial Responsibility and Management Assistance Authority (Authority), submits to Congress its report of Management Reform plans to improve services delivery in the District Government.

The *Introduction and Summary* of this report provides a brief introduction to the legal requirements of the statute and the process by which the Authority obtained consultants and reviewed management reform proposals. The Summary also provides a discussion of the major reform projects selected by the Authority for implementation, with the assistance and counsel of the management reform teams.

Volume II of this report, *Projects and Implementation Plans*, provides the detailed implementation plans for the management reform projects, provides an estimate of net benefits and potential for revenue generation, and establishes timetables and officials accountable for effective implementation.

Introduction

The Revitalization Act, which was signed by the President on August 5, 1997, required that the Authority engage consultants to develop and to implement management reform plans to improve public services for the following departments and government-wide functions: Administrative Services; Consumer and Regulatory Affairs; Corrections; Employment Services; Fire and Emergency Services; Housing and Community Development; Human Services; Public Health; Public Works; Asset Management; Information Resources Management; Personnel Management; and Procurement. Additionally, through actions taken by the Authority prior to the passage of the Revitalization Act, the Emergency Transitional Education Board of Trustees of the D.C. Public Schools and the Metropolitan Police Department have also developed and are currently implementing plans for major management reforms. Volume II provides details on these projects.

Since the passage of the Revitalization Act, the Authority has moved aggressively to implement the first phase of management reform--the development of the management reform plans. We are pleased to report that this work has been completed. The consultants have identified the most significant deficiencies hampering effective public service provision in the District government. Furthermore, at our direction, they have documented the current state of agencies and their capacity to undertake needed reforms, and designed management improvement projects to address those deficiencies.

As required under the Act, management reform teams have been created and charged with the implementation of reform plans recommended by the consultants

and approved by the Authority. The management reform teams consist of the Chairman of the Authority, the Mayor, the Chair of the Council of the District of Columbia, and the head of the affected department. To ensure that the management reform teams are knowledgeable about the plans and projects prior to their implementation, and to facilitate the participation of the elected leadership of the District in the development of the plans, teams were convened early in the reform process.

The legislation required the Authority to obtain consultants within 30 days, or at its option within 60 days, of enactment. On August 20, 1997, the Authority issued a solicitation requesting proposals for assessing, developing, and implementing management reform plans. One hundred and thirty-three solicitations were distributed and 71 proposals were received and evaluated. By September 4, 1997, within the 30 day requirement, contracts were awarded to management and program experts. The total cost was $6.6 million.

As the first step in the development of the management reform plans, the consultants conducted an assessment of the management and program operations of eight agencies and four District wide functions.[1] The assessment entailed the review of strategic plans, organizational structures, service delivery systems and processes, and the actual delivery of services to citizens. The assessments documented serious deficiencies in how the agencies were delivering services and their effect on District residents and visitors. The findings ranged from the lack of capable staff with the requisite skills to do their jobs; the presence of outdated and, in some instances, obsolete technology to support service delivery; inadequate business practices; and an absence of effective cost reduction methods. Among the consultants' cited examples of management failures were the following:

- The Department of Employment Services has no clear goals, nor any effective mechanisms for strategic planning or direction-setting. The functions of major divisions within the Department are rarely coordinated.
- The Department of Housing and Community Development's loan underwriting processes unnecessarily duplicate many steps performed by the private lending participants.
- The District has a fire death rate averaging more than 60 percent above the national average and has one of the highest per capita fire death rates among American cities.
- In the Department of Health, at a time of scarce resources, an average of 25 percent of grant funds were not expended in fiscal years 1991 through 1997.
- The Office of Personnel has lost experienced managers and specialists, and the institutional memory and expertise they represented have not been replaced.

[1] No contract was let to examine the Department of Administrative Services because much of its activity was covered by the review of District-wide functions.

There is an immediate need for training to restore this expertise so that the District can more effectively manage its public sector workforce.

- The procurement system is largely ineffective. A lack of planning and confusion over the responsibilities of all the participants have hindered the procurement of vital services.
- The average age of the Public Works fleet of sanitation trucks and plows is 7.8 years, twice as old as the industry standard. Less than one-fifth of vehicle repairs are completed within 48 hours, the industry standard.

The second step in developing the management reform plans consisted of the identification of management improvement projects that could address the many deficiencies cited by the contractors during the assessment phase. On October 25, 1997, the consultants submitted recommended improvement projects. Then, on November 25, 1997, the consultants, within 90 days of being hired, submitted the final management reform plans.

The Authority has reviewed proposed projects -- those submitted by the consultants through the reform teams, as well as additional projects presented by the Council. A data base was assembled to assist in the review, and final decisions took into affect all relevant factors and stakeholders. Nearly 400 projects were originally identified, both through the Management Team process and the additional recommendations received by the Authority from the Council and elsewhere. Staff developed decision criteria to aid in the selection process. Among them were revenue generation, cost reduction, customer impact, and the likelihood of successful implementation. Additionally, projects were considered with respect to their impact on improving public health and safety and their effect on multiple government programs or functions. Using these criteria, the Authority selected 269 projects for implementation.

It is important to note that sufficient resources exist to support implementation of the management reform projects, whose estimated costs are $184.9 million, included in the Management Reform Plans. To fund the projects, a variety of sources will be used. There is $44.4 million in the existing fiscal year 1998 appropriated operating and capital budgets to support some of the projects. In addition, the projects will generate an estimated $140 million in cost savings and increased revenues, which can be used to support the projects. We have also anticipated using $30 million in new capital authority. The fiscal year 1998 District of Columbia Appropriations Act contained a direct appropriation of $8 million in Federal funds for this purpose. And finally, in accordance with statute, we will expend funds from the net benefit (surplus) generated by the Revitalization Act's implementation. These various sources will enable projects to go forward without affecting the Authority's commitment to substantially reduce the deficit by the end of fiscal year 1998.

As this report indicates, the Authority has exercised the option to submit the management reform plans within the 120 days provided by law. The extension allowed for a concerted review of the plans, as well as an opportunity to reconvene the management reform teams in order to obtain their counsel. This document is a product of our completed review.

The Authority notes that all Team Members agreed that the process of reform should not wait until the formal adoption of the plans, but should commence upon the identification of opportunities to address management and performance problems that have plagued public service delivery. Indeed, we see immediate opportunities to address performance problems, to obtain gains in productivity, to yield increased revenues, and to improve service delivery. Thus, projects representing immediate improvement opportunities have already been developed and reviewed. Since none of the projects will require additional budgetary resources, we have accepted them for immediate implementation. These projects -- which range from stabilizing the Motor Vehicle Information System at the Department of Public Works to strengthening the Special Operations Function of the Fire Department -- are indicated within the plans.

The Authority is poised to implement all of the selected reform plans, both those which can be effected immediately, and projects which first require additional resources and coordination. Based on the collaborative process of the management reform teams, the Authority has, according to statute, selected the other projects and will ensure that necessary funding is available to support their implementation. The Authority will then instruct the department heads to begin implementation of the plans, which we will monitor. To assist the Authority in this effort, we have created and, after an extensive search filled, the position of Chief Management Officer (CMO). This individual is charged with overseeing the implementation of the plans and working on a daily basis with agency directors. The appointment of the CMO was announced on December 22, 1997. Dr. Camille Barnett, a former City Manager of Austin, Texas, will begin her employment effective January 15, 1998. The CMO reports to the Authority through the Chairman, and is appointed for a fixed term of five years.

As the Authority stated in its initial communications to the Government Departments upon the assumption of its responsibilities for these agencies, we expect that (through the leadership of the directors) agencies will produce swift and sustained improvements to the quality of life of District residents and visitors -- positive change that our citizens can measure and support on their own.

Reform Plans

I. Department of Human Services

The Authority has over the course of its tenure taken many steps to address ineffectiveness in the operations of the District's service provision in the area of human services. In response to the management reform initiative, the Authority's effort to assess the Department of Human Services (DHS), identify opportunities for improvement, and prepare a management reform plan encompassed the following DHS administrations and programs:

- the Income Maintenance Administration (IMA), having responsibility for welfare-related programs;
- the Child Care Subsidy Program operated by the Office of Early Childhood Development;
- the Mental Retardation and Developmental Disabilities Administration (MRDDA);
- the Rehabilitative Services Administration (RSA);
- the Family Services Administration (FSA); and
- Youth Services Administration.

The Department of Human Services' mission is to assist residents of the District who, for various reasons, are unable to meet their needs for food, shelter, or other services or to care appropriately for their dependents through their own means. It also serves as a conduit for various types of federal funds to flow to the District and District residents. The agency carries out its mission through numerous administrations and offices.

The Department of Human Services provides a wide array of services and carries out numerous activities to assist customers. Major services provided by or through DHS include:

- cash assistance and work preparation services for cash assistance recipients;
- Food Stamp assistance for low-income individuals and families;
- child care subsidies for low-income families;
- assessment, case management, advocacy, and treatment services for children at risk for, or victims of, abuse or neglect;
- assessment and case management services for adults in need of protective services;
- diagnostic, treatment, and case management services for individuals with mental illness, mental retardation, or developmental disabilities;

- assessment, vocational rehabilitation, and case management services for individuals with physical or mental disabilities,
- juvenile justice and related services;
- paternity determination and child support enforcement services.

The management reform project has taken place at a critical time for the Department of Human Services. Several component administrations are currently in receivership, and the agency must respond effectively to changes in federal welfare law, policies, and funding that have major implications for several DHS programs. At the same time, turnover in senior management positions, budget and staff reductions, and a general inadequacy in automated support of agency programs collectively have undercut the Department's ability to respond effectively to its recent challenges.

The Department of Human Services has not yet taken many of the steps necessary to bring the mission of the welfare program into line with the federal welfare reforms enacted last year. Although DHS has adopted much of the federal welfare reform language on paper, relatively little has been done to date to "operationalize" many of the policy revisions with respect to either staff or recipients. Examples of how the DHS effort to shift from the old entitlement focus in welfare to the new temporary assistance focus has fallen short include the following:

- There has been no meaningful effort to train staff on new welfare reform policies and procedures or to develop appropriate forms to support the new policies and procedures. Field staff expressed a lack of awareness of, or confusion about, many new policies under which the welfare program was supposed to already be operating.

- There currently is neither an effective process for tracking and following up on individuals referred for work participation nor any process for sanctioning those who fail to participate without good cause. Individuals who simply fail to follow-through on a referral to a work program or miss appointments suffer no negative repercussions at this time.

- The Department's welfare-to-work effort still largely reflects an out-of-date "training" focus rather than a contemporary "labor force attachment" focus, and its welfare-to-work service providers are not operating under arrangements that provide any particular incentive for them to succeed in placing recipients into permanent, paid employment.

- Unlike many other states, the District has not developed any type of diversion program directed at keeping families off of welfare by providing a lump-sum payment, short-term child care assistance, child support

enforcement assistance, or other types of help that eliminate the need for cash assistance.

- There has been no revision to the forms and procedures used by the welfare program or to the policies of related programs that are critical to the success of welfare reform, such as child care and rehabilitative services, to ensure adequate support for welfare reform efforts.

Moreover, there are a number of weaknesses in agency operations relating to core eligibility determination, case management, and quality assurance functions. These weaknesses were most obvious in local IMA service center operations, but questions about the appropriateness of case management and quality assurance activities also arose from our review of the child care subsidy program, the MRDDA, and the RSA.

Contractors also found that the management of contract service providers was consistently weak across DHS programs. Virtually no DHS program has in place provider contracts or agreements that require outcome-based reporting by service providers or that support aggressive provider performance monitoring by the agency. Nor does any of the programs appear to have adequate resources for monitoring activities.

Additionally, the consultant found problems with respect to the use of automated systems within the Department of Human Services at both the Department-wide level and the individual program level. The DHS-wide problems included an absence of procurement standards for systems-related purchases and the lack of a DHS-wide systems acquisition and implementation plan. This has resulted in technology barriers and obstacles -- which in turn limits opportunities to streamline operations and share data across programs. It also haš resulted in systems-related expenditures being made without a thorough assessment of technology priorities.

The review of DHS funding sources showed that although the agency has recently taken some steps to increase federal funding of programs and operations, major opportunities to improve the use of federal funding streams remain. These include ways to draw down additional federal funds under both entitlement programs, such as Medicaid, and a new grant program and ways to use District expenditures in non-TANF programs to leverage the District's full federal TANF payment while reducing District TANF program expenditures.

An assessment of the DHS organizational structure and current staffing patterns revealed several ways in which these could be brought better in line with the actual needs and priorities of the agency. These opportunities exist at both the DHS-wide and the individual DHS component levels.

Management Reform actions will address DHS' failure to effectively reform the District's welfare program to reflect short-term assistance, work participation focus and to convey this to staff and recipients alike. It entails changes in the agency's work-related programs, effective implementation of new welfare-related policies within IMA and in key related programs, such as the child care subsidy program. It also calls for the use of formal change management techniques in recognition of the complexity and scope of changes required to carry out this action.

We will also take advantage of opportunities to consolidate DHS components and field offices, and to reassign staff to improve the agency's ability to carry out its mission effectively and at the lowest possible administrative cost. Our work will also include steps to establish appropriate operating policies and procedures, as well as measures to ensure on-going evaluation of the effectiveness and appropriateness of DHS office operations and correction of operational weaknesses.

A DHS automated systems plan and implementation priorities will also be developed. This action is directed at imposing a structure on DHS automated systems acquisitions, funding, and implementation activities to ensure that the best decisions are made and, once made, are appropriately supported. It entails requirements analyses, prioritization of needs, delineation of financing options, and development of overall standards and guidelines for systems-related acquisitions across DHS.

The Authority also recognizes the need for a three-part effort to bring DHS the maximum allowable in federal funding. One part of the effort is intended to ameliorate the impact of past practices that have left available federal funds untapped by establishing retroactive claims under various entitlement programs as well as making claims under those programs on an on-going basis. Other parts of this effort involve obtaining new federal welfare-to-work grant funds, and developing a sophisticated approach to documenting TANF maintenance-of-effort expenditures in order to free-up District funds no longer needed to operate the welfare program because of caseload reductions.

Finally, we will seek to establish and implement policies, standards and practices to improve provider management and control across DHS programs. This action is directed at imposing effective DHS controls over the hundreds of community-based providers used to deliver various types of services to DHS customers. It encompasses changes in contracting requirements and language, establishment of standards for provider management and monitoring, development of uniform ratesetting practices, and imposition of requirements for outcome-based reporting by service providers.

We believe that the implementation of the Department of Human Services Management Reform Plan will confer numerous benefits, including significant cost

savings or revenue enhancement, improved service quality and customer satisfaction, increased operational efficiency throughout DHS.

II. District wide Procurement Operations

Reports issued by the Authority during fiscal year 1997, further substantiated by consultants' reviews, have confirmed that the District's procurement operations are in crisis and do not provide effective public services.

Currently, there are two major organizational units of Procurement: Central Procurement (OCP) and Agency-based procurement personnel. The OCP has approximately 49 people, reporting to the Chief Procurement Officer (CPO), who recently established a quality assurance auditing function for the District's contracts. Approximately 200 Agency-based procurement staff report to Agency heads and, together with Program Management, have had primary responsibility for development of the District's contracts. Responsibility for packaging and execution of contract authority has been granted to the Agencies by various authorities and legislative mechanisms. Some Agencies are subject to the Procurement Practices Act, while others are exempt.

The major problems and opportunities for improving service delivery and instituting permanent management reform in the D.C. procurement process are described as follows:

- *Variability.* Currently, contracts are developed in the Agencies without benefit of a District-wide Procurement Policy and Procedure Manual or any common quality assurance standards. Performance based Statements of Work, objective comparison of bids, and effective contract management are of poor quality or frequently nonexistent. The lack of standards makes it time consuming and expensive to do business with the District, and risks supplier protests, which in turn disrupt contract executions.

- *Cost.* District procurement operations are not organized to deliver effective or efficient services. Compared to benchmark municipalities, the District pays too much for its goods and services, employs too many people, and takes too long.

- *Slow payment.* In the past, vendors were not paid, or paid after long delays. Many good vendors now refuse to do business with the District. Agencies note fewer and fewer good quality responses to bid offers.

- *Lack of accountability* for procurement by any one other than the CPO. The majority of Procurement staff in the District report not to the CPO, but to the Agency heads. The CPO currently re-delegates certain contracting authority to

Agency personnel who are not in fact warranted or accountable for the professional execution of the District's contracts.

- *Slow procurement processing.* The procurement service delivery chain is long and complex. The Chief Financial Officer, Corporation Counsel, and Program Management officials in the Executive Branch manage several links in the chain. Currently, no one has "cradle-to-grave" responsibility for the effectiveness and efficiency of the District's procurement operations.

The Procurement Management Reform Plan will address these problems and position the department to deliver services into the next century. Reform efforts are designed to:

- *Centralize* to effect standardization. Re-structuring procurement to a central standard setting function, with Agency-based "Service Bureaus", will reduce the variability of the District's procurement process. Standardization will also reduce the risk of supplier protests and letting of unacceptable contracts.

- Implement *re-engineered processes* and *procurement "tool kits"* to improve basic planning and management control of the procurement service delivery chain.

- *Consolidate District-wide purchases* of common goods and services to gain leverage and reduce cost. Approximately two-thirds of the District's purchases are for generic purchases such as food service, office supplies, office equipment, and utilities. Establishing a small group of specialists centrally to negotiate District-wide contracts for generic purchases will capture these opportunities. Agencies would acquire individual needs by drawing against centrally negotiated Blanket Purchase Orders.

- *Establish "Pay-on-Pass" rules* to facilitate the prompt payment of uncontested portions of Supplier invoices. This will also facilitate the swift resolution of remaining invoicing issues such that the District will be paying Suppliers according to its stated 30-day terms. Supplier tool kits and pre-qualification packages will further help to develop Suppliers and make it easier to do business with the District.

- *Transfer District-wide procurement budget and personnel to the CPO.* The formal transfer of responsibility for people and budgets, together with the establishment of performance standards and professional warranting, will establish accountability for the District's procurement operations.

- *Establish "cradle-to-grave" responsibility* for procurements to accelerate the process, improve the quality, and reduce the likelihood of lengthy breaks in the service delivery chain.

Improvement in the cost, quality and timing of Procurement operations translates into a better use of taxpayer dollars -- both in terms of the operational efficiency of the District, as well as the value of the goods and services delivered to its citizens. For example, centralization of responsibility for the procurement of goods and services used across the District by multiple Agencies (i.e., non-unique requirements such as office supplies, security guards, janitorial services, etc.), not only allows each Agency to focus its efforts on unique requirements, but provides the District with greater negotiating leverage inherent in large, block purchases. Negotiating a very conservative price reduction of 2% versus current levels will result in a more than $5 million savings every year for the District.

Procurement is a critical, cross-cutting support function; as such, it directly impacts the most fundamental service delivery capability of *every* Agency, including those delivering public health, safety and basic infrastructure services such as Police, Fire & Emergency Medical Services and the Department of Public Works. Implementing comprehensive procurement reform will ensure that the most vital public services no longer face the risks inherent in today's separate and conflicting processes.

Since it has been widely documented that Procurement's "house" has sufficiently collapsed, it is clear that a major re-building is required. The Management Reform projects represent eight interdependent "bricks" which must be re-laid in a sequentially critical order. The absence of any project will result in an incomplete, compromised structure. The projects and the problems they address are described below:

Organize for Reform
As a project primarily focused on *organizational structure* reform, the objective is to provide the CPO with the tangible resources ("the instruments of authority") to support the Procurement Act's intent regarding centralization of procurement responsibility.

Structural Reform
As a project primarily focused on *strategic planning* and *performance measurement*, the objective is to develop a "roadmap" for defining District-wide rules and accountabilities by which all procurement activities will be governed, going forward.

Build Elementary Tool Kit
The objective is to develop and introduce into District government elementary procurement tools to help guide Procurement personnel through their day-to-day work.

Assess and Communicate Progress -- 1

As a project primarily focused on *quality assurance* and *performance measurement*, the objective is to assess the early progress of reform implementation, correct deficiencies, and initiate the engagement of non-Procurement stakeholders.

Train Elementary Tool Kit
The objective is to teach Procurement personnel the practical "hows" of their work.

Build Advanced Tool Kit
This project is primarily focused on *process* reform, and the objective is to develop and introduce advanced tools to help evolve DC's procurement potential from "rudimentary life support" to "professional viability".

Assess and Communicate Progress -- 2
This project will focus on quality assurance, and has as its objective an assessment of reform implementation. The purpose is to correct deficiencies, and broaden the engagement and integration of all supply chain "partners".

Train Advanced Tool Kit
The objective is to teach Procurement personnel and non-Procurement stakeholders the applications of the advanced tools, and expectations of "professional" operations.

The cumulative impact of these eight projects will be the re-establishment of a sustainable, viable Procurement *infrastructure* able to fully support the District's wide-ranging service delivery commitments to its diverse constituency. The effect of implementing these reforms will be the restoration of the District's procurement integrity and effectiveness. It will also allow Agencies to return their focus to the fulfillment of their core mission: the specification and delivery of goods and services to the District's constituents.

III. The Department of Consumer and Regulatory Affairs

The mission of the Department of Consumer and Regulatory Affairs is to protect the health, safety and welfare of District residents. For Fiscal Year 1996, the Department employed a staff of 522 and managed a budget of nearly $28 million to accomplish these goals. Over the same period, DCRA collected over $25 million in revenue, primarily from permit and license fees. More than half of this revenue was generated by three of the six Agency administrations: Building and Land Regulation, Occupational and Professional Licensing and Business Regulation.

Although the challenges at DCRA are significant, there is much opportunity to improve DCRA's services to the business community, professionals and the public. In the Organizational and Program Assessment, contractors identified two major obstacles to improvement. First, the body

of regulations that DCRA is responsible for enforcing is too complex, sometimes self-contradictory and often not balanced in terms of private costs and public benefits. This barrier is largely outside the Department's control. Second, the basic components of a well functioning organization are either inadequate or missing entirely, such as strategic planning, performance measures, appropriate organizational units, information technology and telecommunications infrastructure.

Specific management projects will improve customer service and business processes, while simultaneously building the management and organizational capacity of DCRA. Furthermore, to succeed, DCRA must develop its information technology infrastructure, redesign and automate processes, and build organizational capacity. Implementation of the Management Reform Plan will benefit tens of thousands of businesses, professionals and citizens who interact with the Department each year.

The Management Reform Plan for DCRA includes the following important steps:

Develop information technology infrastructure
- Develop information technology standards
- Assess Department needs
- Implement new information technology infrastructure

Redesign and automate processes
- Develop customer service program
- Redesign business processes and implement new technology

Build management and organizational capacity
- Apply principles of strategic management
- Create key organizational units
- Hire key management staff
- Improve human resource management

Successful execution of the DCRA Management Reform Plan requires immediate and significant actions in allocating the necessary budgetary resources, amending or repealing selected statutes and regulations, building organizational capacity at DCRA and changing the customer service orientation of the agency to a more customer-friendly atmosphere.

IV. Department of Employment Services

The Department of Employment Services has as its core mission workforce development and employer support services for the District. This mission is meant to ensure continuing enhancement of the District workforce, expanded

opportunities for training and work for all citizens in the District, the enforcement of appropriate protective standards pertaining to workers and workplaces, and the provision of all needed services to the District's employer community.

The Department of Employment Services has responsibility for four major activities related to the employment of District residents:

1. The development and operation of training, education and employment activities for economically disadvantaged adults, welfare recipients and youth, including the summer youth employment program, services for dislocated workers, and the development of school-to-work programs in partnership with DC schools;
2. Provision of labor market information, job counseling, referral and placement services to the general public;
3. Collection of Unemployment Insurance taxes from DC employers, and determination and payment of Unemployment Insurance claims; and
4. Administration of a range of labor standards programs, including workers' compensation, disability compensation, wage and hour standards, and workplace safety and health.

The consultant's report described a crisis-oriented agency that was addressing all its mandated functions, but generally doing so in a weak fashion, and through methods often contrary to national standards; agency performance ranged from adequate through unsatisfactory to indeterminable in the case of one area where performance data was so unreliable as to preclude assessment. The agency has no coherent and recognized goals, nor effective mechanisms for strategic planning; there is little orientation to meeting the needs of customers; the agency achieves few high standards of performance, and quality control is virtually nonexistent; management information systems, and information technology in general, are critically deficient throughout the agency.

In addition, business involvement at the strategic and programmatic level -- hallmarks of successful workforce agencies in other localities across the U.S. -- was strikingly limited in DOES, and the agency's generally poor reputation inhibited its development. Deficiencies in staff quality and training levels were also noted, along with poor communication and low morale within the agency.

The most significant opportunities for change and improvement lay in four legislative mandates of the DOES agenda. All of these, to succeed, depend upon visible, energetic and effective leadership by the community, and include:

- The establishment of a Workforce Enterprise Board, with a broad oversight role regarding all aspects of employment and workforce policies, programs and initiatives;

- The implementation of a system of "one-stop career centers," geared toward "user-friendly" provision of career services, employment information, job-seeking help and related services to all residents of the District;
- The development of effective strategies and services to move welfare recipients into unsubsidized jobs, to be designed and implemented jointly with the Department of Human Services, using a "one-stop" service center configuration with blended staff;

Systemically addressing these goals, using their interrelated character as a catalyst for leveraged improvement, and making their joint achievement the core goals for the agency to adopt and pursue, will ensure effective change.

This approach, though it will represent marked changes in the operating culture of DOES, offers enormous opportunity to transform service delivery and service quality for District residents, and to equip DOES to plan and provide high-quality services over the next decade. It will make service to the DC community -- whether job seekers or firms -- the overriding priority. This strategy will widen access to productive career options for DC residents, strengthen investment in the DC workforce, and thus make the District a more attractive place for business and new residents. It will lead naturally to the adoption of a performance and outcomes emphasis within DOES. Management reform will also expand opportunities for the District's most disadvantaged citizens -- welfare recipients, low-skilled, unemployed workers, unskilled youth -- to obtain training, career help and eventual placement in jobs.

The Authority anticipates that the Management Reform plan will measurably transform the Department of Employment Services; significantly improve the level of services it provides to residents and businesses in the District: and build the agency's stability and capacity to respond effectively to its changing environment and its customer base. While we anticipate that up to three years will be needed for these goals to be fully achieved, we believe they represent a wise and sound investment in the District government's ability to better serve its citizens and make a contribution to the economic health and vitality of the District.

V. Department of Corrections

The Department of Corrections (DOC) in the District of Columbia is currently responsible for the incarceration of, and services to, approximately 1,020 pretrial detainees, 382 sentenced misdemeanants, and 7,828 DC code sentenced felons. The majority of pretrial detainees and sentenced misdemeanants are housed in facilities within the District, and most of the felons are housed in facilities in Lorton, Virginia.

Provisions in the Revitalization Act mandate that the DC code felons be transferred to the Federal Bureau of Prisons (FBOP) by December 31, 2001. They

also require that a Corrections Trustee be appointed by the Attorney General of the United States to oversee the financial operations of the DC DOC until such time as all sentenced felons have been transferred to the FBOP.

The major problems identified during the assessment phase of the Management Reform Initiative follow:

- Numerous court orders address issues, facility by facility, but not in a systemwide manner. These have resulted in a disproportionate distribution of services, resources, and staff among the eight facilities within the DC DOC.

- Staffing problems include low morale because of job insecurity, understaffing in some facilities compensated for by an inordinate use of overtime, abuse of sick leave because annual leave was not being allowed, and staff leaving at an alarming rate since the announcement of the future closure of the Lorton complex.

- Facilities were poorly maintained over an extended period of time and need fairly extensive capital improvements to appropriately house and secure inmates until the Lorton complex is phased out.

- Perpetual reactive crisis management of the DOC due to limited resources, political interference or indifference, and a management information system that does not provide accurate, timely data from which rational management decisions can be made.

- Policies and procedures regarding all operational aspects of the DOC that for the most part are totally outdated and inappropriate. Without these relevant criteria, operational efficiency is difficult to evaluate in a manner that holds staff responsible for their actions or inactions.

- Medical and mental health services are inadequate at the Lorton facilities due to the lack of full-time medical management and an inadequate medical budget. The medical budgetary resources are now vastly disproportionate between the facilities located in the District and at Lorton, partly because of a court order that placed the detention facility medical services into receivership but did not address medical services in a systemwide manner.

- An inadequate and outdated inmate classification system has been modified on numerous occasions. Two types of classification systems are needed: one for pretrial detainees and sentenced misdemeanants, and another for the sentenced felon inmates to be transferred to the FBOP.

To ameliorate the problems identified by the consultants, the following reform plan has been developed:

- STAFF RETENTION AND RECRUITMENT: elements in this plan should help alleviate the potential of a depletion of staff at the Lorton facilities that could lead to critical security problems.

- CAPITAL OUTLAY PROJECTS: Currently $7.1 million in Federal funds and $2.3 million in District of Columbia capital outlay funds are available to begin the Priority I capital outlay projects to improve facilities. The plan outlines the Priority 1 capital improvement projects needed to minimally maintain the facilities at Lorton until they are closed ($6.9 million), make capital improvements at the Central Detention Facility ($2.2 million), and undertake environmental projects at each location ($4.2 million).

- MANAGEMENT AND ORGANIZATION: This section addresses the major problems discussed in the assessment phase. They include plans for implementing such things as a: Quality Management Team; Transition Organizational Plan; Post-Transition Organizational Plan; Management and Technology Plan; Information Requirements Analysis; Integrated Departmental Information System Plan; and a Policy and Procedure Development plan.

- MEDICAL AND MENTAL HEALTH SERVICES: The majority of recommended improvement projects for medical services are directed at upgrading and improving patient care. They included bringing medical care to the patient as opposed to taking the patient out for medical care. Medical management onsite produces a higher quality of patient care, minimizes delays in rendering care, and is more cost effective.

Other important projects will improve information flow between DOC and Court agencies, create a pretrial classification plan, expand classification data on certain detainees, improve staffing at the central detention facility, and update the community release plan.

Additionally, the plans detail the phasing out of facilities, services, industries, and staff between January I, 1998 and December 31, 2001. The phase-out plan makes basic assumptions and relies heavily on the FBOP's ability to develop facilities and also contract for private facilities over the next 4 years to house approximately 7,500 DC code sentenced felons.

In essence, FBOP will be able to accept females and minimum- and low-security inmates during 1998 and 1999. The medium and maximum-security inmates will not be phased into the FBOP until the latter part of 2001, when new

facilities to house them should be completed. Volume II describes the phase-out plan elements addressing the various aspects of transferring felons from the DC DOC to the FBOP.

VI. Department of Public Works

The Department of Public Works (DPW) consists of five major operating units, providing the following services:

- Solid Waste Management Administration (SWMA) -- trash collection and street cleaning;
- Division of Motor Vehicles (DMV) – parking management, department of motor vehicle functions and traffic, parking, and solid waste ticket adjudication;
- Division of Transportation (DOT)[2] -- design and construction services for most District government-owned buildings and for transportation systems; maintenance of streets, bridges, traffic signals, street trees, and signs; environmental, transportation, and facilities planning and policy support; capital programming; and coordination with the regional mass transit authority and oversight of the school transit subsidy and other related transit programs;
- Fleet Management Administration (FMA) – maintenance of DPW's vehicle fleet and the District's non-emergency fleet;
- Facilities Operation and Maintenance Administration (FOMA) -- maintenance for most District government buildings.

A survey of 1,201 District households last Spring revealed the depth of dissatisfaction with District services. In particular, street repair and maintenance garnered the worst rating of all District services: 77% of respondents rated street repair and maintenance "poor" or "very poor." Trash collection was rated "fair" or "poor" by 50% of citizens surveyed – and this was the best rating for any of the DPW services.[3]

A closer look at DPW services in an October, 1997, survey showed that the four most frequently mentioned public works services said to be "most important"

[2] Formerly the Design Engineering and Construction Administration (DECA), the Office of Policy and Planning (OPP), and the Office of Mass Transit (OMT).

[3] "Washington, DC, Residents Study," a Spring, 1997, telephone survey of 1,201 adult residents conducted for the District of Columbia Financial Responsibility and Management Assistance Authority, July 17, 1997.

to the District households interviewed were street repair, trash pick-up, street litter pick-up, and parking. These same four services also, as it turns out, were mentioned most frequently in "most need of improvement" by those surveyed.[4]

The Management Reform program balances a mix of intervention projects that, when implemented in concert, focuses on critical service delivery areas where the greatest sustainable impact can be achieved in the shortest amount of time. DPW itself, which once was considered a leader and role model in public works service, will have the capability and the capacity to regain that status.

In short, DPW requires a wholesale reconstruction that will:

- Stabilize daily operations during "reconstruction;"
- Rationalize to whom and how services are delivered to achieve world-class customer service;
- Rebuild infrastructure and fix processes that will ensure sustainable improvements.

The Department as a whole will be transformed into a customer-focused organization. The outcome from this Plan will be noticeable service improvements by this fiscal year's end in each of the critical functions identified through the surveys with continuing service delivery improvements in the outyears. Substantial cost savings and significant revenue generation trend upward from fiscal 1998 to fiscal 2000.

- ***Solid Waste Management Administration***: Difficulties in nearly every facet of SWMA's operations will be addressed through the transformation of SWMA from a multi-layered hierarchy of uncoordinated functions to geographically based teams. Each "Service District" team will be accountable for *overall* cleanliness of streets and sidewalks in its area, providing appropriate services to the area customers' unique needs. The goal is dramatic improvement in the cleanliness of streets and sidewalks through a project that addresses process, structural, and educational issues simultaneously. In addition, cost savings or revenues will be generated by projects to reduce trash operator overtime and to address SWMA's obsolescent waste-transfer facilities operating at less than 40% capacity. The SWMA reforms are primarily focused on significant improvement in customer satisfaction with trash collection, street cleaning, and other SWMA activities.

- ***Division of Motor Vehicles (DMV):*** By fixing and eventually replacing DMV's information systems, instituting a one-stop shopping approach to motor vehicle service delivery and streamlining the organization, DMV will be able to conduct

[4] Results from telephone interview with 541 DC households conducted by the Greater Washington Consumer Survey, Inc. during the first three weeks of October, 1997. The margin of error for this sample is ± 5% at the 95% confidence level.

its operations in a more businesslike manner. Market-based on-street parking rates as part of an overall parking management strategy to address an obsolete and ineffective parking program will help alleviate congestion on District streets while also generating revenue.

- ***Division of Transportation***: Deficiencies in management, resource, and technical skills require elimination of functions and reconfiguration of staff to improve decision-making, improved mechanisms for service delivery, and recruitment of key personnel. As a result of this plan, streets, bridges, signals, lights, and sidewalks not only will be repaired regularly and properly, a program to ensure effective capital improvements and to manage revenue streams to support ongoing maintenance will be established. Relative to neighboring jurisdictions, the District is forgoing significant right-of-way revenues. Of particular short-term significance is one project that will focus on removing an inventory of 5,000 dead and dangerous trees across the District.

- ***Fleet Management Administration (FMA)***: Vehicle downtime averaging around 30% of the DPW mission-critical fleet – such as trash trucks, tow trucks, street cleaning equipment -- literally keeps DPW services from being delivered. The Plan provides for fleet renewal and downsizing to eliminate vehicles and equipment that are costly to maintain and perform poorly due to age. Putting maintenance of the light duty fleet out for managed competition will provide short-term capacity to get through the three-year transition to the renewed fleet while establishment of a charge-back mechanism to establish FMA as a private sector-like organization with attendant motivation and accountability to perform cost effectively will prevent a recurrence of the current situation. Another project will eliminate redundant fuel sites and bring remaining sites into compliance with Federal and District regulations, reducing exposure to $1.2 million a day in fines for non-compliance with Federal underground fuel storage tank regulations, effective in December, 1998.

- ***Department-Wide Projects***: Across the Department, deficiencies in customer responsiveness, information systems support, performance measures, and managerial capability undermine, rather than underpin, service delivery and require particular attention. Regarding customer responsiveness, no formal policy or procedure exists to ensure that action is taken on customer inquiries. DPW requires not only full implementation of a system but training and culture change to ensure that customers receive timely and accurate information and appropriate responses. The Plan also includes outsourcing of information technology services, improved management and staff capability, and a realignment of organizations and functions not previously included in other projects.

In sum, the Plan is an integrated set of major projects that will produce sustainable reforms. There is much to be done, however. The critical steps of

engaging all Department personnel, partnering with stakeholders, and working with customers is where the hard work really begins.

VII. Department of Housing and Community Development

The management reform plan is designed to transform the Department of Housing and Community Development (DHCD) into a more focused, financially sound, and efficiently managed organization. DHCD falls far short of achieving its objectives. DHCD performance problems include:

- Failure of some programs to achieve performance goals;
- Slow spending rate, which jeopardizes HUD funding;
- High loan default rate;
- Suspension of HUD economic development funding;
- Lack of credibility with external stakeholders.

As part of the Management Reform Initiative, the contractor identified the root causes of these performance problems, including:

- **Unclear goals and strategy** – DHCD lacks a well-articulated and publicly-supported plan for meeting housing and community development needs
- **Inefficient organization** – The current organizational structure has too many layers of supervision, the number of staff in some areas is inconsistent with workload, and many DHCD functions could be done more efficiently and effectively by for-profit or non-profit organizations
- **Lethargic culture** – DHCD's slow decision-making culture does not adequately support the time-sensitive business of housing and community development
- **Weak loan underwriting and monitoring procedures** – Poor financial records and high loan default rates jeopardize program performance and future funding
- **Limited accountability** - Performance measures at the program and individual staff level are ill-defined and staff are not held accountable for results
- **Inefficient processes** – Cumbersome business processes create unnecessary client service delays and unclear approval points
- **Antiquated and unused technology** – Available personal computer technology is both out-of-date and not adequately used to facilitate efficient workflow

The Management Reform Plan is based on a vision of a DHCD that performs better because it:

- Focuses more on planning, outreach and monitoring
- Relies more on the management capabilities and community outreach of for-profit and non-profit providers and contractors
- Partners more with community organizations serving local needs

- Spends more money for programs because less is required for overhead
- Holds staff and providers directly accountable for results
- Ensures that procedures are in place for sound lending and effective monitoring
- Maintains streamlined processes that focus on results and customer satisfaction.

The Management Reform Plan involves implementation of improvement projects to address each of the organizational elements that determine DHCD's overall performance: Strategic Planning, Organization, Management Processes, and Operations. While improvements in DHCD's planning capacity will somewhat increase its spending rate and ability to leverage private and other public resources, dramatic performance gains can only be made if DHCD increases its ability to translate plans into effective action. To this end, the reform plan includes a full range of projects targeted at DHCD organization, management processes, and operations, including:

- Streamlining and reorganizing all existing units to better align them with mission, strategy and workload
- Recapitalizing the existing loan portfolio and improving lending and portfolio management practices to avoid future problem loans
- Implementing strong staff accountability measures
- Potentially outsourcing major service delivery functions, including loan origination for HUD-funded rehabilitation and economic development programs, construction analysis, legal services, and environmental reviews
- Streamlining remaining DHCD processes
- Developing standardized subrecipient monitoring and HUD compliance practices
- Increasing the level and use of technology to increase operational efficiency
- Moving DHCD to collocate with other D.C. agencies involved in economic development to reduce costs and improve customer service.

When implemented, the projects will energize the Department and make it a leading player in the District's housing and economic development scene. As the planning capabilities of DHCD and the wider District government improve, DHCD will be able to focus its resources on projects with the greatest potential impact on jobs, housing supply, and the city's tax base. At the same time, it will better leverage the energies and resources of other D.C. agencies and community organizations. Its credibility and long-term effectiveness will increase as DHCD improves its ability to manage and account for its resources, make more of its resources available for loans and grants, and deliver its services faster and in a more customer friendly way. The successful implementation of the Management Reform Plan will lead to permanent improvement in DHCD's ability to facilitate

housing and economic opportunities for District residents - the core DHCD mission. The projects outlined here will result in measurable increases in jobs, housing, and the D.C. tax base by reducing DHCD overhead, enabling DHCD to select better projects and deliver services more effectively, and aligning DHCD with a well-articulated and coordinated city-wide economic development strategy.

VIII. Asset Management

The consultant's work addressed two distinct functions: real property asset management and financial asset management. Unlike most areas currently under review, the real property and financial assets cross District government agencies and authorities. Therefore, in addition to reviewing the specific organization within the District of Columbia involved in asset management, the flows and the relationships between organizations involved in asset management have also been reviewed.

The Asset Management Reforms outline numerous initiatives addressing real property and financial asset management within the District Government. Each initiative is designed to: (1) realign resources to improve service delivery; (2) increase revenue through maximization of opportunities; (3) decrease expenditures through enhanced resource productivity. Currently, these initiatives cut across at least 15 agencies. The present asset management system is highly decentralized and fragmented, which results in duplication of services, weak administration and support functions, a lack of accountability, wasted space and equipment, numerous uncoordinated service contracts, lack information and planning, risk management and controls.

One of the primary real property management recommendations is the creation of a centralized real property office, headed by a Chief Real Property Officer. The remainder of the initiatives address the creation of an overall real property asset management strategy, creation of a comprehensive property inventory and management system, centralization of real property-related functions, assessment of personnel needs and existing competencies and revising real property legislation.

The major financial asset management reform recommendation is the centralization of cash management into the OCFO Treasurer. This reform is designed to enhance revenue. The other financial initiatives address cash management functions such as cashiering, revenue realization (accounts receivable), unclaimed property, pension plan and loss prevention.

All asset management reforms focus on three themes that address the root causes of District asset management issues:

- Centralization of management responsibility and accountability
- Creation of integrated cash and real property management processes and systems
- Emphasis on core services and performance

Implementation of the asset management reforms will result in permanent solutions and will enable the District to meet the challenges of the next century while providing the capability for continuous improvement. The reforms will result in increased realization of revenue, improvement in operating efficiencies, maximum utilization of assets, a more attractive investment environment, significant cost savings and enhanced performance. The management reforms are interrelated. For example, it will be difficult, if not impossible, to successfully implement any of the real property asset management reforms without establishing a District-wide real property asset management strategy. The reforms are also comprehensive, covering all real property and financial assets of the District of Columbia.

If and when the District expands its financial assets or real property holdings, the reforms presented will remain intact. Any changes in the real property and financial assets, both anticipated and unanticipated, will be accommodated by the organization and processes resulting from these reforms.

The reforms presented will result in significant cost savings and revenue enhancements. These reforms will allow the District to use limited financial resources most productively as well as generate revenue to fund additional reforms. In all instances, the reforms will dramatically improve the operations of the District asset management function and are sustainable into the future.

IX. Fire and Emergency Services

The Fire and Emergency Medical Services Department is responsible for preventing and mitigating human and property losses from fires; providing emergency medical services, including emergency transport to hospitals; a variety of technical rescue services (water rescue, building and trench collapse rescue, high angle rescue, etc.); dealing with hazardous materials incidents; providing safety for special events; participating in safeguarding the President and foreign and domestic government officials; and preparing to mitigate effects of terrorism.

The major organizational units of the Fire and EMS Department are the Operations Division, which currently includes special operations, prevention, training, fire suppression, and first responder EMS; the Emergency Medical Services Division, which is responsible for the basic and advanced life support ambulances; a

Services Division, which is responsible for management information systems, facilities and vehicle maintenance, safety, and various support functions; and the Office of the Fire Chief, which is responsible for the management and administration of the Department, and its budgeting, public information, and legal functions.

While the men and women of the Fire and EMS Department respond to an extraordinary number of emergency responses for a population the size of D.C., the services fall short in almost every area of responsibility, other than extinguishing fires. The fire death rate per capita in the District is 60 percent above the national average. Response times for advanced life support calls are extraordinarily high on the average, and do not come close to meeting national goals.

The Department is not prepared to adequately handle the potential hazardous materials and rescue calls that are reasonable to expect. And fundamental problems exist: a wide array of support services are kept going by filling them in with uniformed firefighters taken out of operations, and then substituted for using overtime. The Department is well below average in its capability to handle procurement, supplies, and budgeting. A major overhaul of the communications system has been lagging for a decade. Firefighters are not all adequately equipped for their safety, and must put up with firehouses that are often leaking and uncomfortable if not outright dangerous (from exhaust fumes). The training facility has literally been a junkyard, and does not provide modern live-burn training capability needed to keep up skills safely.

To address the problems, management reform focuses on the following immediate needs: emphasize prevention to prevent fires and reduce injuries; triage the EMS demand better to siphon off non-emergency calls; put more ambulances on the street, develop a more sophisticated peak demand and dynamic redeployment philosophy that matches the number of units and their location more closely with demand; rebuild the infrastructure of Department to support the delivery of services to citizens while also improving safety for the Department personnel; improve quality control and accountability for all services rendered; provide more adequate fire vehicles and spares for when they go out of service, and solve the procurement problem that has stopped the Department from being able to make quick repairs to emergency vehicles.

The combination of management improvement projects will result in permanent fixes to the Department's problems, and a much higher level of service to citizens. The use of paramedic engines will get a paramedic capable of advanced life support to the scene of a heart attack or an assault within 5 minutes on the average, instead of 12 or 13 minutes. Close to 100 percent of schoolchildren should be reached by fire safety education several times in their school careers, versus the sporadic program at present. All potential high-life loss buildings and one-third of all other buildings will be inspected each year. The fire protection

aspects of all new building plans would be reviewed by fire protection engineers, with adequate technical capability to respond quickly to the building community, and help to assure that long-term fire safety is built into buildings in the first place. The employees of the Department will all have access to personal computers to do their paperwork; carbon paper will be retired. Computerized supply and property systems will keep track of assets. A new communications system will more efficiently dispatch fire and EMS units, and enable them to communicate everywhere in the District, including in buildings and tunnels, and with neighboring fire departments - not always feasible at present.

In short, the goal is to change the Fire and EMS Department from among the most problem-filled in the nation to a world-class department again.

X. Office of Personnel

The current DC Office of Personnel (DCOP) organization is paper driven and not efficient; the overlap in functions and the centralization of employees results in bottlenecks, multiple hand-offs of forms, and wasted time spent transferring paper back and forth between Agencies and departments within DCOP. The focus of DCOP is on transactions, not results, as evidenced by the fact that current measures relate to volumes, not to client service.

The primary clients of DCOP are the Agencies. Most of the Agencies have liaison personnel, who are not DCOP employees, but are doing DCOP work related to forms processing in the field. Little or no training has been provided to the liaisons, so the degree of support provided generally relates to the employee's tenure in that position. In addition, some of the Agencies have an additional "personnel" employee to supplement the services provided by DCOP, and as a result, DCOP and the Agencies duplicate roles.

The Personnel Office must restructure, and incorporate improved functioning in the following areas: with a centralized services model for benefits, compensation, systems/data base support, strategy, policies and procedures, and training; and decentralized employee relations resident at the Agencies for recruiting, employee relations, and performance management. This should include evaluating the responsibilities of each position and the skills of each staff member to assure the greatest opportunity for both departmental and individual success, with customer service delivery in mind.

The key benefits to this organizational structure will be a more customer focused and more efficiently organized DCOP. This organizational design is flexible enough to respond to changing DCOP needs over the next 2 to 5 years, as well as changing Agency needs. It also positions DCOP to provide internal consulting resources for Agency restructuring, which could replace more costly external consulting support.

A major issue that must be confronted is the effect of downsizing. The Personnel Office has been downsized from more than 300 employees to less than 200, and yet no work has been eliminated or redesigned. This problem has been exacerbated by the fact that many experienced DCOP staff left due to early retirement windows or RIFs (up to 50%), and the remaining staff has not been formally trained in their new or revised position responsibilities. Therefore, the Department has not been set up for the most efficient processing.

DCOP must evaluate and reengineer the core personnel processes, including the forms used in each process. In recognition that there are technology inhibitors to workflow and workload redistribution, such as the lack of a common e-mail system or the ability of the Agencies to input data directly into the personnel system, it may be necessary to conduct process redesign in multiple stages. Initial process improvements would be based on manual processes, with long-term improvements identified for future implementation in a more automated environment. The initial process identified for reengineering should be the Recruiting Process, as the ability to hire and promote qualified employees has been identified by the Agencies as their most pressing need.

In order to assure that restructuring/reorganization within the Agencies follows District policies, there is a need to incorporate DCOP resources on all Agency planning and redesign teams. The presence of DCOP staff in the Agencies, and the presence of DCOP consultants to facilitate Agency changes, should provide DCOP the opportunity to ensure that participation occurs. The primary benefits of DCOP staff participation would be that their involvement in Agency restructuring efforts and the availability of DCOP consultants to facilitate agency changes, could reduce grievances and appeals related to restructuring.

In addition, there is an immediate need to develop a standard, extensive personnel module for orientation which the Agencies can incorporate into their specific orientation programs. Other reform initiatives include a need for improved training, which should include a skills assessment to identify the functions and staff that will benefit most from cross training. From this, a schedule can be developed to allow for cross training integrated into the daily working environment for those employees where the need is the greatest, either due to skill level, imminent retirement, or lack of expertise. A more effective policy manual made available to managers, a more consistent approach to compensation, revitalization of the technology program, and a focused effort to improve data and documentation on all personnel are vital to future endeavors and success in the personnel reform effort.

Changing the image of DCOP from that of a paper-pushing bureaucracy to a consultative organization leading the way in changing how the District conduct business will not be easy. Personnel functions in most organizations tend to be blamed by both management and employees when things go wrong, and rarely

receive credit when things go right. However, we believe that by focusing on their clients, DCOP can establish itself as a source of customer support and service.

XI. Information Management

The District's Information Resources Management (IRM) function is decentralized and fragmented. The Information Resource Management Administration (IRMA) has not been positioned or staffed to perform the functions of an effective central IT management organization. IRMA has 34 staff, of whom about 12 are dedicated to IT-related activities. The consultant's assessment concluded that there are significant problems in the District's IRM function. These problems are centered in five major components: infrastructure, organization, planning and control, applications and performance measurement. These deficiencies have resulted from the following factors:

- the District has been operating for years without an IT vision and strategy and has not had an effective central IT function to guide or control IT efforts;
- the District is unable to manage IT spending because all IT expenditures cannot be identified in existing accounting processes;
- agencies have developed IT functions and purchased services and equipment that serve singular purposes resulting in stovepipe systems that are incompatible;
- IT resources have not been leveraged to meet all stakeholder needs and serve common functional requirements;
- District dollars are wasted because the purchasing power of the District has been diluted as agencies work independently to purchase IT equipment and services; and
- The lack of District-wide planning and commitment to major IT initiatives has caused false starts, work stoppages, delays, and budget overruns.

Some, but by no means all, of the specific issues that the Management Reform Initiative is designed to address include:

- District Systems Are Not Year 2000 Compliant-- District systems are unable to handle Year 2000 data processing. While this is essentially the biggest risk facing the District, planning efforts are behind schedule and not funded. Year 2000 system failures are likely to in 1998. These failures will impact health, safety, provision of social service benefits, and the ability to collect and generate revenue. This issue will bring the District's systems and infrastructure to a halt if not dealt with immediately. The ramifications of not addressing this issue will cost the District far more than the current estimate of $45.5 million required to make systems Year 2000 compliant. The District must make systems Year 2000 compliant to avoid a shutdown of District business. Without an accelerated assessment of District systems and a fast-track plan to obtain conversion assistance, the District is at extraordinary risk.

- The District's Telephone System Does Not Work --Fundamental communication needs are unmet due to a failing and archaic telephone system. Staff productivity is diminished and citizen and government communication is thwarted which negatively impacts service delivery and increases the cost of doing business. Forty percent of the phones are rotary and many lack telephone features such as voicemail and transfer capabilities. The District's current standard for voice communications (ISDN) is very costly and not required to meet the requirements of all District voice communications. The District has an opportunity to evaluate, select, and implement a cost-effective voice communication solution that meets District short and long-term requirements. There is an opportunity to reduce the current estimated cost of $29 million for the implementation of an ISDN solution by selecting a solution that fits the communications needs of the District without implementing a "total" ISDN solution.

- An Effective Central IT Organization Does Not Exist --Most of the problems identified by the IRM assessment are caused or influenced by the lack of an effective central information resource management function. An opportunity exists to establish the Office of the Chief Technology Officer to guide the District's technology efforts, improve technology management and performance, reduce technology costs, and realize information sharing between agencies.

- Independent Management of IT Reform Plans Will Perpetuate "Stovepipe" Solutions and Incompatibility --The District is about to embark on implementing a variety of management reform plans that include IT-related improvement projects for every agency under review. Should the District choose to implement these projects independently without central planning standards and oversight, the District will merely perpetuate past practices that have resulted in so many "stovepipe" systems that are incompatible and lose the opportunity to leverage dollars and resources for common projects. Careful planning, management, and oversight of all IT management reform plans will ensure adequate deployment of resources; avoid duplication of effort; avoid the implementation of more "stovepipe" solutions, and ensure the application of technology standards adopted by the Chief Technology Officer to protect the city's investment in management reform plans.

- Data Cannot Be Shared Due to Disparate Data Networks --The District has about 80 data communication networks in place yet agencies are unable to share data essential to their every day business because of incompatible data networks and systems. The duplication of networks and human resources to operate and maintain them indicates that costs are higher than necessary. The fact that agencies within the same department, as well as between departments, are virtually unable to share data requires individual agencies to develop and maintain duplicate data repositories and applications, thereby increasing the costs of District IT services. The District has an opportunity to expand the DC WAN by

first, establishing a reliable data communications infrastructure to support inter-agency and District-wide IT applications. Second, the District will need to require agencies to consolidate existing WANs into an improved, expanded District-wide backbone to promote data sharing, leveraging of resources, and cost reduction.

For the District to improve IT planning and control, there must be an effective organizational structure in the Office of the Chief Technology Officer, to:

- conduct IT strategic planning;
- select and oversee major IT initiative implementations and special projects;
- establish and enforce relevant IT standards;
- conduct IT contract audits;
- establish and enforce a standard IT project management methodology;
- develop IT strategies for economic development, public/private partnerships, and grants management;
- streamline IT procurement processes;
- provide consulting support to agencies; and
- manage IT resources such as telecommunications, systems inventories, office automation, data communications, and printing.

At the same time, because there are urgent IT infrastructure issues facing the District, we expect to build a solid foundation upon which the District will be able to build future service delivery improvements. These projects are required to be implemented for the District to have any chance at all of implementing change in the future. While improvements in infrastructure and organization are critical to set the stage for the District's future, there are several application issues that must be addressed to ensure that major revenue generating systems do not fail and actions are taken to reduce costs and improve performance for District-wide IT functions.

The District has an opportunity to correct IRM deficiencies, build a foundation for future success, and begin to deploy technology to make service delivery and performance improvements by implementing the IRM Management Reform Plan. This Plan will address the root causes of the IRM function problems, apply permanent fixes, and position the District for future service delivery and IT performance improvements.

XII. Department of Health

The problems facing the Department of Health are similar to those in other District agencies, although being a new agency has, in many respects, compounded some of these problems. Frequent changes in the Commissioner for Health and unfilled senior positions in some of the divisions have resulted in a lack of consistency in leadership, vision and communication. This has also created confusion and anxiety in staff.

The changing role of the federal government and the way in which health care is being financed has forced local public health departments to examine their roles and responsibilities and to ask themselves not only "Are we doing things right?" but "Are we doing the right things." The DOH has not yet gone through this exercise and does not have an institutionalized strategic planning process. As a result, there is not an appropriate alignment of its goals, objectives, functions, staffing and budgets.

In the DOH, inconsistent leadership and weak strategic planning has also resulted in weak policy development and advocacy. Much greater collaboration with the community is needed in developing and advocating policies and legislation which will impact on the major health problems, especially among the most needy.

The consultant's assessment report detailed a number of serious staffing problems ranging from cumbersome recruiting, unclear job descriptions and reporting relationships, weak supervision, lack of staff development and training, and flawed promotion processes. These, in turn, have often led to problems of poor morale, lack of required competence and poor performance.

The assessment report also detailed a host of business processes that need improvement or re-engineering. Examples include:

- procurement of equipment and supplies,
- contracts with service providers,
- grant applications,
- assuring the use of all grant funds,
- assuring the use of appropriated funds,
- staff recruiting and hiring,
- revenue generation,
- performance measurement,
- claims processing
- and fraud detection by the Health Financing Care Division.

The DOH needs to develop the capacity to undertake business process improvement on a continuing basis, primarily using its own staff, although there will be times when outside consultant help will be cost effective.

As is true for many of the District's agencies, the DOH is far behind in the technology that it needs to function efficiently or to position itself to be a leading public health department in the next century. Improved automation is not a luxury. It is essential to enable it to process the work required by other city or by federal agencies, such as HCFA, and to create the efficiencies and productivity necessary to meet its objectives within budgetary constraints. The department lacks computers, data bases, local area networks, connection to the Internet and modern

phone systems. This has resulted in inadequate management information, inability to track budgets and expenditures, difficulties in analyzing health information and tracking public health problems, and poor customer service.

The Authority expects that the DOH will implement a comprehensive strategic planning process and assume a much more proactive policy development role in close collaboration with community stakeholders. The most important outcomes of policy development will be in new legislation and programs. Other outcomes will result in changes in DOH policies and programs. We have proposed a large number of management reforms project to improve staffing and staff performance. The most important outlines a comprehensive workforce analysis that would take place after the strategic planning exercise. This could result in the elimination of unnecessary staff positions and the re-assignment or re-training of affected staff. A skills inventory and needs assessment is also necessary to provide the training necessary to get staff up to the needed competency levels.

Several projects are designed to improve the hiring process, identify staffing gaps and recruit needed staff. Another is directed at measuring staff performance. Projects related to business process re-engineering (BPR) have the greatest potential to improve performance while at the same time reducing costs. A large number of projects are of the BPR type. They should be carried out in such a way that DOH staff develop the capacity to conduct BPR in the future "on their own" with no or minimal consultant help.

The strategic planning, leadership and policy development projects benefit the District's population because they identify the health priorities, engage the stakeholders and direct scarce resources into programs and strategies that will be most effective in achieving health goals and satisfying the departments clients. If done well, they will put the DOH in the position of being a national leader among local health departments, ready to tackle the difficult public health problems that it will face now and in the 21st century. They will also facilitate the analysis and re-design of the department's infrastructure so that organizational structure, staff, work processes and desired outcomes are aligned.

The projects aimed at improving staffing and staff performance will improve customer service and program outcomes. The planning projects and the specific performance measurement improvement projects will result in performance measures that include not only customer satisfaction but also improvement in health indices.

The business process re-engineering (BPR) projects increase revenue which increases the funds that can be applied to improving or expanding service delivery. By increasing productivity and efficiency they also result in faster, better service and in improved client satisfaction. Additional technology and automation will go

hand in hand with the BPR projects in increasing productivity, efficiency and customer service.

The management improvement projects presented are a comprehensive and coherent set of reforms that can result in long lasting and continuously improving results. An ongoing strategic planning capability and process will enable DOH staff to regularly assess their own performance, identify new challenges and adjust their objectives and strategies. Such a process can energize and focus staff and other resources and prevent the problems that are caused by lack of leadership and misapplication of resources.

Although process re-design/improvement projects can sometimes result in long lasting improvements, it is much more important that teams are identified to take ownership of the key business processes, monitor their performance and design the improvements as needed.

The revenue generation and improved grants management projects will greatly assist in producing additional budgetary resources which will enable many of the funds used for the improvement projects to be replaced and to be available for similar efforts in the future, such as continued technology upgrading and updating.

The transformation of the Department of Health to a high performing, customer-oriented public health agency will be a long journey. The improvement projects recommended for implementation are designed to help pave the road -- to make this transformation a success. These projects, whether directed at removing impediments to quick fixes or contributing to the redesign and improvement of core business and support work processes that will result in more fundamental change, are necessary for sustaining the current activities of the agency and moving it toward transformation.

Mr. DAVIS. Dr. Barnett. Welcome.

Ms. BARNETT. Thank you.

Mr. DAVIS. Let me just tell you how it works. The green light means you may begin. The orange light means you have 1 minute to sum up. The red light indicates your time is up.

Ms. BARNETT. Great, thanks. It is good to be here. My name is Camille Cates Barnett. I am the chief management officer for the District of Columbia, and I appreciate the opportunity to talk to you about management reform.

I have been here about 2 weeks, so I am getting to know the city and the reform process. You know a little about my background so what I would like to do is to talk about how I see the management reform efforts.

I believe that the District of Columbia is at an important and, indeed, historic crossroads. The authority and the chief financial officer working with the Mayor and council have made considerable strides in the financial recovery of the District. Now, we need to improve customer service and we need to build institutional capacity so that those service improvements can last.

I think the Revitalization Act provides an effective vehicle for beginning to ensure that that institutional capacity is built for providing good services, and I want you to know that I am very pleased to be a part of this effort.

My focus, as I begin, because there are many things to focus on, so I want to tell you what I have told the agency heads and have told everyone else, that I want us to focus on a vision, values, and goals.

The vision that we have for the District of Columbia is that it will be a model for the very best of American cities. I believe we can do that, and I think there is every imperative that we do.

There are two values that are going to reform the management reform and also the management of the city, and that is customer service and accountability. And I have three goals for 1998. One is to improve customer service. The second is to implement management reform. And the third is to meet our budget targets.

Today I would specifically like to talk about management reform. One thing I think is important to remember is that management reform is not ticking off a list of 269 projects. Management reform is a multiyear process. It is systemic change if it is going to be successful. It also needs to be a collaborative process but it needs to be a collaborative process that's driven by a sense of urgency, and we need to be able to achieve results along the way.

The credibility of any long-term change process is built on real results that citizens care about. Better housing, a more responsive regulatory environment, greater access to health care, improved sanitation, street repairs, are just a few of the improvements that citizens can expect, and deserve, with the implementation of management reform over the next years.

To achieve these results, we must, in many cases, change management systems and improve management capacity, which supports these city services. Systems and capacity improvements translate into things like cleaner streets, more attentive government employees, and swifter tax refunds and immediate responses on emergency services. Management reform will ultimately touch

every agency in the government and the vast majority of citizens that—services that affect our citizens.

The authority has already instructed the department heads to implement these reform plans, those that can be effected immediately and the projects that require additional scheduling, coordination, and planning. In conjunction with the chief financial officer, I have requested that budget and implementation plans come from each of the agencies, and we will be reviewing those in the next couple of weeks to assure that the transformation is in conformance with the budget and with the reform programs.

I want you to know that I am optimistic that the kinds of problems that we have found and that have been inhibiting service delivery can be solved through a sustained and coordinated reform effort that is both customer driven and accountable. I believe that there are sufficient resources that will be available to finance these reform projects, and I believe that we can build the kind of institutional capacity that's necessary for their implementation.

Implementation strategies for these reform plans need to build institutional capacity. We need to create a city government structure in which people, systems, and processes can together support service delivery.

We may also want to consider competition and outsourcing of some government services as useful alternatives to current methods of service delivery. In some cases we will also need outside assistance such as to establish the centrally managed automated project tracking system for monitoring the implementation of the management reform plans. But these kinds of initiatives, where appropriate, must not detract from building the institutional capacity and must always be done with sensitivity to the current work force.

It is important also that information about management reform plans and the progress on them is readily available to Congress, the Authority, the Mayor, and council and to the public. We will use multiple methods to communicated with customers and other stakeholders. Where appropriate, we will use the Internet and other means, including public briefings, to inform citizens of the status of management reform efforts. We will incorporate the results of various citizen surveys in our measurement of service delivery. What matters most is that all stakeholders gain through personal experience confidence that services will be improved. I think the city's future depends on it.

So in conclusion, I want to thank you, Mr. Chairman, and the subcommittee, for your leadership and your interest in the revitalization of the District of Columbia. I look forward to working with you. It won't be easy, but I think the results will be worth the effort. Thank you.

Mr. DAVIS. Thank you very much.

Mr. Williams.

Mr. WILLIAMS. Yes, Mr. Chairman and members of the committee, thank you for the opportunity to be here today and testify on the financial aspects of management reform in the District government. I am particularly pleased that Congressman Horn is here because he has been a big supporter of financial managers in the Federal Government and worked closely with the CFO council, and I am glad he is here today.

Mr. HORN. Thank you.

Mr. WILLIAMS. Mr. Chairman, just a few brief remarks.

I think we are all aware now of the better financial performance in the District government. We have talked about better revenue collection. This better revenue collection basically comes in three parts: Better tax collection, whether it be auditing and processing on our part; better compliance by District taxpayers who know now that we are serious about our collection efforts, and are complying much more probably than they did before; and a better economy. And so this better revenue collection, along with a serious effort with the support of the authority, the support of the Mayor and the council, a serious effort at spending control, has brought us now substantial progress that we have realized in not only 1998 but 1997, where I am pleased to say I checked with the home office earlier this morning, that at a minimum now we will realize, a minimum surplus in 1997 of $100 million. And this is not including the sale of the Correctional Treatment Facility, which could bring this number up. And this is an accounting question.

Mr. DAVIS. That was a surplus in fiscal year 1997?

Mr. WILLIAMS. Of at least $100 million. And so things are moving in the right direction.

Mr. DAVIS. Not to interrupt you, but the original projection for fiscal year 1997 was what?

Mr. WILLIAMS. The original projection was a deficit the other way, a deficit of $74 million.

Mr. DAVIS. Excellent. Thank you.

Mr. WILLIAMS. Again, with the support of the Authority, which I like to think of as the offensive line clearing the way, we have also made progress now with the financial markets, with the credit markets, and I believe that the District will continue to realize a lower cost of borrowing month by month, year by year.

And I think that as Congresswoman Norton recognized, we achieved a consensus budget for 1998 ultimately, and I think we are on our way in terms of a process in 1999, moving toward a consensus budget.

Now, Mr. Chairman, I believe very strongly that there are funds available along the lines that both Dr. Brimmer and Dr. Barnett discussed; there are funds available in 1998 to cover management reform projects.

I say this for a number of reasons: No. 1, a number of the projects I think will ultimately be paid for by cost avoidance and revenue generation; No. 2, as I will outline in a second, we have increased revenue that we are now making a preliminary estimate of for 1998; and I think, No. 3, as we all look at the spending plans and the action plans for the agencies, we all realize that when we talk about these projects we are, in fact, in many instances talking about a multiyear agenda, that given all the issues in the District government, that many of these projects will actually unfold over a multiyear period. So I am quite confident in saying that there will be funds available for the very aggressive and ambitious management reform agenda that Dr. Brimmer outlined while at the same time maintaining the commitment that I think all of the stakeholders have had for the last 2½ years at deficit reduction.

One final word about just the estimates of revenue that we are seeing, because I think they play into this picture. The estimated local revenue now is $2.7 billion. This is around $121 million over the original local estimate made in 1997.

For 1998, our estimates are now at $2.8 billion and this is $160 million over the estimate in the approved budget. In 1999, we are looking at an estimate now that's $171 million over the previous forecasts that was part of the multiyear model that was contained in the consensus budget.

So to make a long story short, Mr. Chairman, I am confident that there are the funds available for aggressive management reform. But having said that, I think we must always pay attention to a couple of things: One, that we not use management reform to increase the overall District's operating budget, and I don't believe that this is the case, focus on management reform, and I think this has happened on structural and capital improvements, and I think we must, and I think the Authority shares this concern, ensure that we maintain a rigorous accounting of any claimed revenue enhancements and cost savings because we have been there, done that in the past, with initiatives on the revenue and the cost savings side, and want to be very, very careful as we move forward in that regard.

And so thank you, Mr. Chairman, for the opportunity to make these brief remarks. I will be happy to answer any of your questions.

Mr. DAVIS. Thank you very much. As I said, your statement will be in the record.

[The prepared statement of Mr. Williams follows:]

Chairman Davis, Congresswoman Norton, members of the committee. My name is Anthony A. Williams and I am the Chief Financial Officer for the District of Columbia. Thank you for this opportunity to testify on the issue of management reform in the District, specifically with respect to the financing of these reforms and its associated affect on the District's financial and fiscal stability.

We recognize the need for management reform. However, we must also recognize the need to implement reform in a financially responsible manner. Management reform must be brought about at the same time the District's accumulated deficit is reduced. District stakeholders must maintain the financial health that we have worked so hard to restore, while continuing to improve.

Our analysis indicates that it will be possible to implement a management reform program of approximately $126 million in FY 1998. The outlines of this program were included in the FY 1998 consensus budget. I strongly urge all stakeholders to remain consistent with the overall consensus budget framework.

Financial Reform created the conditions for successful management reform.

The enormous progress that we have made in reforming the District's financial management provides the foundation for successful management reform. Additionally, the Council and the Authority have made the difficult decisions to help put the District on sound financial footing. The District's overall financial position improved dramatically in FY 1997, and we expect that to continue into 1998 and 1999.

Fiscal Year	Estimated local revenue
1997	$2.749B
1998	$2.811B
1999	$2.870B

The audit results, to be released in February, are expected to show that improved revenue collection and spending discipline will leave the District with a surplus for the first time since 1993. Our improved financial performance has been recognized by the bond markets through lower rates and the potential upgrade of the District's credit rating.

Our financial success is not just the byproduct of the economy.

- Much of the District's increased revenue is due to collection efforts of the Office of Tax and Revenue.
- The improved budget process produces better information for making decisions while aggressive budget execution increases the capacity to enforce accountability.
- The efforts of our treasury department have given the District new credibility in the bond markets.

- The Controller's Office has made tremendous strides in rebuilding our financial infrastructure.

Our financial team gives the District stakeholders the institutional capacity to implement management reform. Working closely with the new Chief Management Officer, we can now ensure that the District connects resources with results.

Funding

One of the most important issues regarding management reform is funding: where will the money come from. The starting point should be the FY 1998 consensus budget. Our initial analysis of the management reform proposals indicated that it would be possible to implement a substantial management reform program. We provided the Financial Authority with a scenario which identified resources for implementing as much as $126 million in management reform projects in FY 1998. The following table details the possible sources of this funding:

	FY 98 Operating Budget	FY 98 Capital Budget	Total
Dollar value of proposals already funded in approved budget	$9M	$29M	$38M
Amount of funding available for reform in FY 1998 consensus budget	$38M	$50M	$88M
Totals	$47M	$79M	$126M

The funds identified in agency budgets are based on existing spending plans. It is possible to increase the funding available for management reform even further by reducing spending for current programs.

As we move forward with management reform, it is important that the District make progress in reducing the District's accumulated deficit. I believe that all the stakeholders have this priority at the forefront. The following principles may serve as a useful framework for discussion:

- The District should live within its approved FY 1998 budget. Management reform funds must only be used for approved projects, not diverted to fund agency operations. To ensure that this happens, the Chief Management Officer and I are requiring agencies to develop detailed spending plans for each project. After the plans are approved, we recommend that management reform funds be placed in separate accounts to track projected expenses and progress. We will show the District's residents exactly how much was spent for each project and exactly what results each project achieved.

- Management reform should be directed towards one-time expenses. Projects which have significant continuing costs should be implemented through the regular budget process.

- Although the primary purpose of management reform is to improve services, many projects are also projected to either increase revenue or create cost avoidance. We must ensure that projected savings and revenues actually materialize or clearly identify funds to pay for needed reforms. The Chief Management Officer and I will work closely together to track progress in cost reductions and revenue enhancement.

- In our December report we identified projects that needed further analysis to confirm cost estimates. I am particularly concerned about the estimated cost savings for FY 1998. Particularly those associated with proposed employee reductions in force. Our preliminary analysis indicates that these savings may not be realized in this fiscal year. As such, we stand ready to work with the Financial Authority, the Mayor, and the Chief Management Officer to conduct the necessary analysis to monitor savings.

Conclusion

In closing, a properly financed management reform plan will provide immediate and visible benefits to the citizens of the District. We all recognize that management reform should be part of a broader strategy of revitalizing the District: Economic development, tax relief, and long term financial stability are equally vital components of the District's recovery, as is deficit reduction. If the District acts responsibly it will be possible to improve basic services and reduce excessive taxes.

Thank you and I am pleased to answer any questions the Committee may have.

Mr. DAVIS. We will start the clock at 5 minutes. I want to give everybody an opportunity to ask a few questions.

Mr. Williams, let me just start with what you have come up with, which is the surplus for fiscal year 1997. This does a number of things, as I understand it. It will allow the city to quickly produce its accumulated operating deficit, which means that you will save interest costs, and you will improve the city's bond rating faster than anything else you could do. Is that a fair comment?

Mr. WILLIAMS. That's correct, Mr. Chairman. There is some pressure on the other side of what we call a restatement, because in cleaning up around $70,000 accounts, for example, in business tax receivables, we have had to actually go back and amend revenue in previous years. And this is actually operating to increase the deficit, but on a net basis this clearly brings the accumulated deficit down.

Mr. DAVIS. I think you know that you get a lot of credit for that. Getting the city on a financial footing where you are not just worried about paying the bills day to day allows the city to focus on some of the other things. It will allow Dr. Barnett now to implement some changes by working with the Mayor and the council to focus on the things we ought to be focusing on, which is making the city government run better. But if you don't have your finances straight, we have found for the first 2 years you can't do much else right. You are just spending all your time juggling the books. So I think this is very welcome news and at a time when every little scandal and everything else seems to be headlines. This is a piece of good news because it shows that some of the reforms undertaken by us but implemented by you in a cooperative mode with the Mayor and council, is moving the city ahead. Still, it is a long way from where we all want it to be but this shows great progress.

Let me ask Dr. Brimmer, the Control Board was directed by Congress to evaluate medical malpractice reform and to report back by March 1, 1998, with recommendations. What is the plan to comply with the statutory provision? Will you meet that deadline?

Mr. BRIMMER. We will. The assessment is under way.

Mr. DAVIS. Thank you.

Mr. BRIMMER. We will show it the very same way with respect to the regulatory reform work, that the deadline for that, we would meet that as well.

Mr. DAVIS. Let me just add that Congress almost undertook this last year. We feel this ought to be handled by the city. I have very strong feelings on this particular issue, but I think, putting my feelings aside, this is a city issue we want the city to resolve. Your recommendations, as we move this through, are going to be very critical in helping us to move in an area where I think change ought to be happening. I await your recommendations at that point as to what is going to happen.

Now, the $5,000 Federal income tax exemption for first-time homebuyers appears to be a great success from my vantage point. Is the business community also responding to the Federal tax credits which Congress offered to businesses that hired D.C. residents in poverty zones; and is the zero cap gains—are we seeing any activity in those areas?

Mr. BRIMMER. I am not seeing any, Mr. Chairman, partly because we have not done an assessment of these new credits.

Ms. NORTON. Would the gentleman yield? They went into effect only January 1, so I don't think you would see it quite yet.

Mr. DAVIS. You see some preliminarily. You see it kind of at the grass-roots, but you wouldn't have any measurable data yet.

Mr. BRIMMER. No, we would not.

Mr. DAVIS. OK. How about information about the Federal tax breaks. Are they on your website?

Bet you didn't expect that question.

Mr. BRIMMER. I do not know the answer. I can find out.

Mr. DAVIS. We'd like to find out. I think that's a good place to put it. You put it on your website at www.DCFRA.gov., and maybe it will attract suburbanites and maybe everybody else who will be looking for good real estate buys.

I recommend you do that. You can report back to us later.

Dr. Barnett, I appreciate your coming up before Congress. You gave me your initial goals. When you come here a year from now, what do you want to be telling us?

Ms. BARNETT. When I come here a year from now, I hope I don't have to tell you, I hope I will summarize a book you have already read. I hope you will see some customer service improvements.

Mr. DAVIS. The kind Mr. Horn described to you.

Ms. BARNETT. At least that. At least that. And we will also be able to tell you that we've done this within the budget targets. And I hope we will be able to report a significant increase in institutional capacity, particularly management systems and capacity.

Mr. DAVIS. Thank you. That doesn't mean you have a year before you come back here. We may have you back here before that.

Ms. BARNETT. I didn't mean that.

Mr. DAVIS. A 1-year goal. I think that's what we're looking at. I want to go back to Mr. Williams.

Mr. BRIMMER. Mr. Chairman, may I say something?

Mr. DAVIS. Please.

Mr. BRIMMER. On the question of reporting to Congress, we plan to submit a quarterly report to the Congress on the progress of management reform, and we would anticipate that once you have that report, you might want to have us back here in person.

Mr. DAVIS. We will, and I appreciate that. What we will try to do is work with some of the other committees to have you all here before us at one time.

Mr. Williams, let me go back to the fact that we are in a budget surplus for this year. You explained the reasons, but did we have any agencies overspend their budget in fiscal year 1997? Did everyone come within their budget targets?

Mr. WILLIAMS. I think there may be one or two cases. There are certainly no big issues that I'm aware of. I think actually one of the issues now facing the District government—and I shared this with Dr. Brimmer and the Mayor and the council chairman—is that we have a number of agencies actually underspending. And while we want our agencies to meet their budget targets, I think all of us would be concerned if agencies aren't actually putting out for our citizens all the resources they have available for real results.

And so that's one of the reasons why at last week's hearing I pledged to this committee that one of our overarching goals now, in the coming year, is to support with Dr. Barnett with the management reform agenda.

Mr. DAVIS. I guess the only other thing is, we have had problems in the past with the procurements going out and being spent quickly and efficiently. Do you see a marked change in that?

Mr. WILLIAMS. Well, Mr. Chairman, we've improved cash management, cash drawdown, but we're not going to get any national awards for cash drawdown. What we're trying to do is build in the agencies the capacity to handle these financial matters as part of their broader management agenda. And so the CFO's and the agencies now will have the responsibility to intelligently administer and manage, indeed optimize, the flow of resources with the agency director through their agency.

Mr. DAVIS. Thank you very much. I'm going to now yield to Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman. Dr. Brimmer and Mr. Williams, with both of you here, perhaps we could reconcile differences that you may have in the cost of management reforms. Mr. Williams apparently testifies that he advises that there may be as much as $126 million in funds available. The authority says it plans to spend $185 million.

What I suppose I am most puzzled about is that the authority says $140 million will come from efficiencies. I'd like to know what those efficiencies are and whether the difference between even the $126 million and the $185 million has been reconciled by you; whether you have,. in fact, come to any agreement on what the actual figure is, both of you.

Mr. BRIMMER. First, the estimates we gave are the estimates we developed at the authority. I gave the sources of those in summary in my testimony.

Ms. NORTON. What makes us a little nervous is that $140 million of $185 million is supposed to come from efficiencies that result from the management reforms.

Mr. BRIMMER. What I said was that the implementation of management reform projects will result in either cost savings or revenue enhancement, and the $140 million is the result of the combined effects of cost savings or revenue enhancement.

The details on where the $140 million will come from are spelled out in great detail in the summary of our report submitted for the record.

Ms. NORTON. Suppose I ask Mr. Williams, then, to comment on this $140 million and his $126 million figure.

Mr. WILLIAMS. The $126 million figure is a figure for the sources available for management reform. Dr. Brimmer outlined $182 million to be available.

So actually in terms of sources we're saying there are a higher number available. So I don't see a problem there in terms of fiscal prudence.

Regarding the $140 million, I think Dr. Brimmer is saying on a net basis in terms of both cost avoidance and revenue generation the projects will generate $140 million.

Ms. NORTON. And you agree with that?

Mr. WILLIAMS. And what we are doing is the agencies are submitting spending plans to encompass all their management reform projects with suggested program changes, that is to say, increases in their budget to fund projects on a prioritized basis. And as we go through those spending plans, we will review these cost avoidance and revenue generation figures.

Ms. NORTON. Well, if in fact the figures do not, in fact, come through, and every figure is a projection, how will a figure be made up?

Mr. BRIMMER. Well, first of all, I am highly confident that they will come through; therefore, I am not planning any contingencies if they don't. But, in addition, in addition, we said that some part of the net benefit from the Revitalization Act could be used. But long before we get to that point, what I am saying is that the current estimate of the cost of management reform is $185 million.

And then the next question I asked is, where will we get the funds to assure that financing is not an obstacle to implementation. We start off with $8 million in direct Federal appropriation. That is in the bank earning interest. I said also that $44.5 million are included in the fiscal year 1998 regular budget, which are earmarked for management reform projects. Those are funds already in the budgets of the various agencies.

Ms. NORTON. What number is that?

Mr. BRIMMER. $44.5 million. I also said that we plan to leverage an additional $50 million for capital purposes. We mentioned in our testimony with respect to the budget for 1998, and Congress has approved it, that we would use some part of the net benefit to pay the additional debt service of borrowing $50 million. We intend to use some of this additional capital borrowing to finance management reform capital projects.

We would plan to use about $10 million of that $50 million for school capital, and about $10 million for public works. That leaves $30 million, which we would devote to management reform. That is the $82.5 million that is assured right there. In addition, we said that we would anticipate that as a result of either cost savings, or revenue generation resulting from the implementation of the management reform projects, we could end up with $140 million additional. By the way, included in that $140 million is about $26 million which we have been assured by the chief financial officer could be generated as a by-product of his own tax and revenue efforts. We believe the number might be larger than that, but we believe that at least $26 million is assured.

Mr. Williams, is that still your estimate?

Mr. WILLIAMS. That's correct. We are in the process, and I mentioned this last week, Congresswoman Norton, in the process of installing an integrated tax system, and this tax system will actually be funded by additional revenue generated by that system. And so that is an example of a project for fiscal year 1998 where the project will generate, beginning in 1998, revenue in excess of its actual cost.

Mr. BRIMMER. Another example is in the Department of Consumer and Regulatory Affairs. They collect over $25 million in fees. They can clearly do more. And the reforms are designed to assure that they will enhance that.

So there are a number of activities in the Federal Government which generate revenue—in this District government which generate revenue, and the government, up to now, has not been maximizing those opportunities.

So, again, Ms. Norton——

Ms. NORTON. On my count, I just hope that the conservative and prudent forecasts that produced the surplus this year are continuing, because by my count, when you go 40 and 50, and we get the 82.5, we're still talking $182 million; and all these things are supposed to happen, better tax collections and the rest of it.

It is the kind of thing that when city officials came up and said that, that kind of thing drew great skepticism from the Congress. And I don't know why we should feel that these things automatically happen when you have to put a financial management system in place and you have got most of your reform work of your government to do.

I don't know. I can understand what you're saying. It doesn't sound unreasonable. I just hope that whenever—let me put it this way. Whenever paying for something specific—and here we're talking about paying for management reforms—is contingent upon producing savings, the history of this government and every other government is that they fall short. So I hope that you are bearing in mind what that history is, whatever the government you work for, whether you work for the Federal Government as well as the government you work for now, Mr. Williams.

Mr. BRIMMER. The implementation of the management reform projects does not depend on the generation of $140 million.

Ms. NORTON. You just said you'd have to go into your surplus if you did not do it, and I understand you would. You could end up using all our surplus this way.

Mr. BRIMMER. It does not depend on it. Moreover, the $140 million is a deep discount on the amount that is anticipated. We did not count every dollar that is anticipated. This is the residual, deeply discounted. We are highly confident that it will come.

And by the way, as I indicated, we will be coming here quarter by quarter. We will be reporting to you quarter by quarter. Please ask us during the year how we're doing.

Mr. DAVIS. Thank you.

Mr. Horn.

Mr. HORN. Thank you very much, Mr. Chairman.

Welcome to all three of you. I think each of you is doing a wonderful job in this area, and we thank you for coming to save the world's greatest city.

Let me note that in my past profession it was considered the university president's idea of hell to find that he had two medical schools, and I will say to you, Dr. Barnett, that I suspect a similar thing might be said about having three city councils—the city council, the Control Board and us. But I want to thank you for coming here. You have a splendid reputation in your past public service areas.

I would just like, as my first question, to say, could you compare the authority you had as city manager of Austin and the authority your colleagues had as city manager of Dallas and/or Houston with

your current role as chief management officer? Where are the differences? Where are the——

Ms. BARNETT. Yes, I would, and, in fact, that was one of the things I had a lot of discussions with the Control Board about before accepting the position. I'm confident that I have their delegated authority to manage these operations.

The one area where there is not a unified management structure, of course, is in the agencies that are not reporting directly to the Control Board.

Mr. HORN. Could you tell us, just for the record—I know all this, but some don't—and that is, what is the authority a typical city manager has over agency heads that report to that city manager?

Ms. BARNETT. The city manager is the chief executive officer of the city and has responsibilities for the day-to-day operations, in that regard, has daily operational control, the ability to hire and fire agency heads, set standards of performance, recommend the budget, recommend policy actions to the council.

Mr. HORN. Exactly. And, of course, the solution is, if the city council doesn't like what is going on, in this case the Control Board, they fire the city manager.

Ms. BARNETT. That is true.

Mr. HORN. And they can get a new one.

Ms. BARNETT. That is true.

Mr. HORN. When I built the School of Public Administration, I saved three slots of outstanding city managers to rotate through until they found a new job. When you are one vote short, that's it.

Let me ask you—I don't know; it is probably too early, Dr. Barnett, for you to answer this, but maybe Dr. Brimmer can answer it—what's the timetable for privatizing additional District functions; and have you thought through a timetable of what might happen when?

Maybe you'd like to answer it, Dr. Brimmer.

Ms. BARNETT. I can tell you what we're doing. The specific thing that has been referred to in both my testimony and the other witnesses on this panel is a review process that the chief financial officer and I are going through right now with the agencies, which has to do with both spending plans for the management reform as well as implementation plans, making sure they match. And once we go through that, then we will have a more specific schedule for all of the management reforms.

That's the general answer. Maybe Dr. Brimmer can be more specific.

Mr. BRIMMER. Congressman Horn, that is precisely where we stand. But we have had a posture vis-a-vis privatization or outsourcing, since we have been at the Authority, and that is that outsourcing, and privatization, are not, a panacea.

We believe there are various methods of delivering service, and each one ought to be evaluated on the basis of the costs and benefits each one might yield. But, on balance, our bias has been to look more closely at privatization and outsourcing than had been done before.

A good deal has already been done. For example, in the corrections area, there is now a significant number of the sentenced felons that have been transferred to a privately operated correctional

facility. More are in the pipeline. We have encouraged the government to look at other opportunities.

So our bias is in that direction, but we believe the actual decision ought to turn on the objective factors which will turn up in the type of analytical effort Dr. Barnett and Mr. Williams and I are undertaking.

Mr. HORN. Thank you. Appreciate that.

I yield the balance of my time to Mrs. Morella to add to her time.

Mr. DAVIS. Thank you very much.

The gentlewoman from Maryland.

Mrs. MORELLA. Thank you very much for the time.

Thank you, Mr. Chairman.

I particularly wanted to be here in order to welcome you, Dr. Barnett. I really looked forward not only to meeting you here today, but working with you in conjunction with this great team that we have here with Dr. Brimmer and Mr. Williams. I think you're a great trio, and so we look forward to helping you in any way we can.

One of the things that you're going to be facing, you have already started to, has to do with the regulatory reform plans that you may have, and the fact that the Business Regulatory Reform Commission has made some recommendations and the fact that the statute itself talks about the concept of reform efforts.

I just wondered if you would have any comments you would make about how you are proceeding with that, what the plans are. And I guess the Control Board would then go to Dr. Brimmer, who is also going to talk about rent control and how that plan is coming through.

Mr. BRIMMER. May I respond to that? Because that is a second mandate we got in the Revitalization Act, August 5 legislation, aside from management reform. There is a linkage between the two mandates, for instance we do have some regulatory elements involved, in the Department of Consumer and Regulatory Affairs.

We got a separate requirement from the Congress, mandating that we look at regulations and permit application processes in the city and to report to Congress. We had 6 months in which to do that. Subsequently, we were also mandated to review the recommendations of the Business Regulatory Reform Commission. We have done that.

We set about by assigning the project to our general counsel. He, in turn, after a discussion with the regulatory commission people and the legal profession, concluded that our best approach was to engage outside assistance to enhance our capabilities. Through a competitive process was selected a law firm, Holland & Knight, was selected to make an examination and draft recommendations for consideration by the Authority. That report is in our hands. It is being docketed for review and assessment by the authority within the next week or so.

We will, in fact, meet our deadline for submitting that report to the Congress. There will be comments. There will be comments in the Holland and Knight report on the items you identify and on the items Congress mandated.

Mrs. MORELLA. Well, what is your timeframe, as you see it now? You said 6 months after the legislation you will be ready to report.

Mr. BRIMMER. The report will be submitted February 6, 1998.

Mrs. MORELLA. OK, so that is like the end of next week.

Mr. BRIMMER. Next week.

Mrs. MORELLA. Exactly. Thank you.

Dr. Barnett, what is your involvement with this? Will you share with Dr. Brimmer what progress has been made and give it your imprimatur, or how do you work that out on the recommendations for regulatory changes?

Ms. BARNETT. Well, I will expect to look over the recommendations that are coming in the report, and my efforts now are to try to implement those recommendations.

Mrs. MORELLA. OK, so then you carry on as soon as he gets the recommendations to you and reports to Congress on it, too?

Ms. BARNETT. That's correct.

Mrs. MORELLA. We will be apprised of that.

I wanted to ask you, Dr. Brimmer, at our last hearing, or one of the last hearings, we talked about the Medicaid contracts. And as you may remember, I have had some communication with companies that had been most concerned. And it was just before Christmas that you indicated that these contracts would be taken care of by the beginning of this new year, which we are now in and completing our first month of the new year. I wondered if you would be kind enough to provide an update of what's happening with those Medicaid contracts.

Mr. BRIMMER. Congresswoman Morella, you might recall there was a division of opinion. There had been seven bidders. The Department of Human Services had selected four; some or all of the three remaining ones had sued. The result of the courts action was that the three were added to the list, so all seven of those bidders are now able to receive and administer applicants and participants in the program. So in the very near future, the next few days, there will be an announcement as to the details of that arrangement.

But the bottom line is that no bidder has been excluded. Medicaid recipients will be able to seek the services of any one of the seven.

Mrs. MORELLA. You know, there have been some concerns expressed about this procurement process. Do you think it is a competent procurement process? Is this something we should look into with the idea of changing for efficiency, fairness and other attributes?

Mr. BRIMMER. Clearly, that process which resulted in the letting of those contracts to the four was flawed. That was admitted from the very beginning when we began to look at it.

The reform of procurement has gone quite far. This particular experience is one of the examples that has spurred that reform. And I should also say that procurement is one of the four city-wide crosscutting functions which Congress mandated we look at as a part of management reform. The others were personnel, information technology, and asset management.

The project to integrate and report centrally on procurement has been delegated by us to the chief procurement officer, he will be putting in place revised city-wide procurement rules and regulations. After he has done that and the new rules have had a change to work, we can then evaluate the new rules' success.

Mrs. MORELLA. We would like to see it with all deliberate speed, but indeed, I think we both agree that something needs to be done about it.

I know my time is just about up. I wanted to tell you the next panel is going to have representation from AFGE and from AFSCME. They are going to ask about the fact—and it is too bad we cannot all be together; they are going to ask how they can be involved. Do you have plans for involving them in the process? Since they deal with the employees, they know a lot from their expertise about government and its management.

Mr. BRIMMER. Our mandate to the CMO and to the agency heads requires that they seek the participation of all of the stakeholders. I mentioned this in my testimony; Dr. Barnett has mentioned it. The answer is, yes, there will be outreach and inclusion.

Mrs. MORELLA. OK, great. We would like to in the future know about how you piece them in and in what way. It would be very helpful.

My time is up. I will wait for the next round.

Thank you, Mr. Chairman.

Thank you, Mr. Horn.

Mr. DAVIS. I want to pick up on that. I know my office has been in communication with all of you on a few of those issues and on the way the control board is interpreting the legislation things that we did in this subcommittee. We want to have those things worked out to the extent we can, or we will have to come back and revisit it legislatively. We would prefer not to.

Mrs. Morella and Mrs. Norton and I all feel strongly about it. We are making progress, and the panel is going to testify. Read their testimony, and if you have any questions, let us come back and work these areas out.

Mr. HORN. Mr. Chairman, I have one question, if I might, of the chief financial officer. We have about 700 days to go before January 1, 2000. How are the district computers coming in adjusting to the year 2000 problem?

Mr. WILLIAMS. Congressman Horn, one of the crosscutting issues is information technology, and that actually is the responsibility of Dr. Barnett, so she can speak to that question.

Mr. HORN. OK.

Ms. BARNETT. And the answer is I don't know.

Mr. BRIMMER. Well, let me say something on that.

Mr. HORN. Why don't you check it and supply a statement for the record.

Ms. BARNETT. I will. I know it is one of the chief concerns in the information technology crosscutting functions, but it is not one I have personally looked at at this point.

Mr. BRIMMER. Mr. Congressman, I can say something about that. One of the areas I mentioned for crosscutting is information technology.

Mr. HORN. Right.

Mr. BRIMMER. That responsibility has been delegated to Mr. Michael Hernon, the chief technology officer. There is, among the projects in that area for management reform, the year 2000 problem. Funds have been allocated for that purpose.

Among the projects, there are 10 or 12 that go directly to the issue you have just described. The District has been alerted to that and, in fact, one of the assignments that Mr. Hernon got when he was brought in last year was to tackle that issue.

In my private consulting business, I have spent a good bit of my time working with companies who are trying to solve their own year 2000 problem.

Mr. HORN. Could you file for the record, say in the next 5 days, how much money you have allocated them?

Mr. BRIMMER. Yes.

Mr. HORN. Our basic position that we agree on between Director Raines, myself and others up here, is to reprogram end-of-the-year money. Don't just diddle around through another budget process, because time is a-wasting.

Mr. BRIMMER. Yes, I would be glad to do that, Mr. Congressman.

[The information referred to follows:]

The District of Columbia has allocated $1.1 million to the Year 2000 Compliance (Y2K) problem. The Y2K problem is one of the District's top priorities, and has been included in the management reform projects. The CMO and Chief Technology Officer (CTO) are in the process of further assessing the District's Y2K problem and once that assessment is complete we anticipate that substantial funds will be allocated in fiscal years 1998 and 1999.

By way of background, the Y2K program office was established in the summer of 1997 within the Office of the City Administrator. The initial schedule of work has slipped. Upon the arrival of the CTO the responsibility for the Y2K program office was moved to that office.

The Y2K office has developed a plan for assessing, remediating and testing Y2K efforts. This plan has been reviewed and supported by the District's information technology management reform consultant, and Y2K specialists within the Federal Office of Management and Budget.

Cost estimates from the program office for remediation of the Y2K problem range from $18 million to $25 million, however, more conservative estimates from the consultant place the cost as high as $45 million. The differences in these estimates concern whether the replacement schedule of major systems, including the financial management and comprehensive personnel systems, occur on time.

The U.S. Department of Labor has provided federal funds to the District's Department of Employment Services to remediate the DOES Y2K problem. Other funding sources are being explored for other District agencies.

Mr. HORN. Thank you.

Mr. DAVIS. I have a few other quick items, then I would yield to Ms. Norton.

On the management reforms, the administration had suggested this year in their $100 million that they wanted to put in the budget, I had made a suggestion, but whether we get that money or not, I am concerned about the security situation with the prison guards at this point. Because of the fact that we know Lorton is going to be closed, you have people quitting, we are not able to hire people because of the career path issues. We need to see that addressed.

You don't need to answer that now, but that's a concern, where we may have to put some short-term resources in there to make sure the public is protected. The guards now are working overtime, and it is something that has to be addressed outside the scope of how we originally envisioned it.

Mr. BRIMMER. I am delighted you flagged that, Mr. Chairman, and it is one reason why I had it in my opening statement. That was an add-on for my statement.

Included in our proposal was $18.3 million for 1999. About $14.8 million of that was designed to stabilize the correction officer situation. Once the decision was announced that the Federal Government would be taking over the responsibility eventually, turnover has doubled and tripled. The Corrections Department is losing guards at an enormous rate. They have concluded that they need to adjust compensation as an incentive for guards to remain with the department.

During our discussion of management reform the corrections trustee understood the need to retain corrections officers and we expected that he would request these funds in the Federal budget. Since this has not been done, it was not included in the President's budget, and I talked with the Director of Office of Management and Budget this week about that, before the announcement of the District's portion of the Federal budget. The consensus District budget which will be coming to Congress later this spring will be a request for funds to make up that shortfall.

Mr. DAVIS. Great. Thank you. Just two other quick comments. You don't need to respond unless you feel a need to.

I'd like you to submit to the subcommittee, Dr. Brimmer, the documentation for the delegation of authority to the CMO, just so we will have that; OK?

[The information referred to follows:]

On August 5, 1998, the President signed the National Capital Revitalization and Self Government Improvement Act (Act), which, in part, directed that the District of Columbia Financial Responsibility and Management Assistance Authority (Authority) implement a management reform program in nine agencies and in four cross-cutting functions. Through the Act, the Authority also became responsible for the day-to-day operating functions of the designated management reform agencies.

To comply with the Act, the Authority on August 5, 1998, held a public meeting in which it issued an Order appointing individuals to government department vacancies created by the legislation. The Authority indicated at the public meeting that it would appoint a Chief Management Officer (CMO) to oversee management reform and the agencies' daily operations. The Authority indicated that the CMO would be responsible for exercising its powers under the Act.

Shortly thereafter, the Authority engaged a public sector recruiting firm to lead a nation-wide search for the CMO. In September, 1997, interested parties were invited to submit resumes, and in October, 1997, resumes were received and evaluated. The Authority interviewed several finalists and, on December 22, 1997, announced the selection of Camille Cates Barnett as the CMO. Dr. Barnett began a five-year term contract as CMO in January, 1998.

Mr. BRIMMER. Fine.

Mr. DAVIS. Finally, I would say on the regulatory reform piece, I haven't seen the Holland & Knight study, but I understand it will be more than just a rehash of what has gone before. The Control Board has a mandate for regulatory and permitting reform.

We heard Mr. Horn talk earlier about some of the nightmares. This is a mandate. You're required to do it, as you know, and we're just very supportive and insistent that you adhere to this mandate and we're looking forward to some innovation on this.

We certainly applaud what the Mayor and council have done to date, but if we can add value to this in the consultant study, as I believe it will, I think this is one of the most outward appearances of how the city can change, of attracting business, maintaining businesses in the city and the tax base in the city over the long term that we can do. And it will be a symbol to a lot of the groups who have been fleeing the city that we are changing the culture and that it is a more customer-friendly, business-friendly city. I think that's important.

My time is up.

Mr. BRIMMER. Well, Mr. Chairman, we take that mandate seriously. I would also mention that we were not mandated simply to study, we were mandated to take action.

Mr. DAVIS. Exactly.

Mr. BRIMMER. If we conclude that action is necessary. And we are prepared to do that.

Mr. DAVIS. Thank you very much. I now will yield to Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman. I just want to say, Dr. Brimmer, that I am concerned that this $40 million shortfall that apparently comes out of administration estimates, the budget for the corrections trustee came from the administration, and so I'm going to ask the President for a $40 million supplemental.

I don't see why the District should have to make up for this. And we have some information that there could be a shortfall for the corrections trustee even this year. Any shortfall in the budget of the corrections trustee, it seems to me, fairly, to be fair, ought to come in the form of a supplemental to the District of Columbia. What surplus you have worked hard to get certainly shouldn't be used up on what is now a Federal responsibility, and when we are relying on Federal figures.

I hope that the chairman will join me in this, and I'm sure he will.

Mr. BRIMMER. Yes, Mrs. Norton, you are absolutely right. We anticipate a shortfall this fiscal year of some $30 million.

Ms. NORTON. This is untenable. I can understand how it could happen, because you can't always project correctly. But now that it has happened, that is what the supplemental process is for and all about.

Dr. Brimmer, let me ask you a question that I asked Mayor Barry. He apparently proposed—well, first, let me preface this by saying you are working under a structure that is not of your making, and you have had, you and the elected officials and Dr. Barnett and Mr. Williams, somehow have to work with this structure that puts a lot of decisionmakers in play.

Now, Mayor Barry proposed that there be a sharing of responsibility, including giving over the agencies left under his direction so that the government is administered under a central direction. I'm intrigued by that proposal for two reasons: One is that absent a move of that kind, he is going to duplicate the administrative structure, or at least try to duplicate it. And while he may not succeed, it seems to me that he is correct to try to administer the agencies he has. And if he doesn't get to administer them with the proper support, then I think we send a message to those employees, well, you know, however you all get administered is just fine, do the best you can, we will administer these others according to a more structured process.

I would like to ask you what would be lost, given the enormous and absolute control you have over the government and your ability to overrule foolishness, should it occur lower in the government, what is to be lost by bringing these agencies together, the nine you have, the number he has, some of which are particularly important, like labor relations, wrapping them all together and sharing the way in which decisions are made?

Mr. BRIMMER. First, we need to sort out what is behind the proposal to bring together the oversight of the agencies for the purpose of policymaking.

As I mentioned in my testimony, we now, at the Authority, have responsibility for oversight and direction not only of the nine agencies, but the four crosscutting functions. And because of the exercise of our responsibilities in two other areas, essentially we have the schools and, through our new partners, the police department. In combination—I want to stress this. In combination, those responsibilities account for 90 to 95 percent of the expenditures and a similar proportion of employees.

I did propose to the Mayor the suggestion that for operation purposes, for operation purposes, the agencies under his direction should also report to the CMO. The Mayor said let us think about that again once we have the CMO. I raised the matter with the Mayor recently, once we had the CMO on board, and he said, again, let us look at it.

With respect to the coordination function, the Mayor has the position of city administrator, and that position was there when the Mayor had oversight and direction of the entire government, though that is no longer the case. We have raised the question with the Mayor as to the need for a city administrator of the nature that there is in the Home Rule Act. But, frankly, we believe that the task, the responsibilities of the city administrator, have been shaved to the degree where those activities do not justify the expenditure of city money at the level required to support that office.

That office had a $4 million budget for this year. And so we believe——

Ms. NORTON. In light of my time, just let me indicate, Dr. Brimmer, that I understand exactly what you're saying. Your points are well taken, particularly given, as you say, the crosscutting nature of some of the functions that are of the most important variety, like procurement and personnel.

How can you stop at the ones under his control? The fact is that he put something on the table. He testified that he hasn't been able to get the Control Board much interested in it.

I think this may simply become a matter of not a lot of communication, but your answer is just the kind of response that is not calculated to get an accommodation. The man has said, hey, why don't I put mine over with yours and let's see what we can work out together.

I'm just going to ask you here whether you and Dr. Barnett, since apparently he understands that these people would also be administered by you, whether you would agree to sit down and have discussions about whether something could be worked out so that the answer would not simply be, Mr. Mayor, you don't have enough to warrant anybody, because we have most of it.

It's not the way to engage in a negotiation and accommodation when the man has come and said, OK, take mine. Then I would expect that the grown-up answer would be, "OK, let's see what I can work out." And as I say, since you are all powerful anyway, I don't understand why you wouldn't be sitting down and seeing what accommodations should be reached.

And if I may say so, the Congress expects that we shouldn't have to encourage this kind of discussion and negotiation. Grown-up people in the world do this without Congress saying it. And when the Mayor comes forward and says something like, "Look, I'm willing to give mine up. Let's see what I can do." If you don't like what his proposal is you can put your own proposal up. You are holding all the cards anyway. Don't get into a fight.

I can see it now. There's going to be a fight when he's going to finally say, I want somebody to administer mine, too, and you're going to say, oh, no, you can't, because you don't have enough. And then people are going to line up on both sides. And we don't need that crap anymore. So, would somebody just sit down with him next week and see what you can work out?

Mr. BRIMMER. Ms. Norton.

Mr. DAVIS. Is that a yes?

Mr. BRIMMER. Not only, yes; we have been.

Mr. DAVIS. A yes. OK.

Mr. BRIMMER. Ms. Norton, I don't know what the Mayor said to you, but the Mayor and I have had at least a half a dozen discussions of this subject. We were both sitting down at the time. These were extensive discussions. It is not simply a question of putting together—perhaps the Mayor didn't tell you the other part of the discussion.

Ms. NORTON. We don't even want to hear it. We think you can work it out.

Mr. DAVIS. She said she just wants you to meet with him and work it out.

Ms. NORTON. I'm sure there will be disagreement about how to do it and that he will come up with a proposal that you would want in another way.

Mr. BRIMMER. I'm sorry to take your time, but the point is this is on the table and we need to understand it.

The Mayor asked that the CMO report to him, and I just want to say that that is unacceptable.

Mr. DAVIS. All right.

Ms. NORTON. The proposals we understood, as reported in the paper, talked about concurrent responsibility. And, again, you can put a counterproposal on the table to try to see what you can work out. That's all I'm trying to clarify.

Mr. BRIMMER. That's unacceptable.

Mr. HORN. Mr. Chairman, may I get my 3 cents in before we shift panels here?

Mr. DAVIS. Sure.

Mr. HORN. The main thing we've got to do is make sure we have clear lines of authority and clear goals to meet and that the chief management officer should not be reporting to the Mayor under this condition. She should continue to report to the Control Board. And when this city gets straightened out and we end the corrupt government we've had in many bureaus, then is the time to think about who reports to whom.

But I wouldn't—this is not a collective bargaining negotiation. This is governmental responsibility. I sounded like I'm in an academic senate or something here for a minute. You have to keep those authority lines clear and don't let anybody up here tell you otherwise.

Ms. NORTON. Reclaiming my time.

Mr. HORN. Because the majority is very clear.

Ms. NORTON. Reclaiming my time. Reclaiming my time. This is my time.

Mr. DAVIS. Actually, everybody's time has expired.

Ms. NORTON. Wait. My time—there were three Republicans who have asked questions when it should have been back and forth. I am reclaiming my time.

And I will—I take seriously the obligation—no one is saying that the Control Board should give up any power. And the fact that the Control Board has all the power should make negotiation very easy. And I repeat, as the person who represents this city, I repeat that I would like this matter negotiated.

Now, I have a question for Ms. Barnett. You have indicated, I think quite appropriately, that you wanted to improve customer service. I wonder if you have had time to reflect on what that may mean.

We heard that from you, and it is not clear to me how it is related to operations, whether you see it as part of a systematic reform of the government out of which customer service is improved or whether you are picking particular services to show progress on. I don't understand the modus operandi you will be adopting.

Ms. BARNETT. Customer service is something I think will transform the entire city government. It is not meant to say that specific services are included and specific other services are excluded. In government, our principal job is to serve citizens. So you're either directly serving the citizens or you're helping those who do. So all of the administrative reform, all the management system reform, ought to result ultimately in better customer service.

How you do that is a series of reforms that I think business practice, reengineering, total quality management, those are some of the types of tools that are used in terms of restructuring the sys-

tem so that they are serving customers first and not simply bureaucratic systems to do things like have always been done.

So those are the kinds of things included in the management reform, and to the extent that they're not, we will put them in.

Ms. NORTON. Ms. Barnett, I would simply say that I know with your experience that the flow of management reform to customer service is indeed going to occur. One of the problems in the District has been that residents have not seen short-term change, and I would urge you to set goals for the next 3 months, the next 6 months and the rest to restore confidence of residents that change within their lifetime can occur.

It's really what's driving people out of the city. They know somehow there is reform going on down there, but it's hard to put your finger on something that, in fact, has changed. So to the extent that you could, in fact, tell the public shortly what your goals may be in the next, I will choose—you may choose a timeframe that is better than that, but in the next 3 months, and then give them a progress report on meeting those, I think you would help us to retain residents and you would help the confidence rebuilding process.

Thank you very much, Mr. Chairman.

Mr. DAVIS. Thank you very much, and thanks to the panel. We appreciate you all being here.

The last panel David Schlein, the national vice president, district 14, American Federation of Government Employees; and Chuck Hicks, the president and the acting executive director, council 20, of the American Federation of State, County and Municipal Employees.

If you will just rise with me before you give your testimony. Thank you for being here. I'm trying to move this along.

[Witnesses sworn.]

Mr. DAVIS. Thank you very much. Your whole statements have been read and are in the record.

Mr. Schlein, if you could give us, in 5 minutes, a summary and hit your salient points, then we can get into the meat of this.

STATEMENTS OF DAVID SCHLEIN, NATIONAL VICE PRESIDENT, DISTRICT 14, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES; AND CHUCK HICKS, PRESIDENT AND ACTING EXECUTIVE DIRECTOR, COUNCIL 20, AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES

Mr. SCHLEIN. Mr. Chairman, Congresswoman Norton, thank you very much for having us here today. My name is David Schlein. I serve as national vice president with the American Federation of Government Employees. AFGE represents approximately 5,000 D.C. government workers that work for both the independent authorities and the District of Columbia.

As I prepared for today's hearings, I recalled that conversation I and other AFGE representatives have had with Representative Norton and Representative Davis and other prominent city leaders throughout the last several years about the profound mistake that the Mayor and some members of the City Council were making by focusing only on the financial crises of the day and attempting to

solve them by cutting the pay, benefits, and jobs of frontline service delivery workers. Those with direct power over the city's spending and contracting refused to face what, to all of us, was the urgent and glaring crisis in management which had caused the financial crisis.

AFGE represents the people who actually do the everyday, sometimes dirty, sometimes dangerous, sometimes tedious, and almost always thankless work that makes this city run. But as you know, our members' efforts and lack of aspirations are often thwarted by layers of redundant management, lack of training, materials, and/or equipment. To add insult to injury, our salaries have been reduced twice in the past 24 months, earned benefits have been reduced or eliminated, opportunities for career advancement have been foreclosed and premiums for overtime hazardous duty and holiday work have been severely reduced.

The institution of collective bargaining itself has been a casualty of the Control Board era. Although it may not yet be dead, it is certainly in critical condition. Indeed, it is only as a result of the strenuous efforts of the members of this committee that the negotiated grievance and arbitration process, the very heart and soul of collective bargaining, survived the threat of annihilation. But the collective bargaining process itself remains under siege.

One important cause is the absence of clear lines of authority and management accountability in bargaining. With whom are the unions to bargain? What entity is legally able to represent management in the city? Is it the Mayor, the CFO, the Control Board, the council, the Office of Labor Relations and Collective Bargaining, the new chief management officer, the Congress, or all or some of the above?

The very modest agreements our new union negotiated with this city, which were ratified in July 1997, have yet to go into effect. They languish as the Mayor, the chief financial officer and the authorities blame one another for the delay. Meanwhile, unionized frontline workers of the city wait in vain for the modest salary adjustments agreed to through the collective bargaining process more than 7 months ago.

The authority's apparent refusal to carry out responsibilities regarding the collective bargaining process is confounding. As the city's more than 10,000 frontline unionized workers continue to do their jobs, despite furloughs and salary and benefit reductions, they wait for the authority and the CFO to deign to give their collective bargaining agreement an audience. Few if any contracts which fall under the authority's purview affect the well-being of so many District residents and taxpayers. Why has the ratified contract not been signed or implemented? AFGE urges the members of this committee to assist us in holding these appointed city officials accountable for their behavior.

Weekly, our members hear tales of management bonuses and executive pay raises while a $100 lump sum bonus payment for our members is lost in the bickering between the Mayor, the CFO and the Control Board. A court-mediated settlement from previous comp 1 and 2 negotiations agreed to months ago waits for Control Board approval. And the CFO has earned a prominent place in la-

bor's union hall of infamy for his union-busting tactics and his abuse of employees.

Yet we have persevered. We understand our members' futures are dependent on resolving the city's financial and management crisis. We also know that it is the frontline employees who do the city's work who must be in the center of any efforts to fix the city's delivery of services. That is why over 2½ years ago AFGE, AFSCME and the city applied for a grant with the Federal Mediation and Conciliation Service to establish a labor-management pilot program at the Fleet Maintenance Division at the Department of Public Works. The project has already yielded impressive results in improving the efficiency and labor management relations.

Further, the grant has required that a city-wide labor-management partnership committee be established. Both FMCS and the Department of Labor has generously donated resources and expertise to make the project a success. Over a year ago, we agreed to a charter, which I have also submitted, and established other pilot programs in other agencies. The success achieved by this project, as well as the historic successes in the Federal Government and other cities, like Philadelphia, Cincinnati, Indianapolis, Fort Lauderdale, and others, give us reason to hope.

And we are tremendously glad to be here today to comment on the reports by various business consultants hired by the authority to analyze the shortcomings in the management operations and the structures of the agencies under its operating authority.

When the consultant released their first reports, AFGE locals immediately began to analyze and respond to the findings. AFGE has prepared a comprehensive response to consultants in writing, which we have attached to our testimony today and which I hope the members of the committee will regard seriously.

AFGE's response entitled, "Service Excellence: A Union Vision for the District of Columbia," is an important step in fixing our city's problems.

Our findings at this point indicate that where union leaders and members have been actively engaged in the process of analyzing agency's strengths and weaknesses and formulating reform proposals, the consultants' findings are more accurate and the ideas for restructuring are seen by workers as more likely to be effective. Unfortunately, we have little indication up until today that as agency's move to implement recommendations, that employees through their unions will be involved.

Our report makes several important recommendations which are listed in detail here, but just to summarize, we want to accelerate the development of the city wide labor management committees, the Authority needs to make a strong commitment to the process. We want to establish labor management committees in each department. These offer the best channel for work force participation to shape and implement effective reforms. The severe work force downsizing of the past several years has to be brought to an end. There shouldn't be wasteful contracting out when city personnel can do the job. We need to improve management accountability. Consistent leadership for reform must also start at the top. Finally, we must allow the collective bargaining process to work. Pay our members the salaries we agreed to in our negotiated contract.

Mr. Chairman, thank you very much for having us. Of course, I will be happy to answer any questions.

Mr. DAVIS. Mr. Schlein, thank you very much.

[NOTE.—A copy of "Service Excellence—A Union Vision for the District of Columbia," may be found in subcommittee files.]

[The prepared statement of Mr. Schlein follows:]

Mr. Chairman and Members of the Subcommittee: My name is David Schlein, and I am the 14th District National Vice President of the American Federation of Government Employees, AFL-CIO (AFGE). On behalf of the nearly six thousand employees of the District of Columbia and several of its independent Authorities represented by AFGE, I thank you for the opportunity to testify here today.

As I prepared for today's hearing, I recalled the many conversations I and other AFGE representatives have had with Representative Eleanor Holmes Norton, Representative Tom Davis, and other prominent City leaders throughout the last several years about the profound mistake that the Mayor and some members of the City Council were making by focusing only on the financial crises of the day and attempting to "solve" them by cutting the pay, benefits, and jobs of front-line, service-delivery workers. Those with direct power over the City's spending and contracting refused to face what to all of us was the urgent and glaring crisis in management which had caused the financial crisis.

To Representatives Norton, Davis, Morella, and to the workers AFGE represents, there was no mystery behind the financial crisis. The cause was clearly not that rank and file City workers were overpaid, or that there were too many people hired to pave the roads, fix the school boilers and roofs, renew licenses, maintain water and sewer lines, clean up the parks, or process the paperwork. Political patronage had come to mean a

management job or lucrative private contract. The result was the twin crises of management and finances. There were, and still are, too many bosses and not enough front-line workers or equipment or spare parts to get the job done. There were, and still are, questionable contracting practices that result in contracts let without proper regard to the price, the quality, or the experience of the contractor.

AFGE represents the people who actually do the everyday, sometimes dirty, sometimes dangerous, sometimes tedious, and almost always thankless work that makes a city run. It is we who try to continue to deliver services to District residents and businesses in an efficient, professional, and humane way. But as you know, our members' efforts and aspirations are often thwarted by layers of redundant management, lack of training, materials, and/or equipment. To add insult to injury, our salaries have been reduced twice in the past 24 months, earned benefits have been reduced or eliminated, opportunities for career advancement have been foreclosed, and premiums for overtime, hazardous duty, and holiday work have been severely reduced.

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- the very heart and soul of collective bargaining - survived the threat of annihilation. But the collective bargaining process itself remains under siege.

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The Authority's apparent refusal to carry out its responsibilities regarding the collective bargaining process is confounding. While it sent representatives to the bargaining and arbitration sessions, and was not at all reticent about forcing negotiators to stay within the financial and operational boundaries that the Authority itself defined, it has inexplicably failed to exercise its statutory duty to review the resulting agreement, which complies with all its stated requirements. Why?

As the City's more than 10,000 front-line unionized workers continue to do their jobs despite furloughs and salary and benefit reductions, they wait for the Authority and the CFO to deign to give their collective bargaining agreement an audience. Few if any contracts which fall under the authority's purview affect the well-being of so many District residents and taxpayers. Why has the ratified contract not been signed or implemented? AFGE urges the members of this committee to assist us in holding these appointed City officials accountable for their bewildering behavior.

Weekly our members hear tales of management bonus and executive pay raises while a $100 lump sum bonus payment for our members is lost in the bickering between the Mayor, CFO and Control Board. A court mediated settlement from previous Comp 1 and 2 negotiators agreed to months ago still waits for Control Board approval. The CFO has earned a prominent place in labor's Hall of Infamy for his union-busting tactics and his abuse of employees.

Yet we have persevered. We understand that our members' futures are dependent on resolving the city's ongoing financial and management crisis. We also know that it is the front-line employees who do the city's work who must be in the center of any effort to fix the city's delivery of services. That is why over two and a half years ago AFGE, AFSCME and the City successfully

applied for a grant from the Federal Mediation and Conciliation Service (FMCS) to establish a labor-management pilot program at the Fleet Maintenance Division at the Department of Public Works. The project has already yielded impressive results in improving efficiency and labor management relations. Furthermore, the grant required that a city-wide labor-management partnership committee be established. Both FMCS and the Department of Labor have generously donated resources and expertise to make the project a success. Over a year ago we agreed to a charter (a copy is attached to my testimony) and established other pilot programs in other agencies. The successes achieved by this project as well as its historic successes in the federal government and other cities such as Philadelphia, Cincinnati, Indianapolis, Fort Lauderdale, etc. gives us reason for hope.

We are tremendously glad to be here today to comment on the reports by various business consultants hired by the Authority to analyze shortcomings in the management, operations, and structures of the agencies under its direct operating authority. When the consultants released their first reports, AFGE locals immediately began to analyze and respond to the findings. In most cases, our members found much to agree with. Broadly speaking, the consultants' impressions were accurate: They had found agencies lacking in any coherent strategic plans, outdated, dysfunctional, or non-existent computer equipment, a widespread failure to train either managers or front-line workers in new

skills necessary to carry out their jobs in a modern context, and nowhere a meaningful management commitment to meeting the expressed needs of local residents and businesses.

AFGE set to work to prepare a comprehensive response to the consultants **in writing**, which I have attached to my testimony today and which I hope the members of the Committee will regard seriously. AFGE's response is entitled: Service Excellence: A Union Vision for the District of Columbia. In it we respond specifically to the consultants reports on Emergency Medical Services, and the Departments of Employment Services, Consumer and Regulatory Affairs, Public Works, Health, and Housing and Community Development. We have also responded to the so-called "cross-cutting" reports which focus on personnel management.

Our approach to the consultants reports was systematic. We analyzed their "findings" and "recommendations" from the perspective of whether they would further the following eight AFGE goals and principles:

1. Strengthening collective bargaining in order to make reforms effective.
2. Empowering employees and treating us with respect
3. Improving management accountability
4. Improving performance management
5. Improving the rewards system

6. Flatten and modernize the management hierarchy
7. Support the development and use of skill
8. Create Service Excellence.

Number eight is last, but certainly not least, as we believe the preceding seven to be its necessary conditions.

Our findings at this point indicate that where union leaders and members have been actively engaged in the process of analyzing agencies' strengths and weaknesses, and formulating reform proposals, the consultants findings are more accurate and the ideas for restructuring are seen by workers as more likely to be effective.

Unfortunately, we have little indication that as agency's move to implement recommendations, that employees through their unions will be involved.

Our report makes several recommendations which we hope will be implemented:

1. Accelerate the development to the city-wide labor management committees. The Authority needs to make a strong commitment to the process.

2. Establish labor-management committees in each department.

These offer the best channels for workforce participation to shape and implement effective reforms.

3. The severe workforce downsizing of the past several years should be brought to an end. There should be no further contracting out where city personnel can do the job.

4. Improve management accountability. Consistent leadership for reform must start from the top.

5. Allow the collective bargaining process to work. Pay our members the salaries agreed to in our negotiated contract.

Conclusion

The front-line workers of the District of Columbia remain ready, willing, and able to work with any authority who approaches the job of improving the financial management and service delivery challenges we face with integrity, with a rational plan, and with respect for the crucial role we will play in any revival of this City.

Our union issues no threats, but we urge the members of this committee to prevail upon whatever entity it deems responsible to sign our ratified collective bargaining agreement and commence paying our bonuses and salary adjustments. The hundred dollars

owed to each bargaining unit member may seem like a paltry sum, but to working families in the District with household incomes under $30,000, this promised payment is valuable and important.

Thank you for your time and consideration. I would be happy to answer any questions you may have.

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D.C. LABOR-MANAGEMENT PARTNERSHIP COUNCIL AGREEMENT

June 1997

STATEMENT OF PURPOSE

The D.C. Labor-Management Partnership Council[1] will be a forum for communication and cooperation in support of our joint mission to deliver high quality, cost effective service to the residents of and visitors to the District of Columbia, while maintaining a high quality work environment for employees of the District government.

The members of the LMPC acknowledge that both labor and management bring value, talent, and resources necessary to provide excellent public service to our customers.

The LMPC will promote a joint understanding of the unique problems, challenges, and opportunities facing the District of Columbia, its unions and management, and will seek ways to jointly and responsibly address these issues. The LMPC possesses the will and the authority to make decisions and solve problems that arise in the course of its work.

This agreement is consistent with the following mutual interests:

To improve our labor-management relationship;

To provide a supportive, productive, challenging, high quality work environment in which all employees are treated with dignity and respect and are valued for their individual and team contributions;

To generate gains in efficiency, effectiveness, and accountability in service delivery through policies and programs that are economically feasible and justifiable.

As we strive to achieve our mutual interests, make progress and institute changes, the form and substance of this document may change over time.

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[1]The D.C. Labor-Management Partnership Council will be referred to as LMPC throughout this document.

PRINCIPLES OF THE RELATIONSHIP

The LMPC members shall provide the leadership necessary to create a city-wide labor-management relationship based on mutual interests, respect, and trust.

Toward that end, we will strive to:

- Listen to each other;
- Respect each other
- Trust each other;
- Take responsible risks;
- Communicate openly and candidly;
  Endeavor to understand each other's interests;
- Share reliable information on costs and operations;
- Create a reliable, long-term relationship.

FUNCTIONS OF THE LMPC

The main functions of the LMPC are to:

- Provide a safe place for early discussion of operational problems, plans, and ideas;
- Facilitate high-level, face-to-face communication between labor and management leaders;
- Gather and share information on issues of mutual concern;
- Build consensus for a focused, achievable, joint agenda;
- Research and explore new models for collaboration;
- Provide training and guidance to agency partnership councils; and
- Solve problems.

The LMPC will be selective in focusing our efforts and choose wisely among issues that will benefit from the attention of the LMPC. On a practical level, this means we will jointly define goals, set priorities, and develop a workplan on a periodic basis. We will identify a select number of Agencies and Departments for "priority focus," and designate appropriate timelines, responsibilities and resources to achieve a prompt response. We will also develop a more long-term agenda and workplan, while continuing to be responsive to emerging issues.

MEMBERSHIP OF THE LMPC

The members of the LMPC will consist of representatives of management, including the office of the Mayor, office of the City Administrator, the Council of the District of Columbia, the DC Financial Authority, an Agency Administrator, one middle manager, and the management co-chair of the State/Local Government Labor-Management Committee. Labor will be represented by Leadership from four unions, specifically AFSCME, AFGE, SEIU, the Nurses Association, the President of the Metropolitan Washington Council, AFL-CIO, and the labor co-chair of the State/Local Government Labor-Management Committee. Eileen Hoffman, General Counsel of the Federal Mediation and Conciliation Service (FMCS) and Chuck Richards, Deputy Assistant Secretary for Labor-Management Programs at the U.S. Department of Labor (DOL) will facilitate our meetings.

The LMPC will have two co-chairs, one from labor and one from management, who will chair our meetings on an alternating basis.

No alternates or substitutes for permanent members will be allowed, unless the co-chairs make an exception to this rule prior to a scheduled meeting. A periodic changing of designated members may also be considered by the LMPC.

Additional resource people may be invited to attend meetings for informational purposes, but will not participate in decision-making by the members of the LMPC.

STAFFING

The work of the LMPC will be supported by staff from management and labor who shall work under the direction of the co-chairs, and from FMCS and the DOL who shall work under the direction of the facilitators. Labor/management support staff will be responsible for the production and distribution of meeting agendas and materials, and for logistical facilitation for meetings. Support staff provided by FMCS and the DOL shall be responsible for training and ensuring that we, as well as Agency labor-management partnership councils that will be created, have the shared knowledge, tools, and skills to carry out the functions outlined in this agreement.

SUBCOMMITTEES

The LMPC may create sub-committees or working groups to review issues, conduct research, draft reports and conduct other such business as determined by the LMPC.

AGENCY/DEPARTMENT LABOR-MANAGEMENT PARTNERSHIP COUNCILS

On a priority basis, as determined by the LMPC, employee participation and labor-management partnership councils shall be introduced at the most appropriate levels as a way to improve the cost, quality, and delivery of customer services. Attention will first be given to some of our more immediate and challenging areas. Once identified by the LMPC, the area selected shall be assigned support staff from either the DOL or the FMCS and shall, from that point forward, choose their own co-chairs and create their own solutions to problems, free, to a large extent, from any oversight restrictions. Both creativity and appropriate risk-taking will be encouraged. Outputs, timelines, and outcomes will need to be specifically identified.

GROUND RULES AND DECISION MAKING

For both the city-wide LMPC and the Agency/Department Councils, decisions will be made by consensus. Consensus means agreement among both labor AND management members of the committee. The position of individual members may reflect varying degrees of enthusiasm for the team decision, but all Council members shall agree to support Council decisions.

CONFLICT RESOLUTION

The LMPC will establish a conflict resolution process.

MEETING AGENDA

Any member of the LMPC may suggest an agenda item to either of the co-chairs. The co-chairs will confer prior to any full meeting of the LMPC to jointly determine the agenda for the upcoming meeting. Other items may be added to the agenda by consensus at the beginning of a meeting, as circumstances require.

MEETINGS

No less than one meeting per month will be scheduled. It is anticipated that, during the early stages of this project, it will be necessary to meet more frequently. To the extent possible, the meetings will be held during normal working hours. Employees will not be charged leave for time spent on LMPC activities.

MEDIA

The co-chairs of the LMPC will serve as official spokespersons and will agree on statements to the media on the joint work of the LMPC. It is understood and agreed that any other representative of either management or labor will confer with the co-chairs prior to any media release which concerns the work of the LMPC.

RESOURCES

DOL and FMCS staffing resources, as outlined above, will be committed at no cost to the parties. Should the parties agree to seek other specialized services for which payment is required, joint payment will be negotiated on a case by case basis.

PARTICIPATION

Participation in this or Agency/Department labor-management partnership councils does not constitute a waiver, by any party, of collective bargaining and arbitration rights. However, any information or proposal not in the public domain, shared in the work of this committee will not be used in any arbitration proceeding, unless mutually agreed.

Agreed to this _____ day of June, 1997 by the undersigned.

Honorable Marion Barry
Mayor of the District of Columbia

Honorable Kathleen Patterson
Council of the District of Columbia

Al Bilik
Labor Co-Chair, State and Local Government
Labor-Management Committee

Michael C. Rogers
City Administrator

Roger Dahl
Management Co-Chair, State and Local Government
Labor-Management Committee

David Schlein
AFGE, District 14

Ronald Flowers
DPW Fleet Administrator

Francis Smith
DC Financial Authority

Betty Jo Gaines
DC Dept. of Recreation and Parks

Tish Taylor
AFSCME, Council 20

Robert Moore
SEIU

Tom Wachter
DC Nurses Association

Joslyn Williams
Metropolitan Washington Council, AFL-CIO

AFGE NEWS

BIOGRAPHY

David J. Schlein
AFGE National Vice President

David J. Schlein was elected AFGE District Fourteen National Vice President in May 1988. His District represents approximately 18,000 active members within 70 locals throughout the Metropolitan area.

Schlein's mother was a public employee of New York State and a member of the American Federation of State, County, and Municipal Employees. He first carried a union card as a member of Local 600 of the United Auto Workers while working for the Ford Motor Company in Dearborne, Michigan.

Schlein received his undergraduate degree from Michigan State University. He went on to earn his masters in Economics at the University of Colorado in Denver, where he also taught economics and did support work with several unions including the United Food Workers Union; the Oil, Chemical and Atomic Workers Union; and the Amalgamated Clothing and Textile Workers Union.

Leaving Colorado in 1977, Schlein came to Washington, DC and joined AFGE Local 12 at the U.S. Department of Labor. There he served as a steward, chief steward and head steward for the local. In addition, Schlein was a member of the local's executive board, served as treasurer, and worked for six months as a fulltime lobbyist, leading a successful campaign against Reagan Administration budget cuts.

Prior to his election to District National Vice President in 1988, Schlein served as president for the Council of Federal Locals in the Washington metropolitan area.

In addition to his involvement with AFGE, Schlein is active in the Free South Africa movement, has served on the Advisory Neighborhood Commission (ANC-6B), chaired the Ward 6 Community Advisory Committee for the Ward Plan, and was a member of the Washington Area Labor Committee for Democracy and Human Rights in Central America. He is also a delegate to the AFL-CIO Metro Washington Central Labor Council.

Schlein and his wife, Barbara, and their son, Eric, live in Washington, D.C.

The Fourteenth District Office address is: 80 F Street, NW, Washington, DC, 20001. The business phone number is: (202) 347-3471.

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Mr. DAVIS. Mr. Hicks, you don't have to read everything, I have read it, but we want to have you highlight what you feel you need to highlight.

Mr. HICKS. On behalf of AFSCME, I am the acting director/president of council 20, representing approximately 8,000 members, and I am delighted to be here. I am pleased that you have called us here for this meeting. I would like to thank you, Chairman Tom Davis, for your efforts on our behalf, and, of course, Delegate Eleanor Holmes Norton, for her ongoing efforts in support of the men and women who work for the District of Columbia.

Our members are the people who collect the trash, clean the sewers, process our tax returns, sweep the streets, provide higher education for our youths at the University of the District of Columbia, and collect the fines at the libraries when the books are late. It is our members who perform the basic functions on which D.C. residents depend upon.

Under the Control Board and Anthony Williams, the chief financial officer, our members have endured many hardships, from being laid off after receiving good performance ratings, to being stripped of basic due process rights. Mr. Williams has expressed time and time again that Congress has conferred such sweeping authority upon him, that he can now disregard basic collective bargaining rights and the Comprehensive Merit Promotion Act. We are extremely concerned that the implementation of the management reform program will result in further erosion of basic employee rights, conferred by collective bargaining agreements and personnel laws and regulations.

Like everyone else in this room, all our members take pride in their work. They do a good job, they have done a good job, and they want to be appreciated for it. We realize that doing a good job, we must have training and exposure to new technology. The problem is not that people are not working; sometimes the problem is that workers lack the tools in order to get the job.

AFSCME members are not ignoring the problem. In fact, we are trying, and have tried for a long time, to make fundamental workplace changes, but our attempts have oftentimes been met with resistance. We have repeatedly sat down with managers of departments and agencies to discuss how workers currently perform, how changes can be implemented in order to improve services, but all too often management has gone off and hired a consultant for large sums of money, only to be given the same advice that unions have offered.

In enacting the laws creating the Control Board and the CFO, I will respectfully suggest that Congress has inadvertently made the goal of promoting labor-management cooperation more difficult. AFSCME has played a constructive role around the Nation in working to improve the delivery of government services. Good employees in both the private and public sector have increasingly come to realize that their employees have a wealth of knowledge that, if tapped, can evolve into a higher performance workplace.

Despite excellent work records, people have been fired without notice for being incompetent after years of receiving high performance ratings. Our union has sued the CFO on behalf of workers and lost because the judge found that Congress has stripped the

workers of any rights to challenge the basis for their discharge. In the past, the workers have had a right to meet with the department director, to hear and rebut the allegations against them, and a neutral third party would have looked at the allegations and rendered a binding decision.

I am here today to ask you to ensure that when you reform the operations of the District of Columbia and the District government, you give due regard to the workers, those who do the work, and for the organizations they have elected to speak for them. Our voices will only be heard if by statute or regulation managers and individuals in charge with running the city is required to include us in the process.

I would like to conclude by saying the men and women who work for the District are hard-working people who should not be serving as scapegoats for all the problems facing the city. We are well aware that the time has come for change. We have been ready to actively participate in this process for a long time. However, we do not expect—we did not expect when Congress and the administration finally decided to make changes, that the workers would be swept under the table or told that we are the liabilities and a hinderance to progress. This is the message often being sent to us, the rank and file. Reform should not mean that men and women who are on the front line as front line workers should have the basic workplace rights taken away.

We renew our pledge to work with the new city manager, the Control Board, the city council, the Mayor and the Congress in making the necessary changes which will make Washington, DC, the great city which we all know it can be.

This is where we work. This is where we live. This is our city, also. We want to be proud of how our city government works.

I will be happy to answer any questions. Thank you.

[The prepared statement of Mr. Hicks follows:]

Mr. Chairman and distinguished members of the Subcommittee, I am Charles Hicks, President and Acting Executive Director of Council 20 of the American Federation of State, County and Municipal Employees (AFSCME) representing eight thousand employees who work for the District of Columbia (D.C.) government. On behalf of AFSCME, I would like to thank the members of the House Government Reform and Oversight Subcommittee on the District of Columbia for the invitation to come before you today. We are pleased to have this opportunity to share our views on the management reform programs in the National Capital Revitalization Act of 1997. And we would particularly like to thank Chairman Tom Davis for his efforts on our behalf and of course Delegate Eleanor Holmes Norton for her ongoing efforts in support of the men and women who work for the District of Columbia.

Our members are the people who collect the trash, process the tax returns, fix traffic lights when they are broken, sweep the streets, repair broken chairs and torn carpet at the University of the District of Columbia (UDC), collect the fines at the library when books are late and keep the storm and sewer pipes open. It is our members who perform the

basic functions which D.C. residents depend upon. Under the D.C. Control Board and Anthony Williams, the Chief Financial Officer (CFO), our members have endured many hardships, from being laid off to being stripped of basic due process rights. Mr. Williams has expressed time and time again that Congress has conferred such sweeping authority upon him that he can now disregard basic collective bargaining rights and the Comprehensive Merit Protection Act (CMPA). We are extremely concerned that the implementation of the management reform plans will result in further erosion of basic employee rights, conferred by collective bargaining agreements, and personnel laws and regulations.

Like everyone else in this room today, our members take pride in their work. They want to do a good job. They have done a good job and they want to be appreciated for doing so. There is probably no one in this city who is as frustrated and angry when things don't work in the District than our members because it reflects so directly on them. While everyone in this room is disappointed or upset when they drive past an overflowing trash bin, it is far worse for the man or woman who was supposed to clean it, but couldn't because a part necessary to make their

trash truck run was on back order or because the map of the route they were assigned skipped this block by mistake. The problem is not that people aren't working. The problem is that the workers either lack the tools or the authority to get the job done.

AFSCME members are not ignoring the problem. In fact, we are trying and have tried for a long time to make fundamental workplace changes. But our attempts have been met with resistance. We have repeatedly sat down with the managers of departments and agencies to discuss how work is currently performed and how changes can be implemented. This is not a fun process. No one likes to be criticized. That is true no matter who you are. But that is one of the things that unions do. We not only represent our members in negotiating better pay and benefits, but we also help provide a forum for improving the delivery of basic public services. This is not a new concept. AFSCME has played a constructive role around the nation in working to improve the delivery of government services. Moreover, a law that encourages and requires communication between labor and management forces us to sit down and work these things out. But when we are closed out of the process, the

knowledge we have regarding program inefficiencies and constructive suggestions we have to make improvements are never heard. Agency heads should openly endorse the concept of Labor/Management Committees.

When I was the President of a local union, I routinely met with managers to discuss how my agency was running. I knew I could stand up and speak the truth. If a supervisor had made a mistake or an order from a manager or department official made no sense when applied on the ground, I could speak out because I was protected by the union and by the law. My supervisors could only fire me if I engaged in misconduct or if I did not do my job. He could not fire me because I told him that the trucks weren't going out because we lacked the correct spare parts or the scheduler had created an inefficient route map for the garbage trucks to follow.

For the past two years we have tried to make labor-management cooperation and integral part of the District government. I have been meeting with union officials, representatives of the Mayor's office, the

City Council, and the Control Board in the attempt to establish labor-management committees at the agency and sub-agency level to solve the problems that prevent the efficient delivery of services in the District. I want to emphasize that this is not something that we have been directed to do by Congress or the Control Board or anyone else. This is something we have chosen to do because we care about the District and want to make it work better.

For decades, good employers in both the private and public sectors have increasingly come to realize that their employees have a wealth of knowledge that, if tapped, can generate increases in productivity, efficiency, and employee satisfaction. But in D.C., we seem to be ignoring these important lessons. Instead, managers would have no duty to meet with workers, hear their ideas and confer over proposed cost-cutting plans. All of this is abandoned in favor of unilateral and arbitrary decision making, which is not only unfair, but unwise.

In enacting the laws creating the Control Board and the CFO, I would respectfully suggest that the Congress has inadvertently made the

goal of promoting labor-management cooperation more difficult. You have taken the front line workers and their elected representatives out of the process of reforming the District of Columbia and you have concentrated power in the hands of the managers of the District agencies. Now, when these individuals make mistakes, there is little or no protection for the rank and file worker who sees these errors and seeks to correct them. The checks and balances are gone.

This is true in both how the law treats unions and how it treats union members. Here are a couple of examples. First, Congress has amended D.C. law to remove the right of unions to represent their members in important ways. The Management Reform Act of 1997 gives department directors the power to eliminate positions and sets no standards, criteria or review for those decisions. A director can pick and chose people to let go and can arbitrarily change their department's organizational structure to achieve that end. The law has eliminated the statutory or collective bargaining limits to a manager's powers. Increasingly, his word is law, whether it is based on sound reason or a manager's personal comfort.

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A second example is that some District managers have been given unlimited discretion to fire employees. Employees who have been given excellent ratings by the District in the past 10 years, some with promotions pending, have been fired. Despite excellent work records, people have been fired without notice for being "incompetent" after years of receiving high performance ratings. Our union sued the CFO on behalf of workers and lost because the judge found that Congress had stripped the workers of any right to challenge the basis for their discharge. In the past, the workers would have had a right to a meeting with their department director to hear and rebut the allegations against them and a neutral third party would have looked at the allegations and rendered a binding decision. The effect of these changes has been to instill fear and further undermine morale for many workers and convince others that their primary goal should be to please their department director, regardless of whether this will advance the goals of the department or District government.

In short, many District employees live in fear, and the District is not being properly served. Let me give you an example of what has

occurred as a result of some of the employee dismissals. The Office of Tax and Revenue is unable to do an efficient job of assessing property values in the City. Such haste and lack of planning was used when firing assessors, auditors and revenue officers that now the agency does not have a sufficient number of qualified people to properly access property value in the District. Without the checks and balances of old, a bad decision has gone forward and made matters worse, not better.

This makes absolutely no sense to me. The District will only be able to reform itself if the front line workers actively participate in the process. And workers will only speak the truth if they can do so without fear of retaliation. I am here today to ask you to insure that when you reform the operation of the District government, you give due regard for the voice of those who do the work and for the organization they have elected to speak for them. Our voices will only be heard if by statute or regulation, managers and the individuals charged with running the City are required to include us in the process.

I am not asking for much. I think that what I am asking for is central to the American form of government. The better way is to engage

all of us, particularly the front line workers and their representatives in the process of reforming the way the City is run.

I would like to conclude by saying that the men and women who work for the District of Columbia are hard working people who should not serve as scapegoats for all of the problems facing this City. We are well aware that the time for change has come. We have been ready to actively participate in this process for a long time. However, we did not expect that when the Congress and the Administration finally decided to make changes that the workers would be swept under the table, or told that we are a liability and a hindrance to progress. But this is the message which has been sent down the ranks to us. Reform should not mean that the men and women who are the front line workers should have their basic workplace rights taken away. We renew our pledge to work with the new City Manager, the Control Board, the City Council, the Mayor and the Congress in making the necessary changes which will make Washington , D.C. the great capital city which we all know it can be. This is where we work. This is where we live. We want to be proud of how the city government operates.

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Thank you for your time and attention to this matter. I would be pleased to answer any questions you may have.

Mr. DAVIS. First of all, thank you both for sitting through previous testimony. I think you saw some of the concerns of Members about some of the issues you have addressed here. We want to continue to address them.

I might add, we have staff from the Senate Appropriations with us here today, and we all want to see some of these issues resolved in a way they haven't been today.

I don't think there was anything in the Revitalization Act that in any way abrogates or was intended to abrogate existing labor-management contracts. As you know, I have stated that in writing. Other members of the committee have done that, too. We have reiterated our position at our last hearing on December 19. Given that, what is the status of this matter between your unions and the Control Board?

Mr. SCHLEIN. First of all, I really want to thank you, Mrs. Norton and Mrs. Morella, for the strong action that you have taken on this matter. It really has made a big difference.

As I understand it, at this point, in terms of the grievance arbitration process, the Control Board has decided not to issue the rules that they were going to issue, that they are going to draft some new rules. We have a commitment from them that they are going to be working with us in fashioning them in a way that meets the intent of the act but still doesn't violate the collective bargaining agreements. We will be working with them on that.

I am also proud to say that Tuesday the city council will be doing the first reading of the Comprehensive Merit Personnel Act provisions, which streamlines the appeals process in the District considerably, but still provides for collective bargaining rights, and we believe that it provides the basis for permanent solutions to the problems that have been raised about that.

Mr. DAVIS. Mr. Hicks, any comment?

Mr. HICKS. I concur with what David just said. We certainly wanted to thank you, Chairman Davis and Congresswoman Morella, for the urging that you have put forth in terms of your intent of the legislation. I think certainly when the authority begins to understand the intent of the legislation to come back and reconsider it, it has pleased us.

Mr. DAVIS. Let me just ask my last question, what has labor's involvement been in the selection process and has there been discussion of labor's role in the implementation process? You sort of addressed it in your testimony, but is this still on the table? Do you know where you stand? Clearly, on the salary issue, you are caught betwixt and between. We want to help to get that resolved. Are you satisfied with your role in the implementation process to date, or are there still some question marks?

Mr. SCHLEIN. There are a lot of question marks. I would say that institutionally we have pretty much been shut out of the implementation process. There were efforts by Mrs. Neuman, certainly, in the Control Board to direct the consultants to get input from unions. Some did, some didn't. As we stated in our testimony, we thought that those that did get employees involved really did much better reports. It really had a good handle on what was involved. We are now asking—we have requested a meeting with Mrs. Barnett and members of the Control Board to further go over this.

We would like to see, as I pointed out, the citywide labor-management committee actually be given some real teeth to move forward. That committee has already shown that it can work. There have been great results in reforming, for example, of the fleet maintenance division at the Department of Public Works.

With what is happening now is this limbo, is there is no pressure or commitment from the top to tell other agencies that they need to move forward. It really pained me to hear Congressman Horn's example, not just because I have experienced it myself, but because we have recommended to the Department of Public Works to set up a labor-management committee project at the Bureau of Motor Vehicles, because we know that our members have great ideas on how that work can be done better. But management at this point has been resistant to doing it, basically saying, well, you know, we have our computerization going on, and we just don't have the time.

Well, there is always things to go on, but if making the city improve is not a priority, we are just going to get around the edges. So we hope, again, that it gets pushed to a labor-management committee established. We have gotten great support certainly from your office and Mrs. Norton on this, as well as resources being put forward by the administration. The Labor Department has assigned people, as has SMCS, to work with us on these matters. At this point resources are not being well used.

Mr. HICKS. I think what you said, Congressman Davis, that when you ask the authority to keep you informed in the role that the union is going to play in the implementation of this, it is key. I think that as long as there is concern and genuine effort that the unions are involved in this process and that you are concerned about the process, the role that we play in this, that that will encourage the authority, that will encourage perhaps even the CFO to be more sensitive to the role that the unions need to be involved in this whole process. Because certainly if it is to happen and if it is to happen correctly, the workers have to be involved in it.

Mr. DAVIS. Thank you. I certainly agree. Let me note Senator Faircloth hoped to join us this morning but he is tied up with a committee in the Senate. He has staff here as well. We have expressed the concerns to them, and with Senator Stevens, chairman of Appropriations. We want to work as close as we can to try to get the solutions enacted.

You are part of the solution, not part of the problems in the city. We look forward to continue to work with you and get the input of your members who are on the front lines every day and probably understand this situation in many cases better than all the consultants you could ever hire. Thank you.

Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman.

First of all, I want to commend the unions in this town for really the very grown up way in which they have responded ever since the District went down.

Unions have been very sophisticated. At the same time they have been very militant in the protection of the rights of their members. The unions understood, for example, as a handful of citizens did not, that there had to be a Control Board, even though nobody

wanted a Control Board. Without a Control Board, you could not borrow money. If you couldn't borrow money, you couldn't pay your workers. Somehow or another, you communicated that to your workers. My only regret was that it took months for you to get a meeting with the Control Board.

Some believed that the unions have not behaved in a grown up fashion, and I just wanted to say for the record that when the sanitation trucks came out in front of the Control Board headquarters, it was only after months of asking for a mere meeting, and the unions did not take militant action until they could not even get a meeting with the Control Board. Then they got them, and the Control Board did not even not meet with the unions because they were trying not to meet with them. It was not paying attention to the workers.

So I recognize that of all the parties, frankly, with all the bickering that has gone on between the Control Board and the city and both of them, they could have behaved in a far more adult fashion and saved us all a lot of time and effort and saved a lot of home rule, who have not been a party to that immature behavior or the workers of this city and the unions who represent them.

I hope you understand that the consultant process that is going on now is no reflection on the workers at all. It is a reflection on the absence of anything approaching good management in the city, so that in order for workers to be able to do what workers are supposed to do, somebody had to come up with some kind of state-of-the-art knowledge.

You saw what happened in the police department. If we had that kind of MOU, let's work together, let's be adult about this, not hierarchal about this, then the agencies you represent would already be far along. Instead, because no management reform had been initiated by the Control Board and the city at the time of the rescue package, you had the unthinkable to happen, Congress to say you must do management reform in the name of the Control Board as the financial and management authority.

I just want to make it clear, the workers have simply not been a party to this but have been victims of this. To his credit, the chairman worked with me, worked with me very hard, when the dispute arose in the office of the CFO. That should have been able to be worked out, and I am sorry that what instead resulted was litigation. Litigation should be avoided at all costs. We shouldn't have had the litigation on the school board, because there was a way to transfer that power that the school board agreed to. We shouldn't have had to have litigation here.

Let me ask you what is the state of that litigation?

Mr. SCHLEIN. AFSCME and AFGE, of course, have the litigation on appeal right now, and, unfortunately, there is probably more litigation coming. But, again, the frustration is not being able to sit down and work out some of these problems.

We understand that the CFO is a linchpin to reform in this city. We understand that we can't even talk about any type of pay increases if we don't get the city's financial house in order. But the type of answers that seem to be taken just do not make any sense, when an employee who has had good records and has been an employee for 20 years, doesn't have problems with leave, doesn't have

any indication, walks in one morning and is told that they have got 1 hour to clear out of the building, and they no longer work there, what type of message does that send? It sends a message of fear, not of accountability.

Unfortunately, that is what we have found to be the case there. The recent examples, a bargaining agreement sits on his desk. We found out there is a $100-and-some-odd million surplus now, and he has been claiming for months there wasn't the $10 million to see that the collective bargaining agreements get implemented. It doesn't make any sense to us. And the communication there has just been terrible, in spite of really the good offices of yours and Congressman Davis.

Ms. NORTON. I think that the Control Board heard us and the CFO heard us today on the question of using part of the surplus to implement raises that have been negotiated in a fair and democratic collective bargaining process.

Look, not to worry, not until a hearing here just before Christmas were we able to stop a strike in, of all places, the schools, because for 7 years the lowest paid workers in the school system had been without any pay raise whatsoever, even though there had been two arbitrators' decisions mandating a pay raise. When you put a union in the position that a union that has tried to negotiate time and time again and can't deliver, then the union has to come up and say, we are going to do what we have to do. Imagine what that would have done with the schools. Yet, not until we pressed Dr. Brimmer was there a promise to pay these people something before Christmas. We really don't want the city's business up here and certainly don't want you to have to resort to techniques like striking.

I want to assure you, we will do all we can to make sure that the legacy of streamlining the government is not abrogation of collective bargaining rights. That is not the intent of the statute, and, frankly, I don't think you can get a lick of work out of people at a time when you are retracting their collective bargaining rights.

I have a question for you, Mr. Hicks. I am aware that AFSCME has worked, I think your testimony may have even spoken about, working successfully with administration—with cities who were in the throes of management reform.

How do you compare those experiences with the experience you have had in the District? What similarities or differences have you found?

Mr. HICKS. Well, I think the big difference is, one, for example in New York, when they were in trouble, that AFSCME came to the table and they made concessions and they worked together. I think the same thing happened in Philadelphia, and even in Indiana, where that is considered one of the flagships, where they worked together.

One of the problems here is that we don't have the cooperation from the authority, we don't have the cooperation from the CFO. As a matter of fact, after the meeting with the CFO in I think Congressman Davis' office, where he agreed to have those meetings, there are still no meetings going on.

I think that until the Authority and the CFO, and I certainly can't speak for the new city manager, realize that the unions are

a vital part of this city, that we have information that, that we share information, and we have know-how and expertise to help make the city work, that until there is a continued effort from this committee, from your committee, to ensure that they include us in the process, I think we will continue to be eliminated.

I think the difference was that the other control boards wanted to work with the unions. They realized the value of having the unions there to work together.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. DAVIS. Thank you for your questioning.

I just want to assure you this committee will do everything we can to try to continue implementing what we agreed to with Mr. Williams in terms of having regular meetings.

Mr. HICKS. In closing, I would like to say this becomes so important in terms of employees' morale, to see that workers are being considered, that workers are a part of this, of looking at what the problems are.

Mr. DAVIS. It is important to get the right answers, too.

Mr. Horn.

Mr. HORN. Thank you, Mr. Chairman.

I enjoyed the opportunity to read both of your statements. Maybe you could educate me how the collective bargaining system works within the city government. Could you tell me what the structure is and with whom do you have to deal? Is there a special office on labor relations or what and who does it report to and so forth?

Mr. SCHLEIN. I can tell you how it used to work. It used to work that we negotiated with the Mayor, the Mayor then was required to submit our contracts, anything having to do with economics to the city council for approval, and, once that was done, the contracts were implemented.

Right now the process doesn't seem to be working. The theory that is supposed to be out there right now is that the Mayor still negotiates with us. It then goes to the CFO, who is supposed to then bless it in some form. It is then supposed to go to the Control Board for their review and ratification, and then to the city council for their review and ratification.

Part of the problem we have is that we have the Mayor negotiating a contract with really no authority or accountability for seeing that it really gets implemented.

Now, the Control Board gave guidance when these negotiations were going on. They set parameters that we knew we had to meet. The CFO was involved at the table. But what we are finding is, again, the process just is breaking down. So that is for the economic conditions.

On the day-to-day operations, mechanisms to try to bring changes in what is going on in the work of the city, quite honestly, without the Control Board being really actively a part of supporting that these changes have to take place, there is no incentive for management to make it a priority.

Mr. HORN. When the Mayor was the negotiator, or at least signed off on it, did he have a special office of negotiation or labor management employee relations, however he defines it?

Mr. HICKS. Yes; Office of Labor Relations.

Mr. HORN. Was that headed by a director?

Mr. HICKS. Yes.

Mr. HORN. Reported directly to the Mayor?

Mr. HICKS. Yes.

Mr. HORN. So I assume that is the person who really negotiated for the administration.

Mr. SCHLEIN. It was both he and the city administrator.

Mr. HORN. They both sat in on the negotiations?

Mr. SCHLEIN. Directly involved at the critical stages, yes.

Mr. HORN. Did they deal with you, the two unions, on separate bases, or were you there at the same time?

Mr. HICKS. We were there at the same time, along with six others.

Mr. SCHLEIN. There were 10,000 workers that were normally under the Mayor, our front line workers, come together in one set of negotiations. So all of the unions, in doing your regular day-to-day work within the city. Now, the police, the fire, the teachers, they are all in separate negotiations. But basically most of them under the authority of the Mayor are in one set of negotiations.

Mr. HORN. Now, under this new arrangement of a chief management officer, what has happened to this function? Has it gone under her jurisdiction or what?

Mr. SCHLEIN. We don't know.

Mr. HICKS. We are unclear.

Mr. HORN. I could ask for an organization chart.

Ms. NORTON. The Office of Labor Relations continues to be under the Mayor's jurisdiction.

Mr. HORN. I must say, thinking in terms of professional things, the mayor in any city is the last one I would have that group reporting to. Let's face it, they are candidates for election. They are thinking only about their reelection. They are not thinking about the good of the city or the good of the workers or anything else. They will tell you they are, but it seems to me that function ought to be under the chief management officer, and you get some professionals in there.

I agree with you completely, workers have a major role to play in ideas. They are on the firing line. The only reason organizations, be they corporations, universities, city corporations, whatever, hire outside consultants, is because their own managers are not walking around and listening to people. If they walked around and listened to people, they shouldn't need outside consultants, because all the consultant does is go around, talk to the workers, write it up, and send a bill. It seems to me you have got to do as you are suggesting in your written statement, have these committees, but they shouldn't be bargaining committees, they should be idea and how do we improve our service committees.

Mr. SCHLEIN. Absolutely. That is why it is so valuable to have the help of FMCS and the Labor Department. They are teaching our front line workers new techniques. We are not talking about adversarial bargaining in these meetings. We are talking about understanding what the problems are and how to get them fixed and techniques for doing that.

Mr. HORN. You are absolutely correct. Thank you.

Mr. DAVIS. Thank you very much. I thank the panel for letting the committee know where things are. We clearly have some work

to do to get some of these lines of authority established and get things moving.

Without objection, all written statements submitted by witnesses will be made part of the permanent record and the record will remain open for 10 days.

It is the subcommittee's intention to have further hearings on management reform issues as we move further into the process. The subcommittee will continue to work with all interested parties to achieve the statutory objectives.

These proceedings are closed.

[Whereupon, at 1:57 a.m., the subcommittee was adjourned.]

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