

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE CHIEF FINANCIAL OFFICER



**Natwar M. Gandhi**  
Chief Financial Officer

December 21, 2012

The Honorable Vincent C. Gray  
Mayor of the District of Columbia  
1350 Pennsylvania Avenue, NW – 6<sup>th</sup> Floor  
Washington, DC 20004

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
1350 Pennsylvania Avenue, NW – Suite 504  
Washington, DC 20004

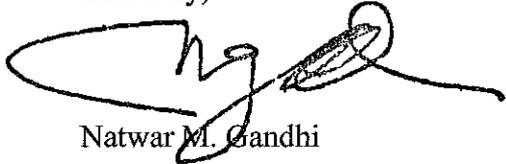
Dear Mayor Gray and Chairman Mendelson:

I would like to inform you that the revenue estimates for FY 2013-2016 remain unchanged from the September certification. Unfortunately, the current negotiations around the federal budget and the possibility of a “fiscal cliff” at the start of the year pose a significant risk to both the national and local economies. A recent Congressional Budget Office (CBO) report predicts that the “fiscal cliff” would push the already fragile national economy into a recession. Given the importance of the federal sector to the District’s economy, federal expenditure cutbacks in the District combined with a national recession would significantly reduce District revenue. Furthermore, under the current sequestration, the District could lose millions in federal grants and federal payments, adding to the size of the budget gap.

It is my hope that by the time of the next revenue estimate Congress will have taken steps to resolve many of the federal fiscal uncertainties. However, the uncertainty in the outlook for FY 2013 and FY 2014 is underscored by the concern that, even with a budget deal, the District’s economy and finances face significant risks. Both sides in the current budget negotiations agree that sharp reductions in discretionary federal spending are necessary over the next decade or so. The impact of a budget deal on the District’s economy and fiscal balance depends on which parts of the federal budget will be cut and when those cuts will occur. If federal cutbacks fall disproportionately on federal spending in the District and the spending cuts are made immediately, a budget deal could still harm District finances. On the other hand, if the federal government is able to address its long-term fiscal debt in ways that do not destabilize the District’s economy or lead to a U.S. recession, given the recent strong performance of the District’s economy, the revenue picture for the District would improve substantially from that contained in the current budget and financial plan.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Natwar M. Gandhi', with a large, stylized flourish extending to the right.

Natwar M. Gandhi

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