

Overview

Introduction to the FY 2007 Budget and Financial Plan

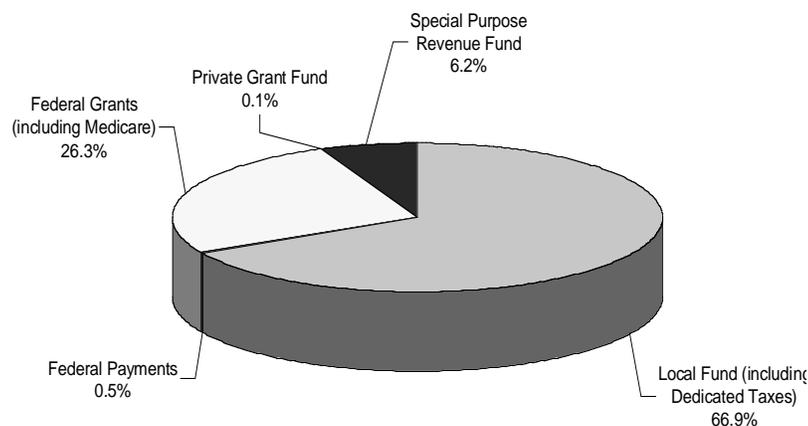
The District of Columbia has what is arguably the most complex government in the United States.

As one entity, the District government provides services typically delivered elsewhere by states, counties, cities, and special taxing districts. The challenge for the District is to navigate this jurisdictional complexity while facing variable revenues and increasing service needs. Totalling \$7.608 billion, the expenditure budget in the FY 2007 Proposed Budget and Financial Plan is \$220 million more than the FY 2006 approved budget of \$7.388 billion, not including Intra-District

funding or Enterprise Fund agencies. The budget funds services as diverse as street cleaning, affordable multi-family housing development, voter registration, business inspection, fire fighting, police patrol, running a lottery, managing a vast multimodal transit system, educating children, promoting economic development, encouraging people to move into the District, and protecting at-risk youth.

Chart 1-1

Where the Money Comes From - Sources of Gross Funds FY 2007 \$7.608 Billion



The District's proposed budget is similar to any other budget in that it identifies resources (revenues) and uses (expenditures) to accomplish specific purposes developed by citywide strategic planning and departmental business planning. In addition to these basic elements, the proposed budget includes a financial forecast for the Mayor and the District Council's policy priorities and detailed cost information for agency programs and activities.

Where the Money Comes From

Money for providing District services comes from a variety of sources. The District's general fund consists of Local and Special Purpose Revenue funds. Federal grants, federal Medicaid, and federal payments constitute the District's federal resources. Private resources make up the balance of the District's gross funds (chart 1-1). Local tax revenue accounts for most of the money supporting services and includes such common sources as income, property, and sales taxes (chart 1-2). Detailed revenue information, including historical trends, FY 2007 revenue estimates and projection assumptions are included in the revenue chapter of this budget book.

How the Money is Allocated

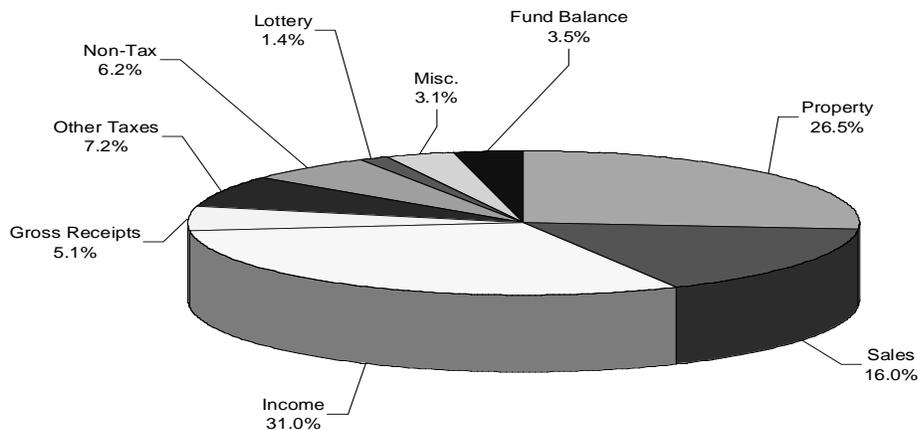
To facilitate policy decisions concerning expenditures and to provide summary information for reporting expenditures, the District's budget is developed, presented, and executed along several lines. These include fund types, appropriation titles, agencies, programs, and expense categories.

As with revenues, expenditures can be grouped by the source of funds. The total of these funds is referred to as gross funds. The proposed gross funds budget for FY 2007 is \$7.608 billion, \$220 million or 3.0 percent more than the FY 2006 approved budget of \$7.388 billion. For purposes of appropriating the District's budget, agency budgets are grouped by function, such as public safety or public education. Table 1-1 shows the FY 2007 proposed gross funds expenditures budget by appropriation title.

The proposed Local funds expenditure budget for FY 2007 is \$5.086 billion, \$128 million or 2.6 percent more than the FY 2006 approved budget of \$4.958 billion. Table 1-2 shows the FY 2007 proposed Local funds expenditure budget by appropriation title.

Chart 1-2

Where the Money Comes From - Sources of Local Fund Revenue FY 2007 \$5.088 Billion



Note: The above chart includes fund balance and policy proposals.

Table 1-1

Gross Funds Expenditure Budget, by Appropriation Title

(Dollars in Thousands)

	FY 2006 Approved Budget	FY 2007 Proposed Budget	Change from FY 2006	% Change from FY2006
Governmental Direction and Support	512,834	542,505	29,671	5.8
Economic Development and				
Regulation	449,668	543,135	93,467	20.8
Public Safety and Justice	837,602	950,693	113,091	13.5
Public Education System	1,454,904	1,450,433	-4,471	-0.3
Human Support Services	2,717,732	2,923,171	205,439	7.6
Public Works	375,466	424,708	49,242	13.1
Financing and Other	1,040,040	772,938	-267,102	-25.7
Total	7,388,246	7,607,583	219,337	3.0

Table 1-2

Local Funds Expenditure Budget, by Appropriation Title

(Dollars in Thousands)

	FY 2006 Approved Budget	FY 2007 Proposed Budget	Change from FY 2006	% Change from FY 2006
Governmental Direction and Support	296,632	330,101	33,469	11.3
Economic Development and				
Regulation	104,829	194,207	89,378	85.3
Public Safety and Justice	769,785	888,003	118,218	15.4
Public Education System	1,177,599	1,203,492	25,893	2.2
Human Support Services	1,276,326	1,369,566	93,240	7.3
Public Works	316,374	351,396	35,022	11.1
Financing and Other	1,016,216	749,433	-266,783	-26.3
Total	4,957,761	5,086,198	-128,437	2.6

The proposed Local funds budget represents 66.9 percent of the proposed gross funds budget. The largest appropriation titles, Public Education System and Human Support Services, represent 50.6 percent of the Local funds proposed budget - meaning approximately a little more than one-half of every dollar generated locally is directed to just these two areas.

Within the appropriation titles are the agencies that operate the programs, activities, and services provided to District citizens and businesses. For example, the Public Works appropriation title includes the Department of Public Works, the Department of Transportation, the Department of Motor Vehicles, and the District Department of Environment. The FY 2007 proposed budget includes 137 agencies dispersed across eight appropriation titles.

To provide context as to the types of expenses for a particular program, information is presented by expense category. Table 1-3 shows the entire Local funds proposed budget by expense category. These same categories are used by all District agencies. Specific agency costs by expense category are included in the agency chapters.

One of the District's largest expense categories is personal services, totaling \$1.797 billion and representing 35.3 percent of the Local funds proposed budget. This funding will support 26,951 Local full-time equivalent (FTE) positions, a decrease of 162 FTEs, or 0.6 percent from FY 2006 (see table 1-4). Including all fringe benefits, but excluding extra compensation like overtime and shift differential, the average Local FTE for FY 2007 will cost \$63,929.

The District's FY 2007 gross funds proposed budget includes 34,469 FTEs, a decrease of 166 FTEs or 0.5 percent from FY 2006. Major gross funds FTE changes by agency are detailed in table 1-6.

Performance-Based Budgets

In addition to these District-wide expenditure reports by appropriation title and category, we are also able to show the results associated with expenditures. As the District completes its transition to a performance-based budgeting (PBB) structure for all agencies, agency budgets now show the programs and activities they provide. In limited cases, service-level information can also be provided. More information about performance-based budgeting is available in the Strategic Budgeting chapter.

Organization of the FY 2007 Budget and Financial Plan

The FY 2007 Budget and Financial Plan is composed of the following volumes:

- Volume I - FY 2007 Executive Summary
- Volume II - FY 2007 Budget and Financial Plan - This provides all summary information regarding the District's proposed budget.
- Volumes III and IV - FY 2007 Operating Appendices - This provides detailed information about operating funds by agency.
- Volume V - FY 2007-2012 Capital Appendices - This provides detailed information about capital projects and spending by agency.
- FY 2007 Citizen's Guide to the Budget
- Special Studies (Only on CD)

Additional details about the organization of the District's FY 2007 budget and financial plan may be found in the How to Read the Budget and Financial Plan chapter.

Change for FY 2007

Starting with FY 2007 the Housing Production Trust Fund that was previously budgeted in the Department of Housing and Community Development is transferred to the Housing Production Trust Fund Subsidy Agency in the

Dedicated Taxes Fund (included in Local Fund). This subsidy will reside in the Economic Development and Regulation appropriation title and will be transferred to the Enterprise and Other Funds appropriation group.

The FY 2007 Budget Calendar

The FY 2007 Budget and Financial Plan is a culmination of a year-long process that starts with strategic and neighborhood planning and culminates with the specific spending decisions in the budget. Some of the critical steps in the budget formulation process are described in Table 1-5.

The District's Budget Process: A Brief Overview

The District of Columbia Home Rule Act (Public Law 93-198; 87 Stat. 777) [D.C. Official Code 1-201.01 et. seq.], approved December 24, 1973, prescribes a procedure for the approval of the annual budget for the District of Columbia Government. Using the estimates of the Chief Financial Officer, the Mayor submits a budget to the Council for approval. Once approved, it is transmitted to Congress, which appropriates the funds.

Under section 424(a)(5) [D.C. Official Code 1-204.24(a)(5)], the Chief Financial Officer for the District of Columbia prepares and submits to the Mayor and the Council annual estimates of all revenues of the District of Columbia (without regard to the source of such revenues), including proposed revenues. These revenue estimates are binding on the Mayor and the Council for purposes of the annual budget to be submitted to Congress, except that the Mayor and the Council may base the budget on estimates of revenues that are lower than those prepared by the Chief Financial Officer.

Under section 442(a) [D.C. Official Code 1-204.42(a)], the Mayor prepares and submits a proposed annual budget to the Council. In preparing the annual budget, the Mayor may utilize a budget prepared by the Chief Financial Officer for this purpose under section 424(a)(2) [D.C. Official Code 1-204.24(a)(2)].

Under section 603(c) [D.C. Official Code 1-206.03(c)], the Mayor is required to submit a balanced budget and identify any tax increases that shall be required. The Council is required to adopt such tax increases to the extent the budget is approved. The annual budget submitted shall include, among other items, a multiyear plan for all agencies of the District government (as required under section 443 [D.C. Official Code 1-204.43]) and multiyear capital improvements plan for all agencies of the District government (as required under section 444 [D.C. Official Code 1-204.44]).

Under section 446 [D.C. Official Code 1-204.46], the Council must hold a public hearing on the budget submission and, within 50 calendar days after receipt of the budget proposal from the Mayor, adopt a budget by act. The act is styled as the Budget Request Act (of the year of adoption) and requires only one reading. If the Mayor approves the budget act, he or she submits the act to the President for transmission to Congress.

Table 1-3
Local Funds Proposed Expenditure Budget, by Category
(Dollars in Thousands)

	FY 2006 Approved Budget	FY 2007 Proposed Budget	Change from FY 2006	% Change from FY 2006
Continuing Full Time Pay	1,303,451	1,381,262	77,811	6.0%
Regular Pay - Other	101,101	109,651	8,550	8.5%
Additional Gross Pay	36,701	39,295	2,594	7.1%
Fringe Benefits	211,766	232,044	20,278	9.6%
Overtime Pay	34,777	34,793	16	0.0%
Personal Services	1,687,796	1,797,045	109,249	6.5%
Supplies and Materials	50,188	50,426	238	0.5%
Energy	60,674	77,273	16,599	27.4%
Telephone, Telegraph, Telegram, Etc.	29,803	34,165	4,362	14.6%
Rentals - Lands and Structures	81,672	85,319	3,647	4.5%
Janitorial Services	5,053	4,661	(392)	-7.8%
Security Services	21,987	27,679	5,692	25.9%
Occupancy Fixed Costs	9,752	12,049	2,297	23.6%
Other Services and Charges	147,238	149,942	2,704	1.8%
Contractual Services - Other	355,334	351,714	(3,620)	-1.0%
Subsidies and Transfers	2,004,908	1,929,999	(74,909)	-3.7%
Equipment and Equipment Rental	47,430	39,982	(7,448)	-15.7%
Debt Service	455,926	525,944	70,018	15.4%
Nonpersonal Services	3,269,965	3,289,153	19,188	0.6%
Total	4,957,761	5,086,198	128,437	2.6%

Table 1-4

Local Funds Proposed FTEs, by Appropriation Title

(Dollars in Thousands)

	FY 2005 Actual Budget	FY 2006 Approved Budget	FY 2007 Proposed Budget	Change from FY 2006	% Change from FY 2006
Governmental Direction and Support	2,048	2,362	2,504	142	6.0%
Economic Development and Regulation	397	522	543	21	4.0%
Public Safety and Justice	6,963	7,679	7,995	316	4.1%
Public Education System	9,474	9,682	9,336	-346	-3.6%
Human Support Services	3,794	4,359	4,317	-42	-1.0%
Public Works	1,377	1,549	1,618	70	4.5%
Financing and Other	0	16	0	-16	-100.0%
Enterprise Funds (University of the District of Columbia)	530	620	637	17	2.7%
Total	24,583	26,789	26,951	162	0.6%

However, unlike other acts submitted to the Mayor for signature, the Mayor may exercise a line-item veto under section 404(f) [D.C. Official Code 1-204.04]. If the Mayor disapproves an item or provision, he or she must attach to the act a statement of the item or provision which is disapproved and, within the 10-day period for approval or disapproval, return a copy of the act and statement with his or her objections to the Council.

The Council has 30 calendar days to reenact a disapproved item or provision by a two-thirds vote of the members of the Council present and voting. If an item or provision is reenacted, the chairman submits it to the President for transmission to Congress. If the Mayor fails to return a disapproved item or provision to the Council in a timely manner, he or she shall be deemed to have approved the item or provision and the chairman will submit it to the President for transmission to Congress.

Unlike other legislation, the Budget Request Act does not become effective after a period of congressional review; it never becomes District of Columbia local law. Instead, the President transmits the Budget Request Act to the House and Senate. Ultimately, Congress appropriates all funds for the District by an act. This act may, but is not required to, include some or all of the provisions of the Budget Request Act as transmitted by the District.

Table 1-6

Major Gross Funds FTE Changes

Office of the Attorney General	117	District's legal services transfer to OAG
Office of the Chief Financial Officer	62	OTR revenue initiative 57 + 5 Capital FTE conversion
Office of the Chief Technology Officer	34	Converted contractual employees
Office of the City Administrator	(11)	Reduction of program staff
Other agencies	(12)	
Total Governmental Direction and Support	190	
Department of Employment Services	20	Additional positions for Transitional Employment & Summer Youth programs
Department of Consumer and Regulatory Affairs	(14)	Transfer of attorney positions to OAG for Legal Services program
Office of Local Business Development	18	Agency ramp-up
Other agencies	8	
Total Economic Development and Regulation	32	
Metropolitan Police Department	56	Additional Officers
Department of Corrections	14	Inmate status program 37 increase offset by (23) Intra-District cut.
Fire and Emergency Medical Services Dept	132	Fire fighters/Paramedics 113 increase plus new system improvement, EMS, cadets
Other agencies	22	
Total Public Safety and Justice	224	
	(676)	General education staffing
	(417)	Student athletics
	(184)	Non-instructional support services
	119	Instruction support
	526	Special education state
	(54)	Other
District of Columbia Public Schools	(686)	Total DCPS
D.C. Public Library	31	Sunday hours expansion & one-time
State Education Office	2	
Total Public Education System	(653)	
Department of Health	(188)	Transfer of 170 FTEs to the new Department of the Environment & legal services transfer
Department of Human Services	71	Income maintenance program increase
Department of Parks and Recreation	(116)	Budget re-alignment - agency lost federal TANF dollars used to fund these positions
Department of Youth Rehabilitation Services	101	New Youth Correctional Officer positions to meet court mandated staffing levels
Other agencies	(4)	
Total Human Support Services	(136)	
District Department of the Environment	188	New agency transfers in FY 2007
Other agencies	4	
Total Public Works	192	
Other agencies	1	
Total Enterprise and Other Funds	1	
Other agencies	(16)	
Total Financing and Other	(16)	
	(166)	

Table 1-5

How and When the Budget is Prepared

Neighborhood Planning

Every other year	Beginning in the summer of 2000, the Office of Neighborhood Action initiated strategic planning in the 39 area clusters (neighborhoods) of the District. The result of these Strategic Neighborhood Action Plans (SNAPs) provide invaluable information and insight to the priorities of the various neighborhoods of the District.
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Budget Guidance

August - October 2005	The FY 2007 budget process began with the Office of Budget and Planning creating guidelines on how agencies should prepare the agency budget submissions.
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Citizen Summit

Every other year	On November 15, 2005, the Mayor hosted Citizen Summit III at the new Washington Convention Center to seek citizen advice on the draft Citywide Strategic Plan.
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Agency Budget Request Development

November - December 2005	Taking into consideration the draft citywide strategic plan, the SNAPs, and following the budget guidance from OBP, agencies developed their FY 2007 budget requests and program enhancements.
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Budget Analysis

December 2005 - January 2006	OBP reviewed agency budget requests for adherence to guidelines, identified opportunities for efficiencies and incorporated revised economic data.
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Budget Presentation

January - March 2006	OBP provided the Mayor with the baseline budget and program enhancements requested by the agencies. Final budget priorities were determined, and the FY 2007 proposed budget was finalized for submission to the Council on March 20, 2006.
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Budget Consensus Process

The consensus process is the period when the Council, citizens, interested parties and the Mayor come to agreement on FY 2007 spending priorities. The District is legislatively required to develop and adopt a balanced budget.

March - April 2006	Public hearings on the FY 2007 proposed budget
April 2006	Council begins revising, or marking up, the Mayor's proposed budget
May 2006	Council approves the FY 2007 Budget and Financial Plan
June 2006	The FY 2007 Proposed Budget and Financial Plan is submitted to Congress