Glossary of Budget Terms

Accrual basis of accounting - An accounting method that attempts to recognize revenues when they are earned and expenses when they are incurred, not when cash changes hands. The Governmental Accounting Standards Board (GASB) requires phase 1 state and local governments (governments with $100 million and more in revenues) to incorporate this basis of accounting into their reporting model for periods beginning after June 15, 2001, specifically for the government-wide financial statements. Governments will maintain the modified accrual basis of accounting for the fund financial statements.

Activity - A component part of the District's program structure. Comprised of a set of services grouped around a common purpose or result.

Agency Management Program (AMP) - A program within an agency's strategic business plan structure under Performance-Based Budgeting. AMP is used to track costs associated with common administrative expenses across the District. Under AMP, these costs fall within thirteen activities: (1) Personnel, (2) Training and Employee Development, (3) Labor Management Partnerships, (4) Contracting and Procurement, (5) Property Management, (6) Information Technology, (7) Financial Services, (8) Risk Management, (9) Legal Services, (10) Fleet Management, (11) Communications, (12) Customer Service, and (13) Performance Management.

Allocable Revenue - Revenue earned, collected, and used by the agency responsible for generating the revenue.

Amendment - A proposed change to a budget that is not yet finally approved, but has been formally submitted by the executive to the legislative branch.

Annualization - A budget increase to provide full-year budget authority for a budgetary item that was only partially funded in the prior-year budget.

Appropriated Revenue - Revenue collected by an agency on behalf of the District Treasury; such revenue is used to support the operations of all agencies.

Appropriation - Authority to spend funds appropriated by Congress and financed by general District Revenues.

Appropriation Title - The eight broad areas that the District categorizes services to the citizens of Washington D.C. they include Governmental Direction and Support, Economic Development and Regulation, Public Safety and Justice, Public Education System, Human Support Services, Public Works, Financing and Other, and Enterprise and Other Funds.

Arbitrage - Simultaneous purchasing and selling of the identical item in different markets in order to yield profits.

ASMP - Administrative Services Modernization Program. A District-wide business transformation project focused on improving administrative processes, systems, and policies across the operating agencies, administrative agencies, and financial agencies. The project was launched in June 2001 and will be constructed over about five years.

Attrition - Voluntary employment losses, such as retirements and resignations.

Bonds - Officially called debt securities, bonds provide ways for governments to raise large sums of money by borrowing. Bonds usually have a principal amount and a contract interest rate. The principal can be paid at maturity while the interest is generally paid semi-annually as a percent of the principal. For example, a government could issue $10,000,000 in bonds with a five percent interest rate. If the bonds matured in five years, then the $10,000,000 would have to be paid to the bondholder at that time. During that period, $500,000 would have to be paid in interest each year or $250,000 semi- annually. These bonds are called term bonds, since they are due at a fixed time. Serial bonds are due at different times.

Bond Rating - A bond rating (see table) is an independent assessment of the creditworthiness of a bond (note or any security of indebtedness) by a credit rating agency. The three primary rating agencies are Standard & Poor's (S & P), Moody's

Investors Service (Moody's), and Fitch IBCA, Inc. (Fitch IBCA). Bond ratings measure the probability of the timely repayment of principal and interest of a bond. Generally, a higher credit rating would lead to a more favorable effect on the marketability of a bond. The credit rating symbols (long-term) are generally assigned with the highest and the lowest in investment grade. The table denotes the bond rating codes of the various rating agencies.

Bond Ratings

Rating	S & P	Moody's	Fitch IBCA
Best Quality; extremely strong capacity to pay principal and interest	AAA	Aaa	AAA
High Quality; very strong capacity to pay principal and interest	AA	Aa	AA
Upper Medium Quality; strong capacity to pay principal and interest	A	A	A
Medium Grade; adequate capacity to pay principal and interest	BBB	Baa	BBB
Somewhat Speculative;	BB	Ba	BB
Low Grade, Speculative	B	B	B
Low Grade, Partial Recovery Possible	CCC	Caa	CCC
Low Grade, Default Recovery Possible	CC	Ca	CC
Recovery Unlikely	C	C	C

Budget - A plan of financial and operational intent embodying an estimate of proposed expenditures for a given period and proposed means of financing.

Budget Authority - Authority provided by law to enter into obligations that will result in expenditures. It may be classified by the period of availability (one-year, multiple-year, no-year), by the timing of congressional action (current or permanent), or by the manner of determining the amount available (definite or indefinite).

Budget Category - An operating budget expenditure classification: either personal services (PS) or non-personal services (NPS).

Budget Establishment - The period immediately preceding the beginning of the budget fiscal year during which final revenue budgets, intra-District budgets, and expenditure budgets are prepared and entered into the formal accounting records of the District.

Budget Modification - A change in any portion of the budget during the fiscal year.

Budget Preparation - The budget planning and development process from the initial budget call, up to and including final approval by Congress.

Budget Reserve - Funds that are earmarked for special purposes to protect the District against shortfalls in revenue and unforeseen expenditures.

Capital Improvements Program - A plan for initiating the development, modernization, or replacement of District-owned facilities during a six-year period. As annually revised, this plan provides the basis for future-year capital budget requests.

CAFR - State and Local governments issue an annual financial report called the Comprehensive Annual Financial Report or CAFR. The CAFR has three parts: (1) an introductory section, (2) a financial section, and (3) a statistical section. Some but not all of what goes into the CAFR is shaped by the Governmental Accounting Standards Board (GASB) which is the current authoritative source for governmental Generally Accepted Accounting Principles (GAAP). The groups that use the CAFR most extensively and rely on it heavily consist of the agencies that rate state and local governments for purposes of sale of bonds. Institutions that buy and sell these bonds would also be among the users of the CAFR. Moody's, Fitch IBCA, and Standard and Poor are among the best known rating agencies. The people who rate or buy and sell these bonds are among the most capable of reading, analyzing, and interpreting the CAFR.

Certificates of Participation (COP) - In a typical lease purchase arrangement, the District as lessee purchases property under contract from lessor, usually a private corporation, another public entity or a special purpose nonprofit corporation. The lessor receives a portion of each lease payment as tax – exempt interest. One common way of financing this is the Certificate of Participation (COP) where the lessor assigns the lease and lease payments to a

trustee. The lease underlying the COP will usually state the obligation (GO) bond of the District.

Chart of Accounts - A chart of expenditure and revenue accounts used to record each type of financial transaction incurred by District agencies.

Collateral - Security left with a creditor to assure the performance of the obligor. When the obligor has performed, the creditor must return the collateral.

Community Development Block Grant (CDBG) - The federal grant that supports housing, economic development, health and human services, and planning and administration.

Component Unit - Legally separate organizations for which elected officials of the District are financially accountable. Accountability exists because some or all of the governing bodies of all the component units are appointed by the Mayor with the consent of the Council. All component units use proprietary fund type accounting.

Comprehensive Automated Personnel and Payroll System (CAPPS) - The name of the automated payroll system used by the District.

Consolidated Plan - The U.S. Department of Housing and Urban Development requires a single or consolidated plan and submission for the following federal grant programs: Community Development Block Grant, HOME Investments Partnerships Program, Emergency Shelter Grants (ESG), and the Housing Opportunities for Persons with AIDS (HOPWA) grant.

Continuing Full-Time (CFT) Positions - Full-time positions that the District has authority to fill under its congressional appropriation. Although these are "authorized" positions, some CFT positions may not be filled because of funding constraints.

Control Center - The basic unit of budgetary and financial control in the District's financial management system. Each District agency is composed of one or more control centers that serve as the major subparts of the agency's budget.

Controllable Property - Non-capitalized tangible property that is considered valuable and/or sensitive with a high risk of theft with a value of less than $5,000 and/or with an expected life of less than three years.

Current Services Budget - An estimate of the funds needed to continue existing levels of service in the next fiscal year.

Debt Ratio - Total debt divided by total assets.

Debt Service - Scheduled payment of the interest and principal to bond holders that is necessary to retire bond indebtedness.

Emergency Shelter (ESG) - Federal grants to provide capital and operating support for emergency shelters and transitional housing for the homeless.

Encumbrance - An amount of funds committed for the payment of goods and services ordered but not yet received.

Energy, Rent, and Communications - The name of the object class used to allocate funds for those needs.

Enterprise Funds - Account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the District has decided that periodic determination of revenues earned expenses incurred, and/ or net income is appropriate fpr capital maintenance, public policy, management control, accountability, or other purposes. The District's only major enterprise fund is the Lottery and Games Fund, administered by the Lottery and Charitable Games Control Board.

Entitlement - A service or grant that, under District or Federal law, must be provided to all applicants.

Equipment and Equipment Rental - The name of the object class used to allocate funds for such needs.

Escrow - A written agreement or instrument setting up for the allocation funds or securities deposited by the giver or grantor to a third party (the escrow agent), for the eventual benefit of the second party (the grantee). The escrow agent holds the deposit until certain conditions have been met.

Expenditure - A payment for goods or services received.

Federal Funds - Funding (usually in the form of federal grants) provided by the federal government to support various federally established programs such as

Medicaid and welfare. These funds are earmarked for a particular purpose or program and cannot be re-allocated to fund other programs.

Fixed assets - Long-lived tangible items that provide a benefit for a number of future periods.

Fringe Benefits - Part of overall employee compensation, including life and health insurance and retirement and social security contributions.

Full-Time Equivalent (FTE) - An employment indicator that translates the total number of hours worked in a year by all employees, including part-time workers, to an equivalent number of work years. For example, one FTE equals 2,080 hours and .75 FTE equals 1,566 hours.

Fund - A budgeting and accounting device used to establish accounts for separating revenues and their related obligations, and expenditures for one purpose from those revenues, obligations, and expenditures for other purposes.

Fund Accounting - Accounting method of providing information on the District of Columbia receipts and disbursements in separate categories or "funds". Governments use fund accounting to segregate sources of revenue and the purpose for which they are to be used.

Fund Balance - The difference between fund assets and fund liabilities. The fund balance is cumulative over the life of the fund.

GAAP (Generally Accepted Accounting Principles) - Uniform minimum standard of guidelines for financial accounting and reporting that the District follows. They govern the form and content of an entity's (public, private, non-profit) basic financial statements. GAAP encompasses the conventions, rules and procedures necessary to define accounting practices at a particular time.

GASB - The Governmental Accounting Standards Board (GASB) is a private non-profit body responsible for establishing and improving accounting and financial reporting standards for more than 84,000 governmental units in the United States. Although they do not have the force of law, governments are required to follow GASB standards in order to obtain clean opinions from their auditors and failure to comply with GASB standards can adversely affect a state or local government's attempts to issue bonds.

GFOA - The Government Finance Officers Association of the United States and Canada is the premier association of public-sector finance professionals and is dedicated to providing high-quality support to state and local governments. The GFOA's two established criteria for financial excellence include: (1) the "Distinguished Budget Presentation Award" (Budget Program) conferred on governments whose budgets are deemed exemplary as a policy document, financial guide, operations guide, and communication device; (2) "Certificate of Achievement for Excellence in Financial Reporting" (CAFR Program) for governments whose CAFRs achieve the highest standards in financial reporting.

GPRA - Government Performance and Results Act. Legislation that requires the establishment of a direct relationship between the use of federal funds and the delivery of services by federal agencies. Many federal grants require GPRA performance measures as part of the reporting process.

General Fund - The General Fund, which is the principal operating fund of the District, is used to account for all financial resources except those required to be accounted for in another fund.

General Fund Deficit - In the District, an amount representing unfunded expenditures and obligations accumulated primarily in years prior to Home Rule.

General Obligation Bonds - Bonds sold by a municipal government to private investors to provide long-term financing for capital project needs. Repayment of the principal and interest is made from General Fund revenue.

Gift funds - Financial donations to the District government, which may only be accepted on behalf of the District by the Mayor, that may be earmarked for a specific purpose.

Grant - A federal or private grant received by a District government agency, from which the agency may make subgrant awards through a competitive process. In addition, grants can be comprised of General Fund moneys distributed by a District Government agency

Gross Budget - A total budget amount that includes resources from all funding sources.

HOME - Home Investment Partnerships Program. A federal grant program to provide housing for low-income persons.

Idle Cash - Uninvested available funds.

Imprest Fund - A fund of a designated amount out of which payments for expenses of small amounts are made (sometimes referred to as petty cash).

Indirect Costs - Administrative overhead costs incurred by the District in managing grant programs.

Industrial Revenue Bond - A bond that enables the District to borrow money to finance or refinance undertakings in the areas of housing, health facilities, transit, college and university programs which provide loans for the payment of educational expenses for or on behalf of students, pollution control facilities, and industrial and commercial development.

Inflation - An increase in general price of goods or services resulting in a decline in the purchasing power of currently available money.

Infrastructure - Long-lived assets such as highways, bridges, buildings and public utilities.

Interest Accrual - The amount of interest owed on borrowings but not to be paid until a later date.

Intra-District - An accounting mechanism to track payments for services provided by one District agency to another District agency, similar to an Internal Service Fund.

Key Result Measures - A set of result perform-ance measures that are contained within each program. They are comprised of one result measure from each of the activities within that program.

Local Education Agency (LEA) - An education agency at the local level which exists primarily to operate schools or to contract for educational services. This term is used synonymously with the terms "school district, " school system," and "local basic administrative unit."

Local revenue - Includes tax and non-tax revenue that is not earmarked for a particular purpose and is allocated to fund District programs during the annual budget process, a part of General Fund revenue.

Match - A locally provided cash or in-kind services contribution required to supplement or equal a grant or gift as a condition for receiving the funds.

Mandate - Any responsibility, action or procedure that is imposed by one government on another through constitutional, legislative, administrative, executive, or judicial action as a direct order, or that is required as a condition of aid.

Mission - The mission is a clear, concise statement of the purpose of the agency. The mission focuses on the broad, yet distinct, results the agency will achieve for its customers. *Also*, the reason for the existence of an agency.

Modified accrual basis of accounting - A basis of accounting that recognizes revenues when earned, only so long as they are collectible within the period or soon enough afterwards to be used to pay liabilities of the current period. That is, revenues are only recognized under modified accrual accounting to the degree that they are *available* to finance expenditures of the fiscal period.

Municipal Bond - A bond issued by a state or a political subdivision. Also a bond issued by a state, agency or authority. In general, interest paid on municipal bonds is exempt from federal income taxes and state and local taxes in the state of issue.

NAICS -- Beginning in 1997, The North Ameri-can Industry Classification System (NAICS, pronounced nakes) has replaced the Standard Indus-trial Classification (SIC). NAICS is a uniform industry-wide classification system designed as the index for statistical reporting of all economic activities of the U.S; Canada, and Mexico. This new six digit code is a major revision that provides for newer industries and reorganizes the categories on a production/process-oriented basis com-pared to the SIC that used a mixture of produc-tion-based and market-based categories.

Nonpersonal Services (NPS) - A budget category that includes budget objects for reporting other than personnel-related expenditures. Non-personal services includes supplies, utilities, communications and rent, other services and charges, subsidies and transfers, equipment and equipment rental, and debt service.

Nonrecurring Expenditures - One-time expenditures for special items, such as a new fire truck or a computer system, that do not need to be budgeted for again in the year following their purchase.

Notice of Funding Availability (NOFA) - A public notice that an agency will issue a Request for Applications (RFA), informing interested parties when and where an RFA may be obtained.

Object Class - A budgetary classification that breaks down the general budget categories of personal services and nonpersonal services into more specific types of expenditure, such as Fringe Benefits (Object Class 14) or Supplies (Object Class 20).

Objectives - Measurable activities of a program that are sought to achieve the overall mission.

Obligations - The amount of expenditure already made as well as the cost of commitments requiring future payments.

Occupational Classification Codes (OCCs) - Classification system used to identify employees by function. The eight major OCCs are based on the following job descriptions:

Officials and Administrators *- Employees make broad policies; exercise responsibility for the implementation of these policies; or, direct individual departments or special phases of an agency's operations; or, provide specialized consultation on a regional, district or area wide basis;*

Professionals *- Employees must have specialized and theoretical knowledge usually acquired through college training, job experience, or other comparative training;*

Technicians *- Employees must have a combination of basic scientific or technical knowledge and manual skills obtained through specialized post-secondary school education or equivalent on- the-job training;*

Protective Service Workers *- Employees perform public safety, security, and "protection from destructive forces" duties;*

Paraprofessionals *- Employees perform some professional or technician duties but only in a supportive role. Assignments usually require less formal training and/or experience than required of professional or technical employees;*

Office and Clerical *- Employees must communicate within and outside their office setting, in addition to recording and retrieving information;*

Skilled Craft Workers *- Employees perform work which requires special manual skills gained from on-the-job training, apprenticeship, or formal training programs; and*

Service and Maintenance *- Employees perform duties related to the comfort, convenience, hygiene or safety of the public; or, maintain buildings, facilities or grounds of public property. Workers in this group may operate machines.*

Operating Budget - That portion of a budget that deals with such recurring expenditures as salaries, electric bills, postage, printing and duplicating, paper supplies, and gasoline. The operating budget also includes debt service and overhead costs for these operations.

Other Services and Charges - A budgetary classification of nonpersonal services that includes funds for printing, postage, tuition, travel, conference, and membership dues. name of the object class primarily used to allocate funds for con-tractual services.

Other Revenue (O-Type or Dedicated Non-Tax Revenue) - Includes revenues from fees and charges that are collected and spent by the collecting agency.

Other Services and Charges - The name of the object class primarily used to allocate funds for contractual services.

Program - A group of similar activities, or type of service, that is organized as a sub-unit of an agency for accounting, budgeting, planning and performance measurement purposes.

Personal Services (PS) - A budget category that includes budget objects for reporting personnel-related expenditures. Personal Services includes Regular Pay, Other Pay, Additional Gross Pay, and Fringe Benefits.

Performance-Based Budgeting (PBB) - Refers to a budget system in which budget decisions are based on or informed by performance information that describes the cost or efficiency of producing and activity and the results achieved for customers. This is accomplished by structuring the accounting and budgeting systems according to the structure of the agency's Strategic Business Plan.

Performance Measures - Measures that describe the information managers and other decision-makers need in order to make good business decisions. There are four types of measures: (1) results, (2) outputs, (3) demand, and (4) efficiency.

Private Revenue - Funding from private grants that is retained by the agency to fund the intended purpose of the grant.

Proprietary Fund - Fund category that often emulates the private sector and focuses on the measurement of net income. Expenditures are funded by user charges and fees represented as enterprise funds in the CAFR.

Program - A component part of the District's program structure. Comprised of a set of activities that have a common purpose or result.

Program structure - The delineation of pro-grams, activities, and services that constitute the work of an agency.

Real (Constant) Dollars - The value of current-year dollars adjusted to account for inflation.

Redirections - The permanent shift of funds or positions within an agency.

Regular Pay - Salary and wages for all continuing full-time employees.

Reorganization - Refers to changes in the budget and reporting structures within agencies.

Reprogramming - A temporary budget change to reallocate funds within an agency's budget to meet a purpose other than that originally approved.

Request for Applications (RFA) - The document that describes the requirements for subgrant applications.

Request for Proposal (RFP) - The official document requesting from prospective contractors a detailed description of the manner in which they plan to achieve the goals specified by the RFP were they awarded a contract to do so. The plan usually includes the proposer's estimate of total cost and required schedule.

Rescission - A legislative cancellation of budget authority previously approved by the Council and the Congress.

Responsibility Center - A component of a control center, the lowest organizational level shown in the annual budget request.

Revenue Bonds - Bonds whose principal and interest are payable exclusively from the earnings of an enterprise fund.

Revenue Category - General types of revenue, such as taxes.

Revenues - The annual income or receipts of the District from taxes, charges, grants, and investments.

Revenue Class - Specific revenues, such as real property taxes.

Review panel - A team of qualified individuals responsible for reviewing, scoring, and recommending applicants for subgrant awards.

Revolving fund - A fund account containing money that is renewed as it is used, either by additional appropriations or by income from the programs it finances; thus, the fund retains a balance at all times.

Strategic Goal - In strategic business planning, refers to goal statements that describe in measurable terms the significant results that an agency must accomplish over the next 2 to 5 years to respond to the critical trends, issues, and challenges.

Strategic Business Plan - A strategic business plan establishes and articulates the purpose, strategic goals, operational organization and performance expectations for an agency.

Standard Industrial Classification (SIC) code - Original set of categories for public, non-profit, and public sector organizations used by government manufacturing and the financial industry as a basis of classifying organizations. SIC codes are being replaced by NAICS because of the North American Free Trade Agreement (NAFTA) between the US, Canada, and Mexico.

Special Purpose Revenue - (formerly Type O, O-type, Other funds) - See Private/Special Purpose Revenue.

Special Revenue - Funds used to account for proceeds for specific revenue sources (other than expendable trusts, special assessments, or major capital projects) that are legally restricted to expenditures for specified purposes.

Structural Balance - The degree to which revenues match expenditures over time.

Subgrant - The commitment of funds from a grant by a District government agency to a governmental or private organization to support specific services and operations.

Subsidies and Transfers - The name of the object class used to allocate funds for a variety of public welfare and support costs and to transfer funds to other organizations, such as the Washington Metropolitan Area Transit Authority, providing services to District residents.

Supplies - The names of the budgetary object class used to allocate funds for consumable materials.

System of Accounting and Reporting (SOAR) - Acronym for the financial management system used by the District.

Tax abatement - A decrease or rebate of a tax or burden improperly made. At times a tax abatement may reflect only an acknowledgment of a changed situation.

Tax Increment Financing - Tax increment financing is a method to pay for the costs of qualifying improvements necessary to create new development or redevelopment. The financing of the qualifying improvements is paid from increased property and/or sales taxes generated from the new development or redevelopment that would not occur "but for" such assistance.

Tobacco securitization - Securitization is a financing method whereby a party sells bonds to investors backed by a future stream of payments. With tobacco securitization, the future stream of payments is the periodic payments tobacco companies will make as part of a settlement reached by the companies and various states in 1998. The District received funds up front from the proceeds of the bond sale. The investors receive principal and interest payments on their bonds from the tobacco companies' payments. Securitization shifts the risk that the tobacco companies will stop making settlement payments from the government to private investors or insurers.

Total Full-Time Equivalent (FTE) Employment - A measure of employment that reflects all full-time and part-time staff resources in terms of standard work hours, based on a work year of 2,080 hours.

Trust and Agency Funds - Funds used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Transfers - Reallocation of resources (funds or positions) among agencies or funds.

Unfunded Liabilities - Potential or actual debts for which no current funding is available.

Uniform Per Student Funding Formula - Fund-ing formula used by the District that determines the annual appropriation of Local funds for the operation of the D.C. Public School System (and charter schools) based on the number of students, the grade level, and the special programs in which they are enrolled. The UPSFF is used to fund the entire school system with the exception of state level costs which are locally funded through a separate mechanism.

WAE - The abbreviation for when actually employed, referring to part-time staff paid on an hourly basis.

Weighted Student Formula (WSF) - Funding formula used by the school system to annually fund each school. The formula is based on en-rollment, grade level, special education needs, free and reduced price lunch eligibility, and Eng-lish as a Second Language characteristics.

Within-Grade (Step) Increase - A salary increase awarded to an employee based on longevity of service and acceptable performance.