
Introduction to the FY 2006 Budget and Financial Plan

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

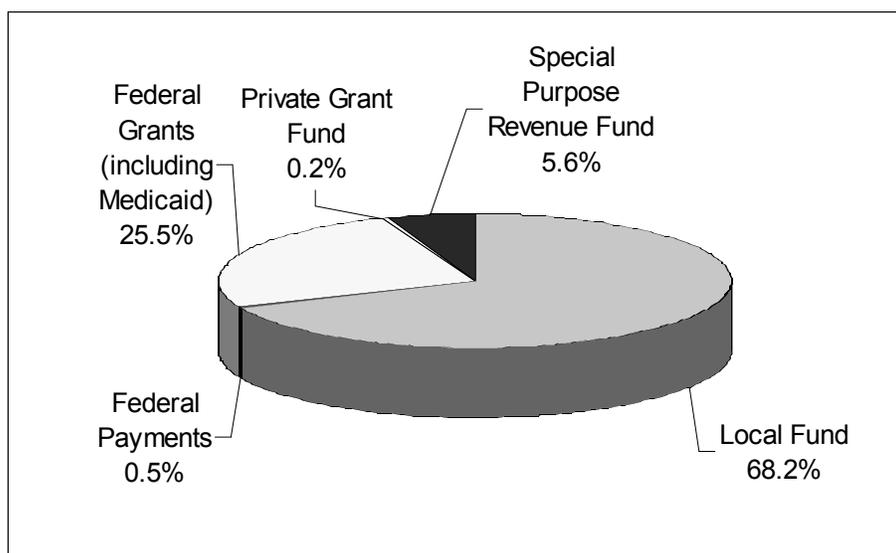
In one entity, the District government provides services typically delivered elsewhere by states, counties, cities, and special taxing districts. The challenge for the District is to navigate this jurisdictional complexity while facing declining revenues and increasing service needs. Totalling \$7.186 billion, the FY 2006 Proposed Budget and Financial Plan is \$899 million more than the FY 2005 approved budget of \$6.286 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.

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.

Chart 1-1

Where the Money Comes From - Total Gross Funds FY 2006 \$7.19 Billion



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 2006 revenue estimates and projection assumptions are included in the revenue chapter of this budget book.

How the Money is Allocated

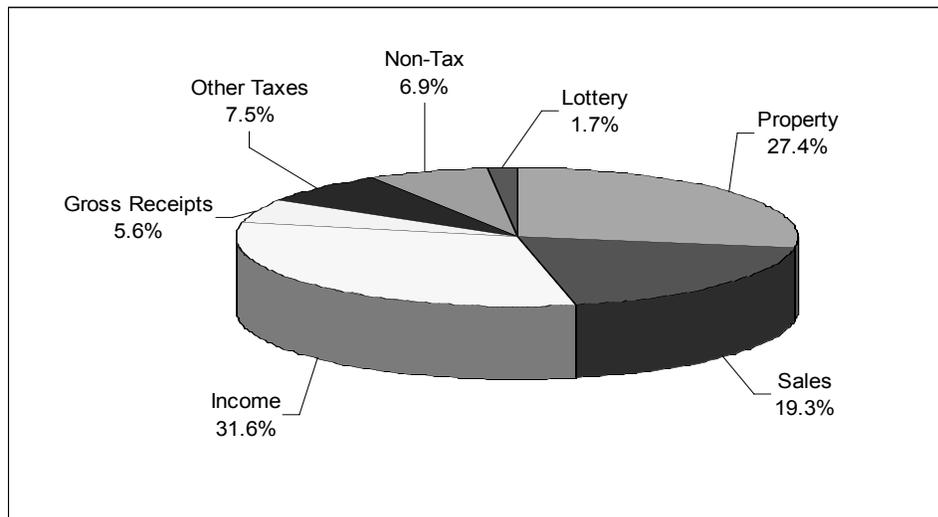
To facilitate policy decisions concerning expenditures and to provide summary information for reporting expenditures, the District's budget is developed, presented, and executed along several lines. These include fund types, appropriation titles, agencies, programs, and expense categories.

Additionally the Mayor's FY 2006 proposed budget is divided into three portions - the core budget, Community Investments, and Resident Dividends. The core budget stays within the legislatively mandated growth cap of 4.7 percent. Community Investments are ongoing initiatives that benefit the District community. Resident Dividends are non-recurring initiatives that benefit the District's residents.

As with revenues, expenditures can be grouped by the source of funds. The total of these funds is referred to as gross funds. The core gross funds budget for FY 2006 is \$6.640 billion, \$354 million or 5.6 percent more than the FY 2005 approved budget of \$6.286 billion. The proposed gross funds budget for FY 2006 is \$7.186 billion, \$899 million or 14.3 percent more than the FY 2005 approved budget of \$6.286 billion. The FY 2006 proposed gross funds budget of \$7.186 billion includes \$79.3 million in Community Investments and \$465.9 million in Resident Dividends. 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 2006 core gross funds expenditures budget by appropriation title. Table 1-2 shows the FY 2006 proposed gross funds expenditures budget by appropriation title, including breakouts of the

Chart 1-2

Where the Money Comes From - Local Fund FY 2006 \$4.39 Billion



Note: The above chart excludes fund balance and includes the Mayor's policy priorities.

Table 1-1

Gross Funds Core Expenditure Budget, by Appropriation Title

(Dollars in Thousands)

	FY 2005 Approved Budget	FY 2006 Core Budget	Change from FY 2005	% Change from FY 2005
Governmental Direction and Support	419,931	430,979	11,048	2.6
Economic Development and Regulation	340,082	375,440	35,358	10.4
Public Safety and Justice	798,846	843,415	44,569	5.6
Public Education System	1,278,113	1,348,869	70,756	5.5
Human Support Services	2,538,289	2,668,746	130,457	5.1
Public Works	334,416	372,519	38,103	11.4
Financing and Other	576,572	600,421	23,848	4.1
Total	6,286,248	6,640,388	354,140	5.6

Table 1-2

Gross Funds Proposed Expenditure Budget, by Appropriation Title

(Dollars in Thousands)

	FY 2005 Approved Budget	FY 2006 Core Budget	FY 2006 Community Investments	FY 2006 Resident Dividends	FY 2006 Proposed Budget	Change from FY 2005	% Change from FY 2005
Governmental Direction and Support	419,931	430,979	6,066	2,663	439,708	19,778	4.7
Economic Development and Regulation	340,082	375,440	21,070	12,275	408,785	68,702	20.2
Public Safety and Justice	798,846	843,415	4,555	300	848,270	49,424	6.2
Public Education System	1,278,113	1,348,869	10,886	49,696	1,409,451	131,339	10.3
Human Support Services	2,538,289	2,668,746	24,684	6,296	2,699,726	161,437	6.4
Public Works	334,416	372,519	-	-	372,519	38,103	11.4
Financing and Other	576,572	600,421	12,000	394,700	1,007,121	430,548	74.7
Total	6,286,248	6,640,388	79,261	465,930	7,185,579	899,331	14.3

Community Investments and Resident Dividends.

The core Local funds budget for FY 2006 is \$4.359 billion, \$189 million or 4.5 percent more than the FY 2005 approved budget of \$4.170 billion. The proposed Local funds budget for FY 2006 is \$4.903 billion, \$733 million or 17.6 percent more than the FY 2005 approved budget of \$4.170 billion. Table 1-3 shows the FY 2006 core Local funds expenditures budget by appropriation title. Table 1-4 shows the FY 2006 proposed Local funds expenditures budget by appropriation title, including breakouts of the Community Investments and Resident Dividends.

The proposed Local funds budget represents 68 percent of the proposed gross funds budget.

The largest appropriation titles, Public Education System and Human Support Services, represent 49 percent of the Local funds proposed budget - meaning about 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, and the Department of Motor Vehicles. The FY 2006 proposed budget includes 106 agencies dispersed across eight appropriation titles.

To provide context as to the types of expenses for a particular program, information is pre-

Table 1-3
Local Funds Core Expenditure Budget, by Appropriation Title
(Dollars in Thousands)

	FY 2005 Approved Budget	FY 2006 Core Budget	Change from FY 2005	% Change from FY 2005
Governmental Direction and Support	264,335	284,222	19,887	7.5
Economic Development and Regulation	59,382	62,792	3,410	5.7
Public Safety and Justice	760,982	768,600	7,619	1.0
Public Education System	1,056,291	1,096,972	40,681	3.9
Human Support Services	1,165,314	1,237,789	72,475	6.2
Public Works	312,035	317,374	5,338	1.7
Financing and Other	551,746	591,335	39,589	7.2
Total	4,170,085	4,359,084	188,998	4.5

Table 1-4
Local Funds Proposed Expenditure Budget, by Appropriation Title
(Dollars in Thousands)

	FY 2005 Approved Budget	FY 2006 Core Budget	FY 2006 Community Investments	FY 2006 Resident Dividends	FY 2006 Proposed Budget	Change from FY 2005	% Change from FY 2005
Governmental Direction and Support	264,335	284,222	5,094	2,663	291,979	27,645	10.5
Economic Development and Regulation	59,382	62,792	21,070	12,275	96,137	36,754	61.9
Public Safety and Justice	760,982	768,600	4,555	300	773,456	12,474	1.6
Public Education System	1,056,291	1,096,972	10,886	49,696	1,157,554	101,263	9.6
Human Support Services	1,165,314	1,237,789	24,684	6,296	1,268,769	103,454	8.9
Public Works	312,035	317,374	-	-	317,374	5,338	1.7
Financing and Other	551,746	591,335	12,000	394,700	998,035	446,289	80.9
Total	4,170,085	4,359,084	78,289	465,930	4,903,303	733,218	17.6

sented by expense category. Table 1-5 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 of this budget book.

One of the District's largest expense categories is personal services, totaling \$1.659 billion and representing 33.8 percent of the Local funds proposed budget. This funding will support 25,971 Local full-time equivalent (FTE) positions, a decrease of 190 FTEs, or 0.7 percent from FY 2005 (see table 1-6). Including all fringe benefits, but excluding extra compensation like overtime and shift differential, the aver-

age Local FTE for FY 2006 will cost \$61,117.

The District's FY 2006 gross funds proposed budget includes 33,619 FTEs, a decrease of 562 FTEs or 1.6 percent from FY 2005. Major gross funds FTE changes by agency are detailed in table 1-7.

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

Table 1-5

Local Funds Proposed Expenditure Budget, by Category

(Dollars in Thousands)

	FY 2005 Approved Budget	FY 2006 Core Budget	FY 2006 Community Investments	FY 2006 Resident Dividends	FY 2006 Proposed Budget	Change from FY 2005	% Change from FY 2005
Continuing Full Time Pay	1,222,677	1,268,193	17,384	1,925	1,287,502	64,825	5.3
Regular Pay - Other	85,855	87,813	433	-	88,246	2,391	2.8
Additional Gross Pay	33,195	37,062	5	-	37,067	3,873	11.7
Fringe Benefits	194,473	208,494	2,722	298	211,514	17,041	8.8
Overtime Pay	36,290	34,522	-	-	34,522	-1,768	-4.9
<i>Personal Services</i>	<i>1,572,490</i>	<i>1,636,085</i>	<i>20,544</i>	<i>2,223</i>	<i>1,658,852</i>	<i>86,362</i>	<i>5.5</i>
Supplies and Materials	42,343	51,337	156	10	51,503	9,160	21.6
Energy	63,257	64,242	-	-	64,242	985	1.6
Telephone, Telegraph, Telegram, Etc.	30,005	29,751	93	-	29,844	-161	-0.5
Rentals - Land and Structures	68,052	86,530	-	-	86,530	18,478	27.2
Janitorial Services	5,044	5,069	-	-	5,069	24	0.5
Security Services	19,302	23,029	70	-	23,099	3,796	19.7
Occupancy Fixed Costs	6,575	9,752	-	-	9,752	3,177	48.3
Other Services and Charges	128,016	138,275	2,274	1,250	141,799	13,782	10.8
Contractual Services - Other	389,951	345,002	2,215	7,956	355,173	-34,778	-8.9
Subsidies and Transfers	1,412,260	1,478,447	52,583	452,214	1,983,244	570,984	40.4
Equipment & Equipment Rental	46,729	46,197	354	2,277	48,829	2,100	4.5
Debt Service	386,061	445,368	-	-	445,368	59,307	15.4
<i>Nonpersonal Services</i>	<i>2,597,595</i>	<i>2,722,999</i>	<i>57,746</i>	<i>463,707</i>	<i>3,244,452</i>	<i>646,856</i>	<i>24.9</i>
Total	4,170,085	4,359,084	78,289	465,930	4,903,303	733,218	17.6

Table 1-6

Local Funds Proposed FTEs, by Appropriation Title¹

	FY 2005 Approved Budget	FY 2006 Core Budget	FY 2006 Community Investments	FY 2006 Resident Dividends	FY 2006 Proposed Budget	Change from FY 2005	% Change from FY 2005
Governmental Direction and Support	2,328	2,314	30	2	2,346	18	0.8
Economic Development and Regulation	417	457	68	-	525	108	25.8
Public Safety and Justice	7,711	7,596	76	-	7,672	-39	-0.5
Public Education System	9,209	8,985	13	-	8,998	-211	-2.3
Human Support Services	4,326	4,178	68	-	4,246	-80	-1.8
Public Works	1,616	1,549	-	-	1,549	-68	-4.2
Financing and Other	-	16	-	-	16	16	n/a
Enterprise and Other	554	576	44	-	620	66	11.9
Total	26,161	25,670	299	2	25,971	-190	-0.7

¹ Appendices P and T provide the General Fund's FTE levels for FY 2004 through 2006 for each agency, while Appendices P and T provide the Gross Funds FTE levels for the same period.

Table 1-7
Major Gross Funds FTE Changes

Governmental Direction and Support		
Office of the Mayor	11	Transfers from Office of the City Administrator (+5) and new positions for existing programs (+6)
Office of the Chief Financial Officer	34	New initiatives (non-custodial fathers, baseball) and improved tax collections
Office of the Attorney General for the District of Columbia	32	Additional positions for State Disbursement Unit (for support payments)
Economic Development and Regulation		
Department of Employment Services	11	Reduced grant funding in Unemployment Insurance and Workforce Development programs, additional local positions for Way to Work program
Department of Consumer and Regulatory Affairs	43	New positions for operational improvements and Homeowner Center
Public Safety and Justice		
Metropolitan Police Department	40	Transfer from DC Housing Authority
Department of Corrections	44	New positions for US Marshal transportation and special education teachers
Office of the Chief Medical Examiner	15	New positions for fatality review committee, toxicology, and information technology maintenance
Office of Unified Communications	35	Civilianization of telephone reporting unit and transcribing unit
Public Education System		
D.C. Public Library	11	Expansion of service hours
D.C. Public Schools	(734)	Position abolishments and early-out retirement initiative
Human Support Services		
Department of Parks and Recreation	82	Positions for summer operations and State Education Office's year-round nutritional feeding program
Department of Health	(114)	Reduced vacant positions
Department of Human Services	(597)	Transfer to Department of Youth Rehabilitation (-592) and elimination of unfunded positions (-5)
Department of Youth Rehabilitation Services	592	New agency in FY 2006
Department of Mental Health	(214)	Early-out retirement initiative
Public Works		
Department of Public Works	27	New positions for street cleaning services, which were previously done by a contractor
Department of Motor Vehicles	17	Restore positions after the reversal of the One-Done initiative
Financing and Other		
Non-Departmental	16	Positions for the Department of Youth Rehabilitation Services, pending Mayor-Council agreement on department's structure
Enterprise Fund		
D.C. Lottery and Charitable Games Board	(15)	Eliminated positions during agency reorganization
D.C. Retirement Board	31	New positions for handling retiree payroll (function transferred from the Office of the Chief Financial Office)
University of the District of Columbia	56	Additional adjunct faculty and Academic Affairs positions
Other agencies		
	14	This variance represents a net impact of other agency FTE changes that are not detailed above

also be provided. More information about performance-based budgeting is available in the Strategic Budgeting chapter.

Organization of the FY 2006 Budget and Financial Plan

The FY 2006 Budget and Financial Plan is composed of the following volumes:

- FY 2006 Executive Summary
- FY 2006 Budget and Financial Plan - This provides all summary information regarding the District's proposed budget.
- FY 2006 Operating Appendices - This provides detailed information about operating funds by agency.
- FY 2006 Capital Appendices - This provides detailed information about capital projects and spending by agency.
- FY 2006 Citizen's Guide to the Budget

While the proposed budget is similar to last year's submission, there are some notable changes accompanying the CD-ROM version of the FY 2006 budget.

They include:

- Presentation of 11 additional agencies in performance-based budget (PBB) format, bringing the total number of PBB agencies to 67 and represent more than 64 percent of the gross funds budget.
- The Commission on the Arts and Humanities has been transferred from the Public Education appropriation title to Economic Development and Regulation.
- The Department of Youth Rehabilitation Services has been separated from the Department of Human Services.

The FY 2006 Budget and Financial Plan serves as the main volume of the proposed budget. This volume contains information on District-level and agency level revenues and expenditures. This volume is organized into two primary sections. The narrative section provides general District-wide summary information about the budget, including revenues, expenditures, strategic initiatives, and capital expenditures. The agency section provides agency-spe-

cific information about revenues, expenditures, key initiatives, program information (for PBB agencies only), and performance data. Detailed information about agency expenditures can be found in the aforementioned supporting volumes.

The FY 2006 Budget Calendar

The FY 2006 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 1-8.

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

Table 1-8

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.
Budget Guidance	
August - October 2004	The FY 2006 budget process began with the Office of Budget and Planning creating guidelines on how agencies should prepare the agency budget submissions.
Citizen Summit	
Every other year	On November 15, 2003, the Mayor hosted Citizen Summit III at the new Washington Convention Center to seek citizen advice on the draft Citywide Strategic Plan.
Agency Budget Request Development	
November - December 2004	Taking into consideration the draft citywide strategic plan, the SNAPs, and following the budget guidance from OBP, agencies developed their FY 2006 budget requests and program enhancements.
Budget Analysis	
December 2004 - January 2005	OBP reviewed agency budget requests for adherence to guidelines, identified opportunities for efficiencies and incorporated revised economic data.
Budget Presentation	
January - March 2005	OBP provided the Mayor with the baseline budget and program enhancements requested by the agencies. Final budget priorities were determined, and the FY 2006 proposed budget was finalized for submission to the Council on March 21, 2005.
Budget Consensus Process	
The consensus process is the period when the Council, citizens, interested parties and the Mayor come to agreement on FY 2006 spending priorities. The District is legislatively required to develop and adopt a balanced budget.	
March - April 2005	Public hearings on the FY 2006 proposed budget
April 2005	Council begins revising, or marking up, the Mayor's proposed budget
May 2005	Council approves the FY 2006 Budget and Financial Plan
June 2005	The FY 2006 Proposed Budget and Financial Plan is submitted to Congress

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.

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 pre-

sent 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 timely a disapproved item or provision to the Council, he or she shall be deemed to have approved the item or provision and the chairman submits 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 Appropriations subcommittees on the District of Columbia. 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.