

THE CITIZENS' BUDGET

AFFORDABLE HOUSING ■ EDUCATION ■ HEALTH ■ JOBS ■ LIBRARIES ■ YOUTH

FY 2007

PROPOSED BUDGET & FINANCIAL PLAN

VOLUME 3 OPERATING APPENDICES PART I

(GOVERNMENTAL DIRECTION AND SUPPORT,
ECONOMIC DEVELOPMENT AND REGULATION,
AND PUBLIC SAFETY AND JUSTICE)



Submitted to the
Congress of the United States
by the
Government of the District of Columbia
June 5, 2006



Government of the District of Columbia
FY 2007 Proposed Budget
and Financial Plan

The Citizens' Budget

Volume 3

Operating Appendices - Part I

Submitted
to the
Congress of the United States

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**District of Columbia Government
District of Columbia**

For the Fiscal Year Beginning

October 1, 2005

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Budget Presentation to the District of Columbia for its annual and capital budget for the fiscal year beginning October 1, 2005.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria of a policy document, a financial plan, an operational guide and a communications device.

The award is the fourth in the history of the District of Columbia. The Office of Budget and Planning will submit this FY 2007 Budget and Financial Plan for consideration by GFOA, and believes the FY 2007 Proposed Budget and Financial Plan continues to conform to the GFOA's requirements.

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City Administrator

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Chief of Staff

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Carol SchwartzAt Large
Phil MendelsonAt Large
Kwame Brown.....At Large
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Jack EvansWard 2
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Adrian Fenty.....Ward 4
Vincent B. Orange Sr.Ward 5
Sharon Ambrose.....Ward 6
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Economic Development and Regulation

Deloras Shepherd

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FY 2007 Proposed Budget and Financial Plan

Volume 3

Operating Appendices - Part 1

(Governmental Direction and Support, Economic Development and Regulation and Public Safety and Justice)

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- Volume 1 - FY 2007 Proposed Budget and Financial Plan - *Executive Summary*
- Volume 2 - FY 2007 Proposed Budget and Financial Plan - *Agency Budget Chapters*
- Volume 4 - FY 2007 Proposed Budget and Financial Plan - *Operating Appendices - Part II*
- Volume 5 - FY 2007 Proposed Budget and Financial Plan - *FY 2007 - FY 2012 Capital Appendices*
- Volume 6 - FY 2007 Proposed Budget and Financial Plan - *FY 2007 - FY 2012 Highway Trust Fund*



Transmittal Letter



ANTHONY A. WILLIAMS
MAYOR

June 6, 2006

The Honorable George W. Bush
President of the United States
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Bush:

It is my pleasure to submit to you the District of Columbia *Fiscal Year 2007 Proposed Budget and Financial Plan: The Citizens' Budget* on behalf of the residents of the District of Columbia. As my last budget as Mayor of the District of Columbia, I am pleased to submit this proposal at a time when the District's economy is strong, services are improved, investment is accelerated, and our fiscal success is irrefutable.

This budget fulfills our past commitments to citizens by responsibly containing growth, meeting our commitments to programs initiated in prior years, and initiating new projects in areas that reflect the highest priorities of our residents. The largest investments reflect the greatest priorities of District residents: affordable housing and education, with more targeted investments in health, libraries, jobs and youth.

The proposed FY 2007 budget supports \$7.61 billion in total funding and 34,469 full-time equivalent (FTE) staff including federal funds. The District's local fund budget supports \$5.09 billion in funding and 26,951 FTEs. This local budget represents a 2.6 percent increase over last year's funding level.

This budget, which is aligned with my key strategic priorities and approved by the Council through the legislative process, meets the District's three main fiscal objectives:

- Fulfilling our commitment to responsible fiscal management;
- Investing proceeds of our strong economy in citizens' priorities; and
- Seeking partnership with the federal government that reflects our special status as the nation's capital.

Commitment to Fiscal Responsibility

The District has diligently and responsibly overcome many fiscal challenges over the past decade and I have worked closely with the Council and the Chief Financial Officer to achieve a tremendous amount of financial progress over a short period of time.

During periods of strong economic prosperity, there is a temptation to grow the government. This budget takes the responsible approach by scaling back approximately \$205 million in baseline growth. In the vast majority of cases these reductions lowered agency budget growth to a moderate and appropriate increase over the FY 2006 spending levels; however, in some cases the reductions will have an impact on services. We worked diligently to ensure that these reductions have a minimal impact on services, but in some cases this budget reflects difficult decisions to shift resources from one area to another. This critical look at our existing programs has allowed us to meet our commitment to lowering District income taxes again this year in a package that will save District taxpayers \$64 million per year over the long term.

This budget takes the final step towards completing tax reductions associated with the Tax Parity Act of 1999 which will save District taxpayers \$51 million in FY 2007 and \$64 million during FY 2008 and beyond. This final phase of tax parity implements reductions for individuals at lower income levels as compared to earlier phases of tax parity. For taxpayers with taxable income between \$0 and \$10,000, tax rates will fall from 4.5 percent to 4.0 percent. For taxable income from \$10,000 to \$40,000, tax rates will fall from 7.0 percent to 6.0 percent. And for taxable income above \$40,000, tax rates will fall from 8.7 percent to 8.5 percent. This last phase of tax parity caps a three-year period in which the District has provided over \$350 million in tax relief to District residents and businesses, mostly in the form of property tax and income tax relief.

The District is committed to continuing our strong and growing record of fiscal responsibility. Fiscal year 2005 marked the District's eighth consecutive balanced budget. The District has an A rating from all three credit rating agencies, and our ratings are as high as they have been since the inception of Home Rule. The District continues to maintain a cash reserve balance of about \$250 million, which is among the strongest in the country and has contributed to our favorable credit ratings.

Even more impressively, the District has accumulated this record despite a long-term structural imbalance, which is estimated by the Government Accountability Office to be between \$470 million and \$1.1 billion per year. The GAO cites multiple factors causing this imbalance: the high cost of providing services in the D.C. metropolitan area, the relative poverty of our population, and federal restrictions on our revenue collection authority.

The District's strong financial performance in spite of a long-term structural imbalance is an apparent paradox. The explanation is twofold. One, our residents are among the most heavily taxed in the nation, and two, the District is deferring massive investments in

critical services and infrastructure. Approximately \$2.5 billion of infrastructure has been deferred, including renovating crumbling schools, repairing our outdated sewer system, and fixing accumulated needs in our streets, bridges and mass transit system.

As we seek solutions to address the structural imbalance and address our long-standing problems, it is clear that taxing our residents more or providing fewer services are not viable alternatives. Though the GAO report noted areas where the District needs to improve management efficiencies, the report is quite clear that this deficit would exist under any management structure and even tighter operational efficiencies. An option proposed by the GAO is a change in federal policy to expand the District's tax base or to provide additional financial support.

One very promising vehicle for resolving this imbalance is the "District of Columbia Fair Federal Compensation Act of 2005". This bill would provide the District with an annual federal payment of \$800 million a year dedicated to transportation projects, debt service payments, public school facilities, or information technology investments. This approach to redressing the District's structural imbalance would allow the federal government to invest in infrastructure that benefits the federal government itself, the Washington D.C. metropolitan area, as well as the District of Columbia.

In addition to addressing the federal contribution to our budget, we also need to repair the federal process for reviewing our budget. This year, the city appreciated your endorsement of budget autonomy for the District of Columbia and legislation has been introduced in the Congress to provide this authority. This legislation, besides being a well-deserved advancement of Home Rule, would significantly streamline and rationalize our budget process by allowing the city to better align local funds with oftentimes unpredictable and shifting needs. This legislation would put a permanent end to long delays where the District budgets resources to respond to new service needs, but those dollars are tied up in seemingly endless continuing resolutions. This bill would also allow the District to better align our fiscal year with the federal grant cycle and school year, as are most jurisdictions. This would eliminate a massive number of administrative burdens. Therefore, we are hopeful that the Congress will pass legislation this session to provide for budget autonomy.

Fulfilling Past Commitments and Aligning Budget with Citizen Priorities

This budget includes responsible investments in the landmark initiatives begun last year and targets new investments in the areas that citizens prioritize highest:

New Communities

Last year we launched the New Communities initiative, which is designed to decrease the concentration of poverty and crime through the creation of mixed-income neighborhoods

with one-to-one replacement of affordable housing. This District-sponsored redevelopment of the physical and human architecture will transform distressed neighborhoods into healthy, mixed-income communities, integrating public facilities and services in a sustained, multi-year effort to offer families better housing, employment and educational opportunities.

Over the past year we have made substantial progress in our first targeted community, Northwest One. This budget proposes an investment of \$4 million in social supports in Northwest One, Barry Farms, and Lincoln Heights. Human service delivery initiatives will include launching adult learning partnerships, expanding youth serving programs, and implementing intensive self-sufficiency case management support for residents. The District will also invest \$20 million in the Northwest One New Communities Plan, which includes a health center in conjunction with the Medical Homes initiative (\$6 million), a library (\$2.1 million) and a recreation center (\$12 million).

Great Streets

Another signature initiative that we launched last year, Great Streets, aims to transform under-invested corridors into thriving and inviting neighborhood centers through physical improvements and new business development using public actions and tools to leverage private investment. The total corridor distance is 23.2 miles and the corridors pass through over 50 different neighborhoods. Approximately 5,000 individual parcels front onto Great Street corridors, and approximately 35 percent or 1,750 are commercial properties. This budget includes \$6 million in development assistance and land use planning along selected corridors. We have allocated over \$100 million in local and federal funds for transportation, streetscape, and transit improvements to the following targeted corridors:

- Georgia Avenue and 7th Street NW (Wards 1, 2 & 4 - 5.6 miles);
- H Street NE and Benning Road NE/SE (Wards 5, 6 & 8 - 5.0 miles);
- Nannie Helen Burroughs Avenue NE (Ward 7 - 1.5 miles);
- Minnesota Avenue NE/SE (Wards 7 & 8 - 3.6 miles);
- Pennsylvania Avenue SE (Wards 6, 7 & 8 - 3.5 miles); and
- Martin Luther King Jr. Avenue SE and South Capitol Street (Ward 8 - 4.0 miles).

Way to Work

Through this initiative, we leverage the economic development activity that has transformed the District by refocusing its impact on specific neighborhoods and targeted communities. We have developed strategies to ensure that employment and business opportunities associated with the District's booming economy are available to all residents in every ward. Recently the Council approved a core component of my Way to Work legislation, establishing a living wage in the District of Columbia. This requires that District assisted employers are required to pay employees \$11.75 per hour.

This budget includes continued funding of \$21.6 million for the Way to Work initiative in FY 2007, with more than \$12 million targeted at the District's youth more than \$8 million for job training for hard to employ individuals and funding improvements in pre-apprenticeship programs. Collectively, these initiatives generate jobs for District residents, provide training in high-demand occupational areas, upgrade the skills of incumbent workers, increase the wages and benefits earned by residents, strengthen the District's tax base, and secure entry into the workforce for District residents with significant barriers to employment living in neighborhoods designated as persistent problem areas.

Affordable Housing

This budget also proposes to implement a new housing initiative based on the recommendations of the Mayor's Comprehensive Housing Strategy Task Force, which conducted a comprehensive year-long review of the housing landscape in the District of Columbia. This initiative is designed to protect and expand affordable housing so that the District is better equipped to address housing challenges including: a lack of affordable housing especially for those working at low to mid-level salaries; a need for housing for our most vulnerable residents, and the need for central coordination of the District's housing agencies.

Based on the Task Force recommendation, this budget includes an increase in the residential deed and recordation tax rates from 1.1 percent to 1.45 percent in order to provide the resources necessary to fulfill these recommendations by linking the economic proceeds generated by our housing boom to the dramatic demand and need for affordable housing. These proceeds will be devoted to the following major initiatives:

- \$14.0 million for rental assistance to offset loss of federal housing grants;
- \$5.0 million for the District's Workforce Housing initiative;
- \$4.7 million for homeless services including the *Homeless No More* initiative;
- \$5.8 million for New Communities real estate and human capital efforts;
- \$7.5 million for emergency assistance to prevent eviction;
- \$8.7 million for a new local rental assistance program;
- \$15.2 million for the Housing Production Trust Fund; and
- A new senior level housing coordinator for all District housing priorities.

Education

This budget includes an historically significant investment in capital funding at DCPS, with a total allocation of \$223 million to support rehabilitation and modernization of DCPS school buildings. This includes ongoing full funding of \$100 million in sales taxes as passed by Council and an additional \$123 million from other modernization resources.

The operating budget includes a total of \$1.2 billion in local funds for public education, including \$808 million for District of Columbia Public Schools (DCPS) and \$266 million for public charter schools. This FY 2007 budget level includes increases to the Per-Pupil

Funding Formula as recommended by the State Education Office. This increases base funding for education by \$402 from \$7,600 to \$8,002. This funding level also includes \$4.9 million to hold DCPS harmless from the impact of students transferring from the school system to private schools as part of the federal voucher program.

Libraries

In this budget I propose significant new investments into our city's library system to expand opportunities and elevate the quality of life by providing District residents access to information and literacy services, while serving as a community gathering place.

The District is committing \$16.25 million in FY 2007 as part of the over \$167 million capital investment in major construction and renovations to neighborhood branches over the next six years. This will meet the needs of community residents, provide an attractive gathering place for neighbors, and support neighborhood economic development. We also are investing \$5.5 million in FY 2007 to enhance key library services including updated collections, expanded operating hours, new computers, and improved programming for children, youth and adults.

I propose a new, central Martin Luther King, Jr., Memorial Library that will attract library patrons and serve as the symbolic, administrative, and technological hub of the library system. The cost will be covered with the proceeds of the disposition of the existing central library, the PILOT payment, and federal funding, including a portion of the \$30 million that you have recently committed to the District to support my initiative. To sustain the District's new system, we are partnering with community organizations and residents to establish and fund an endowment. Dependent upon revenues, I propose an additional expansion of library hours and increased funds for library collections and materials.

Health

The District continues to have one of the nation's most advanced health insurance safety nets, offering coverage to all residents up to 200 percent of poverty. The FY 2007 budget demonstrates the District's continued commitment to providing health services to residents by expanding health coverage for children from 200 to 300 percent of the federal poverty level and adding dental coverage within the Medicaid program for adults for the first time. These investments contribute to the District's goals to ensure adequate distribution across the District of high quality healthcare providers, provide additional health coverage to low-income residents, and improve public health management of chronic illness and communicable diseases.

This budget augments primary health care services with the goal of creating an electronic health record system (\$2.2 million) for community health centers, along with a bricks and mortar investment in community health centers that serve low-income populations (\$13.0 million). We have also added \$1 million for the operating costs of the Medical Homes

initiative. This budget also provides tuition reimbursement for private physicians who locate in underserved areas. We will also expand the hospital uncompensated care fund by \$4.25 million, which will generate a total \$14 million additional dollars (including federal funds) for District hospitals. This budget provides additional funding for HIV/AIDS prevention and the implementation of the recommendations of the Appleseed Report and it adds an additional \$1.2 million to expand the District's school-based health program.

Youth

The goal of the Mayor's Youth Development Strategy is to reduce youth violence and improve the quality and effectiveness of youth programs throughout the District. During the first year of the strategy's implementation, we relied on federal resources (such as bonus funds from the Temporary Assistance for Needy Families program) to support key activities. In FY 2007, this budget includes \$1 million to support interagency violence prevention efforts in addition to the resources for core initiatives already within agency budgets. I am also proposing, in partnership with Major League Baseball, an investment of \$1 million in a summer youth baseball academy. Finally, this budget also includes a capital investment of \$28.5 million in the Oak Hill Youth Center which will provide the resources necessary for the first phase of construction for our new youth facility.

Safety and Justice

This budget includes an increase of \$7 million in local funds to support 100 new police officers and an additional \$4 million in local funds to compensate for the loss of federal funding that supported 81 officers. This budget includes \$500,000 to continue our civilianization initiative which has already put 26 sworn officers on the street. I have also provided \$800,000 for additional forensics lab services, which is complemented by an additional \$5 million investment in the new Consolidated Laboratory Facility. This budget also includes over \$11 million in rehabilitation and construction of fire houses throughout the District.

Arts and Culture

This budget establishes a new arts endowment with a one-time infusion of capital for major arts organizations, and ongoing operating support through a \$2 million commitment to arts programs throughout the District of Columbia. This endowment would reflect a true legacy in the arts, while promoting equity through competition and accountability. This program, administered by the D.C. Commission on the Arts and Humanities, will combine both earmarked and competitive grants to create an expanded cultural presence for all residents and visitors while providing an incentive for local artists and arts organizations to remain and thrive in the District.

Seeking Targeted Federal Partnership

These local investments will leverage the strength of our economy to lift all communities by investing new resources in our neighborhoods, our infrastructure, and our more challenged communities. Connecting these communities to the economic vitality we are experiencing in many parts of the District is paramount to the continuation of the District's renaissance.

The President's FY 2007 budget has recognized the importance of partnering and contributing toward several of the District's top priorities and we are urging the Council to make the same commitment to partnership between the federal and District governments, in the following projects:

- **Library Initiative, \$30 million.** My comprehensive revitalization plan for the District's library system will expand literacy and education opportunities through a new central library and vastly enhanced branch system.
- **Navy Yard Metro, \$20 million.** This federal partnership will provide funds to meet the increased federal demand for Metro associated with the new headquarters for the U.S. Department of Transportation.
- **Tuition Assistance Grant Program, \$35.1 million.** This extremely successful college access program provides District residents with discounted tuition rates at selected public and private colleges and universities across the country.
- **The Three-Sector Education Initiative, \$40.8 million.** This initiative provides funding to D.C. Public Schools, the District's charter schools and scholarships to eligible individuals attending select private schools.
- **The Emergency Planning and Security Cost Fund, \$8.6 million.** Funding for this successful partnership is lower this year than prior years because of the projected availability of funds from prior years.
- **WASA's Long-Term Control Plan, \$7 million.** Continued funding for WASA's effort to clean up the Anacostia River.

Democracy for the Nation's Capital

Having outlined our budget objectives, it is important to keep in mind a District priority whose value is beyond fiscal measure, and that is our democratic rights. The District is the capital of the world's greatest democracy and it is the ultimate hypocrisy that its citizens suffer from the exact disenfranchisement this nation was founded to end.

The United States continues to sacrifice lives while promoting the spread of democracy worldwide, yet denies full democracy to more than a half a million people at its very heart. I urge you to end this injustice and provide the city with full voting representation in the Congress. Anything short of full democracy for our residents should be at the level of personal outrage for all Americans.

On behalf of the citizens of the District of Columbia, I hereby submit the FY 2007 Budget and Financial Plan for your support and transmittal to Congress.

Sincerely,

A handwritten signature in black ink that reads "Anthony A. Williams". The signature is written in a cursive style with a large initial 'A'.

Anthony A. Williams

FY 2007 Proposed Operating Budget:

Operating Appendices

How to Read the Operating Appendices

This document contains the following Operating Appendices schedules. These schedules have been formatted to match the CAFR. Appropriated Funds are reported as follows:

- ❖ General Fund
 - Local Funds (0100)
 - Local Dedicated Taxes (0110)
 - Other (“O”-Type) Funds (0600)
- ❖ Federal Resources
 - Federal Payments (0150)
 - Federal Grants (0200)
 - Federal Medicaid Payments (0250)
- ❖ Private Funds
 - Private Grants (0400)
 - Private Donations (0450)
- ❖ Intra-District Funds
 - Intra-District Funds (0700)

Appropriated Fund codes are in parenthesis.

- 1) **Schedule 30** provides information on the funding levels for each responsibility center within a control center. Control centers are large functional divisions. Responsibility centers are, in most cases, similar to programs. **Schedule 30** lists responsibility centers below their control centers. Also, each control center and responsibility center has an identification code. Control centers and responsibility centers have a four-character alphanumeric code. Schedule 30 also, includes FY 2007 funding by fund source, including:

- ❖ Local Funds and Local Dedicated Taxes
- ❖ Other (“O”-Type) Funds
- ❖ General Fund (Subtotal of Local and Other Funds)
- ❖ Federal Resources
- ❖ Private Funds
- ❖ Intra-District Funds

- 2) **Schedule 30-PBB** provides the same information as the **Schedule 30**, but by activities and programs. **Schedule 30-PBB** lists activities below their programs.

- 3) **Schedule 40** provides information by Comptroller Source Group (Object Class) data for each control center, by funding source for Gross Funds. These funding sources are:

- ❖ General Fund
- ❖ Federal Resources
- ❖ Private Funds
- ❖ Intra-District Funds
- ❖ Gross Funds

Comptroller Source Groups are categories of expenditures that include a breakdown of Personal services and Non-personal services.

Personal services categories include:

- ❖ Regular Pay (0011)
- ❖ Other Pay (0012)
- ❖ Additional Gross Pay (0013)
- ❖ Fringe Benefits (0014)
- ❖ Overtime Pay (0015)

Non-personal services categories include:

- ❖ Supplies and Materials (0020)
- ❖ Utilities (0030)
- ❖ Communications (0031)
- ❖ Rent (0032)
- ❖ Janitorial (0033)
- ❖ Security (0034)
- ❖ Occupancy Fixed Costs (0035)
- ❖ Other Services and Charges (0040)
- ❖ Contractual Services (0041)
- ❖ Subsidies and Transfers (0050)
- ❖ Land and Building (0060)
- ❖ Equipment (0070)
- ❖ Debt Service (0080)

4) **Schedule 40G** provides information by Comptroller Source Group (Object Class) data for each control center, by funding source for the General Fund. These funding sources are:

- ❖ Local Funds and Local Dedicated Taxes
- ❖ Other (“O” -Type) Funds
- ❖ General Fund

(This total equals the General Fund total on the **Schedule 40**)

- 5) **Schedule 40-PBB** provides the same information as the **Schedule 40**, but by Comptroller Source Group for each program for Gross Funds.
- 6) **Schedule 40G-PBB** provides the same information as the **Schedule 40G**, but by Comptroller Source Group within programs for the General Fund.
- 7) **Schedule 41** provides Comptroller Source Group information for budget and FTE by fund type at the agency level for Gross Funds.
- 8) **Schedule 41G** provides Comptroller Source Group information for budget and FTE by fund type at the agency level for the General Fund.
- 9) **Schedule 80** provides funding source information at the agency level for budget and FTE. This report details Grants (Federal and Private) and specific “O” -Type and Intra-District Funds.