

H

Financing and Other

Reserve

FY 2002 Proposed Operating Budget:	\$150,000,000
FY 2002 Proposed Capital Budget:	\$0

Budget Summary

The proposed FY 2002 operating budget for the Reserve is \$150,000,000, no change from the FY 2001 approved budget (table RD0-1). There are no full-time equivalents (FTEs) associated with the Reserve. The Reserve is funded entirely from local sources.

Program

Pursuant to Section 148 of the D.C. Appropriations Act 2000, the District's budget submission must contain a \$150 million reserve. It can only be expended according to criteria established by the Chief Financial Officer and approved by the D.C. Financial Responsibility and Management Assistance Authority. Funds may be made available for expenditures for identified projects in accordance with the following criteria:

- To ensure budget balance in case of a revenue shortfall.
- To provide flexibility to fund expenditures for nonrecurring initiatives that support sustainable and measurable increases in revenues through enhanced service delivery, reduce costs and unforeseen demands on District spending, and constitute an investment in fostering the District's economic well-being.
- The District must spend the funds from the Reserve in such a way that an appropriate available balance is maintained in the first, second, and third quarters to ensure balance between revenues and expenditures at year-end. Under no circumstances does the budgeted Reserve provide resources to agencies to allow them to overspend their budgets.

The proposed FY 2002 operating budget is \$150,000,000, no change from the FY 2001 approved budget.

Table RD0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Reserve

	Actual FY 2000	Approved FY 2001	Proposed FY 2002	Change from FY 2001
Subsidies and Transfers	0	150,000	150,000	0
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>0</i>	<i>150,000</i>	<i>150,000</i>	<i>0</i>
Total Proposed Operating Budget	0	150,000	150,000	0

District of Columbia Financial Responsibility and Management Assistance Authority

FY 2002 Proposed Operating Budget	\$0
FY 2002 Proposed Capital Budget	\$0

Budget Summary

The FY 2002 proposed operating budget for the District of Columbia Financial Responsibility and Management Assistance Authority (DCFRMAA) is \$0, a decrease of \$3,140,000, or 100 percent, from the FY 2001 approved budget (table XB0-1). No funding is proposed in FY 2002; it is anticipated that the conditions for control board dormancy will be met by September 30, 2001.

Strategic Issues

The agency will become dormant when the DCFRMAA authority certifies that:

- the District government has adequate access to both short-term and long-term credit markets at reasonable interest rates to meet its borrowing needs
- for four consecutive fiscal years (occurring after the date of the enactment of the act), the expenditures made by the District government

during each of these years did not exceed the revenues of the District government during such years, as determined in accordance with generally accepted accounting principles (GAAP) contained in the comprehensive annual financial report (CAFR) for the District of Columbia.

Agency Background

In April 1995, Congress addressed the District's financial crisis with the enactment of Public Law 104-8, the District of Columbia Financial Responsibility and Management Assistance Act. With this act, the Congress undertook to restore financial integrity and fiscal responsibility to the District government.

Trend data

Table XB0-2 shows the expenditure history for FY 1998–Proposed FY 2002.

The FY 2002 proposed operating budget is \$0, a decrease of \$3,140,000, or 100 percent, from the FY 2001 approved budget.

Table XB0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

District of Columbia Financial Responsibility and Management Assistance Authority

	Actual FY 2000	Approved FY 2001	Proposed FY 2002	Change from FY 2001
Regular Pay - Cont. Full Time	2	0	0	0
Unknown Payroll Postings	2	0	0	0
<i>Subtotal Personal Services (PS)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Subsidies and Transfers	3,140	3,140	0	-3,140
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>3,140</i>	<i>3,140</i>	<i>0</i>	<i>(3,140)</i>
Total Proposed Operating Budget	3,140	3,140	0	(3,140)

Table XB0-2

FY 2002 Proposed Operating budget, by Revenue Type

(dollars in thousands)

District of Columbia Financial Responsibility and Management Assistance Authority

	Actual FY 1998	Actual FY 1999	Actual FY 2000	Approved FY 2001	Proposed FY 2002
Local	3,220	5,096	3,140	0	0
Other	0	0	0	3,140	0
Gross Funds	3,220	5,096	3,140	3,140	0

Debt Service

FY 2002 Proposed Operating Budget:	\$287,702,000
FY 2002 Proposed Capital Budget:	\$0

The mission of debt service is to exercise fiscally responsible debt management practices to mitigate the cost of borrowing for the District of Columbia.

The FY 2002 proposed operating budget is \$287,702,000, a decrease of \$3,926,384, or 1.3 percent, from the FY 2001 approved budget.

Budget Summary

The proposed operating budget from all funding sources for debt service totals \$287,702,000, a decrease of \$3,926,384, or 1.3 percent, from the FY 2001 approved budget (tables DS0-1, ZD0-1, ZA0-1, CP0-1). This decrease is primarily attributable to debt service savings associated with the District's debt reduction efforts in FY 2001. These savings are partially offset by debt service costs associated with general obligation bonds to be issued to support the FY 2002 capital improvement plan (CIP).

Strategic Issue

Timely debt service payments are necessary to satisfy the District's commitments to its investors (bond holders) and maintain good credit standing in the financial marketplace. Debt service payments also reduce the District's outstanding debt. As of September 30, 2000, the District's long-term debt totaled \$3.11 billion.

FY 2002 Initiative

In FY 2002, there will be improved coordination with the capital improvement program to ensure the FY 2002 general obligation bond issue is exe-

cuted consistent with actual cash needs during the fiscal year, which will minimize debt service costs.

Agency Background

Under the District of Columbia Home Rule Act, the District may issue debt to finance capital projects or seasonal cash needs. No long-term general obligation debt (other than refunded debt) may be issued during any fiscal year in an amount that would cause the amount of principal and interest paid in any fiscal year, on all long-term debt, to exceed 17 percent of the revenue of the fiscal year in which the debt was issued. The debt service percentage is calculated using the highest fiscal-year debt service divided by the total revenue. The debt service percentage limitation was increased from 14 percent to 17 percent in FY 1998 as a result of the National Capital Revitalization and Self-Government Improvement Act of 1997. As of September 30, 2000, debt service represented 9.7 percent of revenue, a decrease from 12.7 percent of revenue on September 30, 1999.¹ A summary of the District's debt service requirements for its general obligation long-term debt can be found in table DS0/ZD0/ZA0/CP0-2.

¹ Source: FY 2000 CAFR, page 116 .

Table DS0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Repayment of Loans and Interest

	FY 2000 Actual	FY 2001 Approved	FY 2002 Proposed	Change from FY 2001
Debt Service	315,656	243,238	247,902	4,664
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>315,656</i>	<i>243,238</i>	<i>247,902</i>	<i>4,664</i>
Total Proposed Operating Budget	315,656	243,238	247,902	4,664

Table ZD0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Repayment of General Fund Deficit

	FY 2000 Actual	FY 2001 Approved	FY 2002 Proposed	Change from FY 2001
Debt Service	38,343	39,300	39,300	0
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>38,343</i>	<i>39,300</i>	<i>39,300</i>	<i>0</i>
Total Proposed Operating Budget	38,343	39,300	39,300	0

Table ZA0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Short-term Borrowings

	FY 2000 Actual	FY 2001 Approved	FY 2002 Proposed	Change from FY 2001
Debt Service	3,002	1,140	500	-640
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>3,002</i>	<i>1,140</i>	<i>500</i>	<i>(640)</i>
Total Proposed Operating Budget	3,002	1,140	500	(640)

Table CP0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Certificate of Participation

	FY 2000 Actual	FY 2001 Approved	FY 2002 Proposed	Change from FY 2001
Rent	7,929	0	0	0
Debt Service	0	7,950	0	(7,950)
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>7,929</i>	<i>7,950</i>	<i>0</i>	<i>(7,950)</i>
Total Proposed Operating Budget	7,929	7,950	0	(7,950)

Table DS0/ZD0/ZA0/CP0-2

Summary of Debt Service Requirements for General Obligation Long-term Debt to Maturity

(dollars in thousands)

Year ending September 30, 2000	General Obligation	
	Principal	Interest
2001	156,830	171,219
2002	139,303	160,346
2003	164,379	152,814
2004	176,253	144,812
2005	192,295	134,749
2006–2010	1,072,421	511,438
2011–2015	632,648	307,558
2016–2020	575,599	236,033
Total Debt Service Requirements	3,109,728	1,818,969

Source: FY2000 CAFR, page 55

Financing Methods

Debt service represents principal and interest expenditures associated with the District's financing activities. Consistent with prudent fiscal policies, the District finances the construction or acquisition of capital assets by issuing debt. Debt service for the District of Columbia includes four different financing methods:

The **Repayment of Loans and Interest** appropriation represents debt service costs on long-term general obligation bonds, which are associated with the District's borrowings to finance capital project expenditures of general fund agencies.

The **Repayment of General Fund Deficit** appropriation represents debt service associated with financing the District's \$331.6 million accumulated deficit, as of the end of FY 1990. The anticipated final repayment of these deficit-reduction bonds will occur in FY 2003.

The **Short-term Borrowings** appropriation represents interest and other costs associated with District borrowings to meet short-term seasonal cash needs.

The **Certificates of Participation** appropriation represents semi-annual lease payments due on land for the One Judiciary Square building. Defeasance of this obligation in FY 2001 eliminates further payments in this budget category.

Funding Summary

Debt service is funded entirely with local funds.

Proposed funding for Repayment of Loans and Interest totals \$247,902,000, an increase of \$4,663,616, or 1.9 percent. This increase is attributable to the anticipated FY 2002 general obligation bond issue to support the CIP. (See FY 2002–FY 2007 CIP, Volume I, for additional information concerning FY 2002 CIP Financing.)

Proposed funding for Repayment of General Fund Deficit debt service is \$39,300,000, representing no change from FY 2001.

Funding for Short-term Borrowings debt service totals \$500,000, a decrease of \$640,000 from FY 2001. This decrease is attributable to improved cash position.

Proposed funding for Certificates of Participation totals \$0, a \$7,950,000 decrease from FY 2001. This decrease is attributable to defeasing these certificates in FY 2001. Refer to the FY 2002 Operating Appendices (bound separately) for details.

John A. Wilson Building

FY 2002 Proposed Budget:	\$8,859,349
FY 2002 Proposed Capital Budget:	\$0

Budget Summary

The FY 2002 proposed operating budget for the John A. Wilson Building is \$8,859,349, an increase of \$450,349, or 5.4 percent, from FY 2001 (table ZZ0-1). There are no full-time equivalents (FTEs) supported by this budget.

Agency Background

The historic John A. Wilson Building, located along the prestigious Pennsylvania Avenue corridor, served as the seat of the District of Columbia government until FY 1994. In FY 1996, the building underwent extensive renovations to address years of neglect and deferred maintenance.

In FY 2001, the District government will return to the newly renovated building. This facility will be the main location for the Executive Office of the Mayor, the District Council, the Office of the Chief Financial Officer, and other government agencies.

Funding Summary

The proposed FY 2002 operating budget is \$8,859,349 in local funds for nonpersonal services. This budget covers \$6,759,349 for rent and \$2,100,000 for security. Refer to the FY 2002 Operating Appendices (bound separately) for details.

The FY 2002 proposed operating budget is \$8,859,349, an increase of \$450,349, or 5.4 percent, over the FY 2001 approved budget.

Table ZZ0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

The John A. Wilson Building

	FY 2000 Approved	FY 2001 Approved	FY 2002 Proposed	Change from FY 2001
Rentals - Land and Structures	0	6,437	6,759	322
Security Services	0	0	2,100	2,100
Other Services and Charges	0	1,972	0	-1,972
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>0</i>	<i>8,409</i>	<i>8,859</i>	<i>450</i>
Total Proposed Operating Budget	0	8,409	8,859	450

Workforce Investments

FY 2002 Proposed Operating Budget:	\$42,895,770
FY 2002 Proposed Capital Budget:	\$0

Budget Summary

The proposed FY 2002 operating budget for Workforce Investments from all funding sources is \$42,895,770, an increase of \$42,895,770 over FY 2001 because no compensation increases were budgeted in FY 2001. The entire budgeted amount is for personal services (table UPO-1). There are no full-time equivalent (FTE) positions supported by this budget.

Strategic Issues

Effective compensation management is critical to attracting and maintaining a quality workforce, a workforce that has made significant contributions to the success of the District during the past several years. Going forward, the District will

- Streamline the collective bargaining process by better aligning the negotiation process with the budget process and economic environment.
- Encourage performance-based compensation models and practices.

Programs

Workforce Investments includes the estimated fiscal impact of compensation increases for FY 2001 and FY 2002 for all District employees, union and non-union. The Office of Labor Relations and Collective Bargaining, located within the Office of the City Administrator, is the lead agency in representing the District in labor negotiations, arbitration, and other labor matters. As compensation enhancements are finalized, the appropriate amount of funding will be transferred to affected agencies.

Funding Summary

Workforce Investments receives 100 percent of its funding from local sources. Refer to the FY 2002 Operating Appendices (bound separately) for details.

The FY 2002 proposed operating budget is \$42,895,770, an increase of \$42,895,770 over the FY 2001 approved budget.

Table UP0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Workforce Investments

	FY 2000 Actual	FY 2001 Approved	FY 2002 Proposed	Change from FY 2001
Regular Pay - Cont. Full Time	0	0	36,461	36,461
Fringe Benefits	0	0	6,434	6,434
<i>Subtotal Personal Services (PS)</i>	<i>0</i>	<i>0</i>	<i>42,896</i>	<i>42,896</i>
Total Proposed Operating Budget	0	0	42,896	42,896

Non-Departmental

FY 2002 Proposed Operating Budget:	\$5,799,000
FY 2002 Proposed Capital Budget:	\$0

The Non-Departmental agency is a financial entity designed to account for anticipated costs that cannot be allocated to specific agencies during the development of the proposed budget. The use of a non-departmental account is a common practice to anticipate city-wide cost increases while providing the flexibility to project, budget, and allocate these costs.

The FY 2002 proposed operating budget totals \$5,799,000, an increase of \$5,799,000, over the FY 2001 approved budget.

Budget Summary

The FY 2002 proposed operating budget for the Non-Departmental agency totals \$5,799,000, an increase of \$5,799,000 over the FY 2001 approved budget (table DOO-1). No full-time equivalents (FTEs) are supported by this budget.

- Fully integrate the projection processes of the Offices of Property Management and the Chief Technology Officer (telecommunication costs) into the annual budget process.

Strategic Issue

In FY 2002, the Non-Departmental agency will improve budget formulation through greater recognition of city-wide cost drivers and by enhanced mechanisms to detect and project changes in these cost drivers.

Agency Background

FY 2002 marks the first year of the Non-Departmental agency. It is anticipated that this agency will continue to ensure that projected city-wide cost increases are included in the proposed budget.

FY 2002 Initiatives

- Develop a fringe benefit cost-projection model to account for changes in the District benefit portfolio.

Programs

For FY 2002, the Non-Departmental agency includes funding for three discrete costs: FY 2002 step increases for small agencies, employee health insurance cost increases, and a contingency for contract security costs.

Table DOO-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Non-Departmental

	Actual FY 1999	Approved FY 2001	Proposed FY 2002	Change from FY 2001
Subsidies and Transfers	0	0	5,799	5,799
<i>Subtotal Nonpersonal Services (PS)</i>	<i>0</i>	<i>0</i>	<i>5,799</i>	<i>5,799</i>
Total Proposed Operating Budget	0	0	5,799	5,799

The FY 2002 budget development manual directed agencies not to budget for step increases in FY 2002 because they are internally financed by the replacement of senior staff with staff compensated at lower levels. For small agencies, however, where staff turnover may not be sufficient to internally finance step increases, an amount of \$1,940,500 is included in the FY 2002 proposed budget for step increases. This funding will be allocated to agencies as needed during FY 2002 based on actual payroll costs and potential deficits identified through the monthly financial review process.

The District of Columbia awarded a new employment health insurance contract in April 2001. The estimated increase in the District's (employer) share of health insurance premiums is \$3,158,500. This funding will be allocated to agencies as needed based on actual fringe benefit expenditures during FY 2002, as monitored in the monthly financial review process.

Based on the latest estimates provided by the Office of Property Management (OPM), the District's contract security costs will increase by \$700,000 over the estimates provided during the FY 2002 baseline budget formulation.

Funding Summary

The proposed local budget totals \$5,799,000, an increase of \$5,799,000 over FY 2001. The entire amount is reflected in nonpersonal services. This budget is supported entirely by local funds. Refer to the FY 2002 Operating Appendices (bound separately) for details. In summary, the proposed budget provides:

- \$1,940,500 for step increases for small agencies to be allocated on an as-needed basis;
- \$3,158,500 for increased employer share of health insurance premiums; and
- \$700,000 for contract security costs.

Management Reform Savings

FY 2002 Proposed Operating Budget: \$0
 FY 2002 Proposed Capital Budget: \$0

Budget Summary

The proposed FY 2002 local budget is \$0, an increase of \$37,000,000, or 100 percent, over the FY 2001 (table PC0-1). There are no full-time equivalents (FTEs) supported by this budget, no change from FY 2001.

Background

In FY 1998, the District invested more than \$290 million in management reform operating and capital projects. In FY 1999, an additional \$28 million was allocated for management reform. These investments were expected to achieve \$10 million in savings in each fiscal year from FY 1999 through FY 2002, for a total of \$40 million. In the FY 2000 consensus budget process, an additional \$7 million target was established to reflect additional management improvements to bring

the total management reform savings to \$47 million. For FY 2001, the District identified \$37 million in management reform savings. The remaining \$10 million was identified and allocated to the agencies during the FY 2002 budget process.

Program

In the FY 2002 budget formulation process, \$10 million in savings has been identified (table PC0-2).

Funding Summary

Local

The proposed FY 2002 local budget is \$0, an increase of \$37,000,000 over the FY 2001 budget. The entire increase is subsidies and transfers. There are no FTEs supported by local sources. Refer to the FY 2002 Operating Appendices (bound separately) for details.

The FY 2002 proposed operating budget is \$0, an increase of \$37,000,000, or 100 percent, over the FY 2001 approved budget.

Table PC0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Management Reform Savings

	Actual FY 2000	Approved FY 2001	Proposed FY 2002	Change from FY 2001
Subsidies and Transfers	0	-37,000	0	37,000
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>0</i>	<i>-37,000</i>	<i>0</i>	<i>37,000</i>
Total Proposed Operating Budget	0	(37,000)	0	37,000

Table PC0-2

FY 2002 Management Reform Savings

Agency	Telecommunications	Operational Improvement Savings		
		Wireless	Energy	Total
Office of the Mayor	\$33,207	\$28,052	\$4,574	\$65,833
Office of the D.C. Auditor	\$0	\$1,020	\$0	\$1,020
Office of the City Administrator	\$7,488	\$28,052	\$1,474	\$37,014
Office of Property Management	\$53,091	\$22,272	\$6,105	\$81,468
Office of Finance and Resource Management	\$10,640	\$11,199	\$294	\$22,133
Office of the Chief Financial Officer	\$0	\$28,812	\$36,106	\$64,918
Office of the Secretary	\$0	\$0	\$3,040	\$3,040
Office of Personnel	\$29,996	\$12,278	\$8,335	\$50,609
D.C. Emergency Management Agency	\$47,213	\$18,422	\$3,687	\$69,322
Commission on Arts and Humanities	\$0	\$581	\$0	\$581
Office on Aging	\$0	\$707	\$0	\$707
Office on Latino Affairs	\$0	\$2,667	\$0	\$2,667
Office of the Corporation Counsel	\$91,871	\$25,361	\$10,931	\$128,163
D.C. Public Library	\$0	\$773	\$64,213	\$64,986
Department of Employment Services	\$56,276	\$12,876	\$30,679	\$99,831
Office of Campaign Finance	\$0	\$2,046	\$0	\$2,046
Department of Consumer and Regulatory Affairs	\$0	\$43,110	\$2,641	\$45,751
Board of Real Property Assessments and Appeals	\$0	\$527	\$0	\$527
Dept. of Housing and Community Development	\$4,400	\$6,609	\$0	\$11,009
Board of Appeals and Review	\$0	\$835	\$0	\$835
Board of Elections and Ethics	\$0	\$19,444	\$0	\$19,444
Business Services and Economic Development	\$28,417	\$13,523	\$5,416	\$47,356
Metropolitan Police Department	\$493,990	\$141,948	\$80,481	\$716,419
Fire and Emergency Medical Services Dept.	\$330,491	\$69,947	\$34,637	\$435,075
Department of Corrections	\$274,629	\$31,084	\$120,839	\$426,552
Department of Parks and Recreation	\$122,258	\$4,915	\$53,322	\$180,495
Department of Health	\$265,964	\$178,490	\$4,302	\$448,756
Department of Human Rights	\$1,715	\$0	\$0	\$1,715
Department of Human Services	\$517,790	\$34,737	\$100,103	\$652,630
Department of Public Works	\$526,131	\$76,023	\$122,471	\$724,625
Department of Motor Vehicles	\$0	\$9,565	\$12,087	\$21,652
Office of Contracting and Procurement	\$45,127	\$0	\$3,414	\$48,541
Office of the Chief Technology Officer	\$128,884	\$34,489	\$3,763	\$167,136
<i>Subtotal Operational Improvement Savings</i>	<i>\$3,069,578</i>	<i>\$860,364</i>	<i>\$712,914</i>	<i>\$4,642,856</i>

Additional Management Savings

Disability Compensation Fund	\$2,250,000
Reduction in Police Overtime	\$250,000
Debt Service Savings	\$1,604,430
Department of Corrections Staff Alignment	\$1,346,538

Total Management Reform Savings**\$10,093,824**

Emergency Reserve Fund

FY 2002 Proposed Operating Budget:	\$33,254,000
FY 2002 Proposed Capital Budget:	\$0

This transfer provides funding for the four-percent Emergency Reserve Fund, which is a restricted account within the General Fund. This fund may be accessed to address unanticipated and nonrecurring extraordinary needs of an emergency nature.

The FY 2002 proposed transfer from the operating budget to the Emergency Reserve Fund is \$33,254,000, a decrease of \$28,152,016, or 45.8 percent, from FY 2001.

Budget Summary

The FY 2002 proposed transfer from the operating budget to the Emergency Reserve Fund is \$33,254,000, a decrease of \$28,152,016, or 45.8 percent, from FY 2001 (table TT0-1). There are no full-time equivalents (FTEs) supported by this budget, no change from FY 2001.

\$33.3 million represents the amount of debt service that will be saved in FY 2002 as a result of this transaction. In future years, similar savings will be achieved.

Agency Background

In November 1998, the District of Columbia, 46 states, and various jurisdictions signed a Master Settlement Agreement with the tobacco industry ending a four-year battle over treatment costs incurred for smoking-related illnesses. Under the settlement, the tobacco companies are scheduled to pay \$253 billion over a 25-year or longer period. The receiving governments may use the funds for any purpose including securing the issuance of revenue bonds.

The D.C. Appropriations Act for FY 2001, as amended, requires that all debt service savings resulting from the tobacco securitization be transferred to the Emergency Reserve Fund each year until it is fully funded. After the reserve funds are fully funded, the debt service savings will be transferred to the Tobacco Settlement Trust Fund, established under section 2302 of the Tobacco Settlement Trust Fund Establishment Act of 1999 (Trust Fund).

Program

After the reserve funds are fully funded, debt service savings will be transferred to the Tobacco Trust Fund. Proceeds from this fund will be used in the following manner.

In FY 2001, the District securitized the settlement payments in exchange for a lump-sum payment that will then be used to repay existing long-term debt, thereby creating relief from the debt service payments associated with that debt. The

- 50 percent of the debt service savings will be devoted to program investments in areas such as health, and/or education, and 50 percent will be devoted to financial investments.

Table TT0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Emergency Reserve Fund

	Actual FY 2000	Approved FY 2001	Proposed FY 2002	Change from FY 2001
Subsidies and Transfers	0	61,406	33,254	-28,152
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>0</i>	<i>61,406</i>	<i>33,254</i>	<i>-28,152</i>
Total Proposed Operating Budget	0	61,406	33,254	(28,152)

- Interest earnings from financial investments will be reinvested to increase the total assets of the fund.
- The 50-50 split will also apply to residual payments.

Additional information on the Emergency Reserve Fund can be found in the Financial Plan chapter.

Funding Summary

The proposed local budget is \$33,254,000, a decrease of \$28,152,016. The entire decrease is in subsidies and transfers. There are no FTEs supported by local sources. Refer to the FY 2002 Operating Appendices (bound separately) for details.