

Operating Expenditures

The District's local fund expenditures decreased slightly in FY 2002 compared to FY 2001, after increasing, on average, approximately 8 percent annually over the preceding three years (see figure 5-1).

The decrease in FY 2002, nearly \$3 million, was a result of

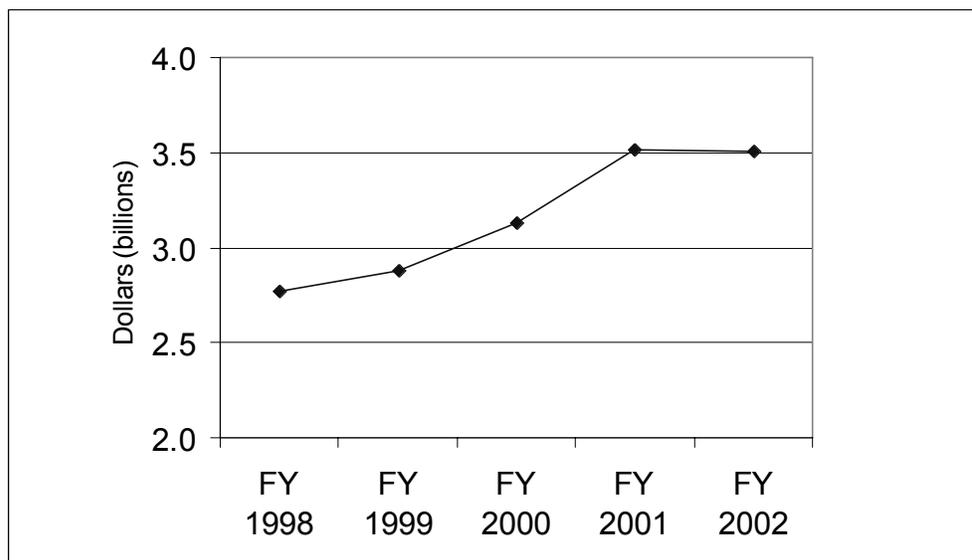
- a relatively small increase in the District's FY 2002 approved budget over FY 2001 actual expenditures,
- a decrease in the District's revenues, as described in the Revenue chapter, which led to reductions in agency budgets during the year, and
- changes in the definition of current-year local fund expenditures.

Over the past four years, annual expenditure growth has averaged 6.1 percent District-wide. Public education and health and human services, the two fastest-growing appropriation titles in recent years, both experienced decreases in local funds expenditures in FY 2002.

This chapter examines operating expenditures by the District in recent years and analyzes where expenditure growth pressures are likely to slow, continue, or expand in the future. Specifically, the chapter:

Figure 5-1:

Local Fund Expenditures, FY 1998 - FY 2002



- Discusses changes in the way the District reports its expenditures;
- Examines the growth in expenditures from FY 1998 to 2002 by area of spending (agency and function);
- Examines the growth by such categories as personnel, contractual services, and subsidies and transfers; and
- Discusses projections of expenditure growth from FY 2005 to 2007, starting from the FY 2004 proposed budget.

Changes Affecting FY 2002 Expenditures Data

Prior to FY 2002, the District's General Fund recorded expenditures from

- Local funds (appropriated fund 0100),
- Federal grants (appropriated fund 0200),
- Private grants (appropriated fund 0400), and
- Other-type revenues (appropriated fund 0600).

The District's Gross Funds operating expenditures, \$5.4 billion in FY 2001, came from all of these General Fund sources.

In the District's FY 2002 Comprehensive Annual Financial Report (CAFR), the General Fund was redefined to include only Local funds plus Other-type funds. Federal and private grants were recorded in a new category, "Federal and Private Resources." "Gross funds," when used in this chapter, means all of the District's operating funds, that is, General Fund plus Federal and Private Resources. Thus, FY 2002 gross funds expenditures are comparable to past years' expenditures.

This chapter focuses primarily on the District's Local funds expenditures, but a change in how certain expenditures are classified introduces a discontinuity in the local funds expenditure data. Federal payments,¹ which had been classified as local funds in prior years despite their federal source, were moved into the new Federal and Private Resources category for FY 2002. Thus, expenditures from Federal payments are included in local funds expenditures through FY 2001 but not in FY 2002.

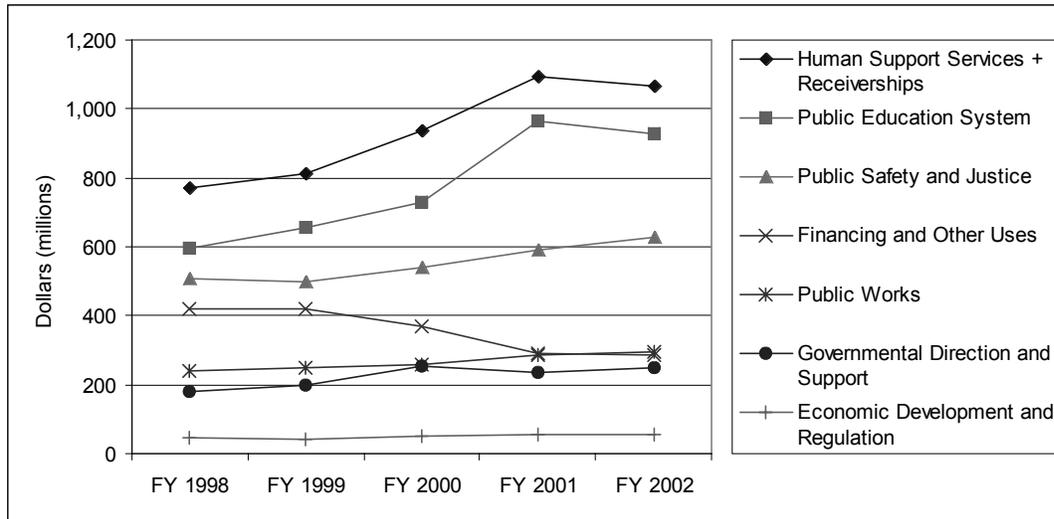
Federal payments in the District's appropriation were approximately \$30 million in FY 2001 and \$38 million in FY 2002. (The FY 2002 figure does not include additional federal payments the District received later in FY 2002, including \$155.9 million for emergency preparedness expenses and \$17 million for other purposes.) Because expenditures from federal payments were not separately classified before FY 2002, they cannot be backed out of prior year data to provide a consistent time series. But given the magnitude of federal payments the District receives, the change in their classification from local to federal certainly contributed to the \$3 million decrease in local funds expenditures between FY 2001 and FY 2002. In other words, if expenditures from federal payments could be backed out of FY 2001 local funds expenditures, they would drop to such a level that expenditures would show an increase from FY 2001 to FY 2002. Table 5A-1, in Appendix I to this chapter, lists the federal payments awarded to the District from 1999 to 2002. Appendix II provides details on the emergency preparedness funds the District received in FY 2002.

One other change should be noted. In FY 2001, for the first time, the District's two school systems were given authority to spend a portion of their upcoming (FY 2002) appropriation during the fourth quarter of the fiscal year (FY 2001). This caused a one-time increase in expenditures during FY 2001, because that fiscal year included spending from the following appropriation year. Consequently, FY 2002 expenditures in the two systems appeared to grow slowly (or decrease) relative to FY 2001, though the comparison may be misleading.

This chapter does not discuss capital expenditures, which are described in the Capital chapter. Furthermore, it does not include agencies whose operations are captured in other funds, such as proprietary funds and component units of the District. For more information on these, see the Fund Structure chapter.

¹ Federal payments are provided directly by the District's Appropriation Act to District agencies for specified purposes. They are different from federal grants, which include entitlements and formula-based and competitive grants the District receives.

Figure 5-2:
Local Fund Expenditures by Appropriation Title, FY 1998-FY 2002



Expenditure Growth by Agency and Function, FY 1998 to FY 2002

As detailed in the Operating Expenditures chapter of the *FY 2003 Proposed Budget and Financial Plan*, the Revitalization Act² created a break in expenditure patterns between FY 1997 and 1998. For this reason, this chapter discusses expenditures from 1998 onward. Tables 5A-2 and 5A-3, in Appendix I to this chapter, provide additional detail on local and gross expenditures in the largest District agencies from FY 1998 through 2002. The decrease in the District's Local funds expenditures in FY 2002 was driven primarily by decreases in the two largest appropriation titles—Human Support Services (including Receiverships) and Public Education (see figure 5-2). This section details expenditure trends by agency and function.

Public Safety and Justice

Expenditures in the public safety area have grown more slowly than the District-wide totals in recent years. The two largest agencies in this

appropriations title—the Metropolitan Police Department and the Fire and Emergency Medical Services Department—have shown steady growth. The Police and Fire Retirement System has become a major cost driver for the District.

- Metropolitan Police Department and Fire and Emergency Medical Services Department.** Expenditures at the Metropolitan Police Department have increased steadily, averaging 5.1 percent per year since 1998. Growth has been less steady at the Fire Department, but the average of 4.5 percent is comparable. These are the two largest agencies in this appropriations title, but their increases have not been major drivers of the District's overall expenditures increase since 1998.
- Police and Fire Retirement System.** The District's contributions to the system have increased in the past three years and are projected to increase sharply in 2004. When the fund was initially separated from the Teachers' Retirement System in 1998, it was

² Title IX, National Capital Revitalization and Self-Government Improvement Act of 1997, of the Balanced Budget Act of 1997 (P.L. 105-33).

relatively underfunded, and the District has had to increase its funding in recent years. The effects of the recent decline in the stock market also are being felt. Contributions are calculated using a formula that smoothes the effect of any one year's stock market performance, but several consecutive years of poor returns have led to higher required contributions.

- **Department of Corrections.** After expenditure decreases related to the District's phasing out of the Lorton facility, expenditures have begun increasing again. Higher expenditures in FY 2002 also reflect the end of the Corrections Medical Receivership, with expenses paid by the receiver in recent years now being paid by the department.

Public Education System

Local funds expenditures by the District of Columbia Public Schools (DCPS) are higher than for any other District agency. DCPS employs about a third of all District employees, and its expenditures are driven heavily by personnel costs. Public Charter Schools (PCS) expenditures fell in FY 2002, partly because of spending of advance appropriations in FY 2001. Both agencies are budgeted using a formula that accounts for inflation and for student enrollment growth or decline.

- **District of Columbia Public Schools.** Expenditures at DCPS increased only slightly in FY 2002 over FY 2001. As described below, this was due somewhat to the one-time increase in FY 2001 from the advance appropriation DCPS received. In addition, in FY 2001, DCPS took a charge for Medicaid disallowances from a number of prior years that were judged to be uncollectable. This write-off also made the FY 2001 expenditure level higher than usual and thereby reduced the apparent growth from FY 2001 to FY 2002.
- **Public Charter Schools.** FY 2002 expenditures declined sharply at PCS relative to FY 2001. Enrollments increased slightly during 2002, but at a much lower rate than enrollment increases the preceding two years. In addition, PCS used much more of its

advance appropriation in FY 2001 than did DCPS, so the one-time effect on FY 2001 expenditures for PCS was more significant.

- **University of the District of Columbia (UDC).** Expenditures at UDC increased in FY 2001 and 2002 after a large decline in FY 2000.
- **Teachers' Retirement System.** As mentioned when describing the Police and Fire Retirement System, the initial resource allocation dating to when the two funds were split has been revisited. The Teachers' Retirement System had been initially overfunded, so the District has been able to reduce its contributions. In fact, there was no contribution required in FY 2002 and none budgeted for FY 2003 or FY 2004.

Table 5-1 shows enrollment and expenditure trends for DCPS and PCS. Enrollment in the two systems combined has been increasing since FY 1999, but per-student spending has increased more rapidly. Even after the decrease in 2002, per-pupil expenditures rose by an average of nearly 12 percent per year between 1997 and 2002.

DCPS and PCS expenditures showed a one-time increase in FY 2001 because of a change in the way they received their funding, as noted earlier. In most cases, the District's expenditures in a fiscal year are from funds appropriated for that year. However, beginning in FY 2001, DCPS and PCS were given authority to spend a portion of their upcoming appropriation—10 percent and 25 percent, respectively—during the fourth quarter of the previous fiscal year. This authority was granted so the school systems could better match their expenditures to the school calendar. For example, in the fourth quarter of FY 2001 (July, August, and September 2001), DCPS had appropriation authority to spend up to 10 percent of its pending FY 2002 appropriation, or about \$71 million, in addition to completing its spending of its 2001 appropriation. The two systems similarly had authority to spend against their pending FY 2003 appropriations at the end of FY 2002.

The District's CAFR for a given fiscal year includes funds spent in that fiscal year, regardless

Table 5-1:

Enrollments and Expenditures in Two Schools Systems (Local Funds Only)

DC Public Schools		Public Charter Schools		Combined Systems			
Enrollment	Expenditures (dollars in thousands)	Enrollment	Expenditures (dollars in thousands)	Enrollment	Expenditures (dollars in thousands)	Expenditure per enrolled student	
1996	79,802	498,067	-	-	79,802	498,067	6,241
1997	78,648	481,547	-	-	78,648	481,547	6,123
1998	77,111	520,097	-	3,195	77,111	523,292	6,786
1999	71,889	550,812	3,594	11,113	75,483	561,925	7,444
2000	70,677	604,098	6,980	46,480	77,657	650,578	8,378
2001	68,978	737,128	9,555	136,876	78,533	874,004	11,129
2002	68,015	740,706	10,651	97,625	78,666	838,331	10,657

of the appropriation year. Thus, the FY 2002 CAFR includes funds each school system spent during FY 2002. This is the sum of

- Appropriation year (AY) 2002 expenditures,
- Less AY 2002 funds spent during FY 2001,
- Plus AY 2003 funds spent in FY 2002.

Table 5-2 provides a crosswalk between the AY and FY expenditures for the two systems. The FY data are used throughout this chapter, although the AY data show a smoother pattern of growth over time.

Human Support Services (Including Receiverships)

Expenditures for five major agencies in the Human Support Services appropriation title have grown at an annual average of nearly 9 percent since FY 1998, although they decreased in FY 2002. The FY 2002 decrease was driven by reduced expenditures on health care for the District's uninsured population, as most services at D.C. General Hospital were taken over by a private contractor and paid for through the Health Care Safety Net, within the Department of Health.

- **Department of Human Services (DHS).** DHS operates a number of federal entitlement programs, such as Temporary Assistance for Needy Families and certain homeless programs. Its local funds expenditures have risen about 3 percent annually between FY 1999 and 2002, but its gross

funds expenditures—including the federal funds it administers—have increased by 8.7 percent annually. Data from before FY 1999 are not comparable, because in earlier years DHS performed functions now performed by the Child and Family Services Agency (CFSA) and the Department of Mental Health (DMH).

- **Department of Health.** In FY 2002, the Health Care Safety Net, within DOH, paid most of the expenses formerly incurred by the Public Benefit Corporation (PBC). The PBC had been established in 1996 to operate D.C. General Hospital and associated health care clinics in the District. PBC expenditures greatly exceeded originally budgeted amounts in FY 2000 and 2001. Health Care Safety Net expenditures in FY 2002 were less than \$80 million, compared to PBC expenditures over \$135 million in FY 2000 and 2001. Medicaid expenditures within DOH continued to grow in FY 2002, but the District's Medicaid expenditures have increased more rapidly in its public provider agencies—DCPS, DMH, and CFSA—than in DOH.
- **Child and Family Services Agency and Department of Mental Health.** The functions performed by these agencies were pulled out of DHS and placed into receivership in 1999, and both returned to full District control in FY 2002. Similar to

Table 5-2:

Expenditures by Appropriation Year and Fiscal Year, Two School Systems (Local Funds Only)

(Dollars in thousands)

	2000	2001	2002
D.C. Public Schools			
Expenditures, current AY and FY	604,098	727,360	739,179
PLUS: AY expenditures in prior FY			+9,768
EQUALS: Total AY expenditures	604,098	727,360	748,947
LESS: AY expenditures in prior FY			-9,768
PLUS: FY expenditures from following AY		+9,768	+1,527
EQUALS: Total FY expenditures (as shown in CAFR and table 5-1 above)	604,098	737,128	740,706
Public Charter Schools			
Expenditures, current AY and FY	46,480	104,992	67,213
PLUS: AY expenditures in prior FY			+31,884
EQUALS: Total AY expenditures	46,480	104,992	99,097
LESS: AY expenditures in prior FY			-31,884
PLUS: FY expenditures from following AY		+31,884	+30,412
EQUALS: Total FY expenditures (as shown in CAFR and table 5-1 above)	46,480	136,876	97,625

DCPS, DMH expenditures were unusually high in FY 2001 because of the write-off of several prior years of Medicaid receivables. After this increase, DMH expenditures fell in FY 2002. However, CFSA expenditures increased a great deal in FY 2002 for the same reason as DMH and DCPS in FY 2001—CFSA took write-offs for prior year Medicaid receivables during FY 2002.

Financing and Other

Agencies in the Financing and Other appropriation title include various debt service functions as well as the District's reserve funds. Expenditures in this appropriation title have decreased since FY 1998, primarily because of reduced borrowing costs.

- Debt Service.** The primary debt service function is Repayment of Loans and Interest, in which expenditures have decreased at an average annual rate of 9.5 percent since FY 1998. The low expenditure level in FY 2001 was maintained in FY 2002. The District has been able to take advantage of lower interest

rates in recent years to refinance some of its debt.

- Budgeted Reserve.** Beginning in FY 2000, the District was required to budget for a \$150 million Reserve fund. The District could allocate the funds thus budgeted under certain conditions after Congressional notification; expenditures from these allocations are then reflected in the agencies that receive them. The District allocated \$26.6 million of the FY 2000 Reserve, and in FY 2001 it allocated \$104.5 million of that year's Reserve for PBC costs. In FY 2002, the District's budget included a \$120 million Reserve plus \$30 million of "Reserve Relief." Congress reduced the District's required Reserve amount to \$120 million because of the growing cash reserve funds (described below) and freed up the other \$30 million for the District to use as it saw fit. The District allocated almost the entire \$150 million total of Reserve and Reserve Relief in FY 2002, with \$90 million of that amount going to DCPS. For FY 2003, the Reserve is budget-

ed at \$70 million, and for FY 2004, a new Cash Reserve of \$50 million replaces the budgeted Reserve.

- **Emergency and Contingency (Cash) Reserve Funds and Tobacco Trust Fund.** In FY 2001, the Congress required the District to establish two cash reserve funds, to be filled at the rate of 1 percent of projected Local fund expenditures per year until they reached 7 percent by FY 2007. Of this amount, 4 percent will go into the Emergency Reserve Fund and 3 percent into the Contingency Reserve Fund. Subsequent legislation required the District to deposit the debt service savings from tobacco securitization into these funds as well. In FY 2002, the District fully funded the two cash reserves at their combined 7 percent target, or \$248.7 million.

Other Appropriations Titles

Local funds expenditures in most other appropriations titles have not shown changes as significant as those discussed above.

- **Governmental Direction and Support.** This appropriation title funds a number of agencies that manage overall government operations, including the Office of the Mayor, the Council of the District of Columbia, and the Offices of Personnel, Corporation Counsel, and the Chief Financial Officer. Expenditures in this appropriation title have grown at 8.2 percent annually since FY 1998, somewhat faster than the citywide average.
- **Economic Development and Regulation.** This is the smallest of the appropriations titles, and expenditures increased at an annual average rate of 4.1 percent between FY 1998 and 2001.
- **Public Works.** The Public Works appropriation title is dominated by two agencies: the Department of Public Works (DPW) and subsidies to the Washington Metropolitan Area Transit Authority (WMATA). DPW expenditures increased in FY 2002 after sev-

eral years of decreases. Subsidies to WMATA have risen by an annual average of 4.0 percent over four years. Overall, expenditures increased by an annual average rate of 5.5 percent, slightly slower than the citywide increase.

Summary of Expenditure Growth by Agency and Function

The District's expenditure growth between FY 1998 and 2001 had been concentrated in several large agencies:

- D.C. Public Schools
- Public Charter Schools
- Commission on Mental Health Services
- Public Benefit Corporation Subsidy (plus transition costs)

However, of these four agencies, only DCPS had expenditures that increased further in FY 2002. As noted above, FY 2001 expenditures for DCPS and PCS were unusually high because of their advance appropriations, and expenditures in DCPS and DMH were also unusually high in FY 2001 because of Medicaid receivable write-offs. Consequently, FY 2002 expenditures decreased in PCS and DMH, and rose only slightly in DCPS, because they were starting from unusually high levels in FY 2001. Also, FY 2002 expenditures in the Health Care Safety Net, the successor to the PBC, were well below PBC expenditures in FY 2001.

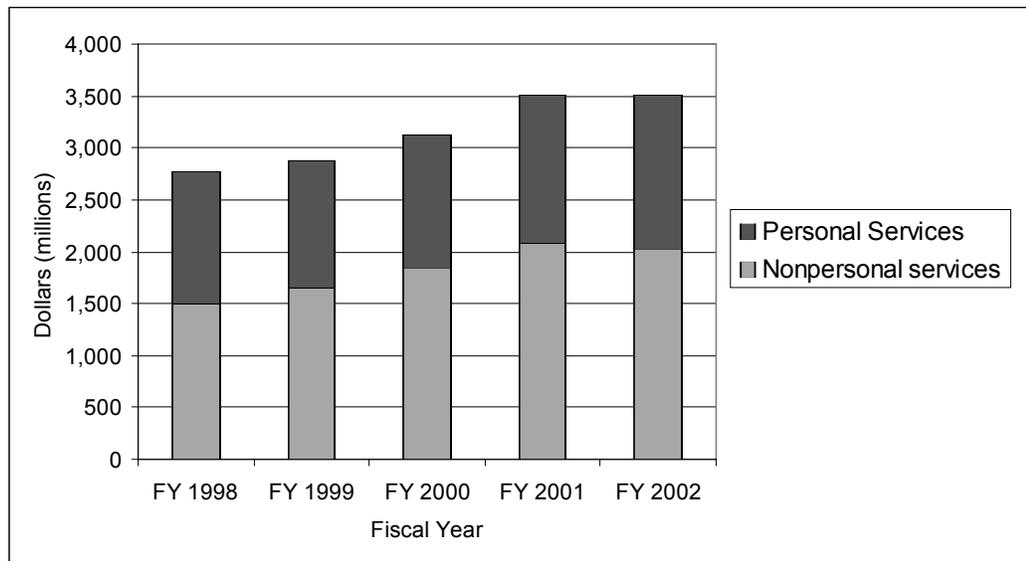
Expenditure Growth by Object Class, FY 1998 to FY 2002

This section examines expenditures by object class—that is, by the type of services paid for, such as personnel, supplies, or fixed costs for rent or utilities from FY 1998 through FY 2002. Since 1998, expenditures on nonpersonal services (NPS), such as rent and utilities, equipment, subsidies and transfers, and debt service, have risen faster than those on personal services (PS), which include regular salaries and wages, overtime and other additional costs (see figure 5-3).³ Table 5A-4, in Appendix I to this chapter,

³ In this section, the District's contributions to the Police and Fire and Teachers' Retirement Funds are considered PS expenditures. Data presented here will vary slightly from the District's accounting basis, which places these contributions in the Subsidies and Transfers category within NPS.

Figure 5-3:

Personal Services and Nonpersonal Services Expenditures, FY 1998 – FY 2002



provides further details.

PS expenditures, which make up about 42 percent of all expenditures, rose at an average annual rate of 4 percent between FY 1998 and 2002. Fringe benefits expenditures have increased at nearly a 7-percent annual rate since FY 1998, mostly because of increasing costs of providing health insurance for District employees. Local funds overtime expenditures fell slightly in FY 2002 after increasing in FY 2001 (see table 5-3). Eight agencies have consistently spent 93 to 94 percent of the District's entire expenditures on overtime.

NPS expenditures increased at an 8 percent average annual rate between FY 1998 and 2002. Within NPS categories, debt service expenditures fell by an average 8 percent annually, while subsidies and transfers, the largest NPS component, increased by 13 percent annually—from \$607 million to just over \$1 billion over four years. The subsidies and transfers category includes the District's contributions to Medicaid and other entitlement programs, as well as to Public Charter Schools, whose growth has been described previously. The other driver of growth has been the contractual services category, in which expenditures rose by 24 percent annually.

While NPS expenditures have grown faster

overall than PS expenditures since 1998, PS expenditures in FY 2002 increased by \$63 million over FY 2001, while NPS expenditures decreased by nearly \$67 million.

Summary of Projections for Expenditures for FYs 2005, 2006, and 2007

This section details the expenditures forecast that is used in the District's financial plan (see the Financial Plan chapter). The forecast begins with the FY 2004 proposed budget, and expenditures are projected for the next three years. In most agencies, growth is projected by object class using general factors for PS and NPS growth, as described below. In some agencies, the forecast uses more specific growth factors; these are detailed below the discussion of growth by object class.

Revenues are forecasted to grow slowly during FY 2003 and FY 2004 (see the Revenue chapter), which will limit actual expenditure growth in these years and into the future. Although the Local funds expenditure decline that occurred in FY 2002 may not recur, expenditures are likely to grow more slowly in the next few years than the relatively rapid growth the District experienced from FY 1998-2001.

Table 5-3:

Overtime Expenditures from Local Funds

(Dollars in thousands)

Agency Name	2000	2001	2002
Metropolitan Police Department	20,175	22,211	24,221
Fire and Emergency Medical Services	13,293	12,185	15,758
District of Columbia Public Schools	5,310	8,535	4,678
Department of Corrections	4,713	4,006	2,824
Department of Human Services	2,874	2,858	2,794
Department of Transportation	3,190	3,329	2,484
Child and Family Services	695	1,880	1,965
Department of Mental Health	2,490	2,054	1,701
Rest of District	3,216	4,365	3,671
Total	55,956	61,424	60,096

The expenditure projections are brought together, by appropriation title, in the Financial Plan. The projections discussed here are for planning purposes, but they cannot predict actual expenditures. Actual expenditures will always be constrained by realized revenues in a given year. However, the expenditures projections can indicate where pressure for growth is likely to be felt, and they can provide a warning if expenditures are on track to outpace revenue growth without corrective action.

Growth by Object Class**Personal Services**

The general growth rate for salaries and wages is assumed to be 0.8 percentage points above the Washington area Consumer Price Index (CPI) forecast for each of the next three years. Salaries have historically grown at a slightly greater rate than inflation, and similar growth is built into the forecast for the next three years. An underlying assumption is that the District's future work force remains the same size as today's—that is, there are no significant increases or decreases in the number of District employees. Thus, annual salary increases will translate directly to increases in overall PS costs.

Extra pay, the category including overtime, differential pay (for night or weekend work, for example), and bonuses, is projected to grow at the same rate. As salaries increase, the cost of

extra pay that is tied to salaries increases proportionally. Although the District's overtime expenditures had increased in recent years, putting upward pressure on overall PS costs, they fell slightly in FY 2002, and the assumption is that they will grow no faster than other PS costs over the next three years.

Fringe benefits are assumed to grow faster than other PS expenditures. Health insurance costs for District employees went up by about 15 percent in March 2003, after increasing by 14 percent the year before. About half of the District's fringe benefit expenditures have been for health insurance in recent years, and this proportion has been increasing. The projections assume health insurance costs will rise at 12 percent per year for the next three years. Other fringe benefits are assumed to grow at the general PS rate, because the cost of most other fringe benefits, most notably District employees' retirement plans, are tied to salaries. The fringe benefits category as a whole is thus assumed to grow at an average of the 12 percent rate for health insurance and the general PS growth rate.

Nonpersonal Services

The general growth rate for NPS expenditures is assumed to be the Washington area CPI forecast.

One exception is for the category of contractual services, in which expenditures have been ris-

Table 5-4:

Summary of Growth Assumptions by Object Class

(Percent, over previous year)

	FY 2005	FY 2006	FY 2007
Washington area Consumer Price Index forecast	2.4	2.5	2.4
Growth assumption for:			
Regular salaries and wages	3.2	3.3	3.2
Extra pay	3.2	3.3	3.2
Fringe benefits	7.6	7.65	7.6
Contractual services	3.2	3.3	3.2
All NPS categories other than contractual services	2.4	2.5	2.4

ing faster than general NPS expenditure growth. Growth in this category is forecasted to match the PS growth rate, because a great deal of contractual services spending is for salaries (of contractors) rather than for purchases of goods.

Two other NPS categories should be mentioned—debt service and subsidies and transfers. While their general growth is forecasted to be that of the Washington area CPI forecast, most growth in these two categories appears in agency-specific or program-specific forecasts below. For example, most debt service expenditures are in one of several debt service agencies detailed below. Only a small portion is in operating agencies, through the master lease program. Similarly, much of the District's subsidy and transfer expenditures are in Medicaid and several retirement funds, which are also detailed below.

Table 5-4 summarizes growth assumptions by object class.

Growth by Agency or Program

Expenditures in the following agencies or programs are assumed to grow at rates that differ from the general assumptions for each object class.

D.C. Public Schools

Expenditures in the Local Education Agency (LEA) portion of the DCPS budget are assumed to grow at the Washington area CPI forecast rate. This is the rate that would be used in the legislated formula that funds the LEA portion of the

DCPS budget, which covers much of the PS and NPS costs in the DCPS budget. Using this rate for the projections assumes that

- enrollments will remain constant over the next three years, and
- growth according to the legislated funding formula will be sufficient to meet DCPS needs in the coming years.

Medicaid and Medicaid Reserve

Medicaid growth within DOH has been modest, but Medicaid growth outside of DOH has been much more rapid. One of the major causes of Medicaid growth at DCPS and DMH in FY 2001, and at CFSA in FY 2002, was the lower-than-expected reimbursement rate from the federal government. For FY 2004, in the Human Support Services appropriation title, a Medicaid reserve of \$55.1 million is in place against potential uncollected Medicaid revenues for DCPS, DMH, DHS, and CFSA. The projections assume these agencies will improve their Medicaid collections over time. These projections do not mean the amount of Medicaid-related expenditures will decline—in fact, they are projected to increase. However, the Local funds costs in this area are projected to decline, assuming the Federal reimbursement rate improves. Medicaid expenditures are projected to grow at 6 percent annually.

Health Care Safety Net Administration

Contract costs for the Health Care Safety Net

Table 5-5:

Projected Payment Schedules for Debt Service Agencies

(Dollars in thousands)

	FY 2004	FY 2005	FY 2006	FY 2007
Repayment of Loans and Interest	311,504	354,332	392,608	414,656
Certificate of Participation	4,911	7,950	7,950	7,950
Short-Term Borrowings	3,000	3,000	3,000	3,000

Administration are projected to grow at 6 percent per year, reflecting increases in health care costs that are likely to exceed the general rate of inflation.

Debt Service

Long-term debt service expenditures are projected to increase, but reductions in planned capital projects mean less anticipated new borrowing in FY 2004 and lower debt service costs than were expected last year (see table 5-5). The Certificate of Participation payments for the building at One Judiciary Square will continue at \$7.95 million per year through 2013, with a one-time reduction in FY 2004. A constant small amount of short-term borrowing is anticipated each year.

Washington Metropolitan Area Transit Authority (WMATA) Subsidy

WMATA passenger ridership, and consequently passenger revenues, were severely impacted by the 9/11 terrorist attack. The weekday peak hours of operation have returned to pre-9/11 levels, but the off-peak ridership, made up mostly of tourists, remains at or below pre-9/11 levels. In addition to including several cost containment measures, WMATA has included a fare increase

proposal in the FY 2004 proposed budget. The cost of the DC operating subsidy to WMATA for the future years beyond FY 2004 will be dependent primarily on the final outcome of the fare increase proposal and the state of the economy. Over the next three years the District's subsidy to WMATA is forecast to increase at a 5 percent annual rate.

Subsidies and Transfers Related to PS Expenditures

Expenditures in four agencies are classified as transfers that are, in fact, related to PS costs. They are:

- Police and Fire Retirement System
- Teachers' Retirement System
- Unemployment Compensation Fund
- Disability Compensation Fund

Expenditures in these four agencies are projected to grow at the PS growth rate each year. Because the FY 2004 budget for the Teachers' Retirement System is zero, and given continued uncertainty regarding stock market returns, a small, \$2 million expenditure is projected for FY 2005, and this item then grows at the PS growth rate.

Appendix I: Data Tables for Operating Expenditures

Table 5A-1:

Federal Payments Awarded to the District in its Appropriation Act, FY 1999-2002

(Dollars in thousands)

Agency	FY 1999	FY 2000	FY 2001	FY 2002
Executive Office of the Mayor			1,497	200
Office of the City Administrator				300
D.C. Office of Personnel			249	
Office of the Chief Technology Officer	20,000			400
Office of the Chief Financial Office			1,247	50
Business Services and Economic Development/Planning			1,297	
Department of Housing and Community Development	3,000			
Metropolitan Police Department	1,200	996	100	100
Metropolitan Police Department — Capital	18,778			
Fire and Emergency Medical Services Department	3,240			500
Emergency Management Agency (and others)				16,058
Citizen's Complaint Review Board		498		
Office of the Chief Medical Examiner				585
D.C. Public Schools	30,000		499	2,500
Resident Tuition Assistance / State Education Office		16,935	16,963	17,000
D.C. Public Charter Schools	15,622			
Department of Human Services		249		
Department of Health			2,145	
Child and Family Services Agency				500
Incentives for the Adoption of Children		4,981		
Inaugural Expenses			5,948	
Various	25,000			
Various — Capital	50,000			
Total	166,840	23,659	29,945	38,193

Notes:

FY 2000 and 2001 figures reflect rescissions made by the federal government.

Another \$74.8 million was added in FY 1999 and \$30.4 million in FY 2000 for the Office of the Chief Technology Officer for Y2K expenses.

Another \$155.9 million was added in FY 2002 for emergency preparedness expenses, much of it going to public safety agencies, and another \$17 million was added in FY 2002 for the Office of the City Administrator (\$16 million) and the Office of the Chief Technology Officer (\$1 million).

Table 5A-2:

Local Funds Expenditures by Fiscal Year for Selected Large Agencies

(Dollars in thousands, excluding enterprise agencies)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Annual Growth Rate, 1998-2002
Metropolitan Police Department	257,962	276,338	297,327	309,820	315,155	
Fire and Emergency Medical Services Department	108,961	102,482	112,749	129,197	129,729	
Police and Fire Retirement System	47,700	35,100	39,900	49,000	74,600	
Department of Corrections	93,045	71,589	70,484	80,325	97,679	
Corrections Medical Receiver	0	8,499	13,300	10,820	0	
Subtotal, selected public safety	507,669	494,007	533,759	579,162	617,163	5.0%
D.C. Public Schools	520,097	550,812	604,098	737,128	740,706	
Teacher's Retirement System	8,900	18,600	10,700	200	0	
Public Charter Schools	3,195	11,113	46,480	136,876	97,625	
Subtotal, selected public education	532,192	580,525	661,278	874,204	838,330	12.0%
Department of Human Services	359,808	188,684	197,109	194,168	205,286	
Child and Family Services Agency	0	97,217	74,836	96,069	152,504	
Department of Mental Health ^a	0	105,369	129,177	217,704	178,195	
Department of Health	294,040	310,781	325,339	356,499	422,735	
Public Benefit Corporation Subsidy	42,873	46,835	138,161	136,912 ^b	17,312 ^b	
Subtotal, selected health and human services	696,721	748,886	864,622	1,001,352	976,03	8.8%
Department of Public Works	110,366	106,748	99,624	96,950	117,021	
WMATA Subsidy	126,746	131,604	135,531	163,073	148,493	
Repayment of Loans and Interest	347,358	363,194	315,656	228,364	233,251	
Subtotal, selected public works, financing, and other	584,470	601,546	550,811	488,387	498,765	-3.9%
All other agencies	446,697	451,887	523,389	569,765	579,185	6.7%
District total	2,767,748	2,876,850	3,133,859	3,512,869^c	3,509,476	6.1%

Notes:

Details may not sum to totals because of rounding. FY 2002 expenditures do not include federal payments, while expenditures for FY 2001 and prior years include them for certain agencies.

^aFormerly known as the Commission on Mental Health Services.^bIncludes PBC transition costs.^cTotal excludes 617,230 spent on refunded bonds in FY 2001.

Table 5A-3:

Gross Funds Expenditures by Fiscal Year for Selected Large Agencies

(Dollars in thousands, excluding enterprise agencies)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Annual Growth Rate, 1998-2002
Metropolitan Police Department	269,092	283,131	306,281	319,501	338,324	
Fire and Emergency Medical Services Department	109,317	102,891	112,855	129,216	134,530	
Police and Fire Retirement System	47,700	35,100	39,900	49,000	74,600	
Department of Corrections	258,574	240,680	248,526	212,495	124,686	
Corrections Medical Receiver	0	12,605	13,300	10,820	0	
Subtotal, selected public safety	684,683	674,407	720,862	721,031	672,140	-0.5%
D.C. Public Schools	634,240	666,007	771,759	826,995	862,747	
Teacher's Retirement System	8,900	18,600	10,700	200	0	
Public Charter Schools	3,195	25,239	49,936	136,867	97,625	
Subtotal, selected public education	646,335	709,846	832,394	964,061	960,372	10.4%
Department of Human Services	629,842	335,401	359,650	387,919	431,279	
Child and Family Services Agency	0	146,232	138,740	177,243	204,015	
Commission on Mental Health Services ^a	0	196,543	206,713	287,335	221,151	
Department of Health	906,431	974,492	1,006,824	1,110,207	1,215,461	
Public Benefit Corporation Subsidy	42,873	46,835	138,161	136,912 ^b	17,312 ^b	
Subtotal, selected health and human services	1,579,146	1,699,503	1,850,088	2,099,616	2,089,217	7.2%
Department of Public Works	119,322	116,933	107,450	104,352	122,879	
WMATA Subsidy	126,746	131,604	135,531	163,073	148,493	
Repayment of Loans and Interest	347,358	363,194	315,656	228,364	233,251	
Subtotal, selected public works, financing, and other	593,426	611,731	558,637	495,788	504,623	-4.0%
All other agencies	559,972	806,983	859,694	814,684	877,841	11.9%
District total	4,063,562	4,502,470	4,821,675	5,095,180	5,104,193	5.9%

NOTES:

Details may not sum to totals because of rounding.

^aFormerly known as the Commission on Mental Health Services.^bIncludes PBC transition costs.^cTotal excludes 617,230 spent on refunded bonds in FY 2001.

Table 5A-4:

Personal Services and Nonpersonal Services Expenditures by Fiscal Year

(Dollars in thousands, excluding enterprise agencies)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Annual Growth Rate, 1998-2002
Regular salaries and wages ^a	993,128	965,659	1,010,397	1,126,640	1,160,133	4.0%
Extra pay ^b	89,303	83,883	100,496	108,028	94,888	1.5%
Fringe benefits ^c	179,454	173,555	177,624	190,523	233,502	6.8%
Subtotal, PS	1,261,885	1,223,098	1,288,516	1,425,192	1,488,523	4.2%
Fixed costs ^d	129,352	122,517	144,689	149,507	156,534	4.9%
Subsidies and transfers ^e	606,756	727,034	894,276	1,013,138	1,001,800	13.4%
Debt service	405,918	412,005	361,704	279,530	293,380	-7.8%
Contractual services	149,932	235,392	270,707	366,317	350,120	23.6%
Other NPS	213,905	156,805	173,967	279,185	219,119	0.6%
Subtotal, NPS	1,505,864	1,653,752	1,845,343	2,087,677	2,020,953	7.6%
Total	2,767,748	2,876,850	3,133,859	3,512,869	3,509,476	6.1%

Notes:

Details may not sum to totals because of rounding.

^aFull- and part-time, continuing and term, and unknown payroll postings.^bIncludes overtime, bonuses, and differentials for nights, weekends, and holidays.^cIncludes contributions to Police and Fire Retirement System and Teachers' Retirement System.^dUtilities, telecommunications, and rent.^eExcludes contributions to Police and Fire Retirement System and Teachers' Retirement System

Appendix II: Emergency Preparedness Funding

After September 11, the District received \$156 million in Emergency Preparedness Funding. Authorized as part of the FY 2002 Department of Defense Appropriations Act (PL 107-117), these funds will remain available until September 30, 2003. District agencies have received the money in the form of federal payments with these purposes:

Federal Payment to the District of Columbia for Protective Clothing and Breathing Apparatus

Fire and Emergency Medical Services Department	\$922,000
Metropolitan Police Department	\$4,269,000
Department of Health	\$1,500,000
Department of Public Works	\$453,000
Subtotal	\$7,144,000

Federal Payment to the District of Columbia for Specialized Hazardous Materials Equipment

Fire and Emergency Medical Services Department	\$1,032,000
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Federal Payment to the District of Columbia for Chemical and Biological Weapons Preparedness

Fire and Emergency Medical Services Department	\$205,000
Metropolitan Police Department	\$258,000
Department of Health	\$9,892,000
Subtotal	\$10,355,000

Federal Payment to the District of Columbia for Pharmaceuticals for Responders

Department of Health	\$2,100,000
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Federal Payment to the District of Columbia for Response and Communications Capability

Fire and Emergency Medical Services Department	\$7,755,000
Metropolitan Police Department	\$5,855,000
Department of Public Works Division of Transportation	\$113,000
Office of Property Management	\$58,000
Department of Public Works	\$60,000
Department of Health	\$750,000
Department of Human Services	\$309,000
Department of Parks and Recreation	\$60,000
Subtotal	\$14,960,000

Federal Payment to the District of Columbia for Search, Rescue and Other Emergency Equipment and Support

Metropolitan Police Department	\$5,442,000
Fire and Emergency Medical Services Department	\$208,000
Department of Consumer and Regulatory Affairs	\$398,500
Department of Public Works	\$1,178,500
Department of Human Services	\$542,000
Department of Mental Health	\$1,081,000
Subtotal	\$8,850,000

Federal Payment to the District of Columbia for Equipment, Supplies and Vehicles for the Office of the Chief Medical Examiner

Office of the Chief Medical Examiner	\$1,780,000
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Federal Payment to the District of Columbia for Hospital Containment Facilities for the Department of Health

Department of Health	\$8,000,000
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Federal Payment to the District of Columbia for the Office of the Chief Technology Officer [for a first response land-line and wireless interoperability project]

Office of the Chief Technology Officer	\$45,494,000
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Federal Payment to the District of Columbia for Emergency Traffic Management [to upgrade traffic light controllers, to establish a video traffic monitoring system, and to disseminate traffic information]

Department of Public Works Division of Transportation	\$20,700,000
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Federal Payment to the District of Columbia for Training and Planning

Fire and Emergency Medical Services Department	\$4,400,000
Metropolitan Police Department	\$990,000
Department of Health	\$1,200,000
Office of the Chief Medical Examiner	\$200,000
Office of Property Management	\$500,000
Department of Mental Health	\$500,000
Department of Consumer and Regulatory Affairs	\$469,000
Department of Public Works	\$240,000
Department of Human Services	\$600,000
Department of Parks and Recreation	\$100,000
Division of Transportation	\$750,000
Subtotal	\$9,949,000

Federal Payment to the District of Columbia for Increased Facility Security

Emergency Management Agency	\$3,900,000
Public Schools	\$14,575,000
Office of Property Management	\$7,061,000
Subtotal	\$25,536,000

With Congressional approval, one percent of the appropriated funds has been reallocated to the following agencies for administrative expenses -

Office of the City Administrator	\$601,092
Office of the Chief Financial Officer	\$211,302
Office of Contracting and Procurement	\$746,606
Subtotal	\$1,559,000

Expenditures of Emergency Preparedness Funds

For FY 2002, these were the actual expenditures by agency:
(Dollars in thousands)

	Appropriated Budget	1% Admin. Reduction	Revised Budget	FY 2002 Expenditures
Office of Property Management*	22,194	222	21,972	637
Emergency Management Agency	3,900	39	3,861	2,799
Consumer and Regulatory Affairs	868	9	859	194
Metropolitan Police Department	16,814	168	16,646	7,922
Fire and Emergency Medical Services	14,522	145	14,377	4,304
Chief Medical Examiner	1,980	20	1,960	324
Department of Parks and Recreation	160	2	158	122
Department of Health	23,442	234	23,208	1,621
Department of Human Services	1,451	15	1,436	429
Department of Public Works**	23,495	235	1,819	0
Department of Transportation**			21,440	724
Department of Mental Health	1,581	16	1,565	305
Office of the Chief Technology Officer	45,494	455	45,039	3,483
City Administrator / Deputy Mayor***			601	0
Office of the Chief Financial Officer***			211	0
Office of Contracting & Procurement***			747	0
Total, District of Columbia	155,900	1,559	155,900	22,863

* Department of Property Management includes funding for Protective Services and DC Public Schools for security enhancements.

** For FY 2003, the Department of Transportation has separated from the Department of Public Works. Funding is reallocated between the two agencies as approved by Congress.

*** The 1% Administrative Costs were removed from agency budgets in September 2002 and loaded in the City Administrator,