

# Overview



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# Introduction to the FY 2004 Budget and Financial Plan

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

In one entity, the District government provides services typically delivered elsewhere by states, counties, cities, and special taxing districts. The challenge for the District is to navigate this jurisdictional complexity while facing declining revenues and increasing service needs. Totalling \$5.693 billion, the FY 2004 Proposed Gross Funds Budget and Financial Plan is \$119 million more than the FY 2003 budget of \$5.574 billion, not including Intra-District funding or Enterprise Fund agencies. The budget funds services as diverse as street cleaning, affordable multifamily housing development, voter registration, business inspection, fire fighting, police patrol, running a lottery, managing a vast multimodal

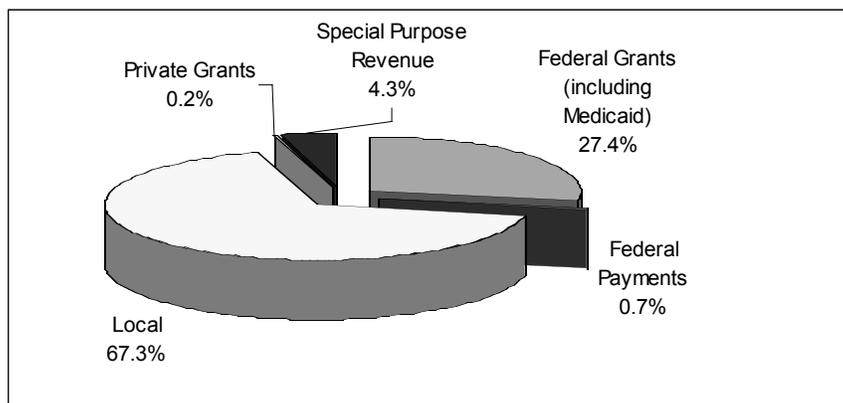
transit system, educating children, promoting economic development, encouraging people to move into the District, and protecting at-risk youth.

The District's proposed budget is similar to any budget in that it identifies resources (revenues) and uses (expenditures) to accomplish specific purposes developed by citywide strategic planning and departmental business planning. In addition to these basic elements, the proposed budget includes a financial forecast for the Mayor and the District Council's policy priorities and detailed cost information for agency programs and activities.

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Chart 1-1

## Where the Money Comes From - Total Gross Funds FY 2004 \$5.7 Billion



## Where the Money Comes From

Money for providing District services comes from a variety of sources. The District's general fund consists of Local and Special Revenue funds. Federal grants, federal Medicaid, and federal payments constitute the District's federal resources. Private resources make up the balance of the District's gross funds (chart 1-1).

Local tax revenue accounts for most of the money supporting services and includes such

common sources as income, property, and sales taxes (chart 1-2). Detailed revenue information, including historical trends, FY 2004 revenue estimates and projection assumptions are included in the revenue chapter of this budget book.

## How the Money is Allocated

To facilitate policy decisions concerning expenditures and to provide summary information for reporting expenditures, the District's budget is

Chart 1-2

### Where the Money Comes From - Local Fund FY 2004 \$3.8 Billion (Excluding Federal Project Funds)

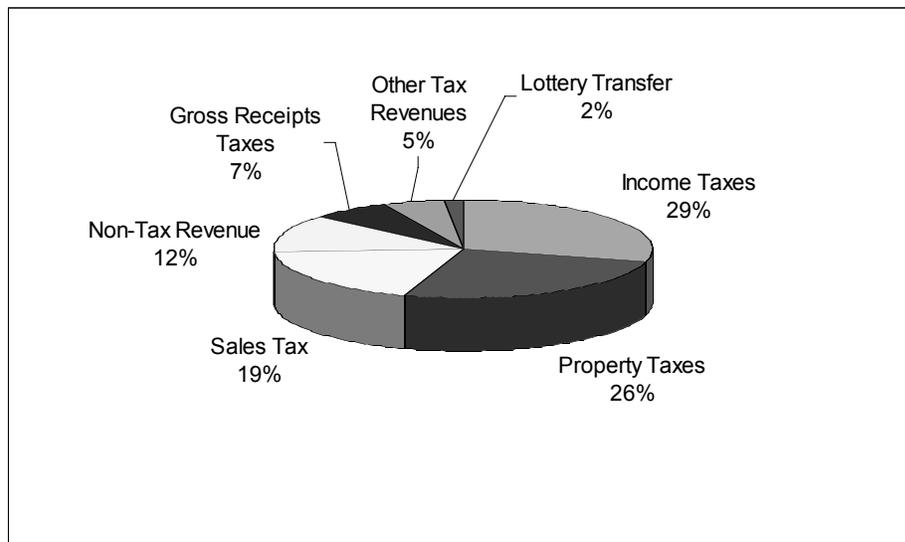


Table 1-1

### FY 2004 Gross Funds Expenditures

(Dollars in Thousands)

	FY 2003 Approved Budget	FY 2004 Proposed Budget	Change	% Change
Governmental Direction and Support	\$262,875	\$284,414	\$21,539	8.2%
Economic Development and Regulation	\$247,139	\$276,648	\$29,509	11.9%
Public Safety and Justice	\$623,327	\$747,259	\$123,932	19.9%
Public Education System	\$1,169,988	\$1,168,027	-\$1,961	-0.2%
Human Support Services	\$2,478,818	\$2,366,883	-\$111,934	-4.5%
Public Works	\$319,351	\$327,048	\$7,696	2.4%
Financing and Other	\$472,105	\$522,795	\$50,690	10.7%
<b>Total</b>	<b>\$5,573,602</b>	<b>\$5,693,074</b>	<b>\$119,472</b>	<b>2.1%</b>

developed, presented, and executed along several lines. These include fund types, appropriation titles, agencies, programs, and expense categories.

As with revenues, expenditures can be grouped by the source of funds. The total of these funds is referred to as gross funds. The proposed gross funds budget for FY 2004 is \$5.693 billion, \$119 million more than the FY 2003 approved budget of \$5.574 billion. For purposes of appropriating the District's budget, agency budgets are grouped by function, such as public safety or public education. Table 1-1 shows the FY 2004 proposed gross funds expenditures budget by appropriation title. The small increase in expenditures from FY 2003 to FY 2004 is a result of overall economic conditions and their impact on the District's revenues.

Table 1-2 depicts the Local funds budget by appropriation title. This budget, supported by locally generated tax revenue, represents 67.3 percent of the gross budget and increased by 6.4 percent. The largest appropriation titles, Public Education System and Human Support Services, represent 53.4 percent of the Local funds budget – meaning over one-half of every dollar generated locally is directed to just these two areas.

Within the appropriation titles are the agencies that provide the programs and services to District citizens and businesses. For example, the Public Works appropriation title includes the Department of Public Works, the Department of Transportation, and the Department of Motor Vehicles. The FY 2004 proposed budget includes 105 agencies dispersed across eight appropriation titles.

To provide context as to the types of expens-

Table 1-2  
**FY 2004 Local Funds Expenditures**  
 (Dollars in Thousands)

	FY 2003 Approved Budget	FY 2004 Proposed Budget	Change	% Change
Governmental Direction and Support	\$207,973	\$206,824	(\$1,149)	-0.6%
Economic Development and Regulation	\$56,870	\$53,336	(\$3,534)	-6.2%
Public Safety and Justice	\$602,679	\$716,715	\$114,036	18.9%
Public Education System	\$922,174	\$962,941	\$40,767	4.4%
Human Support Services	\$1,052,150	\$1,085,277	\$33,127	3.1%
Public Works	\$303,364	\$308,029	\$4,665	1.5%
Financing and Other	\$457,202	\$499,612	\$42,409	9.3%
<b>Total</b>	<b>\$3,602,413</b>	<b>\$3,832,734</b>	<b>\$230,321</b>	<b>6.4%</b>

Note: Because of the FY 2003 Approved Budget revisions, caused by declining revenue projections, figures for FY 2003 Approved Budget column will not match those in the June 2002 Congressional submission.

Table 1-3  
**FY 2004 Local Funds Expenditures (By Category)**

(Dollars in Thousands)

	FY 2003 Approved Budget	FY 2004 Proposed Budget	Change	% Change
Continuing Full Time Pay	\$1,155,773	\$1,239,752	\$83,978	7.3%
Regular Pay - Other	\$79,929	\$80,760	\$831	1.0%
Additional Gross Pay and Overtime	\$40,873	\$68,265	\$27,392	67.0%
Fringe Benefits	\$183,282	\$202,428	\$19,146	10.4%
<i>Personal Services</i>	<i>\$1,459,857</i>	<i>\$1,591,205</i>	<i>\$131,347</i>	<i>9.0%</i>
Supplies and Materials	\$35,345	\$44,776	\$9,432	26.7%
Energy, Comm., and Bldg. Rentals	\$55,775	\$58,898	\$3,123	5.6%
Telephone, Telegraph, Telegram, Etc.	\$19,778	\$25,175	\$5,398	27.3%
Rentals - Land and Structures	\$70,350	\$76,308	\$5,958	8.5%
Janitorial Services	\$4,070	\$6,894	\$2,824	69.4%
Security Services	\$13,674	\$17,213	\$3,538	25.9%
Other Services and Charges	\$117,574	\$112,757	(\$4,818)	-4.1%
Contractual Services - Other	\$337,405	\$261,818	(\$75,587)	-22.4%
Subsidies and Transfers	\$1,128,798	\$1,254,175	\$125,377	11.1%
Equipment & Equipment Rental	\$37,712	\$38,720	\$1,008	2.7%
Debt Service	\$322,074	\$344,795	\$22,721	7.1%
<i>Nonpersonal Services</i>	<i>\$2,142,555</i>	<i>\$2,241,529</i>	<i>\$98,973</i>	<i>4.6%</i>
<b>Total</b>	<b>\$3,602,413</b>	<b>\$3,832,734</b>	<b>\$230,321</b>	<b>6.4%</b>

es for a particular program, information is presented by expense category. Table 1-3 shows the entire Local funds budget by expense category. These same categories are used by all District agencies. Specific agency costs by expense category are included in the agency chapters of this budget book.

The largest expense category for the District is personal services, totaling \$1.6 billion and representing 41.5 percent of the Local funds budget. This funding will support 26,245 local full-time equivalent (FTE) positions, a decrease of 150

FTEs, or 0.6 percent from FY 2003. Including all fringe benefits, but excluding extra compensation like overtime and shift differential, the average FTE for FY 2004 will cost \$58,029.

Appendix M provides the Local fund's FTE levels for FY 2002 through 2004 for each agency, while Appendix N provides the gross funds FTE levels for the same period. Table 1-4 describes the changes in FTEs by appropriation title. Table 1-5 shows the major changes in Gross funds FTEs for FY 2004.

Table 1-4

**FY 2004 FTEs, by Appropriation Title (Local Funds)**

	FY 2003 Approved Budget	FY 2004 Proposed Budget	Change	% Change
Governmental Direction and Support	2,337	2,314	-23	-1.0%
Economic Development and Regulation	505	490	-15	-2.9%
Public Safety and Justice	7,344	7,429	85	1.2%
Public Education System	10,795	10,500	-295	-2.7%
Human Support Services	3,991	4,037	46	1.1%
Public Works	1,422	1,475	53	3.7%
Financing and Other	0	0	0	0
<b>Total</b>	<b>26,394</b>	<b>26,245</b>	<b>-150</b>	<b>-0.6%</b>

Table 1-5

**Major FTE Changes (Gross Funds)**

<b>Governmental Direction and Support</b>		
Office of Risk Management	23	A new agency in FY 2004
Office of Personnel	-16	Elimination of benefits service agreement with DCPS
Office of the Chief Technology Officer	23	Transfer from the Department of Human Services
Office of Property Management	20	Transfer from DC General Hospital (+37) Elimination of vacant positions (-17)
Office of the Corporation Counsel	-21	Elimination of unfunded positions and reduction in Special Purpose Revenue funds
Office of the Chief Financial Officer	-83	Elimination of unfunded positions and consolidation of financial functions
<b>Economic Development and Regulation</b>		
Department of Employment Services	-59	Reallocation of resources
Department of Consumer and Regulatory Appeals	21	Correction of historical imbalances
<b>Public Safety and Justice</b>		
Metropolitan Police Department	18	Elimination of unfunded positions (-24) New call-taker positions (+42)
Fire and Emergency Services Department	120	Recommended firefighters/EMT staffing levels
Office of Administrative Hearings	34	Consolidation of staff in this agency in FY 2004
Forensic Health and Science Laboratory	10	A new agency in FY 2004
<b>Public Education System</b>		
State Education Office	22	Transfers, redirections, and increased federal FTEs
University of the District of Columbia	-42	Reallocation of resources
<b>Human Support Services</b>		
Department of Human Services	36	Evans Exit Plan (+71) Transferred to the Office of Chief Technology Officer (-23) Eliminated due to decrease in Federal Medicaid (-11) Transferred to Office of Administrative Hearings (-1)
Department of Health	83	Increased service delivery (including federal grant funding)
<b>Public Works</b>		
Department of Public Works	32	Abandoned and Junk Vehicles, Seat Works Management (+26) Correction of historical imbalances (+6)
Department of Motor Vehicles	17	Elimination of unfunded positions (-26) New NE motor vehicle (+16) Red Light vehicles enforcement (+10) Increased inspection services (+8) Transferred to Office of Administrative Hearings (-3) Commercial Drivers Licenses program (+12)
Other	-89	This variance represents a net impact of other FTE changes not detailed above (please see Appendices M and N as well as the agency chapters for additional information on FTE changes)

## Organization of the FY 2004 Budget and Financial Plan

The FY 2004 Budget and Financial Plan is composed of the following volumes:

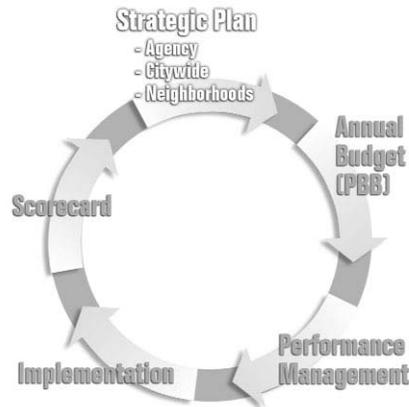
- FY 2004 Budget and Financial Plan – This volume provides all summary information regarding the District’s proposed budget.
- FY 2004 Operating Appendices – This volume provides detailed information about an agency’s operating funds.
- FY 2004 Capital Appendices – This volume provides detailed information about an agency’s capital projects and spending.
- FY 2004-2009 Highway Trust Fund – This volume provides details about the Department of Transportation’s local and federal transportation expenditures on bridges, roads, and highways.

While the proposed budget is similar to last year’s submission, there are some notable changes. They include:

- Presentation of 27 additional agencies in performance-based budget (PBB) format, representing over 80 percent of the gross funds budget.\*
- Greater detail in PBB program descriptions to include activity information.
- Conversion of the fund structure to reflect standard accounting definitions.

\*Although DCPS completed the agency strategic business planning process, the agency budget is not available in PBB format.

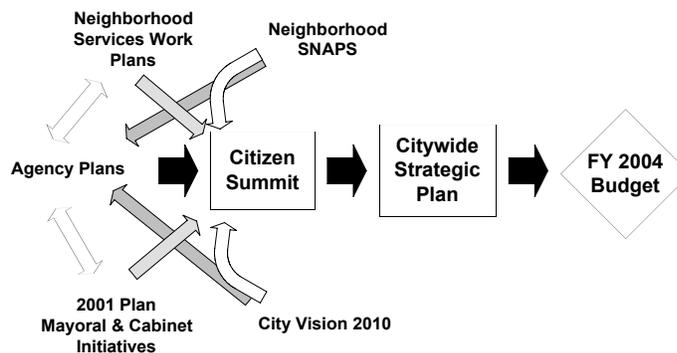
Chart 1-4  
**Strategic Management Cycle**



- Presentation of the District’s FY 2004 Highway Trust Fund volume with both the March budget submission to Council and the June submission to Congress.
- Development of a Citizen’s Guide to the Budget accompanying the CD-ROM version of the FY 2004 budget.

The FY 2004 Budget and Financial Plan serves as the main summary volume of the proposed budget. In this one volume is information on District-level and agency level revenues and expenditures. This volume is organized into two primary sections. The narrative section provides general District-wide summary information about the budget, including revenues, expenditures,

Chart 1-3  
**District of Columbia Strategic Planning Processes**



strategic initiatives, and capital expenditures. The agency section provides agency-specific information about revenues, expenditures, key initiatives, program information (for PBB agencies only), and performance data. Detailed information about agency expenditures can be found in the aforementioned supporting volumes.

## The FY 2004 Budget Calendar

The FY 2004 Budget and Financial Plan is a culmination of a year-long process that starts with strategic and neighborhood planning and culminates with the specific spending decisions in the budget. Some of the critical steps in the budget formulation process are described below.

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## How and When the Budget is Prepared

<b>Neighborhood Planning</b>	
Every other year	Beginning in the summer of 2000, the Office of Neighborhood Action initiated strategic planning in the 39 area clusters (neighborhoods) of the District. The result of these Strategic Neighborhood Action Plans (SNAPs) provide invaluable information and insight as to the priorities of the various neighborhoods of the District.
<b>Budget Guidance</b>	
August – October 2002	The FY 2004 budget process began with the Office of Budget and Planning (OBP), distributing the FY 2004 budget manual containing guidelines to agencies for developing their budget request.
<b>Citizen Summit</b>	
Every other year	On October 6, 2001, the Mayor hosted Citizen Summit II at the Washington Convention Center to seek citizen advice on the draft Citywide Strategic Plan.
<b>Agency Budget Request Development</b>	
November – December 2002	Taking into consideration the draft citywide strategic plan, the SNAPs, and following the budget guidance from OBP, agencies developed their FY 2004 budget request and program enhancements.
<b>Budget Analysis</b>	
December 2002 – January 2003	OBP reviewed agency budget requests for adherence to guidelines, identified opportunities for efficiencies and incorporated revised economic data.
<b>Budget Presentation</b>	
January – March 2003	OBP provided the Mayor with the baseline budget and program enhancements requested by the agencies. Final budget priorities were determined, and the FY 2004 proposed budget was finalized for submission to the Council on March 17, 2003.
<b>Budget Consensus Process</b>	
The consensus process is the period when the Council, citizens, interested parties and the Mayor come to agreement on FY 2004 spending priorities. The District is legislatively required to develop and adopt a balanced budget.	
<b>March 2003</b>	Public hearings on the FY 2004 proposed budget
<b>April 2003</b>	Council begins revising, or marking up, the Mayor's proposed budget
<b>May 2003</b>	Council approves the FY 2004 Budget and Financial Plan
<b>June 2, 2003</b>	The FY 2004 Proposed Budget and Financial Plan is submitted to Congress