HEARING

ON

THE BUDGET REQUEST OF THE

DISTRICT OF COLUMBIA

FOR FISCAL YEAR 2005

Before the

Subcommittee on the District of Columbia
Committee on Appropriations
United States Senate

The Honorable Mike DeWine, Chairman

May 19, 2004, 10:00 a.m.
Room 138, Dirksen Senate Office Building

Testimony of
Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia

Good morning, Mr. Chairman, Senator Landrieu, and members of the subcommittee. I am Natwar M. Gandhi, Chief Financial Officer for the District of Columbia, and I am here today to testify on the District's FY 2005 budget request to the Congress. My remarks will briefly touch on the FY 2004 financial outlook, the FY 2005 request, and the overall health of the District's finances.

Overarching Financial Goal

The Congress created the District's Office of the Chief Financial Officer to preserve and enhance the District's financial viability at all times. The District has made substantial progress in the last 7 years, achieving a consistent series of balanced budgets and clean audits, and significantly improving its financial infrastructure. As part of this success, the District has had a $1.4 billion turn-around in fund balance from a negative $518 million in 1996 to a positive balance of $897 million at the end of FY 2003. We had almost $254 million in cash reserves for emergency and contingency purposes at the end of fiscal year 2003, probably the largest such reserves as a percentage of budget in the entire nation. The culminating event to-date in FY 2004 is the recent two-notch upgrade in the rating on our General Obligation bonds from Moody's Financial Services, lifting our rating to the "A" category from all rating agencies for the first time ever. A brief timeline of how the District has recently improved its General Obligation bond ratings is provided in Attachment 1.

We continue to build on this record of accomplishment. Standardized spending plans for all agencies are now in place, and we are monitoring results against those plans using a new online financial management tool for controlling agency spending. Across all agencies, we are building performance budgets that set targets for accomplishments and benchmark these targets against best practices in local government.

The District has enacted its own Anti-Deficiency Act to hold financial and program managers accountable for achieving program results within approved budgets. The first ever local Anti-Deficiency report identifying agencies that have strayed from their approved budgets and spending plans in the first quarter of FY 2004 is forthcoming.

The District is making steady progress on its long-term replacement strategy for its administrative systems – the Administrative Services Modernization Program (ASMP) – spearheaded by the Office of the Chief Technology Officer. Over the next three years, all of the District's administrative systems – personnel, payroll, procurement, property management, and budget – will be upgraded and integrated with the System of Accounting and Reporting (SOAR). For the first time, the District will have a top quality, integrated information system with which to manage District operations. Already in operation is a new procurement system linked to our accounting system. A new budget system is scheduled to become operational in August 2004, a personnel system in November 2004 and a payroll system in July 2005.

With all of these accomplishments in place, as evidence of ongoing fiscal prudence and commitment to sound fiscal management, it is time to grant the District local budget autonomy. It will allow the District to improve budget preparation and management quite significantly. Without autonomy we must prepare specific expenditure plans and revenue estimates at least nine months in advance of the actual budget year, adding more-than-usual uncertainty about the planned budget and posing more difficulty in budget execution. Mr. Chairman, I very much appreciate your leadership and support and that of the U.S. Senate on the matter of budget autonomy and am very hopeful that the U.S. House of Representatives will soon follow your lead in this matter.

FY 2004 Financial Outlook

Through the leadership and cooperation of our elected officials, the District made the necessary tough decisions to assure a balanced budget for FY 2004. As of this time, all identified spending pressures have been resolved through internal or inter-program reallocations. I am confident we will end the year with a balanced budget.

FY 2005 Budget Request

The Council of the District of Columbia just voted on the FY 2005 budget request on May 14. The Council and Mayor are currently reconciling their respective budget amendments. We will provide the Subcommittee with the final numbers as soon as they become available. I would like to briefly summarize some of the key points in the request.

In total, the District's gross funds operating request for FY 2005 is roughly six billion dollars, an increase of about $500 million over the approved FY 2004 level. The total number of positions in FY 2005 from all funding sources is 33,050, an increase of 882 positions.

Local funds, taxes and fees paid by D.C. residents comprise about two-thirds of the total budget, about $4.16 billion, an increase of about $332 million, or 8.7 percent, over approved FY 2004 levels (see Attachment 2). The total number of positions funded with local funds is 26,050 in FY 2005, a decrease of 195 positions, or 0.7 percent.

Please note that the expenditure growth for local funds in FY 2005 does not set the mold for FY 2006 and beyond. Expenditures are expected to grow at 4.4, 4.3 and 4.5 percent for fiscal years 2006, 2007, and 2008, respectively. The FY 2005 budget includes important budget corrections or increases to recognize the true cost of providing the current level of services, including entitlements experiencing both higher provider rates and utilization, court orders' compliance costs, realistic Medicaid reimbursements, higher pension costs for prior years' pay raises for teachers, police officers and firefighters, as well as new operating costs from completed capital projects. Almost half of the FY 2005 local funds growth rate of 8.7%, or $127 million of the $332 million increase, is due to these one-time budget corrections for FY 2004 service level and rate increases (see Attachments 3 and 3A). The remainder of the growth – 5.3% (growth rate of 8.7% minus 3.4%) or $205 million – is anticipated service level and cost increases for FY 2005 alone. If we isolated service level and rate increases for just FY 2005, it would be 5.3% rather than an 8.7% growth, which is in-line with the out-year growth rates.

Cost Drivers

The increases in this budget are driven by the cost of maintaining current programs at existing program levels, not by new program initiatives. All of the total increase of $332 million in local fund expenditures is related to maintaining current services.

Program initiatives of $36.3 million are accommodated by making program reductions or shifting costs to other fund sources. Attachment 4 provides a list of the major cost drivers in the budget. Two areas of note are Medicaid and Public Education.

Medicaid. The FY 2005 proposed budget for Medicaid is $1.4 billion, or 22 percent of the District's gross funds budget. Total program costs have risen 45.2 percent and local fund costs by 30.9 percent between FY 1999 and FY 2004. In FY 2005, Medicaid costs are projected by the Council to increase by $28 million, with an additional $20 million in reserves to be available if needed.

There are several contributing factors to rising Medicaid expenditures, but they are in large part due to the cost of providing care to the District's aging and disabled populations. (In 2000, 20.3 percent of the District's population was disabled and 12.2 percent was over the age of 65.) Cost of caring for these groups has increased at a rate much faster than inflation because of price increases in prescription medications, the rapidly rising costs for nursing home services, and labor costs that continue to soar, driven by a nationwide shortage of nurses and new staffing requirements. The District has also experienced enrollment increases and has now reached 99 percent eligible enrollment status. This is attributable mainly to aggressive outreach campaigns and program expansions such as the Childless Adults Waiver that offers coverage for ages 50 – 64 up to 50 percent FPL and the expansion of the HIV/AIDS Waiver.

When we benchmarked our Medicaid program with our neighboring states, here is what we found:

- 25 percent of the District's population is enrolled in Medicaid – compared to 12 percent in Maryland and 9 percent in Virginia.
- The District spends, on average, $7,242 per enrollee – compared to $5,509 in Maryland and $5,177 in Virginia.
- Per resident, D.C. spends $1,776 – compared to $649 in Maryland and $445 in Virginia.

Costs per enrollee are higher in the District than in surrounding jurisdictions because the District, an entirely urban area, has higher costs to deliver the same services as Maryland and Virginia. These states spread part of their service delivery over rural areas that have lower costs. In addition, health care costs in D.C. are increasing faster than the rate of inflation. Over the past year in the District of Columbia health care costs increased by three percent, compared to a general inflation rate of only two percent. With higher costs per enrollee and a high proportion of its population in need, D.C. taxpayers carry a large burden for their fellow residents.

Public Education. Formula increases in public education for both D.C. Public Schools and Charter Schools add $71 million over the approved FY 2004 appropriation. However, these increases are needed to maintain schools as they operate today.

The Fiscal Forecast

The economic outlook for the District in FY 2005 is quite good, with a forecast growth in the baseline tax revenue of 5.4 percent. Retail sales, including tourist accommodations and restaurants, as well as general retail, are expected to be up by five percent – reflecting current trends – as will individual and corporate income taxes. The real estate market continues very strong, with taxes on property sales remaining at all time highs and real property tax revenue expected to increase 11 percent in FY 2005.

The FY 2005-FY 2008 financial plan projects positive net operating margins through FY 2008. However, the District will operate on a very slim financial margin – about two million dollars in FY 2005 – based on expenditure plans and forecasts of revenue growth. The 8.7 percent expenditure growth in the FY 2005 budget is financed through the use of growth in current year revenues and about $53 million in fund balance accumulated from prior years. Once used, a fund balance is gone and on-going expenditure requirements must ultimately be met with on-going revenue streams. Our financial plan shows that D.C. meets this requirement in the planning period (see Attachment 5).

Cash Reserve Requirements

As you are aware, in FY 2002, the District fully funded its Emergency and Contingency Cash Reserve Funds at their maximum required levels, totaling $248 million, or seven percent of the local expenditure budget. This was a significant accomplishment, achieved five years ahead of the Congressionally mandated time frame, and it has contributed significantly to the District's bond rating upgrades. Maintaining the seven percent level for the District's Cash Reserves required an increase to $254 million for FY 2003 and $285 million for FY 2004. In FY 2005 the emergency and contingency cash reserves combined are budgeted to reach $303 million. This is in addition to the $50 million in operating cash reserve maintained by the District. If I may, I would like to briefly summarize cash reserve requirements elsewhere as a reminder of how noteworthy the District's performance is in this area.

No other major city has a cash reserve requirement except Denver, which is required to have 3% of general fund expenditures in a reserve. Among states, most have some form of cash reserve or "rainy day" fund. Further,

- the approximate average size of these funds is 5% of budget;
- most states have no replenishment requirement, but 6 states require the funds to be replenished over the course of 2, 3, or 5 years; and
- in 21 states, the reserve funds can be used when the state faces a deficit for any reason, and in most other states the funds can be used in the event of a revenue shortfall.

The District's flexibility in managing its finances is constrained by its current reserve requirements (see Attachment 6). Working with Congress, the District has developed proposed changes to our emergency and contingency cash reserve requirements. These changes, included in the District's FY 2005 Budget Request Act, would reduce the overall requirement from seven percent to six percent (two percent Emergency and four percent Contingency). The proposed changes would modify the requirement for replenishment from one-year replenishment to two years with no less than 50 percent being paid back in the first fiscal year after use. The proposed changes remove from the calculation of the seven percent emergency and contingency cash reserve those expenditures associated with debt service, for which a separate reserve is already maintained under the District's Home Rule Act. Finally, the proposal would change the basis of the calculation of the emergency and contingency cash reserves from local fund expenditures as proposed in the

District's upcoming fiscal year budget, to local fund expenditures as calculated in the annual Comprehensive Annual Financial Report, as audited by the District's independent auditors.

Structural Imbalance in the District's Budget

In the last seven years, the District has submitted balanced and responsible budgets during periods of increasing, as well as declining, revenues. Our restrained budgeting in the good years helped us work through some of the hard times. Despite this record of balanced budgets, the District has a serious long-term financial problem – a structural imbalance that transcends short-term challenges and cyclical revenue fluctuations. This structural imbalance is a long-term gap between the District's ability to raise revenue at reasonable tax rates and the District's ability to provide services of reasonable quality and quantity to its residents. The causes and consequences of this imbalance were well documented by the General Accounting Office in report GAO-03-666 in May 2003.

The GAO defines a financial structural imbalance as an inability to provide a representative array of public services by taxing at representative rates. Using this definition, many municipalities could legitimately claim to have a structural imbalance. However, the District is unique among all municipal governments. It is the only city chartered in the Constitution of the United States and under the legislative jurisdiction of the Congress – that is, the District is the only Federal City of the United States of America. It is the only city that has no state to share costs or underwrite expenditures in whole or part; instead, D.C. bears about $500 million annually in costs of mental health, human services, child and family services, a university, motor vehicles, taxation, insurance regulation, public service commission, and other state services.

The District is a city whose primary employer is self-determined to be exempt from tax on its property and exempt from tax on its income. Further, by federal law, the preponderance of workers in the District of Columbia are exempt from D.C. income tax. Lastly, it is the only municipality in the country that must exercise the responsibilities of a city, county, state, and school district. Although the District has the taxing authority for all types of taxes typical of states and local governments combined, it does not have the corresponding tax base sufficient to pay for the services it must provide.

This imbalance necessitates some additional federal consideration of the District's infrastructure needs. The District faces about $3 billion in infrastructure needs – mostly in schools, streets and transportation – that cannot possibly be funded locally. D.C. already has the highest per capita general obligation debt in the nation and a tax burden that is 18 to 33 percent higher than average for the states. Our only local options for meeting these infrastructure deficiencies are 1) adding even more debt per capita – an action very much frowned on by the rating agencies, 2) increasing tax burden per capita – an action likely to discourage current and potential residents and employers, or 3) lower delivery of other types of services – a difficult choice in a city with an unusually large population of people in need.

The General Accounting Office (GAO) strongly underscored the District's unique financial challenges in generating the funds to finance all usual and necessary services and identified an annual structural imbalance of $470 million to $1.14 billion between the costs of delivering typical services and the revenue available from typical tax burdens, based on the FY 2000 budget and data. Over the years, the District dealt with this gap by neglecting infrastructure needs and assessing very high taxes.

For instance, the capital program is increasingly constrained by limited operating revenues to support debt service as well as by the impact of prudent debt ratios and debt service affordability determinations. To maintain good standing with Wall Street, we must cap annual capital borrowing at $400 million in FY 2005, $350 million in FY 2006 and $300 million in FY 2007 and FY 2008. After considerable scrubbing, based on current realities, the estimated capital needs are $650 million in FY 2005; thus, the District's Capital Improvement Plan for FY 2005 has an expenditure gap of approximately $250 million.

Congresswoman Eleanor Holmes Norton authored Bill H.R. 4269, the District of Columbia Fair Federal Compensation Act of 2004, which recognizes the District's unique needs and provides unique solutions. That Bill establishes a Dedicated Infrastructure Account within the general fund of the District. The fund would receive $800 million annually in federal monies, with growth adjustments over time. These monies could be used only for transportation including streets, information technology, and DCPS infrastructure developments and to support debt service payments on bonds, notes and other obligations of the District. Funds would remain available until expended.

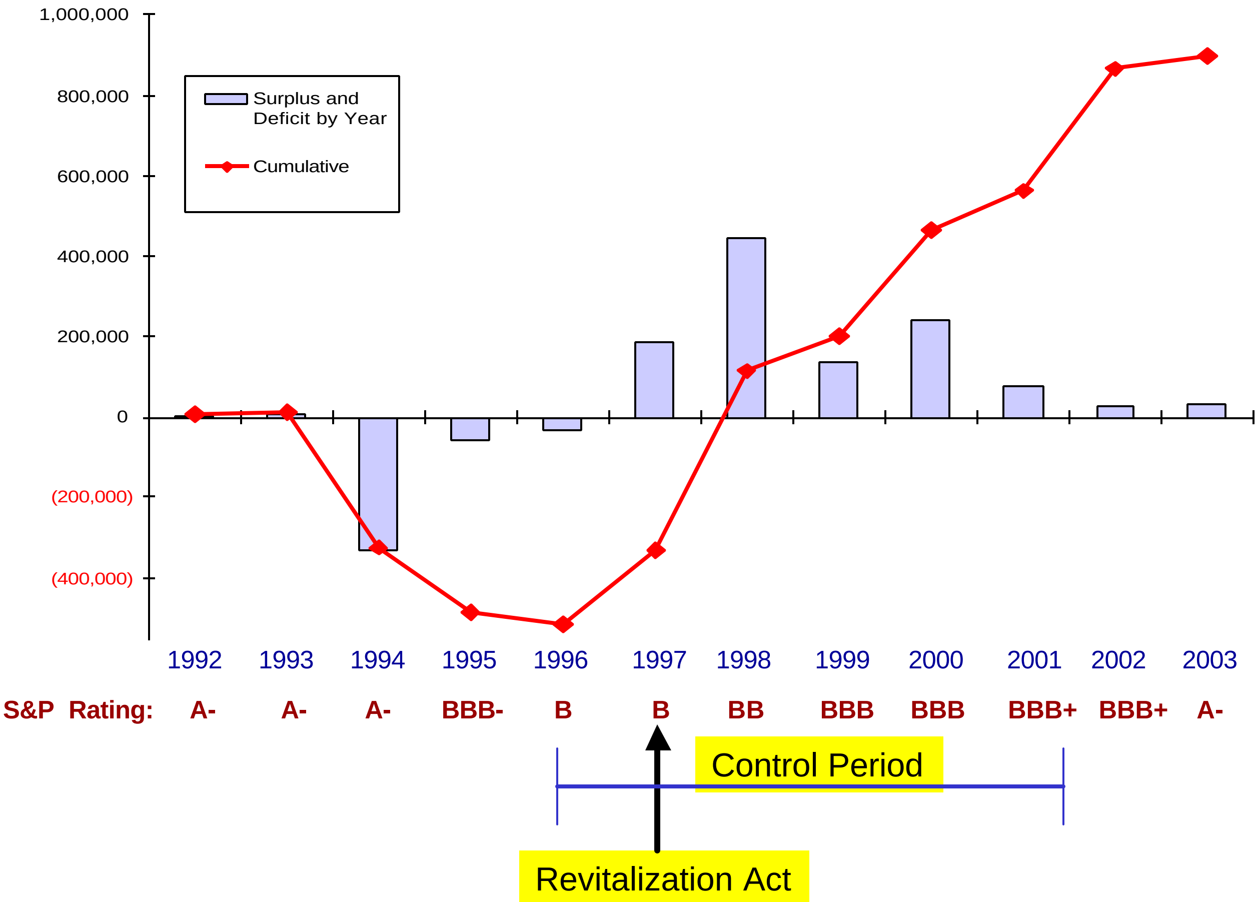
I urge the Congress to consider the Norton bill favorably. By providing for infrastructure development, it can help reverse the history of necessary neglect and move DC toward the shining example that should be set by the capital city of the free world. With so many financial accomplishments now well underway in D.C., this is the last major piece of the financial puzzle and the District cannot prosper into the future without it.

Conclusion

Mr. Chairman, this concludes my oral remarks. I request that my written testimony be made part of the record. I will be pleased to answer any questions you or the other members may have.

Attachment 1

FY92 – 03 Annual and Cumulative Surpluses and Bond Ratings



District of Columbia General Obligation Bond Ratings			
Time Period	Moody's	Standard & Poor's	Fitch
4/04 - Present	A2	A-	A-
6/03 - 4/04	Baa1	A-	A-
3/01 - 6/03	Baa1	BBB+	BBB+
2/01 - 3/01	Baa3	BBB+	BBB
6/99 - 2/01	Baa3	BBB	BBB
4/99 - 6/99	Ba1	BBB	BB+
3/98 - 4/99	Ba1	BB	BB+
5/97 - 3/98	Ba2	B	BB
4/95 - 5/97	Ba	B	BB
2/95 - 4/95	Ba	BBB-	BB
12/94 - 2/95	Baa	A-	BBB+
4/93 - 12/94	Baa	A-	A-
5/90 - 4/93	Baa	A-	NR
11/84 - 5/90	Baa	A	NR

Attachment 2

Growth Rates, Local Funds Expenditures, FY 1999 - FY 2008

(Dollars in thousands, using FY 2004 Approved for FY 2004 data)

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Approved	FY 2005 Consensus	FY 2006 Projected	FY 2007 Projected	FY 2008 Projected
Governmental Direction and Support	197,126	255,251	233,266	248,011	199,089	206,824	260,374	268,104	276,298	284,914
		29.5%	-8.6%	6.3%	-19.7%	3.9%	25.9%	3.0%	3.1%	3.1%
Economic Development and Regulation	41,521	49,338	54,524	56,071	56,520	53,336	55,766	57,236	58,854	60,560
		18.8%	10.5%	2.8%	0.8%	-5.6%	4.6%	2.6%	2.8%	2.9%
Public Safety and Justice	488,964	524,829	579,571	628,511	646,732	716,715	761,546	791,859	818,136	846,327
		7.3%	10.4%	8.4%	2.9%	10.8%	6.3%	4.0%	3.3%	3.4%
Public Education System	654,531	728,125	962,412	926,254	909,354	962,941	1,058,762	1,087,183	1,114,370	1,143,143
		11.2%	32.2%	-3.8%	-1.8%	5.9%	10.0%	2.7%	2.5%	2.6%
Human Support Services *	822,538	950,313	1,105,420	1,067,242	1,242,888	1,085,277	1,203,734	1,247,828	1,299,369	1,353,947
		15.5%	16.3%	-3.5%	16.5%	-12.7%	10.9%	3.7%	4.1%	4.2%
Public Works	251,389	257,933	287,367	297,336	293,952	308,029	312,035	324,712	338,226	352,435
		2.6%	11.4%	3.5%	-1.1%	4.8%	1.3%	4.1%	4.2%	4.2%
Financing and Other	420,781	368,070	290,310	286,050	322,491	499,612	512,484	570,738	628,776	698,074
		-12.5%	-21.1%	-1.5%	12.7%	54.9%	2.6%	11.4%	10.2%	11.0%
Total	**2,876,850**	**3,133,859**	**3,512,869**	**3,509,476**	**3,671,026**	**3,832,734**	**4,164,703**	**4,347,660**	**4,534,031**	**4,739,401**
		8.9%	**12.1%**	**-0.1%**	**4.6%**	**4.4%**	**8.7%**	**4.4%**	**4.3%**	**4.5%**

Note: "Receiverships" added to "Human Support Services" for FYs 1998-2002
* Portion of "Contingency" related to Human Support Service agencies is added to this line, for illustrative purposes.

Actual growth rate, FY 1998 - FY 2003:	**Total**	**Annual**
Governmental Direction and Support	1.0%	0.2%
Economic Development and Regulation	36.1%	8.0%
Public Safety and Justice	32.3%	7.2%
Public Education System	38.9%	8.6%
Human Support Services	51.1%	10.9%
Public Works	16.9%	4.0%
Financing and Other Uses	-23.4%	-6.4%
Total	**27.6%**	**6.3%**

Attachment 3

Office of the Chief Financial Officer
Office of Budget & Planning

FY 2005 ***Council Approved*** Budget:

Extraordinary Expenditure Baseline Adjustments

(*in millions)*

Draft

	Descriptions		**Amount**	**Est. % of FY2005 Growth**
1	Additional Court Order Compliance (Includes: MRDDA, YSA, Foster Care, and Special Ed. Transportation)	$	31	0.8%
2	Rightsizing: a) MAA's local funds budget for Medicaid FY 2004 Growth, $21.0M, and Rightsizing DMH 's local funds budget for lower Medicaid Reimbursement Revenues, $17.0M	$	38	1.0%
3	One-time Grant Disallowance in FY2004 not in FY 2005	$	(57)	-1.5%
4	Increase in Debt Service	$	44	1.2%
5	Operating Costs From Completed Capital Projects for OCTO, OCFO and DP&R projects	$	30	0.8%
6	Higher pension costs related to priors years' pay raises for teachers ($9.0M), police & firefighters ($16.0M)	$	25	0.7%
7	HCSN FY 2004 recurring contract increase of $13.0M with a $3.0M contingency	$	16	0.4%
	Net, One-time Baseline Adjustments	$	127	3.4%
	Growth Rate for the FY 2005 Proposed Budget	$	332	8.7%
	Net Growth for FY 2005	$	205	5.3%
	Financial Plan Growth Rates: FY 2006	$	173	4.4%
	FY 2007	$	201	4.3%
	FY 2008	$	195	4.5%

Attachment 3A

Growth Rates, Local Funds, FY 2002 - FY 2008
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Approved	FY 2004 Revised	FY 2005 Consensus	FY 2006 Projected	FY 2007 Projected	FY 2008 Projected
Revenues (no fund balance or enhancements)								
Historical 2002-2003	3,483,341	3,702,231						
Baseline, 2004 (Rev.) - 2008				3,798,089	3,992,277	4,178,164	4,339,126	4,480,165
Growth		6.3%		2.6%	5.1%	4.7%	3.9%	3.3%
Revenues (including enhancements 2005-2008 plus $50 million in taxes plus Lottery increase)								
Historical 2002-2003	3,483,341	3,702,231						
2004 (Rev.) - 2008				3,798,089	4,114,143	4,352,456	4,565,947	4,749,723
Growth		6.3%		2.6%	8.3%	5.8%	4.9%	4.0%
Resources (revenues + enhancements + increases + fund balance)								
Historical 2002-2003	3,483,341	3,702,231						
2004 (Rev.) - 2008				3,927,512	4,166,731	4,352,456	4,565,947	4,749,723
Growth		6.3%		6.1%	6.1%	4.5%	4.9%	4.0%
Expenditures								
Actual/Projected	3,509,474	3,671,026	3,832,734	3,864,934	4,164,703	4,347,660	4,534,031	4,739,401
Growth		4.6%		5.3%	7.8%	4.4%	4.3%	4.5%

Growth:	
2005 over 2004 Approved	8.7%
2005 over 2004 Revised	7.8%

	FY 2002	FY 2003	FY 2004 Approved	FY 2004 Revised	FY 2005	FY 2006	FY 2007	FY 2008
Consumer Price Index, Washington Metro Area:								
Historical 02-03, projected 04-08	2.2%	3.0%	1.8%	1.8%	2.0%	1.9%	2.1%	2.2%

Attachment 4

Category/Agency	Baseline Adjustment	Mayor's Proposed Adjustments	Council's Proposed Adjustments
FY 2004 Approved Budget	**3,832,734**	**3,832,734**	**3,832,734**
Inflationary/Formula/Current Law Baseline Adjustments			
Reserve Requirements	92,520	25,472	(1,940)
Debt Service	41,941	43,241	41,441
FY 2005 Inflation Increases	43,656	38,516	38,103
Pension Obligations	27,308	27,308	27,308
Multi-jurisdictional Agreements	3,570	4,070	2,523
Public Education Formula increases	78,725	64,292	70,985
Elimination of one-time Grant Disallowance	(57,000)	(57,000)	(57,000)
Local Legislative Requirements	10,094	(119)	9,683
Total Inflationary/Formula Baseline Adjustments	**240,814**	**145,780**	**131,103**
Baseline Adjustments for Entitlement/Court Ordered Functions			
Medicaid related adjustments	49,190	41,805	28,105
Court order adjustments	37,629	46,598	20,585
Total Baseline Adjustments for Entitlement/Court Ordered Functions	**86,819**	**88,403**	**48,690**
Technical Baseline Adjustments			
FY 2005 Impact of FY 2004/FY 2005 Policy Decisions	36,841	43,265	92,667
Operating Impact of Capital Projects	42,020	29,720	29,720
Contractual Increases/Fixed Cost	28,817	32,788	29,788
Total Mandatory Technical Baseline Adjustments	**107,678**	**105,773**	**152,175**
Total Major Cost Drivers for FY 2005 Baseline Budget	**435,310**	**339,955**	**331,967**
FY 2005 Proposed Budget	**4,268,044**	**4,172,689**	**4,164,701**

Attachment 5

Local Funds Component of the General Fund Financial Plan
($ thousands)

	Revenues	FY 2003 Actual	FY 2004 Approved	FY 2004 Adjusted	FY 2005 COUNCIL	FY 2006 Projected	FY 2007 Projected	FY 2008 Projected
1	Taxes	3,293,374	3,339,913	3,471,217	3,678,730	3,874,565	4,032,426	4,179,345
2	General Purpose Non-Tax Revenues	315,780	289,201	286,672	292,447	284,699	289,940	286,290
4	Transfer from Lottery	72,050	70,200	70,200	73,100	72,100	72,100	72,100
5	**General Fund Revenues (Local)**	**3,681,204**	**3,699,314**	**3,828,089**	**4,044,277**	**4,231,364**	**4,394,466**	**4,537,735**
6	Fund Balance Use	1,802	96,498	129,423	52,588	0	0	0
7a	Revenue Enhancements	0	38,760	0	63,505	90,590	87,692	88,161
7b	Suspension of Tax Parity	0	0	0	0	24,000	77,129	117,000
8	Transfer from Federal and Private Resources	0	0	0	6,361	6,502	6,660	6,827
9	**Total General Fund Resources (Local)**	**3,683,006**	**3,834,572**	**3,957,512**	**4,166,731**	**4,352,456**	**4,565,947**	**4,749,723**
	Expenditures (by Appropriation Title)							
10	Governmental Direction and Support	199,089	206,824	220,924	260,374	268,104	276,298	284,914
11	Economic Development and Regulation	56,520	53,336	55,036	55,766	57,236	58,854	60,560
12	Public Safety and Justice	646,732	716,715	728,115	761,546	791,859	818,136	846,327
13	Public Education System	909,354	962,941	990,941	1,058,762	1,087,183	1,114,370	1,143,143
14	Human Support Services	1,242,888	1,085,277	1,113,277	1,164,472	1,206,603	1,255,671	1,307,627
15	Public Works	293,952	308,029	305,629	312,035	324,712	338,226	352,435
16	Financing and Other	322,491	390,672	391,772	458,609	509,758	560,681	602,856
16a	Contingency - Human Support	0	0	0	39,262	41,225	43,699	46,321
16b	Contingency - Other	0	0	0	3,875	3,980	4,095	4,218
17	Tax Increment Financing (TIF)	0	1,940	1,940	0	0	0	0
18	Grant Disallowances	0	57,000	57,000	0	0	0	0
19	Cash Reserve (Budgeted Contingency)	0	50,000	300	50,000	50,000	50,000	50,000
20	Tobacco Trust Fund (Program Funds)	0	0	0	0	2,000	4,000	6,000
21	Tobacco Trust Fund (Investment Funds)	0	0	0	0	0	0	0
22	Operating Costs of Capital and Lease Purchases	0	0	0	0	5,000	10,000	35,000
23	Deposit into the Emergency Reserve Fund (4%)	0	0	0	0	0	0	0
24	Deposit into the Contingency Reserve Fund (3%)	0	0	0	0	0	0	0
25	**Total General Fund Expenditures (Local)**	**3,671,026**	**3,832,734**	**3,864,934**	**4,164,703**	**4,347,660**	**4,534,031**	**4,739,401**
26	**Operating Margin, Budget Basis**	**11,980**	**1,838**	**92,578**	**2,028**	**4,796**	**31,916**	**10,322**
27	**Beginning General Fund Balance**	**865,328**	**897,357**	**897,357**	**789,857**	**619,386**	**613,892**	**635,518**
28	Operating Margin, Budget Basis (General Fund)	53,684	1,838	92,578	2,028	4,796	31,916	10,322
29	Projected GAAP Adjustments (Net)	(21,655)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
30	Deposits into 4% & 3% Reserve Funds (From Fund Balance)	(5,069)	(31,609)	(31,609)	(18,091)	(5,387)	(22,878)	(14,418)
31	Deposits into 4% & 3% Reserve Funds (To Cash Reserves)	5,069	31,609	31,609	18,091	5,387	22,878	14,418
32	Unspent TIF Reserve	0	1,940	1,940	9,710	9,710	9,710	9,710
33	Fund Balance Use	0	(149,093)	(182,018)	(162,209)	0	0	0
34	**Ending General Fund Balance**	**897,357**	**732,042**	**789,857**	**619,386**	**613,892**	**635,518**	**635,549**
	Composition of Fund Balance							
35	Emergency Cash Reserve Balance (4%)	145,029	163,091	163,091	178,980	182,126	189,580	197,818
36	Contingency Cash Reserve Balance (3%)	108,771	122,318	122,318	124,520	126,761	142,185	148,364
37	Fund Balance not in Emergency & Contingency Reserves	643,557	446,633	504,448	315,886	305,005	303,754	289,367
38	**Ending General Fund Balance (Line 34)**	**897,357**	**732,042**	**789,857**	**619,386**	**613,892**	**635,518**	**635,549**

Attachment 6

CASH RESERVE REQUIREMENTS

Impact of Proposed Legislative Changes

(000)

Cash Reserves as Currently Shown in the Mayor's FY 2005 Proposed Budget and Financial Plan:

Fund Type	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Emergency Contingency Cash Reserve	$248,731	$253,800	$285,409	$303,111	$308,583	$331,079	$345,333
Budgeted Cash Reserves	$0	$0	$0	$50,000	$50,000	$50,000	$50,000
Total	**$248,731**	**$253,800**	**$285,409**	**$353,111**	**$358,583**	**$381,079**	**$395,333**

Cash Reserves Revised to Reflect the Impact of Proposed FY 2005 Changes:[1]

Fund Type	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Emergency Contingency Cash Reserve	$248,731	$253,800	$285,409	$247,003	$251,449	$255,975	$260,583
Budgeted Cash Reserves	$0	$0	$0	$50,000	$50,000	$50,000	$50,000
Total	**$248,731**	**$253,800**	**$285,409**	**$297,003**	**$301,449**	**$305,975**	**$310,583**

[1] Note: Because the District will not remove funds based upon the reduction to 6%, the FY 2005 – FY 2008 funds exceed the proposed 6% requirement. The total cash reserves using the 6% requirement for FY 2005 – FY 2008 are as follows:

	FY 2005	FY 2006	FY 2007	FY 2008
Emergency Contingency Cash Reserve	$211,717	$225,827	$245,776	$249,962
Budgeted Cash Reserves	$50,000	$50,000	$50,000	$50,000
Total	**$261,717**	**$275,827**	**$295,776**	**$299,962**