



District of Columbia

District of Columbia

General Fund Expenditure Trends, FY 2001 – FY 2011, and Looking Forward



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Outline

- Where have we been: expenditures since the end of the Control Period, 2001 – 2011
 - Operating budget – General Fund
 - Capital budget
- Where are we going
 - Growth potential in key operating budget areas



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Summary of Expenditure Growth

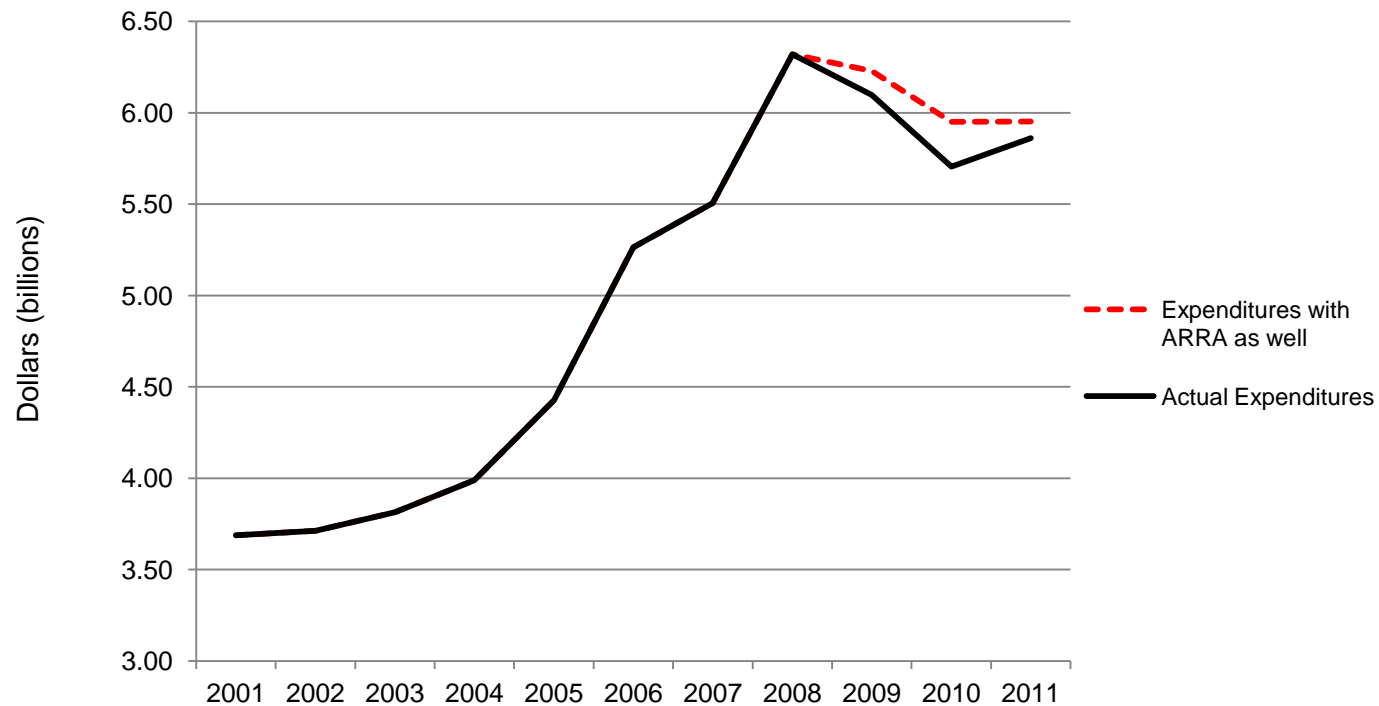
- District expenditures grew an overall 58.9 percent from FY 2001 through FY 2011
- Three distinct periods:
 - Growth of 8.1 percent from FY 2001 through FY 2004 (annual average growth of 2.6 percent, less than inflation in 2002 and 2003)
 - Growth of 58.5 percent from FY 2004 through FY 2008 (annual average growth of 12.2 percent)
 - Decline of 7.3 percent from FY 2008 through FY 2011 (annual average decline of 2.5 percent)
- Federal ARRA (stimulus) funds replaced some of the decreased District spending in FYs 2009, 2010, and 2011, but even including these funds, expenditures were lower than in FY 2008



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Summary of Expenditure Growth

Expenditures, Including Certain ARRA Funds



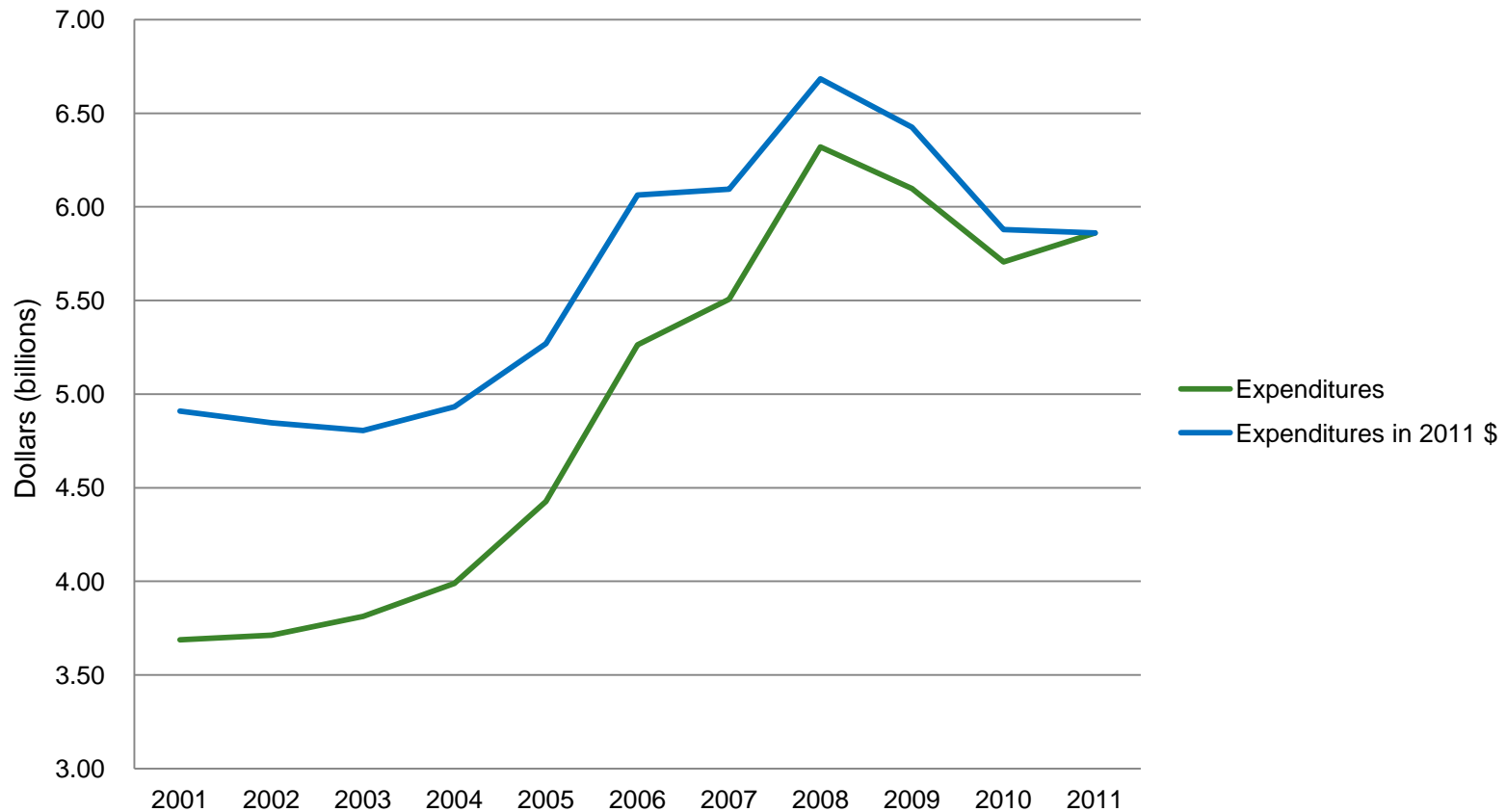
ARRA funds here include only State Fiscal Stabilization Funds and enhanced Federal Medicaid Assistance Percentage funds



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Summary of Expenditure Growth

Nominal and Real Expenditures, FY 2001 - FY 2011

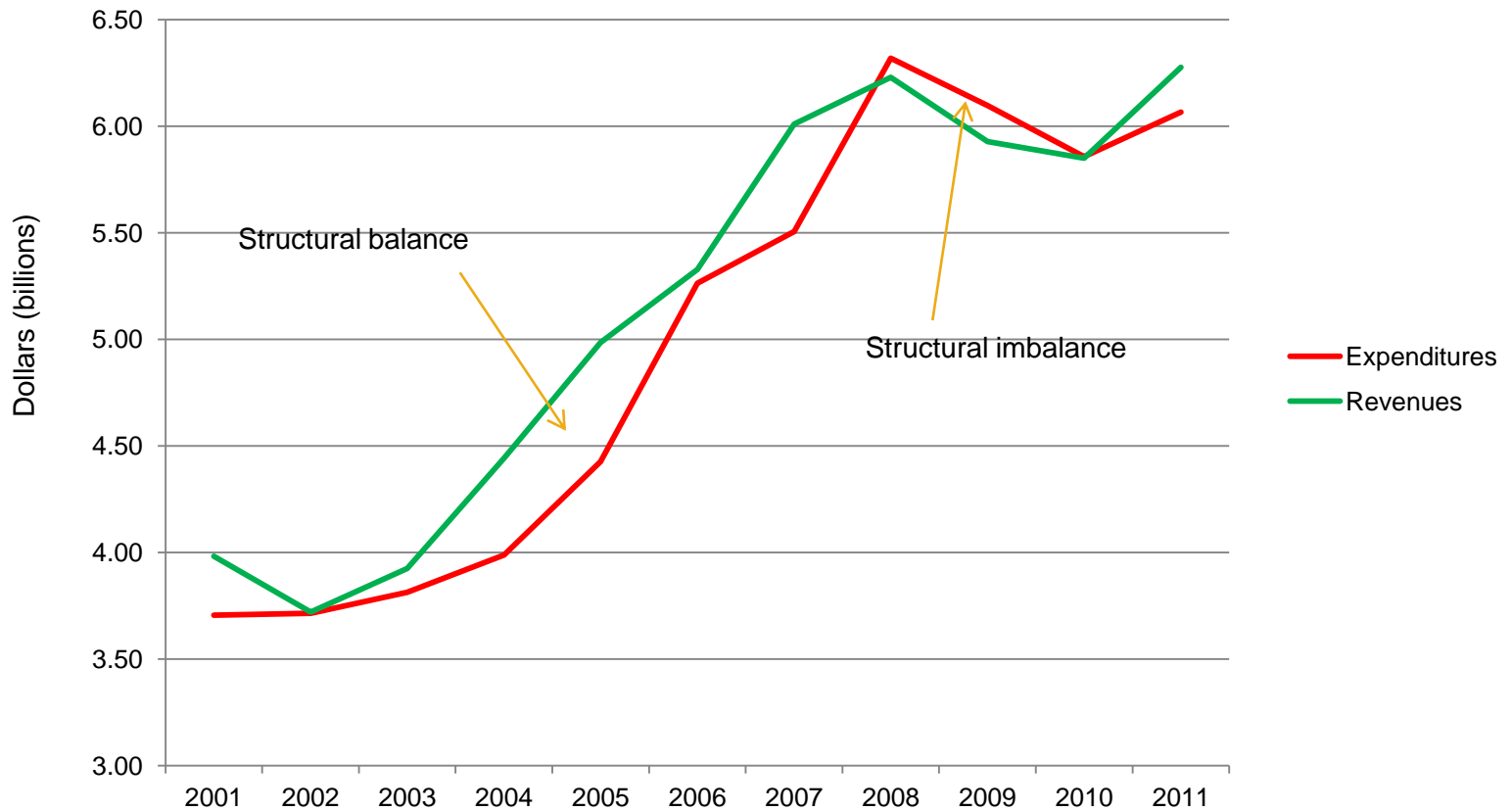




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Expenditures and Revenues

Expenditures and Revenues, FY 2001 - FY 2011

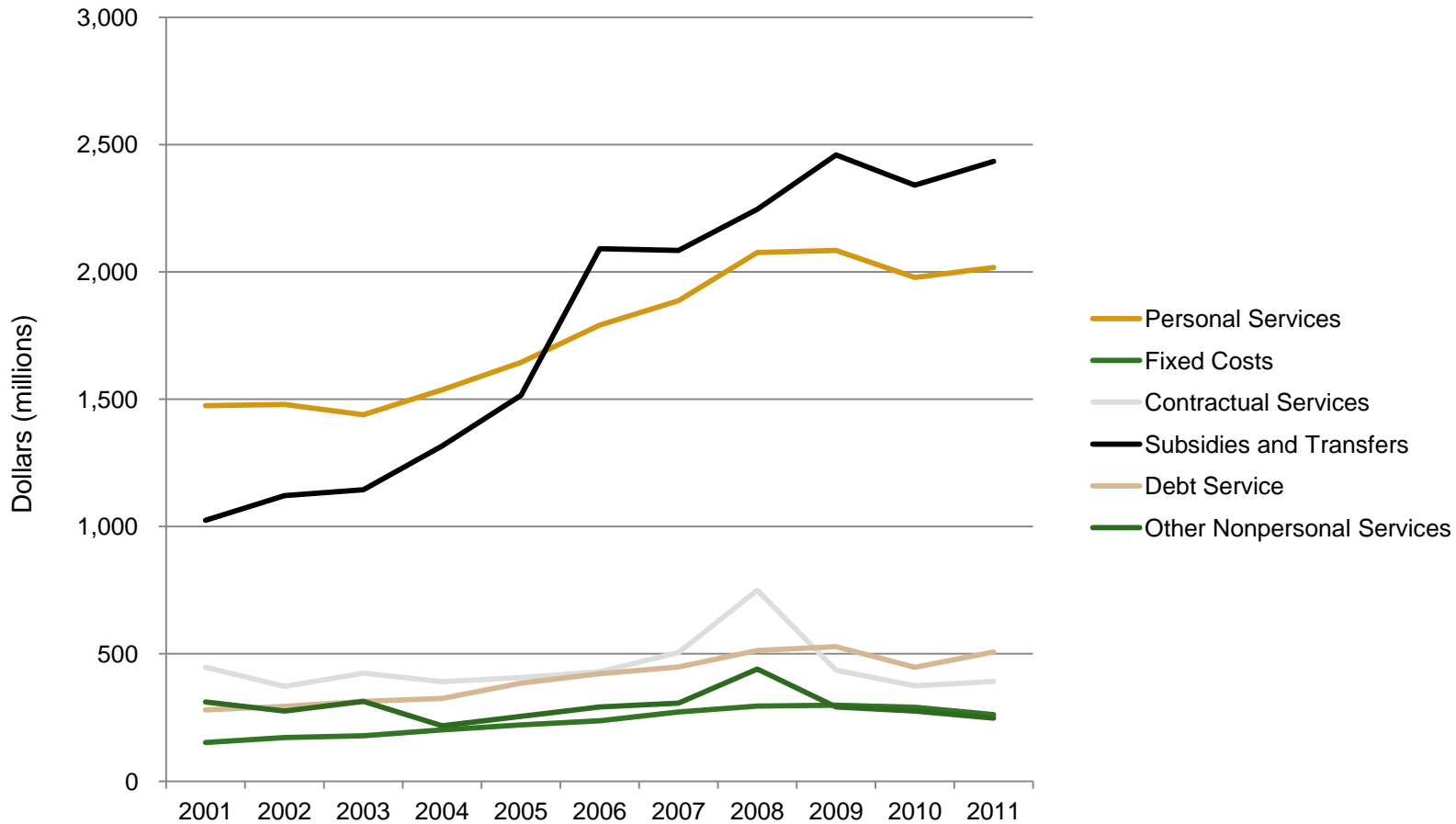


Structural imbalance, FY 2008 – FY 2010: revenues did not cover expenditures (needed to use fund balance to achieve balanced budgets)



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Expenditures By Object Grouping



Spending in most object groupings fell off in 2009 – 2011;
Subsidies and Transfers were the main exception



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Appropriation Title Totals

	FY 2001	FY 2004	Annual Growth, 2004/2001	FY 2008	Annual Growth, 2008/2004	FY 2011	Annual Growth, 2011/2008
Governmental Direction and Support	234,221	231,363	-0.4%	382,071	13.4%	440,426	4.9%
Economic Development and Regulation	102,311	151,305	13.9%	438,766	30.5%	234,611	-18.8%
Public Safety and Justice	717,389	746,064	1.3%	1,044,462	8.8%	993,789	-1.6%
Public Education System	908,062	1,026,835	4.2%	1,447,460	9.0%	1,497,639	1.1%
Human Support Services	1,104,673	1,117,036	0.4%	1,606,979	9.5%	1,466,639	-3.0%
Public Works	295,867	314,619	2.1%	563,776	15.7%	538,839	-1.5%
Financing and Other Uses	325,594	400,963	7.2%	835,884	20.2%	688,685	-6.3%
Total	3,688,117	3,988,185	2.6%	6,319,399	12.2%	5,860,627	-2.5%



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Key Budget Areas

Education

- DC Public School expenditures (including OSSE and two special education agencies) grew from \$744 million to \$922 million from 2001 to 2011
- Public Charter School expenditures grew from \$137 million to \$440 million from 2001 to 2011
- ARRA funds (State Fiscal Stabilization Funds) replaced \$89 million of District spending in FY 2010 but less than \$1 million in FY 2011, although EduJobs funds (not included in analysis) replaced \$17 million in FY 2011



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Key Budget Areas

Health and Medicaid

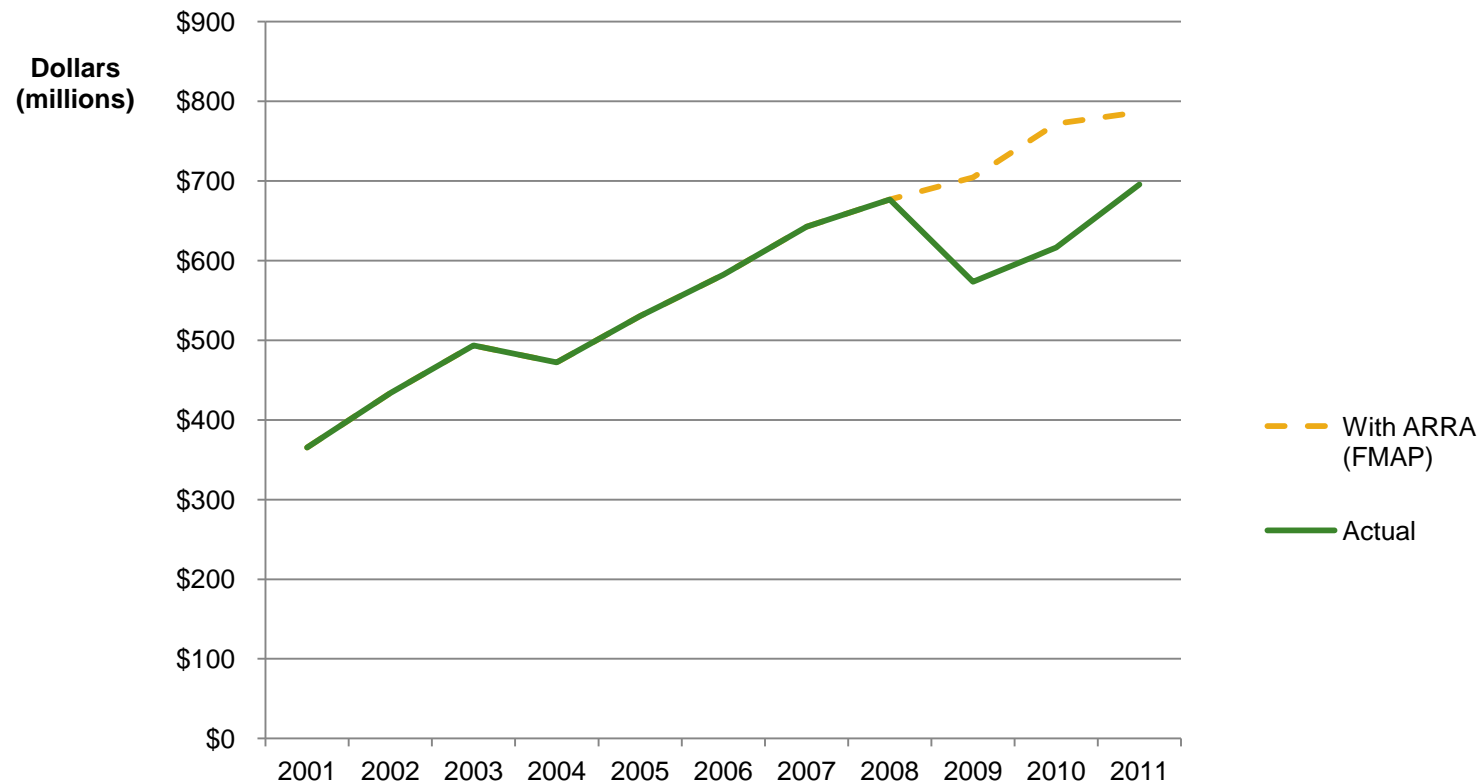
- Departments of Health and Health Care Finance expenditures grew from \$365 million to \$695 million from 2001 to 2011
- Annual growth rate was
 - 9.2 percent from FY 2001 to FY 2008
 - 0.9 percent from FY 2008 to FY 2011
- Enhanced FMAP (part of ARRA) made up for reduced District spending



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Key Budget Areas

Health and Medicaid - Expenditures





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Key Budget Areas

Human Services

- Departments of Human Services (including Disability Services and Youth Rehabilitation Services), Mental Health, and Child and Family Services expenditures grew relatively slowly, from \$509 million to \$648 million
- Annual growth rate was
 - 6.6 percent from FY 2001 to FY 2008
 - -6.6 percent from FY 2008 to FY 2011



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Key Budget Areas

Public Safety

- Metropolitan Police Department and Fire and EMS Department expenditures also grew relatively slowly, from \$445 million to \$636 million
- Annual growth rate was
 - 6.1 percent from FY 2001 to FY 2008
 - -1.8 percent from FY 2008 to FY 2011



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Key Budget Areas

Financing and Other

- Debt Service (multiple agencies) grew from \$275 million (2001) to \$513 million (2008) and then leveled off, with expenditures of \$507 million in 2011
- Police/Fire and Teacher pension contributions also grew rapidly, from \$49 million (2001) to \$143 million (2008), with expenditures dropping to \$130 million in 2011
- Retiree Health contributions were not in the budget in 2001 but cost \$94 million in 2011



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Capital

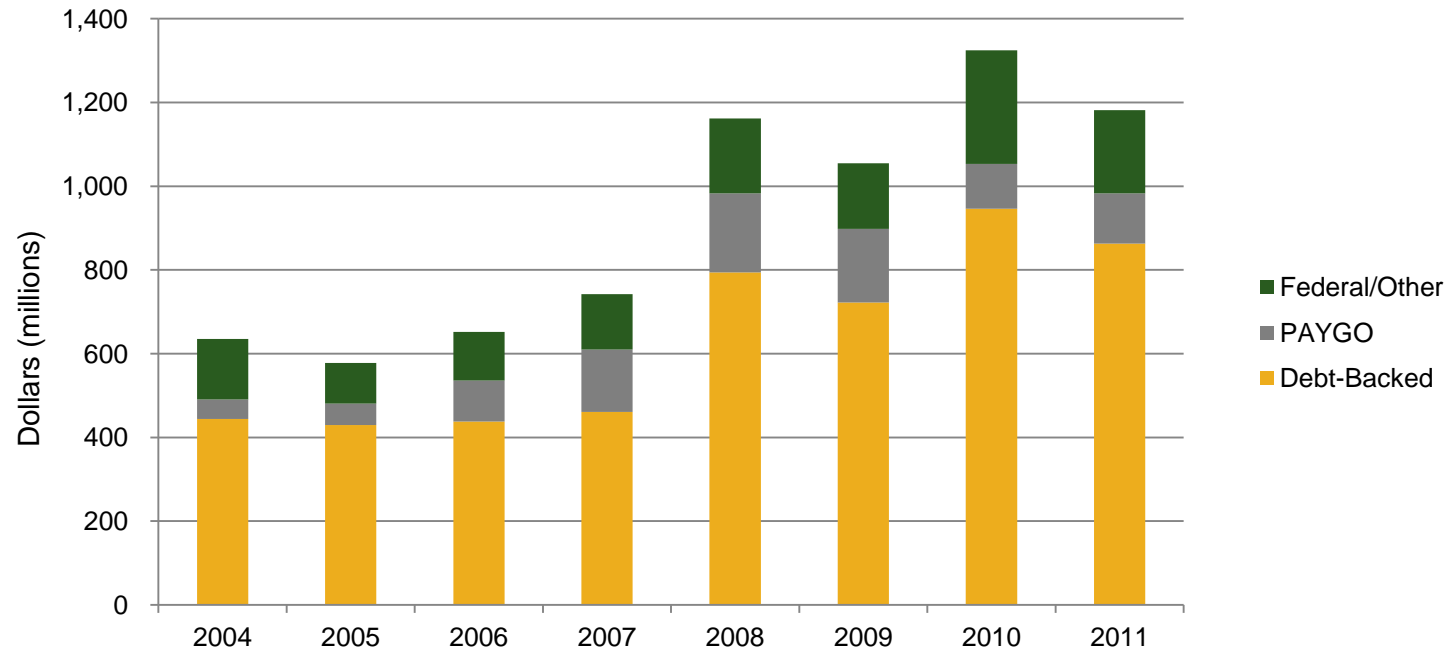
Capital Budget

- Large recent investment in school facilities, which will continue as we go forward
- Large investments in libraries, parks and recreation facilities, and WMATA as well
- 12 percent debt cap – means that if these areas remain high, there's a squeeze on all other capital needs
- Increased use of pay-as-you-go (PAYGO), especially in 2006-08; spending from PAYGO lagged by a few years



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Capital – Source of Funds



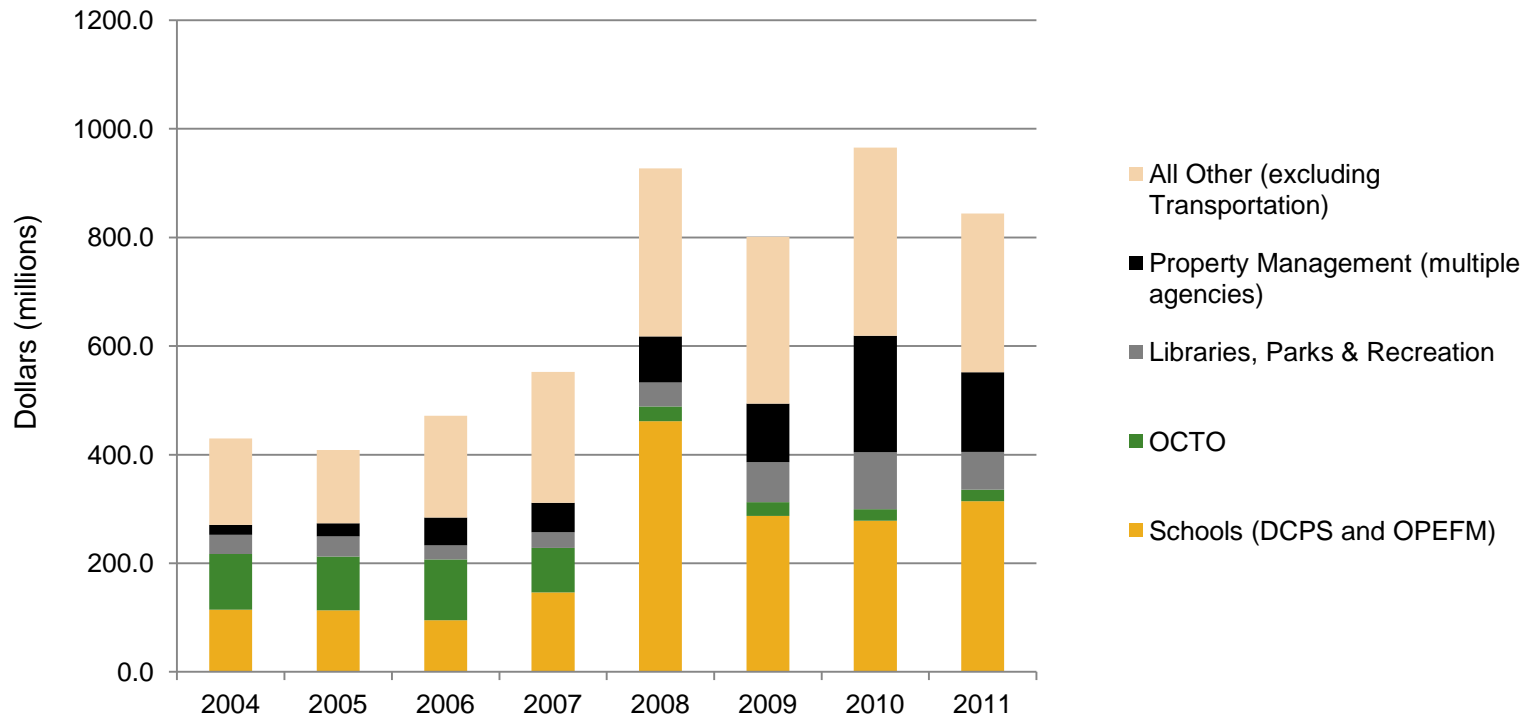
Increased spending from PAYGO in 2007-09 accompanied steady increase in debt-backed spending

(Data are for General Capital Improvements Fund and thus exclude expenditures in Local Highway Trust Fund and Baseball)



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Capital – Use of Funds



- Acceleration of spending on schools
- To lesser extent, increased investment in libraries and parks & recreation facilities
- Data are by “implementer agency” – decline in OCTO is not so dramatic as shown because of Master Lease use
- Data exclude all Dept. of Transportation as well as Baseball



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Operating: Key Budget Areas

In FY 2011,

- The 5 largest agencies were responsible for 42.4% of all expenditures
- The 14 largest agencies were responsible for 67.5% of all expenditures

	Dollars (Millions)	Percent of Total
Department of Health Care Finance (Medicaid)	\$608.9	
District of Columbia Public Schools	\$589.2	
Metropolitan Police Department	\$442.5	
Public Charter Schools	\$440.4	
Repayment of Loans And Interest	\$404.8	
Subtotal, Top 5	\$2,485.7	42.4%
Mass Transit Subsidies (WMATA)	\$257.7	
Fire and Emergency Medical Services	\$193.4	
Child and Family Services	\$189.4	
Department of Mental Health	\$165.0	
Subtotal, Top 9	\$3,291.3	56.2%
Department of Corrections	\$142.3	
Department of Human Services	\$138.2	
Office for Non-Public Tuition	\$135.2	
Police / Firefighters Retirement System	\$127.2	
Municipal Facilities: Non-Capital (Fixed Costs)	\$123.6	
Subtotal, top 14	\$3,957.8	67.5%
Remaining agencies	\$1,902.8	32.5%
Total	\$5,860.6	100.0%



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Operating: Key Budget Areas

Another way to look at FY 2011 expenditures –
61 percent in 6 key functions





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Looking Forward

Six functions with 61 percent of FY 2011 expenditures – what are the prospects looking ahead?

- DCPS, Charters, OSSE, Special Education
- Public Safety
- Medicaid
- Debt Service
- Metro
- DB Pensions and OPEB



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Looking Forward

DCPS, Charters, OSSE, Special Ed agencies

- Costs driven by
 - Enrollment
 - Inflation
 - Special education costs (tuition, transportation)
- Enrollment (DCPS + Charters) declined through 2009 but increased the past two years
- Inflation in UPSFF has been faster than CPI because of policy decisions – will this continue?
- Special education cost savings will be key



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Looking Forward

Public Safety

- MPD and FEMS costs have not increased much in recent years
- Driven by salary costs
- No pay raises the past few years – could be a spike if next salary negotiation includes back-pay (salary or bonus)



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Looking Forward

Medicaid

- Changes coming with health care reform – depending where health care reform ends up



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Looking Forward

Debt Service

- We know this area will grow the next few years
- Debt cap will keep growth to known levels
- A sharp revenue decrease, and the subsequent expenditure decrease, would force cutbacks in the capital program



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Looking Forward

Metro

- We know the needs are great
- District costs will depend on future multi-jurisdiction agreements



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Looking Forward

DB Pensions and OPEB

- The District is better off than most jurisdictions
 - Defined benefit pensions fully funded
 - OPEB unfunded liability is being reduced
 - Revitalization Act played a big role
- Again, lack of pay raises for police officers and firefighters has kept required contributions low – a back pay agreement including retro salary could cause a spike in pension contributions



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Looking Forward

Sequestration – The Great Unknown:

- Sequestration would have two effects
 - Decrease in Local revenues, because of reduced overall level of economic activity in the District
 - Decrease in federal grants receive by District agencies
- Pressure on General Fund expenditures if the District must make up for lost federal grant revenues to sustain programs



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Notes on the Data

- Efforts have been made to make data as comparable as possible across the years
- All operating budget data are General Fund (“GF”) only
 - Local + Special Purpose + Dedicated Taxes
 - No Federal or Private
- FY 2001 data exclude one-time Refunding Bond expenditure –in more recent years, these are not counted as GF expenditures
- FY 2001 data also exclude known Federal Payments, which were classified as Local funds at that time
 - Resident Tuition Support
 - Inaugural Expenses
 - Brownfield Remediation
 - Incentives for Adoption
- FY 2001 Federal Payments within “regular” agency budgets are included (not filtered out)



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Notes on the Data

- FY 2010 and FY 2011 data exclude transfers to Business Improvements Districts, Highway Trust Fund, Convention Center, and Tax Increment Financing Fund
 - Such transfers, from dedicated revenue streams, occurred in prior years and were not included in CAFR as GF expenditures; they were included starting in FY 2010
 - They do not represent a new use of District dollars – it is simply a change in how dollars are represented
 - This is different from OPEB – which is a new use of District dollars (started in 2006), and which had to be funded within existing revenue streams
 - Exception: the graph of revenues and expenditures (slide 6) does NOT make this exclusion for FY 2010 and FY 2011