

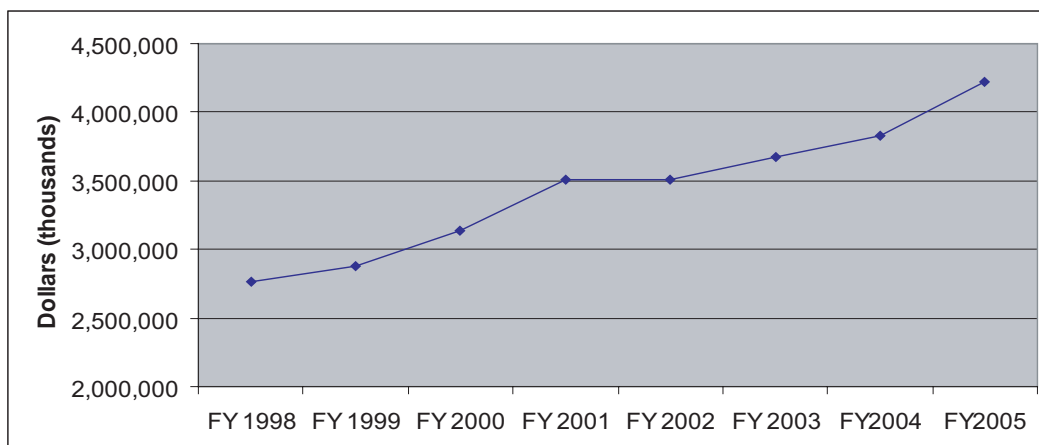
# Operating Expenditures

In FY 2005, the District's Local fund expenditures increased by 10.3 percent. After a slight decrease in FY 2002, expenditures resumed growth and averaged 6.2 percent annually in recent years (Figure 5-1).

The \$394 million increase in FY 2005 was a result of, among other factors, an increase in public safety spending, including an increase in the police and fire retirement contribution, an increase in public education spending, including an increase in the teachers' retirement contribution, and an increase in health and human services spending.

During the past 6 years, annual local expenditure growth has averaged 6.2 percent District-wide. After a decrease in Local funds expenditures in FY 2004, Health and Human Services has again become one of the fastest-growing appropriation titles, averaging growth of 7.2 percent during the past 7 years. Public Education has continued to increase for the second year in a row, averaging 9.1 percent growth annually.

Figure 5-1  
**Local Fund Expenditures, FY 1998 - FY 2005**



Public Safety and Justice expenditures grew at 5.9 percent, which, for the first time in 3 years, is a rate lower than District expenditures as a whole.

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

- Examines the growth in expenditures from FY 1998 to 2005 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 2008 to 2010, starting from the FY 2007 proposed budget.

This chapter focuses primarily on the District's Local funds expenditures. A change in how certain expenditures were classified, beginning in FY 2002, introduced a discontinuity in the Local funds expenditure data. Federal payments<sup>1</sup>, 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, expendi-

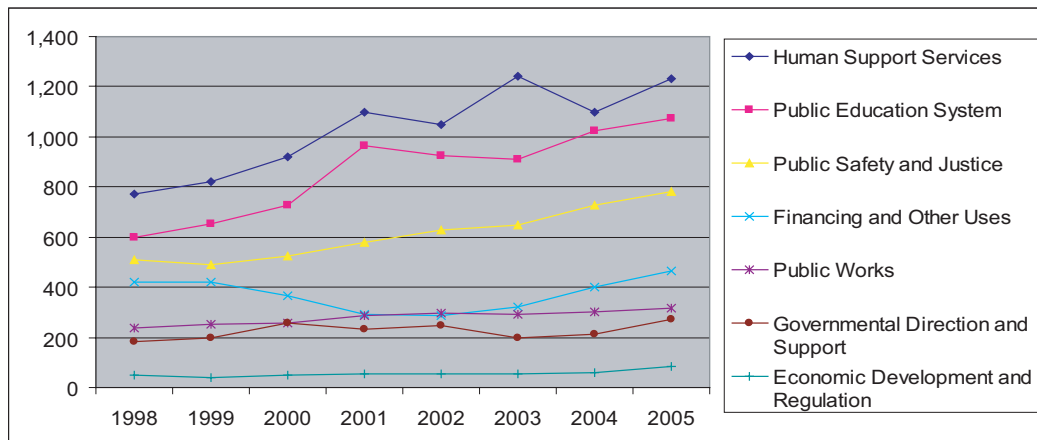
tures from Federal Payments are included in Local funds expenditures through FY 2001 but not in FY 2002 through FY 2005. Because expenditures from Federal Payments were not separately classified before FY 2002, they cannot be differentiated from prior year data to provide a consistent time series. For more details, see the Operating Expenditures chapter of the FY 2003 Proposed Budget and Financial Plan.

This chapter does not discuss capital expenditures, which are described in the Capital Appendices volume. 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 discussion in the Financial Plan chapter of this volume.

### Expenditure Growth by Agency and Function, FY 1998 to FY 2005

As detailed in the Operating Expenditures chapter of the FY 2003 Proposed Budget and Financial Plan, the Revitalization Act<sup>2</sup> created a break in expenditure patterns between FY 1997 and 1998. For this reason, this chapter reviews-

Figure 5-2  
**Local Fund Expenditures by Appropriation Title, FY 1998 - FY 2005**



<sup>1</sup> Federal Payments are provided directly by the District's Appropriations 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.

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

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 2005.

### Human Support Services

Local funds expenditures for 4 major agencies in the Human Support Services appropriation title have grown at an annual average of 7.2 percent since FY 1998, after experiencing a slight decrease in FY 2004. Expenditures in the title have been driven heavily in recent years by Medicaid payments. In FY 2003, the District incurred a \$99 million Medicaid receivables write-off. To avoid recurrence, a Medicaid Reserve Fund of approximately \$44 million was created in FY 2004. In FY 2005, agency budgets were adjusted to reflect the necessary dollars to account for Medicaid.

Some of the major trends in this appropriation title are:

- **Department of Human Services (DHS).** DHS operates a number of federal entitlement programs, such as Temporary Assistance for Needy Families and homeless programs. Its Local funds expenditures have risen 6.1 percent annually between FY 1999 and 2005, and its gross funds expenditures, including the federal funds it administers, have increased by 5.5 percent annually. Data prior to FY 1999 are not comparable, because in earlier years DHS also performed functions now performed by the Child and Family Services Agency (CFSA) and the Department of Mental Health (DMH).
- **Department of Health (DOH).** In FY 2002 and FY 2003, 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. In FY 2002, DOH established the Health Care Safety Net to assume prior PBC functions through a contract with Greater Southeast Community Hospital. Expenditures for the contract were highest in FY 2003 at approximately \$101 million, and decreased to \$74 million

in FY 2004 while rising to \$84 million in FY 2005. When compared to PBC expenditures of more than \$135 million in FY 2000 and 2001, the Health Care Safety Net shows a decrease in the cost of providing these services.

- **Child and Family Services Agency and Department of Mental Health.** The functions performed by these agencies were removed from DHS and placed into receivership by court order in 1999, and both returned to District control in FY 2002. FY 2001 DMH and FY 2002 CFSA expenditures were unusually high due to the write off of several years of uncollectible Medicaid receivables. In FY 2003, DMH incurred another write off for uncollectible Medicaid receivables of \$99 million. In FY 2004, the Medicaid Reserve Fund was created to budget separately for these receivables.

### Public Education System

Local funds expenditures by the District of Columbia Public Schools (DCPS) are higher than for any other District agency. The public education system has experienced one of the highest growth rates in the District, averaging 9.1 percent annually for the past 7 years. DCPS employs about a third of all District employees, and its expenditures are driven heavily by personnel costs. Public Charter Schools (PCS) expenditures increased in FY 2005, mostly because of increased enrollments. 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 have increased at approximately 6 percent annually since FY 1998. Enrollment decreased during the 2005 school year, but the funding formula was increased to adjust for inflation. As a result, expenditures per enrolled student increased.
- **Public Charter Schools.** FY 2005 expenditures increased at PCS relative to FY 2004. Enrollments continue to increase, after experiencing remarkable growth the preceding 3 years, and 7 new charter schools are expected to open in FY 2007.

- **University of the District of Columbia (UDC).** Expenditures at UDC continue to increase slightly, after experiencing an approximately \$6 million decrease in FY 2004.
- **Teachers' Retirement System.** Under the 1997 Revitalization Act the Federal Government assumed the District's pre-June 1997 unfunded pension liability. Consequently, an actuarial study as certified by the D.C. Retirement Board indicated no District contribution to the Teachers' Retirement System was required from FY 2002 - 2004. Subsequently, as certified by DCRB, the FY 2005 contribution was approximately \$9 million, and the contribution is budgeted at \$15.5 million in FY 2006 and \$14.6 million in FY 2007. The FY 2007 decrease is attributed to the expiration of the Teachers' Collective Bargaining agreement. When the new agreement is ratified the contribution will adjust the following year to reflect salary adjustments.

Table 5-1 shows enrollment and expenditure trends for DCPS and PCS. Enrollment in the 2 systems combined has been increasing for the past 2 years. Per-student spending increased rapidly between 1997 and 2001 and after 2 years of a slight decline, expenditures have continued to increase.

DCPS and PCS expenditures showed a one-time increase in FY 2001 because of a change in the way they received their funding. 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 their current 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 2 systems similarly had authority to spend against their pending FY 2003 appropriations at the end of FY 2002. Along with DCPS and PCS, UDC was granted this authority in FY 2003.

**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
2003	67,004	711,890	12,239	114,283	79,234	826,173	10,427
2004	61,653	769,385	13,575	161,969	75,228	931,354	12,380
2005	61,137	781,377	15,163	188,324	76,300	969,701	12,709

Note: \*per enrolled student (whole dollars, not thousands)

Table 5-2:

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

(Dollars in thousands)

	2000	2001	2002	2003	2004	2005
<b>D.C. Public Schools</b>						
Expenditures, current AY and FY	604,098	727,360	739,179	711,890	762,723	776,578
PLUS: AY expenditures in prior FY			+9,768	+1,527		6,662
EQUALS: Total AY expenditures	604,098	727,360	748,947	713,417	762,723	783,240
LESS: AY expenditures in prior FY			-9,768	-1,527		-6,662
PLUS: FY expenditures from following AY		+9,768	+1,527	0	6,662	4,799
EQUALS: Total FY expenditures (as shown in CAFR and table 5-1 above)	604,098	737,128	740,706	711,890	769,385	781,377
<b>Public Charter Schools</b>						
Expenditures, current AY and FY	46,480	104,992	67,213	79,884	115,513	129,905
PLUS: AY expenditures in prior FY			+31,884	+30,412	+34,399	46,465
EQUALS: Total AY expenditures	46,480	104,992	99,097	110,296	149,912	176,361
LESS: AY expenditures in prior FY			-31,884	-30,412	-34,399	-46,456
PLUS: FY expenditures from following AY		+31,884	+30,412	+34,399	+46,456	58,419
EQUALS: Total FY expenditures (as shown in CAFR and table 5-1 above)	46,480	136,876	97,625	114,283	161,969	188,324
<b>University of the District of Columbia</b>						
Expenditures, current AY and FY	40,491	46,933	56,068	49,978	50,781	51,581
PLUS: AY expenditures in prior FY		0	0	0	+566	80
EQUALS: Total AY expenditures	40,491	46,933	56,068	49,978	51,347	51,661
LESS: AY expenditures in prior FY	0	0	0	0-	+566	-80
PLUS: FY expenditures from following AY	0	0	0	+566	+80	
EQUALS: Total FY expenditures	40,491	46,933	56,068	50,544	50,861	51,581

Until FY 2004, the District's Comprehensive Annual Financial Report (CAFR) for a given fiscal year included funds spent in that fiscal year, regardless of the appropriation year. Thus, until this year, the CAFR included funds each school system spent during the fiscal year. This is the sum of:

- Appropriation year (AY) 2005 expenditures,
- Less AY 2005 funds spent during FY 2004,
- Plus AY 2006 funds spent in FY 2005.

Table 5-2 provides a crosswalk between the AY and FY expenditures for the 2 systems, which allows for comparison for years prior to FY 2004. The FY data are used throughout this chapter, although the AY data reflect more comparable data over time

### Public Safety and Justice

Expenditures in the public safety area experienced an increase in growth rate in FY 2005. The 2 largest agencies in this appropriations title--the Metropolitan Police Department (MPD) and the Fire and Emergency Medical Services Department (FEMS)--have shown steady growth, while 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 MPD have increased steadily, averaging 5.4 percent per year since 1998. This growth rate can be attributed to the elevation of public safety as a District-wide priority. New crime-fighting

initiatives and the impact from federal warning levels from enhanced Homeland Security contributed to the increased expenditures. The agency also experienced increased personal services costs. Growth has been increasing at FEMS, averaging 4.6 percent since 1998.

- **Police and Fire Retirement System.** The District's contributions to the system have increased in recent years and will continue to increase in 2007. Under the 1997 Revitalization Act, the Federal Government assumed the District's pre-June 1997 unfunded pension liability. In subsequent years as salaries have increased, adjustments were legislated for pension benefits, and the size of the FEMS and MPD workforce have increased, the pension contribution has increased significantly.
- **Department of Corrections.** Under the 1997 Revitalization Act the Federal Bureau of Prisons assumed responsibility for the District's felonious population and the District prison in Lorton, Virginia was closed, reducing Department of Corrections (DOC) expenditures. Also, prior to FY 2002, the Medical Unit of DOC was under a court ordered receivership, with separately budgeted costs.

Since FY 2002, DOC costs have increased as the receivership ended and DOC reabsorbed medical costs, the population increased, and certain staffing changes were made to end a long standing court order that capped the jail's population.

### Financing and Other

Agencies in the Financing and Other appropriation title include various debt service functions as well as the District's reserve funds. After experiencing a decrease in expenditures, the appropriation title has resumed steady growth.

- **Debt Service.** The primary debt service function is Repayment of Loans and Interest, in which expenditures have decreased at an average annual rate of 0.2 percent since FY 1998. The low expenditure level in FY 2001 was maintained in FY 2002, but has increased since FY 2003. The District has

been able to take advantage of lower interest rates in recent years to refinance some of its debt. However, expenditures are projected to increase.

- **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 on Public Benefit Corporation costs. The District allocated almost the entire \$150 million of Reserve and Reserve Relief in FY 2002, with \$90 million of that going to DCPS. In FY 2003, the Reserve was budgeted at \$70 million and was again nearly fully allocated. In FY 2004, a new Cash Reserve of \$50 million replaced the Budgeted Reserve. Expenditures in the Financing and Other title do not reflect the Budgeted Reserve; instead, those expenditures are reflected in the agencies that receive budget allocations and spend against them.
- **Emergency and Contingency (Cash) Reserve Funds.** In FY 2001, Congress required the District to establish 2 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. In FY 2002, the District fully funded the 2 cash reserves at their combined 7 percent target, or \$248.7 million. In FYs 2003 and 2004, the cash reserve target of 7 percent was maintained, with \$253.4 million in the combined funds at the end of FY 2005. The reserve requirement was changed for FY 2005; for more details, see the Financial Plan chapter of the FY 2006 Proposed Budget and Financial Plan.

### Other Appropriations Titles

Expenditures in other appropriations titles are as follows.

- **Governmental Direction and Support.** This appropriation title funds agencies that man-

age overall government operations, including the Office of the Mayor, the Council of the District of Columbia, and the Offices of Personnel, Office of the Attorney General, and the Chief Financial Officer. Expenditures in this appropriation title have shown an increase in growth at 7.6 percent annually since 1999. In FY 2005, expenditures for both the Office of the Chief Financial Officer and the Office of the Chief Technology Officer increased significantly due to the conversion of capital projects to the operating budget.

- **Economic Development and Regulation.** This is the smallest of the appropriations titles, but expenditures showed a marked increase from FY 2004 to FY 2005, mainly due to increases at the Department of Housing and Community Development (DHCD) and the Department of Employment Services (DOES). DHCD's

increased expenditures were driven by a supplement to the Housing Voucher Program, as well as a payment to the U.S. Department of Housing and Community Development for disallowance costs. DOES received additional funding for the Mayor's Summer Youth Program, as well as the Youth Opportunity Grant.

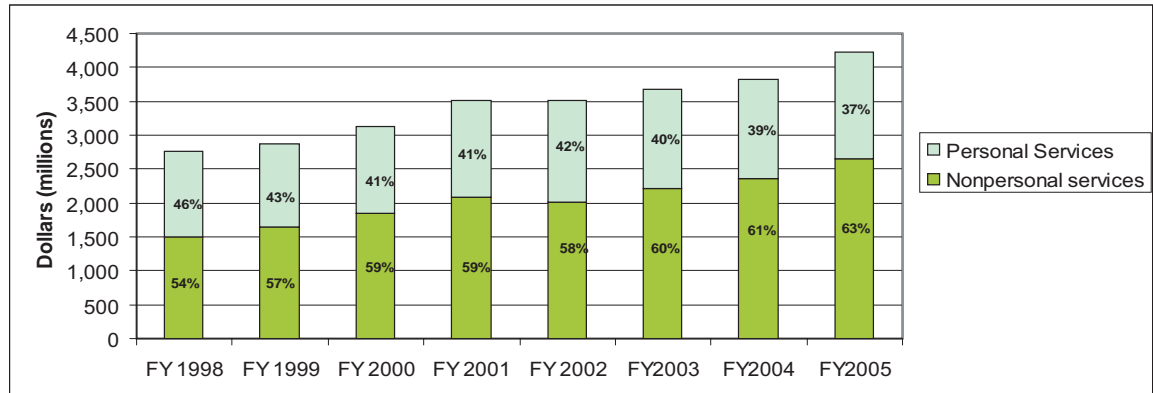
- **Public Works.** The Public Works appropriation title is dominated by 2 agencies: the Department of Public Works (DPW) and subsidies to the Washington Metropolitan Area Transit Authority (WMATA). Expenditures on the functions provided by DPW decreased slightly in FY 2005. The Department of Transportation was split out from DPW in FY 2003, but the 2 agencies' combined expenditures in FY 2005 were lower than were DPW's expenditures in FY 2002. Subsidies to WMATA, on the other hand, have risen by an annual average of 4 percent over 7 years.

Table 5-3  
**Federal Grant Expenditures, FY 2001 - FY 2005**  
 (Dollars in thousands)

	2001	2002	2003	2004	2005	Annual Growth Rate 2001-2004
Department of Health	744,491	780,370	846,423	1,063,370	1,052,137	9.0%
Department of Human Services	193,024	219,898	189,421	188,315	187,593	-0.7%
DC Public Schools	82,498	107,175	115,039	117,638	116,983	9.1%
Child and Family Services	79,757	51,069	65,595	44,190	33,462	-19.5%
Department of Employment Services	33,737	47,679	44,274	42,627	34,259	0.4%
Department of Housing and Community Development	45,751	57,903	42,520	41,412	56,159	5.3%
Department of Mental Health	46,506	32,066	38,882	5,993	2,874	-50.1%
<b>Subtotal, selected agencies</b>	<b>1,225,764</b>	<b>1,296,160</b>	<b>1,342,152</b>	<b>1,503,545</b>	<b>1,483,468</b>	<b>4.9%</b>
All other agencies	92,692	86,678	112,856	110,945	155,240	13.8%
<b>Total - District of Columbia</b>	<b>1,318,456</b>	<b>1,382,838</b>	<b>1,455,010</b>	<b>1,614,490</b>	<b>1,638,708</b>	<b>5.6%</b>

Figure 5-3

## Personal Services and Nonpersonal Services Expenditures, FY 1998 – FY 2004



### Summary of Local Funds Expenditure Growth by Agency and Function

All of the appropriation titles experienced increases in expenditures from FY 2004. Public Safety, Public Education, and Health and Human Services continued to grow at a steady rate, and for the first time Governmental Direction and Economic Development grew at a much higher rate than previous years.

During the past 5 years, expenditures for MPD have increased at a steady rate, comparable to the rest of the Public Safety and Justice appropriation title. In FY 2005, local fund expenditures increased by \$26 million, mainly due to a new labor contract for police officers that led to the implementation of 2 years' of pay raises in one fiscal year. Personal services costs are expected to increase in FY 2006 as well, when the last year of negotiated increases is implemented.

Public Education remains the second largest appropriation title, and expenditures continued to increase in FY 2005. The per-pupil expenditure formula was adjusted last year to account for inflation, which led to an increase even though DCPS enrollment actually decreased. Public Charter School enrollment continued its steady increase in enrollment, as well as expenditures.

### Federal Funds Expenditures

During FY 2003, the District received a \$10.6 million Federal Payment for reimbursement of incurred emergency planning and security costs. The payment was divided among D.C. MPD (approximately \$6.2 million), Emergency Management Agency (about \$0.1 million), and FEMS (approximately \$3.7 million). The District's emergency and security services not only serve District residents, but also any person within the District. The District's status as the nation's capital brings many events requiring security services and also requires a greater level of emergency planning. The Federal Payment helps offset costs that are, in part, influenced by the presence of the federal government within the District.

Federal grant expenditures are increasing for the District as a whole, and, since 2001, have grown at 5.6 percent per year (see table 5.3). The Department of Health receives and spends the greatest amount of federal grants, with Medicaid making up most of the grant dollars. Four of the other 6 agencies with the greatest grant expenditures also spend Medicaid funds.



Table 5-4

**Overtime Expenditures from Local Funds**

(Dollars in thousands)

Agency Name	2000	2001	2002	2003	2004	2005
Metropolitan Police Department	20,175	22,211	24,221	11,096	11,469	22,813
Fire and Emergency Medical Services	13,293	12,185	15,758	8,255	12,191	8,052
District of Columbia Public Schools	5,310	8,535	4,678	6,208	6,705	5,777
Department of Corrections	4,713	4,006	2,824	4,389	2,884	1,301
Department of Human Services	2,874	2,858	2,794	2,914	3,497	4,894
Department of Transportation	3,190	3,329	2,484	413	400	109
Child and Family Services	695	1,880	1,965	1,838	2,640	787
Department of Mental Health	2,490	2,054	1,701	803	2,767	4,600
Department of Public Works	0	0	0	2,603	2,453	3,512
All other Agencies	3,216	4,365	3,671	2,806	3,048	3,453
<b>Total</b>	<b>55,956</b>	<b>61,424</b>	<b>60,096</b>	<b>41,325</b>	<b>48,054</b>	<b>55,298</b>

**Expenditure Growth by Object Class, FY 1998 to FY 2004**

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 2005. 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 (Figure 5-3). Table 5A-4, in the appendix to this chapter, provides further details.

PS expenditures, which make up about 37 percent of all expenditures, rose at an average annual rate of 3.2 percent between FY 1998 and 2005. Fringe benefits expenditures have increased at a 7.9 percent annual rate since FY 1998, mostly because of increasing costs of providing health insurance for District employees.

Local funds overtime expenditures increased in FY 2005 (see table 5-4), with MPD experiencing the greatest increase. In FY 2004, federal emergency funds covered \$7 million in expenditures to defray costs associated with emergency planning and security, including overtime costs for officers. This decrease was a one-time event. Eight agencies, or 9 in FY 2003 after the creation

of the Department of Transportation, have consistently spent 93 to 94 percent of the District's entire expenditures on overtime.

NPS expenditures increased at an 8.4 percent average annual rate between FY 1998 and 2005. Within NPS categories, debt service expenditures fell by an average 0.7 percent annually, a figure that combines a decrease through 2001 with steady increases thereafter. Subsidies and transfers, the largest NPS component, increased by 13 percent annually—from \$607 million to approximately \$1.5 billion in 7 years. The subsidies and transfers category includes the District's contributions to Medicaid providers 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 14 percent annually, although the category showed a decrease in FY 2004, it has resumed increasing. Contractual services have increased from less than 10 percent of NPS expenditures in FY 1998 to more than 14 percent in FY 2005.

**Summary of Projections for Expenditures for FYs 2008, 2009, and 2010**

This section explains the expenditures forecast for the District's financial plan (see the Financial

Plan chapter). The forecast begins with the FY 2007 proposed budget, and expenditures are projected for the next 3 years. In most agencies, growth is projected by object class using general factors for PS and NPS growth, as described. In some agencies, the forecast uses more specific growth factors; these are detailed below the discussion of growth by object class.

The FY 2007 revenue forecast shows healthy growth (see the Revenues chapter). Actual expenditure growth into the future will always be limited by actual revenue growth. The expenditures forecast cannot predict actual expenditures, because those will always be constrained by realized revenues in a given year. However, the expenditures forecast can indicate where pressure for growth is likely to occur, and it can provide a warning if expenditures are on track to outpace revenue growth absent 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 3 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.
- Fringe benefits are assumed to grow faster than other PS expenditures. Health insurance costs for District employees increased slightly in March 2005, after 2 consecutive years of increases of nearly 15 percent. 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 11 percent in FY 2008 and at slightly lower rates in FYs 2009 and 2010. 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 assumed to grow at an average of the rate for health insurance and the general PS growth rate.

### Nonpersonal Services

- The general growth rate for NPS expenditures is assumed to be at the Washington area CPI forecast.
- One exception is for the category of contractual services, in which expenditures have been rising much 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

Table 5-5

### Summary of Growth Assumptions by Object Class

(Percent, over previous year)

	FY 2008	FY 2009	FY 2010
Washington area Consumer Price Index forecast	2.3	2.2	2.2
Growth assumption for:			
Regular salaries and wages and extra pay	3.1	3.0	3.0
Fringe benefits	6.05	6.0	6.0
Contractual services	3.1	3.0	3.0
All NPS categories other than contractual services	2.3	2.2	2.2

Table 5-6

## Projected Payment Schedules for Debt Service Agencies

(Dollars in thousands)

	FY 2007	FY 2008	FY 2009	FY 2010
Repayment of Loans and Interest	405,114	471,798	513,544	557,750
Certificate of Participation	31,225	33,469	33,724	33,972
Short-Term Borrowings	8,000	8,000	8,000	8,000

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 predicted 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 detailed below. Table 5-5 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 and Public Charter 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 3 years, and

- Growth according to the legislated funding formula will be sufficient to meet DCPS needs in the coming years.

Since the District's expenditures for PCS is considered a subsidy, it also grows at the rate of CPI growth. If students transfer from one system to the other in future years, expenditures increase due to increase facility costs for PCS. Additionally, if students leave the 2 systems to attend private schools as the new voucher program, funded with federal funds is introduced, expenditures in the 2 systems should decline relative to the projections. The projections do not account for this possible enrollment decline.

#### Medicaid

Medicaid expenditures are projected to grow at 8.9 percent in FYs 2008 through 2010, reflecting increases in health care costs that are likely to exceed the general rate of inflation.

#### Workforce Investments

The projections include pay raises for nonunion employees, above the general PS growth rate, to gradually close the pay gap between nonunion and union employees.

#### Debt Service

Long-term debt service and Certificate of Participation (COP) expenditures are projected to increase over the projection period. A constant small amount of short-term borrowing is anticipated each year. Projected debt service payment schedules are shown in table 5-6.

## **Washington Metropolitan Area Transit Authority (WMATA) Subsidy**

Over the next 3 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 2 agencies are classified as transfers that are, in fact, related to PS costs. They are:

- Unemployment Compensation Fund
- Disability Compensation Fund

Expenditures in these 2 agencies are projected to grow at the PS growth rate each year.

Expenditures in the 2 pension agencies are projected at specific levels in FYs 2008 through 2010:

- Police and Fire Retirement System
- Teachers' Retirement System

The amounts are based on estimates made from information obtained from the D.C. Retirement Board and on assumptions about annual contributions as a percent of covered salaries in the respective agencies.

## Appendix I: Data Tables for Operating Expenditures

Table 5A-1:

### Federal Payments Awarded to the District in its Appropriations Act, FY 1999 - 2005

(Dollars in thousands)

Agency	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Banking and Financial Institutions						5,965	
Business Services and Economic Development/Planning			1,297				
Child and Family Services Agency				500		8,947	3,224
Citizen's Complaint Review Board*		498					
Commission on Arts and Humanities							397
D.C. Office of Personnel			249				
D.C. Public Charter Schools	15,622				16,890	1,988	
D.C. Public Library						199	
D.C. Public Schools	30,000		499	2,500	2,981	17,397	19,146
Department of Mental Health						3,877	1,240
Department of Health			2,145				
Department of Housing and Community Development	3,000				2,782		
Department of Human Services		249					
Department of Transportation					994	3,479	
Emergency Management Agency (and others)				16,058		497	
Emergency Planning and Security Costs					14,903	10,935	14,880
Fire and Emergency Medical Services Department	3,240			500			
Inaugural Expenses			5,948		3,974	12,923	
Incentives for the Adoption of Children		4,981					
Metropolitan Police Department	1,200	996	100	100	497		
Metropolitan Police Department — Capital	18,778						
Office of the Chief Financial Officer			1,247	50		1,199	99
Office of the Chief Medical Examiner				585			
Office of the Chief Technology Officer	20,000			400			
Office of the City Administrator / Criminal							
Justice Coordinating Council				300	298	1,293	1,290
Resident Tuition Assistance / State Education Office		16,935	16,963	17,000	16,890	16,893	25,395
State Education Office, Other					3,974	6,959	13,888
Various	25,000						
Various - Capital	50,000				66,714	47,370	24,112
Washington Council of Government						1,491	
Washington Metropolitan Transit Authority							2,480
<b>Total</b>	<b>166,840</b>	<b>23,659</b>	<b>29,945</b>	<b>38,193</b>	<b>126,923</b>	<b>127,494</b>	<b>106,150</b>

Notes:

Details may not sum to totals because of rounding.

FY 2000, 2001, and 2003 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).

Various - Capital includes the Combined Sewer Overflow payment to WASA.

\*Now called the Office of Police Complaints

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	FY 2003	FY 2004	FY 2005	Annual Growth Rate, 1998-2005
Metropolitan Police Department	257,962	276,338	297,327	309,820	315,155	327,688	345,028	371,494	
Fire and Emergency Services Department	108,961	102,482	112,749	129,197	129,729	135,693	148,503	149,226	
Police and Fire Fighters' Retirement System	47,700	35,100	39,900	49,000	74,600	68,900	96,700	112,100	
Department of Corrections	93,045	71,589	70,484	80,325	97,679	102,335	116,895	123,091	
Corrections Medical Receiver	-	8,499	13,300	10,820	-	-	-	-	
<b>Subtotal, selected public safety</b>	<b>507,669</b>	<b>494,007</b>	<b>533,759</b>	<b>579,162</b>	<b>617,163</b>	<b>634,616</b>	<b>707,126</b>	<b>755,910</b>	<b>5.9%</b>
D.C. Public Schools	520,097	550,812	604,098	737,128	740,706	711,890	769,385	781,377	
Teachers' Retirement System	8,900	18,600	10,700	200	-	-	-	9,147	
Public Charter Schools	3,195	11,113	46,480	136,876	97,625	114,283	161,969	188,324	
<b>Subtotal, selected public education</b>	<b>532,192</b>	<b>580,525</b>	<b>661,278</b>	<b>874,204</b>	<b>838,330</b>	<b>826,173</b>	<b>931,354</b>	<b>978,848</b>	<b>9.1%</b>
Department of Human Services	359,808	188,684	197,109	194,168	205,286	218,885	238,564	268,940	
Child and Family Services Agency	-	97,217	74,836	96,069	152,504	140,431	126,402	158,577	
Department of Mental Health <sup>a</sup>	-	105,369	129,177	217,704	178,195	138,142	137,771	189,341	
Department of Mental Health Medicaid Write-off	-	-	-	-	-	99,075	-	-	
Medicaid Reserve	-	-	-	-	-	-	44,096	-	
Department of Health	294,040	310,781	325,339	356,499	422,735	479,853	459,436	516,778	
Public Benefit Corporation Subsidy	42,873	46,835	138,161	136,912 <sup>b</sup>	17,312 <sup>b</sup>	-	-	-	
<b>Subtotal, selected health and human services</b>	<b>696,721</b>	<b>748,886</b>	<b>864,622</b>	<b>1,001,352</b>	<b>976,033</b>	<b>1,076,386</b>	<b>1,006,269</b>	<b>1,133,637</b>	<b>7.2%</b>
Department of Public Works	110,366	106,748	99,624	96,950	117,021	82,133	91,730	88,869	
Department of Transportation	-	-	-	-	-	22,890	20,293	26,989	
WMATA Subsidy	126,746	131,604	135,531	163,073	148,493	154,531	159,122	165,303	
Repayment of Loans and Interest	347,358	363,194	315,656	228,364	233,251	250,649	303,397	342,683	
Grant Disallowance	-	-	-	-	-	-	65,896	-	
<b>Subtotal, selected public works, financing, and other</b>	<b>584,470</b>	<b>601,546</b>	<b>550,811</b>	<b>488,387</b>	<b>498,765</b>	<b>510,203</b>	<b>640,438</b>	<b>623,844</b>	<b>0.9%</b>
All other agencies	446,697	451,887	523,389	569,765	579,185	623,648	544,808	731,804	7.3%
<b>District total</b>	<b>2,767,748</b>	<b>2,876,850</b>	<b>3,133,859</b>	<b>3,512,869<sup>c</sup></b>	<b>3,509,476</b>	<b>3,671,026</b>	<b>3,829,995</b>	<b>4,224,042</b>	<b>6.2%</b>

NOTES:

Details may not sum to totals because of rounding.

FY 2002 expenditures do not include federal payment, while expenditures for FY 2001 and prior years include them for certain agencies.

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	FY 2003	FY 2004	FY 2005	Annual Growth Rate, 1998-2005
Metropolitan Police Department	269,092	283,131	306,281	319,501	338,324	355,283	375,707	385,969	
Fire and Emergency Services Department	109,317	102,891	112,855	129,216	134,530	145,868	149,058	149,226	
Police and Fire Fighters' Retirement System	47,700	35,100	39,900	49,000	74,600	68,900	96,700	112,100	
Department of Corrections	258,574	240,680	248,526	212,495	124,686	101,269	117,671	123,376	
Corrections Medical Receiver	-	12,605	13,300	10,820	-	-	-	-	
<b>Subtotal, selected public safety</b>	<b>684,683</b>	<b>674,407</b>	<b>720,862</b>	<b>721,031</b>	<b>672,140</b>	<b>671,320</b>	<b>739,136</b>	<b>770,671</b>	<b>1.7%</b>
D.C. Public Schools	634,240	666,007	771,759	826,995	862,747	838,187	904,455	931,684	5.7
Teachers' Retirement System	8,900	18,600	10,700	200	-	-	-	9,147	
Public Charter Schools	3,195	25,239	49,936	136,867	97,625	118,257	163,957	188,324	
<b>Subtotal, selected public education</b>	<b>646,335</b>	<b>709,846</b>	<b>832,394</b>	<b>964,061</b>	<b>960,372</b>	<b>956,422</b>	<b>1,068,412</b>	<b>1,129,155</b>	<b>8.3%</b>
Department of Human Services	629,842	335,401	359,650	387,919	431,279	410,278	429,102	462,808	
Child and Family Services Agency	-	146,232	138,740	177,243	204,015	207,221	172,792	198,023	
Department of Mental Health <sup>a</sup>	-	196,543	206,713	287,335	221,151	181,443	148,079	197,951	
Department of Mental Health Medicaid Write-off	-	-	-	-	-	99,075	-	-	
Department of Health	906,431	974,492	1,006,824	1,110,207	1,215,461	1,373,438	1,554,710	1,582,669	
Public Benefit Corporation Subsidy	42,873	46,835	138,161	136,912 <sup>b</sup>	17,312 <sup>b</sup>	-	-	-	
<b>Subtotal, selected health and human services</b>	<b>1,579,146</b>	<b>1,699,503</b>	<b>1,850,088</b>	<b>2,099,616</b>	<b>2,089,217</b>	<b>2,271,455</b>	<b>2,304,683</b>	<b>2,441,451</b>	<b>6.4%</b>
Department of Public Works	119,322	116,933	107,450	104,352	122,879	89,401	98,280	92,175	
Department of Transportation	-	-	-	-	-	35,997	26,005	39,015	
WMATA Subsidy	126,746	131,604	135,531	163,073	148,493	154,530	162,602	167,783	
Repayment of Loans and Interest	347,358	363,194	315,656	228,364	233,251	250,649	303,397	342,683	
Grant Disallowance	-	-	-	-	-	-	65,896	-	
<b>Subtotal, selected public works, financing, and other</b>	<b>593,426</b>	<b>611,731</b>	<b>558,637</b>	<b>495,788</b>	<b>504,623</b>	<b>530,577</b>	<b>656,180</b>	<b>641,656</b>	<b>1.1%</b>
All other agencies	559,972	806,983	859,694	814,684	877,841	1,009,318	968,664	1,212,469	11.7
<b>District total</b>	<b>4,063,562</b>	<b>4,502,470</b>	<b>4,821,675</b>	<b>5,095,180<sup>c</sup></b>	<b>5,104,193</b>	<b>5,439,144</b>	<b>5,737,075</b>	<b>6,195,402</b>	<b>6.2%</b>

NOTES:

Details may not sum to totals because of rounding.

<sup>a</sup>Formerly known as the Commission on Mental Health Services.<sup>b</sup>Includes PBC transition costs.<sup>c</sup>Total excludes 617,230 spent on refunded bonds in FY 2001.

Table 5A-4

**Local Funds Expenditures by Fiscal Year for Selected Object Classes**

(Dollars in thousands, excluding enterprise agencies)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Annual Growth Rate, 1998-2005
Regular salaries and wages <sup>a</sup>	993,128	965,659	1,010,397	1,126,640	1,160,133	1,154,576	1,211,657	1,295,217	3.9%
Extra pay <sup>b</sup>	89,303	83,883	100,496	108,028	94,888	78,418	96,235	93,693	0.7%
Fringe benefits <sup>c</sup>	179,454	173,555	177,624	190,523	233,502	225,847	266,359	304,989	7.9%
<b>Subtotal, PS</b>	<b>1,261,885</b>	<b>1,223,098</b>	<b>1,288,516</b>	<b>1,425,192</b>	<b>1,488,523</b>	<b>1,458,841</b>	<b>1,574,250</b>	<b>1,572,653</b>	<b>3.2%</b>
Fixed costs <sup>d</sup>	129,352	122,517	144,689	149,507	156,534	169,394	191,822	209,423	7.1%
Subsidies and transfers <sup>e</sup>	606,756	727,034	894,276	1,013,138	1,001,800	1,042,173	1,181,033	1,450,576	13.3%
Debt service	405,918	412,005	361,704	279,530	293,380	313,661	324,690	385,246	-0.7%
Contractual services	149,932	235,392	270,707	366,317	350,120	405,251	371,721	379,037	14.2
Other NPS	213,905	156,805	173,967	279,185	219,119	281,707	186,479	227,108	0.9%
<b>Subtotal, NPS</b>	<b>1,505,864</b>	<b>1,653,752</b>	<b>1,845,343</b>	<b>2,087,677</b>	<b>2,020,953</b>	<b>2,212,186</b>	<b>2,255,745</b>	<b>2,651,389</b>	<b>8.4%</b>
<b>Total</b>	<b>2,767,748</b>	<b>2,876,850</b>	<b>3,133,859</b>	<b>3,512,869</b>	<b>3,509,476</b>	<b>3,671,026</b>	<b>3,829,995</b>	<b>4,224,042</b>	<b>6.2%</b>

## 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.

<sup>a</sup>Full- and part-time, continuing and term, and unknown payroll postings.

<sup>b</sup>Includes overtime, bonuses, and differentials for nights, weekends, and holidays.

<sup>c</sup>Includes contributions to Police and Fighters' Retirement System and Teachers' Retirement System.

<sup>d</sup>Utilities, telecommunications, and rent.

<sup>e</sup>Excludes contributions to Police and Fighters' Retirement System and Teachers' Retirement System