



# FY 2013

# BUDGET OVERVIEW





# Mayor Gray's FY2013 Budget Goals

To "Seize Our Future" we must:

- (1) Diversify and grow the District's economy
- (2) Educate and prepare our work force for the New Economy
- (3) Improve the quality of life for all



# Mayor Gray's FY 2013 Budget Development Principles

- (1) Continue to prioritize strategic investments in education, public safety, and workforce development;
- (2) Protect our most vulnerable residents;
- (3) Ensure a structurally balanced budget (no use of fund balance); and
- (4) Balance the budget with no new taxes or fees





# Principle #1: Strategic Investments



The Mayor's Fiscal 2013 budget continues to make strategic investments in:

- Education
- Public Safety
- Workforce Development



# Investments in Education

- \$85.8 million in additional investments in D.C. Public Schools and D.C. Public Charter Schools
  - Fully funded DCPS and D.C. Public Charter School enrollment increases (\$63.9 million)
  - 2% increase for DCPS and Charter Schools (\$21.9 million)
  - \$40 million in Non-Public Tuition savings directly reinvested into inclusive public education





# Investments in Education

## Examples of New Funding in FY 2013

- Early Childhood Education expanded - Added \$1 million for 75 new slots to expand infant and toddler services
- Provided the University of the District of Columbia with a 2% increase (\$1.3 million)
- Funded \$1.1 million career and technical education academy
- Funded truancy prevention grant program within Justice Grants Administration
- D.C. Public Library – Fully staffed the soon-to-open Rosedale Library



Winston Education Campus, Ward 7  
Photo by Bel Perez-Gablonde





# Investments in Education

## Completing High School Modernization

- Six-year plan authorizes \$649 million for high school modernization with \$203 million for new and modernized high schools in FY 2013 alone
- Construction on Ballou High School, Cardozo High School, and Dunbar High School in FY 2013
- Modernization planning and design on Ellington High School, Coolidge High School, and Roosevelt High School also in FY 2013





# Investments in Education

## Accelerating Middle School Modernization

- 6-year capital plan has over \$218 million invested in modernizing middle schools
  - Construction of two new middle schools in Ward 5
  - Complete modernization of all existing middle schools
- \$73.8 million for new and modernized middle schools in FY 2013
  - Planning and construction for 4 middle schools in FY 2013
  - Johnson Middle school (Ward 8) and Stuart-Hobson Middle School (Ward 6) construction continues in FY 2013
- FY 2013 capital budget includes \$1 million for construction of STEM-based Challenger Center for Space Science Education.







# Investments in Education

## Elementary School & the University of the District of Columbia Modernization

- Six-year plan authorizes \$632 million for elementary school modernization
- \$47 million for new and modernized elementary schools in FY 2013
- School modernization work at 12 elementary schools in FY 2013
- In addition, the University of the District of Columbia will receive \$178 million over six years for facility modernization and the building of a new student center (including \$39 million in FY 2013).





# Investments in Public Safety

The Metropolitan Police Department budget increased by \$20.5 million in local funds, supporting:

- A fully funded force of 3,907 sworn officers
- Backfilling \$3.4 million of expired federal COPS grant with local funds, to retain 50 officers;
- \$7.8 million of contractually required Base Retention Differential;
- \$5.8 million in MPD automated traffic enforcement to improve driver, bicyclist, and pedestrian safety through additional traffic calming initiatives;
- Civilianization of 29 positions allows more sworn officers to patrol neighborhoods and streets



# Investments in Public Safety

- Open the new **Department of Forensic Sciences**
  - \$8.9 million to support the consolidation of divisions from within MPD and DOH, to provide independent analysis of crime scene evidence
- Launch the **Rail Safety** Program
  - The District’s first modern streetcar system requires an independent safety inspection program within FEMS



# Investments in Public Safety

- MPD's 6<sup>th</sup> District, in Ward 7, will relocate to a renovated District property, the former Merritt Middle School
- FEMS will renovate or relocate 8 fire stations within the District of Columbia, purchase new fire apparatus, and continue to improve the First Responders Training facility
- Over \$28 million towards an equipment upgrade investment for the Office of Unified Communications



# Investments in Workforce Development



- Over \$113 million of capital infrastructure investments at St. Elizabeths East Campus with \$58 million in FY 2013
  - IT hub planned to spur economic development and job creation
- Capital investments in other key development projects (\$54 million):
  - Skyland Town Center
  - MacMillan Reservoir
  - Walter Reed



# Investments in Workforce Development



**The Mayor has invested significant local fund resources in workforce development for District residents:**

- Fully fund the creation of the Workforce Intermediary Pilot Program at \$1.6 million to more effectively connect residents to jobs
- Replaced \$6.6 million of expended federal funds with local funds in the Department of Employment Services to continue workforce development initiatives.



# Other Economic Development Investments

- Department of Small and Local Business Development – Fully funded the One City Clean Teams at \$2 million and continued matching funding for the State Trade and Export Promotion grant at \$250,000.
- Department of Consumer and Regulatory Affairs - Added \$3.5 million to fully fund the Nuisance Abatement Fund
- Commission on Arts and Humanities – Provided \$350,000 to maintain funding to manage the Lincoln Theatre



# Principle #2: Protect Our Most Vulnerable Residents

## Growth in the FY 2013 Human Services Budget Outpaced Inflation

### Additional Investments Include:

- Department of Health Care Finance - \$16.7 million
- Department of Human Services - \$2.6 million
- Department of Mental Health - \$9.2 million





# Protect Our Most Vulnerable Residents

## Affordable Housing Investments

- D.C. Housing Authority – Supported affordable housing by adding \$6.2 million in new local funds to the D.C. Housing Authority to fund the increase in the Local Rent Supplement Program.
- Housing Production Trust Fund – Dedicated \$19.9 million to ensure residents in the local rent supplement program remain in housing
- Department of Mental Health – Increased the number of subsidized housing by 200 units to meet the *Dixon* exit criteria for \$6.2 million



# Public Works and Transportation



**The FY2013 budget supports \$10.7 million in increased costs for WMATA:**

- WMATA regional subsidy - \$9.1 million increase
- Non-regional bus and Circulator - \$1.6 million increase
- \$3.25 million covered by expanding performance parking and dedicating this revenue to WMATA
- Continued commitment to \$50 million match for capital improvements





# Public Works and Transportation



- District Department of Transportation – Added \$2.8 million to launch the H Street/Benning Road Streetcar system
- Streetcar 6-year capital funding of \$237.3 million
- Overhaul of DC Taxicab system to support:
  - Smart Meters
  - Credit card payment
  - Uniform District taxi cab color
  - GPS technology
  - Security Alert for both driver and passenger





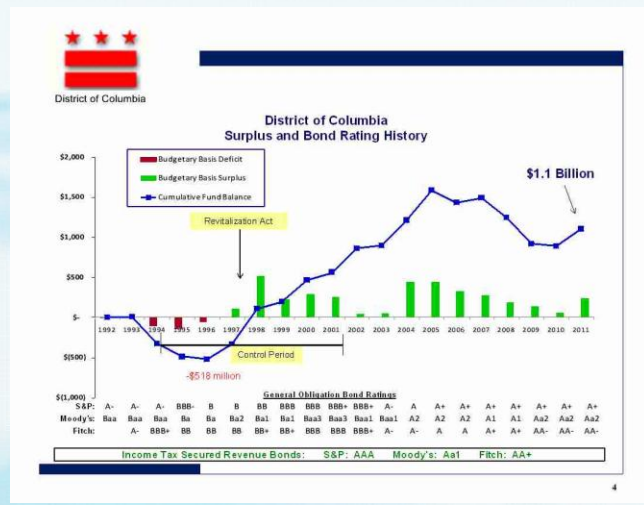
# Increasing Government Efficiency and Accountability

- Department of General Services – Generated \$10.1 million of efficiency savings in the Fiscal Year 2013 budget. (Energy retrofits, energy savings, and eliminating staffing redundancies)
- Adopt a gainsharing program for DPW solid waste collections division generating \$373,305 in savings.
- \$5 million Capital Investment for Sustainable DC initiatives
- Fully funded the new D.C. Board of Ethics and Government Accountability at \$835,000
- Added \$1.7 million to the Board of Elections to fund the November general election
- Added 2 positions to Office of Campaign Finance local budget to increase capacity





# Principle #3: Ensure a Structurally Balanced Budget



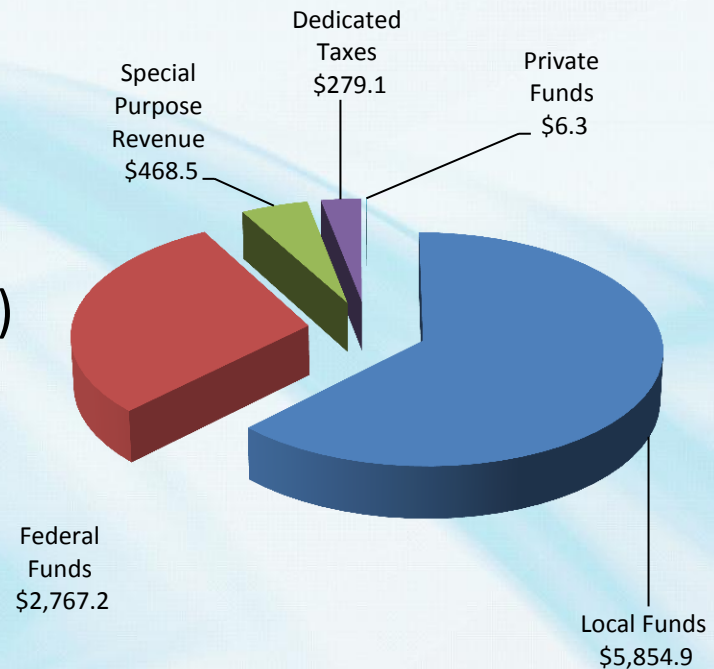
The Mayor’s Fiscal Year 2013 budget is structurally balanced. For the third straight year, the District will live within its means without the use of the reserve fund.



# FY 2013 Budget Overview

## Local and Federal Funds – By Fund Type

- Gross Operating Budget - \$9.4B
  - Local Funds at 62.4% (\$5.9B)
  - Federal Funds at 29.5% (\$2.8B)
  - Special Purpose Revenue at 5.0% (\$468.5M)<sup>1</sup>
  - Dedicated Tax at 3.0% (\$279.1M)<sup>2</sup>
  - Private Funds at 0.1% (\$6.3M)



1 – e.g. Anacostia River Clean Up (5¢ Bag Fee)

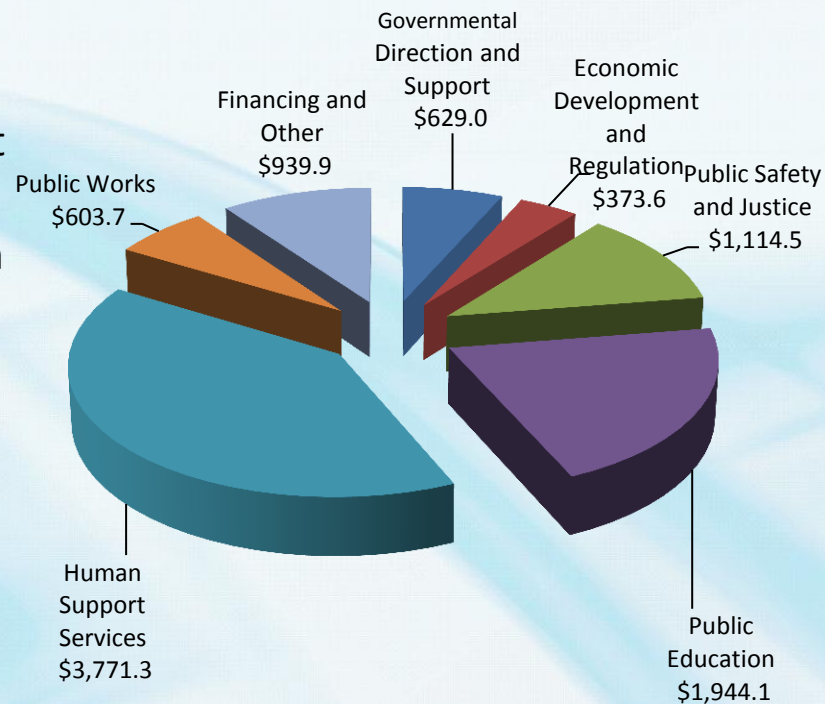
2 – e.g. Nursing Facility Quality of Care Fund



# FY 2013 Budget Overview

## Local and Federal Funds – By Budget Cluster

- Gross Operating Budget - \$9.4B
  - Governmental Direction and Support at 6.7% (\$629.0M)
  - Economic Development and Regulation at 4.0% (\$373.6M)
  - Public Safety and Justice at 11.9% (\$1.11B)
  - Public Education at 20.7% (\$1.94B)
  - Human Support Services at 40.2% (\$3.77B)
  - Public Works at 6.4% (\$603.7M)
  - Financing and Other at 10.0% (\$939.9M)

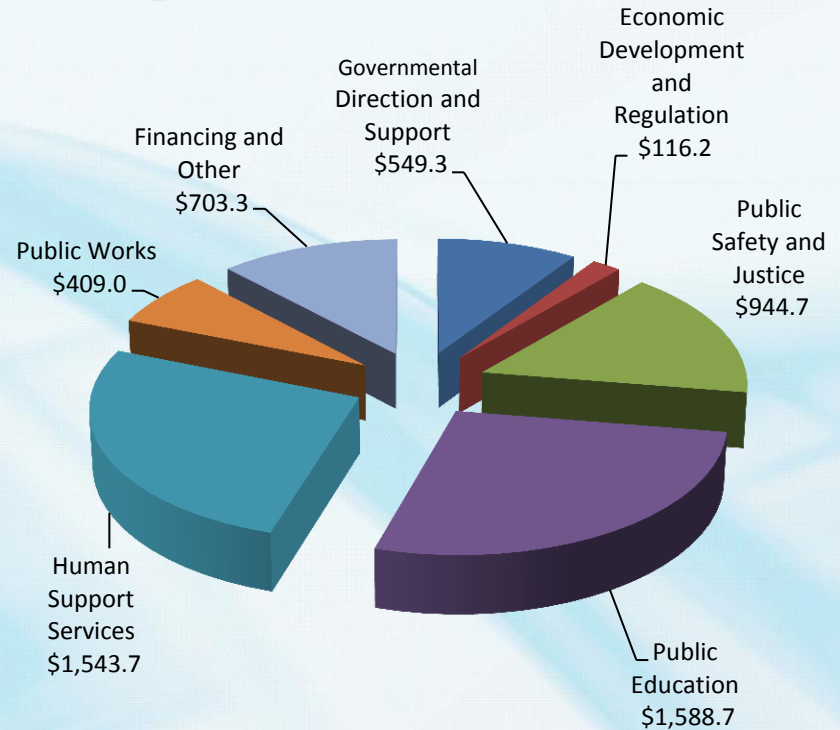




# FY 2013 Budget Overview

## Local Funds – By Budget Cluster

- Local Operating Budget \$5.9B
  - Governmental Direction and Support at 9.4% (\$549.3M)
  - Economic Development and Regulation at 2.0% (\$116.2M)
  - Public Safety and Justice at 16.1% (\$944.7M)
  - Public Education at 27.1% (\$1.59B)
  - Human Support Services at 26.4% (\$1.54B)
  - Public Works at 7.0% (\$409.0M)
  - Financing and Other at 12.0% (\$703.3M)







# FY 2013 Budget Overview

## Current Services Funding Level Budget

- **CSFL budget is created annually by the Office of the Chief Financial Officer**
  - Calculates the cost of providing the exact same services in the next fiscal year
  - Adjusts agency budgets for inflation and other growth factors
  - Serves as the baseline budget for the Mayor to make his decisions.
- **The FY 2013 CSFL budget grew 4.5% (\$252 million) over the FY 2012 approved budget. 76% of the growth in the budget occurred in just seven areas:**
  - Department of Health Care Finance (Medicaid growth)
  - Pay-as-you-go capital legislative requirement
  - Repayment of Loans and Interest
  - Fixed Costs (Department of General Services)
  - DC Public Schools (not including new enrollment)
  - Metropolitan Police Department (Base Retention Pay, COPS grant)
  - DC Public Charter Schools (not including new enrollment)
- **At the time the CSFL was produced in December 2012, FY 2013 revenue was projected to increase \$101.4 million over FY 2012 levels creating a gap of \$150.6 million**



# Balancing the Budget

## \$172.1 million budget gap

<b>\$150.6 million</b>	<b>Baseline budget gap in the current services funding level budget</b>
-\$35.7 million	CFO revises revenue upward on 2/29/2012
-\$23.0 million	FY 2013 revenue financial plan technical adjustment
+\$63.9 million	Student enrollment growth in DCPS and D.C. Public Charter Schools
<u>+\$16.3 million</u>	<u>Additional required Medicaid funding</u>
<b>\$172.1 million</b>	<b>Fiscal Year 2013 budget gap</b>



# Balancing the Budget

## Solving the Gap

Mayor Gray's Fiscal Year 2013 budget closes a \$172.1 million budget gap through a balanced approach of:

- \$102.7 million in expenditure cuts (60%)
- \$69.4 million in gap-closing from revenue initiatives (40%)

## Maintaining the Cap

The Mayor's capital budget stays within the District's 12% cap on all General Fund tax-supported debt, while making important investments in schools and economic development infrastructure.



# Balancing the Budget

## Covering the Loss of Federal Funds

**Nearly \$22 million in local dollars were used to partially replace \$43.6 million in lost federal funds to save priority programs, including:**

- Metropolitan Police Department – Fully funded \$3.4 million for sworn officers previously paid from COPS grant
- Department of Employment Services - Replaced \$6.6 million of lost federal grant carryover funds with local funds
- Department of Mental Health - Supplement the loss of federal funds to cover medical services for St. Elizabeths patients by adding \$3 million of local funds
- Department of Human Services – Replaced \$2.6 million of federal funds lost in the TANF program because of a change in federal policy on administrative charges



# Balancing the Budget

## Loss of Federal Funds

Over \$21.6 million of lost federal funding could not be made up with local funds, including:

- Department of Human Services – \$7.0 million lost in federal carryover funds for shelters and transitional housing
- Department of Human Services - \$1.6 million lost in Family Services block grants, emergency shelter, pregnancy and teen parenting
- Department of Employment Services – Additional \$6.9 million lost from Workforce Investment Act grants from US Department of Labor and federal carryover funds
- Department of Housing and Community Development - \$6.1 million lost with reductions to CDBG and HOME grants from US Housing and Urban Development





# Balancing the Budget

## \$102.7 Million in Budget Reductions

### Examples Include:

- Department of Health Care Finance - \$23 million in savings through an Alliance benefit restructuring, by covering primary and preventive care only
- Department of Health Care Finance - \$8 million in savings by adjusting Diagnosis Related Groups (DRG) rates from 114% to 98%
- Department of Youth Rehabilitation Services - \$5.6 million savings through downward trend in committed population
- Child and Family Services - \$3.7 million reduction to child placement services based on declining placements in care
- Department of Mental Health - \$1.7 million savings based on reduced overtime



# Principle #4: No New Taxes or Fees

## Explanation of Revenue Initiatives

The FY 2013 budget proposed no new taxes or fees and does not raise any current tax rates or fees. Additional revenue secured by maximizing collection of currently authorized taxes and fees, including:

- **Improved collection of existing taxes and other revenues owed to the District** \$28.2 million (\$30.3 million revenue minus \$2.1 million implementation cost)
  - Increase recovery of unpaid sales taxes through the credit card merchant payment reporting requirement and a partial amnesty program
  - Implement Central Collection Unit
  - Improve collection of fees and fines for non-compliance with rental housing regulations
  - Implement a tax refund offset or block refunds for taxpayers who are delinquent on DMV related charges (motor vehicle excise, fines, etc.)
  - Maximize the Escheat of Unclaimed Property to the District
  - Invigorate the District's vacant property program



# No New Taxes or Fees

## Explanation of Revenue Initiatives

- **Increased traffic calming initiatives to improve driver, bicyclist, and pedestrian safety through MPD Automated Traffic Enforcement**  
\$24.8 million (\$30.6 million revenue minus \$5.8 million implementation cost)
- **Expanded sales hours for alcoholic beverages**  
\$5.3 million (No operating cost)
- **Reduced inflation adjustment for standard deduction, personal exemption, and homestead deduction from five years to one year**  
\$12.0 million (No operating cost)





# No New Taxes or Fees

## One City Performance Review

- The success of the One City Performance Review has been instrumental in allowing the Mayor to propose a budget without any new taxes and fees.
- The review has generated initiatives that closed \$15.9 million of the budget gap for Fiscal Year 2013, as well identified numerous internal efficiencies. These will allow agencies to more effectively and efficiently deliver services in FY 2013 and beyond.



# Revised Revenue Priority List

- The Revised Revenue Priority List includes \$120.3 million in initiatives that were not included in the FY 2013 budget.
- If FY 2013 revenue projections increase during the next three quarters, initiatives will be funded in the order in which they are listed.
- The first 12 initiatives are:
  1. Homeless Services - \$7 million to replace loss of Federal funds
  2. TANF - \$14.7 million funding for enhanced job program
  3. Restore DC Healthcare Alliance Benefits - \$23 million
  4. DCHA - Restore \$19.9 million from HPTF to Local Rent Supplement Program





# Revised Revenue Priority List

5. Victim Services - \$2.6 million for emergency and transitional housing for victims of domestic violence
6. Out-of-State Bonds - \$1.1 million to repeal tax on bonds
7. OSSE - \$8.6 million to increase early intervention slots for Infant and Toddler services
8. OSSE - \$5 million for more special education capacity building
9. Replace loss of federal grants to DHS - \$1.6 million
10. HPAP - \$2.9 million to increase affordable housing assistance
11. DMH - \$1.9 million for school based mental health initiatives
12. Small Business Property Tax Relief - \$10 million for reducing property tax