

FY 2010 Budget Pressures

January 28, 2010

1350 Pennsylvania Avenue, NW

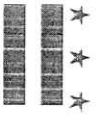
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Government of the District of Columbia
Office of the Chief Financial Officer
Natwar M. Gandhi, Chief Financial Officer



FY 2010 Spending Pressure Summary

Appropriation Title	Range	
	Low	High
1. Public Education:		
Subtotal, Public Education	\$31.4	\$38.4
	12.0	15.0
	\$43.4	\$53.4
2. Public Safety and Justice		
Subtotal, Public Safety and Justice	\$15.2	\$15.2
	5.3	5.3
	\$20.5	\$20.5
3. Human Support Services		
Subtotal, Human Support Services		
	3.2	4.0
	6.9	10.1
	\$17.5	\$17.5
	12.0	12.0
	23.1	23.1
	12.6	12.6
	2.3	2.3
	\$77.6	\$81.6
4. Financing and Other		
Subtotal, Govt Direction and Support		
	\$17.0	\$23.3
	5.2	5.22
	\$22.2	\$28.5
5. Governmental Direction and Support		
Subtotal, Spending Pressures	\$175.7	\$196.0
6. Revenue Shortfall	\$17.1	17.1
7. Contingency Reserve	\$10.2	10.2
Total Budget Pressures	\$203.0	\$223.3

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Preliminary FY 2010 Budget Pressures
As of January 27, 2010
(\$ in millions)

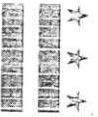
Appropriation Title/Agency	Low	High	Description
1. Public Education System			
Non-Public Tuition (GN0)	\$31.4	\$38.4	Realignment of Budget to Actuals: Projected total Local Funds expenditures for FY 2010 are currently forecasted at \$31.4M to \$38.4M over the approved budget of \$149.1M. The current projection is based on analysis of actual non-public tuition invoices, enrollment information, the effects of additional potential enrollments, and the FY 2009 NPT tuition increase.
Special Education Transportation (GO0)	\$12.0	\$15.0	FY 2009 actual expenditures total \$87.8M, but the FY 2010 budget totals \$75.8M. There have been no substantial changes to service levels that would evidence a decrease from prior year actuals.
Total Public Education System	\$43.4	\$53.4	
2. Public Safety and Justice			
Department of Corrections (FLD)	\$5.7	\$5.7	Reduced federal Marshals Service fees: This fee is used to support inmates housed at the CTF, which is contractually provided at a fixed rate. However, the U.S. Marshals Service has increased efficiencies and revenue collection has fallen to a rate where only \$22M is expected to be collected. Historically, the fee funds the cost of the CTF contract and supporting staff, which is budgeted at \$27.7M. This creates a shortfall of \$5.7M.
	\$9.5	\$9.5	Health Care Contract: During the formulation of the FY 2010 budget, it was believed that a savings based on restructuring the contract could be achieved and the contract was budgeted at \$19.5M. Presently, the contract has not been restructured. At the current rate of spending, DOC expects to spend \$29.7M this year on the contract against a budget of \$19.5M. An intra-District from the Department of Health Care Finance for \$750K will be used to offset the gap and brings the pressure to \$9.5M.
	\$15.2	\$15.2	Overtime and other pay: Staff must be deployed 24/7 and also attend periodic training. These demands plus approx 110 vacant/frozen positions (6-8 percent) result in the projection of overtime expenses beyond the budgeted amount of \$6.3M. The resulting overtime shortfall is approximately \$6.0M. Furthermore, longevity pay and the fringe benefits budget requires additional funding. The projected shortfall for both is \$1.7M.
Fire and Emergency Medical Services Department (FBO)	\$5.3	\$5.3	Reimbursement from other sources in the amount of \$2.4M will reduce the spending pressure to approximately \$5.3M for the fiscal year.
<i>subtotal DOC</i>	<i>\$15.2</i>	<i>\$15.2</i>	
Total Public Safety and Justice	\$20.5	\$20.5	
3. Human Support Services			
Disability Compensation Fund (BG0)	\$3.2	\$4.0	Increased Claims Costs: FY 2010 budget is \$2.6M less than the FY 2009 actual of \$27.8M, and the agency forecasts increased costs over FY 2009. Actuarial studies pertaining to Disability Compensation that the yearly budgetary needs to be in the neighborhood of \$30 million to sufficiently provide coverage. Actuals for this agency have been around \$27.4M for the past four fiscal years. Also affecting the steady increase is the rising cost of health care for the oldest group of individuals on disability, approximately 200 of the 500 total participants.
DC Unemployment Compensation Fund (BH0)	\$6.9	\$10.1	Increased Claims Costs: FY 2010 budget is \$2.8M less than FY 2009 actual of \$13.9M. The District will continue paying unemployment benefits to those persons still eligible from FY 2009. Values based on projections for current number of claimants at 4,760, unit costs per person of \$4,000, and the average number of weeks for benefits payments is 30 weeks.

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	Low	High	
Health Care Finance (HTO)	\$17.5	\$17.5	Alliance: Delayed savings initiatives such as the transition of enrollees to Medicaid via 1115 waiver and the enforcement of residency requirement, and unbudgeted enrollment growth.
	\$12.0	\$12.0	Medicaid: Revised estimate of cost per beneficiary and enrollment growth in the MRDD waiver; delay in savings initiatives; growth in home health and managed care; and billing issues in adult dental care.
Child and Family Services Agency (RL0)	\$23.1	\$23.1	Medicaid Billing: In FY 2009, CFSA suspended Medicaid billing for Targeted Case Management (TCM) and Rehabilitative Services Option claims based on Medicaid cost report audits. CFSA intends to resume Medicaid claiming for certain services. This excludes TCM services. This pressure includes anticipated savings that may not be realized.
Department of Youth Rehabilitation Services (JZ0)	\$12.6	\$12.6	Increased Commitments and Non-realized cost savings: The pressure includes \$4.7M to maintain services at FY 2009 levels; \$3.8M for increased commitments averaging 37 youth a day; overtime of \$2.2M; and non-realized cost savings of \$1.9M.
Department of Mental Health (RM0)	\$2.3	\$2.3	Higher Utilization of Contracted Providers and St. E overtime: Consists of funding for Mental Health Recovery Services (MHRS) consumers of \$1.5M due to the closure of D.C. Community Services Agency and additional MHRS enrollments. Also consists of \$788K of overtime at St Elizabeths based on the current rate of expenditures of \$180,286 per pay period for overtime costs.
Total Human Support Services	\$77.6	\$81.6	
4. Financing and Other			
Settlements and Judgments Fund (ZH0)	\$12.0	\$12.0	Increased settlements: Approximately \$8.2M of the \$13.7M settlement from the arrest of 680 IMF/World Bank demonstrators in FY 2000 will be paid out in FY 2010. In addition, approximately \$3.8M from the September 2002 mass demonstration settlement will be paid in FY 2010, for total FY 2010 payments of \$12.0M.
Total Financing and Other	\$12.0	\$12.0	

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Appropriation Title/Agency	Low	High	Description
5. Governmental Direction and Support City-wide fixed costs centrally managed by the Office of Finance and Resource Management (ASO) and the Department of Real Estate Services (AM0)	\$17.0	\$23.3	Variances between forecasts and agency budgets
Office of the Chief Technology Officer (T00)	\$5.2	\$5.2	<i>Data Service Costs:</i> Data center lease originally planned for FY 2011 but was accelerated to FY 2010 (\$2.7M) and cost of providing mainframe service to District agencies (\$2.5M).
Total Governmental Direction and Support	\$22.2	\$28.5	
SUBTOTAL SPENDING PRESSURES	\$175.7	\$196.0	
6. Revenue Shortfall Reduction in revenue estimates	\$17.1	\$17.1	<i>Revenue reduction:</i> Accounts for the reduction in estimated revenue in FY 2010 per the December 16, 2009 revenue estimate
Total Revenue Shortfall	\$17.1	\$17.1	
7. Contingency Reserve Replenish Contingency Reserve	\$10.2	\$10.2	<i>Contingency Reserve:</i> Replenish half of the amount drawn in FY 2009 from the Contingency Reserve for the Non-Public Tuition pressure of \$20.3M.
Total Contingency Reserve	\$10.2	\$10.2	
TOTAL BUDGET PRESSURES	\$203.0	\$223.3	

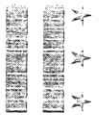


FY 2011 Current Services Funding Level Briefing

January 28, 2010

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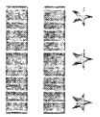


CSFL Definition

Current Services Funding Level (CSFL)

The CSFL is a representation of the cost of running an agency without consideration for policy decisions.

- Unlike the Policy Budget that the Mayor will submit to the Council on April 1, 2010, the CSFL does not have the burden of being bound by projected revenues. The CSFL represents the Chief Financial Officer's assessment of what it would cost the District Government in FY 2011 if services provided to the public were to remain constant from FY 2010.

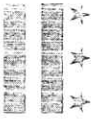


FY 2011 CSFL -- Gap in Revenue Funding

FY 2011 REVENUE PROJECTIONS VS. FY 2011 CURRENT SERVICES FUNDING LEVEL

FY 2011 Current Services Funding Level	5,590.8
FY 2011 Total Revenues Projections	5,117.5
Total Gap In Funding:	473.4

Note: Numbers may not add due to rounding



FY 2011 CSFL – Summary

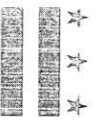
FY 2010 RECURRING BUDGET VS. FY 2011 CURRENT SERVICES FUNDING LEVEL

FY 2011 Current Services Funding Level		5,590.8
FY 2010 Approved Budget	5,180.4	
Less: one-time expenditures in FY 2010	(103.9)	
FY 2010 Recurring Budget		5,076.5
Change from the FY 2010 Recurring Budget		514.3

Memo: Change from the FY 2010 Recurring Budget percentage 10.1%


FY 2011 CSFL vs. FY 2010 Recurring Budget –
Local Funds

Appropriation Title	(in Millions)		Change	Change		
	FY 2010 Local Funds Recurring Budget	FY 2011 CSFL				
Governmental Direction and Support	\$ 309.1	\$ 321.1	\$ 12.0	3.9%		
Economic Development and Regulation	90.3	96.7	6.4	7.1%		
Public Safety and Justice	926.0	957.6	31.7	3.4%		
Public Education System	1,359.7	1,520.5	160.8	11.8%		
Human Support Services	1,307.6	1,578.0	270.4	20.7%		
Public Works	393.1	413.0	19.9	5.1%		
Financing and Other	690.8	703.9	13.1	1.9%		
Total - Local Funds	\$ 5,076.5	\$ 5,590.8	\$ 514.3	10.1%		
Operating Agencies	78.4%	\$ 3,982.2	80.1%	\$ 4,477.4	\$ 495.3	12.4%
Non-Operating Agencies	21.6%	\$ 1,094.4	19.9%	\$ 1,113.4	\$ 19.1	1.7%



FY 2011 CSFL: Major Cost Drivers - Summary

- The Step Increase Impact value and Fringe Impact value do not include adjustments for DCPS
- CPI Inflation Impact Figure does not include adjustments for any Mandatory item above

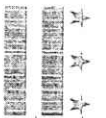
•The "FY 2011 Impact of FY 2010 Spending Pressures" value does not include spending pressures from Non-Public Tuition and Special Education Transportation, as they are included in the "Mandatory" section above.

Mandatory CSFL Adjustments	\$M Change	% of Total Growth
Non-Public Tuition	\$ 51.5	10.0%
Public Charter Schools	10.2	2.0%
Special Education Transportation	9.7	1.9%
Debt Service	7.6	1.5%
WMATA Subsidy	6.3	1.2%
DC Public Schools	5.1	1.0%
Police, Fire and Teachers' Retirement	(5.4)	-1.0%
Other Adjustments	5.5	1.1%
Subtotal - Mandatory CSFL Adjustments	\$ 90.6	17.6%

Stimulus CSFL Adjustments	\$M Change	% of Total Growth
Stimulus Funding Impact	239.8	46.6%
Subtotal - Stimulus CSFL Adjustments	\$ 239.8	46.6%

Other CSFL Adjustments	\$M Change	% of Total Growth
FY 2011 Impact of FY 2010 Spending Pressures	\$ 109.6	21.3%
CPI Inflation Increase Impact - 2.20%	22.3	4.3%
Fringe Benefit Increase Impact - 10.02%	19.0	3.7%
Step Increase Impact - 0.50%	11.7	2.3%
Other Adjustments	21.2	4.1%
Subtotal - Other CSFL Adjustments	\$ 183.9	35.8%

Total - CSFL Adjustments	\$ 514.3
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Fiscal Year 2011 CSFL: Governmental Direction, Economic Development and Public Safety and Justice

Agency	(in Millions)		Change \$M	Change %	Comments
	FY 2010 Approved Recurring Budget	FY 2011 CSFL			
Governmental Direction and Support					
Office of the Chief Technology Officer	\$ 41.0	\$ 46.1	\$ 5.1	12.4%	\$4.1M increase in Fixed Cost based on two new locations
Office of the Chief Financial Officer	105.9	109.2	3.4	3.2%	\$2.2M increase based on Waterfront property
Department of Real Estate Services	21.8	23.7	1.9	8.7%	\$2.8M increase due to addition of RFK to AM0 inventory, offset by reallocation of expenses of (\$1.3) from 225 Virginia Ave.
Others	140.4	142.0	1.6	1.2%	
Subtotal - Governmental Direction and Support	\$ 309.1	\$ 321.1	\$ 12.0	3.9%	
Economic Development and Regulation					
Department of Housing and Community Development	\$ 5.0	\$ 9.9	\$ 4.9	99.0%	Recurring administrative costs associated with the operations of DHCD that exceed the amount allowed to be charged to existing Federal grants (\$4.5M).
Others	85.3	86.8	1.5	1.7%	
Subtotal - Economic Development and Regulation	\$ 90.3	\$ 96.7	\$ 6.4	7.1%	
Public Safety and Justice					
Department of Corrections	\$ 99.0	\$ 116.5	\$ 17.5	17.6%	Applied costs of health care contract currently being rebid (\$4.9M), supplemented an expected decrease in O-Type funds (\$6.0M), and increased Overtime and Special Pay to cover historical spending pressures (\$2M).
Metropolitan Police Department	446.4	452.4	6.0	1.3%	\$5.4M in PS increases based on CSFL Assumptions
Fire and Emergency Medical Services	187.9	196.8	8.9	4.7%	Longevity Pay (\$5.3M) included in PS costs for CSG 11 and 13.
Police Officers' and Fire Fighters' Retirement System	132.6	127.2	(5.4)	-4.1%	Adjusted based on Actuarial Study
Others	60.0	64.7	4.7	7.9%	
Subtotal - Public Safety and Justice	\$ 926.0	\$ 957.6	\$ 31.7	3.4%	

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