DC Fiscal Policy Institute

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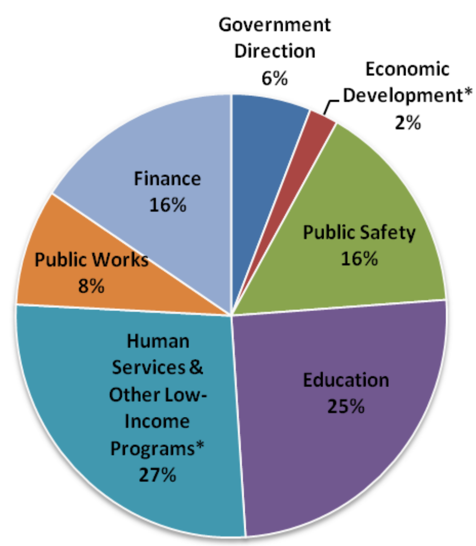
WHAT'S IN THE FINAL FY 2012 BUDGET?

On July 12, the DC Council took the final vote on the budget for the 2012 fiscal year, which starts in October of this year. The proposed general fund budget — the portion supported with local taxes and fees — is $6.42 billion.[1] When federal funds also are considered, the FY 2012 budget is $9.6 billion.

The FY 2012 general fund budget is about $102 million higher than the FY 2011 budget, after adjusting for inflation — an increase of 1.6 percent. (Unless otherwise noted, all figures in this analysis are adjusted for inflation to equal FY 2012 dollars.) Yet this modest boost in local spending is needed to replace federal stimulus dollars that were available for 2011 but will not be in 2012, to address rising enrollment in public schools and Medicaid, and for some staff and maintenance expenses that were shifted from the capital budget to the operating budget. When these are taken into account, funding for most services in the FY 2012 budget is less than the amount available for FY 2011.

FIGURE 1
FY 2012 GENERAL FUND BUDGET



*Other low-income programs include the following agencies removed from Economic Development: Employment Services, Housing and Community Development, Housing Authoirty and Housing Production Trust Fund

This report reviews the key elements of the FY2012 budget. As Mayor Gray worked to develop a budget proposal, the city faced a substantial gap — $322 million — between expected resources and the costs of maintaining city services. This review finds that several steps were taken to address DC's shortfall, including spending reductions, revenue increases, and government staff reductions.

Despite including notable revenue increases, the FY 2012 budget includes sizable budget cuts and leaves many areas of the District government far smaller than just a few years ago. The District's budget has been hit hard over the last four years as a result of the Great Recession — tax collections fell by $520 million over FY 2008-FY 2011 — leading to hundreds of millions of dollars in cuts to programs and services. And while FY 2012 represents the first time in four years where the District had an increase in the revenue forecast —a welcome sign that some parts of DC are starting to

[1] The general fund budget includes the "local funds budget" – programs supported by the general pool of taxes and fees collected by the District — as well as services supported by "special purpose" revenues or "dedicated taxes."

recover — total revenue collections will still be well below collections before the recession hit. Moreover, federal Recovery Act funds and District reserve funds — both of which were used to keep important programs and services whole over the last three years — have largely expired or are unavailable for use in 2012.

As the FY 2012 budget was finalized, speculation around the possibility of a significant uptick in DC's revenue collections led the DC Council to include a provision in the FY 2012 budget to dictate how additional funds should be used. Just two weeks after the FY 2012 budget was passed, DC's Chief Financial Officer announced that DC would collect $107 million of additional revenue in FY 2011 and $77 million of additional revenues in FY 2012. This additional revenue allowed the Mayor and Council to fund a number of programs on its priority restoration list including, additional police officers, school nurses, and increased funding for mental health services, to name a few.

The FY 2012 budget continues the trend since the recession began of making investments in education, but makes cuts to all other areas of the budget, particularly human services. A DCFPI analysis of DC's expenditures from FY 2008-FY2012 shows that only education, debt payments and related financing expenses have grown over that time period. Funding for every other area of government has dropped by a range of 4 percent to 22 percent. The FY 2012 budget keeps in place many cuts that have been made since 2008 — in areas ranging from libraries to child care — in addition to calling for significant additional reductions in human support services at a time when a huge number of DC residents are still out of work and unable to provide for themselves and their families.

This analysis is part of an online "Budget Toolkit" developed each year by the DC Fiscal Policy Institute, which can be found at www.dcfpi.org.

How Would the Budget Change from FY 2011 to FY 2012?

The FY 2012 general fund budget — the portion of the budget supported by local revenue sources — is $6.42 billion, which represents an increase of 1.6 percent over the $6.32 billion budget for FY 2011, after adjusting for inflation. However, the District actually has fewer resources for most of its programs in FY 2012, for several reasons:

- **Loss of federal Recovery Act dollars.** In FY 2011, the District was able to use federal Recovery Act funds instead of local funds to maintain some programs. Because the large majority of these funds will run out in FY 2011, the FY 2012 budget includes $113 million of local funds to replace expired Recovery Act funding for public and charter schools, Medicaid, and homeless services.

- **Movement of funds from the capital budget to the operating budget.** The FY 2012 budget moves $47 million of staff and maintenance expenses previously funded in the capital and federal budget into various agencies in the local operating budget, based on an assessment that the functions served by these staff were not directly tied to federal and capital budget infrastructure projects. Moving the positions and maintenance functions back into the operating budget makes the FY 2012 budget appear $47 million larger, although the shift does not actually increase service levels or staffing.

When these are taken into account, the FY 2012 budget for most programs and services is actually smaller than the FY 2011 budget.

Beyond these, DC's education and health care expenses have grown substantially in recent years — due in part to rising caseloads for Medicaid and increased enrollment in DC public and charter schools. In FY 2012 alone, these two parts of the budget will increase by approximately $41 million due to caseload growth. In addition, the costs of maintaining government services rise each year due to inflation and other factors. The fact that costs are rising rapidly in some areas in an overall budget that is growing modestly means that other areas of the budget are falling. As discussed below, the FY 2012 budget includes significant reductions.

How Did the Budget Change from the Mayor's Proposal to the Council's Vote?

The DC Council made some key restorations to several programs that help DC's low-income residents, several notable changes to the Mayor's proposed revenue increases, and adopted several provisions for how to use an expected increase in DC's tax collections later this year.

Some of the most notable program restorations for low-income residents include:

- **Homeless Services, $17 million restored.** The Council restored $17 million out of a total $20 million cut to homeless services. If the full cut had gone through as proposed, it would have likely forced DC to close shelters for singles and families outside of hypothermia season.

- **Interim Disability Assistance (IDA), $1.5 million restored.** The Council restored $1.5 million to maintain the IDA program, which Mayor Gray had proposed to eliminate. IDA provides cash assistance to residents with disabilities who cannot work while they wait, on average, the two years it takes for their federal Social Security applications to be processed. The $1.5 million restoration still is not enough to continue to serve everyone currently enrolled. In fact, $1.5 million will serve fewer than 500 DC residents, meaning that some of the more than 1,000 current IDA participants could lose their cash assistance this October.

- **Temporary Assistance to Needy Families (TANF), $4.9 million restored.** The Council restored $4.9 million of a $9.5 million cut to TANF, a program that provides cash assistance and job-readiness training to low-income families with children. The $9.5 million cut proposed in the Mayor's budget included savings from moving TANF recipients with disabilities into the federal Social Security program, savings from implementing a stricter sanctions policy, and a proposal to implement a retroactive 60 month lifetime time-limit on TANF benefits. TANF benefits, for those who have been on longer than 60 months, had already been cut by 20 percent in April 2011, and were proposed to be cut by another 20 percent in October 2011 and eventually phased out by 2013.

  The $4.9 million restoration by the DC Council allows for a one-year delay in the reduction of benefits. This is an important change because it allows some critical improvements being made to DC's TANF program — including improved screening for barriers to work such as domestic violence and mental illness as well as improved job training programs — to take place before reducing benefits for those enrolled in the TANF program. Yet, there are still concerns that

DC's TANF program may not be able to implement the new reforms in time for those who are at risk of losing their benefits to take advantage of the improved services.

The Council was able to find resources to fund these programs in large part by modifying the Mayor's proposal to move $47 million of staff and maintenance costs from the capital budget to the operating budget. The Council decided to slow the shift, leaving $22 million of expenses in the capital budget and thus freeing up $22 million to in DC's operating budget that was used to restore cuts to the programs mentioned above. At the same time, the Council vote to move the remaining $22 million to the operating budget if a future increase in revenues would allow it. A new revenue forecast issued two weeks after adoption of the budget identified $77 million in additional revenues for fiscal year 2012, and a portion of these funds was used to move this $22 million to the operating budget. This is discussed further in a later section.

The Council also made several funding restorations through the work of specific committees. Some notable low-income program restorations included $300,000 to fund court ordered assessments for children to help identify mental health treatment they might need, $500,000 for mental health programs for children in DC's foster care system, and $4.2 million for funding for victims services.

The Council also made three major changes to the revenue proposals in the Mayor's budget.

- **Increased tax on hospital beds**. The Council increased the tax on hospital beds from $2,000 per licensed bed to $3,800. This will raise $7 million in local funds and $16 million in matching federal Medicaid funds. The funds generated by the increased tax will be used to offset a similar amount of cuts made to Medicaid reimbursement rates in FY 2011.

- **Sales tax changes.** The Council eliminated the Mayor's plan to apply the sales tax to live performances and instead chose to apply it to armored car services, private investigation and security services. The change raises $5 million in FY 2012, slightly more than the proposed tax on live performances would have raised, but raises about the same amount in future years.

- **Income tax changes.** The Mayor had proposed creating a new income tax bracket at 8.9 percent for those with taxable income (income after deductions) above $200,000. DC's current top tax bracket, at 8.5 percent, starts at $40,000. The Council rejected this proposal and instead voted to eliminate the tax exemption for out-of-state bonds. Prior to its elimination, DC was the only state to give its residents a tax exemption for investing other states municipal bonds.

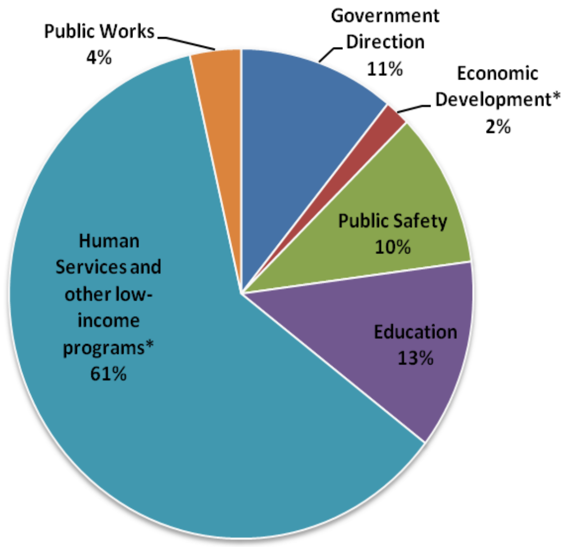
  More detail about these revenue increases, and the other passed in the FY 2012 budget, are explained in more detail in a later section.

Lastly, the Council also added several provisions to the FY 2012 budget to address an expected increase in DC's tax collections later this year. As noted, the Council voted to use the expected increase to shift the remaining $22 million of personnel expenses from the capital to the operating budget. They voted, to set-aside half of any remaining revenues in DC's savings account (or fund balance) and to use the other half to fund a variety of programs and services, including many programs that would help DC's low- and moderate-income residents. This is explained in greater detail in a later section.

Steps Taken to Balance the FY 2012 Budget

When Mayor Gray put together his budget for FY 2012, the District faced a $322 million gap between the projected revenue the District would collect and the cost of maintaining current services. The gap reflected continued weakness in revenue collections, despite a revenue forecast in February that projected an increase of $100 million, the loss expiring federal Recovery Act funds, and the inability to use District reserve funds that had been used in prior years to fund some programs and services. The FY 2012 budget reflects a number of actions to close the $322 million budget gap.

FIGURE 2
FY 2012 BUDGET CUTS FALL MOST HEAVILY ON HUMAN SERVICES & OTHER LOW-INCOME PROGRAMS



* Other low-income programs includes the following agencies removed from Economic Development: Employment & Training, Housing and Community Development, Housing Authority and Housing Production Trust Fund

- **Cuts to Programs and Services.** The FY 2012 budget cuts $171 million from the FY 2011 current services budget — the total amount of funding the CFO projected that DC would needs in FY 2012 to fund everything it did in FY 2011. Three out of every five dollars cut from the budget — or 61 percent — come from human support services and other low-income programs ($104 million). All other areas of DC's budget — except for financing — also were cut, but not even close to the magnitude of cuts taken in the human services in other low-income programs area (see figure 2). Cuts to Education and Public Safety represent about 23 percent of the cuts, while cuts to Government Direction, Economic Development and Public Works shared the remaining 17 percent.

- **Revenue Increases.** The FY 2012 budget also includes $150 million in new revenues, just under half would come from increases in taxes and fees and the remaining half from other policy changes — primarily from a proposal to increase income tax withholding from DC residents. Notable tax increases include the removal of an income tax exemption for out-of-state bonds and a limit the amount of itemized deductions that can be claimed by families with incomes above $200,000. In addition, the FY 2012 budget implements a provision adopted in 2009 — known as combined reporting — to close tax shelters used by multi-state corporations.

- **DC Government Staff Reductions.** The FY 2012 budget would include savings from eliminating 205 government full time equivalent positions. The major reductions are found in the Department of Public Works where 100 solid waste positions and 25 parking enforcement positions would be eliminated.

Funding By Major Program Area

The District's budget includes more than 80 operating agencies, with budgets ranging from under $100,000 to more than $600 million in local funds. These agencies are grouped into seven major functional categories, known as "appropriation titles."

Table 1 (see next page) shows how funding would change for each appropriation title in the FY 2012 budget. It shows that funding would fall for nearly every appropriation title except for Education, which would increase by 4 percent, and Financing, which would increase by 2 percent.[2]

The increase in local education funding is largely attributed to enrollment growth in DC Public Schools and Public Charter schools, the use of local funds to replace expiring federal Recovery Act funds, and increased per-pupil funding for special education students.

The increase in Financing is largely due to increases for non-departmental costs — a paper agency that holds any additional special purpose fund revenue collected by agencies— and for an increase in funds collected from Rights-of-Way fees and stormwater management fees that are typically used in capital projects. (A more detailed description of funding changes by appropriation title is included in the appendix).

The changes in the proposed FY 2012 budget reflect the following:

- **Human Services and Health**: The agencies that will experience the largest cuts in this area include the Department of Mental Health (DMH) and the Department of Health Care Finance.

[2] Starting in FY 2011, the budget included several accounting changes that affect the budgets for many agencies. Contracting and human resource functions that had been budgeted in all city agencies in FY 2010 are now included in the budgets for the city's central contracting and personnel agencies. In addition, the FY 2011 budget includes a new centralized agency to reflect DC government rent, utility, and related expenses. Those expenses had been reported in individual agency budgets in FY 2010. These changes continued in FY 2012. To make FY 2011 and FY 2012 budget figures comparable with prior-year budgets, this report shifts these fixed costs back to individual agency budgets.

In addition, DCFPI's analysis makes some adjustments to reflect the impact of federal Recovery Act funding. For example, the FY 2012 budget includes $81 million in local funding to replace federal Medicaid funds that were provided under the federal Recovery Act in FY2011. Because this does not reflect an expansion of local services, this analysis adds $81 million to the FY 2011 local budget for human support services to make it comparable with FY 2012 figures.

In addition, the FY 2012 budget removed the Office of Public Education Facilities Modernization (OPEFM), $10 million of fixed costs from the Department of Parks and Recreation (DPR), and $500,000 in fixed costs from Fire and Emergency Medical Services and added them to the newly created Government Service Agency with Government Direction and Support appropriation title. To make the FY 2012 budget figures comparable with FY 2011 budget figures for these agencies, this report shifts the removed fixed costs back to the individual DPR and FEMS budgets and the OPEFM budget back into the Education appropriation title in FY 2012.

Lastly, $26 million in staff and maintenance costs were shifted from the capital budget to the operating budget in various agencies in FY 2012 based on an assessment that the functions served by these staff were not directly tied to capital budget infrastructure projects. Because this does not reflect and expansion of staff or local services, this analysis adds the $26 million to the FY 2011 local budget for the various agencies affected by the shifts to make them comparable with FY 2012 figures.

For this reason, the figures reflected in this report may not match figures reported in the FY 2011 or FY 2012 budget.

TABLE 1 CHANGES IN DC's GENRAL FUND BUDGET, FY 2011-FY 2012			
Appropriations Title	**FY 2011 Approved**	**FY 2012 Approved**	**Change, 2011 to 2012**
Government Direction	$385	$384	-.01%
Economic Development	$305	$277	-10%
Less Low-Income Agencies*	$142	$139	-2%
Public Safety	$1,041	$1,008	-3%
Education	$1,547	$1,610	4%
Human Support	$1,614	$1,586	-2%
Plus other Low-Income Agencies*	$1,779	$1,724	-3%
Public Works	$580	$547	-6%
Financing	$982	$1,006	2%

Notes:
All figures are in millions and adjusted for inflation to equal FY 2012 dollars.
These figures include some adjustments to make figures comparable. See footnote 1.
* "Low-Income Agencies" includes Employment Services, Housing and Community Development, Housing Authority Subsidy, and Housing Production Trust Fund.

The budget for the Department of Mental Health (DMH) will fall by $9 million in FY 2012. The reduction will lead to cuts in the package of mental health benefits the agency provides, although it has not been determined which benefits will be scaled back at this time.

The Department of Health Care Finance budget includes a cut to the Healthcare Alliance program, which provides health coverage to uninsured residents who are not enrolled in Medicaid, by $11 million. The agency plans to remove 5,000 Alliance participants — about 20 percent of the current caseload — either by moving them into Medicaid or finding them ineligible for benefits and removing them from the program. The agency will require all participants to attend a face-to-face recertification interview every six months.

- **Economic Development.** Funding for the Housing Production Trust Fund (HPTF) — DC's main source for affordable housing construction and renovation — will be reduced by $18 million in FY 2012, and in future years as well. Funding for HPTF, which is tied to deed tax collections and has fallen by two-thirds in the recession, began to grow in FY 2011 and FY 2012. The FY2012 budget takes away more than half of new revenues into the HPTF and significantly restricts the capacity of the city to support affordable housing construction, preservation, or to support tenant purchase efforts in the future. The program is one the list for restoration from potential increases in future revenues, yet revenues would need to increase significantly — more than $45 million — for the HPTF to be fully funded. This is explained in more detail in a later section.

- **Public Safety.** Both the Metropolitan Police Department (MPD) and Fire and Emergency Medical Services (FEMS) face decreases of less than two percent in FY 2012. MPD will find savings by eliminating funds for 265 positions that are vacant and at the same time devote funding to hire additional officers and provide pay raises. FEMS will eliminate 80 positions, most of which are vacant, and will restart the fire cadet program, a program that trains and encourages young DC residents to work with FEMS.

Within the new Deputy Mayor for Public Safety funding for the Access to Justice and Poverty Loan Program programs—programs that provide legal services for low-income residents — are flat funded for FY 2012.

- **Public Works.** Local funding for the Department of Public Works will go up by 2 percent, to $110 million, in FY 2012. Despite the increase, the budget includes the elimination of 100 solid waste positions and 25 parking enforcement positions, and a shift of snow cleaning functions from the District Department of Transportation to the Department of Public Works. Services and schedules for trash and recycling collection, nuisance abatement, street sweeping, and other core services remain at FY 2011 levels.

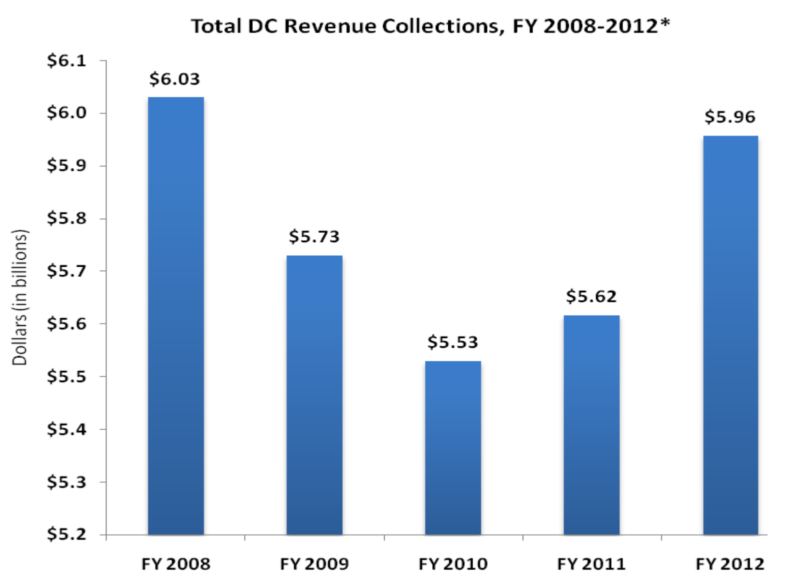
- **Education.** As mentioned previously, the increase in local education funding is attributed largely to growth in the budgets for the DC Public Schools and Public Charter schools as a result of enrollment growth and local funds needed to replace expiring federal Recovery Act funds. There are cuts to other areas of education, however. Child care subsidies were cut by $2.2 million and funding for DC Public Libraries was reduced despite the opening of three new libraries in FY 2012. The savings will come from limiting hours, including closing the MLK Library on Sundays, reducing staff, and cutting funds for new books. These cuts could be reversed if DC revenues grow significantly later in the year. This is explained in more detail in a later section.

The Impact of the Recession on DC's Budget

The impact of the recession on DC's finances is even clearer when the FY 2012 budget is compared with 2008, the last year before the recession. The District's tax collections began to fall sharply after 2008. Excluding changes in tax policy, total tax collections fell nearly $500 million between FY 2008 and FY 2009 alone, and continued to fall through FY 2010.

Revenue collections began to grow modestly in FY 2011 and are expected to rise in 2012 as well. Yet even with this growth and with revenue increases enacted in the FY 2012 budget, revenue collections in 2012 still will be $70 million lower than before the start of the recession, adjusting for inflation. (See Figure 3.)

FIGURE 3
DC REVENUE COLLECTIONS ARE STILL BELOW 2008 LEVELS



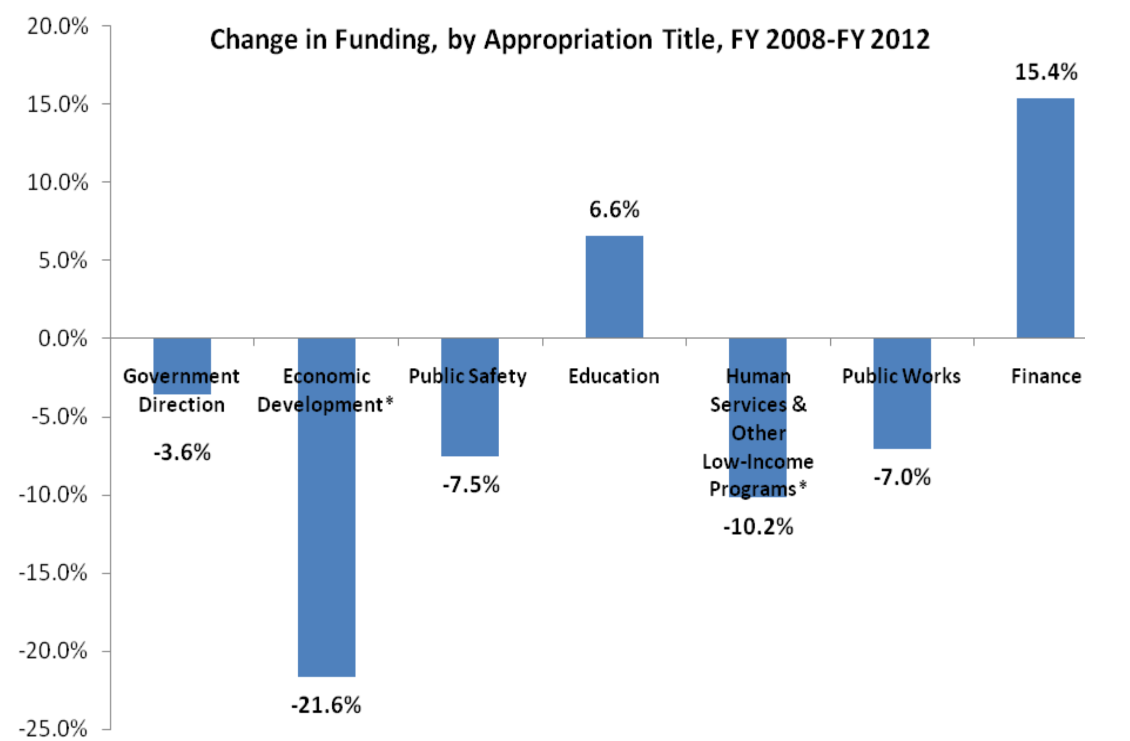
* Figures are in billions, all figures are adjusted for inflation to equal FY 2012 dollars and include changes made to tax policy.

As a result of the continued drop in revenues, the general fund budget for FY 2012 is $338 million lower than in FY 2008, after adjusting for inflation. It is notable to point out that even four years later — despite rising enrollment in DC schools and increased enrollment in Medicaid and increased costs of operating the government as a result of inflation increases — the overall budget continues to be smaller.

Given that government costs have continued to rise while resources have continued to fall, the budget has been cut significantly since FY 2008. However, some areas of the budget have continued to grow, despite falling resources.

A review of changes since FY 2008 in funding for DC's major budget areas (known as "appropriations titles") shows significant reductions in all areas except for education and financing. (See Figure 4).

FIGURE 4
DC'S BUDGET HAS DECLINED SIGNIFICANTLY SINCE 2008



* Other low-income programs include the following agencies removed from Economic Development: Employment Services, Housing and Community Development, Housing Authoirty and Housing Production

Beyond new cuts described above, the FY 2012 budget also would keep in place many cuts that have been made since 2008, such as:

- **Affordable Housing.** Funding for the Housing Production Trust Fund — DC's main source for affordable housing construction and renovation — will be reduced by $18 million in FY 2012, and in future years as well. Funding for HPTF, which is tied to deed tax collections and has fallen by two-thirds in the recession, was expected to grow in 2012. As mentioned previously, the FY 2012 budget takes away much of the increase and significantly restricts the capacity of the city to support affordable housing construction, preservation, or to support tenant purchase efforts in the future.

The FY 2012 budget also takes $4 million in federal housing vouchers for low-income families and uses them to replace local funding for low-income housing vouchers. This means fewer families will be able to be taken off of DC's housing wait list, which currently includes over 28,000 households.

- **Temporary Assistance to Needy Families (TANF).** TANF provides cash assistance and job readiness training to low-income families with children. In FY 2011 TANF benefits were cut by 20 percent – to $342 for a family of three (23 percent of the poverty line) – for any family that has received assistance for more than 60 months across their lifetimes. This is despite the fact that it is widely acknowledged that TANF employment services are not adequate and that the District does not have the capacity to serve all eligible families. The FY 2012 budget would delay an additional cut in benefits by one year. However it would still further cut benefits for approximately 7,000 families, to just $257 a month for a family of three, starting in FY 2013.

- **Interim Disability Assistance.** The IDA program provides $270 a month to residents with disabilities who have no other income and are awaiting a decision on a federal Supplemental Security Income (SSI) application. Cuts in recent years have decreased the number served from 2,900 per month in FY 2008 to about 600 per month at the end of this year. The FY 2012 budget would be able to serve fewer than 500 residents, meaning that some of the 1,000 currently enrolled IDA participants could have their benefits terminated this October, even if federal SSI benefits have not been approved.

Revenue Issues in the FY 2012 Budget

The FY 2012 budget includes $150 million in additional revenues to help address the city's ongoing budget problems. Some $117 million was devoted to address part of a $322 million gap between expected revenues and the costs of maintaining services, and the remainder was intended to address shortfalls in the District's fund balance.

The DC Council accepted most of the Mayor's tax proposals, but it rejected some and adopted other new revenue increases. In particular, the Council rejected an increase in income taxes on income above $200,000 and instead eliminated an income tax exemption for interest on out-of-state bonds, although this change will raise no money in FY 2012. The Council also rejected a mayoral proposal to broaden the sales tax to tickets for live performances and instead chose to expand the sales tax to security services, armored car services, and private investigation services. Finally, the Council adopted an increase in a tax on hospitals, to generate revenues that could support Medicaid payments to hospitals, and to raise the residential parking permit fee to support transportation services.

The net effect of the Council actions was to raise $8 million less in revenue, than was proposed by the Mayor. The revenue increases that are part of the final FY 2012 budget are explained in more detail below.

TABLE 2: REVENUE INCREASES IN THE PROPOSED FY 2012 BUDGET		
	Proposed Budget (In $ Millions)	Final Budget (In $ Millions)
Taxes and Fees		
Income tax- itemized deduction limit	$35.4*	$16.7
Income tax- 8.9% rate above at $200,000		$0
Income tax – eliminate exemption for interest on out-of-state bonds**	$0	$0
Increase in minimum corporate income tax	$12.0	$12.0
Double-weight sales in corporate income Tax apportionment formula	$7.2	$7.2
Increase parking tax to 18%	$18.2	$18.2
Increase sales tax on alcohol to 10%	$2.9	$2.9
Extend sales tax to live theater	$2.3	$0
Extend sales tax to security, armored car, and private investigation services	$0	$4.9
Increase various motor vehicle fees	$3.0	$3.0
Increase hospital per-bed tax from $2,000 to $3,800	$0	$7.1
Increase residential parking permit fee	$0	$1.0
Non-Tax increases		
Increase income tax withholding for wage Earners	$41.0	$41.0
Increase income tax withholding for others	$24.0	$24.0
Apply cigarette tax at wholesale rather than retail level	$1.1	$1.1
Extend hours for alcohol sales	$2.4	$2.4
Lease Carnegie Library to Convention Center Authority	$5.0	$5.0
Allow advertising on Capital Bike Share	$0.5	$0.5
Increase access to delinquent taxpayers bank accounts	$3.0	$3.0

* The revenue from the income tax rate increase and itemized deduction limit were reported as a single item in the proposed budget.
**The implementation of this tax break elimination will begin on January 1, 2012 and will not generate revenue in FY 2012. It will generate approximately $27 million in FY 2013.

Taxes and Fees

The FY 2012 budget would raise $73 million through a variety of tax and fee increases, primarily income taxes and taxes on parking at lots and garages.

Income tax changes — $16.7 million

Limit Amount of Itemized Deductions for High-Income Households: The budget would limit the amount of itemized deductions that can be claimed by families with incomes above $200,000. Under the provision, the disallowed amount would equal 5 percent of income above $200,000. For example, if a family has income of $300,000, the reduction in allowed itemized deductions would be $5,000 — 5 percent of $100,000 ($300,000 minus $200,000). If the family's total itemized deductions were $30,000 before the limit, the new provisions would reduce the deductions to $25,000. With fewer deductions, the family's total taxable income would be $5,000 higher. At a tax rate of 8.9 percent, this family would pay $445 more in taxes.

This provision is similar to a provision that had existed in the federal income tax until a few years ago – and that was mirrored in DC's income tax. The federal itemized deduction limit was eliminated as part of tax breaks passed under President George W. Bush. Because DC had coupled to the federal provision, this also meant that the itemized deduction limit also was eliminated in the DC income tax.

Eliminate Exemption for Interest on Out-of-State Bonds: Currently, the District offers an income tax exemption when DC residents invest in state and local bonds, all of which also are federally tax exempt. Most states offer a similar tax exemption, but only to bonds issued within the state. The District is the only jurisdiction that provides this tax exemption for bonds issued by other cities and states.

The DC Council adopted a provision to end this exemption. Initially, the Council voted to eliminate this tax exemption effective January 1, 2011. This would have raised revenues starting in 2012, as affected households filed tax returns for 2011. On July 14, the Council voted to delay elimination of this tax exemption to January 1, 2012. This will not raise any revenue in 2012 but is expected to raise $27 million starting in FY 2013.

The elimination of this tax exemption was offered by the Council as an alternative to a mayoral proposal to create a new tax bracket of 8.9 percent for taxable income (income after deductions) above $200,000. The Council rejected this proposal, leaving DC's current top tax income tax rate at 8.5 percent for taxable income above $40,000.

Business Income Tax Changes — $19.2 million

The FY 2012 budget would increase business taxes in two ways – by raising the minimum corporate franchise tax and by changing the formula by which multi-state corporations determine the share of their profits that are taxable in the District. The budget also would increase business income tax collections by $23 million by closing corporate tax shelters that currently allow large multi-state corporations to avoid paying taxes to the District.

Minimum Franchise Tax — $12 million: Under DC's corporate income tax, businesses pay a minimum tax — currently $100 — even if their tax would be lower than that after deductions. Although the city's corporate income tax rate is set at 9.975 percent of taxable profits, two of three corporations pay just the minimum tax because they qualify for a variety of exemptions, deductions, and credits. DC's minimum corporate tax of $100 has not been adjusted for 28 years, meaning that it has lost significant ground to inflation.

The FY 2012 budget would increase the minimum tax to $250 for corporations with gross receipts under $1 million, which would mainly adjust the minimum for inflation, since it was last raised in 1983. (Simply adjusting for inflation would set the rate at $211.) For corporations with receipts of more than $1 million, the minimum franchise tax would be $1,000 under Mayor Gray's budget proposal.

Double-Weighted Sales in Apportionment Formula — $7.2 million: Under every state's corporate income tax law, corporations that operate in multiple states must determine their profits nationally and then apportion a share of those profits to each state where they do business. The apportionment formula for a given state usually takes into account the share of a company's sales, property and personnel in that state. Under current DC law, those factors are weighted evenly. Under Mayor Gray's proposed budget, a share of a company's sales that occur in DC would be doubly weighted. This would have the impact of increasing taxes on companies that sell a lot in the District but have most of their property and workforce outside the city. It would reduce taxes for companies that have a high share of their property and staff in DC but where a relatively low share of their sales occurs in DC. As such, the likely increases would fall mostly on out-of-state corporations with a physical presence that is outside of the city.

Combined reporting — $22.6 million: The FY 2012 budget includes legislation to implement a corporate tax provision, known as "combined reporting," that was passed by the DC Council in 2009. Combined reporting, which is required in 23 of the 45 states that have a corporate income tax, prevents large multi-state corporations from using corporate subsidiaries to shift profits to states with low or no corporate income tax. Implementing combined reporting will allow the District to collect $22.6 million in additional taxes in 2012. These revenues are not reflected in tables in the FY 2012 budget because the revenues have been reflected in revenue projections since the legislation was adopted in 2009. But if the implementing legislation is not adopted this year, projected revenues for 2012 would be reduced by $22.6 million, widening DC's budget gap.

However, revenue collections from combined reporting will be weakened in future years as a result of a provision passed by the DC Council during the final vote on the FY 2012 budget. The Council passed a provision that would give businesses subject to combined reporting a tax deduction worth approximately $35 million a year for seven years. The provision was designed to look like it would not have an official "fiscal impact" on DC's mandatory four year financial plan by starting the deduction just outside the four year financial plan window.

Other Taxes and Fees

Parking Tax - $18.2 Million: The budget would raise the tax charged on parking garages and lots from 12 percent to 18 percent.

Expand the Sales Tax Base — $5 million: The budget adopted by the Council rejected a proposal from Mayor Gray to expand DC's 6 percent sales tax to include live performances such as dance and theater. (Currently, the tax applies to events at the Nationals Ballpark and the Verizon Center, but not to other live performances.) Instead, the Council voted to expand the sales tax to security services, armored car services, and private investigation services.

Increase the assessment on licensed hospital beds — $7.1 million: The DC Council added a provision to increase a tax on hospital beds, from $2,000 per licensed bed to $3,800, which would raise $7 million in local funds and generate $16 million in federal Medicaid matching funds. The revenues will offset a similar level of cuts to Medicaid hospital reimbursement rates implemented this year.

Increase the Tax on Liquor for Off-premises Consumption — $2.9 million: The current tax on alcohol purchased at a store for off-premises consumption is 9 percent, while the tax on liquor purchased at a restaurant or bar is 10 percent. The Gray budget proposes to set the tax at 10 percent for all sales.

Implement Various DMV Fee Increases — $3 million: Fees would be increased for duplicate licenses, knowledge and road tests, and some other vehicle services.

Continue the General Sales Tax Rate at 6 Percent — no effect in 2012: In addition to these changes, the budget also would eliminate a planned reduction in the sales tax rate to 5.75 percent in 2013. Under legislation passed in 2009, the sales tax was raised from 5.75 percent to 6 percent, with the increase was set to expire in 2013. The Mayor's budget would eliminate the planned sunset, leaving the rate at 6 percent in 2013 and beyond. This will increase revenues by $16 million starting in 2013.

Increase Residential Parking Permit Fee — $1 million: The budget raises the permits residents receive for parking in their ward to $35, with a $25 rate for residents 65 and older. The current permit fee is $15.

Reduce Parking Meter Rates (if city tax collections rise sufficiently — $3 million: The approved budget has a provision to reduce parking meter rates from $2 an hour to $1 an hour, but only if the city's tax collections rise above a target amount in 2012.

Non-Tax Increases in Revenues

The FY 2012 budget would raise roughly $77 million in general revenues in 2012 through a variety of changes that do not alter tax or fee rates. The largest portion — $65 million — would come from increasing income tax withholding rules for DC residents.

Increase Income Tax Withholding — $65 million: Working DC residents have a portion of each paycheck withheld to cover their income tax liability. Income tax withholding helps ensure that residents do not owe large amounts of income tax when they file a tax return, and it also provides a steady stream of revenue to the District.

Residents who receive substantial amounts of income outside of employment — such as retirees and others with substantial investment income — also are subject to a withholding requirement. They are required to make estimated tax payments each quarter.

The FY 2012 budget would increase the withholding amounts for both groups. For working DC residents, withholding would be increased by $160 each year, raising $41 million in 2012.[3] While residents are able to adjust withholding, which means that any worker who does not wish to have the additional $160 withheld can do so, the budget assumes that virtually no workers will make this adjustment.

The policy rationale for these withholding changes appears to be fairly limited, beyond raising revenues in 2012. The large majority of DC households receive a tax refund when they file a return, which suggests that the withholding amounts are sufficient for most workers under current law. This also means that for most families, the additional withholding in 2012 will be returned as a tax refund in 2013. (For this reason, the withholding provision is not expected to provide substantial revenues in future years.) No official reason has been provided for the increase in withholding, although some DC finance officials have noted that an increase in withholding would improve tax compliance.

[3] This would occur by altering the income tax withholding formula to not take into account DC's $4,000 standard deduction.

Some residents who owe substantial taxes, including back taxes, do not file a tax return. The additional withholding would help collect more of the taxes owed by these non-compliant residents.

While the added withholding for working DC residents would be relatively small, the impact could be significant for low- and moderate-income workers who already may face challenges meeting their basic needs. Moreover, the rationale for taking additional withholding from these workers is small, since 84 percent of filers under $50,000 already receive refunds under current withholding rules.

Alter the Application of the Cigarette Tax — $1.1 million: In addition to a tax of $2.50 per pack, cigarette sales also are subject to a 6 percent sales tax. The budget proposes to levy this tax on wholesalers rather than retailers, which is expected to improve collections. It would not alter the effective tax on cigarettes.

Extend Hours for Alcohol Sales — $2.4 million: The proposed budget would lengthen the amount of time that liquor could be sold in the District. The expected increase in sales would also lead to an increase in tax collections.

Payment from the Washington Convention and Sports Authority — $5 million: Under the proposed budget, WCSA would transfer $5 million to DC's general fund to reflect its use of the Carnegie Library. Because WCSA is a DC government entity, this is a fund transfer and not a fund increase.

Greater Access to Bank Accounts of Delinquent Taxpayers — $3 million: The budget would give the DC Chief Financial Officer greater access to bank accounts of delinquent taxpayers, resulting in greater tax collections.

Advertising in the Capital BikeShare Program — $0.5 million: The District would raise an anticipated $500,000 from selling advertising space through the bicycle sharing program.

Priority Restorations with Future Revenue Increases

The DC Council added several provisions to the FY 2012 budget to address an expected increase in DC's revenue collections later this year. Under these provisions, additional revenues would first be used to move $22 million of personnel expenses from the capital budget to the operating budget. The Council had delayed the shift of $22 million, of a total of $47 million, of staff and maintenance expenses that had been determined not to be connected to capital infrastructure projects. The $22 million that had been kept in the capital budget freed up funds in the operating budget to restore cuts to homeless services, assistance for low-income families with children, and assistance for people with disabilities who cannot work.

Of any remaining additional increase in revenue, the budget designated that half would go towards the District's fund balance — or savings account — and the remainder would be used to fund a priority list of programs, including restorations of a number of budget cuts.

On June 22, just two weeks after the FY 2012 budget vote, the District's Chief Financial Officer announced an increase in revenue in both FY 2011 and FY 2012. That revenue was used to fund the following programs:

- **$1.8 million for the Commercial Revitalization program in the Department of Small and Local Business Development**. This program provides assistance to small businesses and DC neighborhood commercial areas by providing funding for storefront and streetscape improvements, including funding for 'Green Teams' and 'Clean Teams' — programs provide additional cleaning services in several DC wards and often hire ex-offenders.

- **$32 million for managed care contracts.** Two health care programs were identified in the final week before the budget vote to be facing "spending pressures" — unanticipated cost increases. The Mayor identified a $32 million spending pressure in the Department of Health Care Finance to provide health care services for residents enrolled in the Health Care Alliance program.

- **$12.5 million for the school nurse health program**. The second spending pressure was in a program that helps place nurses in DC schools. The Gray administration claimed that federal funding DC planned to use for this program is no longer available for that purpose, and the program now needs to be funded with local dollars.

- **$10.8 million to hire additional police officers.** Many members of the Council have expressed concern about the dropping number of sworn police officers.

- **$3.5 million for the Department of Mental Health**. The funding will help provide funding for 100 new housing vouchers, additional funds for mental health services for children in foster care, and funding for community based mental health services.

As a result of the provision to save a portion of revenue increases, some $27 million of the additional revenue was slated to go to DC's fund balance. However, the Council adopted a new proposal on July 12 to use $13 million of those funds instead to delay elimination of the tax exemption on out-of-state bonds by one year. This means the elimination of the tax break will not go into effect until January 1, 2012 and will not raise any revenue for FY 2012. . DC's Chief Financial Officer cautioned against this action because it would violate the provision to save half of future revenues. Dr. Gandhi noted that not following plans to build up the city's reserves could put DC's bond rating at risk for possible downgrading. A lower bond rating would mean higher interest payments on the District debt, potentially costing the District millions of dollars.

The CFO is expected to issue an updated revenue forecasts in both September and December. If revenues increase, half of the increased revenue would go towards DC's fund balance. The remaining funds would be used in the following order:

- **$1.6 million for the housing first program.** The FY 2012 budget would use Local Rent Supplement Vouchers (LRSP), a program that provides housing for DC's very low-income residents, to cover expenses in the Housing First Program, a program that provides housing for the chronically homeless. The $1.6 million would help fund the Housing First program and allow the LRSP program to provide housing for 175 low-income DC residents.

- **$12 million for the Housing Production Trust Fund (HPTF).** The HPTF is DC's main source for affordable housing construction and renovation. The $12 million restoration would help to partially restore an $18 million cut to the HPTF in the FY 2012 budget.

- **$3 million for Interim Disability Assistance.** The $3 million restoration would allow the IDA program to continue to serve the nearly 1,000 residents with disabilities currently enrolled in the program.

- **$6 million for the Housing Production Trust Fund (HPTF).** This would fully restore the $18 million cut in funding for the HPTF.

- **$2.5 million for homeless services.** The $2.5 million would help restore the remainder of a $20 million cut in homeless services. The Council restored $17 million in the FY 2012 budget passed June 14th.

- **$300,000 to keep MLK Library open on Sundays**. The FY 2012 budget includes reductions that will force the MLK library to close on Sundays.

- **$1.4 million for DC Public Library book acquisitions.** Funding for book purchases was reduced in the FY 2012 budget.

- **$2 million for early childhood education.** The funds would be used for early childhood education.

- **$508,000 for DC Emancipation Day.** The funds would be used for the celebration of Emancipation day.

- **$500,000 for Lincoln Theater.** The funds would be used for improvements at Lincoln Theater.

- **$500,000 for Community Health**. The funds would be used for clinical nutrition home delivery services.

This paper will be updated to reflect any changes made to DC's FY 2012 budget as a result of the new revenue forecast.

APPENDIX
Summary of FY 2012 Funding Changes by Appropriations Title

Note: all figures, unless otherwise noted, have been adjusted for inflation to equal FY 2012 dollars.

Government Direction and Support: The FY 2012 general fund budget for Government Direction and Support agencies is $384 million, roughly the same level of funding as in FY 2011. The major agencies within this appropriation title are the Council, the Executive Office of the Mayor, the Office of the Chief Technology Officer (OCTO), the Office of the Attorney General, and the Office of the Chief Financial Officer.

The FY 2012 budget would create a new agency, the General Services Agency, to combine the functions of several existing agencies; Municipal Facilities, Non-Capital, a 'paper agency' that houses the fixed costs for the majority of DC agencies; the Department of Real Estate Services; and the Office of Public Education Facilities Modernization, formerly located in the Education appropriation title. Because of these accounting shifts, it appears the Government Direction has grown significantly since FY 2011. However, taking these shifts into account results in a slight decline in the proposed budget for government direction.

Almost every agency with a sizeable budget would see a decrease in funding from FY 2011, with the notable exceptions of OCTO and the Office of Risk Management. In FY 2012, the IT responsibilities previously budgeted within most agencies' budgets would be shifted into OCTO. This makes it looks like OCTO's budget is growing by a significant amount, but the increase is primarily a reclassification of where the funds are counted. Taking this into account, OCTO's budget still would increase by 19 percent over FY2011. This increase is the result of rising software expenditures and new initiatives in software maintenance to reflect its increased IT responsibilities. The Office of Risk Management's budget would increase due to a substantial increase in both staffing and services to support the Return to Work Program, which is designed to provide injured DC government employees medical treatment to mitigate their period of unemployment and loss of income.

Economic Development and Regulation: The FY 2012 general fund budget for Economic Development and Regulation is $277 million, a 9 percent decrease from FY 2011. The decrease reflects significant increases in a handful of agencies and significant decreases in a handful of others. The major agencies in this appropriations title include the Deputy Mayor for Planning and Economic Development (DMPED), the Department of Housing and Community Development (DHCD), the Department of Employment Services, (DOES), the Department of Consumer and Regulatory Affairs (DCRA), the Housing Production Trust Fund, and the Office of Small and Local Business Development (SLBD).

Funding for affordable housing will face significant cuts in the FY 2012 budget. Resources for the Housing Production Trust Fund — DC's main source for affordable housing construction and renovation — will be reduced by $18 million in FY 2012, and in future years as well. Funding for HPTF, which is tied to deed tax collections and has fallen by two-thirds in the recession, was expected to grow in 2012. The FY 2012 budget would take away all of the increase and would significantly restrict the capacity of the city to support affordable housing construction, preservation or to support tenant purchase efforts in the future. The program is one the list for restoration from potential increases in future revenues, yet revenues would need to increase significantly — more than $191 million — for the HPTF to be fully funded. This is explained in more detail in an earlier section.

The Department of Employment Services (DOES) is the largest agency within this title and its local general funding would decrease by 11 percent, down to $76 million, in FY 2012. The major change in DOES for FY 2012 is the reduction of both the size and budget of the city's Summer Youth Employment program (SYEP). The budget for SYEP is $12.1 million, which is less than half of the funding the program received in FY 2010. The FY 2012 budget maintains current FY 2011 funding for adult workforce programs, such as Transitional Employment and local dollars for training.

DMPED's FY 2012 budget would decrease by 20 percent, from $17 million to $14 million. This decrease in funds primarily reflects a complete zeroing of funds for the Neighborhood Investment Fund — a fund that provides small businesses and affordable housing assistance to DC's neighborhood commercial areas. The Mayor had proposed zeroing out the fund and eliminating it entirely. The Council adopted the zeroing of the fund, but did not eliminate it.

Public Safety and Justice: The FY 2012 general fund budget for Public Safety is $1 billion, a $33 million, or 3 percent, decrease from FY 2011. A new agency, the Deputy Mayor for Public Safety, would be added to this appropriation title in FY 2012, combining the functions of for many smaller agencies currently in the public safety and government direction titles. The new Deputy Mayor's office would include the Office of Victims Services, Office of Justice Grants Administration, Corrections Information Council, Motor Vehicle Theft Commission, and Access to Justice and Poverty Loan Program.

Both the Metropolitan Police Department (MPD) and Fire and Emergency Medical Services (FEMS) would face decreases of less than two percent in FY 2012. MPD would find savings by eliminating funds for 265 vacant positions, and at the same time the budget would add funding to hire additional officers and provide pay raises. FEMS would find savings by eliminating 80 positions, most of which are now vacant, and the budget would restart the fire cadet program, a program that trains and encourages young DC residents to work with FEMS.

The agencies with the largest decreases were the Office of Unified Communications (OUC) and the Police Officers and Firefighters Retirement agency. The FY 2012 budget for the OUC will fall by 16 percent, from $53 million to $44 million in FY 2012, largely from cutting $6 million for a radio systems upgrade that will be put off for a later date. The FY 2012 budget for the Police Officers and Firefighters Retirement agency will be $117 million, a drop of 9 percent, or $12 million from FY 2011. The decrease is due to fewer anticipated costs in FY 2012 and does not reflect a cut in benefits.

Within the new Deputy Mayor for Public Safety, funding for the Access to Justice and Poverty Loan Program programs are flat for FY 2012.

Education: The FY 2012 general fund budget for education is $1.61 billion. This is a 4 percent, or $63 million, increase over the approved FY 2011 budget. DC Public Schools and Public Charter Schools budgets will each increase by 10 percent, in part due to local funds provided to replace $18 million in expiring federal Recovery Act funds. The base per-pupil funding would remain at the FY 2011 level, with the exception that the FY 2012 budget would greatly increase the per-pupil funding for special education students. The education budget increases also reflect projected enrollment growth in both DCPS and Charter schools. Enrollment in DCPS is expected to increase by 3 percent or 1,366 students, and Charter School enrollment is slated to increase by 7 percent or 2,000 students.

The FY 2012 budget includes a 6 percent decrease in tuition for special education students placed in private schools, based on new initiatives that are meant to reduce the number of students placed in private schools, and a related five percent decrease in special education transportation costs.

The Office of the State Superintendent of Education (OSSE) budget in FY 2012 is $104 million, a reduction of 16 percent, or $20 million, from FY 2011. This decrease in part reflects a reduction in $12 million in special education funds that OSSE would have transferred to DC Public and DC Charter schools, but is now being funded directly through DCPS and DC Charters in the Uniform per Student Funding Formula. Additionally, $2.2 million is proposed to be cut from child care subsidies.

The DC Public Library system funding would drop by 7 percent or $3 million, despite the anticipated opening of three new libraries in FY 2012. The proposed savings come from staff reductions, decreased funding for new books, and cuts in hours. The Office of Public Education Facilities Modernization (OPEFM) would move from the Education title to the new General Services Agency within Government Direction and Support. Funding for OPEFM includes an increase of 1.4 percent or $684,000 when compared to FY 2011. In addition, the budget would shift $20 million in staffing expenses from the capital budget to OPEFM's operating budget because these positions are not tied directly to construction projects. This shift does not reflect a net change in expenses or services.

Human Support Services: The FY 2012 general fund budget for Human Support Services is $1.54 billion, a 2 percent, or $28 million, reduction from FY 2011. The decrease in funds is not spread evenly among agencies within the human services cluster, with some agencies facing significant decreases and others experiencing increases. Most of the increases reflect increased caseloads rather than an expansion of services.

The Department of Youth Rehabilitate Services (DYRS) and Department of Parks and Recreation (DPR) would both see increases in their budgets in FY 2012. The increase in DYRS reflects an increase in the number of youth they project to serve and not an expansion of services. Funding for DPR in 2012 will be $47 million, an increase of $1.4 million, or 3 percent, and reflects funds to provide staff in newly constructed recreation facilities and so that summer recreation programs can be fully funded.

The FY 2012 budget for the Department of Human Services is $165 million, an increase of $6 million, or 4 percent, from FY 2011. The proposed increase however, is not enough to cover the loss of federal stimulus funding that was used to fund homeless services in FY 2011. And as a result, there are reductions to most major DHS programs including Temporary Assistance to Needy Families (TANF), homeless services, and the Interim Disability Assistance (IDA) program. The Mayor's proposed budget included significant cuts to each of the areas however; the Council was able to make significant restorations to each of these areas including restoring $17 million of a $20 million cut to homeless services, $4.9 million of a total $9.5 million to TANF, and $1.5 million to a total cut of $4.8 million to IDA.

Local funding for the Department of Health Care Finance (DHCF) will increase over $80 million, but these mostly reflect funds needed to replace expiring federal Recovery Act funds. When that is taken into account, the FY 2012 DHCF budget actually lower, falling by $18 million, or one percent, to $700 million. To address the decrease in funds and an expected rise in Medicaid caseloads the agency proposes a number of savings initiatives most notably to save $11 million in the Health Care Alliance program by requiring 6 month face-to-face interviews for recertification. Some 5,000 participants would either move to Medicaid or be removed from the program.

One of the agencies with the largest cuts is the Department of Mental Health (DMH). The budget for the Department of Mental Health would fall to $162 million in FY 2012, a $9 million drop, or 5 percent fall from funding in FY 2011. One of the major cuts in DMH would be to the package of mental health service benefits the agency provides. It has not been determined which mental health benefits would be scaled back as a result of the cut at this time.

Other agencies that would see large reductions include the Children and Youth Investment Collaborative (CYIC), whose funding would drop by 36 percent from $4.7 million to $3 million, and the funds for both Unemployment and Disability compensation. Funding drops for unemployment and disability compensation reflect revised estimates of the total number of people seeking compensation in FY 2012.

Public Works: The FY 2012 general fund budget for public works is $547 million, a decrease of $33 million or 6 percent from FY 2011. Funding for the Department of Public Works would increase by two percent, from $107 million to $110 million. Despite the increase, the FY 2012 budget includes the elimination of 100 solid waste positions and 25 parking enforcement positions and a shift of snow cleaning functions from District Department of Transportation to Department of Public Works. Services and schedules for trash and recycling collection, nuisance abatement, street sweeping, and other core services would remain at FY 2011 levels.

Funding for the Department of Transportation (DDOT) would increase by $11 million or 10 percent from FY 2011. This change does not reflect an increase in services, but rather a transfer of authority for non-regional programs from Washington Metropolitan Area Transportation Administration (WMATA), including school transit, non-regional bus service, and the Circulator.

Funding for WMATA would decrease by $43 million or 16 percent, due to the shifting of certain services — including the non-regional bus service and the Circulator — to DDOT. The general WMATA subsidy would increase by 4.7 percent, in line with Maryland's contribution.

The District Department of the Environment's proposed budget is $55 million in FY 2012, an increase of $6 million, or 13 percent, from FY 2011. The increase partially fills a budget gap due to a loss of $18.5 million in federal funding. Local funding for low-income utility assistance would fall by 11 percent to $5.9 million in FY 2012 from $6.6 million in FY 2011. Moreover, due to an expected cut in federal funding too, the number of families getting utility assistance would fall by 6,000 in FY 2012.

Financing: The general fund budget for financing in FY 2012 is $1 billion, an increase of two percent from FY 2011. There are a few notable changes in the FY 2012 budget. There were sizable increases in non-departmental costs — a paper agency that holds any additional special purpose fund revenue collected by agencies— and for an increase in funds collected from Rights-of-Way fees and stormwater management fees that are typically used in capital projects. The budget reflects a slight decrease in costs of repaying bonds used for capital construction projects, and a slight increase in short term borrowing costs. Lastly, expenses for DC government retiree health contributions are also expected to increase growing to $110 million in FY 2012, an increase of 10 percent over FY 2011.