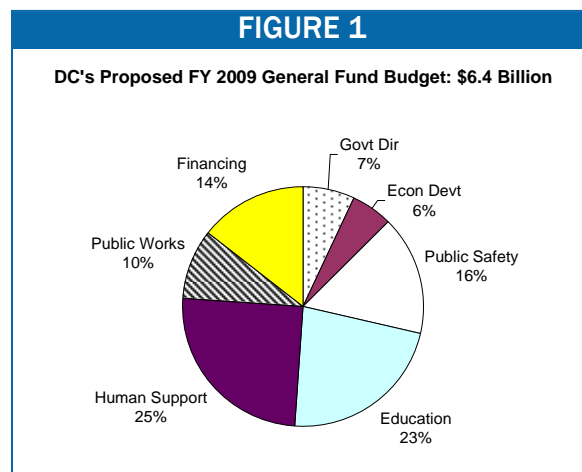


April 6, 2009

WHAT'S IN THE MAYOR'S FY 2010 BUDGET REQUEST?

On March 20, Mayor Fenty submitted his budget proposal for the FY 2010 budget that starts in October this year. The proposed general fund budget — the portion supported with local taxes and fees — is \$6.25 billion.¹ When federal funds also are considered, the FY 2010 budget is \$8.97 billion.

The proposed FY 2010 general fund budget is nearly \$500 million — or 7 percent — lower than the FY 2009 budget that was approved last June, after adjusting for inflation. (Unless otherwise noted, all figures in this analysis are adjusted for inflation to equal FY 2010 dollars.) This reduction reflects the impact of the national economic downturn that started in 2008. Over the past year, the revenue projection for FY 2010 has declined \$800 million, creating a substantial budget shortfall. Falling revenues started to affect the District and required the city to make mid-year budget adjustments in FY 2009.



When both federal and local funds are considered, the proposed FY 2010 budget is about the same as the FY 2009 budget, after adjusting for inflation. The FY 2010 budget includes a substantial increase in federal funds stemming largely from the stimulus plan adopted in February 2009.

This report reviews the key elements of the proposed FY2010 budget. It finds that several steps were taken to address DC's shortfall while limiting the impact on services. While these helped preserve some services — for example, the budget includes funding to meet rising safety net caseloads due to the downturn — it also reflects cuts in a number of programs since the FY 2009 budget was adopted, including housing, TANF, and child care and Pre-K education.

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.²

How Would the Budget Change under the Mayor's Proposal?

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. The budget is divided into seven major

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."

² The Budget Toolkit includes summaries of the budgets for a number of policy issues, such as employment training. It also includes spreadsheets with funding information on all agencies, and guidance on the DC budget process.

functional categories, known as “appropriation titles.” Table 1 shows that the local budgets for “human support services,” public education, and public safety total more than \$1 billion each, and the budget for financing functions is just under \$1 billion, for FY 2010. (Table 2 highlights gross funding by appropriations title, which includes local and federal funds.)

TABLE 1 CHANGE IN DC's GENERAL FUND BUDGET, FY 2009-FY 2010					
Appropriations Title	FY 2009 Original*	FY 2009 Revised*	FY 2010 Proposed	Change, 2009 Original to 2010	Change, 2009 Revised to 2010
Government Direction	\$419	\$407	\$402	-4.1%	-1.3%
Economic Development	\$415	\$375	\$332	-20.1%	-11.4%
Public Safety	\$1,041	\$1,027	\$1,049	0.8%	2.1%
Education	\$1,454	\$1,451	\$1,431	-1.0%	-0.8%
Human Support	\$1,654	\$1,610	\$1,465	-11.4%	-9.0%
Public Works	\$631	\$611	\$621	-1.6%	1.8%
Financing	\$1,128	\$1,136	\$968	-16.4%	-17.0%
*in millions; adjusted for inflation to equal FY 2010 dollars.					

Some of the highlights of the funding changes by appropriations title include:

- **Public works** programs would see a two percent increase in local funds and a five percent increase in gross funds. Transportation funding would increase, in part from a new “streetlight maintenance” fee and an increase in parking meter rates — as would DC’s contribution to the Metro system. Funding for the Department of Public Works would fall 14 percent. An increase in gross funds would result from federal stimulus funds for the Department of the Environment, for home weatherization and energy conservation. (A more detailed description of funding changes by appropriations title is included in an appendix.)
- The proposed FY 2010 budget for **public safety** would grow modestly, when both local funds and gross funds are considered. This includes increases in the Metropolitan Police Department, the Fire and Emergency Services Department, and the District’s contribution to the police and fire pension fund. Funding for the Department of Corrections would decline.
- Proposed FY 2010 funding for **economic development and regulation** is notably lower than in FY 2009. The decline reflects cuts in housing and a cut in the number of earmarks for non-government organizations in the FY 2010 budget. Many of these earmarks had been included in FY 2009 in the budget of the Deputy Mayor for Planning and Economic Development. Funding for employment services would rise due to an expansion of the Summer Youth Employment Program.³

³ The SYEP program expanded substantially in 2008, but this had not been fully budgeted. The FY2010 budget reflects the costs needed to maintain the program at the 2008 level.

- The proposed local funds budget for **human support** services would decline by nine percent, while the gross funds budget would *increase* by six percent. The federal stimulus package adopted this year will provide a substantial increase in Medicaid funds to the District. This will allow local funding for Medicaid

to fall, even though the number of recipients will increase due to the impact of the economic downturn. There are a number of other proposed changes in human support programs, which are described in the Appendix.

- Funding for **public education** programs would remain largely flat in FY 2010. This reflects a decline in funding for DC Public Schools, due to a 2,600 enrollment decline, and an increase in DC Public Charter Schools due to an expected enrollment increase. The budget proposes to change the method of providing facilities funding to charter schools, intended to better match funding to actual needs.
- Proposed FY 2010 funding for **financing** functions would fall sharply under the proposed FY 2010 budget. The FY 2010 budget would not include a \$50 million reserve, which had been included in DC's budget until FY 2009. In addition, the FY 2010 budget proposes no negotiated pay increases for DC government employees other than staff of DC Public Schools. Finally, the budget proposes to fund school modernization efforts entirely with government obligation bonds, rather than using a mixture of bonds and operating revenues as it has done in recent years. Using bonds rather than operating funds (known as "paygo capital") reduces costs because the bonds are paid off over a period of 20 years or more.

**TABLE 2
CHANGE IN DC'S GROSS BUDGET, FY 2009-FY2010**

Appropriations Title	FY 2009 Original*	FY 2010 Proposed	Change, 2009 to 2010
Government Direction	\$433	\$428	-1.2%
Economic Development	\$477	\$404	-15.1%
Public Safety	\$1,292	\$1,312	1.5%
Education	\$1,713	\$1,714	0.1%
Human Support	\$3,212	\$3,394	5.7%
Public Works	\$634	\$668	5.3%
Financing	\$1,238	\$1,050	-15.2%

***in millions; adjusted for inflation to equal FY 2010 dollars.**

The FY 2010 Budget Preserves Many Services, But Also Reflects a Number of Cuts

The FY 2010 proposed budget reflects numerous steps taken to address a tremendous revenue shortfall. (The key steps are described in the next section.) These steps helped preserve a number of services. Funding will increase, for example, to address rising number of residents eligible for Medicaid and the Healthcare Alliance, the health insurance program for uninsured residents who are not eligible for Medicaid or other public insurance. Total funding for health care will rise substantially in FY 2010 as a result. The budget also reflects efforts to maintain other services, such as plans to use federal stimulus fund to continue expansion of the city's police force.

Nevertheless, the FY 2010 budget reflects cuts in a number of program areas. In some cases, these cuts were made in the middle of FY 2009 and continued in the FY 2009 budget. Some of the cuts include:

- **Child Care and Pre-K for All:** The FY 2010 proposed budget for child care programs — \$89 million — is far lower than the \$101 million appropriated for child care in the original FY 2009 budget. Since 2008, the number of children served by these programs has fallen by 1,000, and the FY 2010 reduction may lead to further cuts. Some \$9 million was budgeted for the Pre-K for All universal pre-K program in FY 2009. Some \$3 million was cut in mid-2009, and the FY 2010 budget proposes \$5.1 million. This may be enough to maintain the reduced service level in 2009, but it will not allow any expansion as planned under Pre-K for All legislation adopted in 2008.
- **TANF cash assistance benefits:** The FY 2009 budget included \$1.3 million to support a modest increase in these benefits, but the funding was cut in mid-FY2009, and the FY 2010 budget would leave cash assistance benefits at these levels. The maximum benefit for a family of three in FY 2010 will be \$428 a month.
- **Housing Programs:** Funding for the Housing Production Trust Fund in FY 2010 will be \$18 million, about one-fourth of the FY 2007 level, due to a decline in deed tax collections that are dedicated to the Trust Fund. Legislation adopted by the DC Council recommended a funding level of \$70 million in FY 2010.

Steps Taken to Balance the FY 2010 Budget

Balancing the budget in FY 2010 presented an especially large challenge to Mayor Fenty, given the District's tremendous budget shortfall. The numerous decisions taken to get to a balanced budget proposal include a number of key strategies.

- **Use of Federal Stimulus Funds:** The District will receive more than \$250 million to meet its operating costs from the federal stimulus package adopted in February. Nearly \$200 million will be in the form of flexible federal aid that can be used to fund programs that otherwise might have been cut. Federal stimulus funding also will provide boosts for specific programs, such as \$18 million for affordable housing construction, emergency housing assistance, and lead prevention efforts. Some \$6 million in competitive federal stimulus funds will pay for a continued expansion of DC's police force.⁴
- **DC Government Staff Reductions:** The FY 2010 budget includes savings that will result from eliminating more than 1,300 DC government positions.⁵ About half would come from outright layoffs, while other staffing cuts will come from eliminating vacant positions, not replacing workers when they retire, and outsourcing some services. Human service and related agencies will lose nearly 12 percent of their positions, while public works agencies will lose eight percent.

⁴ For more information, see DC Fiscal Policy Institute, [*What the Economic Stimulus Package Can Do for the District*](#), March 2009.

⁵ The Mayor's budget briefing indicates that 1,600 positions will be eliminated, but the budget document lists the figure as 1,300.

- **New Revenues:** The proposed FY 2010 budget includes \$120 million in additional revenues to help address the District's sharp drop in revenue collections. The proposed revenue increases include \$20 million from enhanced compliance, \$73 million in additional fees and fines, \$17 million in tax increases and \$11 million in other measures. (These are discussed in more detail below).

- **Government Finance**

Changes: As noted above, the FY 2010 budget includes no budget reserve, proposes no negotiated pay increases for DC government employees other than staff of DC Public Schools, and would fund school modernization efforts entirely with government obligation bonds, rather than using a mixture of bonds and operating revenues as it has done in recent years. Together, these reduce expenses by about \$200 million in FY 2010.

TABLE 3 PROPOSED STAFFING REDUCTIONS IN THE FY2010 BUDGET		
	# of Positions Eliminated	% of FY 2009 Positions Eliminated
Governmental Direction & Support	125	3.6%
Economic Development & Regulation	91	5.5%
Public Safety & Justice	145	1.6%
Public Education	1	Less than 1%
Human Support Services	777	11.8%
Public Works	209	8.4%
Total	1,332	3.9%
Source: FY 2010 Proposed Budget and Financial Plan, Executive Summary, Table 1-5		

Revenue Issues in the FY 2010 Budget

The proposed FY 2010 budget includes \$120 million in additional revenues to help address the District's sharp drop in revenue collections. As noted, the current revenue projection for FY 2010 is \$800 million lower than the projection for FY 2010 from last June, due to declines in expected property, income, and deed tax collections.

The proposed revenue increases include \$20 million from enhanced compliance, \$73 million in additional fees and fines, \$17 million in tax increases and \$11 million in other measures. The Mayor's proposal also includes a small amount of revenue reductions — reflecting tax abatements adopted last year as well as the impact of some tax changes in the federal stimulus law on DC revenues.

Because DC's taxes are tied in some cases to federal tax law, changes in federal taxes can trigger changes in DC taxes.⁶

TABLE 4 CHANGE IN DC'S REVENUE PROJECTIONS FOR FY2010			
	Projected in May 2008*	Projected in February 2009	Difference
Property Tax	\$2,111	\$1,854	-\$257
Sales Tax	\$879	\$870	-9
Income Tax	\$1,875	\$1,485	-\$389
Deed Taxes	\$242	\$116	-\$126
Other	\$724	\$704	-\$20
Total	\$5,832	\$5,030	-\$802
* Figures in millions			

⁶ Tax and fee issues in the FY 2010 budget are discussed in more detail in DCFPI's separate Budget Toolkit analysis of this topic — *Tax and Revenue Issues in the FY 2010 Budget*.

Some of the revenue increases reflect policy improvements, such as eliminating corporate tax provisions that allow profitable companies to avoid paying DC business income taxes. Some of the changes, however, would make the DC revenue system less progressive by disproportionately increasing taxes and fees on low-income residents. In particular, the budget would eliminate cost of living adjustments for the standard deduction and personal exemption in the income tax and the property tax homestead deduction. In addition, a new proposed streetlight maintenance fee would add \$50 per year to each DC household's electricity bills. This fee would be hardest to bear for low-income households, many of whom already struggle to pay utility bills. A more modest increase in a fee to support 911 call services, which is attached to phone bills, also is regressive.

Some of the key tax and fee changes are described below.

Fees and Fines: The proposed budget includes \$73 million in revenues from new or increased fees and fines. This includes \$36 million from enhanced traffic law enforcement; \$15 million from raising parking meter fees (a part of the fee increase was adopted last year by the DC Council); \$12 million from a new “streetlight maintenance fee;” \$7 million from increasing the fee placed on phone bills that helps cover the costs of emergency and non-emergency response services; and \$3 million increases in other various fees.

Closing Corporate Tax Loopholes: Under current law, corporations are able to shift profits from DC to Delaware—which has no corporate income tax—by transferring income to a subsidiary company in Delaware that is created only for this purpose. The District attempted to eliminate this “Delaware Holding Company” tax shelter in 2004, but legislation proposed in the FY 2010 budget is needed to fully close it.⁷ This would raise \$10 million.

Eliminating Sales Tax Holidays: The proposed budget would raise \$1.3 million by eliminating the District's two sales tax holidays, one in August and one after Thanksgiving. During the sales tax holidays, no sales tax is charged on schools supplies and clothing purchases under \$100. Research has shown that sales tax holidays do not tend to result in an increase in sales in the jurisdictions that have them.⁸

Deed and Property Tax Changes: When a residential or commercial property is sold in the District, the city levies deed recordation and deed transfer taxes, each of which is set at 1.45 percent of the property's sale price. This does not apply, however, when the owner of a residential co-op unit sells his or her share in the co-op. The proposed budget would apply DC's economic interest tax (which equals the combined rate of deed recordation and deed transfer taxes) to such sales, generating \$5 million in additional revenue.

⁷ For a further description of the Delaware Holding Company tax shelter, see Center on Budget and Policy Priorities, [*Growing Number of States Are Considering a Key Corporate Tax Reform*](#), September 2007.

⁸ See The Tax Foundation, “[Sales Tax Holidays: Politically Expedient but Poor Tax Policy](#),” August 2006.

The FY 2010 budget also proposes to modify the property tax so that the taxable assessment of all owner-occupied homes— the assessment to which the tax rate is applied — would equal at least 40 percent of the home’s full assessed value. Under DC’s property taxes, homeowners qualify for various tax relief provisions that result in taxable assessment being well below the full value for many homes. This proposal would raise \$5 million per year.

Regressive Tax and Fee Changes in the FY 2010 Budget

TABLE 5 REVENUE INCREASES IN THE FY 2010 BUDGET	
	Amount (\$ millions)
Tax Amnesty	\$20
Parking meter rates	\$15
Enhanced Traffic Enforcement	\$36
Establish Streetlight Maintenance Fee	\$12
E911 Fee Increase	\$7
Other Fees	\$3
Close Delaware Holding Company Tax Shelter	\$10
Eliminate Sales Tax Holiday	\$1
Eliminate Cost of Living Adjustment to Standard Deduction, Personal Exemption, and Homestead Deduction	\$7
Establish Floor for Homeowner Taxable Assessments	\$5
Apply Economic Interest Tax to Co-op Sales	\$5

The proposed FY 2010 budget would eliminate cost of living adjustments to three tax deductions — the homestead deduction in the property tax, the standard deduction in the income tax, and the personal exemption in the income tax. By freezing these deductions and exemptions at current levels, rather than allowing them to increase each year, DC residents will pay higher income and property taxes than they otherwise would. The impact of eliminating cost-of-living adjustments increases over time, as the deductions fall further behind an inflation-adjusted value with each passing year. The proposal would increase taxes by \$7 million in 2010 and \$17 million by 2013.

These tax benefits make DC’s tax system more progressive, because they provide a greater benefit as a share of income, to lower-income households. Legislation passed in 2007 required all of these deductions to be adjusted upward for inflation each year, so that their real value will not drop over time. The COLA requirements were adopted because each of these deductions had not been adjusted for many years and had lost ground to inflation. Eliminating the annual inflation adjustments in these tax benefits would increase the taxes DC residents pay, with a disproportionate affect on low-income residents.

In addition to these tax changes, two fee increases in the proposed budget — the new streetlight maintenance fee and an increase in a fee that supports 911 services — would affect nearly all DC households. The streetlight maintenance fee would add \$51 dollar to annual electricity bills, and the increased 911 fee would add roughly \$10 a year to phone bills. While these fees may be manageable for middle and higher-income families, they would place a burden on low-income families, many of whom struggle to pay utility bills and sometimes face utility shut-offs as a result of non-payment. Because the fee increases would be the same dollar amount for all households, the impact would be regressive — that is, they would consume a greater share of income for low-income households.

The streetlight maintenance fee would generate \$12 million in FY 2010, and the higher 911 fee would raise \$7 million. When combined with the \$7 million that would be generated by eliminating cost-of-living adjustments to the three tax benefits, the regressive revenue increases total \$26 million.

Transparency of the DC Budget Has Improved, But Challenges Remain

The District's budget has been dogged for years by a lack of budget transparency, in numerous ways. Many of the programs as understood by DC residents are part of larger budget categories and therefore do not show up as separate "line items" in the budget. For example, the Summer Youth Employment Program does not have its own line but is instead part of a larger "Youth Programs" line. This makes it hard to know if specific programs are getting more, less, or the same amount of money over time.

In addition, the budget documents often have very limited and vague narrative descriptions of an agency's programs and services, which makes it difficult to understand what functions are provided under various line items in the budget. Finally, the budget often lacks meaningful output and performance measures. In the case of the Summer Youth Employment Program, the budget does not even include information on the number of youth participants over time.

The FY 2010 budget format includes several changes that reflect an attempt to provide more budget detail, including new tables that highlight "cost savings" and "policy initiatives," as well as a new set of "key performance indicators" for every agency. Yet in important ways, these changes have not resulted in greater transparency.

- The new "policy initiatives" tables do not tie highlighted funding increases to specific line items in an agency's budget, and the budget document provides no narrative to describe initiatives in detail.
- The key performance indicators remain inadequate in many cases. In the Department of Human Services, for example, one performance measure sets a goal of having 20 percent of "single adults receiving homeless services enrolled in centralized case management services obtain improved housing." This measure is not clear and suffers from not providing information on the total number of single homeless adults and the number receiving case management services.

APPENDIX

Summary of FY 2010 Funding Changes by Appropriations Title

Government Direction and Support: The proposed local FY 2010 budget for Government Direction and Support agencies is \$402 million. This appropriation title includes funding for the DC Council, the office of the Mayor, and the City Administrator, as well as the Attorney General and Chief Financial Officer's Office.

The proposed FY 2010 budget represents a decline of one percent over FY 2009, after adjusting for inflation. Only a handful of agencies in this title would see notable change in their budget in FY 2010. The proposed budget for the Office of Contracting and Procurement — \$4.2 million — is more than one-third lower than its FY 2009 budget. The proposed budget for the Office of the Attorney General is \$2 million, or 3 percent lower than the FY 2009 budget. The only agency in this area that faces a significant budget increase is the Office of Property Management, where the proposed FY 2010 budget is one-fourth higher than its FY 2009 budget.

Economic Development and Regulation: The proposed local funds budget for Economic Development and Regulation is \$332 million for FY 2010. This appropriations title includes the Consumer and Regulatory Affairs, Housing and Community Development, Employment Services and the Deputy Mayor for Planning and Economic Development (DMPED), among others. The proposed budget represents an 11 percent decline from FY 2009, after adjusting for inflation, the largest decline of any appropriations title. While most agencies saw a reduction in funding — some rather large — a few agencies did see an increase in funds in FY 2010.

Major changes to the Economic Development appropriation title in FY 2010 are the creation of a new “paper agency” called the Business Improvement Districts (BID) Transfer fund which will move \$23 million from DMPED to the newly created paper agency. These funds are collected directly from and reimbursed directly to BIDs to support their operations. Additionally, the budget proposes to eliminate the DC Sports Commission transfer its functions to the Washington Convention Center Authority.

A majority of the agencies in the Economic Development and Regulation title face funding declines in FY 2010. Most notable, the Housing Production Trust Fund Subsidy (HPTF) would experience a 64 percent decline, to just \$18 million in FY 2010, as a result of continued slowdown in the housing market and deed recordation and transfer taxes that are dedicated to the Trust Fund. The proposed local budget for the Department of Housing and Community Development — \$17.9 million in FY 2010 — is roughly half of its original FY 2009 budget and reflects a significant cut in funds made in mid-2009 in response to a budget shortfall.

DMPED's FY 2010 budget shows a 62 percent decrease. However, this agency was managing \$26 million of earmarks to various organizations and \$23 of BID funds in FY 2009 (which were transferred to a new ‘paper agency’). The DMPED budget decrease is much smaller, about 4 percent, after reflecting these factors and adjusting for inflation.

A few agencies within Economic Development and Regulation title would see a funding increase in FY 2010. The proposed budget for the Office of the Tenant Advocate — \$3.6 million

— is 42 percent higher than its 2009 budget, due mainly from to an increase in collected condominium conversion fees. The Department of Employment Services budget faces a 21 percent increase in local funds, largely attributed to an additional appropriation of \$22 million for the Summer Youth Employment Program.

Public Safety & Justice: The proposed FY 2010 budget for public safety functions is \$1.05 billion and includes the Metropolitan Police Department (MPD), Fire and Emergency Services, and the Department of Corrections. The local public safety budget is proposed to increase by \$22 million, or 2 percent over the FY 2009 budget, after adjusting for inflation. MPD's budget is proposed to increase by \$13.5 million, which represents a 3 percent increase over the FY 2009 level. MPD also will use \$6 million in *federal* stimulus funding to hire an addition 150 police officers to meet the department's goal of 4,200 officers. The proposed local fire department budget will increase by \$6.7 million (or 4 percent over FY 2009) to fund increased overtime costs, purchase new uniforms, and restore 68 positions. The FY 2010 budget also includes a \$20 million increase in contributions to the police and firefighter retirement system.

The budget for the Department of Corrections proposes a decrease of \$14.5 million or 10 percent from the FY 2009 budget. This decrease is related to a declining inmate population as well as projected savings from a proposal in the Budget Support Act to allow inmates to reduce their sentences by earning credits for participation in educational and vocational programs. Additionally, the Mayor's budget proposed decreases to other smaller public safety agencies, such as a 21 percent decrease in the National Guard budget and a 19 percent decrease in the Office of Victim Services. The National Guard budget proposes to eliminate 8 positions as well as the National Guard Youth Challenge Program, while the decrease in OVS largely stems from the use of federal stimulus funding to replace local funding.

The Mayor's budget also proposes to dissolve the Corrections Information Council, which is responsible for inspecting and reporting on the conditions of DC prisoners within the DC jail and the federal prison system. Since 2006, the commission has not had a functioning membership, and the FY 2010 budget proposes to return the remaining funds from the CIC budget to the general fund until the agency can be restructured.

Education: Local funding for education functions — including K-12 schools, libraries, and the University of the District of Columbia — totals \$1.44 billion under the proposed FY 2010 budget. This is one percent lower than the revised FY 2009 budget, after adjusting for inflation. The proposed budget includes an increase in funding for DC Public Charter schools due to rising enrollment and a reduction in funding for DC Public Schools due to enrollment declines. For both sets of schools, the per-pupil funding level would increase by 2 percent in 2010 and will be funded with \$29 million in federal stimulus funding. The Mayor's budget also revises the formula used to allocate facilities funding to charter schools to better align expenses with schools' actual facilities needs.

Human Support Services: The FY 2010 local budget for Human Support Services is \$1.5 billion, making it the largest area of the budget, just ahead of education. This appropriations title includes departments of Human Services, Health, Mental Health, Child and Family Services, Disability Services, and Youth Rehabilitation Services, among others.

The proposed FY 2010 local budget for Human Support Services is 9 percent lower than the FY 2009 budget, after adjusting for inflation. Despite the budget decrease, most health and human services will continue to be funded at their current levels as a result of substantial federal stimulus funding, eliminating staff positions, and privatizing some services. In fact, when federal funds are considered, gross funding for human support services will be 5 percent higher in FY 2010 than FY 2009.

Local funding for health care in the District is proposed to decrease in FY 2010, but total gross funding for health care (which includes federal dollars) would increase significantly as a result of \$146 million in federal economic stimulus funds coming to the Department of Health Care Finance (DHCF) for Medicaid. The FY 2010 budget allows for projected increases in the Medicaid and Health Care Alliance programs and to implement some initiatives that were put on hold in FY 2009. This includes the Healthy DC program, a health insurance program for residents with incomes between 200 percent and 400 percent of poverty. The Mayor's budget proposes funding cuts for the Department of Health and the Department of Mental Health mainly due to eliminating positions and privatizing services, including some addiction and treatment services within DOH and mental health services within DMH from the closing of the DC Community Services Agency.

The Department of Human Services Budget maintains TANF cash assistance benefits at their current level and includes a one-time increase of \$2 million to fund the District's Interim Disability Assistance (IDA) benefit. IDA provides income support to families who have applied for federal SSI benefits and are waiting (often for years) to find out if they have been approved for the benefit. The proposed Child and Family Services Agency (CFSA) budget would increase 8 percent in local funds. CFSA will postpone its Medicaid billing from mid-FY 2009 through mid-FY 2010 — to give it a chance to correct and enhance its billing capabilities — and switch to title IV-E federal billing for services. The increase in local funding is to help offset a loss in federal funds from the postponement of Medicaid billing.

Public Works: The total funding for Public Works is \$621.4 million in FY 2010, a 2 percent increase in funds when compared to the FY 2009 budget, after adjusting for inflation. The small increase is a result of somewhat large declines in some agencies but somewhat large growth in others. For example, the Department of Public Works (DPW) budget will see its budget reduced by 13 percent from the FY 2009 level. However, the budget for the Department of Transportation (DDOT) is up in FY 2010 to \$141.3 million, a 12 percent increase over last year. Much of the increase comes from new revenue increases in the Mayor proposed budget; \$12 million for a streetlight fee will go towards the maintenance and operation of streetlights and \$15 million in raised parking meter fees and Saturday enforcement of meters will go into the DDOT Unified Fund. (The parking meter rate increases was adopted by the DC Council in the December 2008, with the goal of restoring funding to some programs that were cut by the Council in November, including the Local Rent Supplement Program and Temporary Assistance for Needy Families. The Mayor's proposed FY 2010 budget redirects the increased parking meter revenue to the DDOT Unified Fund).

The District Department of the Environment (DDOE) will see fairly flat growth in their budget for FY 2010. DDOE will see a significant boost in federal funding, however, from the economic stimulus package, for a variety of programs including energy efficiency, diesel emissions reductions, and home weatherization assistance to low-income residents.

Financing and Other: This appropriations title includes payments on the District's debt for capital construction projects, repayments on economic development projects, funding for negotiated pay increases with unionized workers, the city's budget reserve, and others.

The proposed FY 2010 budget for Financing and Other is \$943 million and represents a 17 percent decrease from the FY 2009 budget, after adjusting for inflation and for transfers of some functions from this area of the budget to others.⁹

The decline primarily represents three changes. The FY 2010 budget would not include a \$50 million reserve, which had been included in DC's budget until FY 2009. The revised FY 2009 budget has a \$46 million reserve. Second, the FY 2010 budget proposes no negotiated pay increases for DC government employees. Some \$33 million was budgeted for this expense in FY 2009. Finally, the FY 2010 budget proposes to fund school modernization efforts entirely with government obligation bonds, rather than using a mixture of bonds and operating revenues as has been done in recent years. Using bonds rather than operating funds (known as "paygo capital") reduces costs because the bonds are paid off over a period of 20 years or more.

⁹ The FY 2010 budget includes three new line items in this area — the transfer of gas tax revenues to the Highway Trust Fund, the repayment of TIF and PILOT economic development project bonds and the transfer of taxes to the Washington Convention Center Authority. For comparison purposes, the costs for these items are included in FY 2009 budget figures in this analysis.