Congressional Research Service

Report 97-213

APPROPRIATIONS FOR FY1998: DISTRICT OF COLUMBIA

Nonna A. Noto, Economics Division

Updated February 20, 1998

Abstract. The FY1998 appropriations bill reflects the substantial changes in the financial relationship between the federal government and the District of Columbia made by the National Capital Revitalization and Self-Government Improvement Act of 1997, enacted August 5, 1997. The Act eliminated the traditional federal payment and annual federal contribution to certain District of Columbia retirement funds. In exchange, the Act transferred financial responsibility for several governmental functions from the Districts budget to the federal budget and authorized a federal contribution to operations of government of the nations capital of $190 million for FY1998.

Appropriations for FY1998: District of Columbia

Updated February 20, 1998

Nonna A. Noto
Specialist in Public Finance
Economics Division

Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bounded by the rules of the House and Senate, the Congressional Budget and Impoundment Control Act of 1974 (as amended), the Budget Enforcement Act of 1990, and current program authorizations. In addition, the line item veto takes effect for the first time in 1997.

This report is a guide to one of the 13 regular appropriations bills that Congress passes each year. It is designed to supplement the information provided by the House and Senate Subcommittees on Treasury, Postal Service, Executive Office of the President, and General Government. It summarizes the current legislative status of the bill, its scope, major issues, funding levels, and related legislative activity. The report lists the key CRS staff relevant to the issues covered and related CRS products.

Since this report was last updated, data related to the FY1998 appropriations may have changed through supplemental appropriations or rescissions, entitlement revisions, or scorekeeping adjustments. These changes will be reflected in a subsequent report.

NOTE: A Web version of this document with active links is available to congressional staff at http://www.loc.gov/crs/products/apppage.html

Appropriations for FY1998: District of Columbia

Summary

The District of Columbia Appropriations Act, 1998 (P.L. 105-100) reflects major changes in the financial relationship between the federal government and the District brought about by the National Capital Revitalization and Self-Government Improvement Act of 1997 (the Revitalization Act), Title XI of the Balanced Budget Act of 1997 (P.L. 105-33), enacted August 5, 1997. The Revitalization Act eliminated the federal payment to the District government and the annual federal contribution to three D.C. retirement funds. In exchange, the Act transferred funding responsibility for several government functions (courts, corrections, and certain pensions) from the District to the federal budget and authorized a smaller federal contribution to the District of $190 million for FY1998 (compared with the $660 million federal payment in FY1997).

S. 1156, the FY1998 D.C. appropriations bill reported out by the Senate Appropriations Committee on September 9, basically endorsed the revised consensus budget request submitted by the District after the Revitalization Act. When the full Senate began debate on September 25, an amendment was introduced to establish a scholarship plan to help some of the District's low-income students attend private schools, or public schools in nearby suburbs, or to obtain outside tutoring. Final Senate action was delayed for more than a month by controversy over the scholarship measure, an amendment related to immigration provisions for certain Central American groups, and other amendments. S. 1156 never came to a vote on the Senate floor.

The House passed the initial version of H.R. 2607 (as reported out by House Appropriations Committee) on October 9, by a vote of 203-202. The House-passed bill differed considerably from the Senate committee bill. The initial House bill contained a school scholarship provision, a title addressing medical liability reform, and numerous other "policy riders" not found in the Senate committee bill. At that time, the House rejected an amendment to substitute the Senate Appropriations Committee version of the D.C. appropriations bill, S. 1156, for the House Appropriations Committee version.

On October 28, House and Senate leadership appointees began work on a compromise bill based largely on the Senate bill. On November 9, the compromise bill was introduced as a Senate substitute amendment to the original House bill. It was approved, by voice vote, as part of a larger amendment to H.R. 2607 that included three appropriations bills. The D.C. bill included a second title containing immigration provisions. The Senate split off the school scholarship provision from the earlier House-Senate leadership compromise bill and passed it separately as S. 1502. When the omnibus bill H.R. 2607 went back to the House floor, the three appropriations bills were again separated. The House approved the Senate substitute amendment for the D.C. bill with a few amendments on November 12. The Senate approved the House's amendments on November 13. The amended bill H.R. 2607 went directly to the President, without the need for a conference between the House and Senate. President Clinton signed the bill on November 19.

Key Policy Staff

Area of Expertise	Name	CRS Division	Telephone
DC Education	Wayne Riddle	Education & Public Welfare	7-7382
DC-Federal Fiscal Relations	Nonna A. Noto	Economics	7-7826
DC Financial Control Board	Nonna A. Noto	Economics	7-7826
DC Politics and Governance	Eugene Boyd	Government	7-8689

Contents

List of Tables

Appropriations for FY1998: District of Columbia

Most Recent Developments

On November 19, 1997, President Clinton signed into Public Law 105-100 the District of Columbia Appropriations Act, 1998, H.R. 2607 as amended. The bill had taken an unusual path through Congress. On October 9, the House passed its original version of H.R. 2607 by a vote of 203-202. The House-passed bill was substantially different from the bill before the Senate, S. 1156. The House bill included a school scholarship proposal, a title on medical liability reform, and numerous "policy riders" not found in the Senate committee bill.

On October 28, House and Senate leadership appointees began work on a compromise bill, based largely on the Senate bill. It was introduced as a Senate substitute amendment to the original House bill, H.R. 2607. On November 9, the Senate approved the D.C. compromise bill as part of a larger amendment to H.R. 2607 that encompassed three appropriations bills. The D.C. bill includes a second title providing special immigration procedures for certain Central American, Cuban, and Eastern European groups. The Senate split off the school scholarship proposal and passed it separately as S. 1502. The President had threatened to veto the D.C. bill if it contained the scholarship provision.

When the omnibus bill, H.R. 2607 as amended, went back to the House floor, the three appropriations bills were again separated. On November 12 the House approved the Senate's substitute amendment for the D.C. appropriations bill, with a few House amendments. On November 13 the Senate approved the House's amendments. Using this procedure, the amended House bill could go directly to the President, without the need for a conference between the House and Senate. Between October 1 and November 19, when the bill was signed, the District was covered under the successive continuing resolutions on appropriations.

Status

Table 1. Status of Appropriations Legislation: District of Columbia, H.R. 2607, S. 1156, P.L. 105-100

Subcommittee Markup		House Report	House Passage of H.R. 2607	Senate Report on S.1156	Senate Passage	Conference Report	H.R. 2607 as amended			Public Law
House	Senate						Senate	House	Senate	
9/17/97	9/8/97	10/6/97 H.Rept. 105-298	10/9/97 203 yea, 202 nay	9/9/97 S.Rept. 105-75	no vote held on S. 1156	none	11/9/97 *	11/12/97 *	11/13/97*	11/19/97 P.L. 105-100

*Voice vote.

Background

The calendar for the District of Columbia appropriations process for fiscal year 1998 was delayed by President Clinton's announcement, on January 14, 1997, of his National Capital Improvement Plan, a proposal to substantially alter the financial relationship between the District of Columbia and the federal government. While the other 12 appropriations bills for FY1998 were advancing through the appropriations process during July 1997, the D.C. appropriations subcommittees were instructed by the House and Senate leadership to postpone active consideration of D.C. appropriations until September. The President's proposal was under consideration by Congress from January through July 1997.

The resulting National Capital Revitalization and Self-Government Improvement Act of 1997 (the Revitalization Act) was enacted August 5, 1997, as Title XI of the Balanced Budget Act of 1997 (P.L. 105-33). This title included most of the provisions addressing the District of Columbia. In addition, the provisions increasing the federal share of Medicaid expenditures from 50% to 70% are included in Title IV, Subtitle H, Section 4725(b) of P.L. 105-33. The federal tax incentives for the District are included in Title VII of the Taxpayer Relief Act of 1997 (P.L. 105-34).

Provisions of the new Revitalization Act supersede the authorization that was in place for the District of Columbia. The 1995 law that established the D.C. financial control board (the DCFRMA Act)[1] had extended the authorization for an annual federal payment to the District of Columbia of $660 million for FY1997 through FY1999. The 1997 Revitalization Act cut the existing authorization for the federal payment short by two years. In addition, the Revitalization Act made several other substantial changes in the financial relationship between the federal government and the District of Columbia.

National Capital Revitalization and Self-Government Improvement Act of 1997[2]

The President's Plan[3]

On January 14, 1997, President Clinton proposed his National Capital Revitalization and Self-Government Improvement Plan. The President's plan would have eliminated the federal payment to the District of Columbia immediately, beginning in FY1998. In exchange, the federal government would take over responsibility for providing or financing certain state-like services. In exchange for eliminating the annual federal pension contribution of $52.070 million (scheduled to last through FY2004), the President proposed having the federal government assume financial and administrative responsibility for the $4.3 billion in unfunded pension liability for the three pension plans servicing District judges, police and firefighters,

---

[1] The District of Columbia Financial Responsibility and Management Assistance Act of 1995 (DCFRMA Act, P.L. 104-8), enacted April 17, 1995, Section 301(e).

[2] This brief summary focuses on the budgetary and financial aspects of the revitalization plan for the District. Not discussed are other significant aspects, such as changes involving sentencing, parole, location of prisoners, and disposition of the Lorton Correctional Complex in Fairfax County, Virginia, required as a condition of federal takeover of D.C. corrections responsibilities, and the temporary shift in management responsibility from the mayor and council to the control board required by the final legislation.

[3] For further detail, see CRS Report 97-498. *District of Columbia Revitalization: A Preliminary Review of the President's Plan*, by Eugene Boyd, Coordinator.

and teachers. The President also proposed grants and tax incentives for businesses to encourage economic development and private-sector job creation in the District's distressed neighborhoods.

A Modified Version of the President's Plan, H.R. 1963

For purposes of congressional consideration, the President's plan was split into two parts. The economic development tax proposals were referred to the House Committee on Ways and Means and the Senate Committee on Finance. The remainder of the plan was referred to the House Committee on Government Reform and Oversight, District of Columbia Subcommittee. The Subcommittee held hearings, took account of a Memorandum of Understanding (MOU)[4], and made some alterations to the President's plan before reporting out its version as the National Capital Revitalization and Self-Government Improvement Act of 1997 (H.R. 1963) on June 19, 1997.

Among the major differences between the House plan and the President's plan was that the President's plan had called for the complete elimination of the federal payment to the District. The House plan provided for a federal contribution set at $140 million for FY1998, but left at an undetermined amount for future fiscal years. The specific dollar amount of $140 million reflected the sum of the amounts that had been budgeted for FY1998 for two components of the President's proposal that were **not** included in the House authorizing subcommittee's bill: $15 million for the proposed IRS takeover of the District's individual income and employer payroll tax collection and $125 million for the proposed allocation from the Federal Highway Trust Fund to capitalize transportation projects under the President's proposed National Capital Infrastructure Fund.

The Final Legislation, H.R. 2015, P.L. 105-33[5]

The National Capital Revitalization and Self-government Improvement Act of 1997 was enacted August 5, 1997, as Title XI of the Balanced Budget Act of 1997 (H.R. 2015, P.L. 105-33). The Revitalization Act eliminated the federal payment and the annual contribution to certain District of Columbia retirement funds. In exchange, the Act transferred financial responsibility for several governmental functions from the District's budget to the federal budget.

This includes having the federal government assume financing responsibility for the D.C. court system, and providing federal funding for the operation and repair of D.C. corrections facilities and for the operation of offender services. The Revitalization Act also authorized a federal contribution to operations of government of the nation's capital of $190 million for FY1998. (The federal contribution amount for future years remains to be determined in relation to certain enumerated factors, explained in the last section of this report, Future Issue: The Federal Contribution.)

In addition, the federal government assumed the unfunded pension liability for judges, police and firefighters, and teachers, along with the responsibility for paying pensions earned

---

[4] Representatives of the District Government objected to various aspects of the President's plan, in particular the elimination of the federal payment. A memorandum of understanding (MOU) was signed on May 8, 1997, between the District mayor and acting council chairperson, the chairman of the control board, and the director of the President's Office of Management and Budget.

[5] For further detail, see CRS Report 97-766. *District of Columbia Revitalization: Legislation Enacted by the 105th Congress*, by Eugene Boyd, Coordinator.

as of September 30, 1997, in conjunction with having most of the assets in the pension funds transferred to the federal government.[6] The federal share of D.C. Medicaid expenditures was increased from 50% to 70%.[7] Federal tax incentives to encourage economic development and homeownership in the District of Columbia were provided under title VII of the Taxpayer Relief Act of 1997, P.L. 105-34.

Budget Requests

The President's Budget Requests

The President's original February 1997 budget request for FY1998 contained two alternative appropriations requests for the District of Columbia. The first, based on prior law, included $660 million for the federal payment and $52.070 million for the annual federal contribution to certain D.C. retirement funds, for a total of $712 million. The second, based on the President's National Capital Improvement Plan proposed on January 14, 1997, provided for $770 million in budget authority for the District of Columbia.

Following the enactment of the Revitalization Act, the President submitted to Congress on August 14, 1997, a request to consider amendments to his February 1997 appropriations requests. The revised version eliminated the prior law request for the $660 million federal payment and the $52.070 million annual contribution to D.C. retirement funds. Instead, the revised budget requested an appropriation of $160 million as a contribution from the federal government toward the operating costs of the nation's capital. (This was lower than the $190 million authorized by the Revitalization Act for a federal contribution to the District for FY1998.) At the option of the District, the federal contribution could be used to (re)pay the U.S. Treasury Department the costs of advances — of up to $300 million — to finance the District's accumulated deficit.

The President also requested an appropriation for payment to the District of Columbia Corrections Trustee (to be appointed) of $169 million for the administration and operation of D.C. correctional facilities, plus $302 million for the construction, renovation, and repair of correctional facilities related to the transfer of the District's adult felons to the federal prison system; $123 million for the operation of the District of Columbia court system; and $23 million for the operation of offender services. Altogether, the President requested budget amendments to provide appropriations of $777 million to implement the National Capital Revitalization and Self-Government Improvement Act of 1997. (See the column for the President's FY1998 Request in **Table 3**.)

The federal outlays associated with the Medicaid and pension portions of the revitalization program and the estimated revenue losses associated with the federal tax incentives for the District of Columbia are not included in the FY1998 D.C. appropriations bill.

The mandatory provisions related to increasing the federal Medicaid contribution from 50% to 70% of D.C. Medicaid expenditures were estimated to cost the federal government an additional $138 million for FY1998.

---

[6]These pension plans were seriously underfunded from the time they were transferred from the federal government to the District at the beginning of home rule.

[7]The Medicaid provision is contained in Title IV, subtitle H, section 4725 of P.L. 105-33, the Balanced Budget Act of 1997.

Although the federal government assumed the responsibility for financing the pensions already earned by D.C. judges, police and firefighters, and teachers as of October 1, 1997, net federal outlays for the police, firefighters, and teachers pensions are not expected to begin until FY2006. Until then, the spending down of transferred pension assets is expected to cover the costs.[8] The judges pensions are treated separately and will require annual federal funding, starting with $5 million for FY1998.

The cost to the federal Treasury of the economic development tax incentives for the District included in Title VII of the Taxpayer Relief Act of 1997 (H.R. 2014, P.L. 105-34), enacted August 5, 1997, was estimated at $82 million in revenue losses or tax expenditures for FY1998.

FY1997 Supplemental Appropriation Request Denied

On April 14, 1997, the District of Columbia Financial Responsibility and Management Assistance Authority (the Control Board) submitted a request for $52.379 million in supplemental appropriations for FY1997 to the President and the Congress. The Senate Appropriations Subcommittee on the District of Columbia held a hearing on the supplemental funding request on April 23. In S. 672, the *Supplemental Appropriations and Rescissions Act, 1997,* the Senate Appropriations Committee recommended, and the full Senate approved, a supplemental appropriation of $31.150 million for the District, including $22.350 million for emergency public school repairs and $8.8 million for a 10% police pay raise.[9]

Neither the President's supplemental budget nor the original House bill, H.R. 1469, contained any supplemental funding request for the District. In conference, as a condition for the District to receive any supplemental funding, the House wanted to include 31 pages of authorizing amendments transferring certain powers from the mayor to the chief financial officer and restricting the mayor's access to city cars and security detail. The Senate would not agree to including governmental reorganization issues in the emergency supplemental appropriations bill. As a consequence, no provision for the District was included in the final supplemental appropriations and rescissions for FY1997, H.R. 1871 (which superseded H.R. 1469), P.L. 105-18, enacted June 12, 1997.

The District's Budget Requests

Under a formal sequence set forth in the DCFRMA Act, the District's mayor, council, and control board were expected to develop a single consensus budget to present to the President and the Congress. The D.C. Council and Control Board were initially unable to reach a consensus budget for FY1998. Instead, by June 15, 1997, meeting the deadline set by the DCFMRA Act, the District government and the Control Board submitted two separate budgets for Congress to consider. Although both budgets were balanced and of the same total dollar amount ($5.17 billion), they differed in their proposed spending for certain functions. It was left to the Congress to resolve those differences.

[8]The federal government would assume approximately $9 billion in pension liabilities. In exchange, $3.2 billion of the assets in those pension funds would be transferred to the federal government. The District would retain $1.275 billion of the existing assets for the pension plans.

[9] U.S. Congress. Senate. Committee on Appropriations. *Supplemental Appropriations and Rescissions Act, 1997. Report to Accompany S. 672.* Senate Prt. 105-16, 105th Cong., 1st Sess. Washington, Apr. 30, 1997. p. 31-32.

The Senate Appropriations Subcommittee on the District of Columbia held hearings on the two D.C. FY1998 budget requests on July 10, with testimony from the Mayor, Council, and Control Board; and on July 16 and July 23, with testimony from selected D.C. department heads. The House D.C. Appropriations Subcommittee held hearings on the District's budget requests on July 16 and 17.

In response to the changes in the District-federal financial relationship made by the Revitalization Act, the District of Columbia Government and the D.C. Control Board were required to revise the budgets they had originally submitted to Congress for consideration in mid-June. The Revitalization Act permitted the District and Control Board to use a consensus approach in developing the District's budget, instead of the formal reject-and-revise sequence laid out in the DCFRMA Act. The D.C. Government and the Control Board agreed upon a revised, consensus budget and submitted it to the President and the Congress on September 8, 1997.

Chronology of the Bill and Key Policy Issues

This section of the report presents a chronology of the Fiscal Year 1998 District of Columbia Appropriations bill as it passed through the major stages of the legislative process. It also mentions many of the policy issues that were raised, beyond the questions of funding levels which are discussed in the next sections of this report on Major Funding Trends.

The final Act includes 72 "general provisions." Thirty-six were noncontroversial in the sense that they had been included in the prior year's (FY1997) appropriations act and were included in both the House and Senate versions of the FY1998 bill. There was initial disagreement between the House and Senate over many of the other 36 provisions. Other proposals were offered but not included in the final bill. Not all of the policy provisions are covered here. For those that are mentioned, an effort is made to indicate which were included in the final Act, and which were dropped. For the items that were included, the general provision section number of the District of Columbia Appropriations Act, 1998 (P.L. 105-100) is indicated where applicable.

Senate Bill, S. 1156

The initial Senate version of the District of Columbia appropriations bill for fiscal year 1998 largely endorsed the revised consensus budget submitted by the District of Columbia Government and the Control Board on September 8. The same day, the Senate D.C. Appropriations Subcommittee reported out its recommended bill, S. 1156. The bill was rapidly marked up and reported out by the full Senate Appropriations Committee on September 9, by a vote of 27 to 1. The Senate committee bill did not contain a school scholarship provision.

Among its 47 "General Provisions," the Senate committee bill contained several provisions that would not be found in the House committee bill but that were eventually included in the final bill. The Senate committee bill restored the D.C. Council's authority to approve the mayor's nomination of department heads, a power that had been stripped by the Revitalization Act (included in P.L. 105-100 as Sec. 131).

The Senate bill permitted the District to spend, with the approval of the Control Board, certain monies in addition to the amounts specifically anticipated in the appropriations bill. This includes the proceeds of one-time transactions expended for emergency or unanticipated operating or capital needs, and additional expenditures which the District's Chief Financial

Officer (CFO) certifies will produce additional revenues at least twice as large as the additional expenditures. In addition, to the extent that the total revenues of the District exceed the spending ceiling amount specified in the bill, the CFO may credit up to 10% of such difference, not to exceed $3.3 million, to a reserve fund which may be expended for operating purposes in future fiscal years (Sec. 138(a)(1)).

Reflecting concern about the failure of the District's schools to open on time in September 1997, the Senate bill required the Control Board and the chief executive officer and superintendent of schools (General Julius W. Becton, Jr.) to report to the relevant committees of Congress by April 1, 1998, on all steps that must be taken to ensure that the District's public schools open on time for the 1998-1999 academic year (Sec. 143). It also required that spending for homeless services be kept at the same funding level as FY1997 (Sec. 142).[10]

The Senate Appropriations Committee bill carried over language from prior appropriations acts prohibiting the use of local funds to pay for abortions (Sec. 132) or pay for enforcement of the District's Domestic Partners Act (Sec. 133). Similar language on these two issues was included in the House bill and final Act. Not included in the final Act was the Senate committee proposal to permit the U.S. Treasury to reimburse the District for expenses incurred in protecting the President and Vice President of the United States.

Floor amendments. The full Senate began consideration of S. 1156 on September 24. Senator Coats introduced amendment no. 1249, based on S. 847, the District of Columbia Student Opportunity Scholarship Act of 1997 (which had been introduced on June 4, 1997, and co-sponsored by Senators Dan Coats, Sam Brownback, and Joe Lieberman). The Senate provided for 5 hours of debate on the scholarship amendment on September 26, and one hour on September 30, before a scheduled vote on cloture. The cloture vote failed, by a vote of 58 ayes to 41 nos, 2 votes short of the 60 ayes needed to end debate on the scholarship measure. (The school scholarship measure was not included in the final Act, but was passed separately by the Senate as S. 1502.)

Also on September 24, Senator Wyden introduced amendment no. 1250, later approved on September 30, to eliminate secret Senate "holds" -- a procedure now used anonymously to delay Senate consideration of measures. The amendment would have required Senators to identify their names in the *Congressional Record* not later than two session days after placing a "hold" on legislation or nominations. (The holds-elimination measure was not included in the final Act.)

On September 25, Senators Graham, Mack, and Kennedy introduced amendments 1252 and 1253, the Immigration Reform Transition Act of 1997, to provide relief to certain Central American aliens who would otherwise be subject to removal from the United States. On October 7, the Senate voted to close debate on and adopted the Mack/Graham/Kennedy Modified Immigration Amendment No. 1253 (to amendment No. 1252), in the nature of a substitute. (The final Act includes a second title, the "Nicaraguan Adjustment and Central

---

[10]The accounting for the final Act shows a separate appropriation of $7 million for homeless services, in addition to the $1,179 million appropriated for human support services. See: *Congressional Record*, Daily Ed., vol. 143, no. 159, Nov. 12, 1997, p. H10760. However, the dollar ceiling on total operating expenses specified in Sec. 138(a) of the Act was not increased to reflect this appropriation for homeless services. See **Table 4** of this report and discussion of Accounting Uncertainties Regarding the Final Act.

American Relief Act," which also includes relief for certain Salvadorans, Guatemalans, Cubans, and Eastern Europeans.)[11]

On September 30, Senator Byrd introduced three amendments, all approved, related to the problem of alcohol consumption in the District, particularly by minors. One was to increase the number of ABC (alcoholic beverage commission) inspectors in D.C. and focus enforcement on sales to minors (Sec. 144). Another required the General Accounting Office to study the effects of the low rate of taxation on alcohol in the District (Sec. 145(a)). Another amendment would have prohibited alcoholic beverage advertisements in visible locations in the District where children are likely to walk to school or play; instead, the final Act made the selling of alcohol around schools and other areas frequented by children issues for the GAO to consider in its study (Sec. 145(b)).

Senator Jeffords introduced, but later withdrew, amendment No. 1266 to provide for a regional education and workforce training system in the metropolitan Washington area, to improve the school facilities in the District, and to fund such activities in part by an income tax on nonresident workers in the District (a commuter tax).[12]

On October 1, the Senate adopted other amendments. The amendment (No. 1274) to ensure the effectiveness of the charter school program, by increasing its appropriation from $1,235,000 to $3,376,000, was included in the final Act under the appropriation for the public education system.[13] The amendment (No. 1275) to designate the year 2000 as the Year of the National Bicentennial Celebration for Washington, DC — the Nation's Capital was included in the Act as Sec. 147.

Not included in the final Act was the Senate amendment (No. 1276) to appropriate $4 million for establishing a remedial education program in D.C. public schools, nor the amendment (No. 1273) to express the sense of the Senate supporting the management teams and management reform plans authorized in the 1997 Revitalization Act.

Further Senate action on the FY 1998 D.C. appropriations bill was delayed during October by continuing controversy over the scholarship amendment and the amendment related to immigration of certain Central American groups.

Original House Bill, H.R. 2607

The House D.C. Appropriations Subcommittee marked up and approved its bill on September 17, by a vote of 6 to 3, along party lines. The bill contained 60 general provisions, many of which were considered controversial. The Democratic Minority members of the

---

[11] For further information see CRS Report 97-810, *Central American Asylum Seekers: Impact of 1996 Immigration Law*, by Ruth Ellen Wasem; and CRS Report 97-911, *Suspension of Deportation: Tighter Standards and Their Application to Central American and Other Long-Term Residents*, by Larry M. Eig.

[12] Senator Jeffords had introduced a similar proposal as S. 1070 on July 25, 1997. The Senate Committee on Labor and Human Resources held a hearing on education and workforce development problems in the Washington, D.C., Maryland, and Virginia metropolitan area on January 13, 14, and 15, 1998.

[13] The numbers reported in the final Act for the public education system as a whole and the ceiling on the operating budget specified in Sec. 138(a) were not adjusted to reflect this increase of $2.141 million in the appropriation for charter schools. See **Table 4** of this report and discussion of Accounting Uncertainties Regarding the Final Act.

subcommittee announced their intention to hold their objections until the full committee considered the bill. At the full committee markup on September 29, ranking subcommittee member Representative James Moran introduced, as a substitute amendment, the D.C. appropriations bill approved by the Senate Appropriations Committee, S. 1156. The House Appropriations Committee rejected the proposal to adopt the Senate version by a vote of 19 to 23. Instead, the full committee adopted the bill recommended by the subcommittee, together with the managers amendment, which made some significant changes to the subcommittee bill. The Committee reported out the amended bill to the full House by a vote of 23 to 18. The Minority was given three days to submit its dissenting views. On October 6, the committee report (H.Rept. 105-298) was filed,[14] and the bill was assigned number H.R. 2607.

On October 9, the House passed H.R. 2607 by a vote of 203-202. Speaker Gingrich held the vote open for 20 minutes past the typical 17-minute time-limit for a roll call vote, until the votes were tied, and then cast the deciding vote himself. The only amendment agreed to on the House floor was the Sabo amendment to strike the waiver of the Davis-Bacon Act (which requires that prevailing local wages be paid) with respect to D.C. school construction and repair. Like the House Appropriations Committee, the full House also rejected the Moran amendment to substitute the Senate Appropriations Committee version of the D.C. appropriations bill, S. 1156, for the House Appropriations Committee version.

House Policy Riders

Managers Amendment

The managers amendment offered by House D.C. Appropriations Subcommittee Chairman Charles Taylor and ranking minority member Rep. James Moran was approved by the full House Appropriations Committee on September 29. It dropped several controversial provisions that had been included in the D.C. subcommittee's proposed bill:

- an additional $300 million cut, through "management initiatives," in the District budget previously approved by the Control Board;
- a requirement that the District pay off its entire projected cash deficit of $307 million existing as of September 30, 1997, by the end of FY1998;[15]
- a ceiling on FTEs (full time equivalent employees) at 90% of the FTEs as of September 30, 1997, except for police and firefighters;

---

[14] U.S. Congress. House. Committee on Appropriations. *District of Columbia Appropriations Bill, 1998*. Report together with Dissenting Views to accompany H.R. 2607. H.Rept. 105-298. 105th Cong., 1st Sess., Oct. 6, 1997.

[15] As of April 1997, the District estimated that as of the end of the fiscal year on September 30, 1997, it would have an accumulated general fund deficit of $527 million, and a cash deficit of approximately $300 million. The accumulated deficit is the cumulative net effect of operating deficits and surpluses from prior fiscal years. The cash deficit is the amount of money advanced from the next year's revenues. Written testimony of Thomas F. Huestis, Deputy Chief Financial Officer for Finance and Treasurer, District of Columbia. U.S. Congress. House. Committee on Government Reform and Oversight. Subcommittee on the District of Columbia. Hearing on the White House Proposal for the District of Columbia — Medicaid and Treasury Borrowing. Apr. 25, 1997.

- a residency requirement for D.C. government employees.[16]

The managers amendment provided that:

- Instead of requiring that $300 million be set aside to pay off the entire accumulated cash deficit, as in the subcommittee bill, $200 million would be deposited into an escrow account held by the Control Board, and an additional amount would be deposited each month equal to the amount saved by the District the previous month as a result of cost-savings initiatives of the Mayor, with a goal that those savings be $100 million or more for FY1998. These monies would be used for reducing the accumulated general fund deficit existing as of September 30, 1997.

- Instead of requiring that D.C. taxes be cut by $200 million by June 20, 1998, as in the subcommittee bill, the managers amendment provided that an amount equal to the difference between the amount of D.C. local revenues provided under this act and the actual amount generated be deposited into an escrow account held by the control board, to be used to offset reductions in D.C. taxes or fees enacted by the D.C. Council (upon the recommendation of the D.C. Tax Revision Commission and Business Regulatory Reform Commission), and effective no later than October 1, 1998.

Of all these proposals, the final Act did provide that $201.090 million for deficit reduction and revitalization be deposited into an escrow account held by the Control Board.

Even after these adjustments by the managers, the House Appropriations Committee bill contained numerous policy items not found in the Senate Appropriations Committee bill. These were included among the General Provisions in Title I, as well as in two additional titles included in the House bill. Title II was the District of Columbia Medical Liability Reform Act. Title III was the District of Columbia Education Reform Act of 1997.

Title II, the D.C. Medical Liability Reform Act

Title II, the District of Columbia Medical Liability Reform Act, would have benefitted health care practitioners, health maintenance organizations, medical product manufacturers and sellers, and liability insurers by precluding some medical malpractice and medical products liability lawsuits and limiting damages in others. The District of Columbia's current statute of limitations for medical malpractice and medical products liability suits is 3 years from the date the injured party discovers the *cause* of the injury; the bill would have changed this to 2 years from the date the injured party discovers the injury, "but in no case after the expiration of the 5-year period that begins on the date the alleged injury occurred." Among other changes the bill would have made to D.C. medical malpractice and medical products liability law would be to impose a cap of $250,000 on noneconomic damages, eliminate joint and several liability for noneconomic damages, limit punitive damages to the greater of three times the amount of economic damages or $250,000, prohibit punitive damages (with exceptions) in products liability suits where a defective drug or medical device had been approved by the FDA, and modify the collateral source rule, which currently allows an injured

[16] The Subcommittee Chairman Charles Taylor had also considered calling for an end to rent control, but this provision was not included in the subcommittee bill.

party to sue for damages due from collateral sources such as health insurance (which then may have a right of subrogation to recover what they paid).[17]

None of Title II on medical liability reform was included in the final Act.

Title III, the D.C. Education Reform Act of 1997

Included in Subtitle B of Title III was the school scholarship provision, based on H.R. 1797 (companion bill to S. 847), introduced by House Majority Leader Dick Armey on June 4, 1997.[18]

The House-passed version of H.R. 2607 would have authorized the provision of scholarships to District of Columbia resident students in grades K-12 from low-income families to attend public or private schools in the District or nearby suburbs ("tuition scholarships"), or to pay the costs of supplementary academic programs outside regular school hours for students attending District of Columbia Public Schools (DCPS) ("enhanced achievement scholarships"). The bill also would have provided an appropriation for this program of $7 million for FY1998. This program would be administered by a non-governmental District of Columbia Scholarship Corporation. All Board members would have to be D.C. residents, and none could be D.C. or federal government employees (unless they are on leave).

Students in grades K-12 who are residents of the District of Columbia with family income below 185% of the standard federal poverty income threshold for families of the relevant size would be eligible for scholarships. During the initial years of the program (1997-99), first priority in the awarding of scholarships would go to students who have been attending DCPS schools (or are about to enter kindergarten in DCPS schools). In all years, priority would also be given to previous scholarship recipients. There would be two types of scholarships: (a) "tuition scholarships" could be used to pay the costs of tuition and fees at a public or private (including a religiously-affiliated) school in D.C. or the inner ring of suburban jurisdictions;[19] and (b) "enhanced achievement scholarships" could pay the costs of tuition, fees, and transportation for "a program of instruction ... which enhances student achievement of the core curriculum and is operated outside of regular school hours to supplement the regular school program" (Section 343(d)(2)). The amount of *tuition scholarships* would be the lesser of $3,200 or 100% of tuition, fees, and transportation costs if family income is below the poverty level, and the lesser of $2,400 or 75% of tuition, fees, and transportation costs if family income is between 100% and 185% of poverty. The amount of *enhanced achievement scholarships* would be the lesser of tuition, fees, and transportation or $500 for all students with family income below 185% of poverty. The bill stated that, in all cases, scholarships would be considered to be aid to the student, not the institution.

(It was estimated that, out of the total of 78,000 District students, up to 2,000 students, or 2.6%, could have received tuition scholarships, and another 2,000 could have received

---

[17] See CRS Report 97-640, *Medicare: Budget Reconciliation Action in the 105th Congress*, by Jennifer O'Sullivan et al., p. 94.

[18] There was an effort on the House side to include school vouchers in the FY1996 D.C. appropriations bill. See CRS Report 95-1030, *District of Columbia Public Schools: Status of Federal Legislation Affecting Them, by Wayne C. Riddle*, updated May 7, 1996.

[19] These include Montgomery and Prince George's counties in Maryland, plus Arlington and Fairfax counties, and the cities of Alexandria, Fairfax, and Falls Church in Virginia.

enhanced achievement scholarships out of the $7 million in federal funds proposed for appropriation for FY 1998.)

In order for its students to be eligible for either a tuition or an enhanced achievement scholarship, an educational institution generally must have been in operation for at least 3 years, with at least 25 students. Alternatively, institutions could obtain provisional, 1-year certification after providing a variety of information to the Corporation (e.g., a business plan, course of study, list of the institution's board of directors, etc.). Certification of eligibility could be revoked for "good cause" (such as failure to meet program requirements) or if 25% or more of the scholarship recipients at the school fail to "make appropriate progress." Institutions would have to file annual reports on their budgets. Participating schools "shall not engage in any practice that discriminates on the basis of race, color, national origin, or sex" (Section 346(a)), and the bill stated that "[N]othing in this Act shall affect the rights of students, or the obligations of the District of Columbia public schools, under the Individuals with Disabilities Education Act." However, the bill also provided that "[N]othing in this Act shall be construed to prevent a parent from choosing or an eligible institution from offering, a single-sex school, class, or activity." In addition, religiously-affiliated participating schools would have been allowed to give preferences based on religion in making hiring and enrollment decisions.

Participating educational institutions would be required to make annual reports to the Corporation containing a variety of data on student achievement, disciplinary actions, academic program, parental involvement, etc. The Corporation would also be required to submit an annual report to Congress, including information on how program funds have been expended and the initial achievement levels of scholarship recipients. The U.S. General Accounting Office would be required to contract for an evaluation of the scholarship program within 4 years of the bill's enactment. The evaluation would include comparisons of scholarship recipients and similar but non-participating students in the DCPS with respect to test scores, graduation rates, parental satisfaction, and impact of the program on the DCPS.[20]

The final Act does **not** contain the authorizing provisions for public-private school scholarships or vouchers, nor the $7 million appropriation of **federal** funding for the project for FY 1998, that had been included in H.R. 2607 as initially passed by the House. The Senate passed the authorizing provisions for the scholarship provision in a separate bill, S. 1502, on the same day that the final D.C. Appropriations bill was passed, November 9. The House is expected to consider this bill in the second session of the 105th Congress.[21]

Several of the provisions from Title III related to establishing public charter schools in the District were included as general provisions (sections 167-172) of the final Act. These are discussed in the last section of this report, Major Funding Trends: District of Columbia Budget, Public Education System.

Also retained in the final Act was the House Title III provision repealing the D.C. property tax exemption for the National Education Association (sec. 158) previously provided by Congress.

---

[20] For further discussion of the D.C. school scholarship bills (H.R. 1797 and S. 847), see CRS Report 95-344, *Federal Support of School Choice: Background and Options*, by Wayne C. Riddle and James B. Stedman, p. 10-12.

[21]For further information on the scholarship provisions, see CRS Report 95-344. *Federal Support of School Choice: Background and Options*, by Wayne C. Riddle and James B. Stedman. Updated Nov. 13, 1997. p. 8-11.

Other Policy Issues

Among the other general provisions that were included in the original House bill but dropped from the final Act were:

- a raise in the pay of certified classroom teachers by 10% and a reduction in non-classroom school personnel by 200 (instead of the 400 recommended in the subcommittee bill);

- closing the D.C. School of Law if it was not unconditionally certified by the American Bar Association by January 31, 1998, and providing scholarships for students to pursue their studies in other law schools;

- reopening Pennsylvania Avenue in front of the White House;

- authority for the Inspector General (not the Control Board) to hire the auditor for the District's yearly audit and to audit the activities of the Control Board;

- detailed instructions for updating the District's financial management system (FMS).

Among the House policy provisions included in the final Act were:

- requiring that payments to employees detailed to a District entity be treated as expenditures of that entity; restricting the providers from whom employees may receive disability compensation to physicians and HMOs approved by the Mayor (Sec. 150);

- requiring that the Inspector General hotline number be placed on permit and license application forms and that quarterly reports be submitted to the Congress on the number and nature of calls received and on the waste, fraud, and abuse detected as a result of such calls (Sec. 155);

- requiring that any payment made by the District to any person be made by direct deposit or a check delivered by mail (Sec. 156);

- requiring that the annual federal contribution to the District be deposited into an escrow account held by the Control Board (Sec. 157(a)).

Objections by the House Authorizing Committee

The House authorizing committee on the District of Columbia indicated its objection to the inclusion in the House appropriations committee bill of general legislation that intrudes on the jurisdiction of the authorizing committee. On September 29, Chairman Tom Davis and ranking Member Eleanor Holmes Norton of the House Committee on Government Reform and Oversight, District of Columbia Subcommittee, wrote a letter to Appropriations Committee Chairman Robert Livingston enumerating 16 provisions in the subcommittee version of the D.C. appropriation bill that they requested be deleted or, in a few cases, amended. Two of these provisions were dropped or altered by the managers amendment introduced on September 29: the residency requirement for D.C. employees and the limitation on FTE's (full-time equivalent positions).

The authorizing committee's objections were not addressed on the House floor. However, twelve of the sixteen provisions singled out by the authorizing committee were eventually excluded from the final legislation. Retained in the original House bill but not the final Act were provisions involving the powers of the District's chief financial officer (CFO) and inspector general (IG) and their independence from the Control Board, and efforts to repeal provisions enacted in August 1997 by the Balanced Budget Act regarding the District's ability to borrow to finance the accumulated general fund deficit.

Four of the controversial provisions were revised and included in the final Act: restrictions on driving official vehicles home (Sec. 150(a)); modification of reduction-in-force (RIF) procedures (the credit for D.C. residency was dropped) (Sec. 150(d)); requiring reporting to the Control Board on the expenditure of non-appropriated funds (instead of prohibiting certain nonappropriated expenditures) (Sec. 138(c)); requiring annual evaluation of the level of welfare benefits to be comparable to nearby Maryland and Virginia counties (rather than capping benefits at a prior D.C. level) (Sec. 153).

House-Senate Leadership Compromise Bill

During October, action on the D.C. appropriations bill was stalled in the Senate by the controversy over the school scholarship provision. There were also substantial differences in the policy provisions (general provisions) contained in the House-passed versus Senate committee bills. To expedite the passage and enactment of the D.C. appropriations bill, the House and Senate leadership embarked upon an alternative legislative strategy. Representative Tom Davis, chairman of the House D.C. authorizing subcommittee, and Senator Lauch Faircloth, chairman of the Senate D.C. appropriations subcommittee, were directed to develop a compromise bill.

On October 28, the House and Senate leadership appointees began work on a compromise bill based largely on the Senate bill. The bill underwent several revisions that were not formally released. Early versions contained some of the policy provisions approved by the House, notably a slightly revised version of the House school scholarship title and an accompanying appropriation of $7 million in federal funds for FY1998. But they excluded other earmarked federal funding that had been provided in the House, but not the Senate, bill and several of the House's "general provisions" related to the District's governance. The early compromise bill also contained a few new provisions, not previously included in either the House or Senate version, including a proposal to transfer of Lorton prison property to Fairfax County, Virginia. Neither the school scholarship nor the Lorton property transfer proposal are in the final Act.

Veto Threatened for School Scholarship Provision

The topic of school scholarships or vouchers is highly controversial.[22] Enacting even a limited program for the District might be viewed as the precursor for an expanded District program or a national program. President Clinton threatened to veto the D.C. appropriations bill if it contained a scholarship provision. The early version of the House-Senate leadership compromise bill was reportedly drafted so that the President could line-item veto the scholarship provision.

[22] For a discussion of the legal standards governing the voucher issue, see CRS Report 97-50, *Education Vouchers: The Constitutional Standards*, by David M. Ackerman.

House Bill H.R. 2607 Amended by the Senate

The Senate acted on November 9. The leadership compromise bill was introduced as a Senate substitute amendment to the House bill. (The Senate deleted the language of the entire House bill after the enacting clause and inserted the language of the compromise bill.) The D.C. appropriations bill included a second title providing special immigration procedures for certain Central American, Cuban, and Eastern European groups. The Senate split off the school scholarship provision from the earlier House-Senate leadership compromise bill and passed it as a separate bill, S. 1502. The D.C. appropriations bill was approved by voice vote as part of a larger amendment to H.R. 2607 that included two other appropriations bills: foreign operations, export financing, and related programs; and the Departments of Commerce, Justice, and State, the Judiciary, and related agencies.

When the omnibus appropriations bill, H.R. 2607 as amended, went back to the House floor, the three appropriations bills were again separated. The House approved the D.C. bill with a few of its own amendments on November 12. The Senate approved the House's amendments on November 13. Using this procedure, the amended House bill could go directly to the President, without the need for a conference between the House and Senate. On November 19, President Clinton signed the bill into Public Law 105-100.

Explanatory Statement but No Conference Report

As a consequence of the expedited congressional procedure, no conference was held and no conference report was produced on the bill. The Senate Committee on Appropriations did issue an explanatory statement to accompany the bill, which was published in the *Congressional Record*.[23] The explanatory statement directs that the language and allocations set forth in Senate Report 105-75 (the Senate Appropriations Committee report to accompany S. 1156) should be complied with unless specifically addressed to the contrary in the enacted appropriations bill and the explanatory statement.[24] According to the House Appropriations Committee, however, the explanatory statement from the Senate Appropriations Committee does not have the official standing that a conference report or joint statement of the managers would have.

Continuing Resolutions

From October 1 until the enactment of H.R. 2607 on November 19, interim funding for the District of Columbia was covered under the six successive continuing resolutions (CR) on appropriations, designed to serve as a funding bridge for the FY1998 appropriations bills not yet enacted. The first CR (H.J.Res. 94, P.L. 105-46) expired October 23, 1997. The second (H.J.Res. 97, P.L. 105-64) expired November 7. The third (H.J. Res. 101, P.L. 105-68) covered November 8 and 9; the fourth (H.J.Res. 104, P.L 105-69), November 10; the fifth (H.J.Res. 105, P.L. 105-71), November 11 through 14; and the sixth (H.J.Res. 106, P.L. 105-84), November 15 through 26.[25]

---

[23]Explanatory Statement of the Senate Committee on Appropriations (to accompany H.R. 2607, making appropriations for the District of Columbia for fiscal year 1998). *Congressional Record*, Daily Edition, v. 143, no. 160 -- Part II, Nov. 13, 1997. p. S12658-60.

[24]Op. cit., p. S12658.

[25] For additional information on the continuing resolutions, see CRS Report 97-904, *Fiscal Year 1998 Continuing Resolution*, by Sandy Streeter.

Section 115 of the continuing resolution provided for the District to receive funding for the programs authorized under the Revitalization Act. This included the federal contribution to the operations of the nation's capital. The base (full-year) amount for each budget category enumerated in the bill was the higher of the amount in the budget request or in the House or Senate D.C. Appropriations Act, 1998, if passed as of October 1, 1997. Under Section 101(c) of the CR, the governing amount was either the President's budget request or the Senate-reported version of the bill (S. 1156 as reported out by the Senate Appropriations Committee on September 9) — whichever was higher. The money was to be distributed on a pro-rata basis, that is, the fraction that the number of days covered by the continuing resolution is to 365.

The District had counted upon receiving the full authorized federal contribution of $190 million on or near October 1 in order to help repay the outstanding Treasury advances (of approximately $223 million for FY1997) that were to come due on October 1, 1997. To accommodate the cash-flow problem that the partial payment of the federal contribution would cause the District, Section 119 of the continuing resolution provided that the District government could delay repayment of the 1997 Treasury advances beyond October 1, 1997, until it received the full-year federal contribution. While awaiting the full contribution amount, the District borrowed from the Treasury to cover its beginning-of-fiscal-year cash flow needs, thereby incurring additional, unbudgeted interest costs.

Major Funding Trends: Federal Funds

There are two different measures of appropriations for the District of Columbia. One is the appropriation of federal dollars for the benefit of the District (**Tables 2 and 3**). The other is the appropriation of the District's own local funds (**Table 4**). The relationship between these two is explained in the section **Major Funding Trends: Summary** and **Table 5**.

Table 2 presents historical information on federal funds only, for fiscal years 1993-97. **Tables 3 and 4** report the dollar amounts enacted for FY1997, and the amounts recommended for fiscal year 1998:

- by the President for federal funds and the D.C. Control Board for local funds;
- in the version of the District of Columbia appropriations bill as initially passed by the House on October 9, 1997 (H.R. 2607);
- in the version approved by the Senate Appropriations Committee on September 9, 1997 (S. 1156, along with amendments added thereto on the Senate floor); and
- in the version finally enacted (alternatively referred to as the House-Senate leadership compromise bill, H.R. 2607 as amended, or P.L. 100-105).

The following discussion of federal funds is divided into two parts. The first covers the categories of expenditures that were authorized by the Revitalization Act. The second covers the categories that were added during the FY1998 appropriations process, either by the D.C. appropriations subcommittees or in the final House-Senate leadership bill.

Effect of Revitalization Act on Federal Funds for the District

The 1997 Revitalization Act[26] made substantial changes in the financial relationship between the federal government and the District of Columbia. These changes make it more difficult to compare budget information for fiscal years 1998 and beyond with information for FY1997 and prior years. This is particularly true for all federal funds and for the local funds expenditure category of public safety and justice. **Table 3** illustrates how the traditional categories of federal funding for the District have been replaced with new ones beginning with FY1998.

Federal contribution. The Revitalization Act changed the traditional way of accounting for the appropriation of federal funds to the District of Columbia. It eliminated the annual federal payment to the District and annual federal contribution to certain D.C. retirement funds that had been present through FY1997 (see **Tables 2 and 3**). In partial replacement of the federal payment, the Act introduced a "federal contribution to the operations of the nation's capital" and authorized a contribution of $190 million for FY1998.

The Senate Appropriations Committee recommended a federal contribution to the District of $190 million, the amount authorized by the Revitalization Act, but $30 million higher than the President's $160 million request. However, S. 1156 required that the extra $30 million be used to help pay down the District's accumulated general fund deficit, which was projected to be approximately $527 million by the end of FY1997. The House bill recommended a federal contribution of $180 million, but put no conditions on its use.

The final appropriations act follows the Senate bill and provides the full $190 million authorized. Not less than $30 million of this is to be used to repay the accumulated general fund deficit. The federal contribution may be used to repay advances from the U.S. Treasury made to the District under provisions of the Revitalization Act.

Management reform. Subtitle B of the Revitalization Act is known as the District of Columbia Management Reform Act of 1997.[27] The Senate appropriations bill included an $8 million appropriation of federal funds, payable to an escrow account with the District of Columbia Financial Responsibility and Management Assistance Authority (the D.C. Financial Control Board), to help pay consultants to develop reform plans for specified D.C. government departments. Neither the President nor the House bill requested any special *federal* funding for this purpose. The District proposed using $30 million and the House $5 million in *local* funds for management and productivity improvement.

The final appropriation includes the Senate's recommendation of $8 million in federal funds for management reform, to remain available for two fiscal years, until September 30, 1999.[28] According to the explanatory statement of the Senate Committee on Appropriations, this appropriation also funds the position of a chief management officer (CMO) who is to oversee the responsibilities assigned to the Control Board by the Management Reform Act. (On December 22, 1997, the Control Board announced the appointment of Mrs. Camille Cates Barnett to the position of CMO for a five-year term. She began her duties on January 15, 1998.)

---

[26]The National Capital Revitalization and Self-Government Improvement Act of 1997, Title XI of the Balanced Budget Act of 1997 (P.L. 105-33), enacted August 5, 1997.

[27]Sections 11101 to 11106 of P.L. 105-33.

[28]Funds are typically appropriated for only one fiscal year — until September 30, 1998 in the case of the FY1998 Act.

Corrections and courts. Under the Revitalization Act, the largest shift in responsibility from the District of Columbia to the federal government occurred in the areas of corrections and courts. In the case of corrections, the federal government will take over financial responsibility immediately, and take over functional responsibility within a few years. In the case of the courts, the federal government is taking over financial responsibility only. The District will continue to operate its own court system. The shift in financial responsibility from the District to the federal government is reflected in the changes in appropriations for FY1998 compared with FY1997, under both federal and local funds (**Tables 3 and 4**).

The Revitalization Act provides that during the transition of responsibility for sentenced D.C. felons from the D.C. Department of Corrections to the U.S. Bureau of Prisons, appropriations for **corrections** are to be made directly to the D.C. Corrections Trustee (a newly created, appointed, independent position within the District government). For FY1998, the President, the Senate Appropriations Committee, the House, and the final Act all agreed on the request for federal funds of $169 million for operations and $302 million for construction and repair for D.C. correctional facilities, of which $295 million is available for transfer to the Federal Prison System.[29]

The Revitalization Act provided for the federal government to assume the financing of the D.C. **court system**. The President, Senate Appropriations Committee, and House all recommended the same total funding, but there were differences in which federal and District agencies would be designated as the conduits for the funding and in the breakdown of the funding among specific functions (see **Table 3**). The final Act made further alterations and refinements.

Under the Revitalization Act, the federal monies to fund the D.C. courts were to be funneled through a federal agency known as the State Justice Institute. The original House D.C. appropriations bill recommended that the funds be payable through the Office of Management and Budget. The Senate Appropriations Committee bill recommended payment through the Administrative Office of the U.S. Courts. An amendment on the Senate floor recommended payment through the D.C. financial control board.

The final D.C. Appropriations Act provides that federal funding for the D.C. courts will be paid quarterly by the U.S. Treasury, based on apportionments approved by the Office of Management and Budget, directly to the courts, with payroll and financial services to be provided on a contractual basis with the General Services Administration (GSA). The GSA is to submit monthly reports to the President and the Committees on Appropriations of the Senate and House of Representatives, the Committee on Governmental Affairs of the Senate, and the Committee on Government Reform and Oversight of the House of Representatives.

All versions of the appropriations bill agreed that the payments for operation of the District of Columbia courts would be made to the Joint Committee on Judicial Administration in the District of Columbia — an entity of the D.C. courts, separate from the D.C. government. By providing for the federal payment to be made directly to the Joint Committee, "notwithstanding any other provision of law," the final D.C. Appropriations Act in effect eliminates the role of the State Justice Institute (previously provided for in the Revitalization Act) as a "pass-through" funding agency for the courts.

The final combined funding for courts and corrections was $151 million, of which $108 million is for operation of the D.C. courts (including judges' pensions) and $43 million for

[29] The final Act did not include the House request that the remaining $7 million be set aside specifically for security improvements and repairs at the Lorton Correctional Complex.

payment to the newly established Offender Supervision Trustee.[30] Within the courts' funding, $750,000 is appropriated for a new, temporary Truth in Sentencing Commission.[31] Within the Offender Supervision Trustee's funding, the final Act further specifies appropriations of $26.855 million for parole, adult probation, and offender supervision; $9.0 million for the public defender service; $6.345 million for the pretrial services agency; and $800,000 to be transferred to the U.S. Parole Commission.

The Revitalization Act provided for the federal government to take over the financial responsibility for pensions that had been earned as of September 30, 1997, under three pension funds for District of Columbia employees. The fund for judges was treated differently[32] from the police officers and firefighters fund and the teachers fund.[33,34] The final 1998 D.C. Appropriations Act specifies that the federal appropriation for the courts includes pension costs (for the judges). According to the Office of Management and Budget (OMB) operationally, for FY1998, a one-time discretionary appropriation of $5 million was "returned" to the U.S. Treasury.[35] That represents one year's worth of a normal cost pre-payment plus an amortization payment for the unfunded liability.

Added Provisions for Federal Funds

In addition to the requirements made by the Revitalization Act, the final appropriations act provided a $12.0 million appropriation of federal funds to the National Park Service for the operations of U.S. Park Police in the District of Columbia (general provision Section 141). The Senate committee bill had recommended $5.0 million, and the House bill $12.5 million.

The final Act also appropriated $3.0 million in federal funds for a Medicare coordinated care demonstration project in the District of Columbia (Sec. 160).[36] The project was authorized under section 4016(b)(2)(C) of the Balanced Budget Act of 1997 (P.L. 105-33), but its funding was left to be determined by the D.C. Appropriations Act. The Balanced Budget Act had left it unclear whether the funding for the District project would be federal or local.

The House bill recommended five additional categories of federal funding for the District, none of which was included in the final Act: $7.0 million for a federal contribution

---

[30]John Carver III, former chief of the D.C. Pretrial Services Agency, was appointed by U.S. Attorney General Janet Reno as trustee for the federal Office of the Trustee for Pretrial Services, Defender Service, Parole, Adult Probation, and Offender Supervision. Sam Skolnick, "Court Hits Budget Turbulence," *Legal Times*, week of Jan. 5, 1998, p. 1,6.

[31]The Truth in Sentencing Commission is charged by the D.C. Revitalization Act with recommending to the D.C. Council by early February 1998 new sentencing standards for felony convictions under the District's criminal code.

[32]Section 11251 of the Revitalization Act, in subtitle C, Criminal Justice.

[33]Subtitle A of the Revitalization Act, District of Columbia Retirement Funds.

[34]For the judges pension plan, the administration of the plan was left with the District, but federal funds were authorized to finance the plan. For the police and firefighters fund and teachers fund the federal government took over the entire responsibility for the plan, including both administration and financing.

[35]This accounts for the $5 million increase from $103 million to $108 million in appropriation for the criminal justice system total and the courts subtotal in the final enacted version compared with the Senate version of the bill. See **Table 3**.

[36]The demonstration project will be implemented at Georgetown University Medical Center.

for parental choice in education (the school scholarship program); $5.4 million for a 5% pay raise for police; $2.6 million for a 5% pay raise for firefighters;[37] $2 million for the District's office of the inspector general (IG) for enhanced investigative efforts; and $1 million for the D.C. public schools, to be paid to the District Education Learning Technologies Advancement (DELTA) Council, previously established by Section 2604 of the D.C. School Reform Act of 1995, P.L. 104-34.

In total, the final FY 1998 D.C. Appropriations Act (P.L. 105-100) provided $835 million in federal funds for the District. However, the total amount appropriated under the Act is $855 million. The D.C. Act includes an extra appropriation of $20 million for the Medicaid child health program (Sec. 162). This is a technical amendment to the child health care block grant established by subtitle J of title IV of the Balanced Budget Act of 1997 (P.L. 105-33). The funds will be spent nationwide. Consequently, the $20 million is treated as a scorekeeping adjustment to the D.C. Appropriations Act, and is not counted among federal funds to the District.[38]

Table 2. District of Columbia Appropriations, FY1993 to FY1997

(budget authority in millions of current dollars)[a]

Federal Monies to D.C.	FY1993	FY1994	FY1995	FY1996	FY1997
Federal Payment	624.854	630.603	660.603	660.000	660.000
Federal Contribution to D.C. Retirement Funds	52.070	52.070	52.070	52.070	52.070
Other Federal Appropriations	11.075	17.327	0	0	6.702
Total	**687.999**	**700.000**	**712.673**	**712.070**	**718.772**

a. These figures represent current dollars, exclude permanent budget authorities, and reflect rescissions.

[37]The final Act did call for the $2.6 million for the firefighters pay to come out of *local* funds (Sec. 165). The accounting for the final Act shows a separate appropriation of $2.6 million for the firefighters pay increase, in addition to the $530 million appropriated for public safety and justice. See: *Congressional Record*, Daily Ed., vol. 143, no. 159, Nov. 12, 1997, p. H10760. However, the dollar ceiling on total operating expenses specified in Sec. 138(a) of the Act was not increased to reflect this appropriation for the pay increase. See last column of **Table 4** of this report.

[38]*Congressional Record*, Daily Ed., vol. 143, no. 159, Nov. 12, 1997. p. H101761.

Table 3. District of Columbia Appropriations, H.R. 2607, S. 1156, P.L. 105-100, Federal Funds
(in millions of dollars)

Federal Monies to D.C.	FY1997 Enacted	Pres.'s FY1998 Request	House Bill	Senate Approp. Com. Bill, as amended	Final Enacted
Prior-year accounting					
Federal Payment	660.000	--	--	--	--
Federal contribution to D.C. retirement funds	52.070	--	--	--	--
Presidential inaugural payment	5.702	--	--	--	--
Federal contribution for repair of drinking water system	1.000	--	--	--	--
Provisions authorized under the 1997 Revitalization Act (P.L. 105-33, Title XI)					
Federal payment for management reform	--	--	--	8.000	8.000
Federal contribution to the operations of the nation's capital	--	160.000	180.000	190.000	190.000
Payment to the D.C. corrections trustee, for operations	--	169.000	169.000	169.000	169.000
Payment to the D.C. corrections trustee for correctional facilities, construction and repair	--	302.000	302.000	302.000	302.000
Payment to D.C. criminal justice system--total[a]	--	146.000	146.000	146.000	151.000
Courts[a]	--	123.000	121.000	103.000	108.000
D.C. Truth in Sentencing Commission[a]	--	[2.000]	2.000	[.750]	[.750]

Federal Monies to D.C.	FY1997 Enacted	Pres.'s FY1998 Request	House Bill	Senate Approp. Com. Bill, as amended	Final Enacted
Offender services[a]	--	23.000	22.200	43.000	43.000
Parole, adult probation and offender supervision[a]	--	--	--	--	[26.855]
Public defender service[a]	--	--	--	--	[9.000]
Pretrial services agency[a]	--	--	--	--	[6.345]
U.S. Parole[a] Commission	--	[.800]	.800	[.800]	[.800]
Provisions added during the FY1998 appropriations process					
Federal contribution for parental choice in education/D.C. scholarship fund	--	--	7.000	--	--
Federal payment for police pay raise	--	--	5.400	--	--
Federal payment for fire fighters pay raise	--	--	2.600	--	[b]
Payment to National Park Service, U.S. Park Police (sec. 141)[c]	--	--	12.500	5.000	12.000
Payment for D.C. Inspector General, for investigative efforts	--	--	2.000	--	--
Contribution to public schools (DELTA council)	--	--	1.000	--	--
Medicare coordinated care demonstration project (sec. 160)[c,d]	--	--	--	--	3.000
Total Federal Funds to D.C.	718.772	777.000	827.500	820.000	835.000

Federal Monies to D.C.	FY1997 Enacted	Pres.'s FY1998 Request	House Bill	Senate Approp. Com. Bill, as amended	Final Enacted
Scorekeeping adjustment: Medicaid child health (sec. 162) [c,e]	--	--	--	--	20.000
Total (including adjustment)	718.772	777.000	827.500	820.000	855.000

Source: See notes to **Table 4**.

[a] The payment for the criminal justice system is divided between courts and offender services, both of which have subcomponents. Brackets [ ] indicate that the dollar amount is also included in a preceding aggregate line item.

[b] Section 165 of the final Act calls for $2.6 million in local funds to be set aside for a fire fighters pay raise.

[c] These three federal payments are provided for in general provisions section of the Act (section numbers given), not in the initial section on federal funds.

[d] The Medicare coordinated care demonstration project for the District of Columbia was established under section 4016(b)(2)(C) of the Balanced Budget Act of 1997 (P.L. 105-33). Unlike the other 8 authorized demonstration programs which were to be funded by a transfer from the Medicare trust funds, the D.C. program's funding was left to be determined by the D.C. Appropriations Act.

[e] This is a technical amendment to the child health care block grant established by P.L. 105-33. The funds will be spent nationwide. It is treated as a scorekeeping adjustment to the D.C. Appropriations Act. *Congressional Record*, Daily Edition, vol. 143, no. 159, Nov. 12, 1997. p. H101761.

302(b) Allocation

The original 602(b) allocation, subsequently renamed 302(b), made in June 1997 to the appropriations subcommittees on the District of Columbia was for $805 million in budget authority. This was $87 million more than the allocation of $717.8 million for FY1997.[39] The higher allocation for FY1998 reflected possible passage of the President's plan for the District of Columbia.

Following the enactment of the Revitalization Act on August 5, on August 14, 1997, the President submitted a revised FY1998 budget request for the District requesting $777 million in budget authority, lower than the original 302(b) allocation. The D.C. appropriations bill approved by the Senate Appropriations Committee, S. 1156, recommended $820 million in federal funds for the District of Columbia in FY1998. The bill first approved by the House recommended $827.5 million.

---

[39]The FY1997 allocation was based on an annual federal payment of $660 million and an annual contribution of $52.1 million to certain D.C. pension funds, totaling $712 million, plus a quadrennial contribution for the presidential inaugural of $5.7 million, and a one-time appropriation of $1 million as a federal contribution for the repair of the District's drinking water system.

The 302(b) allocation for the District of Columbia was increased several times during the FY1998 appropriations process. As of November 8, the revised 302(b) allocations for FY1998 provided the District with $835 million in budget authority (and $537 million in outlays).[40] This equals the amount of budget authority called for in the final appropriations act for the District, before the $20 million for the nationwide Medicaid child health program (general provision Sec. 162) is added.

Major Funding Trends: District of Columbia Budget

The FY1998 D.C. Appropriations Act continued the effort of the FY1996 and FY1997 Acts to reduce spending by many offices of the District government.[41] Absent from the final FY1998 Act, however, are numbers specifying the limit on the number of full-time equivalent (FTE) positions by budget function. FTE limits had appeared in the FY1996 and FY1997 D.C. Appropriations Acts, and in the initial version of H.R. 2607 for FY1998 passed by the House.

In future fiscal years, the budgets of agencies under a court-appointed receivership or other court-appointed official must be submitted to the Mayor for inclusion in the annual budget of the District (Sec. 140). For FY1988, however, the budget amounts for agencies under receivership are not included in the appropriation of District of Columbia local funds.[42]

Effect of Revitalization Act on the Appropriation of Local Funds

The changes in federal-District financial relations following the Revitalization Act also complicate the comparison of the appropriation of the District of Columbia's local funds for fiscal year 1998 relative to FY 1997 (and other prior years). Two of the largest changes are the $512 million decrease in local funding for public safety and justice functions, and the $201 million appropriation for "deficit reduction and revitalization."

Public safety and justice. As a result of the shift in responsibility from the District to the federal government for financing the District's courts and corrections functions, as well as the retirement plans for police and fire fighters and for judges, the appropriation out of D.C. local funds for the category of public safety and justice was cut in half. The appropriation for public safety and justice for FY1998 of $529.739 million is $512 million or 49% lower than the appropriation for FY1997 of $1,041.281 million.

The House bill had proposed a **federal** payment of $5.4 million to fund a police pay raise and $2.6 million for a fire fighters pay raise. Instead, the final Act designates that $2.6 million in **local** funds be set aside to cover a pay increase for uniformed fire fighters (Sec. 165).

---

[40]U.S. Senate. Committee on Appropriations. *Further Revised Allocation to Subcommittees of Budget Totals from the Concurrent Resolution for Fiscal Year 1998*. Senate Report 105-145, 105th Cong., 1st Sess., Nov. 8, 1997. Washington, U.S. Govt. Print. Off., 1997. p. 3.

[41]For information at the office level of detail, refer to the House and Senate Appropriations Committee reports accompanying their bills, H.Rpt. 105-298 and S.Rpt. 105-75.

[42]Four agencies of the District government are currently under receivership: the entire Department of Public and Assisted Housing; the Department of Corrections, medical and mental health services at the D.C. Jail; the Department of Human Development, child welfare services; and the Department of Human Development, Commission on Mental Health Services.

Deficit reduction and revitalization. The 1997 Revitalization Act required that the District's budget be in balance beginning in FY1998 — a year earlier than had been required under the 1995 control board act (P.L. 104-8, the DCFRMA Act). The two budgets originally presented by the District and the control board on June 15, 1997, were in balance. The single consensus budget they submitted together on September 8, revised to reflect the Revitalization Act, was in surplus.

The District estimated that the swap, brought about by the Revitalization Act, of a smaller federal payment in exchange for the federal assumption of certain D.C. functions or expenses would bring the District of Columbia budget a surplus for FY1998 of $235.9 million. The District planned to spend the surplus as follows: $202.3 million to reduce the accumulated general fund deficit;[43] $3.6 million for interest on $50 million in additional borrowing for capital improvements; and $30 million to establish a management improvement fund to be spent on suggestions made by outside consultants for long-term savings, training city workers, and upgrading office systems.

The final Act followed the Senate's request. Compared with the District's budget request, the Senate committee bill allocated $34.8 million more to expenditures for public safety and justice, and the same amount less to the projected surplus (see **Table 4**). Of the $201.090 million surplus, to be deposited in an escrow account held by the Control Board, the Senate Committee directed that $160 million be spent on deficit reduction, and the remaining $40 million on management improvements and financing capital improvements.[44]

The original House bill provided for the creation of a District of Columbia Deficit Reduction Fund, with a deposit of $200 million derived from the projected surplus from the exchange. The House bill also provided $5 million for the Management and Productivity Improvement Fund and $30 million in pay-as-you-go capital outlays for school and street repairs, thereby spending the other $35 million of the Revitalization Act's projected total savings of $235 million in local funds. In addition, the House bill would have created a District of Columbia Taxpayers Relief Fund, to receive the revenues collected in excess of those projected in the appropriations act. None of these provisions was included in the final Act.

Public Education System

Most of the decrease in appropriations for the public education system for FY1998 compared with FY1997 is explained by the transfer of responsibility for the teachers pre-FY1998 retirement program to the federal government.

P.L. 105-100 contains a number of substantive provisions intended to encourage the establishment of public charter schools in the District, both under the appropriations for the public education system and the general provisions (sections 167-172).[45] The public charter

---

[43]At the time of the budget proposals in the fall of 1997, the projected accumulated general fund deficit for year-end FY 1997 was $527 million. The actual accumulated deficit turned out to be $332 million. District of Columbia. *Comprehensive Annual Financial Report, Year ended September 30, 1997*. Washington, D.C., Februar 6, 1998. p. 7, 21.

[44]See note h to **Table 4**.

[45]Public charter schools for the District of Columbia were initially authorized by the District of Columbia School Reform Act of 1995, Title II of the FY1996 D.C. Appropriations Act, contained within P.L. 104-134. Two charter schools are in operation in the District of Columbia during the (continued...)

schools are fiscally autonomous from the District of Columbia Public Schools (DCPS). The charter schools received a separate appropriation of $3.376 million,[46] $400,000 of which is reserved for administrative expenses of the Public Charter School Board. Any funds reserved for charter schools that are not expended by May 1, 1998, plus certain other funds that may become available, will be placed into a New Charter School Fund, a revolving loan fund to help charter schools meet startup costs (Sec. 172).

The Emergency Transitional Education Board of Trustees is directed to report to the Congress within 120 days of enactment on the capital needs of each charter school. In the meantime, the Board is to provide to charter schools financial assistance to meet capital needs equivalent to that provided to schools in the DCPS. This includes giving priority to charter schools in the disposition of surplus public school property and reporting back to Congress by November 1, 1998, on the implementation of that policy. P.L. 105-100 also increases the number of charters that may be granted from 5 to 10 schools per chartering authority each year, and establishes an annual deadline of April 1 by which chartering authorities must decide on the approval of new charter applications (Sec. 167).

Accounting Uncertainties Regarding the Final Act

Sec. 138(a)(1)(B) of P.L. 105-100 as enacted provides for a ceiling on total operating expenses of $4,811.906 million; $118.269 million is from intra-District funds, leaving a net amount of $4,963.637 million for operating expenses. This include $4,047.388 million for general fund operating expenses and $646.249 million for enterprise fund operating expenses. In addition, $269.330 million was appropriated for general fund capital expenditures. The total appropriation of District of Columbia funds was $4,962.967 million. (See **Table 4**.)

The ceiling on operating expenses as specified in Sec. 138(a)(1)(B) was **not** increased to reflect three appropriations from local D.C. funds added in the final version of the bill. These include the $2.6 million appropriation for a pay increase for uniformed firefighters (Sec. 165); the $7.0 million appropriation for homeless services (Sec. 142); and the increase in appropriations for charter schools by $2.141 million, from $1.235 million to $3.376 million, under the appropriations for the public education system. It remains unclear whether Congress intended to increase the overall appropriations ceiling to accommodate these, or whether Congress expected the needed funds to be reprogrammed from related budget categories.

The accounting published in the *Congressional Record* includes the additional appropriations for the fire fighters pay increase and homeless services in ($9.6 million) higher totals for operating expenses of the general fund and total District of Columbia funds, but it does not include the increase in appropriations for charter schools.[47] The numbers in **Tables**

---

[45](...continued)
1997-98 school year. Several additional schools have received charters to begin operations in subsequent years. For additional information on charter schools, see CRS Report 97-519. *Charter Schools: State Developments and Federal Policy Options*, by Wayne Riddle, James Stedman, and Steven Aleman. Updated Nov. 7, 1997. 37 p.

[46]The numbers reported in the final Act for the public education system and the ceiling on the operating budget specified in Sec. 138(a) were not adjusted to reflect the increase of $2.141 million in the appropriation for charter schools (from $1.235 million to $3.376 million) provided in a Senate floor amendment and included in the final bill.

[47]*Congressional Record*, Daily Ed., vol. 143, no. 159, Nov. 12, 1997, p. H10760-61, column for "House Amendment."

4 and 5 of this report adhere to the lower operating expense ceiling set forth in the enacted language, and not the higher numbers published in the *Congressional Record* table.

Table 4. District of Columbia Appropriations, H.R. 2607, S.1156, P.L. 105-100, District of Columbia Funds

(in millions of dollars)

Federal Appropriations for D.C.	FY1997 Enacted	D.C.'s Amend. FY1998 Request (est.)[a]	House Bill, original H.R. 2607	Senate Approp. Com.Bill, S.1156 as amended	Final Enacted, H.R. 2607 as amended
Division of Expenses, District of Columbia Funds					
GENERAL FUND					
Governmental direction and support	115.663	105.177	119.177	105.177	105.177
Economic development and regulation	135.704	120.072	120.072	120.072	120.072
Public safety and justice[b]	1,041.281	494.970	502.970	529.739	529.739
Pay increase for uniformed fire fighters (Sec. 165)	--	--	--	--	{2.600}[c]
Public education system	758.815	672.444	673.444	672.444	672.444[c,d]
Human support services[e]	1,685.707	1,718.939	1,718.939	1,718.939	1,718.939
Homeless services (Sec. 142)	--	--	--	--	{7.000}[c]
Public works	247.967	241.934	241.934	241.934	241.934
Financing and other[f]	[432.068]	454.773	[454.773]	454.773	454.773
Washington Convention Center fund[f]	5.400	[5.400]	5.400	[5.400]	[5.400]
Repayment of loans and interest[f]	333.710	[384.430]	366.976	[384.430]	[384.430]
Repayment of general fund recovery debt[f]	38.314	[39.020]	39.020	[39.020]	[39.020]
Interest on short-term borrowing[f]	34.461	[12.000]	12.000	[12.000]	[12.000]
Certificates of participation (One Judiciary Square)[f]	7.926	[7.923]	7.923	[7.923]	[7.923]
Human Resources Development[f]	12.257	[6.000]	6.000	[6.000]	[6.000]
Cost reduction initiatives	-47.411	--	--	--	--
Presidential inaugural	5.702	--	--	--	--
D.C. Financial Responsibility and Management Assistance Authority	3.400	3.220	3.220	3.220	3.220
Deficit reduction and revitalization	--	S 235.859	200.000[g]	201.090	201.090
Paydown of accumulated deficit	--	S [202.289]	--	[g]	[g]
Management and Productivity Improvement Fund	--	S [30.000]	5.000	[h,i]	[h,i]
Interest payments on additional capital borrowing	--	S [3.571]	--	[h]	[h]

Federal Appropriations for D.C.	FY1997 Enacted	D.C.'s Amend. FY1998 Request (est.)[a]	House Bill, original H.R. 2607	Senate Approp. Com.Bill, S.1156 as amended	Final Enacted, H.R. 2607 as amended
Pay-as-you-go capital outlay (critical improvements and repairs to school facilities and streets)	--	--	30.000	--	--
Total, operating expenses, general fund	4,378.896	H 3,841.529 S 4,047.388	4,052.075[g]	4,047.388	4,047.388[c]
ENTERPRISE FUNDS					
Enterprise and other uses[j]	[2.511]	[15.725]	[15.725]	15.725	15.725
Cable television enterprise fund[j]	2.511	2.467	2.467	[2.467]	[2.467]
Public Service Commission[j]	--	4.547	4.547	[4.547]	[4.547]
Office of People's Counsel[j]	--	2.428	2.428	[2.428]	[2.428]
Office of Banking and Financial Institutions[j]	--	0.600	0.600	[0.600]	[0.600]
Department of Insurance and Securities Regulation[j]	--	5.683	5.683	[5.683]	[5.683]
Water & Sewer Authority and the Washington Aqueduct	221.362	297.310	297.310	297.310	297.310
Lottery and charitable games enterprise fund	247.900	213.500	213.500	213.500	213.500
Starplex fund (D.C. Sports Commission)	8.717	5.936	5.936	5.936	5.936
D.C. General Hospital, operating expenses	52.684	H 59.599 S 52.684	59.599	52.684	52.684
D.C. Retirement Board	16.667	16.762	4.898	16.762	16.762
Correctional Industries Fund	3.052	3.332	3.332	3.332	3.332
Washington Convention Center Enterprise Fund	42.596	41.000	41.000	41.000	41.000
Total, Enterprise Funds	595.489	H 653.164 S 646.249	641.300	646.249	646.249
CAPITAL OUTLAY					
General Fund	46.923	269.330	269.330	269.330	269.330
Total, District of Columbia Funds	H 4,401.671 S 5,021.308	H 4,764.023 S 4,962.967	4,962.705[g]	4,962.967	4,962.967[c]

Source: FY1997 enacted, D.C. budget request, and Senate Appropriations Committee numbers from U.S. Congress. Senate. Committee on Appropriations. *District of Columbia Appropriations Bill, 1998. Report to accompany S. 1156.* S.Rept. 105-75. 105th Cong., 1st Sess., Sept. 9, 1997. p. 47-49. House bill numbers from U.S. Congress. House. Committee on Appropriations. *District of Columbia Appropriations Bill, 1998*. Report together with Dissenting Views to accompany H.R. 2607. H.Rept. 105-298. 105th Cong., 1st Sess., Oct. 6, 1997. Final enacted from P.L. 105-100 and *Congressional Record*, Daily Ed., vol. 143, no. 159, Nov. 12, 1997, p. H10760-61, column for "House Amendment," with the exceptions noted here in the text.

Notes:
Amounts shown are net of intra-District funds.
Brackets [] indicate that the individual line items are included in an accompanying subtotal, or that the subtotal in brackets is broken out into its individual line items.
Brackets {} indicate that the item was included in the *Congressional Record* table of Nov. 12, 1997, but not reflected in the enacted ceiling on operating expenses. See note c below.
H indicates the District's request according to the House's accounting; S indicates the District's request according to the Senate's accounting.

[a] FY1998 estimates for District of Columbia Funds are those of the D.C. Financial Responsibility and Management Assistance Authority (the Control Board).

[b] The category of public safety and justice experienced a large shift in financial responsibility from the District to the federal government as a result of the Revitalization Act.

[c] Three appropriations added in the final version of the bill were not reflected in an increase in the ceiling on operating expenses specified in Sec. 138(a)(1)(B) of the Act. These include the $2.6 million appropriation for a pay increase for uniformed firefighters (Sec. 165); the $7.0 million appropriation for homeless services (Sec. 142); and the increase in appropriations for charter schools by $2.141 million, from $1.235 million to $3.376 million, under the appropriations for the public education system.

The accounting published in the *Congressional Record* at the time of final passage includes the combined additional appropriations of $9.6 million for the firefighters pay increase and homeless services in higher totals for operating expenses of the general fund ($4,056.988 million) and total District of Columbia funds ($4,972.567 million), but it does not include the $2.141 million increase in appropriations for charter schools. *Congressional Record*, Daily Ed., vol. 143, no. 159, Nov. 12, 1997, p. H10760-61, column for "House Amendment." The accounting in this table adheres to the lower enacted ceiling on operating expenses.

[d] The numbers reported in the final Act for the public education system were not increased by $2.141 million to reflect the additional appropriation for charter schools provided in a Senate floor amendment and included in the final bill.

[e] During 1997, the District's Department of Human Services was divided into two separate departments: the Department of Human Development and the Department of Health. The budgetary treatment of these two new departments was not formalized in time for the FY1998 appropriations cycle, so the appropriation was once again made for the aggregate functional category of human support services.

[f] Six line items were appropriated as a group under "Financing and other" in the FY1998 Senate Appropriations Committee bill and final Act, but enumerated individually in the House bill.

[g] Unlike the Senate Appropriations Committee bill, the original House bill did not include the surplus from the Revitalization Act exchange, or the House's proposed $200 million deposit into a deficit reduction fund, as expenditures. For the sake of comparability, the accounting for the House bill has been revised to show the provision for deficit reduction and revitalization as a positive appropriation of $200 million (rather than zero); correspondingly, the totals for operating expenses of the general fund and the total for District of Columbia funds were increased by $200 million compared to the dollar amounts shown in the House report on the bill (H.Rpt. 105-298). *Congressional Record*, Daily Ed., vol. 143, no. 159, Nov. 12, 1997, p. H10760-61.

[h] Regarding the "one-time net benefit of $201,090,000 to the District, realized as a result of the enactment of the Revitalization Act," the Senate Appropriations Committee report to accompany S. 1156 (S. Rept. 105-75, p. 42) directs "...that not less than $160,000,000 of the net benefit will be used to reduce the accumulated deficit, estimated to be $527,000,000 at September 30, 1997. Other amounts will be used for debt service on much needed capital improvements to the District's infrastructure. Finally, an amount will be used for management and productivity improvements." The Explanatory Statement of the Senate Committee on Appropriations (*Congressional Record*, Nov. 13, 1997, p. S12659) reiterates that the bill directs that not less than $160 million be used for reduction of the accumulated general fund deficit.

[i] In the Senate Appropriations Committee bill and the final Act, $8 million in federal funds was provided for management reform.

[j] Five line items were appropriated as a group under "Enterprise and other uses" in the Senate Appropriations Committee bill and final Act, but enumerated individually in the House bill. Four of the offices are listed

for the first time in the FY1998 appropriation; of the group, only the cable television enterprise fund appeared in the FY1997 appropriation.

Major Funding Trends: Summary

The amounts for total federal funds to the District (**Table 3**) and total District of Columbia Funds (**Table 4**) should not simply be added together to reach a grand total of funds appropriated on behalf of the District. This is because some federal payments to the District are counted twice, once as part of federal funds to D.C. (on the federal expenditure side), and again as part of District of Columbia Funds (on the District revenue side).

In FY1997, all of the federal funds appropriated on behalf of D.C. were paid over to the District to help cover expenditures also accounted for under the District's own local funds. In FY1998, the District's local funds will include the federal contribution to the nation's capital and one of the special federal payments appropriated — the federal payment for management reform. However, the other federal payments provided in the FY1998 appropriations are for activities outside those included in the District's budget of local funds. This includes the payments for corrections and criminal justice, the National Park Service, and the Medicare demonstration project.[48]

The calculations in **Table 5** adjust for this double counting. Total District of Columbia funds appropriated for FY1998 are $4,962,967,000. This is $58.341 million less than the total amount of local funds appropriated for FY1997, $5,021,308,000. Total federal funds appropriated for the District are $835 million for FY1988. This is $116 million more than the $719 million appropriated for FY1997. Simply adding these two lines together suggests that the combined total funds appropriated for the District increased by $57.887 million between FY1997 and FY1998. However, when these numbers are corrected for the double counting explained above, there is a net increase of $578.659 million in combined federal and local funds available to the District for FY1998 compared with FY1997. This is largely explained by the fact that the new federal payments for D.C. corrections and criminal justice are not counted again within the District's own budget, while the prior federal payment was counted twice.

Table 5. Total Funds Appropriated for the District of Columbia, FY1997 and FY1998

(in millions of dollars)

Federal Appropriations for D.C.	FY1997 Enacted	FY1998 Enacted	Difference 1998 - 1997
Total District of Columbia Funds	5,021.308	4,962.967	(58.341)
Total Federal Funds to D.C.	718.772	835.000	116.228
Simple sum	5,740.080	5,797.967	57.887
Correction for double counting of federal funds in District of Columbia funds			

[48]In addition, local District funds include monies received from various federal grant programs and reimbursements from federal programs such as Medicaid and Medicare, available to state and local governments throughout the country. The increase in the federal share of the District's Medicaid expenditures from 50% to 70% will be counted among these reimbursements.

Less: federal payment, pension contribution, inaugural payment, drinking water contribution	-718.772		718.772
Less: federal contribution		-190.000	-190.000
Less: federal payment for management reform		-8.000	-8.000
Total, corrected for double counting	5,021.308	5,599.967	578.659

Source: Tables 3 and 4.

Future Issue: The Federal Contribution

A major unresolved issue from the Revitalization Act affecting D.C. appropriations is how the "federal contribution" to the District of Columbia will be determined for future fiscal years.

The Revitalization Act officially repealed the federal payment to the District of Columbia, but in its stead authorized a "federal contribution towards the costs of the operations of the government of the Nation's capital" (Subtitle G, Section 11601 of P.L. 105-33). The Act authorized a specific dollar amount for the federal contribution for FY1998 only — $190 million. For future years, the Act left the dollar amount of the federal contribution to be determined. According to the Act, after FY1998:

> "...for each subsequent fiscal year, such amount as may be necessary for such contribution.
>
> In determining the amount appropriated pursuant to the authorization under this paragraph, Congress shall take into account the findings described in paragraph (1)."

The four elements cited as findings in paragraph (1) may be paraphrased as follows:

- the congressionally imposed height limit on buildings and other limitations relating to the federal presence in the District that may tend to reduce tax revenues;
- the congressional prohibition against levying an income tax on nonresident commuters, which limits the District's ability to tax income earned in the District of Columbia;
- the unreimbursed public service costs imposed by the federal government's presence; and
- the resulting high tax burden on District residents relative to residents of other jurisdictions in the Washington, D.C. metropolitan area and other cities of comparable size.

As with previous legislation authorizing the federal payment, the Revitalization Act does not present a formula or methodology for translating the generalized notion of compensating the District for the federal government's presence into a predictable dollar amount.[49]

---

[49] All of these four factors have been cited at some time in previous legislation authorizing the federal payment.

For Additional Reading

CRS Products

CRS Report 95-628. *Appropriations for FY1996: District of Columbia*, by Suzanne Cavanagh and Nonna A. Noto.

CRS Report 96-636. *Appropriations for FY1997: District of Columbia*, by Suzanne Cavanagh and Nonna A. Noto.

CRS Report 97-810. *Central American Asylum Seekers: Impact of 1996 Immigration Law*, by Ruth Ellen Wasem.

CRS Report 97-1004. *D.C. Statehood: The Historical Context and Recent Congressional Actions*, by Garrine P. Laney.

CRS Report 95-1030. *District of Columbia Public Schools: Status of Federal Legislation Affecting Them, by Wayne C. Riddle*. Updated May 7, 1996.

CRS Report 97-374. *District of Columbia Reorganization: Clinton Administration Proposal for the IRS to Collect DC Income Taxes*, by Nonna A. Noto.

CRS Report 97-498. *District of Columbia Revitalization: A Preliminary Review of the President's Plan*, by Eugene Boyd, Coordinator.

CRS Report 97-766. *District of Columbia Revitalization: Legislation Enacted by the 105th Congress*, by Eugene Boyd, Coordinator.

CRS Report 97-596. *District of Columbia Unfunded Pension Liabilities: Background, Issues, and Options*, by CRS Pension Team.

CRS Report 97-50. *Education Vouchers: The Constitutional Standards*, by David M. Ackerman.

CRS Report 97-658. *Federal Assistance for the District of Columbia: Tax Preferences or Restructuring Intergovernmental Responsibility for Services?*, by Dennis Zimmerman and Kingsley Nwala.

CRS Report 95-344. *Federal Support of School Choice: Background and Options*, by Wayne C. Riddle and James B. Stedman.

CRS Report 97-904. *Fiscal Year 1998 Continuing Resolution*, by Sandy Streeter.

CRS Report 97-911. *Suspension of Deportation: Tighter Standards and Their Application to Central American and Other Long-Term Residents*, by Larry M. Eig.

Other References

U.S. Congress. Senate. Committee on Appropriations. *District of Columbia Appropriations Bill, 1998. Report to accompany S. 1156.* S.Rept. 105-75. 105th Cong., 1st Sess., September 9, 1997.

----- *Supplemental Appropriations and Rescissions Act, 1997. Report to Accompany S. 672*. Senate Prt. 105-16, 105th Cong., 1st Sess. Washington, April 30, 1997.

---- Explanatory Statement of the Senate Committee on Appropriations (to accompany H.R. 2607, making appropriations for the District of Columbia for fiscal year 1998). *Congressional Record*, Daily Edition, v. 143, no. 160 -- Part II, November 13, 1997. p. S12658-60.

U.S. Congress. House. Committee on Appropriations. *District of Columbia Appropriations Bill, 1998*. Report together with Dissenting Views to accompany H.R. 2607. H.Rept. 105-298. 105th Cong., 1st Sess., October 6, 1997.

U.S. Executive Office of the President. Office of Management and Budget. *Budget of the United States Government, Fiscal Year 1998. Appendix.* Transmitted to Congress February 6, 1997. Washington, U.S. Govt. Print. Off., 1997. pp. 1025-28.