

Report for Congress

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Appropriations for FY2003: District of Columbia

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Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, consolidated, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bound 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.

This report is a guide to one of the 13 regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the House and Senate Interior Appropriations Subcommittees. 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.

This report is updated as soon as possible after major legislative developments, especially following legislative action in the committees and on the floor of the House and Senate.

NOTE: A Web version of this document with active links is available to congressional staff at: [<http://www.crs.gov/products/appropriations/apppage.shtml>].

Appropriations for FY2003: District of Columbia

Summary

The District of Columbia faces a congressionally imposed October 1, 2002 deadline to address a \$323 million budget shortfall for the coming fiscal year. In May 2002, the District submitted its budget for congressional review and approval. The city's budget request includes \$592.4 million in federal payments to the District of Columbia including \$159 million for court operations and \$161.9 million for the Court Services and Offender Supervision Agency for the District of Columbia. The city's proposed operating budget includes \$5.7 billion in general operating fund expenditures, and \$661 million in enterprise funds. The budget also requests \$96 million in special federal payments for a new infrastructure initiative and \$23 million for public education initiatives related to special education and credit enhancement for public charter schools.

On July 26, 2002, the Senate Appropriations Committee reported S. 2809, the District of Columbia Appropriations Act for FY2003. The Senate bill includes \$517 million in special federal payments to the District of Columbia including \$17 million for the District's college access program; \$15 million for security and emergency preparedness activities associated with the city's status as the national capital; and \$15 million for capital infrastructure development, which is significantly less than the \$96 million requested by the District.

S. 2809, as reported, would continue to allow the District to use its local funds to administer a domestic partners health insurance act approved by the city council and signed by the mayor in 1992. Prior to the passage of the P.L. 107-96, the District of Columbia Appropriations Act for FY2002, Congress prohibited the implementation of the Health Care Benefits Expansion Act. S. 2809 would allow the use of District funds for a needle exchange program as a strategy aimed at reducing the spread of HIV among illegal drug users. In addition, the bill would continue congressionally imposed prohibitions on the use of District or federal funds to prepare a medical marijuana ballot initiative and the use of federal or District funds for abortion services except in instance of rape or incest.

This report will be updated as warranted.

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Division abbreviations: G&F = Government and Finance Division; DSP = Domestic Social Policy Division

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Appropriations for FY2003: District of Columbia

Most Recent Developments

On September 17, 2002, the District's Chief Financial Officer (CFO) notified city leaders of a potential \$323 million budget shortfall facing the city in FY2003. On July 26, 2002, the Senate Appropriations Committee reported S. 2809, a bill appropriating funds for the District of Columbia for FY2003 (See Table 1). The bill includes \$517.0 million in special federal assistance for the District of Columbia. The Committee's recommendations exceed the \$378.8 million requested by the President in his budget submitted on February 4, 2002. Included in the Committee's budget recommendations is \$17 million for the District's college access program, \$173.2 million for the District of Columbia courts, \$154.7 million for the Court Services and Offender Supervision Agency for the District of Columbia, and \$15 million for security costs related to the federal presence in the District of Columbia. The bill, as reported by the Committee, recommends approving the city's \$7.2 billion budget, which includes \$5.7 billion for its general fund operating budget.

Table 1. Status of District of Columbia Appropriations: FY2003

Committee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conf. Report Approved		Pres. Action
House	Senate						House	Senate	
	7/25/02			107-225					

Background

Since the phaseout of the District of Columbia Financial Responsibility and Management Assistance Authority (the Authority)¹ in September 2001, and the signing of the District of Columbia Appropriations Act for FY2002, P.L. 107-96, on December 21, 2001, the District of Columbia government has continued to make progress in improving the delivery of services and in the city's long-term financial health; however, issues remain. Most notably, the city faces a projected budget shortfall of \$323 million for FY2003, if corrective action is not taken. The CFO's Comprehensive Annual Financial Report (CAFR), released in January 28, 2002, certified that the city had achieved a \$77.6 million budget surplus for FY2001, resulting in an accumulated General Fund balance of \$526 million. This achievement marks the city's fifth consecutive year of balanced or surplus budgets.

¹ The Authority is also known as the control board.

During the last year, the District of Columbia's elected and appointed leadership addressed a number of other governance-related issues, including school reform and medical services for the uninsured. School reform, according to observers, is a work-in-progress. The new Board of Education has to address a \$40 million budget deficit and issues surrounding special education services and the certification of charter schools. The downsizing of D.C. General Hospital and the creation of an alternative health care delivery system for the city's poor residents was, and continues to be, a contentious political issue.

District of Columbia Financial Condition

The District of Columbia Financial Responsibility and Management Assistance Act of 1995, P.L. 104-8, created the Authority and the Office of Chief Financial Officer (OCFO). Under the law the CFO is charged with producing audited statements of the city's financial condition; preparing the city's annual budget; borrowing on behalf of the District; collecting receipts, payments, and transactions for the District; investing the city's funds; and administering and enforcing tax laws. Working in concert, the District's elected political leadership, the presently dormant Authority and the CFO implemented a series of financial and management reforms.

The District ended FY1997 with a surplus of \$186 million. For FY1998, the city's budget surplus was \$445 million.² After a 13-week delay, the city's CFO reported an FY1999 surplus of \$135 million. For FY2000, the general fund surplus was \$241 million, and for FY2001, \$77.6 million.³

The Office of the CFO has played a critical role in the city's success in maintaining budget discipline and its return to fiscal health. On January 28, 2002, the CFO released the city's Comprehensive Annual Financial Report (CAFR) for FY2001. The report, which is a critical barometer of the city's financial health, showed that it had a budget surplus of \$77.6 million at the end of FY2001. The FY2001 CAFR met the CFO's key objectives of producing an unqualified audit opinion and a balanced or surplus budget for the fifth consecutive year.

In 2001, the city approved amendments to the D.C. Code making the OCFO a permanent part of the city's governing structure. Without such legislation or the intervention of Congress, the OCFO would have ceased operating on September 30,

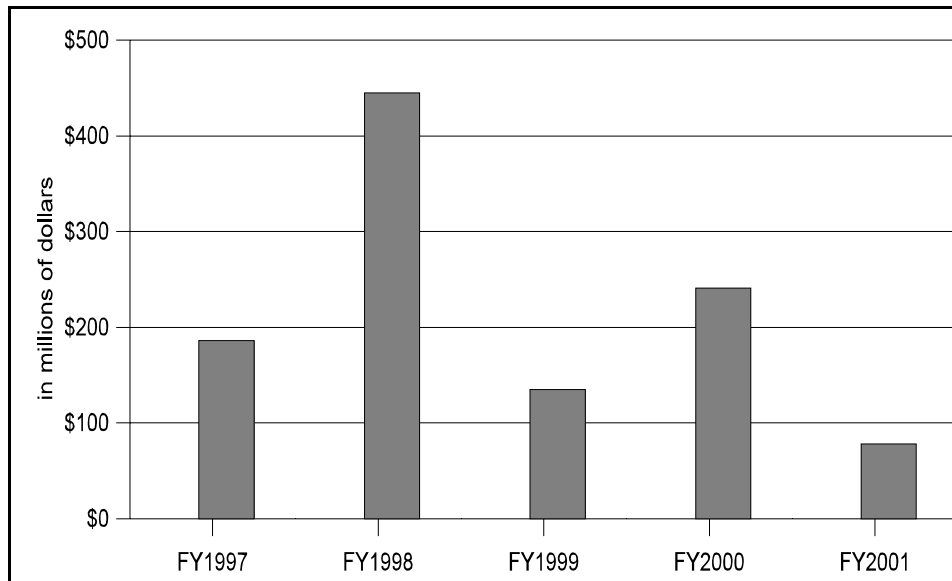
² The District's FY1998 surplus was, in part, the result of the National Capital Revitalization Act of 1997 (P.L. 105-33). The Revitalization Act, which improved the city's fiscal prospects through the infusion of over \$5 billion in federal funds, transferred financial responsibility for a number of functions to the federal government, including accumulated pension liability for police, firefighters, teachers, and judges. The act also increased the federal share for Medicaid from 50% to 70%, and transferred responsibility for housing District felons to the federal government.

³ Government of the District of Columbia, Office of the Chief Financial Officer. *2001 Comprehensive Annual Financial Report (CAFR)*. (Washington: January 28, 2002), p. 1. Available online at [<http://cfo.dc.gov/cafr/2001/index.shtm>].

2001, the end of the control period.⁴ In July 2001, a conference committee considering supplemental appropriations for the District of Columbia for FY2001 offered, but later withdrew, a proposal regarding the District's Chief Financial Officer. On June 19, 2001, the city council held a public hearing on the Independence of the Chief Financial Officer Establishment Act of 2001, B14-0254. The legislation, which makes the position of CFO permanent; provides for the appointment and removal of the CFO by the mayor, with the consent of the city council during a non-control year; and transfers to the CFO the responsibility for the management of all executive branch agencies involved in managing the city's finances. The bill was approved by the Council by a voice vote on July 10, 2001 as legislative act 14-089.

For FY2002, the city faces a projected budget shortfall of \$323 million according to the CFO.⁵ The shortfall may require significant reductions in city services including education and human services.

**Figure 1. Year-End General Fund Balance:
FY1997-FY2001**



Health Care Safety Net Administration

Reform of the city's health care delivery system for the poor continues to be a divisive political issue. During the past two years, the city's political leadership has

⁴ Under P.L. 104-8 a control period is initiated during any year in which the city fails to achieve a balanced or surplus budget. A control period is terminated after the city has produced four consecutive years of balanced or surplus budgets. Administrative authority reverts to the Mayor. During a control period authority over the operations of the city government rests with the control board.

⁵ Government of the District of Columbia, Office of the Chief Financial Officer. *Revised Revenue Estimates for FY2003-FY2006*. (Washington: September 17, 2002) p. 1. Available online at: [http://cfo.dc.gov/news/2002/september/rev_est_analysis091702.shtm]

become bitterly divided over the downsizing of D.C. General Hospital, the demise of the Public Benefit Corporation (PBC), and the restructuring of the city's health care delivery system for indigent and uninsured residents of the city. The downsizing and restructuring of the hospital from a 250-bed advance trauma center to a community access hospital that treats and releases or transfers patients within 23 hours of admittance spawned a last minute challenge to the mayor's reelection bid.

Reform in the city's delivery of health care to the poor was sought by Congress because of the PBC's mismanagement of D.C. General Hospital. From 1997 to its dismantling in 2001, the PBC amassed \$109 million in unbudgeted loans from the city, using its power to borrow from the city's general fund to cover deficit spending and defer mounting debt. In addition to these questionable financial management practices, the PBC had been the subject of newspaper stories detailing questionable hiring practices, including the hiring of friends and relatives of city council members and former associates of the Executive Director of the PBC.

The new system administered by the newly created Health Care Safety Net Administration, which was created with the passage of the Health Care Privatization Act of 2001 (D.C. Law 14-18) and replaced the PBC, began functioning on April 21, 2001. It provides health care services to District residents with incomes that do not exceed 200% of the poverty level through the Health Care Alliance, a coalition of health care providers headed by Greater Southeast Community Hospital, and including Chartered Health Plan, Unity Health Care, Children's National Medical Center, the George Washington University Hospital, and the District of Columbia Department of Health.

Critics of the new plan complained that health care services to the poor would be severely curtailed, while supporters praised it as responsive and as an effective means of widening the health care choices of the city's uninsured while reducing the cost of care. They also noted that preliminary data from the program's first months of operation revealed that total enrollment year to date, as of June 27, 2002, was 20,532.⁶ This is below the 25,000 projected for the program's first year. The lower than expected enrollment is the result of enforcement of the program's rules governing eligibility. Those rules require enrollees to show proof of District residency, have incomes less than 200% of the poverty level, and have no other health coverage. The enforcement of these rules has resulted in budgeted funds going unused and has redirected thousands of ineligible applicants to other programs, including Medicaid. Critics complain that strict enforcement has also resulted in reducing health care access to the poor.

⁶ Government of the District of Columbia. Health Care Safety Net Administration. Alliance Statistics as of June 30, 2002. YTD. Available at: [http://dchealth.dc.gov/services/administration_offices/hcsna/statistics.shtm], visited Aug. 22, 2002.

Budget Request

FY2003: The President's Budget Request

On February 4, 2002, the Bush Administration released its FY2003 budget recommendations. The Administration's proposed budget included \$378.8 million in federal payments to the District of Columbia.⁷ An overwhelming percentage of the President's proposed federal payments and assistance to the District involve the courts and criminal justice system. This includes \$161.9 million for the Court Services and Offender Supervision Agency for the District of Columbia, an independent federal agency that has assumed management responsibility for the District's pretrial services, adult probation, and parole supervision functions. In addition, the Administration requested \$159 million in support of court operations, and \$32 million for Defender Services. These three functions (court operations, defender services, and offender supervision) represent \$352.9 million, or 93.2% of the President's proposed \$378.8 million in federal payments to the District of Columbia (see **Table 2**).

FY2003: District's Budget Request

In May 2002, District officials transmitted the city's \$5.7 billion budget for FY2003 to Congress for review and approval. The city's operating budget includes a \$70 million reserve fund. In addition, the District's budget would decrease local funding for public education by \$48 million while seeking \$23.2 million in special federal payments for charter school financing, early childhood education, and special education. The District's budget also would increase funding for human support services by \$680 million and for general government support by \$42.6 million. The budget must be approved by Congress (see **Table 3**).

FY2003: Section 302(b) Suballocation

Section 302(a) of the Congressional Budget Act requires that the House and Senate pass a concurrent budget resolution establishing an aggregate spending ceiling (budget authority and outlays) for each fiscal year. These ceilings are used by House and Senate appropriators as a blueprint for allocating funds. Section 302(b) of the Congressional Budget Act of 1974 requires appropriations committees in the House and Senate to subdivide their Section 302(a) allocation of budget authority and outlays among the 13 appropriations subcommittees. The House Appropriations Committee approved a Section 302(b) suballocation of \$517 million in budget authority for FY2003 for the District of Columbia.

⁷ U.S. Office of the President. *Budget of the United States Government, Fiscal Year 2003 Appendix* (Washington, GPO, 2002), p. 1096-1108.

Congressional Action on the Budget

Congress not only appropriates federal payments to the District to fund certain activities, but also reviews the District's entire budget, including the expenditure of local funds. The District subcommittees of both the House and Senate Appropriations Committees must approve—and may modify—the District's budget. House and Senate versions of the District budget are reconciled in a joint conference committee and must be agreed to by the House and the Senate. After this final action, the District's budget is forwarded to the President, who can sign it into law or veto it.

Table 2. District of Columbia General and Special Federal Payment Funds: Proposed FY2003 Appropriations
(in millions of dollars)

Programs	Enacted FY2002	FY2003				
		Admin.	City's budget	House Appro. Cttee.	Senate Appro. Cttee.	Conf.
Federal Payments: General and Special Fund						
Resident Tuition Program	17.0	17.0	17.0		17.0	
D.C. Courts Operation	112.2	159.0	159.0		173.2	
— Court Operations	[105.7]	[127.4]	[127.4]		[131.0]	
— Court of Appeals	[8.0]	[8.3]	[8.3]		[8.5]	
— Guard. ad Litem Program	—	—	—		[1.5]	
— Superior Court	[66.1]	[80.1]	[80.1]		[81.3]	
— Court system:	[31.6]	[38.9]	[38.9]		[39.7]	
— Capital improvements	[6.5]	[31.6]	[31.6]		[42.2]	
— Family Court	24.02	0.0	0.0		0.0	
— Superior Court	[23.3]	0.0	0.0		0.0	
— Mayor	[0.7]	0.0	0.0		0.0	
— Child and Family Service Agency	[0.5]	0.0	[1.1]		0.0	
Defender Services ^a	34.3	32.0	32.0		37.0	
Court Services and Offender Supervision Agency for the District of Columbia ^b	147.3f	161.9	161.9		154.7	
— Community Supervision and Sex Offender Registry	[94.1]	[100.6]	[100.6]		[95.7]	
— Public Defender Service	[20.8]	[23.9]	[23.9]		[23.1]	
— Pretrial Service Agency	[32.4]	[37.3]	[37.3]		[36.0]	
Court Appointed Special Advocate	0.25	0.0	0.0		0.0	
Corrections Trustee for Operations	30.2	0.0	0.0		0.0	

Programs	Enacted FY2002	FY2003				
		Admin.	City's budget	House Appro. Cttee.	Senate Appro. Cttee.	Conf.
— Case processing	[1.0]	0.0	0.0		0.0	
— Lorton sewage treatment plant closing	[1.5]	0.0	0.0		0.0	
— Lorton Building renovations	[0.5]	0.0	0.0		0.0	
Public Works Transportation. Management System Initiatives	—	1.0	1.0		1.0	
Emergency Planning	16.06	15.0	15.0		15.0	
— Development of an Emergency Ops. Plan	—	—	—		—	
— Emergency Plan Implementation	—	—	—		—	
— World Bank/IMF reimbursement	[3.4]	—	—		—	
Federal Water and Sewer Payment.	—	0.0	50.0		0.0	
D.C. Public Schools	2.5	0.0	23.2		0.0	
— Voyager Expanded Learning Literacy	[2.0]	0.0	0.0		0.0	
— Failure Free Reading Literacy	[0.25]	0.0	0.0		0.0	
— Lightspan, Inc., eduTest.com	[0.25]	0.0	0.0		0.0	
— Special Education Transportation Services	—	0.0	[5.0]		0.0	
— Special Education Satellite Facilities	—	0.0	[9.0]		0.0	
— Office of Early Childhood Education	—	0.0	[2.0]		0.0	
— D.C.Youth Orchestra	—	0.0	[0.2]		0.0	
— Y Care Program	—	0.0	[2.0]		0.0	
— Credit Enhancement Revolving Fund	—	0.0	[5.0]		0.0	
Capital Infrastructure Develop.	—	0.0	96.0		15.1	
— Eastern Mkt. Renov.	[0.05 ^c]	0.0	[0.15]		[0.1]	
— Downtown Circulator	—	0.0	[15.0]		0.0	
— Waterside Mall Street Extension	—	0.0	[7.0]		0.0	
— McKinley Tech. Ctr.	— ^d	0.0	[7.0]		0.0	
— Kenilworth Parkside Athletic Complex	note	0.0	[15.0]		0.0	

Programs	Enacted FY2002	FY2003				
		Admin.	City's budget	House Appro. Cttee.	Senate Appro. Cttee.	Conf.
— Crime lab/public health lab./ morgue	—	0.0	[30.0]		[5.0 ^e]	
— Unified Comm. Ctr.	—	0.0	[22.0]		[10.0]	
Technology Development	—	0.0	6.7		0.0	
— Info. and Compliance Clearinghouse	—	0.0	[3.2]		0.0	
— E-Filing and Tax Payment System	—	0.0	[3.7]		0.0	
WMATA Metro Rehab.	—	0.0	21.6		0.0	
Child and Family Services	—	0.0	10.0		0.0	
— Family Literacy Program	—	0.0	[5.0]		4.0	
— Incentives for the adoption of children in foster care	5.0	0.0	[5.0]		0.0	
— Adoption	[2.0]	0.0	0.0		0.0	
— Scholarship	[1.0]	0.0	0.0		0.0	
— Resource Center	[1.0]	0.0	0.0		0.0	
— Incentives for Special Needs Children	[1.0]	0.0	0.0		0.0	
Anacostia Waterfront Initiative	—	0.0	0.0		58.0	
— Kenilworth Park Recreation Facilities	— ^f	0.0	0.0		8.0	
— Water and Sewer Auth. Sewer Overflow Program	note	0.0	0.0		50.0	
D.C. Charter School Facilities	—	0.0	0.0		20.0	
Children's National Medical Center	5.5	0.0	0.0		5.0	
St. Coletta expansion	2.0	0.0	0.0		2.0	
CFO	8.3	0.0	0.0		15.0	
— Active Cap River Cleanup	[2.25]	0.0	0.0		0.0	
— U.S. Soccer Kenilworth Sports	[0.5f]	0.0	0.0		0.0	
— One Economy Corp.	[0.6]	0.0	0.0		0.0	
— Langston Project	[0.5]	0.0	0.0		0.0	
— Green Door	[1.0]	0.0	0.0		0.0	
— City Museum	[0.5]	0.0	0.0		0.0	
— Teach for America	[0.2]	0.0	0.0		0.0	
— Child Passenger Safety	[0.35]	0.0	0.0		0.0	

Programs	Enacted FY2002	FY2003				
		Admin.	City's budget	House Appro. Cttee.	Senate Appro. Cttee.	Conf.
— Eastern Market. Renovation Study	[0.05]	0.0	0.0		0.0	
—Excel Institute Adult Education Program	[1.0]	0.0	0.0		0.0	
— Woodlawn Cemetery Restoration	[0.3]	0.0	0.0		0.0	
— Real World Schools	[0.25]	0.0	0.0		0.0	
— Mentoring and hotline	[0.3]	0.0	0.0		0.0	
— Values training	[0.25]	0.0	0.0		0.0	
— Character building	[0.25]	0.0	0.0		0.0	
Capitol City Career Development and Job Training	0.5	0.0	0.0		0.0	
Capitol Education Fund	0.5	0.0	0.0		0.0	
Metro. Kappa Youth Development Foundation	0.45	0.0	0.0		0.0	
Fire and Emergency Medical Services Department	0.5	0.0	0.0		0.0	
Chief Medical Examiner	0.585	0.0	0.0		0.0	
Youth Life Foundation	0.25	0.0	0.0		0.0	
Food for Friends Program	2.0	0.0	0.0		0.0	
City Administrator	0.3	0.0	0.0		0.0	
Chief Technology Officer	0.0	0.0	0.0		0.0	
Southeastern Univ./ McKinley Tech Partnership	0.5	0.0	0.0		0.0	
Thurgood Marshall Academy Charter School	1.0	0.0	0.0		0.0	
G. Washington University Center for Excellence in Municipal Management	0.25	0.0	0.0		0.0	
Law Enforcement Mobile Wireless Interoperational	1.4	0.0	0.0		0.0	
— CTO	[0.4]	0.0	0.0		0.0	
— U.S. Secret Service	[0.33]	0.0	0.0		0.0	
— U.S. Capitol Police	[0.33]	0.0	0.0		0.0	
— U.S. Park Police	[0.33]	0.0	0.0		0.0	
Faith and Politics Institute	0.05	0.0	0.0		0.0	
Poplar Point Brownfield Remediation	3.5	0.0	0.0		0.0	
— Environmental assessment	[2.15]	0.0	0.0		0.0	

Programs	Enacted FY2002	FY2003				
		Admin.	City's budget	House Appro. Cttee.	Senate Appro. Cttee.	Conf.
— Anacostia Park entrance	[1.3]	0.0	0.0		0.0	
Enforcement of law banning tobacco possession by minors	0.1	0.0	0.0		0.0	
Total federal payments	407.9	378.7	592.4		517.0	

^a In previous years, funds would be provided as part of District of Columbia court operations. Congress created a separate appropriation to ensure payment of attorneys representing indigent persons, guardianship, and abused and neglected children in court proceedings.

^b Certified as a federal agency on August 14, 2000.

^c In FY2002 funds awarded under separate heading to the CFO for a feasibility study of Eastern Market renovation.

^d FY2002 appropriations included \$0.5 million for Southeastern University and McKinley Technology Center funding.

^e \$5 million would be made available in FY2003 to fund the crime lab activities only.

Allows courts to reallocate not more than \$1 million among activities funded under this heading.

^f \$0.5 million was appropriated to CFO in FY2002 for soccer facilities at Kenilworth Park.

S. 2809. On July 26, 2002, the Senate Appropriations Committee reported S. 2809, the District of Columbia Appropriations Act for FY2003. The bill includes \$517 million in special federal payments and contributions to the District. The majority of the funds will be used for courts, prisons, and offender supervision-related activities. The Senate Appropriations Committee also included \$15 million for emergency planning and response activities, and an additional \$15 million for capital infrastructure projects that would support the creation of a unified communications center to serve all D.C. first responders (\$10 million) and a state-of-the-art forensic laboratory (\$5 million). The Committee also included \$58 million for the Anacostia Waterfront Initiative. Of this amount \$5 million would be used to develop parks and recreational facilities at Kenilworth Park and \$50 million would be used to design and rebuild the water and sewer system that serves the nation's capital. These funds would be matched by local funds.

FY2003 General Provisions, Senate Bill. During its consideration of the bill, the Senate Appropriations Committee included a provision that would remove the prohibition on the use of District funds for costs associated with implementing the District's Health Care Benefits Expansion Act of 1992. The act allows a District employee to include a cohabitating, but unrelated, person on the employee's health insurance plan. The law also allows unrelated heterosexual and homosexual couples to register as domestic partners. The Committee also reduced the number of general provisions included in the bill to 36 from the 41 included in the FY2002 Appropriations Act. It retained a number of provisions that District officials wanted eliminated or modified, including those related to medical marijuana, abortion, and needle exchange programs.

Table 3. District of Columbia General Funds
(in millions of dollars)

Programs	Enacted FY2002	FY2003			
		District	House	Senate	Conf.
Division of Expenses: District of Columbia Funds					
GENERAL FUND					
Governmental Direction and Support	322.714	280.136		295.136	
Economic Development and Regulation	231.895	258.539		258.539	
Public Safety and Justice	637.993	639.892		639.892	
Public Education System	1,152.014	1,200.201		1,220.201	
Human Support Services	1,816.470	2,496.297		2,500.297	
Public Works	314.093	324.828		324.828	
Receivership Programs	416.460	0.0		0.0	
Workforce Investments	42.896	54.186		54.186	
Reserve Fund	120.000	70.000		70.000	
Reserve Relief	30.0	0.0		0.0	
Emergency Planning and Security Costs	16.058	15.000		15.000	
Repayment of Loans and Interest	247.902	267.451		267.451	
Repayment Gen. Fund Recovery Debt	39.300	39.300		39.300	
Pay Interest on Short Term Borrowing	0.500	1.000		1.000	
Presidential Inauguration	0.0	0.0		0.0	
Wilson Building	8.859	4.194		4.194	
Emergency Reserve Fund Transfer (Tobacco Settlement Trust Fund Transfer)	33.254	10.000		10.000	
One Judiciary Square Certificate of Participation	0.0	7.950		7.950	
Non-departmental Agency	5.799	5.799		5.799	
Pay-As-You-Go Capital	0.0	16.750		16.750	
Capital Infrastructure Investment	0.0	0.0		15.100	
General Fund Total Operating Expenses	5,436.207	5,714.345		5,768.445	
Enterprise Funds					
Water and Sewer Authority	244.978	253.743		253.743	
Washington Aqueduct	46.510	57.847		57.847	
Stormwater Permit Compliance	2.151	3.100		3.100	
Lottery and Charitable Games	229.688	232.881		232.881	

Programs	Enacted FY2002	FY2003			
		District	House	Senate	Conf.
Sports and Enter. Commission	9.627	15.510		23.510	
DC Public Benefit Corp.	0.0	0.0		0.0	
DC Retirement Board	13.388	13.388		13.388	
Convention Center Enterprise Fund	57.278	78.700		78.700	
Housing Finance Agency	4.711	0.0		0.0	
National Capital Revitalization Corporation	2.673	6.745		6.745	
Total Enterprise Funds	611.953	661.914		661.914	
Total Operating Expenses	6,048.160	6,376.259		6,438.359	
Capital Outlay					
General Fund	1,074.604	639.070		639.070	
Water and Sewer Fund	152.114	292.458		342.458	
Total Capital Outlays	1,226.718	931.528		981.528	
Total District of Columbia Funds	7,274.878	7,304.787		7,419.887	

Key Policy Issues

Budget Shortfall

According to the city's CFO, the District faces a potential FY2003 budget deficit of \$323 million. Revenue shortfalls can, in part, be attributable to the attacks of September 11, 2001, which reduced tourism, convention, and business travel income. Other factors such as a slowing economy, lower returns on investments, and overspending in such areas as public education have contributed to the looming deficit. City leaders, in order to avoid congressional intervention or the possible resurrection of the control board, must develop an acceptable plan by October 1, 2002—the start of the 2003 fiscal year—that closes the revenue and expenditure gap.

City officials have several options available to address a projected \$323 million deficit. The mayor and city council could agree to:

- reduce expenditures;
- increase taxes and fees;
- access the reserve fund; or
- any combination of the three.

If city leaders are unable to fashion a plan, the city faces the possibility that Congress will intervene and make the cuts. According to press reports, the most likely plan will include significant cuts in the 10 agencies with the largest budgets including education, health, and human services.⁸ Cuts in these areas will affect

⁸ David Nakamura, "D.C. Targets Schools To Eliminate Deficit: Tax Increases, Program (continued...)"

children and the poor. It may also involve a significant reduction in the city's work force and the deferring of employee wage increases, planned capital expenditures or program increases. The city is asking unions to temporarily put off raises built into their contracts for FY2003, which begins October 1, 2002. The raises average about 4% with police raises at 5%. According to estimates by the Williams administration, if the unions agree to a four-month delay, for instance, it might save the city \$8 million to \$10 million.⁹

If the city chooses tax and fee increases, the mostly likely could be on alcohol, hotel, and tobacco. According to Jack Evans, chair of the city council's Finance and Revenue Committee, increases in general sales or property taxes could prove politically unpopular, since city residents are among the most heavily taxed in the nation.¹⁰ The city could also roll back planned income tax relief.

Another option is the use of the city reserve funds. It should be noted that the District of Columbia Appropriations Act of 2002, P.L. 107-96 and the D.C. Code (§1-204.50a) require the District, when using reserve funds to close a budget gap in a given fiscal year, replenish the fund the following fiscal year. Currently, the city's CFO projects annual budget deficits for the next four years that may reach as much as \$351 million in FY2006.¹¹

Needle Exchange

Whether or not to continue a needle exchange program funded with federal or District funds is one of several key policy issues that Congress will likely consider when reviewing the District's appropriations for FY2003. The controversy surrounding funding a needle exchange program touches on issues of home rule, public health policy, and government sanctioning and facilitating the use of illegal drugs. Proponents of a needle exchange program contend that such programs reduce the spread of HIV among illegal drug users by reducing the incidence of shared needles. Opponents of these efforts contend that such programs amount to government sanctioning of illegal drugs by supplying drug-addicted persons with the tools to use them. In addition, they contend that public health concerns raised about the spread of AIDS and HIV through shared contaminated needles should be addressed through drug treatment and rehabilitation programs. Another view in the debate focuses on the issue of home rule and the city's ability to use local funds to institute such programs free from congressional actions.

⁸ (...continued)

Cuts Weighed," Washington Post, Sept. 14, 2002, p. B1.

⁹ David Fahrenthold, "D.C. Suggests Delaying Pay Raises," Washington Post, September 20, 2002, p. B5.

¹⁰ Craig Timberg, "D.C. Must Fix \$323 Million Deficit by Oct. 1.," Washington Post, September 18, 2002, p. B3.

¹¹ Government of the District of Columbia, Office of the Chief Financial Officer. *Revised Revenue Estimates for FY2003-FY2006*. (Washington: September 17, 2002), p. 1. Available online at: [http://cfo.dc.gov/news/2002/September/rev_est_analysis091702.shtml], visited September 19, 2002.

The prohibition on the use of federal and District funds for a needle exchange program was first approved by Congress as Section 170 of the District of Columbia Appropriations Act for FY1999, P.L. 105-277. The 1999 Act did allow private funding of needle exchange programs. The District of Columbia Appropriations Act for FY2001, P.L. 106-522, continued the prohibition on the use of federal and District funds for a needle exchange program, and restricted where privately funded needle exchange activities could take place. Section 150 of the District of Columbia Appropriations Act for FY2001 made it unlawful to distribute any needle or syringe for the hypodermic injection of any illegal drug in any area in the city that is within 1,000 feet of a public elementary or secondary school, including any public charter school. The provision was deleted during congressional consideration and passage of the District of Columbia Appropriations Act of FY2002, P.L. 107-96. The act also included a provision that allows the use of private funds for a needle exchange program, but prohibits the use of both District and federal funds for such activities. Presently, only one entity, Prevention Works, a private nonprofit AIDS awareness and education program, operates a privately funded needle exchange program. The FY2002 District of Columbia Appropriations Act requires such entities to track and account for the use of public and private funds.

District officials are seeking to lift the prohibition on the use of District funds for needle exchange programs. S. 2809, as approved by the Senate Appropriations Committee, would allow the use of local government funds for needle exchange programs, but would maintain the prohibition on the use of federal funds.

Medical Marijuana

The medical marijuana initiative provision in the District of Columbia appropriations legislation is another issue that engenders controversy. The District of Columbia Appropriations Act for FY1999, P.L. 105-277, included a provision that prohibited the city from counting ballots of a voter-approved initiative that would have allowed the medical use of marijuana to assist persons suffering debilitating health conditions and diseases including cancer and HIV infection.

Congress's power to prohibit the counting of a medical marijuana ballot initiative was challenged in a suit filed by the D.C. Chapter of the American Civil Liberties Union (ACLU). On September 17, 1999, District Court Judge Richard Roberts ruled that Congress, despite its unique legislative responsibility for the District under Article I, Section 8 of the Constitution, did not possess the power to stifle or prevent political speech, which included the ballot initiative.¹² This ruling allowed the city to tally the votes on the November 1998 ballot initiative. To prevent the implementation of the initiative, Congress had 30 days to pass a resolution of disapproval from the date the medical marijuana ballot initiative (Initiative 59) was certified by the Board of Elections and Ethics. Language prohibiting the implementation of the initiative was included in P.L. 106-113, the District of Columbia Appropriations Act for FY2000. Opponents of the provision contend that it and similar actions undercut the concept of home rule.

¹² Turner v. District of Columbia Board of Elections and Ethics. No. 98-2634 Civ. (D.D.C. Sept. 17, 1999)(memorandum opinion).

The District of Columbia Appropriations Act for FY2002, P.L. 107-96, includes a provision that continues to prohibit the District government from implementing the initiative. Congress' power to block the implementation of the initiative was again challenged in the courts. On December 18, 2001, two groups, the Marijuana Policy Project and Medical Marijuana Initiative Committee, filed suit in U.S. District Court, seeking injunctive relief in an effort to put a medical marijuana initiative on the November 2002 ballot. The District's Board of Elections and Ethics ruled that a congressional rider that has been included in the general provisions of each District appropriation act since 1998 prohibits it from using public funds to do preliminary work that would put the initiative on the ballot.

On March 28, 2002, a U.S. District Court judge ruled that the congressional ban on the use of public funds to put such a ballot initiative before the voters was unconstitutional.¹³ The judge stated that the effect of the amendment was to restrict the plaintiff's First Amendment rights to engage in political speech. The decision was appealed by the Justice Department and on September 19, 2002, the U.S. Court of Appeals for the District of Columbia Circuit reversed the ruling of the lower court without comment. The three-judge Appeals Court panel stated its decision would be fully explained in an opinion to be issued at a later date. The Appeals Court noted that it issued its ruling on September 19, 2002, because that was the deadline for printing ballots of the November general election.

S. 2809, as reported by the Senate Appropriations Committee, would continue the prohibition against the implementation of the medical marijuana ballot initiative.

Abortion Provision

The public funding of abortion services for District of Columbia residents is a perennial issue debated by Congress during its annual deliberations on District of Columbia appropriations. District officials cite the prohibition on the use of District funds as another example of congressional intrusion into local matters. The District of Columbia Appropriations Act for FY2002, P.L. 107-96, included a provision prohibiting the use of federal or District funds for abortion services, except in cases where the life of the mother is endangered or the pregnancy is the result of rape or incest. This prohibition has been in place since 1995, when Congress approved the District of Columbia Appropriations Act for FY1996, P.L. 104-134.

Since 1979, with the passage of the District of Columbia Appropriations Act of 1980, P.L. 96-93, Congress has placed some limitation or prohibition on the use of public funds for abortion services for District residents. From 1979 to 1988, Congress restricted the use of federal funds for abortion services to cases where the mother's life would be endangered or the pregnancy resulted from rape and incest. The District was free to use District funds for abortion services.

¹³ Marijuana Policy Project v. District of Columbia Board of Elections and Ethics. No. 01-2595 Civ. (D.D.C. Mar. 28, 2002)(memorandum opinion, order and judgement). The District Court's ruling was reversed on appeal by the United States Court of Appeals District of Columbia Circuit. The Court ruled without comment.

When Congress passed the District of Columbia Appropriations Act for FY1989, P.L. 100-462, it restricted the use of *District* and *federal* funds for abortion services to cases where the mother's life would be endangered if the pregnancy was taken to term. The inclusion of District funds, and the elimination of rape or incest as qualifying conditions for public funding of abortion services, was endorsed by President Reagan, who threatened to veto the District's appropriations act if the abortion provision was not modified.¹⁴ In 1989, President Bush twice vetoed the District's FY1990 appropriations act over the abortion issue. He signed P.L. 101-168 after insisting that Congress include language prohibiting the use of District revenues to pay for abortion services except in cases where the mother's life was endangered.¹⁵

The District successfully fought for the removal of the provision limiting District funding of abortion services when Congress considered and passed the District of Columbia Appropriations Act for FY1994, P.L. 103-127. The FY1994 Act also reinstated rape and incest as qualifying circumstances allowing for the public funding of abortion services. The District's success was short lived. The District of Columbia Appropriations Act for FY1996, P.L. 104-134, and subsequent District of Columbia appropriations acts, limited the use of *District* and *federal* funds for abortion services to cases where the mother's life is endangered or cases where the pregnancy was the result of rape or incest.

The prohibition on the use of District and federal funds is included in the Senate Appropriations Committee version of the District of Columbia Appropriations Act for FY2003, S. 2809.

Health Care Benefits Expansion Act (Domestic Partners Program)

P.L. 107-96 includes a provision lifting the congressional prohibition on the use of District funds to implement its Health Care Benefits Expansion Act.¹⁶ The

¹⁴ Congressional Quarterly, Inc., *District Policies Hit Hard in Spending Bill*, Congressional Quarterly Almanac, vol. XLIV, 1988, p. 713.

¹⁵ Congressional Quarterly, Inc., *D.C. Bill Vetoed Twice Over Abortion Funding*, Congressional Quarterly Almanac, vol. XLV, 1989, p. 757.

¹⁶ On September 20, 2001, the House Appropriations Committee approved, by a vote of 28 to 21, an amendment introduced by Representatives Kolbe and Moran, that removed the congressional prohibition on the use of District funds for the implementation of the city's Health Care Benefits Expansion Act. The Act, which was approved by the city's elected leadership in 1992, had not been implemented because of a congressional prohibition first included in the general provisions of District of Columbia Appropriations Act for FY1994. On September 25, 2001, during House consideration of H.R. 2944, the House version of the District of Columbia Appropriations Act for FY2002, Representative Dave Weldon offered an amendment (H.Amdt. 310) that would have reaffirmed the ban on the use of District funds to implement the health care expansion program. The Weldon amendment failed by a vote of 194 to 226. The Senate bill also included a provision that would have allowed the District to use city, but not federal, funds to implement the District of Columbia Employees Health Benefits Program. It had not been implemented because of a congressional

(continued...)

provision permits unmarried heterosexual and homosexual couples to register as domestic partners. Under the Health Care Benefits Expansion Act, which was approved by the city's elected leadership in 1992, an unmarried person who registers as a domestic partner of a District employee hired after 1987 may be added to the District employee's health care policy for an additional charge. The Act had not been implemented until 2002 because of a congressional prohibition first included in the general provisions of District of Columbia Appropriations Act for FY1994.

The city's Health Care Benefits Expansion Act allows two unmarried and unrelated individuals to register as domestic partners with the District for the purpose of securing certain health and family related benefits, including hospital visitation rights. Under the law, District government employees enrolled in the District of Columbia Employees Health Benefits Program are allowed to purchase family health insurance coverage that would cover the employee's family members, including domestic partners. In addition, a District employee registered as a domestic partner may assume the additional cost of the family health insurance coverage for family members, which would include the employee's domestic partner.

Opponents of the Act believe that it is an assault on the institution of marriage, and that the Act grants unmarried gay and heterosexual couples the same standing as married couples. Congressional proponents of lifting the ban on the use of District funds argue that the implementation of the Act is a question of home rule and local autonomy. Supporters of the amendment noted that at least nine states, 136 local governments, and more than 4,000 companies offer benefits to domestic partners.¹⁷

S. 2809, as reported, includes a general provision that would allow the use of District funds to administer the program during FY2003.

¹⁶ (...continued)

prohibition first included in the general provisions of District of Columbia Appropriations Act for FY1994. The District began implementation of the health care benefits expansion program on July 8, 2002.

¹⁷ Human Rights Campaign Foundation. Frequently Ask Questions on Domestic Partners Benefits: Employers that Offer Domestic Partners Benefits, [<http://www.hrc.org/worknet/dp/index.asp>], visited September 25, 2002.