To establish an annual Federal infrastructure support contribution for the District of Columbia, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 4, 2004

Ms. NORTON (for herself, Mr. TOM DAVIS of Virginia, Mr. WOLF, Mr. HOYER, Mr. MORAN of Virginia, Mr. WYNN, Mr. CUMMINGS, and Mr. VAN HOLLEN) introduced the following bill; which was referred to the Committee on Government Reform

A BILL

To establish an annual Federal infrastructure support contribution for the District of Columbia, and for other purposes.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “District of Columbia
5 Fair Federal Compensation Act of 2004”.

6 SEC. 2. FINDINGS; PURPOSE.

7 (a) FINDINGS.—Congress finds as follows:

8 (1) A General Accounting Office (GAO) report

9 of May 2003 found that the District of Columbia
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has a substantial structural imbalance, ranging from
$470,000,000 to $1,100,000,000 annually, and that
this imbalance is beyond the direct control of local
officials because it is caused by mandates, legisla-
tion, and other requirements imposed by the Federal
Government.

(2) The GAO report was preceded by 2 reports
by distinguished groups who also concluded that the
District had a structural imbalance: A 2002
McKenzie study commissioned by the Federal City
Council (an organization of regional and local busi-
ness leaders), and a 2002 study by the Brookings
Institute, led by Alice Rivlin, the former director of
the Congressional Budget Office and former chair of
the District of Columbia Financial Responsibility
and Management Assistance Authority.

(3) The components of the structural deficit are
all Federal in origin and consist of the following: Lo-
cally provided services to the Federal Government; a
Federal statute which exempts from taxation 66 per-
cent of the income earned in the District; the exemp-
tion from taxation of 42 percent of the real property
owned by the Federal Government; and the require-
ment to provide State services, such as special edu-
cation and mental health, although the District is not a State.

(4) The District’s tax burden is among the highest in the Nation because of the Federal requirements documented in the 2003 GAO report. However, the funding provided by these taxes is still insufficient to meet the obligations of the District, especially the long-term obligations to carry out critical capital projects to maintain and improve the District’s infrastructure, projects that are not only typically funded by a State but that the District must carry out because of its mandate to support the infrastructure needs of the Federal Government and the entire Washington region. As a result, the District must obtain the funds needed to meet these obligations through a continuous series of borrowings, incurring more and more debt service payments each year, and causing the District’s per capita rate of general obligation debt to be the highest in the Nation.

(5) The GAO concluded that greater management efficiency by the District government is necessary, but that “management improvement will not offset the underlying structural imbalance because it
is caused by factors beyond the direct control of District officials”.

(6) The GAO recommended against the only 2 alternatives available to the District. Raising taxes would “worsen D.C.’s competitive advantage in attracting new businesses and residents” and cutting services for residents and visitors would have “undesirable consequences for the District’s economy”.

(7) According to the GAO, the options are to “change Federal procedures to expand the District’s tax base or provide additional financial support and a greater role by the Federal Government to help the District maintain fiscal balance”.

(8) The District of Columbia, through prudent budgeting and improved management, has had a balanced budget with surpluses for 7 years; however, the District’s Chief Financial Officer (whose position was created by a Federal statute) has found that severe fiscal problems are inevitable as the District works to close spending pressures and find remedies to its inherent structural imbalance.

(9) Maintaining financial stability in the District, just as in other cities, requires a stable, predictable source of revenue that increases modestly but regularly over time.
(b) PURPOSE.—It is the purpose of this Act to provide an efficient mechanism and formula for the transfer of revenue from the Federal Government to the District government, and to dedicate this revenue for the sole purpose of rectifying an annual structural imbalance which is due to—

(1) Federal requirements and limitations on the ability of the District of Columbia to generate revenue;

(2) the use of District of Columbia real property by the Federal Government for Federal facilities and other Federal purposes; and

(3) the District’s status as a Federal city which is not part of a State but incurs many of the same expenses as a State that would otherwise be responsible for these expenses.

TITLE I—DIRECT FEDERAL CONTRIBUTION FOR INFRASTRUCTURE COSTS

SEC. 101. ESTABLISHMENT OF DIRECT FEDERAL CONTRIBUTION TO DISTRICT OF COLUMBIA.

(a) ENTITLEMENT OF DISTRICT TO CONTRIBUTION.—For each fiscal year beginning with fiscal year 2005, the District of Columbia shall be entitled to receive an annual infrastructure support contribution to support
the infrastructure used by the District of Columbia and
in part by the region in accordance with this title.

(b) Obligation of United States.—Subsection
(a) constitutes budget authority in advance of appropri-
tions acts and represents the obligation of the Federal
Government to make annual infrastructure support con-
tributions in accordance with this title.

SEC. 102. DETERMINATION OF AMOUNT OF CONTRIBUTION.

(a) In General.—The amount of the annual infra-
structure support contribution required by this title is
equal to—

(1) in the case of fiscal year 2005,
$800,000,000; and

(2) in the case of each succeeding fiscal year,
the amount required for the previous fiscal year, in-
creased by the applicable index described in sub-
section (b).

(b) Applicable Index.—In subsection (a), the “ap-
plicable index” with respect to a fiscal year is the greater
of—

(1) the percentage by which the Consumer
Price Index (all Urban Consumers, United States
City Average) for the 12-month period ending on
June 30 preceding the beginning of the fiscal year
exceeds such Consumer Price Index for the preceding 12-month period; or

(2) 4 percent.

**TITLE II—DEDICATED INFRASTRUCTURE ACCOUNT**

**SEC. 201. ESTABLISHMENT OF ACCOUNT.**

There is established in the general fund of the District of Columbia an account to be known as the Dedicated Infrastructure Account (hereafter in this title referred to as the “Account”), which shall consist of the following amounts:

(1) Amounts deposited pursuant to section 202.

(2) Such other amounts as may be deposited pursuant to District of Columbia law.

(3) Interest earned on amounts in the account.

**SEC. 202. DEPOSIT OF ANNUAL INFRASTRUCTURE SUPPORT CONTRIBUTION.**

Each annual infrastructure support contribution made to the District of Columbia under title I for a fiscal year shall be deposited into the Account.

**SEC. 203. USE OF AMOUNTS IN ACCOUNT.**

(a) **IN GENERAL.**—Amounts in the Account may be used only for the following purposes:

(1) Transportation activities, including the payment of the local share of participation in public
transportation activities and road construction and
improvement projects.

(2) Information technology improvements for
the District government.

(3) Debt service payments on bonds, notes, and
other obligations of the District government.

(4) Building and facility maintenance, construc-
tion, and capital improvement projects for District
of Columbia public schools and public charter
schools.

(b) Availability of Funds.—Funds appropriated
or otherwise made available from the Account shall remain
available until expended.