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Washington DC - Event Briefing
Book 1/14/97

FINAL

District of Columbia

Briefing Package

January 14, 1997

District of Columbia Briefing Package

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THE PRESIDENT'S NATIONAL CAPITAL REVITALIZATION AND SELF-GOVERNMENT IMPROVEMENT PLAN:

January 14, 1997

- The plan has two goals:
  - -- To revitalize Washington D.C. as the Nation's capital, and
  - -- To improve prospects for "home rule" to succeed.
- The plan will:
  - -- Relieve the District government of major financial and managerial responsibilities -- including certain pension plans and parts of the criminal justice system -- that are beyond its financial capacity, and resolve the city's cash shortfall that stems from its accumulated deficit;
  - -- Invest considerable resources to improve the city's criminal justice system and capital infrastructure;
  - -- Strengthen the District's economic base; and
  - -- Draw on the Federal government's technical expertise to help make the city government effective in such areas as income tax collection, education and training, housing, transportation, and health care delivery.
- Over five years, this plan will invest $3.9 billion of Federal budgetary resources in the Nation's capital. Among other things, the plan provides:
  - -- $885 million for new capital spending on prison renovation and construction;
  - -- $891 million to operate prison facilities;
  - -- $681 million to operate the court system;
  - -- $125 million in 1998 to begin rebuilding the city's transportation infrastructure;

- -- $117 million to improve District tax collection;
- -- $917 million to increase the Federal share of D.C.'s Medicaid payments; and
- -- grant and tax incentives for economic development in the District.

- In exchange, the plan will end the yearly Federal appropriation and other payments to the District, saving $3.56 billion over five years.

- Thus, the <u>net Federal costs of the plan come to $339 million over five years</u>.

- The plan also proposes that the Federal government assume responsibility for the District's existing pension plans for law enforcement officers, firefighters, teachers, and judges.

  -- Upon their transfer to the Federal Government, the plans would close (that is, they would accrue no new liability).

    - The existing pension assets would pay the beneficiaries.

    - Starting in 2007, the Federal government would pay off, over an extended period of time, the $4.3 billion in unfunded liability associated with these plans -- much of which was transferred from the Federal government to the District in 1979.

  -- The District would establish new plans for current employees.

- <u>**Over five years, the plan would save the District about $770 million**</u>.

  -- Federal budget costs will be less than District budget savings in part because pension assets rather than Federal budget resources will be used to pay beneficiaries until 2007.

- <u>**The proposed Federal spending is all dependent on the District government taking certain actions to improve its performance**</u> -- as outlined in a Memorandum of Understanding that will be reached between the Federal government, the District government, and the Financial Authority.

- The plan will benefit the city, the region, and the Nation:

  -- It benefits District residents by reducing their government's financial burdens, improving the delivery of city services, and investing in the criminal justice system, economic development, and transportation.

  -- It benefits the region because of the city's economic recovery; the financial support given to the police, fire, teachers, and judges pension funds; the rebuilding of the District prison system; and the improvement of a key component of the regional transportation infrastructure.

  -- It benefits the Nation because it begins to create a capital city that we can all be proud of, improves its transportation system, and helps ensure the safety of residents and visitors.

Addendum:

Details of the Plan

I. Functions assumed by the Federal government

- The Federal Government would assume financial and administrative responsibility for the District's pension plans for police and firefighters, teachers, and judges.

  -- Beginning in Fiscal Year 1998, the pension system would be closed (i.e., no new benefits would accrue) upon transfer to the Federal government. The District would transfer to the Federal government or its designee existing pension assets, estimated to be worth over $3.3 billion, leaving the Federal government to take on the remaining $4.3 billion in unfunded liability. A third-party Trustee would be appointed by the Federal government to administer the plan and invest pension assets.

  -- This action would be conditioned on the District signing a Memorandum of Understanding with the Federal government requiring that the existing pension plans be closed; the District would have to set up new plans for its current and future employees; the District would be responsible for current employees who are not yet vested under the existing system; the District would have to provide adequate employment records to the third-party trustee; and assets would need to be transferred to a Trustee.

- The Federal Government would take direct responsibility only for **funding** the District Court System. The Courts would remain self-managed.

  -- The court system works well, and courts would continue to be self-managed. The funding would be requested for the Federal Judiciary and would cost $129 million in the first year and $685 million over a five year period. The D.C. court system would be funded through the Judiciary's Administrative Office of the U.S. Courts. There are no conditions for implementation because the District court system is deemed to work well.

- The Federal Government would assume financial and administrative responsibility for the District's prison system, including substantial capital investment in modernizing the facilities.

  -- The Federal government would take responsibility for the District's sentenced prisoners (but not presentenced prisoners), a responsibility that is elsewhere borne by the States. During the transition, funding for the incarceration of the District's felons would be provided by the Federal government to a receiver responsible to the Control Board. Funding would include capital for both construction of new facilities and renovations of the existing facilities; Lorton would continue to be used as a prison facility.

-- A receiver would be appointed to oversee the D.C. Department of Corrections operations related to incarcerated D.C. felons for a period of three to five years, after which the Bureau of Prisons would assume responsibility; prison facilities at Lorton would be repaired and expanded.

-- The Federal government would accept all current prisoners. The Federal government would accept new prisoners only if they are sentenced in accordance with Federal standards. The Bureau of Prisons (BOP) would have flexibility in transferring D.C. inmates elsewhere in the Federal Prison System if needed to manage the inmate population. Current D.C. prisons staff would be required to meet Federal standards and reapply for their positions. Finally, the Federal government would assume responsibility after the transition period for the District's parole system and community corrections program.

- <u>The Federal Government will increase its share of the District's Medicaid payments to 70%:</u>

  -- The Administration proposes to pay both the Federal and "State" share of the District's Medicaid costs, thereby reducing the District's share to 30 percent (the maximum amount that can be paid by localities in States that benefit from a 50 percent Federal match). The District will receive an estimated $156 million in FY 1998 for this. The Department of Health and Human Services will provide more intensive technical assistance to help the District improve the management of its Medicaid program and assure that Federal funds are not mismanaged. The increased Medicaid funding will be conditioned on the District following various HHS suggestions for programmatic improvements.

- <u>Intermediate term financing of the accumulated deficit.</u>

-- The Administration will propose legislation to have the Federal Government provide intermediate term (ten to fifteen year) financing for all or part of the District's accumulated deficit, which is estimated to be between $400 - $500 million. The terms and conditions for such loans will be determined later, but it is envisioned that:

  - Treasury interest rates would be charged.
  - The District could refinance the Treasury loan at some later time after the District's credit picture improves.

II New investments in infrastructure

- The Federal Government will establish a National Capital Infrastructure Fund:
  - -- In FY98, the Administration proposes providing $125 million in seed money from the Federal Highway Trust Fund to establish the NCIF. The NCIF will fund transportation infrastructure projects in the District which benefit residents and commuters alike. This includes the construction of local roads and bridges, the local match for federal-aid road and bridge projects, and capital expenditures for the Washington Metropolitan Area Transit Authority (WMATA). These funds will be available only for capital projects; routine maintenance projects would not be eligible.
  - -- The NCIF will be authorized to accept contributions from other sources, e.g., payments in lieu of taxes from tax-exempt organizations such as universities and hospitals.

III. Economic Development

- The Administration proposes to establish an economic development corporation (EDC) as a non-Federal public authority. The EDC would be funded, in part, with Federal funds, with an increasing local and private sector match.

IV. Technical assistance to District government

- Tax Collection: IRS would assume responsibility from the District of Columbia for collecting D.C. individual income taxes and payroll taxes, funded by an addition to the IRS appropriation for that purpose. Expected costs are $15 million in 1998 for startup and phase in, and $25 million in FY 1999 and after for operations.
  - -- As a condition: specific authorizing legislation setting out the functions and timing will be required; IRS will be responsible for enforcement and will use its current enforcement powers; IRS will be responsible for management, tax return and refund processing, customer service, compliance, and computer operations.

- Other Executive Branch Agencies will work with the District to identify areas in which the Federal government might provide technical assistance to help the District government improve the efficiency with which it delivers services.

Federal Assistance Initiative for the District of Columbia
Summary of Funding Requirements

Summary of funding in the Budget Window (FY '98 - '02)

Component	FY 1998 BA	FY 1998 OL	FY 1999 BA	FY 1999 OL	FY 2000 BA	FY 2000 OL	FY 2001 BA	FY 2001 OL	FY 2002 BA	FY 2002 OL	Total FY '98 - '02 BA	Total FY '98 - '02 OL	Comment
Federal Budget Impact	**57**	**0**	**-74**	**-44**	**-65**	**126**	**-355**	**173**	**-346**	**84**	**-783**	**339**	Nets proposed funding from discontinued Federal payments.
New Federal Resources	769	712	638	668	647	838	357	885	366	796	2,777	3,899	Proposed Federal funding of various District activities
Offsets to New Resources	-712	-712	-712	-712	-712	-712	-712	-712	-712	-712	(3,560)	(3,560)	Existing Federal payments to District to be discontinued.

o The existing Federal payments to the District, both the annual payment and the Federal contribution to the pension system, will be discontinued. The Federal Government will assume responsibility for specific activities, subject to the District's agreement to meet conditions laid-out in a forthcoming MOU. The FY '98 budget impact of the this proposal will be zero - outlays for the new activities will exactly equal outlays associated with the discontinued Federal payments.

Component	FY 1998 BA	FY 1998 OL	FY 1999 BA	FY 1999 OL	FY 2000 BA	FY 2000 OL	FY 2001 BA	FY 2001 OL	FY 2002 BA	FY 2002 OL	Total FY '98 - '02 BA	Total FY '98 - '02 OL	Comment
Estimated Benefits to District	--	**319**	--	**295**	--	**486**	--	**556**	--	**488**	--	**2,144**	Benefits to the District.
Other New Federal Resources	--	277	--	196	--	335	--	358	--	245	--	1,411	New activities undertaken to improve infrastructure & economy.
Net District Budget Savings	--	42	--	99	--	152	--	197	--	243	--	733	DC budget costs assumed by Fed. Govt. net of discont. payments.

o The District will save $42 million in spending in the first year of the plan, as the Federal Government assumes funding responsibility for certain activities and undertakes a number of new initiatives.

o Specific activities the Federal Government will assume, that will relieve District Budgetary pressure include: operations expenses of the District's penal system; operations expenses of the District's court system; pension system payments for current retirees; increased Federal share of Medicaid costs.

o The District will also receive additional Federal assistance in the form of: capital investment in the District's penal facilities; a new infrastructure fund; and economic development corporation; a Federal tax benefit for economic development; and improved revenue collection system.

Component	FY 1998 BA	FY 1998 OL	FY 1999 BA	FY 1999 OL	FY 2000 BA	FY 2000 OL	FY 2001 BA	FY 2001 OL	FY 2002 BA	FY 2002 OL	Total FY '98 - '02 BA	Total FY '98 - '02 OL	Comment
Federal Budget Cost of Pension Proposal	--	--	--	--	--	--	--	--	--	--	--	--	The pension system take-over will cost nothing initially as the trustee sells-off existing pension assets.

Summary of Net Present Value of Funding

Component	NPV thru year 5	NPV thru year 10	NPV thru year 15	NPV thru year 30
Net Federal Outlays	265	591	2,615	6,803

o The 30 year cost of $6.8 billion is comprised of $4.3 billion for the unfunded liability associated with the District pensions and $2.5 billion for other Federal outlays. The baseline equals a fixed nominal payment of $712 million until 2004 and $660 million thereafter.

o The cost of the activities assumed by the Federal Government are reduced in the early years of the program by the offsetting receipts from the trustee's sale of pension assets. Once these assets are depleted, the Federal Government will assume responsibility of payments to the retired individuals remaining in the plan.

Q. Why is this plan necessary?

A. Our Nation's Capital should be a source of national pride. It is the first introduction to our nation that many foreign representatives and visitors have. In addition, it is visited by millions of Americans each year, who come to learn about our nation's history and government.

The District has broad responsibilities for State, county and local functions. The Federal government now provides the District with a relatively fixed Federal payment ($660 million for general purposes and $52 million for pensions for police and firefighters, teachers, and judges). At the same time, the Federal government subjects the District's budget to an unusual degree of oversight and control, and limits the District's revenue options. The current situation is not sustainable. The need to establish the Financial Authority is only one indication of the District's problems. In the end, it will be cheaper for the Federal government to act now and help the District rejuvenate itself, rather than to allow the situation to worsen to the point where even greater financial assistance will be needed.

The current plan will 1) relieve the District of major financial and managerial problems that no other locality must face; 2) enable the Federal Government, at only modest cost, to act in areas where it has particular interests, capabilities and/or responsibilities (such as criminal justice and pensions); 3) strengthen the District's economic base, so that people and jobs will find the city to be an attractive location; and 4) draw upon the Federal Government's technical expertise, to help make this an effective city government in such areas as education, housing, transportation, and health care delivery.

All of this assistance will be conditioned on the District taking specific tough steps to improve its budget and management.

Q. What will this plan cost the Federal government?

A. The plan will be deficit-neutral in 1998; the plan will cost the Federal budget $339 million more than current law in the period 1998-2002. Federal expenditures will continue past 2002. From a budget perspective, the largest component of the plan is the proposed assumption of certain District pension plans which, in present value terms, will cost the Federal budget $4.3 billion over 30 years.

Q. What budget savings will the District realize?

A. We estimate that the District's budget savings will be $42 million in 1998 and $733 million over five years.

Q. Does the package address the District's revenues (taxes)?

A. This plan would not significantly change the District's revenue system. By having the Federal government assume certain governmental functions, however, our plan would reduce the District's need for new revenues. The steps we propose will improve the city's budget and management and, in turn, enable enhancements in areas such as education, public safety, and the business climate, which are critical to families' and businesses' decisions to locate here.

Ultimately this will improve the city's tax base and further assist the District's financial position. We have also proposed targeted economic development incentives. Further changes in the District's tax structure may also be desirable.

Q. How does this plan affect self-governance?

A. Our plan does not directly address this fundamental issue. The plan gives the Federal government greater control over those governmental functions for which they assume direct responsibility. At the same time, the plan gives local officials greater authority over remaining local functions, while (by ending the Federal payment) demanding of local government officials more accountability for their actions. The current structure of Congressional oversight, in contrast, allows local officials to avoid taking certain tough actions and is unfair to local residents, who want the same control over their schools, hospitals, and neighborhood services as are enjoyed by localities elsewhere in this country.

Q. Will there be reduced Congressional oversight?

A. Congress will provide its usual oversight for areas that the Federal government directly funds (e.g., the criminal justice system). On the other hand, the Congress will be relieved of the need to manage every detailed decision in the District's budget. People around the country don't elect Senators and Representatives with the goal of sending them to Washington to act as local councilpersons. The average American wants his or her legislators focused on other national priorities.

Q. How does this proposal relate to other plans for helping the District?

A. In putting this proposal together, an Administration-wide interagency task force reviewed plans compiled by the Financial Authority, citizens groups, Congress, and others. Our plan overlaps with some of their recommendations. Addressing the pension system, prisons, Medicaid, and the District's economic base are common themes across most plans for the District.

Q. Why not just boost the Federal payment to DC?

A. Our task force considered this approach, but ultimately decided that a fundamental restructuring of the Federal relationship with the District would be more effective. Retaining the annual payment with considerable Congressional oversight would not demand of District policy makers the same accountability -- nor grant them the same managerial flexibility -- that our plan does.

Q. Do the Mayor, Council, the Financial Authority and other key policy makers support the plan?

A. Senior Administration officials have briefed these parties and key Congressional leaders. We believe there is strong support for the package. Naturally, some people might prefer that specific items be handled somewhat differently. Nevertheless, there is a broad understanding -- across many different interests -- that our package is realistic, constructive, and feasible.

Q. Will the plan enable the District to balance its budget?

A. The plan will help close the budget gap, but the District also will need to take further action to eliminate low-priority spending, as it is doing now under the guidance of the Control Board.

Q. Will the Financial Authority (Control Board) continue under the Administration's plan?

A. Yes. This plan would not change the basic law that established the Authority.

DISTRICT PENSIONS

WHAT WOULD THE PENSION PROPOSAL DO?

- Beginning in Fiscal Year 1998, the Federal government would assume both financial and administrative responsibility for the District's pension plans for law enforcement officers and firefighters, teachers, and judges, which would be closed (i.e., no new benefits would accrue) upon transfer to the Federal government.

- These plans have an actuarially estimated present value of accrued benefits of $7.6 billion, and pension assets estimated to be worth $3.3 billion, as of the beginning of Fiscal Year 1996; the District would transfer to the Federal government or its designee existing pension assets, estimated to be worth over $3.3 billion, leaving the Federal government to take on the remaining $4.3 billion in unfunded liability.

- A third-party Trustee would be appointed by the Federal government to administer the plan and invest pension assets.

- The existing assets would be converted to cash as needed and used to make payments to beneficiaries; Federal outlays will be needed only after the existing assets are exhausted. We estimate that Federal outlays will begin in 2007.

WHAT WOULD THE DISTRICT HAVE TO DO TO MAKE THE PROPOSAL WORK?

The District would sign a Memorandum of Understanding with the Federal government which would require that:

- the existing pension plans would be closed upon assumption by the Federal government; the District would have to set up new plans for its current and future employees;

- the District would be responsible for current employees who are not yet vested under the existing system;

- the District would have to provide adequate employment records to the third-party trustee; and

- assets would need to be transferred to the Trustee.

QUESTIONS & ANSWERS

Q. Why is the Federal government assuming financial and administrative responsibility for these pension plans?

A. The 1979 District of Columbia Retirement Act required the District to assume liability for these pensions. This obligation is currently the largest liability of the District.

- The Act authorized a Federal payment to the District's retirement system of $52 million a year for 25 years --a stream of payments adding up to $646 million.

- However, the Act also transferred a $2.7 billion unfunded liability of the District retirement system, meaning that, according to actuarial estimates, D.C. would have to pay $2.7 billion more in anticipated payments to beneficiaries than expected future payments, earnings, and assets would cover.
- From 1979 to the present, contributions by the District government and employees to the retirement system along with earnings have more than covered the costs of the benefits paid out each year, but have not been sufficient to prevent the unfunded liability from growing. If the system remained open (rather than being closed as under the Administration's plan), this liability would be $8.8 billion, $5.5 billion of which would be unfunded.

Q. Why use a third-party Trustee rather than have the Federal government administer the plan?

A. The Federal government does not usually hold non-governmental assets to fund pension obligations that are the direct responsbility of the Federal government. Therefore, a third-party Trustee will act as Fiduciary.

Q. How much would this proposal cost the Federal government?

A. _Outlays_. We estimate that there would be no Federal outlays until 2007, since payments to beneficiaries would be drawn down from the estimated $3.3 billion in assets transferred to the Trustee. An actuarial analysis will be developed to determine the exact date at which Federal outlays would begin.

On a present value basis We estimate that the total cost of assuming responsibility for the pension plans would be about $4.3 billion.

Q. Isn't this a budget gimmick to leave the pensions off the Federal budget?

A. Although the District pensions represent a unique problem, our proposal has been crafted to hew as closely as possible to standard Federal budgeting practices. The Federal government typically does not hold private assets to fund pension obligations that are the direct responsibility of the Federal Government. Rather than transfer the assets to the Federal Government in the first year (and thus reduce the FY 1998 budget deficit by $3.3 billion), the plan calls for transferring the assets to a third party Trustee, who will be responsible for paying the beneficiaries through an orderly liquidation of the plans' assets. After the assets have been liquidated, the Federal government will make the remaining payments to beneficiaries. Over the remaining life of the pension plan, the Federal Government will assume a total liability of no more than $4.3 billion.

Q. How much would this proposal save the District?

A. Assuming the proposal is implemented in FY 1998, the District would realize budget savings of roughly $320 million. The District would no longer be required to make annual payments to beneficiaries, approximately $371 million in FY 1998. Instead, the District would have to make contributions to a newly established pension plan for current and future employees, which we assume to be roughly $50 million in FY 1998.

Q. So the Administration is proposing that the Federal Government take over the pension system for all D.C. employees?

A. No. The three pension plans for which the Federal Government would assume responsibility cover law enforcement officers and firefighters, teachers and judges. These plans cover about 6,900 teachers, 5,000 firefighters and law enforcement officers, and 70 judges. The District would maintain responsibility for the retirement systems for all other employees.

Q. How would the Federal Government be protected from having to assume liabilities associated with the District's future pension management decisions?

A. Upon their transfer to the Federal Government, the plans would be closed, meaning that no new employees could become vested, no additional benefits would accrue, and that no new contributions would be made. D.C. would put new pension plans in place for current and future employees, and would determine how best to treat employees who are on the verge of vesting in the current plan.

Q. What assurance do you have that the District retirement system's records will be adequate to permit the Federal Government or a trustee to administer the system accurately and soundly?

A. Under this proposal, the Federal Government would assume responsibility for the plans only if the District provides adequate employment records to the third-party trustee.

Q. You have talked about estimates of actuarial liability the Federal Government is going to assume. How good are these numbers?

A. Estimates are based on data from the most recent source available to us, the Actuarial Report for FY1997 of the D.C. retirement system. The report provides, among other things, the plans' total liabilities should the plans remain open ($8.8 billion), the present value of the accrued cost of benefits ($7.6 billion), the value of existing assets ($3.3 billion as of October 31, 1995), and cash flow data to FY 2004. Conservative estimates were used to determine cash flows once the responsibility for the pension plans is transferred to the Federal Government. However, cash flows beyond FY 2004 still require actuarial analysis. The actuary is currently conducting a valuation of the pension plans. We would welcome discussion on the assumptions used to determine future cash flows.

CRIMINAL JUSTICE SYSTEM (PRISONS AND COURTS)

Q. What responsibility will the Federal government take for the District's criminal justice system?

A. Subject to the conditions noted below, the Federal government would take responsibility for the District's sentenced prisoners (but not presentenced prisoners), a responsibility that is elsewhere borne by the States. These sentenced prisoners are largely housed at the Lorton, Virginia facility. This takeover would follow a 3-5 year transition period. During the transition, funding for the incarceration of the District's felons would be provided by the Federal government to a receiver responsible to the Control Board. Funding would include capital for both construction of new facilities and renovations of the existing facilities; Lorton would continue to be used as a prison facility. The transition period would also permit changes in sentencing systems and resolution of law suits and court orders involving the D.C. Department of Corrections. The Federal government would accept all current prisoners; future prisoners would be accepted only if they were sentenced in accordance with Federal standards. The Federal government would also take on the responsibilities of the District's parole system and its community corrections program (for inmates reentering the community after the completion of their sentences). The cost for operations are $176 million in the first year, and $934 million over a five year period. The iniative also funds $900 million in repairs and new prison construction, evenly distributed over the first three years, of which $80 million for repairs would be provided in the first year.

Also under this initiative, the Federal government would take direct responsibility for the funding of the District Court System. The court system works well, and courts would continue to be self-managed. The funding would be requested for the Federal Judiciary and would cost $129 million in the first year and $685 million over a five year period.

Q. What conditions are attached to this proposal?

A. Incarceration of the District's felons by Department of Justice:

- A receiver would be appointed to oversee the D.C. Department of Corrections operations related to incarcerated D.C. felons for a period of three to five years, after which the Bureau of Prisons would assume responsibility.
- Prison facilities at Lorton would be repaired and expanded.
- The Federal government would only accept prisoners sentenced in accordance with Federal standards.
- The Federal government would assume responsibility after the transition period for the District's parole system and community corrections program.

- The responsibility for outstanding lawsuits and court orders would remain with the District.

- The Bureau of Prisons (BOP) would have flexibility in transferring D.C. inmates elsewhere in the Federal Prison System if needed to manage the inmate population.

- Current D.C. prisons staff would be required to meet Federal standards and reapply for their positions.

B. The D.C. court system would be funded through the Judiciary's Administrative Office of the U.S. Courts. There are no conditions for implementation because the District court system is deemed to work well.

Q. Why is the Federal government taking over the District's court system?

A. We are **not** taking over the courts. Given the financial limits to which they are subject, the District courts work well. However, we are proposing to assist in the funding of the Superior court and the Court of Appeals. There is a long precedent for special Federal involvement in the District's criminal justice system, including having the U.S. attorney prosecute all serious crimes in the city, and the U.S. Marshals Service providing court security and acting in the role of sheriff for the District. Further, D.C. judges are Federal appointees. Federal funding will ensure that the courts' operations are not diminished..

Q. How is the court system to be managed and funded?

A. The funding will be requested in coordination with the Judiciary Branch's Administrative Office of the U.S. Courts. However, it is envisioned that the Judiciary will act in an advisory capacity, and that the courts will continue to be self-managed.

Q. Who will appoint the receiver for the D.C. corrections system?

A. The receiver will be appointed by the Control Board, in consultation with the District government and the Department of Justice.

Q. Who will eventually have responsibility for the operations of prisons housing D.C. sentenced felons?

A. The Department of Justice's Bureau of Prisons (BOP) will ultimately take responsibility for the District's incarcerated felon population after a transition period managed by the newly appointed receiver.

Q. Why is there a transition period prior to the Federal Bureau of Prisons taking over the D.C. prison operations?

A. The current condition of the District's Department of Corrections has resulted from years of neglect and cannot be changed by simply transferring the system to the BOP. The problems include insufficient facilities, inadequate training for correctional officers and inadequate operating funds . At the Lorton Correctional Complex, thousands of medium and high security inmates are housed in dormitory settings rather than in cells. This must be changed prior to transferring the responsibility to BOP. In order to bring D.C. Corrections facilities up to BOP's standard, about $900 million will be required in one-time funds for renovation ($80 million) and new prison construction ($820 million). It will take three to five years to site, construct and activate these facilities. All funding levels are subject to review as we continue to evaluate prison funding.

Q. Will the District's prison at Lorton, Virginia continue to exist?

A. Yes. Absorbing Lorton prisoners will increase the BOP population by roughly 10 percent. The BOP system already faces pressures in its high and medium security facilities like Lorton. Accordingly, BOP could absorb Lorton inmates only after Lorton has been renovated and new capacity has been constructed partially on Lorton's extensive unused property and partially at other locations.

Q. What changes will be made to the correctional system under this initiative?

A. In order to absorb D.C. inmates into BOP, a number of changes will need to be made to bring the D.C. system up to BOP standards. While BOP's general goal is to house inmates as close to home as possible, BOP will need the ability to transfer inmates throughout the Federal system to maintain order and to meet security needs of inmates. The Federal government would also take over the responsibility for the parole system and inmate release programs into the community at the end of an inmate's sentence. D.C.'s sentencing guidelines will need to be brought into compliance with Federal standards.

Q. Why will the Federal government only accept future prisoners only if they are sentenced in accordance with Federal guidelines?

A. D.C. inmates receive significantly shorter sentences than similarly situated Federal inmates, and are eligible for parole after serving only one-third of their sentences. Federal inmates generally serve at least 85 percent of their sentences. To avoid inmate unrest and likely violence due to prisonser serving dissimilar sentences for similar crimes, the Administration will accept for incarceration only those D.C. felons who, in the future, are sentenced in accordance with statutes and regulations applicable to Federal prisoners. The 85% standard is the same required of States who receive Federal prison grant funds.

Q. If the Federal government takes over Lorton, where will the District house prisoners that in the future are not sentenced in accordance with Federal standards?

A. That is an issue for the District to resolve.

Q. What will happen to the current employees of the D.C. Department of Corrections?

A. At the end of the transition period, current Lorton staff would be required to meet BOP standards and would have to reapply for positions.

MEDICAID

Q. What is the Administration's proposal for the District's Medicaid program?

A. The District is currently held to the same matching formula as States, and the Federal government pays 50 percent of the District's Medicaid costs. The District, however, lacks the ability to tap the resources of a surrounding suburban population that could help broaden its tax base, bring down its poverty rate, and improve its health status indicators. Therefore, the Administration proposes to reduce the District's share to 30 percent, the maximum share under current law for localities in States that receive a 50 percent Federal share for Medicaid.

Q. How much additional Federal funding will the District get from this proposal?

A. The District will receive an estimated $156 million in FY 1998, and close to $1 billion over 5 years.

Q.

Why is the Administration increasing funding for the city's Medicaid program when current Medicaid funding has been mismanaged? (for example, in Salazar v. D.C., a U.S. District Judge found that the program is so poorly managed that the city is endangering the health of the city's poorest residents)

Answer

The Department of Health and Human Services will provide more intensive technical assistance to help the District improve the management of its Medicaid program and assure that Federal funds are not mismanaged. The increased Medicaid funding will be conditioned on the District following various HHS suggestions for programmatic improvements.

Q: Will the Administration be offering other cities in financial crisis this more favorable Medicaid matching rate?

A: No. the District is the only large urban area that cannot rely on the resources of a surrounding state with a broader tax base.

DC Economic Development Corporation

The Administration proposes to establish an economic development corporation (EDC) as a non-Federal public authority in the District of Columbia to revitalize the nation's capital and benefit the residents of Washington, D.C. Its board would be composed of Federal, city, and Control Board officials, and business, community, and civic leaders. The EDC would formulate a strategic economic development plan for D.C., including business development, linking D.C. residents to jobs, and fostering regional economic strategies. The EDC would be funded, in part, with Federal funds, with an increasing local and private sector match. The strategic plan would also detail, among other things, how new Federal tax incentives would be leveraged to stimulate economic revitalization. Federal tax incentives would encourage capital investment in businesses that are located in D.C. and stimulate employment of economically disadvantaged residents of D.C.

Q: Why is the Administration proposing the creation of a D.C. Economic Development corporation?

A: In examining the District's current economy and after discussions with the District government, businesses, the Control Board and others, it has become evident that the District could greatly benefit from having a single entity that has as its principal mission the development of the D.C. economy. The Corporation would be able:

- to formulate a strategic economic development plan for the District,
- make recommendations for the use of financial incentives available from the District and the Federal government,
- develop strategies for job creation and retention within the District, and
- develop strategies to assist the District in fostering regional economic growth.

Q: Why is the proposed Corporation not part of the District government?

A: The Economic Development Corporation should be focused on developing the D.C. economy. While it would have links to the District government, the Control Board, and the business community through Board membership, it should also be as free as possible to achieve its mission without unnecessary bureaucratic restrictions. As a result, it is proposed that the Corporation **not** be a Federal entity, but will be related to the District government.

Q: Is there any role of private firms and community-based organizations in the proposed development corporation?

A: Representatives of firms and community groups will be critical to the formation of the proposed corporation, and will be represented on its board. To be successful, ideas and the impetus for action must come from business and community leaders. Government -- both the District and the Federal government -- will play supportive and facilitating roles.

Q: **Will the proposed economic development corporation help the District fiscal problems?**

A: In the short term, it won't have much impact. However, over the longer term effective economic development strategies combining growth in District's tax base and reductions in welfare dependency will substantially reduce fiscal pressure confronting the District's government.

Q: **Won't new private investment in the District come at the expense of the Virginia and Maryland suburbs?**

A: On the contrary investments in the District benefit the suburbs. Steven Fuller, an economist at the Center for Regional Analysis at George Mason University, has demonstrated that each dollar of new investment in the District of Columbia generates about a dollar and a half in additional economic activity in the suburbs.

Q: **Shouldn't investment decisions be left entirely to the private sector?**

A: The private sector is the engine of the economy. Public/private partnerships such as that envisioned for the proposed corporation are enhancing the economic performance of states and communities throughout the nation.

Q: **How can you expect that such a small level of Federal support for the economic development corporation will have a substantial impact on the District's economy?**

A: These funds will support activities and incentives that can leverage significant new private investment for each dollar contributed by the federal government.

Q: **There are already a number of effective organizations involved in community and economic development in the District. What will the proposed economic development corporation contribute?**

A: Projects at a scale that can make a real difference require the cooperation several of these organizations and a number of firms. The mission of the proposed corporation will be to help put the right pieces together.

Q: **With the downsizing of the Federal government, does the District have any prospects for economic growth?**

A: If the District can get its house in order, it has all the ingredients for a hopeful economic future. If new kinds of entertainment facilities are combined with existing museums, monuments and parks there would be growth in the hospitality industry. Clusters of firms, non-profits and government agencies involved in communications, bio-tech and health sciences provide the basis for considerable expansion in high-tech employment. In recruiting firms that are able to locate virtually anywhere, the District has considerable advantages.

Q: How does this address the problem of middle class tax base erosion?

A: In conjunction with efforts by the Control Board and the District to put the District's house in order, these steps will help make the city function better and provide additional tools for economic development. These steps will help make the District a more attractive place to live, consistent with its role as our nation's Capital.

Q: Aren't high taxes, crime and education key barriers to economic renewal?

A: The Adminstration's plan provides a start, and makes it more likely that District government will function more effectively. Yet clearly economic revival in the District will require the District to confront a number of challenges not addressed directly by the Administration's plan.

Q's and A's for the Proposed DC Tax Incentives

Q: What are the objectives of the million DC tax incentive program?

A: The program will be designed to encourage employment of disadvantaged DC residents and to revitalize those District areas where development has been inadequate.

Q: How will tax incentives achieve those objectives?

A: The incentives will consist of a mix of those tied to the employment of certain District residents and those tied to investment in qualifying areas of the District.

I cannot be more specific at this time. We plan to seek the input of local officials, business, community, and civic leaders in order to develop tax incentives that meet the unique economic circumstances of the District.

Q: You indicated that there will be a tax incentive tied to employment of District residents. Does that mean the credit will go to employers of District residents, and if so, must the employers be located in the District?

A: We are looking at several alternatives, including both tax incentives for employers (possibly even those located outside the District) and those for employees.

Q: I know you can't be specific, but what general kind of tax incentives are you considering offering to those investing in the District?

A: We are looking at a number of alternatives, including direct incentives to investors and incentives designed to encourage the availability of loans at below-market interest rates for investment in the District.

Alternative Tax Proposals Suggested for DC

Q: Why does your proposal not include upgrading DC's Enterprise Community award to an Empowerment Zone?

A: The DC initiative reflects the unique circumstances of the District of Columbia and is separate from the Empowerment Zone/Enterprise Community (EZ/EC) program. For example, the EZ/EC program tended to target revitalization assistance to areas that are much smaller than those we hope to assist in DC.

Background: OBRA '93 authorized a Federal demonstration project in which nine Empowerment Zones (EZs) and 95 Enterprise Communities (ECs) would be designated in a competitive application process. Of the nine EZs, six were to be located in urban areas and three were to be located in rural areas. These areas were designated on December 21, 1994.

Among other benefits, businesses located in EZs are eligible for three federal tax incentives: an employment and training credit (20 percent of up to $15,000 in wages, or a $3,000 maximum credit) for employees who both live and work in the EZ; an additional $20,000 per year of section 179 expensing with an expanded phase-out range; and a new category of tax-exempt private activity bonds. Businesses located in ECs are eligible for the new category of tax-exempt bonds (subject to the tight eligibility requirements).

The Administration is proposing a second round of EZs/ECs, but with a different set of tax incentives.

Q: Why didn't you just make all of DC an Empowerment Zone?

A: The benefits to the neediest parts of DC would likely be negligible if all of DC were made an EZ. In particular, there may be little incentive for a business to locate in sections of Anacostia when comparable tax incentives are available in Cleveland Park. Similarly, more of the employment incentives would go to higher-income than lower-income DC workers.

Background: In 1995 Rep. Amo Houghton proposed a series of tax incentives for DC. His first proposal was that all of DC be eligible for the EZ tax incentives. At that time, we estimated that the revenue loss from the proposal would be $1.3 billion over five years, and more than $2.3 billion over 10 years.

We have estimated that approximately 30 percent of a DC wage credit would be claimed for employees earning more than $50,000 per year, while less than 24 percent would be claimed for employees earning less than $15,000 per year.

Q: Why didn't you propose to tax DC capital gains at a zero rate to encourage investment in DC?

A: Capital gains exclusion would primarily benefit the existing owners of capital, with only modest, indirect benefits accruing to DC residents generally. In addition, a capital gains exclusion can encourage tax shelter activity and artificial profit shifting into DC. This can be done by manipulating the price of property transferred between related businesses so as to realize capital gains income in the District.

Background: In 1995 Republican Representative Amo Houghton proposed a series of tax incentives for DC that included 100 percent capital gains exclusion for individuals who sell qualified DC assets held for 5 years or longer.

Q: Why didn't you propose to adopt the Holmes-Norton flat tax for DC?

A: While we too are concerned about middle class flight from DC, we think our initiative more directly deals with this problem. In addition, we were concerned that the flat tax would benefit high-income DC taxpayers more than those with low and middle incomes. For example, the marginal tax rates for taxpayers in the highest income tax bracket would decrease by over 50 percent, while low and middle-income taxpayers would have a smaller, if any, decrease in marginal rates.

Background: The Holmes-Norton flat tax would be a two-part tax on DC-sourced and non-DC sourced income, to replace the current Federal individual income tax for DC residents.

The first part would be a simplified income tax for DC residents that would tax their earned income from sources within the metropolitan area and unearned income (interest and dividends) from investments within the DC at a flat rate of 15 percent. Capital gains from DC investments would be tax-exempt. All DC residents would be permitted to deduct home mortgage interest and charitable contributions, regardless of whether they currently itemize deductions. The first $30,000 of income would be exempt for joint returns ($15,000 for single returns) and the earned income tax credit (EITC) would be retained.

The second part of the proposal would tax earned income from sources outside the metropolitan area and unearned income from investments outside DC under the Federal income tax, at the average rate applied to taxable income under the current Federal income tax.

Treasury estimated that the proposal would reduce Federal revenue by $5.6 billion between Fiscal Years 1996 and 2002, assuming no taxpayer behavioral responses. Behavioral responses would increase the Federal revenue loss, especially if the proposal is effective in inducing high-income taxpayers to move to DC.

National Capital Infrastructure Fund (NCIF)

Description:

The NCIF will fund transportation capital infrastructure projects in the District which benefit residents and commuters alike. This includes the construction of local roads and bridges, the local match for federal-aid road and bridge projects, and capital expenditures for the Washington Metropolitan Area Transit Authority (WMATA). Only capital projects would be funded; routine maintenance projects would not be eligible.

In FY98, the Administration proposes providing $125 million in seed money from the Federal Highway Trust Fund to establish the NCIF. This is in addition to funds that the District already receives from the Highway Trust Fund for federal-aid road, bridge, and transit projects. For example, in FY96, the District received $82 million in federal funds for federal-aid highway and bridge projects. The $125 million will allow the District to address a backlog of highway and transit projects, such as road construction, reconstruction, and resurfacing. These new funds will help arrest the deterioration of the District's road infrastructure that has occurred and prevent deterioration of the area's transit system. The Administration will also propose that in future years the NCIF be authorized to accept contributions from other sources.

Conditions for Implementation:

No additional conditions, beyond abiding by current federal-aid criteria for planning, design, etc. of road, bridge, and transit projects.

Qs and As:

Q. Why does the District need additional federal funding?

A. Recent investment in the District's transportation infrastructure has been minimal. For example, in FY96, the District only invested $2 million in its local roads, which comprise about 60% of the District's road system. In FY95, the District was provided an emergency two-year waiver of the local match requirement (for most programs, a 20 percent local match is required) necessary to receive federal funds for federal-aid roads. This waiver allowed 74 new and 51 continuing federal-aid road projects worth $183 million to proceed. In addition, the District spends approximately $50 million for capital costs associated with transit services (mostly Metrorail construction and bus purchases).

The NCIF will protect the federal investment in the District's road and bridge system and in the metropolitan area's transit system, both of which benefit District residents, commuters, and visitors.

Q. Will the District continue to receive other assistance?

A. The Department of Transportation has and will continue to provide technical assistance to the District. In April 1996, the Federal Highway Administration (FHWA) completed an in-depth review of the District's Department of Public Works, making recommendations to improve transportation planning, fiscal processes, procurement, construction contract administration and inspection, and maintenance. The FHWA also signed a Memorandum of Agreement with the District to streamline the contract approval process which dramatically reduced the time needed for approval to get projects off the ground. FHWA has also agreed to assist the District with updating its thirty-year old comprehensive transportation plan and will continue to work with the District to improve the management of its transportation projects.

Q. How does this proposal affect the costs incurred to the District due to the closing of Pennsylvania Avenue?

A. Capital costs incurred by the District due to the closing of Pennsylvania Avenue for security reasons would be eligible for NCIF funds. For example, if the District wishes to widen E street (which is estimated to cost $3.5 million) to improve traffic flow in downtown, it would have the funds to do so.

INTERMEDIATE TERM TREASURY FINANCING

As part of its D.C. Initiative, the Administration will propose legislation to have the Federal Government provide intermediate term financing (ten to fifteen year term) for all or part of the District's accumulated deficit, which is estimated to be between $400 - $500 million.

Q: Why does the District need to borrow money from the Treasury to finance its deficit?

A: In almost all instances where a city has encountered financial difficulty:

- the city accumulated substantial deficits. (e.g. New York, Philadelphia)
- the deficits placed a substantial burden on a city's ability to meet its annual financial needs.
- in each case, these city has found it necessary to finance these deficits over a intermediate term -- ten to fifteen years.
- These deficits have also caused the cities to receive negative bond ratings.
- As a result, these cities were not able to obtain financing through the private market and required state assistance. **In this case, however, DC has no state.**
- This proposal would allow the Treasury to finance all or part of the District's accumulated deficit.
- The terms and conditions for such loans will be determined later, but it is envisioned that:
    - Treasury interest rates would be charged.
    - The District could refinance the Treasury loan at some later time after the District's credit picture improves.

COLLECTION OF D.C. INDIVIDUAL INCOME TAXES AND PAYROLL TAXES BY THE INTERNAL REVENUE SERVICE

Description:

IRS would assume responsibility from the District of Columbia for collecting D.C. individual income taxes and payroll taxes, funded by an addition to the IRS appropriation for that purpose. Expected costs are $15 million in 1998 for startup and phase in, and $25 million in FY1999 and after for operations.

- Benefits to the District government include the ability to redirect taxation and revenue resources to the collection of property and sales taxes, increasing the yields of both, while providing greater levels of service and more fair and responsive local tax administration.

- Benefits to District of Columbia taxpayers include consolidated filing of Federal and local income tax, with savings of time and reduced burden.

Conditions for Implementation:

- Specific authorizing legislation setting out the functions and timing will be required.

- One return will be filed with the IRS to meet both Federal and DC tax purposes.

- IRS will be responsible for enforcement and will use its current enforcement powers.

- IRS will be responsible for management, tax return and refund processing, customer service, compliance, and computer operations.

Qs & As

Q. What is being proposed for administration of D.C. taxes?

A. The Administration is proposing that the Internal Revenue Service assume the responsibility for the processing and collection of all income taxes and employment taxes for the District of Columbia. This would include the processing of those taxes paid by individuals as well as the payment of related employment and payroll taxes. The District of Columbia would maintain processing and collection responsibility for all other taxes collected for the city, as an example, sales taxes, franchise taxes, and property taxes.

Q. When would this change occur?

A. Legislation would be required to fully implement the proposal. Optimistically, we would not envision the first full year of operation to be until tax year 1998 (fiscal year 1999) for tax returns for tax year 1998 and beyond. D.C. would still need to maintain capacity to address tax issues prior to tax year 1998.

FY 1998 would be devoted primarily to the programming, software and related data processing changes needed to accommodate the new work. In fact, it may be necessary begin initial work during the current fiscal year.

Q. What are the cost estimates for this new proposal?

A. The initial estimates are approximately $15M start-up costs in FY 1998 and $25M recurring requirements on an annual basis starting in FY 1999. These cost estimates include processing of all income tax returns, customer service and related assistance, as well as required compliance follow-up on identified tax cases. This costing is based on a more simplified filing routine.

Under the current proposal of one annual income tax return to be filed with the IRS that meets the annual filing requirements for both Federal and D.C. tax purposes, the estimated costs for IRS in FY 1998 include start-up costs of $10 million for information systems reprogramming and $4.5 million for the project office, processing of tax returns and refunds, printing and mailing of tax and education packages. This also includes $500 thousand for training and staff development to ready staff for assuming compliance related activities. The FY 1999 projected costs presumes full implementation of all processing costs (tax returns and refunds), customer service and compliance staffing.

Q. What benefits do you see from having IRS take over the income tax portion of D.C. tax processing and collection?

A. IRS brings its vast experience in core processing and efficiencies in tax return processing to the D.C. tax workload. In developing the proposal, the fact that IRS would be far more efficient in processing and collecting income taxes played an important role in the decision to recommend this approach. It will generate more revenue for the City through a better focus on delinquent taxes, with IRS enforcement strengthening the final collection of income taxes that are currently unpaid. Finally it will free up District resources to improve administration of the property and sales taxes.

Plans are to locate the processing in its IRS Philadelphia Service Center, where federal returns for D.C. residents are currently filed. The potential exists to reduce even further the burden for the D.C. resident through possible streamlining of forms filing for tax matters.

Q. Currently, there are significant differences in the Federal tax code and the D.C. tax code for such areas as deductions and income relief. Wouldn't migration to the Federal tax code cause problems? Do you see any changes in the D.C. tax provisions from this change?

A. Possibly. This proposal requires continuing dialogue between the Administration, the D.C. government and the Congress regarding the exact nature of the changes to the D.C. tax provisions so that D.C. taxpayers rights are protected. We need to balance this assistance proposal with the rights of the D.C. taxpayers. We plan to submit a comprehensive package of proposed tax code changes and, if necessary, convene a working group to explore applicable tax code provisions.

Q. Do you expect any changes in the forms now being used by D.C. residents in filing their tax returns?

A. Probably, but the specifics have not been determined and will need to be discussed. Every effort will be to consider the filing simplicity for the D.C. resident and the ultimate efficiency of the Administration's proposal.

Any changes in the assumption of one annual income tax return, or other related responsibilities could affect the funding requirements of the IRS.

Q. We understand that the Brookings Institution is about to issue a study on the administration of the D.C. tax system. What will their conclusions be?

A. While we are not in possession of the Brooking Institution report, we understand that the conclusions will be consistent with this proposal, by suggesting that the IRS take over administration of the tax processing and collection of all D.C. income taxes. The focus of the review will most likely be in the income tax area, since it is believed that this is the area where most of the improvement is needed. The consensus is that D.C. does an effective job in the processing and collection of other taxes, such as sales taxes, property taxes, and franchise taxes.

We understand that the study may also recommend: (1) That the D.C. tax process be "piggybacked" into the IRS system; and (2) that there be some D.C. tax provision changes and forms modifications beyond the current system, such as computing the tax from adjustable gross income or federal tax paid. We would want to study the recommendations further to evaluate whether and how they could become a part of the Administration's proposal.

Supporting Improvement in D.C. Schools

The first task of the D.C. Public Schools is to get its financial and other systems in order. The U.S. Department of Education is already working with the new Superintendent on a financial and substantive audit of the use of Federal funds. The Department is prepared, in addition, to provide assistance on the overall budget, building appropriate systems for finance, training, and management. The Department is also ready to go further. If requested by the new Superintendent, the Secretary of Education will name an individual experienced with urban school systems to coordinate possible Federal assistance in a number of areas, including:.

High Standards. Critical to school improvement is a clear set of standards that set out what students should know and be able to do, and high quality assessments to measure their progress. The Department has $3 million of Goals 2000 funds that can be used for developing or selecting standards and assessments that are appropriate for the district.

Flexibility and Accountability. Schools that have strong accountability measures linked to high academic standards can receive relief from Federal regulations associated with many program-specific funds. In addition, under reforms promoted by the Administration in 1994, school districts can seek waivers of many Federal regulations. The District has not made extensive use of these authorities. The Department of Education is ready to provide assistance to the District in determining how these waivers, combined with new standards and accountability, can promote school improvement. In addition, the Department is prepared to provide examples of how other school districts and States have revamped their own regulations to increase student achievement.

Public School Choice. The Department has just provided the District with $1 million for the planning and start-up costs for roughly 15 charter schools, and more funds could be made available. Charter schools are public schools that parents, teachers and communities create, and that are free from most rules and regulations but are held accountable for student achievement. The Department can work with the District on a set of principles to guide the charter process, including appropriate quality and accountability measures. In addition, there are a number of entities in D.C., including cabinet agencies, that may be interested sponsoring charter schools.

Assistance with key problem areas. The school system faces pressing problems in its programs aimed at students with disabilities and children who are not fluent in English. The Department can provide immediate support and advice for improving the overall quality of instruction and the efficiency of the Special Education and Bilingual programs.

Model for Administration initiatives. The Administration has announced a number of education initiatives for which D.C. could become a model site. For example, working with the private sector and the Department, D.C. could begin immediately setting up a structure for after-school and Summer assistance to ensure that all children can read independently and well by the end of third grade. With Federal assistance, the D.C. schools could undergo a major effort to bring technology into the classroom, making use of both the technology and school construction initiatives. Building on current Federal financial aid and the proposed Hope Scholarships, D.C. schools could begin an early intervention campaign to ensure that fifth through ninth graders know that they will have the resources to go to college if they choose to.

Supporting the District's Workers

The Department of Labor provides formula and competitive grants to States and local areas to help workers train for jobs and to find jobs, and for administering the unemployment insurance program making unemployment compensation payments to those who lose their jobs. The Department has provided assistance, and will continue to offer assistance when necessary, to the District to improve the operation of these grant programs.

Proposals Underway

- One-Stop Planning Grant. This award of $150,000 will help the District develop a proposal for reinventing its Employment Service operations. One-Stop systems adopted by some 20 States to date help match employers and job seekers and provide counseling and re-employment assistance to those who need help finding jobs.

- School-to-Work Grant. The District received a $200,000 grant to plan for the development of a school-to-work system. This grant will help the District compete for an implementation grant to make systemic reforms to the city's high schools. The School-to-Works systems instituted by some 30 States help high schools integrate classroom training with the workplace skills employers demand and ease the students' transition to work or postsecondary training.

- UI Automation Grant. This $900,000 grant will enable the District to update and upgrade its unemployment insurance tax system, thereby serving both employers and benefit recipients through a more efficient system.

[Note: At the last check in December, these grants were still awaiting implementation. The problem appears to be due to delays in the DC procurement system.]

Possible Initiatives

- Employment Assistance. With some technical and related assistance, provide access to America's Job Bank at all local Employment Service offices, at schools, and at other remote locations to make job information more easily available to District residents. Telephone access through an "automated jobs line" also may be possible.

- Reemployment Services. Provide job search assistance services and workshops that help the unemployed find jobs more quickly, and expand the "DC Metro Area Project" assisting dislocated Federal Workers to include DC government workers who lose jobs due to downsizing.

- Program Improvement. Establish a "Rapid Assistance Team" to help the District maximize the resources it has available and, through developing effective community partnerships, provide more effective application for and implementation of job training programs. Provide the technical assistance needed to ensure that backlogs in the unemployment insurance program are eliminated.