



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

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B-221498.17

May 30, 1986

Mr. Richard Siegel  
Acting Budget Director  
The District of Columbia  
Room 427, District Building  
1350 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

Dear Mr. Siegel:

This responds to a February 13, 1986, letter sent to our Office by the Deputy Mayor for Finance regarding the President's sequestration of funds from the account for the Federal Payment to the District of Columbia under the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). The Deputy Mayor's letter responded to a January 29, 1986, letter sent to our Office by the District of Columbia Retirement Board concerning the sequestration of the \$52,070,000 Federal contribution to District-administered retirement funds. In that letter, the Retirement Board requested our view as to whether the Federal retirement fund contribution is subject to reduction under the Act. The Retirement Board stated its opinion that since these funds had been obligated, they are not subject to reduction under the Act. The District has taken the position that the funds are subject to reduction. As discussed below, we agree with the Board.

The account for the Federal Payment for the District of Columbia includes the following three items: the payment to the General Fund, the Federal contribution to District-administered retirement funds, and the payment for water and sewer services furnished to the Federal Government. For fiscal year 1986, Congress appropriated \$425,000,000, \$52,070,000, and \$30,100,000 respectively for these items, for a total appropriation of \$507,170,000 to the account. We understand that on October 22, 1985, the Treasury Department distributed to the District of Columbia funds totalling \$490,845,000, consisting of the total amount of Federal funds allocated to the General Fund, the total Federal contribution to the retirement fund, and one-fourth of the Federal payment for water and sewer services. This distribution also included one-fourth of the Federal payment for St. Elizabeth's Hospital, which we consider to be a separate account. The Treasury Department distributed another quarterly payment for water and

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sewer services in January. The item for water and sewer services was the only portion of the account for the Federal Payment for the District of Columbia which did not receive its total payment before the Act became effective.

In determining the sequester amount for this account, we found that most of the account's sequestrable base had been obligated as a result of the October and January distributions. Since the Act precludes sequestering obligated balances (except with respect to certain defense contracts), the required sequester identified in our January 21, 1986, report was the amount of the remaining unobligated balance. The unobligated balance consisted of the amount of funds which had not yet been distributed. Since the only funds which had not been distributed were half of the Federal payment for water and sewer services, totalling \$15,050,000, we concluded that the required sequester for this account must be \$15,050,000. See "Budget Reductions for Fiscal Year 1986," GAO/OGC/86-1, January 21, 1986, Appendix A, pp. 29-30.

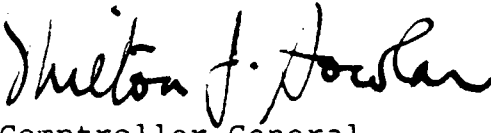
For the reasons detailed in our January 21, 1986, report, the only funds subject to reduction under Public Law 99-177 in this account are those remaining unobligated funds appropriated for the Federal payment to the District of Columbia for water and sewer services. The Deputy Mayor's letter, however, indicates that the District plans to apportion the sequester amount among each of the various activities within the account, including those whose balances were considered obligated and thus exempt from reduction. The result would be a reduction in payment by \$1,505,000 to the retirement fund, by \$12,462,000 to the General Fund, and by \$903,000 to the water and sewer services.

The basis cited by the District for its proposal to apply the fiscal year 1986 sequester to all activities within the account in question is because "the \$15.1 million general sequester is based on the \$507.2 million total [appropriated for the account] \* \* \*." This reasoning, however, fails to recognize that the required sequester amount for this account was reduced to reflect the fact that a large portion of the account had been obligated, and would therefore not be available for reduction. Had such an adjustment not been made, the required sequester for this account would have been \$21.8 million.

Thus, it is our view that the District's proposal to sequester funds already obligated is inconsistent with the method used by this Office to calculate required reductions, as well as with the Act's requirement that obligated balances

not be reduced. We recommend that the District of Columbia reexamine its implementation of the reductions required under the Act to ensure that obligated balances are not reduced.

Sincerely yours,

*for*   
Comptroller General  
of the United States

