

# FY 2007 - FY 2012 Capital Improvements Plan

## Introduction

The District of Columbia continues to make progress in implementing its Capital Improvements Plan (CIP). The proposed FY 2007-FY 2012 capital budget includes major investments in schools and libraries as well as continuing investments in affordable housing, economic development, parks and recreation centers, mass transit, and a variety of other areas. The District faces two challenges that limit its ability to expand its CIP as much as might be desired: it must work within a constrained borrowing environment, because its debt per capita and other measures of debt burden are high, and it must continue reducing the deficit in its General Capital Improvements fund.

The District's proposed FY 2007-FY 2012 capital budget calls for financing \$662.5 million of general capital expenditures in FY 2007, from the following sources:

- \$399.7 million of General Obligation (G.O.) bonds,
- \$188.0 million of pay-as-you-go (Paygo) capital financing—a transfer of funds from the General Fund to the General Capital Improvements Fund—and
- \$74.8 million through the master equipment lease program.

Several other sources are proposed to finance several large-scale capital projects as well.

Of the FY 2007 Paygo total, \$100 million is the first year's installment of a newly enacted \$1 billion plan for schools modernization for the D.C. Public Schools (DCPS). The plan calls for \$100 million of operating budget revenue to be transferred each year to DCPS. This financing will supplement G.O. bond-financed capital projects, for which DCPS is already scheduled to receive budget authority.

This chapter summarizes

- The proposed FY 2007-FY 2012 capital budget and planned expenditures;
- Details on the District's sources of funds for capital expenditures;
- The shortfall in the capital fund, and steps the District will take to reduce the shortfall; and
- A summary of the budgets for the Highway Trust Fund and the Local Roads Construction and Maintenance Fund.

## The Proposed FY 2007-FY 2012 Capital Budget and Planned Expenditures

The District budgets for capital using a six-year CIP, which is updated annually. The CIP consists of the appropriated budget authority request for the upcoming fiscal year and projected funding as well as expenditure plans for the next 5 years. The proposed FY 2007-FY 2012 CIP includes many of the projects from last year's

Table 6-1

### Overview

(Dollars in thousands)\*

Total number of projects receiving funding	196
Number of ongoing projects receiving funding	114
Number of new projects receiving funding	82
FY 2007 new budget allotments	\$513,555
FY 2007 expenditures planned from prior allotments	\$148,929
Total FY 2007 planned expenditures	\$662,484
Total FY 2007 to FY 2012 planned funding	\$3,192,797
Total FY 2007 to FY 2012 planned expenditures	\$3,192,797
FY 2007 Appropriated Budget Authority Request**	\$2,341,175
FY 2007 Planned Debt Service (G.O. Bond)	\$405,114
FY 2007-FY 2010 Planned Debt Service (G.O. Bond)	\$1,948,206

\* Local funds only; excludes projects financed through Local Streets Maintenance Fund, Highway Trust Fund, revenue bonds, Certificates of Participation, financing for baseball, or other one-time borrowing, except where noted.

\*\* From all funds.

CIP, but some projects are proposed to receive different levels of funding, and new projects have been added as well.

The CIP is used as the basis for formulating the District's annual capital budget. The Council and the Congress adopt the budget as part of the District's overall six-year CIP. Following approval of the capital budget, bond acts and bond resolutions are adopted to finance the majority of projects identified in the capital budget. Inclusion of a project in a congressionally adopted capital budget and approval of requisite financing gives the District the authority to spend funds for each project. The remaining five years of the program show the official plan for making improvements to District-owned facilities in future years

The District uses two terms in describing budgets for capital projects:

- *Budget authority* is given to a project at its outset in the amount of its planned lifetime budget; it can later be increased or decreased during the course of implementing the project. The District's appropriation request consists of changes to budget authority for all projects in the CIP.
- *Allotments* are planned expenditure amounts on an annual basis. A multi-year project receives full budget authority in its first year but only receives an allotment in the amount that is projected to be spent in that first year. In later years, additional allotments are given annually. If a year's allotment would increase the total allotments above the lifetime budget amount, an increase in budget authority is required to cover the difference.

Agencies may obligate funds up to the limit of (lifetime) budget authority for a project but cannot spend more than the total of allotments the project has received to date.

The FY 2007 - FY 2012 local funds CIP proposes a net increase in budget authority of \$1.641 billion during the next six fiscal years (an increase of \$1.759 billion of new budget authority offset by \$118 million of rescissions).

Planned capital expenditures from local sources in FY 2007 total \$662.5 million, of which \$587.7 million is to be funded by G.O. bonds and Paygo financing (transfers from the District's General Fund). To finance this \$587.7 million of expenditures, the District plans to borrow \$399.7 million in new G.O. bonds and fund the remaining \$188.0 million using Paygo financing.

Two features of the proposed FY 2007-2012 capital budget will help reduce the deficit in the District's capital fund. First, new allotments from all financing sources will be limited to \$513.6 million. The other \$148.9 million of planned FY 2007 expenditures will be against allotments that agencies have received in prior years for their capital projects. By providing more financing than the new allotments awarded, the District will finance expenditures against previously awarded budget allotments. Second, actual G.O. bond borrowing will be \$449.7 million, although only \$399.7 million will be made available for FY 2007 capital expenditures. The other \$50.0 million will go toward deficit reduction for the capital fund.

After several years of underfunding, the District has significantly increased its expenditures to reinvest in its infrastructure. However, even today, it is not able to fund all its identified capital needs, as competing needs pull in opposite directions. The District is limited by funding as well as competing demands on capital. As a result of these demands, the District has taken action to meet its priorities while also maintaining a fiscally sound CIP. First, it has prioritized its capital projects and rescinded budget authority from those it deemed less important. Second, it has reallocated funding to high priority projects - both existing and new - so that it can meet its most pressing infrastructural needs.

Figure 6-1 illustrates the planned expenditures from new FY 2007 allotments by major agency. Funding for D.C. Public Schools (DCPS), including schools modernization funding, constitutes the largest share of the planned expenditures. DCPS will have a total of \$223.3 million available from three sources of capital project financing in FY 2007:

- New G.O. bond allotments (\$63.3 million)
- Paygo transfer from sales tax revenue (\$100.0 million)
- First portion of Schools Modernization fund (\$60 million, estimated; not included in figure 6-1)

A significant portion of funding also goes toward the Office of the Chief Technology Officer and the Washington Metropolitan Area Transit Authority.

Table 6-2 summarizes planned expenditure amounts for FY 2007 and budget authority requests for FY 2007-FY 2012. It includes both local funds (G.O. bond, Paygo, and master equipment lease) and special financings that are discussed in greater detail below.

The capital fund pro forma, table 6-3, summarizes the sources and uses for local funds in the District's CIP.

Figure 6-1  
**FY 2007 Capital Allotments, by Major Agency**

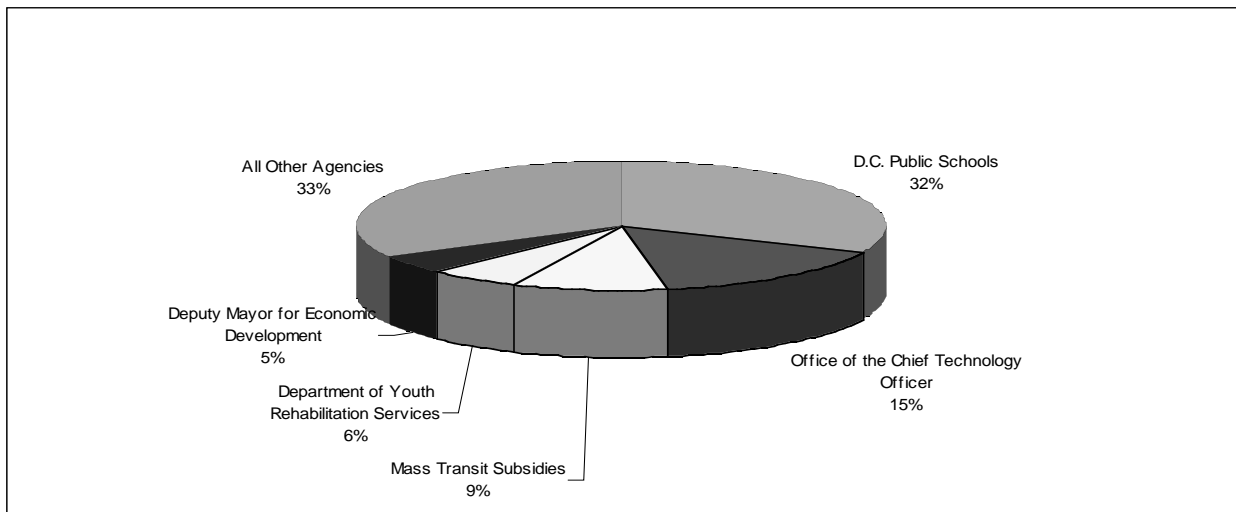


Table 6-2  
**Proposed FY 2007 Expenditures and FY 2007-FY 2012 Capital Budget Authority**  
 (Dollars in thousands)

Source	Proposed FY 2007 Expenditures	Proposed FY 2007-FY 2012 Budget Authority
G.O. Bonds	399,684	
PAYGO capital funding (transfer from the General Fund)	187,987	
Master Equipment Lease financing	74,813	
<b>Subtotal, Local Funds</b>	<b>662,484</b>	<b>1,641,359</b>
Additional G.O. bond borrowing:		
Capital fund deficit reduction	50,000	50,000
Schools Modernization Fund	60,000	0
Government Center buildings	200,000	18,200
Great Streets initiative (bus shelter revenue)	64,000	0
Revenue bonds:		
New Communities (HPTF revenue)	75,000	15,000
Financing for baseball stadium	267,400 (est.)	63,000
Financing for National Capital Medical Center or other health facility	TBD	212,000
<b>Subtotal, Local Funds and Additional Borrowing</b>	<b>1,378,884</b>	<b>1,998,747</b>
Local Street Maintenance Fund:		
Rights-of-way funds	37,000	37,000
50 percent of parking tax revenue	15,000	15,000
Highway Trust Fund:		
Federal Highway Administration grants	239,749	239,749
Local match (from motor fuel tax and other sources)	49,867	49,867
<b>Total</b>	<b>1,720,500</b>	<b>2,341,175</b>

Table 6-3

**Capital Fund Pro Forma**

(Dollars in thousands; excludes Highway Trust and Local Streets Maintenance Funds and special financings)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Total, FY 2007- FY 2012	Percent of of FY 2007
<b>Sources:</b>								
G.O. Bonds	399,684	411,008	411,222	350,592	338,313	309,931	2,220,750	60.3%
Pay-As-You-Go (PAYGO)	187,987	106,000	112,360	119,102	126,248	133,823	779,019	28.4%
Master Equipment Lease	74,813	22,345	22,570	22,865	23,285	20,650	186,528	11.3%
<b>Total, Sources</b>	<b>662,484</b>	<b>539,353</b>	<b>546,152</b>	<b>492,559</b>	<b>487,846</b>	<b>464,403</b>	<b>3,192,797</b>	<b>100.0%</b>
<b>Uses: New Allotments</b>								
District of Columbia Public Schools	163,299	217,197	229,809	243,177	257,348	272,369	1,383,199	31.8%
Office of Chief Technology Officer	79,336	21,546	16,884	17,549	14,839	8,900	159,054	15.5%
Mass Transit Subsidies	48,700	55,900	60,900	68,400	76,200	80,000	390,100	9.5%
Department of Youth Rehabilitation Services	28,500	3,000	0	0	0	0	31,500	5.6%
Deputy Mayor for Planning and Econ. Develop.	23,500	15,800	8,500	0	0	0	47,800	4.6%
Department of Public Works	18,428	11,195	6,420	6,275	7,635	7,800	57,753	3.6%
Anacostia Waterfront Corporation	16,000	15,000	0	0	0	0	31,000	3.1%
DC Public Library	15,750	39,552	26,603	26,788	38,108	22,168	168,969	3.1%
Department of Health	15,200	0	2,800	0	0	0	18,000	3.0%
Office of Property Management	14,760	43,660	35,520	21,820	19,920	18,820	154,500	2.9%
Department of Transportation	14,405	11,500	10,400	6,100	1,500	1,500	45,405	2.8%
Department of Parks and Recreation	13,492	34,045	51,175	33,575	14,557	12,520	159,364	2.6%
Department of Motor Vehicles	13,404	7,600	0	0	0	0	21,004	2.6%
Fire and Emergency Medical Services	11,519	11,852	31,066	24,368	17,850	17,200	113,855	2.2%
Dept. of Consumer and Regulatory Affairs	9,195	7,750	7,750	7,750	7,750	7,750	47,945	1.8%
Metropolitan Police Department	5,900	7,450	10,800	5,200	5,200	5,200	39,750	1.1%
Dept. of Housing and Comm. Development	3,875	8,750	7,450	1,000	3,850	2,350	27,275	0.8%
University of the District of Columbia	3,300	5,800	13,370	8,800	0	0	31,270	0.6%
Department of Corrections	3,090	2,300	5,299	5,150	7,482	220	23,541	0.6%
Department of Human Services	3,000	5,849	5,500	0	0	0	14,349	0.6%
Commission on Arts & Humanities	2,500	2,500	2,500	2,700	2,700	2,700	15,600	0.5%
Office of Chief Financial Officer	2,100	5,200	10,200	11,200	11,200	3,200	43,100	0.4%
Department of Mental Health	2,000	2,500	500	0	0	0	5,000	0.4%
Office of Municipal Planning	1,706	1,706	1,706	1,706	1,706	1,706	10,239	0.3%
Office of the City Administrator	497	0	1,000	1,000	0	0	2,497	0.1%
Office of Zoning	100	0	0	0	0	0	100	0.0%
Office of the Chief Medical Examiner	0	1,700	0	0	0	0	1,700	0.0%
<b>Subtotal, New Allotments</b>	<b>513,555</b>	<b>539,353</b>	<b>546,152</b>	<b>492,559</b>	<b>487,846</b>	<b>464,403</b>	<b>3,043,868</b>	<b>100.0%</b>
<b>Uses: Planned Spending from Prior-Year Allotments</b>	<b>148,929</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>148,929</b>	
<b>Total, Uses</b>	<b>662,484</b>	<b>539,353</b>	<b>546,152</b>	<b>492,559</b>	<b>487,846</b>	<b>464,403</b>	<b>3,192,797</b>	

The Project Description Forms that constitute the detail of Volume 5 of the FY 2007 Proposed Budget and Financial Plan include all projects receiving new allotments in FY 2007 through FY 2012 from local sources, totaling \$513.6 million in FY 2007.

Each \$15 million in borrowing has approximately a \$1 million impact on the operating budget for debt service. The capital budget's impact on the operating budget is the debt service cost, paid from local revenue in the operating budget, associated with issuing G.O. bonds to finance the CIP. Table 6-4 shows the overall debt service funded in the FY 2007 operating budget.

## Details on the District's Sources of Funds for Capital Expenditures

The District's proposed FY 2007-FY 2012 capital budget includes a number of funding sources. The District uses the following sources to fund capital budget authority across a large number of agencies that have capital programs:

- G.O. bonds;
- Paygo capital funding; and
- Master Equipment Lease financing.

Projects funded by these sources are detailed in the Project Description Forms (PDFs) in Volume 5 of the FY 2007 Proposed Budget and Financial Plan.

Table 6-4  
FY 2007-FY 2010 Debt Service Expenditure Estimates

	FY 2007	FY 2008	FY 2009	FY 2010
<b>Existing General Obligation (G.O.) Bonds Debt Service (Agency DS0)</b>	<b>\$384,947,766</b>	<b>\$388,438,571</b>	<b>\$385,852,579</b>	<b>\$389,779,902</b>
<b>Prospective G.O. Bonds Debt Service</b>				
- FY 2007 Bonds (\$649.7 M)	\$17,875,000	\$49,425,000	\$49,422,875	\$49,424,500
- FY 2008 Bonds (\$532.5 M)		\$15,975,000	\$43,280,000	\$43,280,000
- FY 2009 Bonds (\$526.1 M)			\$15,783,000	\$42,761,000
- FY 2010 Bonds (\$375.7 M)				\$11,271,000
- Other borrowing	\$2,291,000	\$17,959,859	\$19,205,673	\$21,233,148
<b>Total G.O. Bonds Debt Service *</b>	<b>\$405,113,766</b>	<b>\$471,798,430</b>	<b>\$513,544,126</b>	<b>\$557,749,550</b>
<b>Schools Modernization G.O. Bond Debt Service (Agency SM0):</b>				
* FY 2007 Issuance (assumed \$60 M)	\$1,650,000	\$4,560,000	\$4,560,700	\$4,562,550
* FY 2008 Issuance (assumed \$90 M)		\$2,700,000	\$7,315,000	\$7,315,000
<b>School Modernization Fund Subtotal</b>	<b>\$1,650,000</b>	<b>\$7,260,000</b>	<b>\$11,875,700</b>	<b>\$11,877,550</b>
<b>Payments on Certificates of Participation (Agency CP0)**</b>	<b>\$33,224,900</b>	<b>\$33,468,706</b>	<b>\$33,723,838</b>	<b>\$33,972,319</b>
<b>Payments on Revenue Bonds for Housing Production Trust Fund (Agency DT0)</b>	<b>\$6,000,000</b>	<b>\$12,000,000</b>	<b>\$12,000,000</b>	<b>\$12,000,000</b>
<b>Total Long-term Debt Service</b>	<b>\$445,988,666</b>	<b>\$524,527,137</b>	<b>\$571,143,664</b>	<b>\$615,599,418</b>
<b>Interest on Short-term Borrowing (Agency ZA0)</b>	<b>\$8,000,000</b>	<b>\$8,000,000</b>	<b>\$8,000,000</b>	<b>\$8,000,000</b>
<b>Total Debt Service</b>	<b>\$453,988,666</b>	<b>\$532,527,137</b>	<b>\$579,143,664</b>	<b>\$623,599,418</b>

\* Does not include debt service on G.O. bonds issued to finance water and sewer-related projects, which is paid by the D.C. Water and Sewer Authority (WASA). "Other borrowing" items include bonds backed by revenue from bus shelter advertising revenue and parking tax revenue.

\*\* Includes debt service on the One Judiciary Square and Unified Communications Center (UCC)/D.C. Net Certificates of Participation financings. Each year's figure for CP0 includes \$1.3 million for property taxes on these 2 properties payable by the District (as Lessee) to the Trustee (as Owner and Lessor), and by the Trustee to the District (as taxing jurisdiction). In effect, the District is paying itself, so there will be tax revenue to offset this \$1.3 million of this expenditure line item. In addition, in FY 2007, \$2 million of the total will be funded via Intra-District funding for the UCC/D.C. Net debt service.

Additional G.O. Bond borrowing of \$50 million annually is proposed for deficit reduction in the capital fund.

The District also proposes to use additional G.O. bond borrowing, revenue bonds, and a one-time borrowing to finance specific projects:

*Schools Modernization Fund:* The District proposes to borrow \$60 million in FY 2007 for the Schools Modernization Fund by issuing G.O. bonds. This fund received \$150 million of budget authority in the FY 2006 budget. Because D.C. Public Schools is revising its Master Facilities Plan, DCPS has not started spending against this authority, and the District has not yet borrowed any of the funds. In FY 2007, borrowing is anticipated to be \$60 million, with the remainder of the borrowing to occur in later years as DCPS finalizes its plans for these funds.

*Government Center Buildings:* The District proposes to borrow \$200 million for two Government Center buildings, the Anacostia Gateway Building and the Minnesota/Benning Center. These centers will house the District's Departments of Transportation, Employment Services, and Human Services. In the FY 2006 budget, the District received \$200 million of budget authority to complete these projects by issuing Certificates of Participation (COPs). Rather than issue COPs, the District proposes to finance these projects using more cost-effective G.O. bonds. During FY 2006, the District reprogrammed \$18.2 million of the \$200 million of budget authority to enable it to purchase a building at 95 M St. SW for the Department of Motor Vehicles (DMV). In FY 2007, the District is requesting an additional \$18.2 million of budget authority to restore the Government Centers total to \$200 million.

*Great Streets:* The District proposes to borrow \$64 million in FY 2007 for the Great Streets initiative. In the FY 2006 budget, the District received \$88 million of budget authority to complete this project through a securitization of revenues from a new bus shelter contract. Rather than securitizing these revenues, the District proposes to finance this project using more cost-effective G.O. bonds. Revenues from the bus shelter contract will be dedicated to pay the debt service on this additional G.O. debt. The current plan is to use a lump sum payment of \$24 million that the District receives in the first year of the contract and to borrow \$64 million against the revenue stream for FY 2007 and beyond.

*New Communities:* The District plans to issue \$75 million of revenue bonds in FY 2006 for a major invest-

ment in the Northwest One community, which includes the Sursum Corda public housing development and surrounding areas, as part of the New Communities initiative. To pay the debt service on these bonds, funds will be transferred from the Housing Production Trust Fund (HPTF), which is funded by dedicated revenue (from deed recordation and deed transfer taxes). The District received \$60 million of budget authority in the FY 2006 budget for this project through securitization of the HPTF revenues, but the securitization has not yet taken place. The District is requesting an additional \$15 million of budget authority in FY 2007 to bring the total to \$75 million, the amount estimated to be financed by \$6 million of transfers annually from the HPTF for debt service. Use of \$6 million of HPTF revenue annually for debt service is currently authorized, and this is the anticipated debt service level for FY 2007. Depending on the timing of the project, the District will seek authority to use another \$6 million annually, which will allow a total of \$12 million to be paid starting in FY 2008.

*Baseball Stadium:* The District received \$534.8 million of budget authority in the FY 2006 budget to build the baseball stadium, and in an FY 2005 supplemental appropriation, it also received \$33.0 million of authority to spend revenues collected that year. Thus, total current budget authority for the project is \$567.8 million. The total cost is now projected to be \$630.8 million (of which the District will contribute \$610.8 million and Major League Baseball will contribute \$20.0 million.) The District is requesting \$63.0 million of budget authority in FY 2007 to bring the total project budget authority to \$630.8 million. See the *Special Studies* chapter on Baseball in the District of Columbia, published with the Mayor's proposed budget on March 20, 2006, for more information on the project and its financing.

*New Mental Health Hospital and DMV Building:* The District borrowed \$200 million in FY 2006 for a new mental health hospital and a new DMV building (as described earlier) by issuing COPs. Authority for this \$200 million was provided by Congress in the FY 2006 appropriation. It does not appear in the FY 2006 capital budget book, but Congress added to the requested capital appropriation amount when it passed the District's budget.

*National Capital Medical Center:* The District is requesting budget authority to use revenues from the District's settlement with major tobacco companies to back debt service on borrowing in FY 2006 for the

National Capital Medical Center (NCMC) or other health care facility. The proposed NCMC would be a new hospital built by the District and Howard University and operated by Howard. A final decision on the NCMC has not been reached.

Finally, the District's Department of Transportation uses the following sources to fund its capital projects:

- Rights-of-Way funds, for Local Road Construction and Maintenance Fund projects;
- Parking tax revenue (50 percent), for Local Road Construction and Maintenance Fund projects;
- Federal Highway Administration grants, for Highway Trust Fund projects; and
- Dedicated motor fuel tax revenues, and several new sources, for Highway Trust Fund projects (these provide the local match for the Federal Highway Administration grants).

The Highway Trust Fund and the Local Road Construction and Maintenance Fund are summarized below, and projects financed through these funds are detailed in Volume 6 of the FY 2007 Proposed Budget and Financial Plan.

### Future Projects

Borrowing for the following projects is planned for FY 2008 or later years:

*East Washington Traffic Initiative:* In the FY 2006 budget, the District received \$230 million of budget authority for this project, the major components of which are the rebuilding of the 11th Street and Sousa (Pennsylvania Avenue) bridges. Parking tax revenue (50 percent of the revenue) supports this project, and federal funds are also anticipated to support this project. A large borrowing is anticipated in FY 2008, with debt service to be paid by the parking tax revenue stream.

*Consolidated Laboratory Facility:* The District is building a new consolidated laboratory that will be used by the Metropolitan Police Department, the Department of Health, and the Office of the Chief Medical Examiner. Both the District and the federal government have begun financing this project, and planning is well under way. In FY 2008, the District proposes undertaking a G.O. bond issuance for this project, and the District will also seek additional federal funding.

*New Central Library:* The District proposes a new central library to be built on the site of the old convention center. The proposal is to borrow using tax increment financing and a bond backed by a payment-in-lieu of taxes, and also to use revenues from a long-term lease payment for the site of the current central library.

Table 6-5 shows expected borrowing amounts for FYs 2007 through 2009 for these projects.

Table 6-5  
**Proposed Borrowing, FY 2007 Through FY 2009**

(Dollars in thousands)

Source	FY 2007	FY 2008	FY 2009
G.O. bonds, general, including deficit reduction	449,684	461,008	461,222
G.O. bonds for Schools Modernization	60,000	90,000	0
G.O. bonds for Government Center buildings	200,000	0	0
G.O. bonds for Great Streets (debt service backed by bus shelter revenue)	64,000	0	0
G.O. bonds for East Washington traffic initiative (debt service backed by parking tax revenue)	0	230,000	0
G.O. bonds for Consolidated Laboratory Facility (1)	0	75,000	75,000
New Central Library (debt service backed by funds from lease or sale)	0	TBD	TBD

(1) \$5 million of FY 2007 borrowing for Consolidated Laboratory Facility is included in G.O. bond total on first row.

General notes:

All amounts and methods of borrowing are subject to change depending on status of projects and market conditions.

Borrowing for 95 M St. SW, baseball stadium, new mental health hospital, New Communities, and National Capital Medical Center or other health facility has taken place, or is proposed to take place, during FY 2006.

## Shortfall in the General Capital Improvements Fund

For the past five fiscal years, the District's Comprehensive Annual Financial Report (CAFR) has shown a shortfall in the General Capital Improvements fund (the "capital fund") (see table 6-6). The shortfall was about \$246 million at the end of FY 2005. This means that capital expenditures have exceeded financing sources by that amount on a cumulative basis, and the District's General Fund has advanced funds to the capital fund to cover the expenditures.

Until a few years ago, agencies had been slow to spend capital dollars, resulting in the District's paying interest on borrowed funds that then sat idle earning lower interest rates in District bank accounts. The District instituted a policy to delay borrowing until funds were needed for expenditures, and borrowing less than the full amount budgeted and/or allotted. At the same time, agencies were pushed to begin spending budgeted capital dollars. Eventually, this resulted in a situation in which total agency spending (of existing capital budget authority and prior allotments) exceeded the amount of funds borrowed, producing a deficit in the Capital Fund. The General Fund paid for these capital expenditures, essentially as a loan to the Capital Fund. This shortfall needs to be cured in order to bring the Capital Fund and General Fund back into balance and also to prevent cash flow problems in the General Fund.

The capital fund commingles a wide variety of expenditures and financing sources. All District capital expenditures other than those in the local Highway Trust Fund and the Ballpark Revenue Fund (for the baseball

stadium) are recorded in the capital fund. Financing sources for the capital fund are primarily G.O. bonds but also include other types of borrowings, federal grants, and other sources. The District is taking steps to isolate the G.O. bond financed portion of the capital fund from the other funding sources, to determine the portion of the fund's shortfall that is attributable to G.O. bond financed projects.

To manage and reduce the fund's shortfall, the District is taking several steps:

- In FY 2006, \$54 million was appropriated to transfer resources from the General Fund to the capital fund, to directly reduce the shortfall.
- In addition, the District will manage capital expenditures so that they remain below financing sources in each year. This can be difficult, because while agencies receive new spendable budgets (allotments) each year, they may also spend against prior-year allotments that have not yet been exhausted. Thus, agencies must manage against a spending target that is usually lower than the budget authority that they currently have.
- Finally, the District's proposed FY 2007-FY 2012 capital budget proposes borrowing \$450 million in FY 2007 but applying only \$400 million to new capital expenditures, so that \$50 million can be used for deficit reduction. The capital plan calls for additional borrowing of \$50 million annually for the next several years to be applied to deficit reduction in this same manner.

For this reason, while financing sources in FY 2007 total \$662.5 million, the District's proposed capital budget includes new allotments of only \$513.6 million.

Table 6-6

### Fund Balance in the General Capital Improvements Fund, FY 1998-FY 2005

(Dollars in millions)

Fiscal Year	Positive / (Negative) Fund Balance
1998	224.0
1999	387.5
2000	458.4
2001	(57.9)
2002	(389.5)
2003	(141.8)
2004	(250.2)
2005	(246.4)



This will allow \$148.9 million of expenditures against unspent prior-year allotments. The Mayor, the Council, and the Chief Financial Officer will continue to work to reduce the shortfall in the capital fund over the next four years.

For more details, see the *Special Studies* chapter on History and Resolution of the Capital Fund Deficit, published with the Mayor's proposed budget on March 20, 2006.

## Highway Trust Fund and Local Roads Construction and Maintenance Fund

The Highway Trust Fund and Local Roads Construction and Maintenance Fund both finance projects implemented by the District Department of Transportation.

### Highway Trust Fund

The Highway Trust Fund (HTF) consists of federal-aid funds and motor fuel tax collections used to support investment on the 44 miles of eligible federal-aid roads and highways. The HTF is used to pay the local match for obligated Federal Aid projects, match future transportation grants and the remaining balances are to be used for capital improvements to local streets and roads.

The inventory of streets and highways under the District's jurisdiction extends approximately 1,421 centerline-miles of urban roads. The streets and highways consist of two-lane residential streets up to multi-lane Interstates. There are 229 bridges eligible for Federal Aid match, and they range from crossings over minor drainage ways to the interstate highway bridges over the Potomac and Anacostia Rivers. Approximately 400 of the over 1,100 miles of streets and highways are eligible for Federal Aid match. Federal Aid match is granted for (approximately) 80 percent of the construction, design and project management costs of an eligible roadway project provided that the District matches the remaining (approximately) 20 percent.

To add to the motor fuel tax, several new sources of financing are proposed for the local match for the HTF in FY 2007:

- Increasing Rights-of-Way rental fees by 20 percent, resulting in an increase from \$1.32 to \$1.59 per linear foot for aerial lines, and an increase from \$0.88 to \$1.06 per linear foot for underground lines;
- Increasing public space rental fees paid on underground vaults by 20 percent, resulting in an increase from 1.5 percent to 1.8 percent of assessed land

value for first level vaults and an increase from 0.375 to 0.45 percent for second and lower levels of vault; and

- Charging cable companies Rights-of-Way fees at 20 percent of the revised rates charged utilities.

The District anticipates expenditures of \$254 million (local share) during the six-year period FY 2007 through FY 2012. Over the same period, the Federal Aid Match (Federal Aid) anticipates expenditures of \$1.351 billion. Thus, total Highway Trust Fund planned expenditures are \$1.605 billion.

### Local Roads Construction and Maintenance Fund

The Local Roads Construction and Maintenance Fund was created in FY 2002 and funded with Rights-of-Way collections. This funding source allows the District of Columbia to maintain the quality of its local street system. Funds are dedicated for the maintenance and enhancement of all local streets. Beginning in FY 2006, 50 percent of parking tax receipts were deposited into this fund annually to support local road rehabilitation and construction.

The District anticipates expenditures of \$52 million per year from FY 2007 through FY 2012: \$37 million from Rights-of-Way fees and \$15 million from parking tax revenues. In addition, in FY 2007, the other 50 percent of parking tax revenues (an additional \$15 million) will be spent through this fund on the East Washington Traffic Initiative. The District anticipates borrowing in FY 2008 to finance a large-scale investment in this project, as mentioned above. Once the borrowing occurs, the second 50 percent of parking tax revenues will be devoted to debt service on the borrowing.

For more details on the Highway Trust Fund and Local Roads Construction and Maintenance Fund, see Volume 6 of the FY 2007 Proposed Budget and Financial Plan.

