

to the Customs Service, CFCs are now the number two problems after illegal drugs.

According to the AP report, CFC gas from India is "routinely marked as another gas or labelled as being transshipped to a third country." CFC production remains legal in India. In one single case, AP reports, more than 2,750 tons of CFC-12 were smuggled into the United States. Authorities say that at least some of that gas came from India. Another operation in Florida was worth \$52 million. Experts estimate that one-third or more of CFC-12 in U.S. commerce, worth nearly \$3 billion, may have been smuggled. According to a U.S. prosecutor, quite a bit of the CFC-12 confiscated from smugglers "was labelled as having been produced by the Indian chemical company Mafatlal," the report said.

"This is additional evidence of India's irresponsibility. First it refused to sign the NPT and the Comprehensive Test Ban treaty, and now we find out that it is complicit in the smuggling of banned substances," said Dr. Gurmit Singh Aulakh, President of the Council of Khalistan, the government in exile of Khalistan, the independent Sikh country declared on October 7, 1987. "In 1994, according to a Heritage Foundation study, India was the third largest recipient of U.S. aid at that time. Should the U.S. be supporting such an irresponsible country?"

"India is one of the worst human rights violators in the world," said Dr. Aulakh. "It is a nuclear threat to its neighbors in South Asia and was a strong ally of the former Soviet Union," he said. "Now we find out that it is an environmental threat as well. Americans aid to this corrupt, repressive country should be cut off immediately," Dr. Aulakh said. He urged the U.S. Congress to pass two bills: HR 1425, the Human Rights in India Act, which would cut off U.S. development aid to India until human rights are respected, and House Concurrent Resolution 32, which calls for an internationally-supervised plebiscite on independence in Indian-occupied Khalistan. "Clearly, India is unwilling to allow these questions to be decided according to democratic principles," said Dr. Aulakh. "In view of India's repressive record, Congress should pass these two bills immediately to help restore freedom, peace, and democracy to the South Asian subcontinent. As Representative Gerald Solomon said, 'Isn't it time the United States stops dumping American taxpayer money into this black hole?'"

DISTRICT OF COLUMBIA PENSION
LIABILITY FUNDING REFORM
ACT OF 1996

HON. ELEANOR HOLMES NORTON

OF THE DISTRICT OF COLUMBIA
IN THE HOUSE OF REPRESENTATIVES

Thursday, May 2, 1996

Ms. NORTON. Mr. Speaker, today I have introduced the District of Columbia Pension Liability Funding Reform Act of 1996. This bill is indispensable to the District's return from insolvency. As long as 10 percent of the District's operating budget must pay for pensions, the District cannot revive.

This bill is the fraternal twin, or complement, to the D.C. Economic Recovery Act (H.R. 3244) which I introduced last month. Together, these bills provide the most pragmatic approach available at this time for obtaining revenue. Both are critically important to restoring solvency by 1999 and enabling the District to achieve a balanced budget as contemplated by the Financial Authority legislation.

The D.C. Pension Liability Funding Reform Act provides the missing congressional piece of the city's financial puzzle. The huge pension liability passed on at home rule by Congress has been a huge and definitive part of the city's financial problems for 16 years. It is time that Congress also becomes a part of the solution.

There has long been bipartisan agreement that the District's pension liability is congressional liability and that the Congress must contribute more. This bill challenges Congress to play a significant role for the first time since home rule in helping the District to eliminate the pension liability that Congress alone created. Because Congress has required the District to balance its budget in 4 years, this is the appropriate time for Congress to begin to pay its fair share of contributions to help eliminate this crushing liability.

A precedent for raising the Federal contribution was established this year in the President's fiscal year 1997 budget when the administration proposed increasing the Federal contribution to \$104 million from its current level of only \$52 million. Like the administration's recommendation, the Federal contribution in my bill recognizes that reducing the liability that Congress created is very different from providing direct revenue to the District—the action Congress has repeatedly refused to take until the District does more to downsize and reform its operations. None of the funds my bill will authorize go toward operating the District government. Rather, the bill requires the D.C. government, residents, employees and retirees alike to make significant sacrifices to reduce the pension liability that has become a stone around the city's neck.

Congress instituted pension plans for the District's police officers and firefighters in 1916, for teachers in 1920, and for judges in 1970 but never funded the plans. Instead, Congress paid the pensions of individuals as they retired. In 1979, Congress passed the District of Columbia Retirement Reform Act and transferred all the unfunded pension liability associated with these plans—all \$2 billion that had accumulated—from the Federal Government to the District of Columbia. The annual pension payments required of the District by the Federal Government were to be made on the same pay-as-you-go basis as Congress employed, with payments each year covering only that year's benefit payments. Thus, the District has fully funded all the pensions under its control from the day the city was handed this liability. Stated another way, there has been no new unfunded liability of these pensions on the District's watch. Since fiscal year 1980, however, the \$2 billion unfunded liability has never been funded but instead has increased to \$5 billion. Most of the increase is interest on the original unfunded liability that accumulated under Federal management. The transfer of this liability is an amazing case study in Federal fiscal irresponsibility. It is one of those rare instances in U.S. history when the Federal Government has off-loaded its indebtedness to an American city.

The unfunded pension liability has grown from an unfair burden to a crippling threat to the economic viability of the District of Columbia. The District, struggling to survive with a sharply declining taxpayer and revenue base and the continuing responsibility for State, municipal, and county functions, cannot recover without systematic relief from the unfunded

pension liability created and passed on to the city by Congress. The legislation I am introducing today will provide that relief by significantly reducing the District's annual retirement plan contribution by 43 percent. The consequence of this one change will be to reduce the District's annual pension contribution from about \$321 million today to a flat rate of \$185 million, which will remain constant for 40 years. This change is accomplished by allocating to the Federal Government 80 percent of the accrued actuarial liability as of October 1, 1979 for services rendered by employees hired prior to home rule but who continued to work for the District government. As of now, the Federal Government has assumed no responsibility whatsoever for pension rights accrued by these employees while the District was under Federal management. The contribution will prefund the cost of the benefits of active employees as they are earned, and will liquidate the District's reduced and much more equitable share of the unfunded pension liability that accrued before home rule. This change will bring critical relief to the District's deficit and allow the District desperately needed breathing room in its budget.

By no means does the bill simply require only the Federal Government to increase its share of the responsibility for the liability. Current and future retirees will receive only one cost of living adjustment per year rather than two, and the rate of contribution from employees will increase from 7 to 8 percent of their annual wages. The unions and retirees deserve credit for having negotiated these sacrifices. In return, the Federal Government will increase its annual pension contribution from a virtually token payment of \$52 million to a flat rate of \$295 million per year. This payment will also be extended over 40 years to liquidate the recalculated amount of the Federal Government's share of the unfunded pension liability. These are painful prescriptions, especially for the employees and retirees, but as they have already recognized, these sacrifices are absolutely necessary. If the District is to reach the goal of a balanced budget by the end of fiscal year 1999, and sustain that performance, it is necessary that the burden be shared.

These reforms will implement a plan that is the result of years of intensive work from the time I came to Congress in 1991 by Members of Congress and their staffs in bipartisanship, representatives from the affected employee groups, retirees, the Council, the Mayor's office, the District of Columbia Retirement Board, the Congressional Research Service, and the General Accounting Office. I deeply appreciate all of the cooperation and support they have given to this endeavor. The evaluation of this bill reflects their thoughtful contributions. This plan is the most practical from among numerous alternatives we have developed and discarded.

It is impossible to overemphasize the importance of this legislation to the fiscal health and stability of the District. Under the current District of Columbia Retirement Act, upon reaching the year 2004, the Federal Government's annual payments cease, and the 1979 law requires the amount the District contributes to nearly double in order to cover both accruing pension obligations and interest payments on unfunded obligations. The unfunded pension liability will have reached \$7.7 billion with the District solely responsible for this debt. This

result would be catastrophic, crushing the District financially and wiping out its capacity to ensure future pension benefits for covered beneficiaries.

To complement my bill, the Mayor and the city council are developing local legislation that will create a third tier within the retirement

system to cover new hires who will be provided with an adequate but modified and less costly benefit plan. Experts here in Congress are now assisting the city by reviewing and advising on two bills now pending before the city council.

I feel fully justified in asking my colleagues to support this legislation now because it is designed to help the District with a problem which is not of its making, but a financial burden created solely by Congress. Corrective action is not only fair. It is quite simply indispensable.