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Budget Cuts Adopted by the DC Council Fall Disproportionately On Programs for Low-Income Residents

On Monday, November 10, the DC Council adopted \$110 million in cuts to the FY 2009 budget, in an effort to address an expected worsening of the city's budget conditions. The Council's cuts largely are on top of steps proposed by the Mayor to address a \$131 million shortfall. The reductions adopted by the DC Council were intended to target new programs that had not yet been implemented, and thus come largely from "unencumbered" funds tied to funding identified as "policy initiatives" in the FY 2009 budget.

The budget cuts were used to establish a \$44 million reserve that can be used if budget conditions worsen before the end of the fiscal year. The Council's cuts also are intended to help the District balance its budget in FY 2010 and beyond.

While these goals are reasonable, the specifics of the Council's proposal raise several concerns. A large share of the cuts affect programs that serve low-income or other vulnerable populations. In addition, while the cuts were intended to target new initiatives, there are several cases in which they will result in reductions of existing services and benefits. Finally, the Council's efforts to find budget savings relied entirely on budget cuts and did not include any revenue options that would have lessened the need for service reductions.

Low-income Programs Faced a Disproportionate Share of the Cuts

The cuts to programs serving low-income residents and other vulnerable populations total \$52 million, nearly 50 percent of the \$110 million in total reductions, even though these agencies represent just 30 percent of DC's local funds budget. The cuts include funding for a program to place homeless residents in permanent housing (known as Housing First), rent subsidies, first-time homebuyer assistance, TANF benefits for needy families with children, substance abuse treatment, and services to help residents find employment. (See the attached table for details on the low-income program cuts.)

Some \$44 million of the budget savings were used to establish a reserve that can be used if the city's budget conditions worsen, as many expect. If the reserve is not needed as of February 2009, the cuts used to create the reserve will be restored.

It is worth noting that the final package of budget cuts adopted by the DC Council reflected some notable changes from the original proposal. Cuts that had been proposed for the Office of Disability Rights and for shelter for victims of domestic violence were restored. In addition, the cut to Housing First adopted by the Council was reduced to \$7 million, less than the initial proposal to cut more than \$12 million

The DC Council's Gap-closing Package Adversely Impacts Services for Low-income Residents		
Agency	Program	Reduction (in thousands)
Office of Community Affairs	Office of Ex-Offender Affairs to increase services provided to ex-offenders	\$75
Department of Employment Services	To fund ex-offender training in the transitional employment program	100
	For DOES adult training	174
	Sustain investments in transitional employment program	188
Housing Authority Subsidy	Rent supplement program	2,000
Dept. of Human Services	Increase Interim Disability Assistance payments	168
	Increase in TANF cash assistance	1,320
	Housing First Services	7,129
Department of Health	Enhance residential substance abuse treatment and services for women with children	500
	Delay funding for School Health Program	1,000
	Delay implementation of Medicaid rate increases	3,632
Dept. of Housing & Community Development	Expand downpayment assistance for over 500 first-time homebuyers	11,000
	Land acquisition fund for affordable housing	10,000
Deputy Mayor for Planning and Economic Development	Expand New Communities human capital	4,000
	Develop database for tracking affordable housing pipeline	588
Department of Health Care Finance	Intensive case management for Medicaid recipients who are elderly or have disabilities	2,000
Pay-As-You-Go Capital Fund	Department of Human Services; CSMHSC - Case Management System	4,500
	Home Again Acquisitions	3,200
Total		51,574

In addition, some of the cuts to low-income health programs were made in an effort to create a special \$10 million reserve for health care programs that would be used if the economic downturn results in an increase in the number of residents in the Medicaid or Healthcare Alliance programs. Even taking this into account, roughly 45 percent of the remaining budget cuts are in low-income programs.

The Budget Cuts Affect Some Existing Services.

The budget cuts adopted by the DC Council were intended to focus on new initiatives in the FY 2009 budget that had not yet been implemented, to limit the impact of the reductions on existing services. While this approach has some merit, cuts to program expansions also can be significant. For example, a 2006 mayoral task force recommended creating 15,000 rental subsidies over 15 years, to address a serious shortfall of affordable housing. The FY 2009 budget included just \$2 million for this purpose, enough to serve only 150 new low-income households. The elimination of this expansion means that no progress will be made on this goal.

Moreover, a review of the cuts shows that some in actuality will result in reductions to benefits currently being received by DC residents or will reduce the number of families served when compared with FY 2008 levels. This is in part due to the fact that some “policy initiatives” that had been included in the FY 2009 budget — and that the Council cut — in actuality represented funding needed to continue programs at their FY 2008 level. In other cases, funding cut by the DC Council may technically have been “unencumbered” yet nevertheless reflected expansions where implementation already had begun.

Temporary Assistance for Needy Families (TANF): The TANF program provides cash assistance and employment services to low-income families with children. The FY 2009 budget included \$1.3 million to increase the maximum cash assistance benefit from \$428 per month to \$437 per month for a family of three, and this increase has already been implemented. The Council eliminated this increase, which will result in a cut in benefits to TANF families as early as December 2008.

The District’s TANF benefits continue to be some of the lowest when compared to other major cities (such New York City) and surrounding jurisdictions. Moreover, the FY 2009 increase was barely enough to cover inflation — leaving benefits at just 29 percent of the federal poverty line — and would not have been enough to help families cope with rising food prices (11 percent over the past year¹) and energy costs (29 percent increase²). The elimination of this modest increase will make it even harder for DC’s poorest families to meet their basic needs.

Home Purchase Assistance Program: The Home Purchase Assistance Program provides low- and no-interest loans to help low-income first-time homebuyers. In FY 2008, District funding for HPAP totaled \$21 million, all of it from a special fund that collects repayments of prior HPAP loans. (When HPAP homebuyers later sell their home, the loan is repaid to the District.) That special purpose account was largely depleted in 2008, and the FY 2009 budget contained a \$19 million HPAP appropriation from general funds to keep the program at roughly the FY 2008 level. While this was described in the budget as a “policy initiative,” in reality it was needed just to maintain level funding.

The Council’s gap-closing legislation cut HPAP funding by \$11 million for FY 2009. (Those funds will be set aside in a reserve to be used if the city’s fiscal conditions worsen. If the reserve is not needed as of February 1, the HPAP funding will be restored.) HPAP was expected to help 500 new homebuyers in 2009, about the same as in 2008, but the \$11 million cut — about one third of HPAP’s \$34 million budget when federal funds are included — will result in far fewer households obtaining loans this year than last year. The Council’s gap-closing legislation also reclassified the remaining \$8 million of HPAP’s local appropriation as one-time funding for FY 2009. When combined with the \$11 million reduction, this means that under current plans HPAP will receive no local funding in FY 2010 and beyond.

¹ Food Resource and Action Center, “The Impact of Rising Food Costs on Low-Income Americans,” September 2008, <http://www.frac.org/pdf/foodcosts.pdf>.

² Bureau of Labor Statistics, “Consumer Price Index Summary,” August 2008, <http://www.bls.gov/news.release/cpi.nr0.htm>.

Interim Disability Assistance: The Interim Disability Assistance (IDA) program provides cash assistance to low-income residents with disabilities while they apply for federal Supplemental Security Income (SSI), a process that can take more than a year. For those applicants who end up qualifying for SSI, their IDA payments cease and the District is reimbursed by the federal government for the prior IDA payments. The IDA program, which had been eliminated in the 1990s, was re-established in 2002.

The Council's gap-closing package removed all revenues from the city's "SSI payback fund"— which collects the federal reimbursements and is used to support new IDA recipients. Because IDA has experienced rising caseloads over the past year, this cut makes it unlikely that the District can serve all eligible residents in FY 2009. In fact, it is likely that the city will have to establish a waiting list for the program and may end up serving fewer residents in FY 2009 than in FY 2008.

New Communities: The District's "New Communities" initiative is intended to transform several low-income neighborhoods into mixed-income communities, with both new housing and improvements in public facilities such as schools and libraries. The goal of the program is to allow existing low-income residents to remain in the community in better housing, and to create a mixed-income community by adding new units for moderate-income and higher-income households.

One critical element of the New Communities initiative is investment in "human capital" to support existing low-income residents in four areas: adult employment, youth development, physical and mental health, and community safety. Although the initiative is underway in four sites, and construction has started at the Northwest One site, funding for the human capital component has been limited and sporadic. Some \$1.7 million was provided in FY 2007, and this has been used to provide services through FY 2008.

The FY 2009 budget included \$4 million to replenish funding for the New Communities human capital programs, but all of these funds were eliminated by the DC Council in its gap-closing plan. This will make it difficult or impossible to continue these services this year.

The Council's Gap-Closing Package Did Not Include Revenue-raising Options

The Council's effort to find savings and create a budget reserve relied entirely on reductions to expenditures and did not include any revenue-raising options. The FY 2009 budget included a \$20 million business property tax cut, and the Council's gap-closing plan left that tax cut intact. The Council did not adopt other proposals to raise revenues that would have reduced the need for budget reductions. It is worth noting that Council member Graham raised the possibility of increasing the cost of using downtown parking meters from \$1 per hour to \$1.50, a proposal that could raise several million dollars in new revenue. The Council did not formally consider this proposal, but there is a possibility that it will consider this proposal soon and that the additional revenues would be used to restore some of the budget cuts.