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A Deeper Dive into the Mayor's Budget Proposals

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Earlier this week, Mayor Bowser released her supplemental budget for fiscal year (FY) 2020 and proposed budget for FY 2021. Through a mix of cost-saving strategies, the Mayor took some important steps to avoid making deep cuts to essential programs and services during the pandemic and resulting economic downturn. Yet, the budget overall fails to adequately meet immediate needs and address entrenched structural inequities. This would leave certain communities, particularly low-wage workers and Black and brown residents, more vulnerable to the devastating harm of this crisis. Meager investments in childcare, cuts to homelessness street outreach, and a major slash to affordable housing preservation—among other shortcomings in the budget—will hinder the District's ability to create a more inclusive, equitable city.

This post provides an overview of how the Mayor's budget proposal affects low- and moderate-income DC residents. The analysis is sorted by major policy areas: revenue, affordable housing, early child and pre-K to 12 education, and employment and training. Our overview of the Mayor's proposed health and human services budget is here. (Given the truncated budget hearing schedule, DCFPI decided to write this longer post, capturing all major areas of the budget. More detailed analysis is forthcoming.)

Revenue

The Mayor's budget proposals employ a mix of revenue strategies to address large revenue losses—and budget shortfalls—resulting from the pandemic. The Mayor should be commended for her resourceful leadership, but some of the decisions ask too much of some—such as city workers facing pay freezes—and too little of wealthy residents and profitable corporations that have the ability to pay their fair share to help meet need and avoid flat or reduced spending in vital programs.

To close the $483 million FY 2020 budget gap, the proposal:

- Reduces agency budgets, on net, by $132 million. Some of the savings reflect freezing vacant positions and spending on supplies, training, and out-of-state travel. The spending increases address spending pressures, federal match requirements, and other issues.
- Shifts $214 million of spending to federal funds and taps $37 million in contingency cash reserves for uses that aren't related to COVID-19.
- Takes $149 million out of various fund balances and redirects an additional $25 million of revenue that is derived by delaying how quickly the city pays back the Ballpark bonds. (See this table for agency-level and total changes).

To balance the FY 2021 budget, the proposal:

- Reduces agency budgets, on net, by $166 million. Savings come from eliminating vacancies and cost of living increases for city workers, and reducing funding for programs.

- Shifts $38 million in allowable local spending to federal funding for certain programs. Once these federal dollars expire, it will be important to ensure that funding for these programs shifts back to local dollars to meet current needs at that point.

- It also utilizes the entire $213 million Fiscal Stabilization Reserve Fund, $324 million in prior-year surpluses, and other financial tools, including refinancing our debt and delaying Ballpark bond payments. The budget, however, raids the entire special fund that is dedicated to implementing part of the Birth-to-Three for All Act. DC Council should restore that funding, which totals $842,000 in FY 2021.

- Raises $75 million, on net, in part by closing minimal tax loopholes, beefing up tax compliance monitoring, and expanding certain allowable sales at bars and restaurants.

- Provides an additional $1.9 million tax break to Qualified High Technology Companies, despite the program's failings. The DC Council should eliminate this tax incentive altogether. (The budget provides an additional $4 million by FY 2025 for an abatement program for developers to build more affordable housing. Those details are below in the housing section).

All options to do more should be on the table, including raising revenues, so communities being hit the hardest by the pandemic—and those who were suffering even before—are not further hurt by underfunding critical programs.

Affordable Housing

Housing Production Trust Fund

The Housing Production Trust Fund (HPTF) is DC's primary tool for building and preserving affordable housing. The Mayor has committed $100 million to the HPTF every year since FY 2015 and the District had increased it to $115.6 million in FY 2020.

- The Mayor's supplemental budget cuts the FY 2020 increase to $100 million and maintains that same amount in the proposed FY 2021 budget to create 1,000 new units of affordable housing for projects already approved in the pipeline.
- The proposed FY 2021 budget supports the HPTF with $73.5 million in dedicated taxes and a total supplement of $26.5 million.

Rising land and construction costs and the needs of families with extremely low incomes mean that a $100 million investment in the HPTF is simply not enough. DC's housing challenges require a bold solution. Last year, DCFPI estimated that creating the same number of new homes as in 2015 would cost more than $150 million in FY 2020 and fully meeting the District's needs would cost more than $200 million FY 2021.

Preservation Fund

The Affordable Housing Preservation Fund (AHPF) uses District dollars to leverage private funds to acquire, rehabilitate, and preserve affordable housing projects. Preservation is considered one of the most cost-effective ways to protect affordable housing units in the District.

- With a 3:1 private-public match, last year's District investment of $11.8 million meant that over $45 million was available for affordable housing preservation. This year's investment of only $1 million leaves the preservation fund with an anemic $4 million for FY 2021.

- Such an enormous cut could seriously damage the District's chances of reaching Mayor Bowser's stated goal of creating or preserving 12,000 units of affordable housing by 2025.

Rental Assistance

The Mayor's proposed budget provides no new local funding for rental assistance through DC's Local Rent Supplement Program (LRSP), largely due to $11.2 million in anticipated federal funds which can be used to support rental assistance. And it makes changes to the project-based component of LRSP that provides operating assistance to for-profit and non-profit developers for units that serve families with the lowest incomes.

- The Mayor plans to direct $8.4 million of the federal funding toward direct rental assistance and $2.8 million toward non-profits who would administer the rental assistance. These are one-time, non-renewable funds so policymakers would need to restore and grow local funds to support rental assistance in FY 2022.
- The supplemental budget maintains FY 2020 investments in targeted affordable housing and tenant-based rental assistance.
- Because project-based LRSP cannot be used until development projects are completed, this funding often goes unspent for two to three years. The proposed budget moves project-based LRSP to future years in the financial plan to account for when they would actually be spent. This should not negatively impact any projects and would include inflationary adjustments. The financial plan includes an increase of $5.4 million in project-based LRSP in FY 2022 and FY 2023.

New changes adopted in the FY 2020 budget require 50 percent of HPTF resources be used to serve DC's families with the lowest incomes (those with incomes up to $36,400 for a family of four). As money for new projects is added to the HPTF, the Mayor intends to add a corresponding amount of project-based LRSP to the financial plan. The Mayor and Chief Financial Officer should ensure that the amount devoted to project-based LRSP in the financial plan is enough to meet DHCD's new statutory goal.

Public Housing

The Mayor's budget adds a "Public Housing and Structural Transformation" (PHAST) fund as the source of District financing for the development and rehabilitation of DCHA properties. This $76 million fund would be administered over two years through the office of the Deputy Mayor for Planning and Economic Development.

- The FY 2021 proposal provides $46 million to the PHAST program, $21 million of which would be used for New Communities Projects, and $25 million of which would be used for small capital projects and repairs.
- The FY 2022 proposal provides the PHAST program $30 million, $15 million of which would go to New Communities, and the other $15 would go to small capital projects and repairs.

Public housing advocates have called for $60 million of recurring annual funding for repairs to crumbling public housing stock. Advocates point to the deteriorating conditions as hazardous to all public housing residents, particularly in a time when District residents are being asked to stay at home.

New Property Tax Abatement

The proposed budget creates a new property tax abatement program to incentivize the development of affordable housing in areas of the city with less affordability. Projects would be subject to first source hiring requirements and contracts with Certified Business Enterprises for a portion of project operations.

- Eligible properties would include those developed or redeveloped with at least 350 units, one-third of which must be affordable for 40 years to people with incomes at 80 percent of AMI (those with incomes up to $97,050 for a family of four). This AMI threshold is high, failing to provide direct support to the neediest renters. DC Council should consider lowering the affordability target to 50 percent of AMI ($60,650 for a family of four).
- Starting in FY 2024, the exemptions would be capped at $200,000 and $4 million annually thereafter. Determinations of property tax exemptions would be made through a competitive process. Selected properties that become ineligible for the exemption would have to begin paying the property tax in the following tax year.

Early Child & Pre-K to 12 Education

Childcare

The Mayor's supplemental FY 2020 budget lacks any stabilization funding for childcare providers, the majority of whom have been unable to secure federal support. While the Office of the State Superintendent of Education (OSSE) will continue to cover subsidy payments, providers who rely fully or partially on tuition payments from families are at risk of going out of business.

- Without access to public dollars, DC is on track to lose more than 6,500 early learning seats, severely limiting access to licensed child care for families with young children and infants.
- The proposed FY 2021 budget maintains funding for childcare subsidies at the same level as last year. At least $10 million more is needed to cover added costs to maintain clean and safe learning environments with reduced student-to-teacher ratios when childcare centers re-open.

The District lacked sufficient high-quality early learning programs across all neighborhoods before the pandemic hit. Families with low incomes bear a disproportionate burden, and their needs should be prioritized in the recovery.

Home Visiting

The proposed budget fails to renew modest one-time funding totaling $310,000 for home visiting programs run through the District's Child Family Services Agency (CFSA) that help reduce child abuse and neglect.

- CFSA's programs are designed for unique populations who benefit from the programs' ability to address their specific needs. These include families experiencing homelessness, who have experienced domestic violence, who include a parent returning home from incarceration, and fathers.
- Home visiting is essential for families navigating circumstances and stressors that place young children at greater risk for child abuse and neglect.

Head Start

DC Public Schools (DCPS) is facing a significant loss of federal funding in FY 2021 for its Head Start program—an early childhood education program that serves low-income three and four-year-old prekindergartners. The Mayor's proposed budget does not provide any additional local investments to make up for this loss, which means DCPS has fewer dollars to pay for early childhood teachers and aides.

Uniform Per Student Funding Formula

The Mayor's proposed budget prioritizes investments in DCPS and public charter schools by increasing the Uniform Per Student Funding Formula (UPSFF) by 3 percent. This increase would bump the base funding for all of the District's 98,000 public school students in the 2020-21 school year from 10,980 to $11,310. Though the increase shows some progress, it falls short of putting the city's education budget on a path to be adequately funded; the proposed UPSFF base amount is $820 below the level school finance experts recommended in the 2013 DC Adequacy Study.

- The proposed budget does not include an increase to the "at-risk" weight in the UPSFF formula, which is multiplied by the base amount and provides additional funds to schools to support students who are low-income or face other barriers such as homelessness.
- The proposed at-risk weight for next school year is .225, providing $2,545 per at-risk student.

School-Based Mental Health Resources

The proposed budget protects existing investments in school-based mental health supports. However, it fails to sufficiently boost investments at a time when students—especially our most vulnerable—need even greater support to cope with newfound stress, trauma, and anxiety of having their lives disrupted by the pandemic.

- The proposed budget allocates $1.5 million from the Governor's Emergency Education Relief Fund to support the DBH school mental health program, bringing the total proposed budget to $13 million—$3 million below school mental health advocates' ask.
- The proposed budget cuts the Community Services Division within the Department of Behavioral Health (DBH) by $33 million, reflecting expiring federal grants, cuts to Medicaid and other reimbursement programs for community-based organizations (CBO). These cuts are likely to harm the viability of CBOs that serve schools through DBH's school mental health program, putting critical student mental health services at risk.

School Technology

The Mayor's proposal builds on FY 2020 investments in student technology. However, digital equity advocates remain concerned about how adequate the investment is as many low-income students are still without devices and internet access and will likely continue learning from home through summer and fall.

- The FY 2021 proposal provides $6 million to expand information technology devices and support, according to the Mayor's May 18 budget presentation.
- The proposal also provides OSSE $4.2 million from the District's Elementary and Secondary School Emergency Relief Fund to support expanded distance learning efforts such as purchasing more Wi-Fi hotspots for students in need.

While the Mayor maintained strong investments in public education through increases to the UPSFF, many questions remain about whether mental health and technology investments will be adequate given the continuation of distance learning next school year.

Employment and Training

Job Training Programs

The FY 2021 proposed budget reduced investments in DC's four main subsidized job training programs. Overall, funding for the four programs will be $29.1 million, compared to $33.5 million in FY 2020.

- The Mayor Marion S. Barry Summer Youth Employment Program is a locally funded program that provides District youth with summer work experiences through subsidized placements in the private and government sectors. The budget leaves the program funding intact for summer 2020 but cuts funding for the program for summer 2021 from $18.5 million to $16.95 million by eliminating vacant positions and extended year programming for 18-24 year-olds.
- The Transitional Employment Program (also called Project Empowerment) is a subsidized job program specifically targeted to returning citizens and others with high barriers to employment. The Mayor's proposes a cut to this program, leaving it at $8.9 million, as compared to $9.7 million in FY 2020. The program was funded at $10.5 million in FY 2019.
- The DC Career Connections Program (DC-CC) is a work readiness program started in FY 2017, specifically targeted to youth aged 20 to 24. The budget proposes a decrease in funding to $3.3 million, down from $3.7 million in FY 2020.
- Learn Earn Advance Prosper (LEAP) Academy was started in 2016 as a training and subsidized employment program for jobs in DC government and is specifically targeted to long-term TANF recipients. The Mayor's proposed budget essentially eliminates this program by reducing its funding from $1.6 million to $0.

DC Infrastructure Academy

The DC Infrastructure Academy (DCIA) is a partnership between the District government, organized labor, the University of DC, and private sector employers. It provides job training for underemployed and unemployed residents focused on the infrastructure industry.

- The proposed budget includes $2.8 million in for DCIA, all in local funding. There is no private funding for DCIA nor one-time funding that the District provided last year, which explains the slight reduction to the overall DCIA budget.
- The capital budget invests $52 million in a new permanent home for DCIA in Ward 5 at Spingarn High School, moving DCIA from its current location at Wilkinson Elementary School in ward 8 by FY 2024. The Mayor plans to explore charter tenant co-location at the new site and would give charter school operators the option to lease DCIA's old location.

Adult Education

The Office of the State Superintendent of Education's Post-Secondary and Career Education Division includes two programs—the Office of Adult & Family Education (AFE) and the Reengagement Center (REC)—that support adults in accessing education and career opportunities. AFE supports adult learners to increase literacy levels, obtain a GED, and access post-secondary school or job training while the REC provides educational opportunities and support services for youth and young adults aged 16 to 24. The Mayor's proposed budget includes:

- $7.8 million for the AFE, including $5.5 million in local funds. This is an expansion of nearly $2 million.
- $570 thousand for REC, a slight reduction from FY 2020.

The proposed budget appears to maintain $2.1 million to support transportation assistance to adults in publicly funded education programs. In the last fiscal year, the subsidy increased from $50 per month to $70 per month to cover Metrobus and Metrorail rides for program participants. This investment is crucial as transportation has repeatedly been identified as a major barrier to program participation.

Workforce Development

The federal Workforce Innovation and Opportunity Act mandates that states align workforce programs to career pathways – coordinated, transparent education and training systems that adults can easily access for their specific training needs.

- The proposed budget appears to maintain $1.65 million in DC's Career Pathways Innovation Fund, removing $500 thousand in one-time funds that were funded last fiscal year.

The Workforce Investment Council is tasked with supporting workforce education, training, and support services to promote job readiness and employment.

- The proposed budget includes $4.3 million which is consistent with last year's funding levels after the removal of one-time funding.

Universal Paid Leave

Starting July 1, the Universal Paid Leave Act (UPLA), which will provide up to eight weeks of parental leave, six weeks of family leave to care for an ill family member with a serious health condition, and two weeks of medical leave to care for one's own serious health needs.

- The Mayor's proposed budget preserves $69 million in FY 2020 and $271 million in FY 2021 for the Universal Paid Leave Fund.
- The Office of Paid Family Leave's budget would approximately double to $19.6 million under the proposal to cover administrative, benefits, and tax collection costs, and a team of 125 full time employees. This expansion will greatly assist the office's ability to administer claims.

The proposed budget doesn't appear to fund appeals activities, so the Council should make that a priority in their budget. Additionally, by the end of this month or early June, the Chief Financial Officer will certify whether the July 1 rollout can be sustained as planned during this pandemic.