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## **Income Inequality in the District of Columbia Is Wider than in Any Major U.S. City**

By Angie Rodgers and Ed Lazere

Across the nation, income inequality — the gap between high-income and low-income households — is substantial and has widened significantly over the past two decades. While this phenomenon is national in scope, an analysis of data from the 2000 census shows that income inequality is particularly serious in the District of Columbia.

- The average income of the top fifth of the District's households — \$186,830 in 1999 — was 31 times higher than the average income of the bottom fifth of households — \$6,126.
- The gap between high-income and low-income households in the District is as wide or wider than in any of the central cities of the nation's 40 largest metro areas. Two other cities — Atlanta and Miami — have similar income gaps, but in most cities the gap is much smaller than in DC. In the typical large city, the income of the top fifth of households is 18 times the income of the bottom fifth.
- Income inequality widened in the District in the 1990s, as the benefits of its economic expansion went almost exclusively to its highest-income residents. The average income for the top fifth of DC households grew 36 percent during this period, adjusting for inflation, while the average income of the bottom fifth of households rose just three percent.
- The stagnant income for the District's lowest-income residents reflects a variety of factors, including weak wage growth at the bottom of the earnings scale and a significant reduction in the value of public assistance benefits.
- The wide income gap in the District of Columbia also reflects the fact that low-income households in the Washington *metropolitan area* are highly concentrated in the city of DC. At the same time, the Washington metro area is home to a substantial high-income population, and these households are more likely to live in DC than are high-income households in many other metro areas.

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These findings suggest that continued economic expansion alone cannot be expected to reduce income inequality. Instead, it is likely that future income growth will continue to accrue primarily to higher-income residents — and that income inequality will widen further — without efforts to reverse the trend of falling or stagnant incomes for the poorest residents.

While the District has taken some steps to boost the incomes of its lowest-income residents — such as establishing a DC Earned Income Tax Credit — there are other policies that could be adopted to reduce income inequality. These include:

- increasing the minimum wage;
- adopting a “living wage” requirement;
- using economic development programs to promote creation of good-paying jobs;
- expanding child care and other supports for low-wage workers; and
- increasing public assistance benefits for families that are not able to work or are preparing to enter the work force.

## **Income Inequality is Wider in the District Than in Other Major Cities**

This report compares household incomes in the central cities of the 40 largest metropolitan areas in the U.S. using data from the 2000 census.<sup>1</sup> To measure income inequality, each city’s population was divided into five groups, or quintiles, based on household income. The average household income of each fifth was then calculated.<sup>2</sup>

This analysis shows that the District of Columbia has a high rate of income inequality, which means the gap between high-income and low-income households is wide. While income

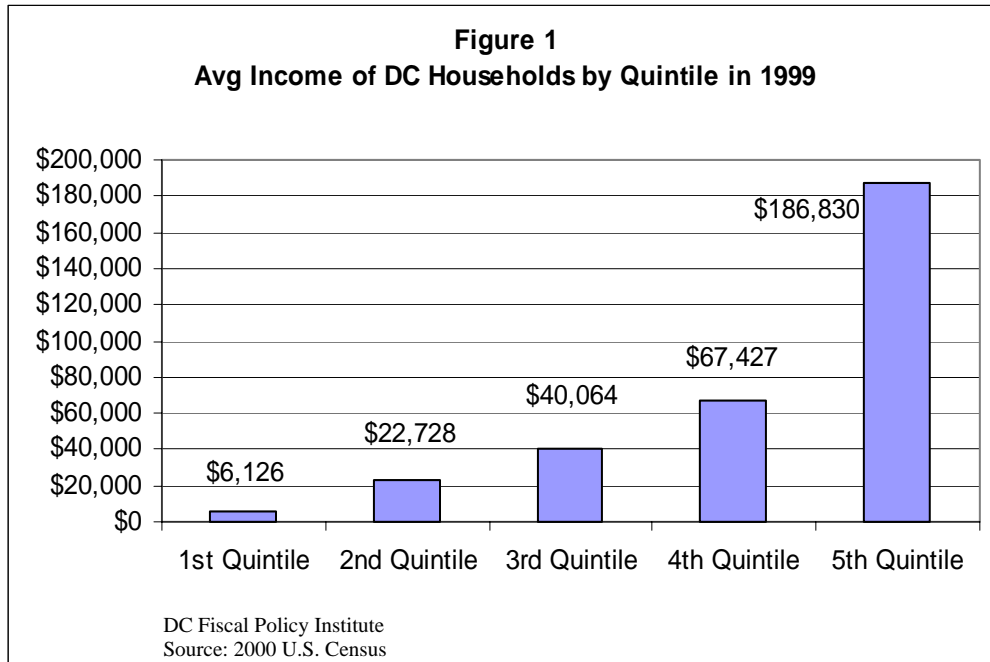
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<sup>1</sup> In this analysis, data for New York City include households in the five boroughs that make up the central city — Manhattan, Queens, Brooklyn, the Bronx and Staten Island. For metropolitan areas that include more than one major central city — such as Tampa-St. Petersburg — this analysis reflects combined data for households in all of the major central cities.

<sup>2</sup> Household income, as defined by the Census Bureau for the 2000 census, includes cash income from a variety of sources, including wages and salary; self-employment income; interest, dividends, net rental or royalties; social security (including supplemental) or railroad retirement; public assistance or welfare; and retirement or disability benefits. It is worth noting that the Census Bureau does not include certain kinds of income that affect average incomes for both high- and low-income households. The definition does not include capital gains, lump sum inheritances, occasional monetary gifts, savings withdrawal, or sales of personal property. At the other end of the income scale, the Census data used in this report do not include in-kind or non-cash assistance income, such as income from food stamps, housing assistance, health insurance coverage, or the Earned Income Tax Credit.

In addition, for confidentiality reasons, the Census Bureau sets a maximum amount — a “top code” — for certain types of income presented in the data. Income that exceeds the top code is not shown, reducing the amount attributed to individuals at very high income levels.

For these reasons, the income reported may not be a complete representation of the total monetary resources available to households, particularly those that are high-income. Examination of other sources of data on changes in income show that the Census data have tended to underestimate income inequality, in large part because they fail to capture significant sources of income at the very top of the income spectrum.



inequality is not unique to the District, the gap between the top fifth and bottom fifth of residents is as wide or wider than in any other major U.S. city.

- The average income of the bottom fifth of District households equaled \$6,126 in 1999.
- The middle fifth of the District's households had an average income of \$40,064.
- The average income of the top fifth of District households equaled \$186,830 in 1999.
- The average income of the top fifth of District households was 31 times higher than the average income for the bottom fifth of households. The average income of DC's high-income households was nearly five times the income of the District's middle-income population.

The census data show that the District's bottom fifth of residents have some of the lowest incomes when compared with other large cities, and its upper-income residents have particularly high incomes.

- The average income of the bottom fifth of District households — \$6,126 — is lower than the income of the bottom fifth in 27 of the 40 large cities considered in this analysis. (Information on average income by quintile for the 40 cities is included in Table 1 and in Appendix Table 1.)

**Table 1: Income Gaps in the Central Cities of the 40 Largest Metro Areas, 1999**

Rank	City	Avg Income Bottom Fifth of Households	Avg Income Top Fifth Of Households	Ratio
1	Washington, DC	6,126	186,830	30.5
2	Atlanta, GA	5,858	172,773	29.5
3	Miami, FL	4,294	125,934	29.3
4	New York, NY	5,746	159,631	27.8
5	Newark, NJ	3,747	93,680	25.0
6	Boston, MA	5,832	145,406	24.9
7	Los Angeles, CA	7,124	162,639	22.8
8	Fort Lauderdale, FL	7,831	176,053	22.5
9	Cincinnati, OH	5,440	117,086	21.5
10	Oakland, CA	7,642	163,931	21.5
11	Baltimore, MD	5,078	107,139	21.1
12	Pittsburgh, PA	5,476	114,618	20.9
13	San Francisco, CA	10,019	208,820	20.8
14	Philadelphia, PA	5,045	104,847	20.8
15	Chicago, IL	6,628	136,970	20.7
16	Detroit, MI	4,972	101,208	20.4
17	Cleveland, OH	4,649	87,480	18.8
18	Dallas, TX	8,962	165,392	18.5
19	St. Louis, MO	5,050	90,946	18.0
20	Houston, TX	8,075	143,321	17.8
21	Tampa-St. Petersburg, FL	7,868	131,459	16.7
22	Seattle, WA	10,562	167,669	15.9
23	Denver, CO	9,243	141,347	15.3
24	Columbus, OH	8,786	132,539	15.1
25	San Diego, CA	10,220	151,805	14.9
26	Riverside-San Bernardino, CA	8,354	119,686	14.3
27	San Antonio, TX	8,353	118,999	14.3
28	Sacramento, CA	8,285	117,078	14.1
29	Kansas City, MO	8,301	114,534	13.8
30	Portland, OR	9,792	133,090	13.6
31	Minneapolis-St. Paul, MN	9,308	126,309	13.6
32	Charlotte, NC	12,665	168,840	13.3
33	Milwaukee, WI	7,216	96,163	13.3
34	Las Vegas, NV	11,504	147,239	12.8
35	Phoenix, AZ	10,810	136,578	12.6
36	Fort Worth-Arlington, TX	10,412	128,376	12.3
37	Indianapolis, IN	9,953	122,286	12.3
38	Norfolk-Virginia Beach-Newport News, VA	10,942	124,381	11.4
39	San Jose, CA	17,249	195,104	11.3
40	Anaheim-Santa Ana, CA	12,820	135,416	10.6

- The average income of the top fifth of District households — \$186,830 — ranked higher than the high-income group in all but two other major cities — San Francisco and San Jose.

- As a result, the gap between low-income and high-income households in DC — measured as the ratio of the average income of the top fifth to the average income of the bottom fifth — is as large or larger than in any other large city. The income gap is similar in some cities, such as Atlanta and Miami, but the gap in most cities is much smaller than in the District.<sup>3</sup> While high-income households in DC have incomes nearly 31 times the income of the lowest-income households, the top-to-bottom ratio in most major U.S. cities is less than 20.

The substantial income at the top of the District’s income distribution is, in many ways, good news. It is a sign of the relatively high income of the Washington metropolitan area and that the District remains a popular residence among the area’s high-income residents. A consistent presence of high-income residents contributes to a strong tax base and helps attract services, among other things. It is worth noting, however, that many other cities with substantial high-income populations have significantly less income inequality than the District. This is because the average incomes of the bottom fifth of households in those cities are higher.

- The average income of San Jose’s top fifth of residents — \$195,104 — is the second highest among the 40 cities included in this analysis. At the same time, the average income of the bottom quintile — \$17,249 — is higher than the bottom quintile in any other city. As a result, the top-to-bottom ratio in San Jose is 11, second lowest in the nation and much smaller than the District’s.
- The average income of Charlotte’s highest-income residents is \$168,840, the sixth highest in the nation. It is 13 times higher than the income of the bottom quintile — \$12,665 — one of the smallest income gaps in the nation. The average income of Charlotte’s bottom quintile is higher than in all but two cities.

## Income Inequality Has Widened in DC since the Late 1980s

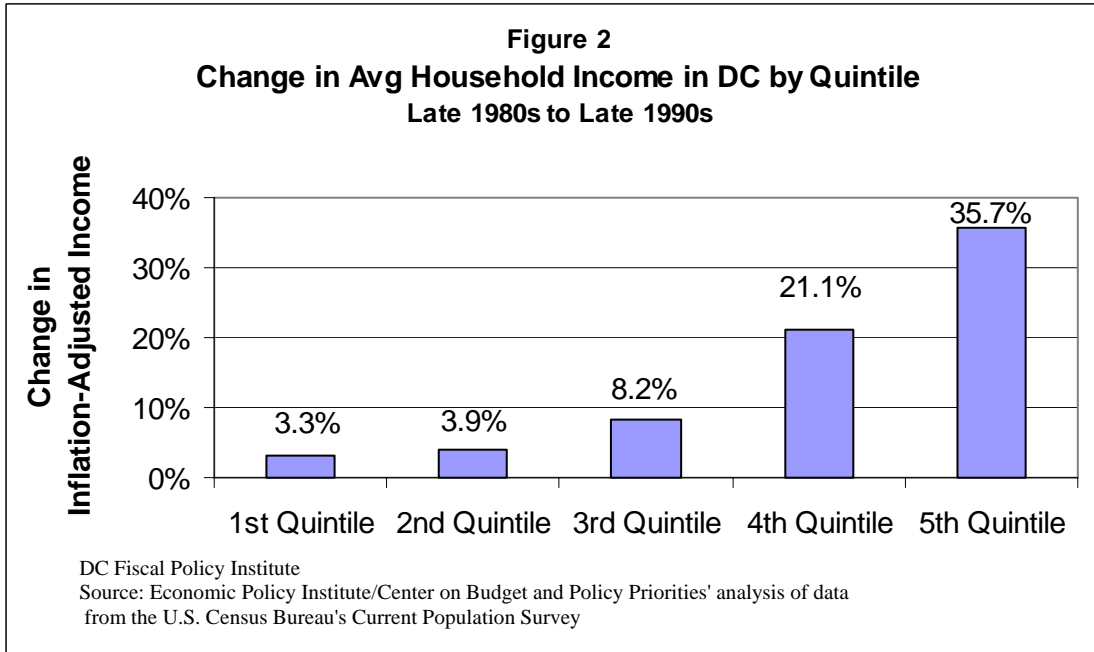
Although the District experienced an economic expansion during the 1990s, the benefits of this growth went almost exclusively to its highest-income households. Despite the economic rebound, incomes stagnated for the District’s lowest-income residents.<sup>4</sup>

- Average income for the top quintile rose 36 percent between the late 1980s to the late 1990s, after adjusting for inflation.

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<sup>3</sup> While the District’s top to bottom income ratio was the highest among the 40 cities studied for this report, the difference between the District and two other cities with similar ratios of inequality — Atlanta and Miami — may not be statistically significant. Hence, this report makes the claim that the District’s gap between high-income and low-income is *as wide or wider* than in other major city.

<sup>4</sup> Because top coding for some income variables changed between the 1990 and 2000 census, the decennial census cannot be used to accurately depict the trend in income inequality over time. Other sources, however, such as the U.S. Census Current Population Survey — used in this section of the analysis — define income consistently over the decade, and can be used instead.



- By contrast, average income of the bottom quintile increased by three percent during this period.
- The average incomes of the second and middle fifths of the District's households also increased only modestly — by four percent and eight percent, respectively — and the average income of the second highest fifth rose 21 percent.

As a result, the gap between low-income and high-income DC households grew even wider over the past decade, as did the gap between middle-income and high-income residents.

### **Why Is Income Inequality Wide in the District of Columbia?**

The wide gap between high-income and low-income households in the District reflects a variety of factors. Income inequality results in part from substantial wage inequality — which has widened over the past two decades as wages at the bottom of the earnings scale have grown far more slowly than wages at the top. DC's income inequality also reflects a sizable decline in income from public assistance over the past decade. Finally, income inequality in the District of Columbia reflects the geography of both poverty and wealth in the Washington metropolitan area. Census data show that lower-income households in the Washington metropolitan area are highly concentrated in DC. The data also show that the DC metro area is home to a substantial high-income population, and these households are more likely to live in the city than are high-income households in many other metro areas.

## **Wage Inequality**

Nationally, wages at the bottom and the middle of the wage scale have grown far more slowly than wages at the top over the past two decades. This trend is found in the District as well.

- Between 1979 and 2000, the hourly wage for DC's lowest-earning workers — those in the bottom 10 percent of the earnings distribution — rose from \$7.07 to \$7.19, an increase of 1.7 percent. (The 1979 figure is adjusted for inflation to equal 2000 dollars.) A full-time worker earning this hourly wage would have annual earnings of \$15,000. This is just modestly above the poverty line for a family of three — at \$13,738 in 2000.
- Hourly wages for the District's highest earners — those in the top 10 percent of the earnings distribution rose 17.2 percent during this period, from \$27.54 to \$32.28.

The incomes of the District's lowest-income households have been affected by a decline in the value of the minimum wage. The average wage for workers in the lowest-income fifth of DC households in 1999 — \$6.18 an hour — was only slightly higher than the District's minimum wage of \$6.15 an hour, which suggests that the earnings of DC's lowest-income households are affected significantly by the level of the minimum wage.

The value of the minimum wage in DC has declined significantly over the past two decades. This is true even though the District enacted legislation in 1992 to set its minimum wage at \$1 an hour above the federal minimum wage. The current value of DC's minimum wage is 11 percent lower than the value of the federal minimum wage alone in 1979 (before the District enacted a separate minimum wage), which equaled \$6.92 an hour when adjusted for inflation to equal 2004 dollars.

## **Falling Public Assistance Income**

Reductions in income from public assistance also contributed to the low income levels for DC's poorest households. This reflects both a decline in the percentage of households receiving income from public assistance and in the average benefits for those getting assistance, primarily among non-elderly households.

- Among non-elderly households in the bottom quintile, the share of households getting any income from public assistance fell from 34 percent to 25 percent.
- For non-elderly households receiving public assistance, the average benefits fell from \$5,422 to \$4,197, a drop of 23 percent. (Both figures are presented in 1999 dollars.) This change partly reflects a drop in the value of the District's welfare benefits for families with children, now known as TANF. The maximum welfare benefit for a family of three in the District of Columbia is \$379 a month — or less than one-third of the poverty line. The purchasing power of DC's maximum

welfare benefit fell 31 percent between 1989 and 1999, after adjusting for inflation. (DC's maximum welfare benefits have not changed since 1999, which means they have lost further ground to inflation since then.)

### **The Washington Area's Poverty Population is Highly Concentrated in DC**

The low average income of the bottom fifth of DC households in part reflects the fact that the District is home to a particularly large share of the metro area's poor residents. If low-income families were equally distributed throughout the metro area, the poverty rate in the District and its suburbs would be the same. In actuality, the poverty rate in Washington is much higher than in the suburbs, and the city-suburban poverty gap is wide.

- The District's poverty rate in 1999 — 20.2 percent — was 3.5 times higher than the 5.8 percent poverty rate in the Washington metro area's suburbs.
- The ratio of poverty in the city to poverty in the suburbs was larger in the Washington metro area than in all but eight other large metropolitan areas. (See Appendix Table 2.)

This means that the District is home to a particularly large share of the metro area's poor residents — and thus that the District bears an unusually large responsibility for providing services to the area's poor.

Substantial city-suburban poverty gaps contribute to income inequality in a number of large cities. Of the 10 cities with the lowest income at the bottom, for example, six are in metro areas within which the central city's poverty rate is far higher than the suburban poverty rate.

It bears noting that in most cases, cities and their suburbs are part of the same state — which means that taxes paid by higher-income suburban residents can be used, in part, to support services for low-income city residents. This is not the case in the Washington metro area. The District is a separate jurisdiction from the Maryland and Virginia suburbs, and the costs of providing services to low-income residents are not shared across the metro area.

### **DC's High-Income Population Also Is Significant**

As noted, income inequality in the District also reflects the fact that the average income of the top 20 percent of DC households is higher than in most other cities. This partly reflects the fact that the Washington metropolitan area is one of the wealthiest in the nation — and that a substantial number of the area's high-income families live in DC.

- Median family income for the Washington metropolitan area in 1999 was \$72,247, higher than in every large metro area except San Francisco and San Jose. The median income reflects the mid-point of the area's income distribution. Half of all families have incomes above the median, and half have incomes below the median.

- One of eight families in the Washington metro area — 12.6 percent — had incomes of 150,000 or more in 1999. The high-income population in the Washington area was fourth highest among the 40 large metropolitan areas included in this analysis.

As in most metropolitan areas, the high-income population in the Washington suburbs is larger than the high-income population in the District itself, but the difference in the DC area is small. The proportion of District families with incomes of at least \$150,000 — 11.5 percent — is nearly as high as the 12.6 percent of all Washington metro area families with incomes this high. High-income families in the Washington metro area are more likely to live in the central city than are high-income families in 28 of the 40 metro areas included in this analysis.<sup>5</sup> This suggests that the District is attractive to the metro area’s high-income population.

## Why Growing Income Inequality Is a Problem

Growth in income inequality deserves the attention of District policymakers and the public. The Census data reveal that most of the benefits of the District’s improving economy have gone to higher-income families. While growing income inequality is a national trend, it is particularly pronounced in the District of Columbia. Income inequality and the factors that contribute to it result in a number of problems.

- **Increasing income inequality challenges welfare to work and other anti-poverty efforts.** The primary goal of welfare reform efforts is to help families achieve economic self-sufficiency. If opportunities to obtain good paying jobs are limited, this reduces the chance for success of welfare reform and other anti-poverty efforts. In the District, as in other states, families that leave welfare for work tend to have low wages and continue to live in poverty. Moreover, the low value of DC’s welfare benefits — which leave families well below the poverty line — may contribute to family instability and make it harder for parents to take steps needed to obtain good-paying jobs.
- **Increasing income inequality exacerbates the shortage of affordable housing.** The District’s real estate market has boomed in recent years, a strong sign of the city’s economic progress and increasing popularity as a place to live. Because almost everyone — regardless of income — competes in the same market for housing, rising rent and home prices mean fewer affordable housing opportunities for low-income residents who do not have the same rising incomes as high income residents. Low income residents will find it increasingly difficult to compete for housing in this environment.

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<sup>5</sup> This is based on a comparison of the percentage of families in the central city with incomes above \$150,000 with the percentage of families in the metro area's suburbs that have incomes this high. The ratio of the percentage of central city families with high incomes to the percentage of suburban families with high incomes was higher in the District than in 28 of the 40 metropolitan areas.

- **Increasing income inequality isolates low-income families.** Throughout the U.S., increased income disparities have led to greater geographic separation of lower-income and other families. This has occurred in the District as well, as the number of neighborhoods of concentrated poverty rose in the 1990s. Low-income families who are concentrated in high-poverty neighborhoods face greater challenges in areas such as employment and education. Jobs with decent wages are often not located in or near their neighborhoods and transportation can be a major obstacle. This geographic isolation also influences outcomes in health, and crime. For example, in health, researchers are documenting the link between the increased stress felt by individuals whose incomes fall below their expectations and the poor health that results from the stress. High concentrations of poverty also lead to increased incidents in crime and victimization. Moreover, low-income communities risk losing support for government finance and services that address the needs of the poor because the geographic isolation erodes the awareness of the wider populace to their issues.
- **Poverty can negatively affect the well-being of children.** Research has shown that poverty can have a substantial effect on child and adolescent well-being. Children who grow up in families with incomes below the poverty line have poorer health, higher rates of learning disabilities and developmental delays, and poorer school achievement. They are far more likely to be unemployed as adults than children who were not low-income.<sup>6</sup>

## Policies to Address Income Inequality

Given the trends of the last two decades, it appears that District officials cannot count on continued economic progress for the city as whole to reduce income inequality. Instead, it is likely that gains in income in the future will continue to accrue primarily to higher-income residents — and for income inequality to widen further — without efforts to reverse the trend of falling or stagnant incomes for the poorest residents.

The goal of increasing the District’s population by 100,000 over the next decade — a stated goal of Mayor Williams — increases the importance of addressing income inequality. If efforts to increase the population are successful, they could increase demand for housing, which in turn could spur gentrification and displacement of low-income residents if not coupled with policies to boost incomes and opportunities for existing low-income residents. Moreover, if this effort is pursued without adequate attention to policies that would improve the status of low-income residents, the District will continue to have a large population of low-income residents concentrated in the District’s poorest neighborhoods who require a substantial level of public services.

A 2003 study by the General Accounting Office found that a high poverty rate contributes to the District’s structural budget imbalance. The study concluded that DC faces a

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<sup>6</sup> Jared Bernstein, Heather Boushey, Elizabeth McNichol, and Robert Zahradnik, *Pulling Apart: A State-by-State Analysis of Income Trends*. Washington, D.C.: Center on Budget and Policy Priorities, April 2002.

gap between the taxes that can be raised using average rates and the spending needed to provide an average level of services; that gap is estimated to be from \$500 million to \$1.1 billion. While the gap partly reflects the District's limited taxing authority, it also reflects the high social service costs stemming from a significant low-income population. Reducing poverty thus could help address the District's structural imbalance.<sup>7</sup>

It is worth noting that the District already has taken steps in this direction. As noted, the city has set its minimum wage \$1 an hour above the federal minimum wage; the failure to adjust the federal minimum wage for eight years, however, means that both the DC and federal minimum wage has lost ground to inflation. Since the late 1990s, the District has enacted an Earned Income Tax Credit based on the federal EITC, expanded health insurance through Medicaid to families with children with incomes up to 200 percent of the poverty line, and modified rules for unemployment insurance to enable more unemployed workers to receive benefits.

Nevertheless, further steps can be taken to increase the incomes of DC's low-income residents. The following is a set of policies the District could adopt to assist low-income residents and reduce income inequality.

### **Minimum Wage**

As noted, the average earnings of DC residents in the bottom fifth of the income distribution stood at \$6.18 in 1999. Because this is just barely above DC's minimum wage, it suggests that raising the minimum wage further would benefit many low-income households.

Twelve states and the District of Columbia have a minimum wage that exceeds the federal minimum wage. In seven of those states, the minimum wage is higher than DC's \$6.15 per hour minimum wage.

- \$7.15 per hour in Alaska
- \$7.01 in Washington state (this is adjusted automatically each year for inflation)
- \$6.90 per hour in Connecticut and Oregon
- \$6.75 an hour in California and Massachusetts
- \$6.25 an hour in Maine, Vermont, and Hawaii.<sup>8</sup>

Several states have taken steps to ensure that their minimum wages adjust regularly to reflect increases in the cost of living. In Washington and Oregon, the minimum wage is increased automatically each year to account for inflation. At least five other states—California, Illinois, Massachusetts, Rhode Island, and Vermont—have introduced similar legislation in recent years.<sup>9</sup>

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<sup>7</sup> U.S. General Accounting Office, *District of Columbia: Structural Imbalance and Management Issues*. Washington, D.C.: May 2003.

<sup>8</sup> Delaware, DC, and Rhode Island have a \$6.15 per hour minimum wage. Illinois' minimum wage is \$6 per hour.

<sup>9</sup> Economic Policy Institute, *States Move on Minimum Wage*, June 11, 2003.

Recently, the District Council introduced legislation to increase DC's minimum wage to \$6.60 per hour in 2005 and \$7 per hour in 2006.<sup>10</sup> After factoring in payroll taxes and including the federal and DC Earned Income Tax Credit, seven dollars per hour would boost the annual income of a full-time, year-round worker to \$18,700—exceeding the poverty line for a family of three and nearly equal to that of a family of four. This represents a 10 percent increase over the annual income that the \$6.15 per hour affords that same worker. The District can have a widespread and lasting effect by raising the minimum wage.

### **Living Wage**

Many local governments have passed living wage ordinances that require private entities providing services under government contract to pay employees at least a specified wage. In many cases, the living wage level is tied to the poverty line — such as the wage level needed to equal the poverty line for a family of four with a full-time worker. Living wage laws typically require employers to provide health insurance or to provide a higher wage to employees not covered by health insurance. Living wages are almost always significantly higher than the minimum wage. For example, Oakland passed a living wage ordinance in March 1998 that now requires employers with city contracts or benefiting from city subsidies to pay \$9.58 plus health insurance (or \$11.02 without insurance). The legislation also provides for annual increases and 12 days of paid leave per year. In the area, Arlington County, Prince George's County, and Montgomery County all have living wage ordinances. Arlington requires \$10.98 per hour and both Prince George's County and Montgomery County require \$10.50 per hour. The ordinance in Prince George's also requires an annual adjustment for inflation.

Living wage laws help ensure that jobs resulting from government contracts offer decent wages and benefits. They also limit the ability of private companies to compete for government contracts by paying low wages.

### **Wage and Job Training Requirements in Economic Development Programs**

The District and other states support programs designed to attract new businesses and jobs. Increasingly, states and cities are using their economic development programs to create jobs with good wage and benefit levels. For example, 43 states have at least one economic development program that will assist businesses only if they meet specified wage and benefit standards. These requirements help ensure that the states' job creation efforts attract businesses that pay decent wages.

The District's major economic development programs require that half of all jobs created by businesses receiving subsidies go to DC residents. Otherwise, DC's programs include no job standards. For example, DC's Tax Increment Financing program — authorized to expend \$300 million, of which roughly half has been obligated — does not require businesses applying for TIF subsidies to create a specified number of jobs in return for TIF assistance or to pay

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<sup>10</sup> The bill would set DC's minimum wage at the *higher* of \$6.60/\$7.00 or the federal minimum plus \$1. This means that if the federal minimum wage is increased to more than \$5.60 in 2005 or more than \$6.00 in 2006 and beyond, the DC minimum wage would be set at \$1 above the federal minimum wage.

employees wages at or above a specified level. It also does not require businesses to provide training that would help DC residents qualify for the jobs being created.<sup>11</sup>

DC's TIF program will expire at the end of 2004 and must be re-authorized. This provides an opportunity to modify program rules to better use this economic development tool to create decent-paying jobs and to ensure that DC residents can receive training needed to qualify for those jobs.

### **Support for Low-Income Workers**

Many low-wage workers face challenges in finding and keeping jobs. Transportation to and from work and access to affordable child care are particularly significant. The District does not offer transportation assistance to low-wage workers not receiving public assistance, and child care assistance has become more limited in recent years. In 2002, the District created a waiting list for child care assistance due to limited availability of subsidies. Some 1,550 families were on the waiting list as of July 2004. Anecdotal evidence indicates that some parents have left work for welfare as a means of obtaining child care assistance under the welfare-to-work initiatives.

### **Welfare Benefits**

In 1990, the maximum welfare benefit for a family of three equaled \$409 (not adjusting for inflation) and rose to \$420 per month in 1994. Since then, the maximum benefit has been reduced to \$379 per month. This is lower than in 30 states. After adjusting for inflation, the value of DC's welfare benefits today is 36 percent lower in 2004 than in 1990.

As a result of the decline, families receiving TANF assistance have incomes well below the poverty line. For example, combined welfare and food stamp benefits for a DC family of three without a job total \$676 per month, or \$8,112 on an annual basis. This is roughly half of the 2004 federal poverty guideline of \$15,670. The low level of DC's welfare benefits makes it difficult for parents to meet their family's basic needs while also taking steps to move toward employment and self-sufficiency. Increasing welfare benefits would lift the incomes of needy families with children and could support welfare-to-work efforts by promoting family stability.

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<sup>11</sup> See Good Jobs First, *Economic Development in Washington, D.C.: High Costs, Unclear Benefits, Missing Safeguards*, November 2002 (<http://www.goodjobsfirst.org/pdf/dc.pdf>).

## Appendix

### A. Methodology

This analysis includes the central cities of the 40 largest metropolitan areas in the U.S., including Washington, DC. The primary data source is the Census Bureau's Public Use Microdata Sample (PUMS) from the 2000 census. The sample includes five percent of all U.S. households. Each city's households were sorted by household income and divided into fifths, and then the average household income of each fifth was determined.

The city-level data in this analysis was generated by using data on Public Use Micro Areas, or PUMAs, which are the smallest geographic divisions in the Census Bureau's PUMS data. The cities included in this analysis generally included several PUMAs. For the analysis, data were aggregated from all of a given city's PUMAs to generate city-level data. This was done because the PUMS data does not include variables that allow direct identification of cities.

The PUMA boundaries typically align with city boundaries, but not in all cases. Even in cases where the PUMA boundaries did not align with city boundaries exactly, the PUMA data allowed very close approximations of city-level data. For all of the cities included in this analysis, the PUMA-generated population counts were within one percent of published population counts for the cities. In one major city — Orlando, Florida — the PUMAs did not align closely with the city's boundaries. For this reason, it was excluded from the analysis.

**Appendix Table 1: Average Income by Quintiles, 1999**

City	Mean Income by Quintile (Rank)				
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>
Anaheim-Santa Ana, CA	12,820 (2)	29,659 (4)	45,435 (5)	67,668 (5)	135,416 (19)
Atlanta, GA	5,858 (29)	20,263 (30)	37,012 (26)	62,467 (12)	172,773 (5)
Baltimore, MD	5,078 (34)	16,593 (35)	29,832 (34)	47,619 (34)	107,139 (34)
Boston, MA	5,832 (30)	21,576 (26)	39,153 (16)	62,875 (11)	145,406 (14)
Charlotte, NC	12,665 (3)	30,561 (3)	47,326 (3)	71,394 (3)	168,840 (6)
Chicago, IL	6,628 (27)	22,307 (23)	38,372 (19)	59,698 (23)	136,970 (17)
Cincinnati, OH	5,440 (33)	16,982 (32)	29,436 (35)	46,885 (35)	117,086 (30)
Cleveland, OH	4,649 (38)	14,784 (38)	26,055 (39)	40,991 (40)	87,480 (40)
Columbus, OH	8,786 (16)	24,228 (14)	39,345 (15)	59,851 (21)	132,539 (21)
Dallas, TX	8,962 (15)	24,167 (15)	38,940 (18)	61,130 (16)	165,392 (8)
Denver, CO	9,243 (14)	24,844 (12)	39,450 (14)	60,855 (18)	141,347 (16)
Detroit, MI	4,972 (37)	16,718 (34)	30,105 (33)	48,970 (32)	101,208 (36)
Fort Lauderdale, FL	7,831 (23)	21,899 (25)	37,048 (24)	61,575 (15)	176,053 (4)
Fort Worth-Arlington, TX	10,412 (8)	26,463 (9)	41,277 (10)	61,955 (14)	128,376 (23)
Houston, TX	8,075 (21)	23,488 (18)	38,254 (20)	59,885 (20)	143,321 (15)
Indianapolis, IN	9,953 (11)	24,818 (13)	39,108 (17)	58,714 (25)	122,286 (27)
Kansas City, MO	8,301 (19)	23,464 (19)	37,552 (23)	56,176 (28)	114,534 (33)
Las Vegas, NV	11,504 (4)	28,486 (5)	44,586 (6)	65,860 (9)	147,239 (13)
Los Angeles, CA	7,124 (26)	21,059 (27)	36,711 (28)	61,033 (17)	162,639 (10)
Miami, FL	4,294 (39)	13,179 (40)	24,252 (40)	42,125 (39)	125,934 (25)
Milwaukee, WI	7,216 (25)	19,967 (31)	32,957 (31)	49,583 (31)	96,163 (37)
Minneapolis-St. Paul, MN	9,308 (13)	23,742 (16)	37,921 (21)	58,947 (24)	126,309 (24)
New York, NY	5,746 (31)	20,340 (29)	37,827 (22)	62,281 (13)	159,631 (11)
Newark, NJ	3,747 (40)	13,220 (39)	26,363 (39)	44,680 (37)	93,680 (38)
Norfolk-Virginia Beach-Newport News, VA	10,942 (5)	27,100 (7)	41,082 (11)	59,828 (22)	124,381 (26)
Oakland, CA	7,642 (24)	23,596 (17)	41,452 (9)	67,015 (7)	163,931 (9)
Philadelphia, PA	5,045 (36)	16,770 (33)	30,371 (32)	48,781 (33)	104,847 (35)
Phoenix, AZ	10,810 (6)	26,580 (8)	41,628 (8)	62,980 (10)	136,578 (18)
Pittsburgh, PA	5,476 (32)	16,191 (36)	28,377 (36)	46,791 (36)	114,618 (32)
Portland, OR	9,792 (12)	25,470 (11)	40,271 (12)	59,998 (19)	133,090 (20)
Riverside-San Bernardino, CA	8,354 (17)	22,575 (21)	37,033 (25)	57,965 (26)	119,686 (28)
Sacramento, CA	8,285 (20)	22,303 (24)	36,967 (27)	56,209 (27)	117,078 (31)
San Antonio, TX	8,353 (18)	22,432 (22)	36,325 (29)	55,216 (29)	118,999 (29)
San Diego, CA	10,220 (9)	26,375 (10)	43,090 (7)	66,937 (8)	151,805 (12)
San Francisco, CA	10,019 (10)	31,857 (2)	55,605 (2)	89,213 (2)	208,820 (1)
San Jose, CA	17,249 (1)	43,636 (1)	68,539 (1)	101,162 (1)	195,104 (2)
Seattle, WA	10,562 (7)	28,482 (6)	45,501 (4)	70,716 (4)	167,669 (7)
St. Louis, MO	5,050 (35)	15,496 (37)	27,198 (37)	43,349 (38)	90,946 (39)
Tampa-St. Petersburg, FL	7,868 (22)	20,806 (28)	34,257 (30)	53,214 (30)	131,459 (22)
Washington, DC	6,126 (28)	22,728 (20)	40,064 (13)	67,427 (6)	186,830 (3)

**Appendix Table 2: City-Suburban Poverty Disparities in Large Metro Areas, 1999**

City	City Poverty Rate	Suburban Poverty Rate	City-Suburb Ratio	Rank
Milwaukee-Waukesha, WI	21.3%	3.6%	5.91	1
Minneapolis-St. Paul, MN-WI	16.3	3.6	4.54	2
Baltimore, MD	22.9	5.4	4.25	3
Newark, NJ	28.4	6.9	4.14	4
Detroit, MI	26.1	6.5	3.98	5
Cleveland-Lorain-Elyria, OH	26.3	6.7	3.95	6
Philadelphia, PA-NJ	22.9	6.2	3.72	7
Chicago, IL	19.6	5.6	3.49	8
<b>Washington, DC-MD-VA-WV</b>	20.2	5.8	3.49	9
Cincinnati, OH-KY-IN	21.9	6.7	3.27	10
St. Louis, MO-IL	24.6	7.7	3.21	11
Atlanta, GA	24.4	7.8	3.13	12
Boston, MA-NH	19.5	6.4	3.07	13
Oakland, CA	19.4	7.7	2.50	14
Columbus, OH	14.8	6.0	2.46	15
Denver, CO	14.3	5.9	2.42	16
New York, NY	21.2	8.8	2.41	17
Dallas, TX	17.8	7.7	2.31	18
Pittsburgh, PA	20.4	9.3	2.20	19
Kansas City, MO-KS	14.3	6.6	2.18	20
Indianapolis, IN	11.9	5.5	2.17	21
Sacramento, CA	20.0	9.6	2.08	22
Houston, TX	19.2	9.3	2.07	23
Orange County (Anaheim-Santa Ana), CA	17.0	8.3	2.05	24
Fort Worth-Arlington, TX	13.6	6.9	1.97	25
San Francisco, CA	11.3	6.0	1.88	26
San Antonio, TX	17.3	9.4	1.84	27
Miami, FL	28.5	16.0	1.78	28
Seattle-Bellevue-Everett, WA	11.8	6.8	1.75	29
Phoenix-Mesa, AZ	15.8	9.4	1.68	30
Fort Lauderdale, FL	17.7	10.9	1.63	31
Tampa-St. Petersburg-Clearwater, FL	15.9	9.8	1.63	32
Portland-Vancouver, OR-WA	13.1	8.1	1.61	33
Riverside-San Bernardino, CA	20.8	14.1	1.47	35
San Jose, CA	8.8	6.0	1.46	36
Los Angeles-Long Beach, CA	22.1	15.2	1.45	37
San Diego, CA	14.6	10.7	1.36	38
Charlotte-Gastonia-Rock Hill, NC-SC	10.6	8.6	1.24	39
Norfolk-Virginia Beach-Newport News, VA-NC	11.5	9.6	1.19	40
Las Vegas, NV-AZ	11.9	10.7	1.11	41