



Reducing Inequality, Increasing Opportunities for DC Residents
Recommendations to the New Mayor and DC Council

January 5, 2015

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Introduction

This report offers recommendations for reducing income inequality and for giving all residents of the District of Columbia the opportunity for a secure economic future. As Mayor Bowser and the new DC Council start their work in 2015, the District is in good shape in many ways. But it also faces greater challenges than ever. Prosperity and a growing population have pushed housing prices beyond affordable levels in every corner of the city. The rapidly rising cost of living makes it even more important for residents to have good-paying jobs, yet wages are falling and unemployment remains high for residents without a college degree.

The District has always been a city of haves and have-nots, but the gaps are stretching close to a breaking point. While the top five percent of DC households have incomes over \$500,000, higher than the top earners in any major city, the poorest fifth of households live on average income under \$10,000. This in part reflects a growing gap between the wages of lower-paid and higher-paid workers – now at the widest gap in 35 years – and public assistance benefits that are low and have not kept up with the rising costs of living.

The negative impacts of poverty and income inequality in the District are clear. The District lost half of its low-cost housing in a decade, and the typical low-income family spends two-thirds of its income for rent and utilities. Homelessness has increased to crisis levels. Progress in improving education outcomes is confounded by a high rate of child poverty, with thousands of children coming to school with stress, malnutrition, and other barriers to succeeding academically.

In order to provide all DC residents the opportunity for a secure economic future, the following reports make recommendations in these areas:

- ❖ Preserving and Expanding Affordable Housing
- ❖ Creating a High-Quality Education System
- ❖ Helping DC Residents Get Good Jobs
- ❖ Helping Low-Income Families Succeed through TANF
- ❖ Improving Health Outcomes
- ❖ Building a High-Quality Homeless Services System
- ❖ Ensuring Kids Enter School Ready to Succeed through Home Visiting
- ❖ Making it Easier for Residents to Apply for Social Services
- ❖ Ensuring that Economic Development Programs Are Good Deals for the City
- ❖ Putting DC's Surplus to Good Use by Spending Some and Saving Some

Preserving and Expanding Affordable Housing in DC

Recommendations to the New Mayor and DC Council

Summary

The District has experienced significant economic development over the last 15 years. And while this has produced many positive benefits for DC, it has also contributed to a significant loss of low- and moderate-cost housing. The rapid rise in rent and home prices has left many households to spend half or more of their income for housing and made it impossible for low-income working families to access many DC neighborhoods. Economic diversity across the city —through the creation and preservation of affordable housing – should be an important goal for the District in order to provide residents of all income levels access to neighborhoods with amenities, transportation, and jobs.

Setting a goal for a substantial increase in affordable housing production and preservation, and ensuring a robust set of tools are available will be key to achieving meaningful progress on the District's affordable housing needs. In order to do that, we suggest that the mayor-elect:

- ❖ ***Create 22,000 Affordable Homes by 2020.*** A recent study by the Community Foundation and the Urban Institute identified a current gap of 22,000 affordable units for very low-income families.
- ❖ ***Develop an Affordable Housing Preservation Plan and Strategy.*** The District still has some neighborhoods where housing costs are reasonable. And throughout the city there are a number of affordable buildings that may be lost as restrictions on their rents expire. Without a plan and strategy to preserve existing low-cost housing, DC will continue to lose opportunities for cost-effective approaches to preserve mixed-income and diverse neighborhoods.
- ❖ ***Provide \$100 Million Annually for DC's Housing Production Trust Fund.*** The HPTF is DC's main source for affordable housing construction and preservation but has been hampered by significant plunges in funding. DC, led by Mayor-elect Bowser, recently passed a law that would annually contribute \$100 million into the HPTF. It is important then to identify resources in order to implement it. It will be one of the most critical tools to help meet the need to build and preserve more units.
- ❖ ***Increase Support for and Strengthen the Local Rent Supplement Program So That It Serves More Vulnerable Populations.*** Greater support of LRSP is a critical tool to help meet the need for affordable homes for 22,000 low-income households. In addition, the District should examine how changes to program eligibility could help better serve the variety of vulnerable populations that need affordable housing assistance.

Preserving and Expanding Affordable Housing in DC

Recommendations to the New Mayor and DC Council

Issue #1: The District Should Build 22,000 Units of Low-Cost, Affordable Rental Housing by 2020

Over the last decade, DC has experienced a rapid rise in housing costs that has contributed to a substantial loss of low-cost housing stock. The District will need to create at least 22,000 units of new low-cost affordable housing to help meet the current need. In addition, the District will need to add another 55,000 units of low- to moderate-cost rental housing to meet the forecasted need of the future workforce between now and 2032.¹

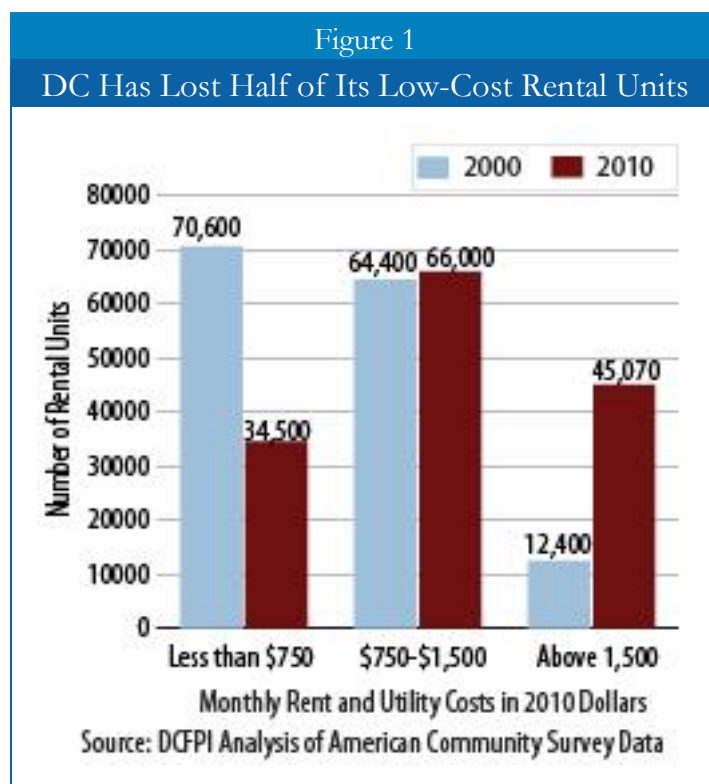
Overview of the Need for Affordable Housing for Low and Moderate-Income Residents.

Since 2000, the number of low-cost rental units in the city has fallen by half, due primarily to rising prices. (See **Figure 1**).

The incomes of DC households have not kept pace with increasing costs; in fact, incomes were stagnant for most low- and moderate-income households while growing slower than housing costs for many others.

Increasing housing costs and stagnant incomes mean that a growing share of DC households' face severe housing cost burdens. Since 2000, the number of households paying more than half of their income on housing has risen by 15,000, and this occurred almost exclusively among renter households.

Very low-income households are the most likely to face these severe housing burdens, with just under two-thirds paying more than half of their income on rent in 2010. Paying more than half of one's income on housing is considered a severe housing burden by the U.S. Department of Housing and Urban Development and can leave low-income families with little left to take care of other necessities like food, clothing, medicine, and transportation.



¹ The District will need to add new housing affordable to current and future residents at a variety of income levels to meet expected demand. This analysis focuses on needed housing for low- and moderate-income residents.

Estimating the Need for Additional Housing Affordable to Low- and Moderate-Income Residents. The Community Foundation for the National Capital Region, in partnership with the Urban Institute and Washington Area Council of Governments recently issued a report examining housing security in the Washington, DC region. They reported that there was a current gap of 22,100 housing units that would be affordable for extremely low-income renter households, or those households earning less than \$31,850 for a family of four (30 percent of area median income).

In order to achieve this goal, the mayor will need sufficient tools, a strategy and long-term vision to see it happen. Three of the most critical tools for the mayor will be: a strategy for preservation of affordable housing, ensuring the Housing Production Trust Fund has sufficient and stable resources, and that DC's Local Rent Supplement program is increased and modified to serve a wider variety of vulnerable populations. These tools are discussed below.

Preserving and Expanding Affordable Housing in DC

Recommendations to the New Mayor and DC Council

Issue #2: The District Should Develop an Affordable Housing Preservation Plan and Strategy

One of the key ways to help the District meet the need for affordable housing is to preserve the low-cost housing that currently exists. DC's economic boom has led to a significant loss of low-cost housing, as rents in private market housing rise and as owners of subsidized housing face financial incentives to opt-out of keeping their buildings affordable. Without a clear strategy to preserve currently affordable housing, the District will lose cost-effective opportunities to maintain mixed-income, diverse neighborhoods across DC.

Preservation of existing affordable housing is cost-effective and helps people stay in the communities that they have been part of for some time. Various preservation methods cost just half what it would cost to build new affordable housing and can include upgrades such as energy efficiency that create ongoing savings for tenants and landlords.²

The District has many tools to address the need for preservation of affordable housing. While there have been some very important successes, the lack of coordinated, proactive policy for preservation has led to many missed opportunities for preservation, resulting in the loss of whole communities to sale, opt-out, or condominium conversion.

A working group of the DC Preservation Network—which is a group of community-based organizations and government agencies working to preserve affordable housing in the District—is in the process of developing a preservation strategy for the District that should be available in late December. Below is a summary of that strategy that we believe the new administration should undertake.

The goals and benefits of the housing preservation strategy should include:

- ❖ Maintain diversity in neighborhoods – economic, race/ethnicity, and age
- ❖ Prevent displacement of low- and moderate-income residents
- ❖ Preserve existing District and federal subsidized housing, including public housing
- ❖ Preserve housing serving residents with special needs such as persons with disabilities, formerly homeless, low-income seniors and returning citizens
- ❖ Maintain the stock of affordable market rate rental housing

Preservation Implementation. The District will need to implement its preservation strategy under the direction of the mayor, and it will require coordination among a number of partners. To do so:

² U.S Department of Housing and Urban Development (2013).

- ❖ The District should create a Preservation Team made up of top officials from District housing agencies, Office of Planning, Office of the Deputy Mayor for Planning and Economic Development and a representative from the DC Preservation Network to address preservation opportunities on a timely basis, and convene at least quarterly to review progress made and adjust preservation strategy to current conditions. Agencies should establish protocols for how to operate collectively.
- ❖ The Department of Housing and Community Development should designate a senior executive level staff person to support the work of the Preservation Team, coordinate preservation efforts across agency lines, and serve as the chief policy analyst and advocate for preservation in DC Government.
- ❖ The Preservation Team should work with the DC Preservation Network – a group of non-profits developers, tenant organizers and government officials -- which already monitors affordable rental properties and can alert officials, agencies, and Network participants about at-risk projects. DCPN can serve as the early warning system for preservation opportunities as well as engage key players in preservation efforts.

Important Criteria for When and How to Preserve Affordable Housing. Given limited resources, the District will need to adopt a system to help prioritize what affordable housing should be preserved. Some important considerations include:

- ❖ ***Preservation of Affordable Housing with Federally Funded Rent Subsidies.*** Preservation of project Based Section 8 multi-family rental buildings in the District should be a high priority. These privately owned properties have affordable rents, subsidized by annual appropriations from the federal government, at no expense to the District.
- ❖ ***Preservation of Affordable Housing for Very Low- Income Residents.*** Very low-income residents in the District face the greatest challenges finding an affordable place to live. Therefore, the District should prioritize preservation of affordable housing that houses DC's lowest income households, or those making less than 30 percent of the area median income (or \$32,000 a year for a family of four).
- ❖ ***Preservation of Affordable Housing with Vulnerable Populations.*** Because of difficulty with mobility, limited incomes, and discrimination, certain groups of residents may have a harder time finding affordable housing and can also be particularly vulnerable to homelessness. Preserving affordable housing that would allow vulnerable populations to remain housed should be an important criteria for the District. These include seniors who may be living on low fixed incomes, persons with disabilities who may require certain accommodations, or returning citizens with criminal records.
- ❖ ***Preservation of Affordable Housing that Would Maintain Economic Diversity.*** Too often, as neighborhoods develop, economic diversity is significantly reduced and low-income residents are not able to access many neighborhoods. For example, in 2000, nearly two-thirds of DC's census tracts had median rents less than \$800 a month. By 2006-2010, less than one in four census tracts had median rents less than \$800 a month. With the District

becoming an increasingly economically segregated city, preservation of affordable housing that will help maintain economic diversity in neighborhoods should be prioritized.

- ❖ ***Preservation of Affordable Housing Near DC Funded Economic Development Projects.*** Publicly funded economic development projects, such as the Nationals Baseball Stadium or DC streetcar network, lead to a significant increase in housing prices located nearby. Therefore, the District should prioritize preservation of affordable housing that is located within a half mile of publicly funded economic development projects.
- ❖ ***Preservation of Affordable Housing Near Transit.*** Preserving affordable housing near transit allows low-income families to keep their housing and transportation costs low and provides them access to amenity rich, livable neighborhoods with access to jobs. Therefore, the District should prioritize affordable housing preservation that is located within a half mile of a Metro station, or a quarter mile of a Metrobus priority corridor or streetcar line.

Second tier criteria that could be used to prioritize preservation, when properties are relatively equal on the criteria above, include: housing with low-rent levels, housing with a high probability of being lost and housing with a low-cost per unit to preserve.

Preservation Methods and Tools. DC's preservation strategy will need a variety of approaches to accomplish its goals across a wide array of subsidized and unsubsidized housing buildings. Following are some of the methods and tools that the DC Preservation Network is exploring to carry out the preservation strategy:

- ❖ ***Acquisition and Renovation Funding:*** Increase local funding for the Housing Production Trust Fund to at least \$100 million per year and the project/sponsor based Local Rent Supplement Program as primary sources of capital and operating subsidy for preservation. Maximize the use of federal resources including Low Income Housing Tax Credits, Community Development Block Grant, tax-exempt bonds and other sources to fund acquisition and renovation of properties.
- ❖ ***One-for-one Replacement:*** Aim to at minimum maintain the same configuration of affordable units in projects being preserved and at least replace one-for-one the affordable units in redevelopment projects where additional density is requested through the planned unit development (PUD) process.
- ❖ ***Incentives to Extend Affordability:*** Establish a program of incentives for affordable housing providers to extend periods of affordability in exchange for property tax abatements, favorable refinancing or other benefits. The incentives should have a set dollar amount that is budgeted annually through DC's appropriations process.
- ❖ ***Opt Out Legislation.*** Adopt and put to immediate use legislation that will give the District the right to purchase upon an owner opting out of a project based Section 8 contract or other federal subsidy programs.

- ❖ ***TOPA and DOPA.*** Increase and set aside funding annually for TOPA (Tenant Opportunity to Purchase Act) and DOPA (District Opportunity to Purchase Act) to acquire affordable properties that are offered for sale.
- ❖ ***Asset Management.*** Strengthen asset management monitoring and technical assistance to affordable housing owners and operators where needed by the Department of Housing and Community Development (DHCD) and the DC Housing Finance Agency (DCHFA).
- ❖ ***Federal Preservation Initiatives:*** Utilize federal preservation policies and programs – such as rental assistance demonstration (RAD), Section 8 transfer authority and others - when complementary to District strategies and resources for preservation.
- ❖ ***Low Cost Financing.*** Develop an apartment assistance program to provide low cost financing for renovations and energy retrofits to owners who agree to maintain affordable rents.
- ❖ ***Code Enforcement.*** Enhance the Department of Consumer and Regulatory Affairs’ (DCRA) proactive code enforcement to ensure properties are adequately maintained and maintain housing quality standards in all public housing units.
- ❖ ***Building Repair.*** Adequately fund and prioritize the use of the District’s Building Repair Fund to address serious Housing Code violations that the owner has not remediated.
- ❖ ***Receivership.*** Strengthen and utilize the District’s Receivership law to address deferred building maintenance or failure to pay utility bills.
- ❖ ***Housing Database.*** Maintain and monitor a comprehensive database of all housing that is currently affordable and alert responsible parties when properties are at risk.
- ❖ ***Pro-active Outreach.*** Pro-actively reach out to owners of subsidized housing well in advance of the expiration of subsidy contracts or the end date for loans in order to determine their future intentions and explore options for preservation.
- ❖ ***Restore Vacant Public Housing Units.*** Promptly return vacant units to service.
- ❖ ***Modernize and Upgrade.*** Apply for all available capital financing from HUD and other sources to modernize and upgrade public housing properties.
- ❖ ***Maintain permanent affordability in public housing properties.***
- ❖ ***Use All ACC Authority.*** Fully utilize Annual Contributions Contract (ACC) authority—which is the operating subsidy for public housing—in order to maximize the number of public housing units authorized by the U.S. Department of Housing and Urban Development.

Preserving and Expanding Affordable Housing in DC Recommendations to the New Mayor and DC Council

Issue #3: The District Should Appropriate \$100 Million Annually into DC's Housing Production Trust Fund

The Housing Production Trust Fund (HPTF) supports the construction, rehabilitation, and acquisition of housing affordable to low- and moderate-income residents. Over time, it has become the District's largest locally funded affordable housing program. Yet, low and volatile funding in recent years has significantly weakened the HPTF's ability to address DC's affordable housing challenges. The District recently passed a law introduced by Councilmember Bowser that calls for the District to appropriate \$100 million annually into DC's Housing Production Trust Fund, but it will be passed subject to appropriations. Mayor-elect Bowser should ensure that this bill can be implemented by identifying the necessary resources.

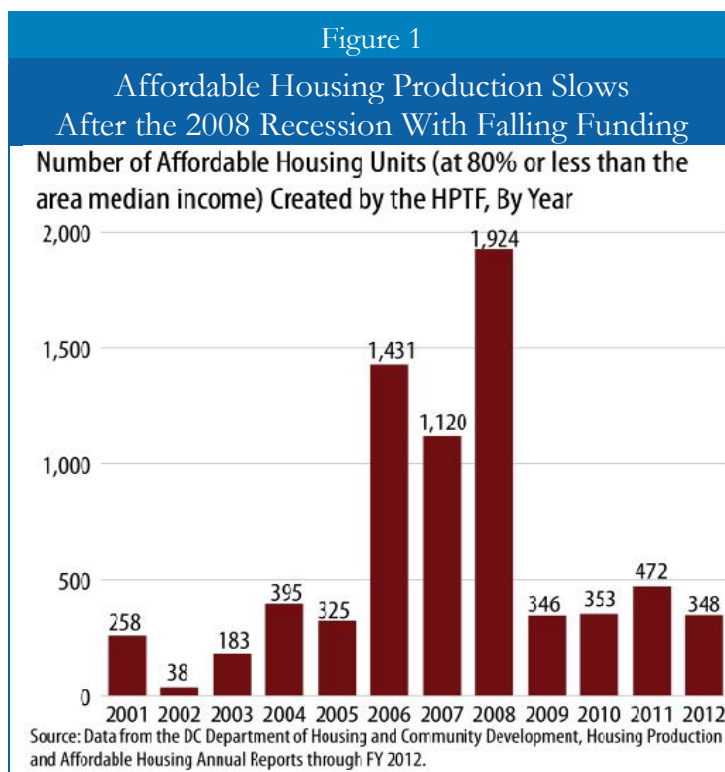
In addition, the District should identify a more stable source of funding for the HPTF. Because housing developments take years to plan and execute, a predictable stream of funding is needed for developers who are considering a new housing project.

Overview of the Housing

Production Trust Fund. Since 2001, the HPTF has built or renovated almost 7,200 affordable housing units throughout the District, with a focus on rental units in Wards 1, 7, and 8. (See **Figure 1.**) The HPTF provides grants and loans to both for- and non-profit developers to support a range of affordable housing development activities.

Funding from HPTF often serves as “gap financing” for projects that have substantial amounts of private financing and need only partial support from the District. This make the Housing Production Trust Fund a very effective financing tool. Each dollar in HPTF awards leverages \$2.50 in private financing, on average.³

³ DC Housing Production Trust Fund and Affordable Housing FY 2012 Annual Report, page 22, <http://dhcd.dc.gov/publication/2012-housing-production-and-affordable-housing-annual-report>.



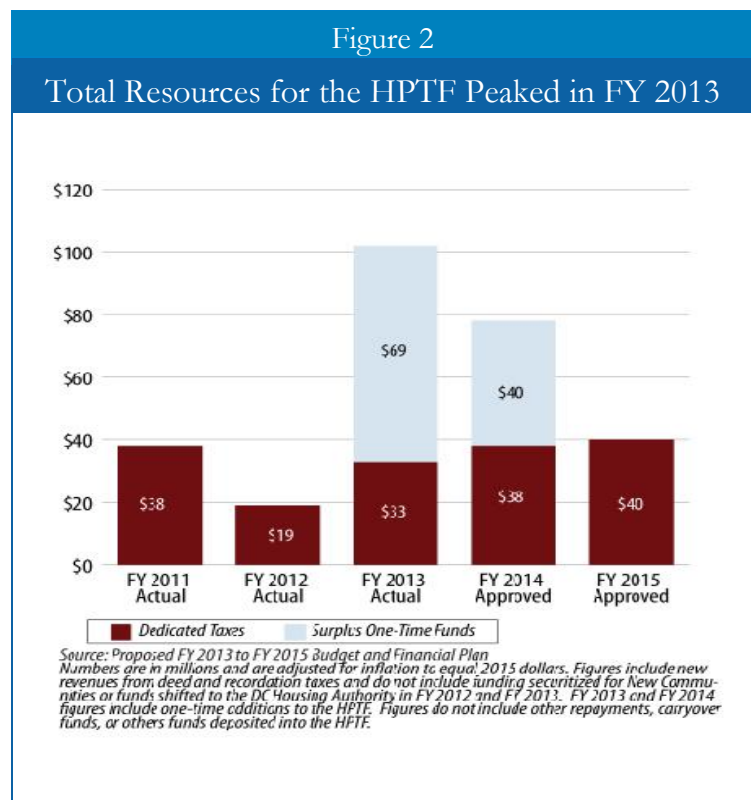
By law, at least 40 percent of the program’s expenditures each fiscal year must serve households with income below 30 percent of area median income (AMI). For a household of four, the maximum income for these units would be \$32,100.⁴ In addition, 80 percent of funded units are reserved for households with incomes of 50 percent AMI or below (including those for households under 30 percent of AMI). At least 50 percent of the units supported by the Trust Fund each year must be for rental housing. Currently, over 80 percent of the units supported by the HPTF are rental units.

The Housing Production Trust Fund Needs an Increased, Stable Funding Source

The HPTF is funded through a portion of DC’s deed recordation and transfer taxes, and as a result, funding fluctuates greatly in real estate booms and busts. Ensuring the HPTF receives \$100 million annually and identifying a more stable source of funding for the HPTF would ensure more predictable, consistent and sufficient funding for DC’s main locally funded tool to create and preserve affordable housing.

Because the HPTF’s funding is tied to the volume of sales in the District’s real estate market, available money for the program is uncertain from year to year. This was a problem especially during the recession that started in 2008, when real estate activity dwindled. As a result, HPTF funding dropped by nearly 80 percent from FY 2007 to FY 2010, from \$64 million to \$13 million. Large unexpected drops in funding can lead the HPTF to become oversubscribed, meaning that there are more commitments for funding than it funds. This can delay affordable housing projects that may be otherwise ready to build.

To avoid oversubscription and to have more reliable funding from year to year, the District should set up a stable funding source for the HPTF.⁵ In FY 2013 and FY 2014, a total of \$110 million dollars in one-time additions were made to the HPTF. (See **Figure 2**.)



⁴ U.S. Department of Housing and Urban Development, FY 2014 Income Limits Documentation System, http://www.huduser.org/portal/datasets/il/il14/index_il2014.html.

⁵ To read more, see: “Affordable Housing in the District Depends on a Stable Housing Production Trust Fund” <http://dcfpi.org/wp-content/uploads/2008/10/10-20-08stablehptfreport.pdf>.

While this provided sorely needed funds for affordable housing projects, it did not provide long-term fund stability. The Trust Fund's appropriation for the current fiscal year, 2015, is just \$40 million.

DC could increase the funding level and stability by funding the HPTF with a set amount of deed transfer and deed recordation taxes rather than relying on a percentage of these taxes, or by establishing an appropriation from the District's general fund each year, as most DC agencies are funded, rather than tying funding to a volatile tax source.

Lastly, the HPTF could continue to be funded with a percentage of deed recordation and transfer taxes, but have a minimum funding amount that would be automatically transferred each year. A bill introduced by Mayor-elect Bowser and passed by the DC Council calls for \$100 million in minimal annual funding for the HPTF, but was passed subject to appropriations.

Preserving and Expanding Affordable Housing in DC

Recommendations to the New Mayor and DC Council

Issue #4: DC Should Increase Support for and Strengthen the Local Rent Supplement Program So That It Serves More Vulnerable Populations.

DC's Local Rent Supplement Program (LRSP) was created in 2007 to provide housing that is affordable to District residents with very low incomes. LRSP provides monthly rental subsidies that cover the difference between the rents that very low-income families can afford to pay and the actual monthly cost of rent for the unit. The program stems from the District's 2006 Comprehensive Housing Strategy Task Force (CHSTF), which established a goal of creating 14,600 locally funded rental subsidies in DC over 15 years.⁶ Yet funding for the program has not been sufficient to meet this goal. Nine years later, the program serves about 3,250 households – which leaves DC only a little over a third of the way toward the CHSTF's goal of 8,900 units by FY 2015. In addition, the program could be modified to serve a wider range of vulnerable populations in DC.

Overview of the Local Rent Supplement Program

LRSP is administered by the DC Housing Authority, which also manages the federal Housing Choice Voucher program (formerly called Section 8), which also provides rental subsidies. Rental subsidies in the LRSP program are provided in three different ways:

- 1) ***Tenant-based vouchers*** are provided directly to families or individuals, who can use the voucher for any rental unit under the Fair Market Rent in the District. The voucher stays with the family, even if they decide to move to another rental unit in the District. Typically, tenant-based vouchers are prioritized for families with a homeless preference on DCHA's housing choice voucher wait list. In the summer of 2014, there were approximately 50,000 households on DCHA housing choice voucher wait list with a homeless preference.
- 2) ***Project-based vouchers*** are provided to for-profit or non-profit developers for specific units that they make available to low-income families. Unlike tenant-based vouchers, these vouchers are not portable and stay with the unit. The units must be made affordable over the life of the project. Although it is not required, many project-based vouchers are awarded to developments that also provide supportive services, such as counseling, to the low-income residents. Project-based vouchers are typically awarded to clients who are on the non-profit developer's waitlist.

Sponsor-based vouchers are awarded to a landlord or non-profit group for affordable units they make available to low-income families. Unlike project-based vouchers, these vouchers are portable and can be moved to another unit run by the non-profit or the landlord.

⁶ Comprehensive Housing Strategy Task Force, "Homes for an Inclusive city: A Comprehensive Housing Strategy for Washington, DC," April 5, 2006, available at: <http://dc-chstaskforce.org/default.asp>

Sponsor-based vouchers are awarded only to groups that agree to provide supportive services to residents housed in the affordable units. Sponsor-based vouchers are typically awarded to clients who are on the landlord’s or non-profit’s waitlist.

**Table 1:
Units of LRSP Funded By Year and Type**

Fiscal Year	Tenant Based	Project/Sponsor Based	Total Funded Units
2007	600	581	1,181
2008	80	457	537
2009	0	0	0
2010	0	0	0
2011	0	0	0
2012	0	0	0
2013*	240	0	240
2014	195	585	780
2015**	240	270	510
Total Units Funded Since FY 2007			3,248

*All units were awarded to families at DC General Family Shelter. ** 60 units were awarded to seniors leaving DC nursing homes and 75 were awarded to families at the DC General Family Shelter
Source: DCFPI Analysis of the District’s Budget and Financial Plan, FY’s 07-15

Funding for the LRSP program has supported the creation of 3,250 affordable units for very low-income families. Close to 60 percent of LRSP units have been provided through the project and sponsor based components. (See **Table 1.**) The tenant-based program and project sponsor-based program tend to serve two different populations. Nearly 80 percent of project- and sponsor-based LRSP subsidies support efficiencies and one bedroom apartments,

meaning they mainly serve individuals. On the flip side, 80 percent of tenant-based LRSP goes to two-bedroom or larger apartments, meaning that it largely serves families. The difference in population served also helps explain why the average cost per unit is \$14,930 annually for tenant-based LRSP and \$10,120 for project/sponsor-based LRSP.⁷

LRSP is often used in conjunction with other affordable housing programs in the District, such as the Housing Production Trust Fund (HPTF) and Housing First to help create housing that is affordable to the District’s lowest-income residents. The HPTF is used for construction or rehabilitation of affordable housing, and often LRSP funds are added to make units affordable for very low-income residents. LRSP vouchers are also used with the District’s Housing First program, which places chronically homeless individuals and families in affordable housing with supportive services.

Increase Support and Expand DC’s Capacity to Serve Vulnerable Populations

LRSP is an important program because it makes housing affordable to very low-income families or individuals. With an estimated 22,000 unit need for affordable units for very low-income DC households, LRSP will be a critical tool to help meet the need. Either given directly to families or individuals or coupled with gap financing like the HPTF, LRSP can help make sure affordable housing meets the needs of DC lowest-income families and supports DC’s efforts to end chronic

⁷ Data on bedroom size and cost are from a DC Housing Authority handout from 12/6/12. Email reed@dcpfpi.org for a copy of the data.

homelessness. Supporting at least 1,000 new units of LRSP each year would help the District make notable progress in addressing the city's affordable housing gap.

In addition, the District should plan for how best to utilize LRSP to meet the current needs of the city and amend the program to meet those needs. To do this, the District should assess the highest priority needs among various vulnerable populations annually, and then allocate LRSP resources accordingly. This should be done in conjunction for planning around the use of other affordable housing tools such as the HPTF, low-income housing tax credits, and affordable housing bonds.

This is important because currently, tenant-based LRSP is awarded to those who have applied for the DC Housing Authority waitlist and have a homeless family preference. Project/sponsor based LRSP is awarded to those who are on a non-profit housing providers wait list who can include both families and individuals. While these groups are important, there are other vulnerable populations—seniors, people with disabilities, returning citizens, and others—who could also benefit from the assistance but are not currently targeted in any way. As an example of how LRSP could be targeted in each year on priority needs, the FY 2015 budget created 75 LRSP vouchers designated for homeless families at DC General and 60 vouchers to seniors who are moving out of nursing homes.

DC commissioned a housing needs assessment from the Urban Institute in FY 2014 to help identify what populations needed housing assistance. That tool could be an important guide for the mayor-elect to use to determine how best to allocate LRSP. This report should be completed before spring 2015.

Creating a High Quality Education System for All DC Residents

Recommendations to the New Mayor and DC Council

Summary

The next administration faces a number of challenges and opportunities when it comes to the early care and Pre-K-12 public education system in the District of Columbia. For the first time in decades, changes to school boundaries, feeder patterns and admission policies are being implemented following recommendations of a committee of education stakeholders. The DC school funding formula was recently examined and adjusted to better reflect what our students need, including adding a new funding supplement for low-income DC students considered “at-risk,” giving both DC Public Schools (DCPS) and public charter schools new resources to help low-income students succeed. The city is also making notable investments in early childhood education through child care quality improvement strategies and increased reimbursement rates for DC’s child care subsidy program.

To continue to build a high quality and accessible early care and education system in the District, we suggest the Mayor-elect take the following steps:

Maintain Key Aspects of the School Boundary Recommendations. As Mayor Bowser and the Council consider possible modifications to the new school boundary and admission policies, three recommendations that improve the educational access of low-income students should be maintained:

- ❖ Ensure economic diversity by ensuring that each school serves at least 25 percent low-income students. For charter schools, this will require a legislative change.
- ❖ In low-income communities, give children access by right to Pre-Kindergarten 3 and 4 slots in their neighborhood school.
- ❖ Provide bus passes to help parents of young students take their children to school.

Raise the Quality and Capacity of the Child Care Subsidy Program. The amount the District pays to support child care for infants and toddlers is well below market rate, making it hard for child care providers to provide the best-quality care and limiting access to child care for working parents.⁸

- ❖ Raise DC’s child care subsidy reimbursement rates to better match the market rate.
- ❖ Focus on improving quality of care across city, particularly for infants and toddlers.

⁸ UDC Center for Applied Research and Urban Policy. 2012 Market Rate Survey Final Report. See: http://osse.dc.gov/sites/default/files/dc/sites/osse/service_content/attachments/2012%20MRS%20Final%20Report.pdf.

Continue to Provide and Monitor New Resources for Schools to Better Support At-Risk Students. There are 35,000 students considered “at-risk” in DC Public Schools and public charter schools. As of the 2014-15 school year, a new element in the school funding formula provides about \$2,000 additional dollars to these students. This partially implements a recommendation of a District-commissioned study on the adequacy of DC’s education funding.

- ❖ Continue to phase in the at-risk student weight to the fully recommended level.
- ❖ Monitor the use of additional resources at the school level in both DCPS and public charter schools to ensure they are being used for effective programs for low-income students.
- ❖ Extend the DCPS budget timeline by at least one month to allow for adequate planning for these important funding decisions at the school level.

Improve Student Supports to Help Close the Achievement Gap. School is an ideal location to deliver services that can alleviate poverty’s impact on student success. DC offers a number of programs that help these students succeed in the classroom, but there are still large gaps. Here are some ways to improve and expand services to help bridge these gaps.

- ❖ Ensure that every public school has adequate access to mental health practitioners, full-time nurse coverage, quality afterschool and summer programming, and services for homeless students.
- ❖ Scale up the Community Schools model to all high-poverty schools to turn schools into community hubs offering a wide array of services.
- ❖ Create a senior liaison role between the Deputy Mayor for Education and Deputy Mayor for Health and Human Services to focus on non-instructional supports for low-income children and youth.

Creating a High Quality Education System for All DC Residents

Recommendations to the New Mayor and DC Council

Issue #1: The District Should Maintain Some of the School Boundary Recommendations

In 2014, the District undertook its first modification to the city's student assignment policies – school boundaries, feeder patterns, and admission processes – in over 40 years. After a year of deliberation and community engagement, a committee issued a set of [recommendations](#), and implementation has begun. The recommendations include a number of changes that appear to have broad support, although some changes in boundaries and feeder patterns have raised questions, as would be expected.

In the event the new administration decides to revisit these changes, several recommendations that would improve educational access for low-income students are worth keeping.

Prioritize placement for at-risk Students. Starting in the 2016-17 school year, DCPS and public charter schools would set aside 25 percent of their out-of-boundary seats in the lottery process for low-income students. Currently, 20 DCPS and 12 public charter [schools](#) would be affected because fewer than 25 percent of their students are low-income. This change would promote socio-economic diversity in schools, which is linked to improving outcomes for low-income students without adversely affecting middle class students, as long as a core of middle class children attend the school.

The Advisory Committee recommended that this preference apply to charter schools, in addition to DCPS, which would require a change in DC law. Because charter schools now account for nearly half of all students in publicly funded schools in DC, the new policy will have the greatest effect if it applies to all schools in the city.

Neighborhood access to early childhood education programs. Currently, children are admitted to Pre-Kindergarten through a city-wide lottery process, without a guaranteed seat at a child's in-boundary school. The committee recommendation change would give children access *by right* to Pre-Kindergarten 3 and 4 slots in their neighborhood DCPS school, if it is a high-poverty school (receiving [Title I](#) funds). This would help low-income families get access to Pre-K by guaranteeing a spot in a school that is nearby.

Subsidize public transit. Low-income families need access to affordable transportation to truly be able to take advantage of this new opportunity. While students can now ride Metrobus for free, their parents cannot, which is a problem for families with very young children. That is why the Committee's recommendation to offer free bus passes to parents of students in Pre-K3 through 5th grade makes sense.

Creating a High Quality Education System for All DC Residents

Recommendations to the New Mayor and DC Council

Issue #2: The District Should Raise the Quality and Capacity of the Child Care Subsidy Program

The District has placed a great deal of emphasis in recent years to expand access to Pre-Kindergarten education. An important next step is to improve early education programs for city's infants and toddlers. The benefits of early learning start at birth, and programs must be high quality to make sure children are ready for school. There are several steps the District can take to further invest in early childhood programs.

Raise DC's child care subsidy reimbursement rates to better match the market rate for child care providers. A significant barrier for community-based organizations and family home providers seeking to offer high -quality child care for infants and toddlers is the extremely low reimbursement rates available to them. Without adequate reimbursement, providers often struggle to keep up with rising costs and to continue providing quality child care.

DC child care reimbursement rates were increased by 15 percent in FY 2014 for providers serving infants and toddlers, but the rates still do not match the current cost of providing child care in the District. The market rate for center-based infant child care (at the 75th percentile) is \$84.48 per day based on a 2012 survey, and the rate for toddlers is \$78.98.⁹ However, reimbursements in the child care program for the highest-quality providers are just \$58.66 per day for infants and \$56.39 for toddlers. For more information, see the most recent [market rate survey](#).

Continue to focus on improving quality of care across city, particularly for infants and toddlers. The District is developing a more systematic way to improve the quality of programs serving children birth to five, and this work should continue under the new administration.

- ❖ The FY 2015 budget includes provisions to establish a common approach to assess and evaluate the quality of child care programs. These should be coupled with communication plans to help parents understand the quality rating and use it to inform their decisions.
- ❖ The District also is developing new quality improvement “hubs” in selected DC neighborhoods. These hubs will provide Early Head Start services, an evidence-based model, but also will be a source of technical assistance and professional development to other providers. Neighborhoods with high levels of need are being prioritized for these services.
- ❖ The current year's budget provides added financial support to community-based providers that serve three- and four-year old children; these organizations receive far less funding per child than pre-kindergarten services funded through the school funding formula, making it difficult to provide a developmentally appropriate environment.

⁹ UDC Center for Applied Research and Urban Policy. 2012 Market Rate Survey Final Report.

Creating a High Quality Education System for All DC Residents

Recommendations to the New Mayor and DC Council

Issue #3: The District Should Continue to Provide and Monitor New Resources for Schools to Better Support At-Risk Students

DC's school funding formula was adjusted substantially this year to better reflect what DC students need. Increases were provided for special education, English language learners, and an entirely new category for low-income or "at risk" students, following recommendations of a District-commissioned [study](#) on the adequacy of the Uniform Per Student Funding Formula (UPSFF).

Some 35,000 students in DC Public Schools and public charter schools are considered at-risk. As of the 2014-15 school year, the school funding formula provides about \$2,000 additional dollars to these students. We recommend that the Mayor-elect take the following steps to ensure at-risk funds are used to meet the needs of low-income students:

Continue to phase in the at-risk student weight to the fully recommended level. The study recommended that the at-risk weight add 37 percent to the base level of funding – or about \$3,500 additional dollars per student. As noted, the current weight in the FY 2015 funding formula is about \$2,000 over the base amount.

Monitor the use of these additional resources at the school level in both DCPS and public charter schools to ensure they are being used for effective programs for low-income students. Since fiscal year 2015 was the first year of implementation for the new at-risk funding weight, there is room for improvement in the process. For example, according to the Fair Student Funding legislation, at-risk funding is supposed to follow the child to every DCPS school and school leaders are to have flexibility in how they use these resources. But, due to time constraints in the budgeting process, this was not possible in this first year. Instead, the funding went to a number of DCPS initiatives that were already planned – such as middle school supports and grants to reward student satisfaction – that are important, but were not necessarily targeted to improving outcomes specifically for at-risk students.

There were also some questions about whether or not the at-risk funding was enough for some charter schools to cover the costs of summer school, as the new weight is intended to subsume the previously separate budget for summer school programming. We hope that both DCPS and each public charter school will be able to use at-risk resources in more strategic ways next school year – especially if the size of the at-risk weight is increased – to make targeted and proven investments in high-poverty schools.

Extend the DCPS budget timeline by at least one month to allow for adequate planning for these important funding decisions at the school level. The current budget timeline for schools is far too short for these types of important funding decisions. DCPS is expected to finalize budgets by March to be included with the other agency budgets released by the Mayor before April. Two major pieces of information are needed to set the school budgets. One is the revenue forecast that is delivered in February from the CFO to the Mayor. After this figure is determined, the Mayor's budget staff can determine how much should go into the per pupil formula for the next year. The

second piece of information is the school enrollment number for each individual charter school LEA and the DCPS school system. Once these two figures are out and finalized, usually by late February, the school system – DCPS and each public charter school with their board of trustees – can come up with their individual school budgets.

DCFPI recommends the Mayor-elect extend the budget timeline, by setting the appropriation for DCPS before the city’s February revenue forecast. While this creates some risks, because it will not be clear at that time how much revenue the city will have to meet its various needs, education certainly will be a top priority each year. Setting a reasonable education funding level in January will give the additional time needed to make better budget allocation decisions.

Creating a High Quality Education System for All DC Residents Recommendations to the New Mayor and DC Council

Issue #4: The District Should Expand and Improve Non-Instructional Services Delivered Through Schools as Part of a Comprehensive Strategy to Close the Achievement Gap

Across DC, over one in four children, or 28,600 children under 18, lived in poverty in 2012. That means living on less than \$18,500 per year for a family of three. In some neighborhoods, particularly in Wards 7 and 8, the child poverty rate is greater than 50 percent. Poverty impacts children in a number of ways that make it harder for them to succeed at school.

School is an ideal location to deliver services that can alleviate poverty's impact and contribute to improved academic outcomes. DC offers a number of programs that help these students succeed in the classroom, but there are still large gaps. Here are some ways to improve and expand services to help bridge these gaps.

- ❖ ***Improve school-based mental health services.*** An estimated 5,000 children are in need of mental health services, yet only one-third of DCPS and public charter schools has a school-based mental health program. In addition, a number of schools do not have adequate staffing of social workers and psychologists to assist students. The District can better meet the mental health needs of students by expanding these services. Beyond that, all schools can adopt systems to reinforce positive behavior and to make school staff sensitive to the needs of traumatized children, at little added cost.
- ❖ ***Improve and expand health and nutrition services for students.*** Only a handful of DC schools has a School-Based Health Center, including no middle schools. In addition, many schools lack a full-time school nurse. Expanding these services can help students access primary care services that can help reduce barriers to learning. In addition, DC should work to expand use of innovative options for serving school breakfast –such as grab-and-go carts – to increase the number of students who start the day off fed and well-nourished.
- ❖ ***Promote access to quality afterschool and summer learning programs.*** The District's financial support of afterschool programs is modest and declining. The District should enhance the capacity of quality expanded learning programs to ensure that all low-income students have access to meaningful activities after school and in the summer, when low-income students lose ground to higher-income peers. The District should improve data collection and evaluation of programs to ensure that funding supports high-quality services, and the city should work to streamline funding and reporting requirements across multiple government agencies to make it easier for providers to access funding.
- ❖ ***Improve services for students who are homeless.*** Despite a sharp increase in homelessness, DC gets just \$35 in federal funds per homeless student to provide educational support services. The District should provide additional support for school-based staff who help homeless students and should expand outreach to make sure students and families who

become homeless know of assistance that is available to them. A system-wide assessment is needed to identify gaps in services so that DC can develop comprehensive tools to remove educational barriers for homeless children. Lastly, the District can focus its homelessness prevention programs on families with school-age children avoid the trauma and disruption of homelessness.

- ❖ ***Scale up the Community Schools model in DC.*** Community Schools turn public schools into hubs for students and the larger community by developing partnerships with community organizations and bringing services into the school, such as health care or adult literacy. There are currently six grantees (at 11 schools) operating Community School partnerships in the District, but the model should be expanded to all high-poverty schools. The District should increase funding for additional grantees, explore hiring an organization to coordinate services, and prioritize data collection and evaluation of the model as it grows.

- ❖ ***Create a new senior liaison role between the Deputy Mayor for Education and Deputy Mayor for Health and Human Services to focus on non-instructional supports for low-income children and youth.*** Many of the services for low-income children and youth that are provided in the school are run by agencies outside of the education cluster. For example, the School Mental Health program operates in both DC Public Schools and DC public charter schools and is run and managed by the Department of Behavioral Health. Communication, coordination and planning of the education and human services agencies are therefore critical. The senior liaison would be responsible for identifying common needs of low-income children and youth across schools, what services are available, and how to plan for and address gaps in services.

Note: These recommendations are based on DCFPI's *Unlocking Opportunities* issue brief series, which can be accessed [here](#).

Helping DC Residents Get Good Jobs

Recommendations to the New Mayor and DC Council

Summary

The rising cost of living in DC means that residents will face growing challenges to stay in the city if they are not able to find good-paying jobs. Yet a look below the surface of the District's strong economy reveals troubling trends for many workers. Unemployment is far higher today than before the last recession for residents other than those with a college degree. Hourly wages for workers near the bottom have fallen by \$1 an hour in recent years. The number of DC residents living in poverty has risen by more than 25 percent since 2007. And income inequality is wider here than in almost any other city.

In short, DC's economy is not enabling all residents to succeed. The job challenges are especially great for some residents, including the roughly 60,000 adults who lack a high school degree or equivalent, residents returning from prison, and others with limited job experience.

The District has a number of strengths to build on. The city's minimum wage will rise to \$11.50 an hour in 2016, and all workers in the city earn paid sick leave starting with their first day on the job. Legislation adopted in 2014 will prohibit employers from asking about an applicant's criminal record until a job offer has been made. And the District operates a number of training programs for adults and youth. The following steps would strengthen literacy and training programs and help more residents earn a living wage:

- ❖ ***Raise the Minimum Wage for Tipped Workers.*** Tipped workers earn just \$2.77 an hour before tips and were largely left out of the recent minimum wage increase.
- ❖ ***Implement New Approaches to Blend Literacy Services and Job Training.*** A “career pathways” task force will issue a report in 2015, and then the mayor and council will need to take steps to implement recommendations.
- ❖ ***Enforce New Wage and Job Benefits.*** Legislation adopted in 2013 and 2014 to raise wages, expand benefits, or protect workers -- including minimum wage, paid sick leave, and wage theft legislation -- will need to be communicated to workers and businesses, and the District will need adequate staff to enforce them.
- ❖ ***Adopt a Paid Family Leave Insurance Program.*** The District just adopted a policy to give DC government workers eight weeks of paid leave when they have a child, need to care for an ill relative, or face a serious illness. The District could extend paid leave benefits to all workers in the District, following the lead of other states.
- ❖ ***Make Better Use of Federal Job Training Funds through SNAP (Food Stamps).*** This program provides federal funds to cover half the costs of provide job training and supports to SNAP recipients.

Helping DC Residents Get Good Jobs

Recommendations to the New Mayor and DC Council

Issue # 1: Raising DC's Minimum Wage for Tipped Workers

When the District moved in 2013 to increase its minimum wage – which will increase to \$11.50 in a series of steps between July 2014 and July 2016 – workers who receive tips were left out. The minimum wage for tipped workers continues to be just \$2.77 an hour, with the large majority of their earnings expected to come from tips. DC falls into the bottom half of states when it comes to the tipped minimum wage. Some [26 states](#) have a higher tipped minimum wage than DC, including seven which make set the same minimum wage for tipped workers as for workers. These states include California, Minnesota, and Oregon.

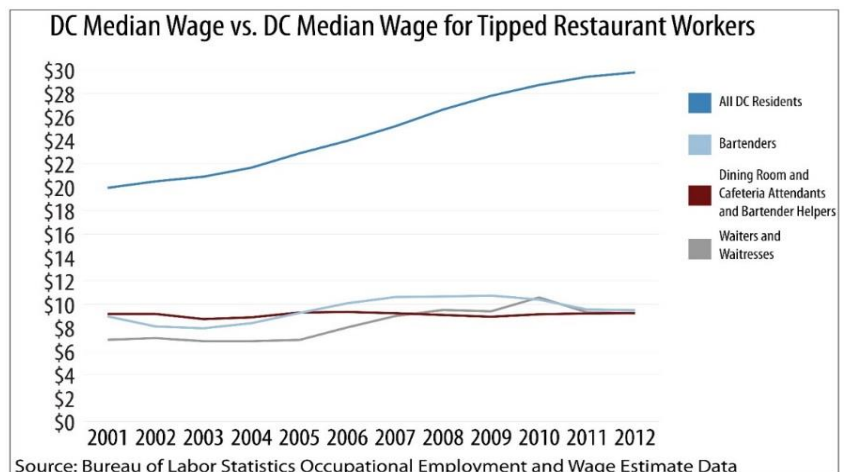
The District should consider raising its minimum wage for tipped workers, either to the full minimum wage or to a specified percentage of the minimum wage. In either case, the minimum wage for tipped workers would be adjusted each time the full minimum wage is increased.

In DC and most states, tipped workers such as restaurant servers, bartenders, nail salon technicians, and car wash employees are covered by a lower minimum wage than other workers. These workers qualify for a “tipped credit,” meaning that wages plus tips must equal the full minimum wage. If employees do not reach at least the full minimum wage over the work week, counting both wages and tips, their employer is required to pay the difference. This is rarely enforced, however.

For many years, the tipped minimum wage at the federal level was set as a percentage of the full minimum wage – as high as 60 percent -- so that workers who receive tips as part of their compensation have a stable living income and are not subject to wild fluctuations of earnings. While the federal government stopped this practice in the 1990s, a number of states continue to do so. Currently, 10 states set their minimum wage for tipped workers at 60 percent of the full minimum wage, and four states set the tipped minimum wage at 50 percent of the full minimum wage.

By contrast, when DC's minimum wage reaches \$11.50, the tipped minimum wage of \$2.77 will equal just 25 percent.

Raising the minimum wage for tipped workers, along with other workers, is important for several reasons. Some servers work in low-price establishments where tips can be very low. Restaurant business can vary from week to week or shift to shift, so that a worker relying mainly on tips could face very uneven income despite having the same bills to pay every month. And freezing the tipped worker minimum wage for a long



period of time means that the balance of who pays servers changes over time from owners to patrons.

The median wage for DC workers who identify themselves as waiters and waitresses was \$9.23 per hour in 2012, including both tips and hourly pay, according to the Bureau of Labor Statistics. In other words, 50 percent of servers make more than \$9.23 and 50 percent make less. The average hourly income, including the highest-paid servers, was \$13.08. Nationally, tipped workers have [twice](#) the poverty rate of the average worker and are more than three times as likely to rely on food stamps.

And wages for DC’s tipped restaurant workers have not kept pace with DC workers in general. While the median wage for all DC workers jumped nearly \$10 over between 2001 and 2012 – from about \$20 an hour to nearly \$30 an hour -- the median wage for tipped workers has remained relatively flat.

For these reasons, it makes sense to raise DC’s minimum wage for tipped workers. The District could do so by covering tipped workers under the basic minimum wage, which will rise to \$10.50 in 2015 and \$11.50 in 2016 and then rise with inflation in subsequent years. Or the District could set the tipped worker minimum wage at 60 percent of the full minimum wage or higher. This would mean a \$6.30 minimum wage in 2015 and a \$6.90 minimum wage in 2016. It also would guarantee that the minimum wage for tipped workers increases every year for inflation in subsequent years.

State	Tipped Worker Minimum Wage
Washington	\$9.32
Oregon	\$9.10
California	\$9.00
Minnesota	\$8.00
Montana	\$7.90
Alaska	\$7.75
Nevada	\$7.25-\$8.25
Hawaii	\$7.00
West Virginia	\$5.80
Connecticut	\$5.69
New York	Up to \$5.65
Colorado	\$4.98
Illinois	\$4.95
Florida	\$4.91
Arizona	\$4.90
North Dakota	\$4.86
Iowa	\$4.35
Vermont	\$4.23
Ohio	\$3.98
Maine	\$3.75
Missouri	\$3.75
Maryland	\$3.63
Idaho	\$3.35
Michigan	\$3.10
New Hampshire	\$3.01
Rhode Island	\$2.89
Pennsylvania	\$2.83
District of Columbia	\$2.77
Arkansas	\$2.63
Massachusetts	\$2.63
Wisconsin	\$2.33
Delaware	\$2.23
All others	\$2.13

Source: U.S. Department of Labor. Data as of Sept 1, 2014

Helping DC Residents Get Good Jobs

Recommendations to the New Mayor and DC Council

Issue #2: Connect DC's Adult Learners to Career Pathways

In recent years, the District has invested in new initiatives to connect more DC residents to careers — from building a community college to funding adult job training. Yet many District residents lack the basic reading, writing, math, English language, and digital literacy skills and credentials to take advantage of these programs. A new taskforce focused on strengthen adult literacy and adult basic education programs and better connecting them with job-skills training will make its recommendations in 2015. In addition, changes in federal job training law create an opportunity to improve coordination of training programs across multiple agencies.

The mayor and DC Council should move quickly to implement recommendations of the Career Pathways taskforce when they are issued in 2015, and to take advantage of the opportunities provided under changes in federal law.

The urgency of the issue is clear. Economists project that in just four years, 72 percent of all jobs in DC will require some postsecondary education. Yet more than 60,000 residents lack a high school diploma or its equivalent, and yet only 8,000 adults get basic education services. Moreover, the District does not have a city-wide strategy to guide adult literacy services provided by a number of agencies or to coordinate these services with job training programs. Adult education programs in DC have higher attrition rates and lower levels of educational gains compared to adults nationally.¹⁰

Many communities have had success by bridging their adult education and job training functions. Under this approach, known as “career pathways,” basic skills programs integrate career skills-training and help adults transition to the next level of education and training. A career pathways approach coordinates adult literacy and training programs to allow individuals to move seamlessly among them as they seek services at different points in their careers. Adults in these types of programs are more likely to pass the GED and earn college credits and certificates than those in traditional basic skills programs.¹¹

The District is in the midst of exploring how to make earning a GED or other high school equivalency the first step on a pathway that leads to additional education, training, and work experience. A “Career Pathways” task force authorized in 2014 is expected to complete its work and issue recommendations in mid-2015. The task force is being operated by the Workforce Investment Council, a body that oversees implementation of federal job funding and includes business, labor, government, and other representatives.

¹⁰ Brooke DeRenzis, *From Basic Skills to Good Jobs: A Strategy for Connecting D.C.'s Adult Learners to Career Pathways*, DC Applesseed, April 2014, page 6.

¹¹ Ibid, page 1.

In addition, federal law adopted in 2014 – the Workforce Innovation and Opportunity Act – creates opportunities for coordinating training programs across different agencies, like the welfare-to-work programs operated by the DC Department of Human Services and federal Department of Labor training programs operated by the DC Department of Employment Services. WIOA requires creation of a joint plan for workforce development by DOES, DHS, the Office of the State Superintendent for Education (which oversees youth training and adult basic education) and the Department of Disability Services. This joint plan could be used as opportunity to engage in more joint planning and coordination across these agencies.

To best take advantage of these, the District should:

- ❖ ***Implement Career Pathways Taskforce Recommendations.*** Mayor Bowser and the DC council should act quickly to implement recommendations of the Career Pathways taskforce, which are currently scheduled to be released in June 2015. That would be near the end of the development of the budget for Fiscal Year 2016; Mayor Bowser will submit a budget by early April and the DC Council will hold its main budget vote in May. While this means that it may not be possible to fully implement the recommendations in FY 2016, Mayor Bowser and the Council could set aside a set amount in the budget to start the implementation process in FY 2016. This is similar to actions taken by the DC Council to set aside \$5 million in FY 2014 for implementation of some recommendations of the DC Tax Revision Commission before the recommendations had been completed.
- ❖ ***Create a Coordination Plan Under New Federal Workforce Development Law.*** Mayor Bowser should use the opportunity of the new federal WIOA law to better coordinate the services of District agencies involved in adult education and training. The new federal law requires development of a joint plan among the Department of Employment Services, the Office of the State Superintendent of Education, the Department of Human Services, and the Department of Disability Services. This joint plan can be developed in a way that builds off the recommendations of the Career Pathways taskforce. It can focus on using a common tool to assess client needs, developing a referral system that crosses agencies, creating a common set of outcome measurements, and improving communications across agencies and programs.
- ❖ ***Empower the DC Workforce Investment Council to Lead Coordination Efforts.*** The District should empower an entity to oversee the coordination of adult literacy and job training services. This is consistent with Mayor-elect Bowser’s recommendation to create a “Workforce Opportunity Advisory” to improve how the Districts uses the more than \$100 million devoted to workforce development. Given the role of Workforce Investment Council in both the Career Pathways Taskforce and implementing the new federal WIOA law, it would make sense to place these responsibilities in the WIC.

Helping DC Residents Get Good Jobs

Recommendations to the New Mayor and DC Council

Issue #3: The District Should Vigorously Enforce New Worker-Oriented Legislation

The District enacted a number of laws in 2013 to improve wages or benefits of people who work in the District. These laws will not be effective, however, if they are not implemented fully – through regulations and education of workers and employers – or if they are not actively enforced.

The new worker-directed legislation includes:

- ❖ ***Minimum Wage.*** Legislation adopted in 2013 raised the minimum wage over stages to \$11.50 in 2016, with the first step implemented in July 2014. The minimum wage will be adjusted for inflation annually after 2016.
- ❖ ***Paid Sick and Safe Leave.*** The requirement that employers provided paid leave to deal with illness or domestic violence was expanded in 2013, primarily by extending this benefit to tipped workers and by enabling workers to accrue benefits starting with their first day of work.
- ❖ ***Wage Theft:*** Legislation adopted in 2014 increases penalties for employers who fail to pay workers fully what they are obligated to pay.
- ❖ ***Protecting Workers from Discrimination.*** Recently adopted legislation prevents employers from asking about an employee's criminal record until they have made a job offer, and prevents employers from rescinding the job offer unless there is a clear rationale for doing so. In addition, the District has adopted protections against discrimination for workers who are unemployed or pregnant.

These changes will help workers get and keep jobs, and help them earn a decent wage. Because they reflect new wage and benefit rules and new protections, the laws will need to be communicated to employers and workers. In addition, the District will need added staff capacity to respond to worker concerns about employers' failure to follow the new laws.

- ❖ ***More Staff to Enforce Minimum Wage, Paid Sick Leave, and Wage Theft.*** Additional staff will be needed at the Department of Employment Services (Office of Wage-Hour), and at the Office of Attorney General to address instances of employer non-compliance. In addition, the Office of Human Rights will need additional resources to implement the Pregnant Workers Protection Act.
- ❖ ***Educational Campaigns for Workers.*** Public education efforts aimed at workers in the District will help them understand their rights under the new wage and benefit laws, and will help ensure that employers comply.

Helping DC Residents Get Good Jobs Recommendations to the New Mayor and DC Council

Issue #4: Adopt a Paid Family Leave Insurance Program

The District should help workers who need to take leave from their job for family or medical reasons by creating an insurance program to replace a portion of their wages.

Nearly all workers need to take extended time off from their job at some point: when they have a child, need to attend to an ailing parent or face a serious illness themselves. But only 12 percent of workers in the United States get paid family leave through their job, forcing most to make the difficult choice of losing income – and possibly their job – or not taking adequate care of their child, a relative or themselves.

The District can help people in this situation by creating a program to replace a portion of wages for workers who take family or medical leave. Paid leave helps families take care of each other and helps the economy by keeping workers in the labor market rather than leaving work to attend to family duties. California, New Jersey, and Rhode Island have paid family leave programs, and the DC government created a paid family leave program for its employees just this year. In addition, the District recently received a federal grant to explore creating a citywide family leave program.

In the three states that have paid family leave, workers receive a portion of their former wages while on leave. In New Jersey, for example, the payment equals two-thirds of earnings in the months prior to leave, with a cap of about \$600 per week. The amount of paid family leave ranges from four to six weeks, although these states also offer temporary disability assistance for 26 weeks to 52 weeks when a worker faces a temporary disability of their own.

Paid leave programs have important benefits for both families and the economy:

- ❖ ***Improved Parental Involvement and Child Well-Being.*** In California, mothers with paid leave are more likely to breastfeed their children. The share of California fathers who take parental leave has doubled since their program was created.
- ❖ ***Better Ability to Care for Ailing Parents.*** Most adults who care for a parent have a full-time job. Having the option of paid leave ensures that caregivers can take the time needed to help parents without severe financial strain. This will become increasingly important over time, given projected increases in the elderly population.
- ❖ ***Family Financial Stability in Challenging Times.*** When new mothers do not have paid leave, one-third either dip into savings, borrow money, or get behind on bills.
- ❖ ***Improved Labor Market Stability.*** If workers must take extended leave without pay, many will end up leaving or losing their jobs, creating turnover in the labor market and forcing employers to hire and train new workers.

Paid family leave programs are financed either by employees only as a deduction from paychecks, or by a combination of a payroll deduction for employees and a payroll tax on employers. The taxes are paid into a fund that is then used to cover the costs of leave payments. The level of the tax is often modest and depends on the level and duration of benefits. The tax rate is 0.1 percent of wages in New Jersey, where workers can get up to six weeks of paid leave per year.

The District will need to consider a number of factors as it works to shape a paid family leave policy, including who would be eligible, the structure of paid leave benefits, the duration of benefits and how to finance it.

The benefits of paid family leave and its modest cost make it an important issue for the District to adopt in 2015, through designing and then adopting paid family leave for everyone who works in the city.

Helping DC Residents Get Good Jobs Recommendations to the New Mayor and DC Council

Issue #5: Make Better Use of Federal Job Training Funds through SNAP (Food Stamps)

The District has a great opportunity to access federal job training funds to help DC residents who are eager to go to work or get a better job. It comes, of all places, from the federal food stamp program, now known as SNAP. The SNAP Employment and Training (E&T) program provides covers half of the costs of a wide array of employment-related services for residents who get food stamp benefits.

The District has taken steps in recent years to make better use of SNAP E&T funds, but further progress can be made. The District budgeted about \$4 million for services under this program in fiscal year 2014 – roughly half of it from federal funds. While this reflects an increase from prior years, it is a modest amount and reflects a number of missed opportunities. For example, the District’s Project Empowerment program provides short-term subsidized employment to help residents build work experience, but the program does not currently offer help with transportation expenses. This would be an allowable expense under SNAP E&T.

The District could access more federal funding from the SNAP Employment and Training Program by expanding staff capacity to explore funding opportunities and then work out the agreements needed to access federal funds. Even one additional staff position is likely to result in millions of new federal funds coming into the District to support employment efforts.

SNAP E&T doesn’t require the city to re-invent the wheel by creating new programs. The city can incorporate or coordinate existing workforce development programs into SNAP E&T — by identifying participants who receive SNAP benefits and making sure the education or training program is part of an employment plan — and then accessing federal funds to support program costs.

SNAP E&T can be used in a number of ways:

- ❖ ***Expanding Local Training Programs.*** Federal SNAP Employment and Training funds cannot be used to replace existing local funding, but the program can be used to expand existing programs or for new programs.
- ❖ ***Adding Work Supports to Training Programs.*** SNAP Employment and Training funds can be used for things that support employment, such as uniforms or transportation costs.
- ❖ ***Supporting the Work of Non-Profits.*** SNAP E&T can support programs operated directly by the DC government, but it also can be used to match expenditures of non-profit training providers to enhance their services. The District has partnered with a number of non-profits in recent years to help them access these funds, but it is likely that these efforts could be expanded.

The District is likely to need to expand staffing capacity in the Department of Human Services to identify more government programs and more non-profits that can participate in SNAP E&T, and then to develop the agreements needed to comply with SNAP E&T rules.

These efforts are promising and should be pursued fully. At a time when it is hard to look to the federal government to expand services, the SNAP Employment and Training program is an important opportunity.

Helping Low Income Families Succeed Through TANF

Recommendations to the New Mayor and DC Council

Summary

Temporary Assistance for Needy Families (TANF) is the welfare-to-work program for needy families with children. While TANF caseloads have dropped by about one-third since the adoption of welfare reform in the 1990s, TANF still provides monthly support to one in three children in the District. Given the numbers of parents and children involved, the TANF program plays a critical role in the well-being of DC's children.

TANF is supposed to meet two broad goals. The first goal is to help/encourage parents to get into jobs that will enable them to make ends meet. The District has made tremendous progress in recent years to improve the employment services component of TANF. The District now gives each parent a one-on-one assessment to identify skills and barriers, and then works to develop an Individualized Responsibility Plan (IRP) that outlines services to build skills and overcome identified barriers.

However, despite this great progress, roughly 6,000 families will lose their income assistance in 2015 due to time limits. The District could do more by adopting the practice found in many states to provide intensive services to families who have received TANF the longest. A number of states target additional services on “long-stayers” because they are most likely to have complex problems.

Additionally, DC's welfare reform is hampered by very low TANF benefits – just \$434 for a family of three – that leave families in deep poverty. The chaos and stress of deep poverty have long-term negative effects on children.

The following issue briefs make recommendations that will allow the TANF program to better stabilize families and help those with large barriers make progress towards employment.

- ❖ ***Assisting Families Who Could Face Hardship after Reaching Time Limits.*** Families who have received TANF for more than 60 months are scheduled to be cut off from benefits and services in October 2015. The District should ensure that families who face big barriers or cannot find sufficient employment despite their best efforts can continue to receive benefits and services. Additionally, DC should implement the services that other states have found successful in helping these families secure employment.
- ❖ ***Preserve the TANF Benefit Increase Scheduled for Fiscal Year (FY) 2017.*** TANF benefits are set to increase by 46 percent in the FY 2017 budget. This increase will help families make ends meet so they can focus fully on their employment preparation activities. And will bring benefits to a level that is more in line with other high-cost jurisdictions.

Helping Low Income Families Succeed Through TANF

Recommendations to the New Mayor and DC Council

Issue #1: Assisting Families Who Could Face Hardship after Reaching Time Limits

About 6,000 families with children in DC will lose all income assistance in October 2015 as a result of time limits in the District's welfare-to-work program – Temporary Assistance to Needy Families (TANF). The District's TANF program does not include provisions that are found in many states, including providing intensive employment assistance to families with the most serious barriers to work or continuing cash benefits for families that are likely to face hardship after they reach time limits.

The District should modify its TANF program to create protections for these families. Without such steps, thousands of families are likely to fall into deep poverty, with negative impacts on homelessness, school success, and family health and well-being. Such protections are important now for two reasons:

- 1) ***Employment challenges remain great for many DC residents.*** The District has recovered from the recession, but wage and job growth have been very uneven. Low-wage workers have seen their wages fall, and workers with less than a bachelor's degree face unemployment rates that are far higher than they were in 2007.
- 2) ***Welfare "long-stayers" often have complex and deep problems.*** Research from other states finds that families reaching time limits are far more likely than other TANF recipients to experience employment barriers such as physical and mental health problems and to have lower levels of education that significantly reduce their chances of finding employment.

In the District, most of these families have only recently had access to the services they need to address these issues. Prior to a redesign of DC's TANF program in 2010, focus groups with TANF parents revealed that service providers discouraged them from getting mental health, substance abuse, and domestic violence services.¹² Families also reported that they were not informed about training and educational opportunities that could have led to more secure and better paying jobs. Despite widespread agreement that services were low quality, these months have counted towards a family's 60-month time clock.

The loss of benefits these families will experience in October 2015 will lead to real hardship for many children. A Minnesota study found that families who lost benefits due to time limits had extremely low levels of self-sufficiency.¹³ Only 45 percent were working, mostly in low-paid service

¹² *Voices for Change: Perspectives on Strengthening Welfare-to-Work From DC TANF Recipients* by Katie Kerstetter and Joni Podschun. DCFPI and So Others Might Eat (SOME).

www.dcfpi.org/wp-content/uploads/2009/11/11-12-09TANFreport.pdf

¹³ Scarpace, Ramona, Karen Jung, and Leslie Crichton (2003). *The Welfare Time Limit in Minnesota: A survey of families who lost MFIP eligibility as a result of the five-year time limit.* Minnesota DHS.

jobs, and only about 31 percent received any child support. Interviewers found that 47 percent of the families were living unstable, chaotic lives, meaning the parent had no way to meet the family's basic needs, and rates of child maltreatment were high. Not surprisingly, a substantial body of research confirms that loss of family income is associated with negative outcomes for children and adolescents, including higher levels of anxiety and disruptive behavior in school.

The District can take two steps to help ensure that TANF time limits do not create undo harm to children. The city can provide more intensive services to TANF parents with serious developmental disabilities or mental health challenges, and it can extend TANF benefits temporarily for selected families.

Specialized work preparation for TANF parents with severe challenges. Other jurisdictions have found that parents who remain on TANF for long periods often suffer from significant mental health challenges and/or developmental disabilities that are difficult to identify through traditional assessments and case management. These jurisdictions use specialized “vocational rehabilitation” assessments and services to help parents improve their mental health and functioning, develop strategies to cope with their issues in the workplace, and identify suitable employment.

Time-limit extension in certain circumstances. Most states allow some TANF parents to continue to receive cash assistance and services after reaching the time limit. These time limit extensions are temporary and reviewed regularly — such as every six months. They allow families not only to continue receiving cash assistance but also services that can lead to employment. The District should provide time limit extensions under the following circumstances.

- ❖ ***Parents who cannot secure adequate employment despite their best efforts.*** A number of states, including Maryland, provide extensions if the parent is complying with their work participation requirement but cannot find a job with sufficient hours to make ends meet.
- ❖ ***Parents deemed not ready for work.*** Some states provide time limit extensions in these situations. This could include a parent who has low literacy and is enrolled in a literacy program.
- ❖ ***Parents who are on TANF during periods of high unemployment.*** When unemployment is high and competition for available jobs is tough, many TANF parents will face challenges finding employment no matter how hard they try.
- ❖ ***Families who are at risk of hardship.*** DC should provide temporary time-limit extensions if there is evidence that the benefit reduction will lead to serious hardship for the family such as homelessness or involvement with the child welfare system.
- ❖ ***Families facing big barriers to employment.*** Some families face significant barriers to employment such as domestic violence or a substance abuse issue. These families should receive time limit extensions so they have time to address these issues and find employment.

Helping Low Income Families Succeed Through TANF Recommendations to the New Mayor and DC Council

Issue #2: Preserve the TANF Benefit Increase Scheduled for Fiscal Year 2017

The current low level of DC's benefits, just \$434 a month for a family of three, leaves many TANF families in a state of constant crisis. Most TANF families get no housing assistance and struggle to keep up with rising housing costs in the District, yet DC TANF benefits have largely been frozen for years and have lost ground to inflation. Many families go hungry, face eviction, and sometimes turn to illegal activities such as prostitution to make it through the month.

A provision adopted in 2014 will increase DC's TANF benefits substantially and bring them in line with benefits in other high-cost states, but the bulk of the increases will not go into effect until fiscal year 2017. Mayor Bowser and the DC Council should preserve these increases, which will improve family stability and the chance that children will succeed in school.

DC's TANF benefits equal just 26 percent of the poverty line, and they have fallen in value over time as benefits have not kept up with inflation. TANF and SNAP (commonly known as food stamps) benefits combined bring DC families to just 59 percent of the federal poverty line.¹⁴ Not surprisingly, focus groups with TANF parents found that their TANF and SNAP benefits run out before the end of each month.¹⁵

The deep poverty that TANF families experience threatens the success of the District's welfare-to-work effort and family stability. It is difficult for parents to focus fully on job preparation activities if they are worried about how to meet their kids' most basic needs. The Center on Budget and Policy

¹⁴ *The Value of TANF Cash Benefits Continued to Erode in 2013* by Ife Finch and Liz Schott, Center on Budget and Policy Priorities. March 2013. www.cbpp.org/files/3-28-13tanf.pdf

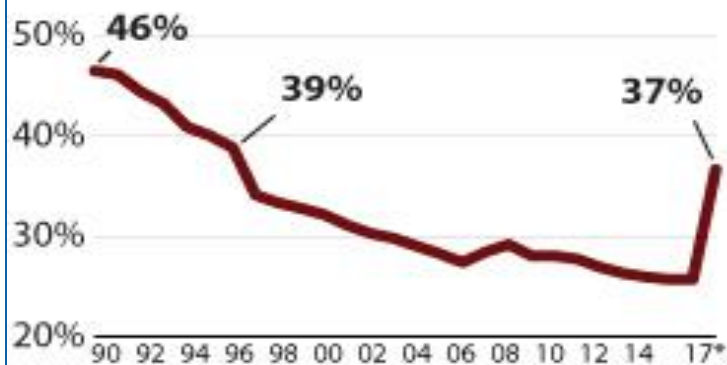
¹⁵ *Voices for Change: Perspectives on Strengthening Welfare-to-Work From DC TANF Recipients* by Katie Kerstetter and Joni Podschun. DCFPI and So Others Might Eat (SOME). www.dcfpi.org/wp-content/uploads/2009/11/11-12-09TANFreport.pdf

Figure 1

TANF Benefits Now Only 26 Percent of the Federal Poverty Line. Set to Rise to 37 Percent in FY 2017

TANF Benefits as a Percentage of Poverty Line (1990-2017)

TANF Benefits and Poverty Line Based on a Family of Three



Source: 2014 Poverty line from <http://aspe.hhs.gov/poverty/14poverty.cfm>
*Uses a 2.4% inflator for 2015-2017 poverty line and benefit level (inflator used by DC Office of Chief Financial Officer for benefit levels)

DC FISCAL POLICY INSTITUTE

Priorities, a national policy research organization, notes that “The chaos and instability that frequently result from the level of destitution that accompanies these low TANF benefit levels can interfere with these [employment preparation] goals and undermine welfare reform.”¹⁶ Many families who cannot afford their own apartments end up “couch surfing,” moving frequently among family and friends, which makes things like regular attendance at school and job training much more challenging.

Moreover, neuroscience research finds that deep poverty can lead to “toxic stress” for children — the result of being continuously exposed to stress — which makes it hard to develop or skills related to attention, memory and language and results in poorer outcomes in adulthood.¹⁷ Children in poverty are more likely than other children to have behavior problems in school, to drop out, and have a child at a young age.¹⁸ Research also shows that boosts in income for low-income families with young children can have an impact on the children’s achievement and earnings as adults.

Recognizing the positive effects of income boosts, the District has scheduled a 46 percent increase in benefits in FY 2017. This will bring benefit to \$649 for a family of three, putting the District in line with other jurisdictions with high costs-of-living. The maximum benefit for a family of three is \$638 in Los Angeles and \$789 in New York City. Preserving this benefit increase will allow parents to focus on the activities they need to gain and retain employment and will lessen the deep poverty experienced by these families.

¹⁶ Ibid.

¹⁷ *The Long Reach of Early Childhood Poverty: Pathways and Impacts: Q&As with Drs. Greg Duncan, Katherine Magnuson, Tom Boyce and Jack Shonkoff.* developingchild.harvard.edu/index.php/download_file/-/view/623/

¹⁸ *The Foreseeable Harm from Governor Brown’s Proposal to Reduce CalWorks Grants for Children* by Michael Herald and Jessica Bartholow. March 2011.

Improving Health Outcomes with Better Access, Improved Oversight, and Sustainable Programming

Recommendations to the New Mayor and DC Council

Summary

Over the past 15 years, the District has implemented several policies to expand access to affordable health care for District residents – the creation of the DC Healthcare Alliance program, early adoption of the Affordable Care Act (ACA), and expansion of Medicaid to a large number of low-income residents. As a result, the rate of uninsured residents in DC is the second lowest in the country, when compared with states.

But even with high coverage rates, health disparities persist, with poor health outcomes disproportionately affecting residents with low-incomes and those who live east of the Anacostia River. To improve these outcomes, the District needs to craft policies beyond expanding insurance coverage, by ensuring eligible residents are accessing programs they need, improving oversight and performance standards, and creating sustainable funding streams for our health programs.

This transition brief details three ways in which the next administration can achieve a more effective and sustainable healthcare system. To that end, the brief recommends:

- ❖ ***Make Changes to the Healthcare Alliance program to improve access for eligible residents.*** The DC Healthcare Alliance program provides health insurance to 14,500 low-income residents who are not eligible for Medicaid or Medicare. However, stringent application rules make it difficult for eligible residents to maintain access to the program and have contributed to a sharp drop in participation. The District can align Alliance’s application requirements with Medicaid, which will help more eligible residents get benefits and reduce uncompensated health care.
- ❖ ***Increase Oversight of Medicaid Managed Care Organizations (MCO’s) to Improve Outcomes and Access.*** The District could better connect residents on Medicaid with basic health services, which would improve health outcomes and avoid use of costly and unneeded services. The District uses a managed care approach for 175,000 Medicaid beneficiaries, or about a quarter of the District’s residents. But there is limited oversight and few performance standards for the companies contracted to provide this care, and as a result poor health outcomes persist. Stronger oversight, contract stipulations, and performance evaluation are needed to ensure that residents are getting access to the best care possible.
- ❖ ***Improve Sustainable Sources of Local Financing for Medicaid.*** Across the country, states are increasingly using taxes on health care providers to draw down billions in federal Medicaid funds, yet the District has reduced its provider tax collections. Strengthening DC’s health provider taxes makes sense for a number of reasons, particularly that every \$1 in taxes results in over \$2 in federal contributions to health services. Health provider taxes also could help the District prepare to sustain Medicaid if the new Congress seeks to cut federal funding.

Improving Health Outcomes with Better Access, Improved Oversight, and Sustainable Programming

Recommendations to the New Mayor and DC Council

Issue #1: Reforming the Healthcare Alliance Program

The District of Columbia operates a local public health insurance program, the DC Healthcare Alliance (“Alliance”), which serves low-income residents who are not eligible for programs such as Medicaid or Medicare. While the program is intended to expand access, it has strict and frequent requirements to re-certify eligibility, which make it difficult for eligible residents to maintain their benefits. Restructuring the program to be more accessible would improve health outcomes and reduce uncompensated care.

Who does the Alliance Serve? For the most part, the Alliance operates similarly to DC’s Medicaid program, but with key differences in eligibility and benefits. Unlike Medicaid, participants do not have to be U.S. citizens. They must prove DC residency, have an income below 200 percent of the federal poverty level (\$23,340 for a single person in 2014), and limited savings and assets. The program largely serves undocumented immigrants, the elderly, and residents with complicated and expensive health needs.

The Alliance covers a broad array of health services, including preventive care, prescription drugs, dental services, immunizations, and hospital care. However, the services are not as comprehensive as those provided under DC’s Medicaid program; one notable distinction is the lack of coverage for mental health services in the Alliance.

What are the Barriers to Keeping Alliance benefits? Since 2011, the Alliance program has required recipients to re-certify their eligibility every six months through a face-to-face interview. The policy is unique to Alliance, and quite different from the electronic or mailed annual renewals used in DC Medicaid. This face-to-face interview was enacted to deter documented cases of fraud, waste, and abuse in a program that serves non-U.S. citizen enrollees whose identity and residency can be difficult to verify.

Since the policy began, Alliance enrollment has shrunk by about more than 10,000 enrollees – to about 14,800 – which appears to at least partly reflect barriers faced by eligible residents.¹⁹ Legal service providers and community health workers have reported that eligible Alliance enrollees with full-time jobs and limited access to child care find it difficult to complete the frequent interview requirement. The re-certification often involves multiple trips because of a lack of language assistance, long lines, and delays in processing information.

Moreover, Department of Health Care Finance has collected further evidence that the requirement may act as a barrier to eligible residents. They found that between half and 67 percent of Alliance re-

¹⁹ DC Department of HealthCare Finance (DHCF) Medical Care Advisory Committee Enrollment Reports, November 2010 to September 2014.

certifications are never completed.²⁰ Moreover, wait-times for Alliance recipients seeking to re-certify at a service center are twice the wait-times for Medicaid recipients – reflecting the language and case-management needs of the Alliance population. These suggest significant barriers to maintaining coverage and that many eligible residents are losing or forgoing coverage as a result of the requirement.

Other Implications for the District. For the District, this requirement appears to be leading to higher costs, not only in terms of uncompensated care for providers, but also higher costs to the program, as residents avoid primary care and only sign up for the Alliance until they are sick. Requiring in-person interviews every six months also increases DC’s administrative costs unnecessarily.

The fiscal year (FY) 2015 budget for the Alliance program is just over \$50 million, an increase of \$9.6 million from the approved FY 2014 budget of \$41 million. The increase is not tied to growing enrollment, but instead higher utilization costs for the current program population. This suggests that Alliance membership includes a large number of older residents and others with serious and costly health problems. If young, healthy residents are forgoing preventive coverage because of the requirement, the costs could continue to rise.

Policy Recommendations. The District is in the process of implementing a new online information system for Medicaid and a number of other public benefits programs, and the city could use this as an opportunity to modify the rules of the Alliance program. Such policy changes could also save the District money through lower administrative costs and reduced incidence of uncompensated care. The following are three major changes recommended by 11 community organizations in October 2014:²¹

- ❖ ***Change the six-month recertification requirement to an annual recertification.*** Switching to a 12-month recertification period will help Alliance members who have to take time off of work to recertify, and often must wait for hours to see enrollment staff. This change would put the Alliance program’s rules more in line with Medicaid, and ease long lines and wait times at DC’s social service intake centers. This will speed up processing times of applications and keep more residents on the program.
- ❖ ***Allow community health workers to assist with parts of the recertification.*** Unlike with Medicaid, a recertification currently is required to take place at a Department of Human Services service center. This increases the traffic at service centers and puts strain on staff. If Alliance beneficiaries can complete their recertification with community health workers, the applications will have fewer problems and be processed faster, reducing the need for residents to make multiple trips. Community health workers already have strong

²⁰ DC Department of Health Care Finance (DHCF) Budget Presentation for FY 2015, Presentation for the Medical Care Advisory Committee, April 2014, slide 38 of 42, <http://dhcf.dc.gov/publication/dhcf-fy15-budget-presentation> (accessed July 14, 2014).

²¹ Bread for the City, Children’s Law Center, Community of Hope, DC Fiscal Policy Institute, DC Primary Care Association, La Clínica del Pueblo, Legal Aid Society of the District of Columbia, Legal Counsel for the Elderly, Mary’s Center, Unity Health Care, Inc., Whitman-Walker Health

relationships with the Alliance community, and can help alleviate language and cultural barriers in the application process.

- ❖ ***Allow Alliance participants to apply online.*** DC's new online public benefits eligibility system for Medicaid verifies identity and residency using a variety of existing databases. Yet the Alliance program still uses a paper application. Fully incorporating the Alliance into the electronic application process would mean that many beneficiaries would never need to visit a service center in person.

Improving Health Outcomes with Better Access, Improved Oversight, and Sustainable Programming

Recommendations to the New Mayor and DC Council

Issue #2: Increase Oversight of Medicaid Managed Care Organizations (MCO's) to Improve Outcomes and Access.

DC's Medicaid program connects 175,000 residents to health services using a managed care approach provided by three contracted companies. While the size of enrollment means that the District is doing well to cover all of its residents, some beneficiaries are not getting the care they need. As a result of limited oversight and few performance standards, the managed care organizations (MCOs) who provide Medicaid services have failed to drastically improve health outcomes or contain cost-drivers in the program, such as utilization of unnecessary and costly services.

Stronger oversight and evaluation of Medicaid managed care is critical to lessening health disparities among low-income residents and improve the general health outcomes for the broader public.

How Does Managed Care Work? The District currently contracts with three managed care organizations to provide health services used by single adults and families with children – AmeriHealth DC, MedStar Family Choice, and Trusted Health Plan. Most Medicaid enrollees (other than people with disabilities or those who are elderly) must choose or are assigned to one of the three MCOs.²² The District pays each MCO a fixed fee per member per month. In return, the MCO reimburses doctors and hospitals for health care services used. The District is now in the second year of a five-year contract with the three Managed Care Organizations. In fiscal year 2014, the District spent more than \$900 million on MCO services.²³

How effective are the MCOs? With contracted managed care at the heart of DC's Medicaid program, the District needs to make sure that this system promotes and ensures regular visits among adults, timely preventative and screening services for children, and ease and effectiveness of referrals between specialties. Regular access to a primary care doctor and coordinated referral with behavioral health and other specialty services can lead to better overall health for an individual beneficiary and lower costs for the District.

Yet, early evidence from the MCO contracts suggests they could be doing more to manage costs and connect residents with comprehensive and continuous care.

²² A fourth MCO covers a limited population of children with special needs, Health Services for Children with Special Need (HSCSN).

²³ Department of Health Care Finance. District of Columbia's Managed Care Quarterly Performance Report (January 2014-March 2014). October 2014.

- ❖ ***Declining rate of primary care visits.*** Only 70 percent of adults see a primary care doctor at least once per year, a rate that has fallen since the onset of the contracts.²⁴ Seeing a primary care doctor regularly makes it more likely that patients are managing health needs and reduces the likelihood of needing more costly services. This may reflect that patients are not being appropriately referred or informed about their options by the MCO. It may also reflect that MCO's are not reconnecting patients with their primary care doctor after an initial visit or a trip to the hospital.
- ❖ ***High rates of emergency room use.*** Between 60 and 70 percent of emergency room visits by DC Medicaid beneficiaries are for basic care that does not require an ER. A large portion of these visits could have been avoided by regular visits to a primary care doctor. Over-utilization of emergency rooms cost the MCO's about \$6 million over the first nine months of the contract.
- ❖ ***High rates of hospital re-admissions.*** Many Medicaid beneficiaries who seek hospital care end up being re-admitted. The newest report suggests that half of those readmissions could be avoided through improved discharge planning and better service delivery and follow-up care. Inpatient readmission costs another \$10 million, and coupled with overutilization of ER costs at \$6 million, they yield \$16 million in costs that could be significantly reduced with better care coordination and delivery.
- ❖ ***Low utilization of mental health services.*** About 4 percent of the MCO's spending is going toward behavioral health services – which seems low given the history of mental health needs among DC residents. In FY 2013, the MCOs served only 6,600 beneficiaries with some outpatient services²⁵ -- a tiny fraction of the total MCO population. Given the mental health issues are often co-occurring with other physical health issues, further study of the mental health referrals is needed.
- ❖ ***Questions about adequacy of health provider networks.*** Medicaid beneficiaries may also face barriers in getting access to a primary care doctor through their MCO's provider network. MCO contracts require a certain number of primary care physicians per number of enrollees and that the MCO have a sufficient mix and geographic distribution of doctors to cover the population's needs. The contracts also have distance (within five miles) and appointment wait-time standards. However, most of the metrics are self-reported by the MCO and only the number of doctors available are reported in the MCO's performance report. Listings in the MCO provider directories often include incomplete and erroneous information and duplication of doctors and addresses. Further study is required to determine the adequacy of the MCO provider networks.

Policy Recommendations. The following policies that will increase oversight and evaluation of the program, in hopes of improving health and decreasing avoidable costs:

²⁴ Ibid.

²⁵ Department of Health Care Finance, FY 2013 Mental Health Utilization Data, Cell G34.

- ❖ ***Set baselines for performance and outcomes of the Medicaid MCO population.*** The District could undertake a thorough examination of health outcomes of the Medicaid population in managed care to assess the quality of care they are receiving. This could include analysis of the health status of the Medicaid population under the MCO contracts compared with outcomes in prior years.

It would also be important to compare the experiences of MCO beneficiaries with those in the portion of DC's Medicaid program that pays providers directly for the services used by the elderly and persons with disabilities (known as "fee for service Medicaid"). The comparison could help assess whether MCO's are managing the care of Medicaid recipients, using measures such as ER visit rates for routine care, average wait-time for seeing a primary care doctor, and speed of referrals for certain specialty/mental health care.

- ❖ ***Promoting and improving care coordination for every patient.*** Appropriate care coordination means that patients' needs are quickly identified and that they are referred to an appropriate provider. Many primary care and mental health clinics take on a care coordination role by acting as a "medical home" to their patients, providing on-going care, and storing and sharing electronic health records. It is important that there is cooperation and referral between the MCO and the systems of care within health clinics and mental health providers. It is also important for MCO's to help facilitate referrals and limit administrative burdens that impede providers from connecting and sharing information.

- ❖ ***Increasing oversight of provider networks and developing regulatory standards for network adequacy.*** Beyond contractual obligations, the Department of Health Care Finance and the Department of Securities, Insurance, and Banking need authority and resources to ensure providers have adequate networks of doctors and other health professionals to meet client needs. This means monitoring wait-time and accessibility of hours, distance, and geographic distribution standards that are specific to the District and account for communities with high health needs. Capacity should be built for more robust "secret shopper" programs and audits of provider directories.

- ❖ ***Establishing pay-for-performance benchmarks and standards for MCO's.*** The District is currently developing metrics for quality improvement for the MCOs in order to create a system that incentivizes value and improved health outcomes. The District should engage the public in developing metrics such as ER visit rates for routine care, hospital readmissions, average wait-time for seeing a primary care doctor, and speed of referrals for certain mental health/specialty care services.

Improving Health Outcomes with Better Access, Improved Oversight, and Sustainable Programming

Recommendations to the New Mayor and DC Council

Issue #3: Improve Sustainable Sources of Local Financing for Medicaid and the DC Health Exchange

The District has made a strong commitment to providing comprehensive health insurance coverage to low income residents, and as a result, spends about \$3 billion on its Medicaid program. The majority of that money comes from federal reimbursements, which cover 70 percent of health costs for many beneficiaries and 100 percent of costs. The District is receiving \$2.1 billion in federal Medicaid payments this year, or 22 percent of the FY 2015 Budget.²⁶ The city's local contribution totals \$900 million, making it one of the largest use of local funds.

DC stands out because most of its local funding for Medicaid comes from general tax revenues, while many states rely heavily on taxes paid by health providers and insurers. Provider taxes make sense for several reasons. Perhaps most important, every dollar in provider taxes generates federal matching funds – in DC the match is \$2.33 in federal funds for every \$1 in local funds – that are used to pay for services provided by hospitals and other health providers. In addition, provider taxes are a more stable source of revenues that do not tend to fall sharply during periods of economic decline. Finally, the recent change in congressional leadership could create real threats to federal Medicaid funding. The District needs a local funding strategy – including provider and insurer taxes – to support the program if those threats become reality.

Federal Cutback Risks. Between 2011 and 2013, several proposals emerged to reduce federal spending on state Medicaid programs, in hopes of reducing the federal deficit. These plans ranged from changing the Medicaid program into a state block grant to decreasing the rate at which states are reimbursed. The proposal to change federal Medicaid payments to a block grant would reduce funds available to the District by \$434 million annually by 2022.²⁷

Many States Rely on Provider Taxes. Provider taxes have advantages over general funds when funding state portions of Medicaid payments. First, provider taxes can help states weather economic downturns. Demand for medical services is not affected by economic downturns, which means that provider taxes can raise revenue for programs even when other revenues, like property and income taxes, are on the decline.²⁸ Second, provider taxes are often used to bolster reimbursement for Medicaid providers or expand Medicaid services. In other words, a small tax can often lead to increased revenues for health providers.

²⁶ DCFPI analysis of the FY 2015 Budget and Financial Plan.

²⁷ FY 2015 inflation adjusted figure in “Jobs At Risk: Federal Medicaid Cuts Would Harm State Economies,” Families USA, 2011, pg. 3. http://familiesusa.org/sites/default/files/product_documents/Medicaid-Cuts-Hurt-State-Economies.pdf

²⁸ William Goodman, Bureau of Labor Statistics, “Employment in Service Industries Affected By Recessions and Expansions,” 2001, pg. 7.

For these reasons, states are increasingly looking to health care provider taxes – fees or assessments raised on revenue generated from hospitals, nursing homes, managed care organizations, and intermediate care facilities – as sustainable mechanisms to fund state share of Medicaid payments. Between 2008 and 2012, state Medicaid dollars from provider taxes nearly doubled, to a total of \$18.7 billion or 10 percent of all state and local funds.²⁹ As of FY 2013, 50 states (including DC) had at least one tax on providers, with the most common taxes being levied on inpatient hospitals and nursing homes.³⁰ To a lesser extent, states are also taxing managed care organizations (MCOs).

The District Is Reducing Its Reliance on Provider Taxes. For Medicaid, the District currently taxes facilities that care for persons with intellectual or developmental disabilities and nursing homes.³¹ DC also taxes premium revenue from the Medicaid managed care organizations and other health insurance companies, with those funds being divided to fund Medicaid, the DC Health Exchange, the Office of the Health Care Ombudsman, and the Department of Insurance, Securities and Banking. Currently, there are no other provider taxes.

But the District recently scaled back its provider taxes by eliminating a tax on hospitals. In FY 2015, the District is expected to collect \$69 million in provider taxes, down 34 percent from \$105 million in FY 2014.³² The large decrease is due to the District sunsetting a \$27 million hospital bed tax. The tax charged \$3,800 per bed, and was used to maintain inpatient and outpatient provider reimbursement during the recession. The District also lost a \$5 million contribution from the hospital and medical services corporation, which also expired at the end of FY 2014.

These revenue cuts mean that the provider taxes are only a small portion of the District's local Medicaid contribution – less than 10 percent of local contributions to Medicaid. The District is now one of only 13 states that do not have a tax on inpatient hospitals. With such a small contribution from providers, the District has some flexibility to follow other states' lead and make provider taxes a larger part of its Medicaid funding strategy.

Policy Recommendations. Provider taxes are a sustainable funding source that can increase the District's protection from federal spending decisions and local economic downturns.³³ Under Medicaid rules, a provider tax must be broad-based across a class of providers and must be uniform across each group of providers. For example, a tax on hospitals must cover all hospitals and the rate has to be the same for each of them, regardless of the number of Medicaid patients the hospital sees. Moreover, if a hospital is taxed, those revenues cannot be tied directly to Medicaid services designed to reimburse the hospital for the taxes it paid.

Two good options for provider taxes for DC are:

²⁹ US Government Accountability Office, "States' Increased Reliance on Funds from Health Care Providers and Local Governments Warrants Improved Data Collection," July 2014, pg. 18-19. <http://www.gao.gov/products/GAO-14-627>

³⁰ Kaiser Family Foundation, "Quick Take: Medicaid Provider Taxes and Federal Deficit Reduction," 2013 <http://kff.org/medicaid/fact-sheet/medicaid-provider-taxes-and-federal-deficit-reduction-efforts-2/>

³¹ Taxes revenue at a rate of 5.5 percent and 6 percent, respectively.

³² Office of the Chief Financial Officer, "DC Tax Facts 2014," 2014.

³³ One risk to provider taxes is a federal proposal to place limitations on state's ability to collect provider taxes. Given the District's low level of reliance on provider taxes and states' resistance to the idea, this is a low risk.

- 1) ***Reinstating the Hospital Bed Tax.*** The tax could be used to benefit a broad array of health care providers and would give us District flexibility if its general tax revenues decline due to an economic slowdown.

- 2) ***Increasing Assessment Health Insurance Companies.*** The Insurance Premium Tax and the Health Exchange Assessment generate about \$66 million for health programs (Medicaid and non-Medicaid), at a tax rate of 3 percent on health insurance premium revenue. The broad-base of health insurance companies allows the District to raise a significant amount of revenue at a low rate, minimizing the impact on premium prices. A small increase to these assessments could raise more money for the Medical program.

Building a High-Quality Family Homelessness System

Recommendations to the New Mayor and DC Council

Summary

A high-quality family homelessness system should provide access to shelter when it is needed and sufficient services to help families quickly move from shelter to a safe and stable home. Unfortunately, this District's homeless services system has not operated in this way in recent years, as evidenced by the family homelessness crisis during the unexpectedly harsh winter last year. Families have been able to enter shelter only when it is cold. Shelter conditions have been deplorable. And many families have not received the right services through the Rapid Re-housing program that they need to exit shelter quickly.

The number of families with children in emergency shelter, including motel rooms, has more than doubled in recent years, from 326 in 2011 to 907 families in 2014. No one knows exactly why this happened, but a clear factor is DC's uneven economic recovery that left many residents behind. Wages have fallen since 2008 for residents without a college degree. The unemployment rate for residents with a high school diploma is 20 percent, compared with 12 percent before the recession started. These worsening job realities and DC's increasing lack of affordable housing undoubtedly are the main contributors to the rise in family homelessness.

The following issue briefs make recommendations on the two areas that Mayor Bowser needs to address immediately to create a high-quality family homelessness system. By spring, the Interagency Council on Homelessness will have passed a strategic plan laying out the steps the District needs to take to end family homelessness.

- ❖ ***Provide Entry to Shelter When Families Need It, Year-Round.*** The District's primary shelter, DC General, is too large to manage successfully and is in deplorable condition, but it cannot be shut down until replacement shelters are secured, preferable through a set of smaller facilities. These plans can start with the FY 2016 budget that will be developed in the first half of 2015. These shelters should include enough units to allow access year-round to families with no safe place.
- ❖ ***Strengthen Rapid Re-housing to Better Serve Families.*** Rapid Re-housing (RRH), also known as the Family Re-Housing and Stabilization Program (FRSP), is DC's main tool to help families end their homelessness. Designed to help families quickly exit shelter, RRH provides rental assistance and supportive services. Making changes to the program to incorporate national best practices would make RRH a more effective program.

Building a High-Quality Family Homelessness System

Recommendations to the New Mayor and DC Council

Issue #1: Create a New Family Shelter System

There is widespread agreement that the District needs to develop a new system to shelter homeless families. This should start with the fiscal year (FY) 2016 budget that will be developed in the first half of 2015.

The number of families with children in emergency shelter, including motel rooms, has more than doubled in recent years, from 326 in 2011 to 907 in 2014. This has overwhelmed DC's homeless services system. The approach in recent years has been to use DC General as the main family shelter and to lease motel rooms when DC General is full, yet this clearly is not working well. Conditions at DC General are deplorable, with frequent heat, hot water, and elevator outages. In addition, sheltering hundreds of families in one facility creates higher risks of safety issues, particularly as some families have left abusers who may come looking for them. It is also difficult for staff to effectively keep track of so many families and to ensure that the most vulnerable families are receiving the services they need. And relying on motels for a substantial share of shelter capacity is risky because motel space cannot be guaranteed every year.

Replacing DC General with a number of smaller shelters in better condition scattered throughout the District will help address these issues. A new shelter system should be designed to create stable environments for children. Housing instability, frequent moves, and chaotic environments can lead to poor academic performance as well as emotional and behavioral problems in children.³⁴ To increase stability, families should be able to enter shelter when they need it – rather than only in cold weather as is current practice – and to stay in shelter until a stable alternative is found. In addition, sheltering families in apartments or private rooms can help mitigate chaos, allowing families space and privacy to maintain family routines and shut out noise and strangers.

With this in mind, a new shelter system should include the following:

The shelter systems should have enough capacity. In the past few years, the District has sheltered families in motel rooms during hypothermia when the need for shelter outstrips available capacity. The availability of these rooms is subject to tourist demand, meaning the District cannot always secure enough rooms, such as during the popular Cherry Blossom season. The District should have enough capacity that it does not need to rely heavily on motel rooms.

Replacement capacity should be sufficient to allow families to enter shelter beyond cold-weather months and to stay in shelter until they find housing. DC law mandates that the District provide shelter during hypothermic conditions. But until recently, the District placed families regardless of the weather. Since 2011, however, in response to rising numbers of homeless

³⁴ Homeless Children: Update on Research, Policy, Programs, and Opportunities for the US Department of Health and Human Services. May 2010. <http://aspe.hhs.gov/hsp/10/homelesschildrenroundtable/index.shtml>

families, the District has only sporadically allowed families to enter shelter on non-hypothermic nights. Most families who become homeless in the summer are not allowed into shelter. These families often couch surf for months, meaning they move in with a different friend or family member every few days.

This constant moving is problematic for families, because it delays ability to seek solutions to their homelessness, and because it makes it difficult to get children to school and to hold down a job. It also is problematic for the District because it leads to a huge number of families seeking shelter as soon as cold weather arrives.

For these reasons, the new shelter system should be designed to allow families into shelter at any time in the year.

The District should ensure that it has adequate capacity to allow families to stay in shelter until they find alternative housing. This past winter, the District ended its long-standing practice to allow families to remain in shelter. Instead, some families were forced to reapply for shelter each day, which interfered with their ability to work, look for work, search for housing, and participate in job training.

The new shelter systems should include both city-owned and temporarily leased units. The shelter redevelopment plan proposed by the Gray administration in October 2014 recommends that the new family shelter system consist solely of leased units. While having some leased unit would give the District flexibility to reduce capacity in the future if the need decreases, a leasing-only approach is likely to create uncertainty about shelter capacity, since the District may not always be able to find enough space each year. It also would lead the city to rely on low-cost buildings in neighborhoods that are likely to be far from jobs or transit. By building shelter on city-owned land, the District can ensure that shelters are spread throughout the city and have the security of having a stock of shelter space that it controls.

Building a High-Quality Family Homelessness System

Recommendations to the New Mayor and DC Council

Issue #2: Strengthen Rapid Re-housing to Better Serve Families

The Rapid Re-housing Program (RRH), also known as the Family Re-Housing and Stabilization Program (FRSP), is the District's main tool for helping families exit shelter. It provides four months of rental assistance and supportive services, which can be renewed for up to 12 months, or longer in some instances. Rapid Re-housing moves families out of shelter quickly and into stable and less chaotic environments. This also allows more families to access emergency shelter using the same number of units.

Despite the centrality of RRH to the District's efforts to serve homeless families, the District's program faces a number of problem and in many ways does not follow recommended practices. Rapid Re-housing has operated under emergency regulations since its inception. The regulations address important details such as how much of one's income a family will pay toward rent and the length of the program subsidy. The District should take a number of steps as soon as possible to align the program with national best practices. These steps are:

Ensure families do not have to dedicate too much of their limited incomes to housing.

Currently families are required to pay as much as 50 percent of their income on housing while in Rapid Re-housing. This is far higher than the 30 percent threshold set for most federal low income housing programs and can create problems for families. Low-income families that spend half or more of their income on housing spend less on basics such as food, health care, and transportation than other low-income households.³⁵

But there is also concern that families would face a steeper cliff at the end of the RRH subsidy if they go from paying 30 percent of their income to the full rent amount. Given this concern, we recommend the District cap the amount of income that families pay toward rent at 40 percent of income, with 10 percent of that funding going toward an escrow account that families can access to pay for necessities and emergency needs. Otherwise, we recommend that DC reduce the amount of income that families are required to pay to a maximum of 30 percent.

Assist families in locating housing. Currently, families must identify their own housing and are only assisted if these efforts have failed. Yet the federal government and the National Alliance to End Homelessness (NAEH) both recommend that Rapid Re-housing programs should "assist households to find and secure appropriate rental housing."³⁶ This is needed to help families overcome barriers, such as negotiating with a landlord to overlook a poor credit and/or rental history and obtaining practical lease agreements that are manageable for the family. DCFPI

³⁵ Joint Center for Housing Studies at Harvard University, "The State of the Nation's Housing," 2011, http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2011_housing_challenges.pdf

³⁶ Core Components of Rapid Re-Housing. Endorsed by US Interagency Council on Homelessness (ICH), National Alliance to End Homelessness (NAEH), US Department of Housing and Urban Development (HUD), and US Department of Veterans Affairs (VA). <http://www.endhomelessness.org/page/-/files/RRH.pdf>

recommends that families be allowed to immediately choose a unit from the inventory of available apartments maintained by the Community Partnership for the Prevention of Homelessness (TCP), receive individualized assistance if the units on the inventory do not meet their needs, in addition to identifying units on their own.

Tailor length of assistance. Under current regulations, RRH assistance is limited to a maximum of 12 months except in extraordinary circumstances. But NAEH recommends not using a hard time limit, arguing that programs must be “flexible enough to permit extensions if best efforts fail or another crisis occurs.”³⁷ NAEH further argues that staff should judge progress within the context of client and environmental limitations, such as a lack of viable opportunities in the local job market or a relapse from sobriety. DCFPI recommends that the Department adopt this approach—individualizing the length of the subsidy to each client’s circumstances.

Explore ways for families to easily re-engage if they fall into trouble after exiting. Families may face challenges when Rapid Re-housing ends and they have to pay their housing costs entirely on their own. DC should explore possibilities to offer families follow up case management and/or rental assistance if needed. For example, in Supportive Services for Veteran Families (SSVF), the U.S. Department of Veterans Affairs Rapid Re-housing program, clients are allowed to return to their provider for additional case management and rental assistance if they fall on hard times.

Hire additional staff to build capacity in the Rapid Re-housing program. RRH is the main program to move families out of shelter. Yet until recently, neither the District government nor the Community Partnership for the Prevention of Homelessness (TCP), the nonprofit that oversee Rapid Re-housing, had any staff dedicated to it. A program manager started in mid-April at DHS, yet the agency states it needs three staff to build sufficient capacity, as well as staff at TCP to manage certain program aspects such as unit identification and the assignment of families to providers after their assessments.

Explore ways to improve assistance for youth-headed households. Nearly half of families who entered shelter last winter were headed by a parent aged 24 or younger. These families face unique challenges, because the parents often lack a high school diploma or GED, have limited work experience, and have never had their own home. Other cities are finding that young parents need tailored services. For example, Hennepin County (Minneapolis) found their RRH program does not work well for young parents, and is now piloting a RRH program with more intensive case management, life skills training, and education on how to support their child’s development. Additionally, young families can remain in the program for up to 24 months.

It is likely that young families in the District also need special help. Yet because the city has not done much to assess the circumstances of youth-headed homeless families, it is not clear what specialized interventions would help. DCFPI recommends that the District do more to understand why so many young families are seeking shelter, and then review its assessment tool and case management services to make sure they are sensitive to the special circumstances of young families.

³⁷ Rapid Re-Housing: Creating Programs that Work. National Alliance to End Homelessness. July 2009. http://b.3cdn.net/naeh/adc8b82e3d49a50252_7dm6bk8te.pdf

Report on program outcomes to help track areas in need of improvement. Currently, DC does not report consistent, reliable and timely data on RRH outcomes, making it difficult to know how the program is performing and to identify areas in need of improvement. DCFPI recommends that The Community Partnership for the Prevention of Homelessness (TCP) and DHS work together to build up the capacity for regular reporting.

Tackling Individual Homelessness

Recommendations to the New Mayor and DC Council

(Co-written with Miriam's Kitchen)

Summary

Recently, the District has made important strides in tackling homelessness among single adults, but Mayor Bowser and the DC Council need to take further steps to fully meet the needs of homeless residents. The number of homeless individuals has increased in DC since 2007, a time when homelessness fell nationally.³⁸ Other jurisdictions have reduced individual homelessness by focusing on housing the chronically homeless – those who have been homeless for a year or more – and by making it easier for homeless residents to get the services and housing they need. The District can see similar decreases if it fully commits to initiatives already underway.

We recommend Mayor Bowser take the following steps to tackle individual homelessness:

- ❖ ***Jumpstart efforts to end chronic homelessness by placing 50 veterans into permanent supportive housing (PSH) in the first 100 days.*** The District has joined the Zero 2016 campaign, a national network of communities committed to ending chronic homelessness by 2016. The focus is on residents who have been homeless for more than one year or had multiple bouts of homelessness and suffer from life-threatening health conditions and/or severe mental illness. PSH ends chronic homelessness, improves the health of homeless residents and is cost effective by reducing use of expensive crisis-related services like emergency rooms and jail.³⁹ Denver, for example, found that approximately half of PSH residents had improved their health and mental health status, and the program led to a 72 percent decline in emergency-related costs.⁴⁰

The District can jumpstart efforts to end chronic homelessness by placing 50 chronically homeless veterans into PSH in the first 100 days. The fiscal year (FY) 2015 budget includes funding to end chronic homelessness among veterans, but only a small amount of this funding has been allocated. Housing 50 veterans in the first 100 days would be a great start on this effort.

³⁸ U.S. Department of Housing and Urban Development (HUD). *The 2014 Annual Homelessness Assessment Report (AHAR)*. <https://www.hudexchange.info/resources/documents/AHAR-2014-Part1.pdf>
Metropolitan Washington Council of Governments. *Results and Analysis from the 2014 Point-in-Time Count of Homeless Persons in the Metropolitan Washington Region*.

<http://www.mwcog.org/uploads/pub-documents/ql5bX1820140714163555.pdf>
Metropolitan Washington Council of Governments. *Homeless Enumeration for the Washington Metropolitan Region 2007*.
<http://www.mwcog.org/uploads/pub-documents/z1hbWg20070613141807.pdf>

³⁹ USICH. *Opening Doors: Federal Strategic Plan to Prevent and End Homelessness*. 2010.

<http://www.epaperflip.com/aglaia/viewer.aspx?docid=1dc1e97f82884912a8932a3502c37c02>

⁴⁰ Colorado Coalition for the Homeless. *Denver Housing First Collaborative: Cost Benefit Analysis and Program Outcomes Report*. 2006. <http://shnny.org/research/denver-housing-first-collaborative/>

- ❖ ***Fund the new “Coordinated Entry” System to help homeless residents get help quickly and easily.*** Until recently, if a DC resident became homeless, it was unclear where to go to get the housing and services needed to exit homelessness. Residents had to go from organization to organization to find out if they had housing openings. In addition, people who needed housing the most often never got it because the search process was long and complicated. The District implemented a Coordinated Entry System in 2014 so organizations now use a common assessment and referral process for housing and services. This system triages people to prioritize those who need housing the most and determines what type of housing is best for each person. This makes it easy to match homeless residents with help, even if the first place they visit has no openings or is not the best setting for that person. The FY 2015 budget includes \$250,000 for staff to manage this system, but the funding may be held back due to the city’s financial problems. Yet this low-cost effort would greatly improve the efficiency of homeless services and should be implemented.

- ❖ ***Support the Interagency Council on Homelessness Strategic Plan and provide needed funding.*** The Interagency Council on Homelessness (ICH) is creating a Strategic Plan to tackle homelessness over the next five years. The plan will identify the number and type of housing assistance needed for homeless families, individuals, and youth, and it will set standards so that homeless residents receive the same services regardless of where they go for help. This plan will require ending low-performing and low-priority programs, so that money can be shifted to higher-priority programs. Beyond that, the District will need to invest additional local funds to implement the plan and should find ways to get new federal funding, for example, using Medicaid to fund supportive services provided through permanent supportive housing (PSH).

- ❖ ***Staff the Interagency Council on Homelessness Director and give the position budget authority.*** The District took an important step last year to improve the planning and coordination of homeless services across multiple agencies by creating a new position to direct the work of the Interagency Council on Homelessness. But the director’s office has no additional staff, limiting its effectiveness. Mayor Bowser and the Council should expand this office to include sufficient staff to implement its responsibilities. In addition, the office of the ICH director has no direct authority over how money devoted to homelessness in the DC budget is spent. The District could improve the delivery of homeless services by giving the Interagency Council on Homelessness authority over funds that are needed to carry out the Strategic Plan.

- ❖ ***Launch a review of the homeless services system.*** It is difficult to get information on how homeless service funds are spent or who is responsible for particular homeless services functions because the District contracts out most of its homeless services to the Community Partnership for the Prevention of Homelessness (TCP), who then subcontracts with direct service providers. A thorough review of this structure would clarify roles and promote greater transparency while also making it possible to identify potential inefficiencies.

Expanding Maternal and Child Health Home Visiting To Ensure Kids Enter School Ready to Succeed

Recommendations to the New Mayor and DC Council

Home-based instruction for parents of young children can improve the health of kids and help them do better in school. The Districts' Maternal and Child Health Home Visiting program is an effective way to help hundreds of at-risk families, but it only operates in parts of the city due to limited funding. It could do even more if the Mayor and DC Council expanded it to all eight wards.

The home visiting program is effective because it brings services to families in their most natural environment, the home. The District's program uses three [research-backed](#) models which:

- ❖ Target expecting parents and families with children under age five.
- ❖ Identify signs that children may be at risk for unhealthy development, such as a lack of prenatal care or a family history of substance abuse.
- ❖ Teach parenting practices to overcome barriers to success, like activities to help their child be ready for school, access to community resources, and health screenings and immunizations.
- ❖ Improve cognitive development and educational outcomes.

Expanding this program will ensure that all at-risk children enter school healthy and ready to learn. A \$10 million investment in home visiting will provide services to 3,500 more children and cover all eight wards. We recommend the Mayor expand this program in the fiscal year 2016 budget.

Background and Benefits. The District's Maternal and Child Health Home Visiting Program began with start-up grants provided through the Affordable Care Act in 2012. The DC Department of Health sets the standards for the program and contracts out with community providers, such as Mary's Center, to screen parents and provide services. These providers primarily serve Wards 5, 7, and 8, and currently have capacity to help about 935 families.

The program supports three nationally recognized, effective [practices](#): Healthy Families America, Parents as Teachers, and Home Instruction for Parents of Preschool Youngsters (HIPPI). These models target families that show risk for poor developmental outcomes, including factors such as late or no prenatal care, preterm delivery, low parental education, or a family history of substance abuse.

To overcome these barriers, the program provides instruction and parental practices that focus on maternal and child health, a child's physical and cognitive development, school readiness, access to community resources, and health screenings and immunizations.

The Department of Health and researchers from Georgetown University are evaluating the implementation and effects of the District's program, but research nationwide has [shown](#) that the

research-backed programs improve a child's health and intellectual development so that kids enter school ready to learn.⁴¹ In general, [research](#) on early childhood interventions suggests that they can close the educational achievement gaps between low-income students and their peers.⁴²

Not only is maternal and child health home visiting effective, it pays off in the long run. Every dollar invested in the program today could produce [\\$5.70 in savings](#) related to health and academic services down the road.⁴³

Current Funding. The District received \$3 million from the federal government to set up and evaluate a comprehensive home visiting program last year. This year, the DC budget includes \$2.5 million in local funds to replace those federal funds. The funding will allow ongoing services to the families currently served.

About 1,800 babies are born every year that are at high health and developmental risk, according to the DC Home Visiting Council. What's more, home visiting providers believe that they serve only a quarter of the kids that could benefit from services. To reach these children, and to ensure that the program has a stronger presence in every ward, the District must expand capacity and increase local funding for the program.

Policy Recommendation. The District should fund an expansion of the home visiting program to all eight wards in the fiscal year 2016 budget. The Home Visiting Council estimates that an annual investment of \$10 million will allow providers to serve all at-risk families in DC. The investment would:

- ❖ Expand the networks of home visitors to underserved portions of the city.
- ❖ Improve certification and training of home visitors to increase effectiveness and quality of evidence-based programs.
- ❖ Implement a universal screening tool that will help home visiting providers and the Department of Health identify at-risk families and refer them to appropriate services.
- ❖ Allow for ongoing monitoring and evaluation of home visiting practices and implementation of new evidence-based practices.

An investment in home visiting today could produce healthier kids who will perform better in school tomorrow. The program could be a platform for greater economic opportunities throughout a child's life.

⁴¹ US Administration for Children and Families. Home Visiting Evidence of Effectiveness.

<http://homvee.acf.hhs.gov/outcomes.aspx>

⁴² Greg J. Duncan and Aaron J. Sojourner. "Can Intensive Early Childhood Intervention Programs Eliminate Income-Based Cognitive and Achievement Gaps?" Journal of Human Resources. 2013.

⁴³ Lynn A. Karoly, M. Rebecca Kilburn, Jill S. Canon. "Early Child Hood Intervention: Proven Results, Future Promise." Rand Corporation. http://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND_MG341.pdf. 2005.

Making it Easier for Residents to Apply for Social Services Recommendations to the New Mayor and DC Council (Co-written with the Legal Aid Society of DC)

District of Columbia policymakers have built a strong safety net for low-income families and individuals. Nowhere is this commitment better demonstrated than in the District's expansion of eligibility for public health insurance and Supplemental Nutritional Assistance Program (SNAP, formerly known as food stamps). Through these actions, the District has one of the lowest percentages of uninsured children and adults in the country and has greatly reduced food insecurity.

The Affordable Care Act provided an opportunity to further expand access to health insurance and to replace the District's outdated computer system for safety net benefits, including Medicaid. However, staffing and technological challenges during the implementation have led to service delivery breakdowns and have denied or delayed benefits for some residents. Several stories of clients impacted by these breakdowns, and propose solutions to these problems, were highlighted in a 2014 report by the Legal Aid Society of the District of Columbia and DC Fiscal Policy Institute, *Closing the Gap Between Policy and Reality: Preventing Denials and Terminations of Public Benefits in the District of Columbia*.

Services have improved since the release of that report, and the District is collaborating with advocates to better inform and serve clients. However, further improvement in service delivery is needed to strengthen the safety net as DC continues to implement health reform and a new computer system.

Background: Service Breakdowns Lead to Benefit Disruptions. As we noted, in *Closing the Gap*, public benefits program administration has always been difficult, and implementation of the Affordable Care Act (ACA) has proven to be a herculean task. Over the course of the last two years, the District government has had to totally overhaul its Medicaid policies and procedures, and the information technology infrastructure for its public benefits.

The scope of the overhaul has put strain on existing resources and adversely affected DC residents. Frontline service delivery and case processing have suffered due to inadequate staffing and insufficient space at social services centers, technological glitches and inadequate communications from the agencies tasked by the District of Columbia to implement the ACA – Health Benefits Exchange Authority (Exchange), the Economic Security Administration (ESA) of the District Department of Human Services and the District Department of Health Care Finance (DHCF).⁴⁴

In early 2014, many clients experienced problems accessing benefits, including long wait times at service centers; inaccurate or incomplete information provided by agency staff (coupled with a lack of information on policies and procedures); being sent from service center to service center in violation of the “No Wrong Door” principle of the ACA; and application and other documents that were lost.⁴⁵

⁴⁴ Closing the Gap, pg. 1.

⁴⁵ Ibid., 5-10.

Services Have Been Improved but Further Progress Needed. There have been operational improvements since the report's release. The agencies have hired additional staff and are continuing to upgrade computer systems. The District has increased office hours and created off-site self-help locations. Finally, the agencies responsible for administering public benefit programs in the District (ESA and DHCF) hold regular meetings with advocates to hear service concerns and provide information on developments that would impact clients, and they now disseminate more information produced in collaboration with advocates about program changes. These efforts have allowed both the agencies and advocates to better serve clients.

Policy Recommendations. The following recommendations will support further progress in fulfilling the mission to ensure access to health insurance and other benefits among DC residents.⁴⁶

- ❖ ***The administration should set goals for prompt and high quality assistance for residents seeking public benefits.*** The District should take steps to ensure that individuals don't have to wait in long lines for hours and that residents receive high-quality and accurate customer service. This can be accomplished through setting service delivery performance measures, regular site visits and a robust secret shopper program.
- ❖ ***The District should provide sufficient agency staffing and make technological improvements.*** The District should maintain frontline staffing at services centers as it makes technological improvements. It will be a while before the technology is fully operational, and, even then many residents will need to interact with agency staff because of lack of familiarity or comfort with the technology. In addition to front-line staff, agencies need sufficient policy staff to promulgate formal policies (including regulations and agency guidance) and communications staff to update agency websites and disseminate information widely.
- ❖ ***District agencies must promulgate regulations and guidance (and put these materials out for public comment).*** It is very important to have regulations and guidance to govern benefit programs. Yet many aspects of benefit programs continue to operate without regulations or written policies and procedures. For example, DHS has not updated the policy manual for public assistance in several years. The public should have a chance to review and respond to the government's choices in implementing these programs, and such input is required under the District of Columbia Administrative Procedures Act.
- ❖ ***The District should continue to improve methods of disseminating information to help residents understand the public benefits for which they may qualify.*** The District is doing a better job of information dissemination, such as providing in-depth materials for experienced advocates and simpler materials for individuals who have less experience. The District can make further improvements by providing notice in advance of policy or

⁴⁶ Many of these recommendations build on the ones presented in *Closing the Gap*. Please see pages 12 through 17 for a complete list of recommendations.

procedural changes, since such notices often go out just as a change is taking place or even afterwards. The District also should seek review from advocates to help improve the clarity of messaging.

- ❖ ***District agencies should continue to collaborate with advocates.*** While ESA and DHCF have been more open with advocates about their decisions and processes, there still appears to be reluctance to engage with advocates. For example, DHCF convened working groups to receive feedback on its notices, but then had no follow-up to discuss the recommendations and did not share final versions of the notices. Greater collaboration by District agencies with advocates can help agencies meet their goals and serve clients better.

Ensuring that Economic Development Programs Are Good Deals for the City

Recommendations to the New Mayor and DC Council

Summary

Economic development projects can be important catalysts to create jobs for District residents and increase tax revenues for government services. But with limited dollars to support development projects, the District needs to invest in initiatives that will effectively benefit the city without posing undue risks. This transition document acknowledges the positive steps the District is taking and highlights one development initiative – incentives for the high-technology sector – where further improvement is needed.

Recent Progress in Oversight of Economic Development Tax Incentives. This year, the District passed legislation that requires the Office of the Chief Financial Officer (CFO) to analyze the effectiveness and economic impact of all tax incentive programs, including business tax breaks, over a five-year cycle. The analysis will include jobs created and filled, wages of new jobs, and an assessment of whether the same outcomes would be achievable without the tax subsidy. This legislation adds more transparency and oversight to DC’s tax-based economic development strategies.

Areas for Improvement. Currently, the District has one large economic development initiative that requires the same level of thoughtful analysis – initiatives to grow the burgeoning technology (or high-tech) sector. This issue brief makes the following recommendation to help these initiatives benefit the city in a financially responsible way.

❖ ***Grow the Technology Sector Without Tax Cuts to Wealthy Investors and Companies.***

Over the last several years, the technology sector has begun to grow in the District. The District has a variety of programs to support tech start-ups and provides a rich set of incentives and grants. While high-tech companies could be a major vehicle for future economic growth, recently adopted tax cuts that largely will benefit wealthy tech investors (starting in 2019) are unlikely to do much to promote the tech sector and stand to worsen income inequality. If the District wants to promote tech investment, it can do so by providing entrepreneurs with the upfront supports and resources they need.

Ensuring that Economic Development Programs Are Good Deals for the City

Recommendations to the New Mayor and DC Council

Issue #1: Grow the Technology Sector without Tax Cuts to Wealthy Investors and Corporations

In the wake of sequestration and expectations of a declining presence of the Federal government, policymakers have increasingly looked to strengthen DC's emerging technology community as a major vehicle for economic growth. Unfortunately, the discussion has turned to tax cuts for wealthy tech investors, which are unlikely to do much to promote the tech sector. Instead, tech tax breaks would worsen income inequality in DC and divert tax resources from things that can strengthen DC's business climate and help local start-ups. DC can take several other steps to provide entrepreneurs with the upfront supports and resources they need to attract investors.

Recent legislation approved preliminarily in November 2014 proposal lowers the corporate and personal income tax rates to 3 percent for companies and individuals who experience a capital gain after holding stock or options in a Qualified High Tech Company for 24 months and selling them.

It is important to note that the DC Tax Revision Commission considered and rejected a similar proposal to cut income taxes by two-thirds for income from tech investments. Before that, the DC Council voted against the same measure. Here's why:

- ❖ Tax cuts for capital gains are not shown to increase investment.
- ❖ The cut would be very costly and could reduce resources for programs that strengthen the workforce and improve the business climate.
- ❖ The 3 percent rate on capital gains would increase income inequality.

Tax breaks are not effective in increasing investments. A tech capital gains tax cut would cost a lot but do little to affect tech investments. There is no evidence that lowering capital gains taxes leads to higher economic growth⁴⁷ and in fact, there are reasons to suggest that this District-specific tech tax break would not be effective. Investors make decisions to invest in a particular company based on the riskiness of the investment and the possible rate of return, not the tax rate. Lowering the tax rate will not turn a bad investment into a good one. Consider being offered a chance to invest tax-free in a risky company with a modest expected rate of return, or to make a taxable investment in a less-risky company with a higher expected rate of return. Paying taxes on a substantial gain is much better than paying no tax on a small gain.

⁴⁷ Chye-Ching Huang and Chuck Marr, "Raising Today's Low Capital Gains Tax Rate Could Promote Economic Efficiency and Fairness, While Helping Reduce Deficits." Center on Budget and Policy Priorities <http://www.cbpp.org/files/9-19-12tax.pdf>

Beyond that, District tax breaks only apply to DC residents who invest in DC high-tech firms. Yet any company looking for venture capital will need to look beyond District-based investors. The likelihood that a successful DC start-up company would be able to have its entire capital needs met by DC residents is slim. This means that the proposed tax break, even if you believe it will act as an incentive, will probably not do much to meet the overall capital needs of high-technology companies.

Tax cuts on tech investments could be very costly. A capital gains tax cut would benefit investors after companies take off and become successful, when the investment gains would be large. The Fiscal Impact Statements for the most recent legislation shows a cost of \$13 million annually once in effect (2019).

Whatever the cost, the loss of revenue would divert significant resources and make it harder to support things that make DC an attractive city – such as schools, parks, and libraries – or that directly help business, such as public grants for workforce development and business incubators.

A capital gains tax cut would increase income inequality. Tax breaks for tech investments would primarily benefit wealthy investors and an industry that already gets substantial tax support. Any capital gains tax cut would likely mean that investment income would be taxed at rates lower than those faced by working DC residents.

The recent legislation sets the income tax rate for gains on such investments at 3 percent starting in 2019, a reduction of two-thirds from the existing 8.95 percent top income tax rate on such gains. This would set a tax rate on investment income even below the 4 percent income tax rate paid by workers in the lowest tax bracket. It would create DC’s version of the “Warren Buffet Problem,” with low-paid workers in the city paying a higher income tax rate than some of the highest-income investors. No other industry gets such large subsidies for companies and their owners.

Policy Recommendations. Focusing incentive programs on income taxes benefits very few and does nothing to help DC’s tech start-up community grow. If the District wants to promote tech investment, it can do so by providing entrepreneurs with the upfront supports and resources they need to attract investors – highly skilled employees, affordable workspace, and access to experienced business expertise.

Here are a few ways to do that:

- ❖ ***Make investments in workforce development.*** Ensure that District residents have the resources and capacity to take high-tech, high-skilled positions. Expand internship and mentoring programs for high school, trade school, and community college students and help small businesses access skilled labor via the District’s universities.
- ❖ ***Ease access to capital.*** Augment efforts by the Small Business Administration to guarantee loans for long-term business financing. This may mean targeting a locally funded loan-guarantee for small tech start-ups.
- ❖ ***Provide affordable workspace.*** Continue the support of tech company incubators and consider targeted property tax assistance for tech businesses with limited revenue.

Putting DC's Surplus to Good Use: Save Some, Spend Some Recommendations to the New Mayor and DC Council

Mayor Bowser and the DC Council should change the rules that require DC to save every dollar of its annual surplus, so that half of any year's surplus can be spent on the city's most pressing needs, like affordable housing.

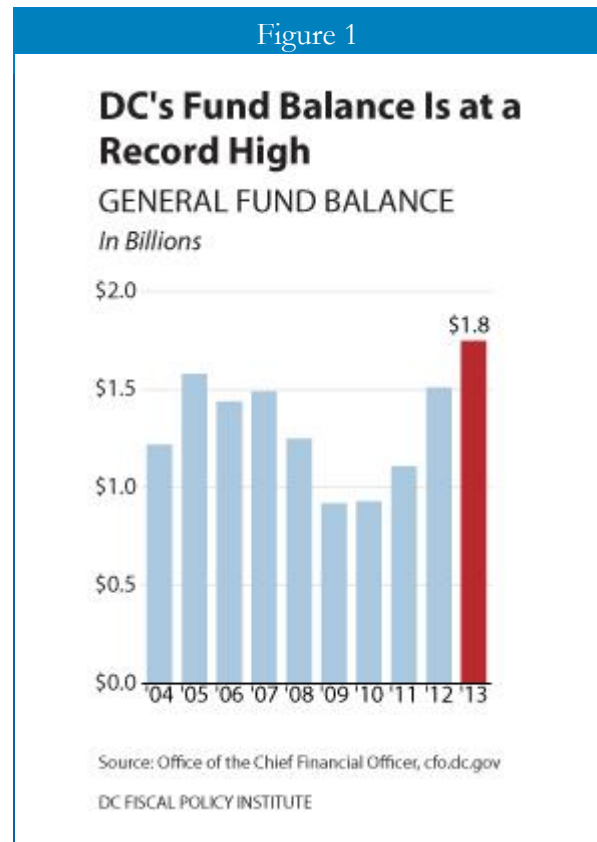
The District runs a budget surplus almost every year – which means revenues for the fiscal year end up being higher than what was spent. These leftover funds create an opportunity to make important one-time investments, such as building affordable housing or buying library books. The size of surplus, which is announced by February of each year, is unpredictable, but has totaled nearly \$1 billion over the last three years combined.

There is an obstacle to taking advantage of the surplus, however. Rules adopted in 2010 require all surplus funds to be set aside until certain reserves are filled. This savings-only approach is extreme given that the District's fund balance — in effect, its savings account — reached a record level at the end of 2013 and is larger than in most states.

- ❖ DC's fund balance dipped between 2007 and 2010 – from \$1.5 billion to \$900 million – as funds were withdrawn during the recession to help maintain important services such as health care and schools.
- ❖ But since 2011, the fund balance has grown to \$1.75 billion, reaching a record level at the end of 2013.
- ❖ The District's fund balance also is larger than in most states, when measured as a share of the budget. DC's \$1.75 billion fund balance equaled 27 percent of the local portion of the city's 2013 budget. In contrast, the average fund balance across states equals just 11 percent of their budget, and only seven states have a fund balance that is larger than DC's as a share of the budget.

Yet current law will force the District to save all surplus funds announced in early 2015, and perhaps for several years to come. All surplus funds go in a “working capital” fund to help the city with cash-flow needs – that is, having cash on hand to pay bills every month, given that major tax collections are clustered at certain times of the year. There is \$295 million in the working capital fund now, but the target is roughly \$600 million.

Figure 1



The benefits of the working capital fund are modest and building it up should not be prioritized over using surplus funds for other needs. Having working capital limits the District's need to borrow funds for cash-flow purposes in the middle of the year, but such short-term borrowing costs the District just \$2.5 million in fiscal year 2015. This means that the District is setting aside hundreds of millions of surplus funds merely to save a few million per year.

The next surplus announcement is expected in early 2015. Mayor-elect Bowser and the DC Council can make better use of it by changing the rules to save half and spend half. This more balanced approach would allow the city's reserves to continue growing while also leaving funds to support important needs, such as the Housing Production Trust Fund or replacing the DC General family homeless shelter. This would be consistent with approaches taken in the past decade, and with the recently expressed desire of DC policymakers to use future surpluses for key investment needs.

- ❖ When the District experienced substantial annual surpluses in the mid-2000s, then-Mayor Williams used as much as \$500 million per year in surplus funds for a variety of purposes. During that period, the city's fund balance continued to grow or remained stable.
- ❖ Legislation adopted in 2014 will devote 50 percent of future surpluses to the Housing Production Trust Fund to help address the city's serious affordable housing shortage – but only after the working capital fund is filled. This provision is unlikely to result in any new resources for the Housing Production Trust Fund until at least 2016, even though the city's affordable housing needs are urgent and grow worse every year they are not addressed.

A balanced approach to any year-end surplus makes sense. Setting aside huge amounts of city resources in savings, when savings already are sizable, is a wasted opportunity to make investments that will improve the quality of life in the District.