



The District's Dime

Going Beyond the Budget Book

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DCFPI's take on Mayor Bowser's First Budget

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Mayor Bowser's first budget makes substantial investments to create more affordable housing, address rising homelessness, and protect thousands of families with children from losing basic income support. These expansions occurred despite a gap between projected revenues and the costs of maintaining services. To fund these expansions and still balance the budget, the mayor's budget includes a number of reductions, some from outright cuts in services and others from improved efficiency. The budget also includes a modest amount of tax increases, including a sales tax change that will add 25 cents to a \$100 purchase, which helped make the new investments possible.

At the same time, large gaps remain to creating "pathways to the middle class," Mayor Bowser's stated goal. While the budget provides a record level to *build* affordable housing, it offers a much more modest increase to help families pay rent, yet rental assistance is key to making housing affordable to very low-income families. In addition, a one-year plan to keep families from being cut off the TANF welfare-to-work program gives the new mayor time to repair a flawed system, but leaves vulnerable families with too little to make ends meet, about \$156 a month for a family of three. And the budget reduces some key programs, such as job training for adults. These programs face administrative and implementation problems that have kept them from fully spending available funds – and thus the reductions may make sense – but this highlights the urgency of strengthening programs critical to helping all residents thrive. These challenges could be addressed by the DC Council as it takes up the budget, or they will need to be addressed in future years.

The mayor's budget shows that building a city where everyone can succeed requires substantial new commitments to housing, jobs, and other needs. In that light, the proposed revenue increases – which equal less than half of one percent of the budget – stand out as modest. Moreover, the revenue increases will fall on all residents instead of asking well-off residents to contribute more to building a stronger city. Given DC's substantial income inequality – and the fact that taxes on DC residents are the lowest in region – raising additional revenues from residents most able to pay is a key to expanding economic opportunity to all residents.

This review highlights the following key changes in Mayor Bowser's spending plan:

Homeless Services: Taking Steps to Implement New Strategic Plan

The mayor's budget makes substantial investments towards funding the new Interagency Council on Homelessness (ICH) Strategic Plan which seeks to end long term homelessness in the District by

2020. Acknowledging that it will never be possible to prevent all the life events that can lead to homelessness, such as divorce or job loss, the Strategic Plan is designed to make homelessness:

- **Rare.** Homelessness will be prevented whenever possible. This will involve the expansion of prevention programs that help people who face eviction. It also will require coordination with other agencies to ensure residents transitioning out of foster care, juvenile justice, or other systems do not become homeless.
- **Brief.** When homelessness cannot be prevented, services will be provided quickly to help residents move into stable housing.
- **Non-recurring.** The District will provide support services to make sure residents do not become homeless again.

The mayor's budget includes funding to support a number of Strategic Planning priorities, including:

- \$40 million in capital funding over the next two fiscal years to construct replacement facilities for the District's dilapidated primary family shelter, DC General.
- \$4.9 million to rent 84 new family shelter units.
- \$3.8 million to help 350 single adults exit shelter with Rapid Re-Housing.
- \$3.7 million in rental assistance (Local Rent Supplement Program tenant vouchers) which will be combined with federally funded vouchers to:
 - Provide Permanent Supportive Housing (PSH) for 250 individuals and 110 families. PSH provides housing and intensive support services to homeless residents who face significant challenges, like chronic physical or mental health issues.
 - Provide Targeted Affordable Housing (TAH) for 150 families and 150 individuals. TAH helps residents who need help paying rent after their Rapid Re-Housing ends or who no longer need the intensive services provided by PSH but still need help to afford housing.

Beyond these investments in the new Strategic Plan, the FY 2016 budget devotes more resources to emergency shelter. In recent years, funding has been inadequate, leading to chaotic shifts of resources to meet the need.

Affordable Housing: Investing to Build More Housing and Provide Rental Assistance

Mayor Bowser committed \$100 million to the Housing Production Trust Fund – DC's main source to build or renovate affordable housing. This is the highest level of annual funding in the trust fund's history – and twice the amount that would come from its standard funding formula. This will support construction or renovation of 1,000 or more homes affordable for low and moderate-income residents, largely those below \$54,000 a year for a family of four.

The budget also pledges \$6 million in additional rental assistance. These funds will be used to make 200 units in affordable housing projects affordable to very low-income households. They also will be used to provide rental assistance vouchers to families that need help paying rent after short term "rapid rehousing" subsidies end.

TANF: Taking Time to Develop Better Ways to Help Vulnerable Families with Children

Mayor Bowser's budget plan extends income and employment assistance for one year to more than 6,000 families that face the loss of TANF cash benefits and services in October 2015. This will

prevent 13,000 families from falling deeper into poverty, and it will give the mayor and the new human services leadership a year to address a troubled TANF program that has not served families well. DC's time limit policy has problems that put children at risk of hardship and raise serious questions of fairness.

- **Inadequate access to employment services:** Families wait up to 11 months to get into DC's TANF employment services, with their time clock ticking. In Maryland, by contrast, the time clock does not run when families do not receive services.
- **Families have been denied assistance due to a dysfunctional TANF computer system:** For example, the DC Council created a time limit exemption for parents with newborns. But the District has not been able to implement it because the computer system could not accommodate it.
- **DC's time limit cuts families off even when parents are doing everything they can to find a job.** Some states extend benefits when parents are doing what is expected of them to look for work, but DC does not.

Some 44 states – but not DC – offer time limit extensions recognizing that some families need more time to move to self-sufficiency. Many states offer intensive services as families reach time limits, and some use specialized assessments and services to help parents find and retain employment. These jurisdictions recognize 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.

The mayor's TANF proposal allows the new human services leadership to refine the time limit policy. A responsible time limit policy is important because research from other states finds that the vast majority of families cut off TANF are not able to replace lost benefits with employment income, leaving many to lead chaotic and unstable lives.

At the same time, this proposal will keep many families hanging on by a thread. Benefit cuts due to time limits have reduced benefits to just \$156 a month for a family of 3 for affected families. Given that most TANF families do not receive housing assistance, this is too low for families to make ends meet. The Council should add to these benefits to help stabilize families as the new policy is developed. The Council also should use its oversight function to ensure that TANF families have access to employment services in a timely way over the next year.

Education: Funding Increases Tied to Higher Enrollment

Funding for DC Public Schools and Public Charter Schools will grow \$34 million, or two percent, largely to cover the costs of educating the 2,000 more students projected to enroll in the city's publicly funded schools next year. The amount given on a per student basis to DCPS and individual charter schools (the Uniform Per Student Funding Formula or UPSFF will not change, including not getting an inflation adjustment).

Within DC Public Schools, there will be some shifts in funding across schools related to their number of "at-risk" students. As part of the school funding formula, DCPS will receive an

additional \$2,079 for 24,000 students considered at-risk of academic failure, including low-income students and those in foster care. In FY 2016, funding dedicated for at-risk students will follow the students, meaning the dollars will be allocated to DCPS schools according to their at-risk student population. This did not happen in 2015. Public charter schools will receive funding for 17,000 at risk students; there are no restrictions on use of at-risk funds at public charters schools.

Revenue Increases: Modest Tax Changes Will Help Support Important Initiatives

The Mayor proposes increasing revenues by \$36 million – or one half of one percent -- so that \$7 billion in total resources are available to the District. The new revenues helped support some of the new initiatives, such as improvements in homeless services.

The first revenue proposal would increase the sales tax from 5.75 percent to 6 percent – to match rates in Maryland and Virginia -- and would raise \$22 million. This change was proposed in 2014 by the D.C. Tax Revision Commission.

The sales tax is a broad-based tax but has the greatest impact on the budgets of lower-income households, which means it is not be the ideal way to raise revenue. Lower-income families spend all or nearly all of their income each month, while higher income families put more of their income into savings or in other ways that are not subject to sales tax. However, the proposed sales tax increase is modest – just 25 cents for every \$100 taxable purchase – and many residents will benefit from offsetting income tax cuts for low-and-moderate income residents that go into effect in 2015. The income tax reductions will outweigh the sales tax increase for a large share of households.

The mayor also proposed increasing the sales tax rate on commercial parking from 18 percent to 22 percent, raising \$10 million in revenue that will fund improvements and upkeep for WMATA. Lastly, the mayor proposes taxing the sale of e-cigarettes at the same rate as cigarettes and other tobacco products. E-cigarettes were exempt from tobacco tax increases last year but would come into parity under the proposal.

What Is Cut in the Budget?

The mayor's spending plan includes reductions in a number of program areas. These include both scaling back programs and services as well as savings resulting from improved efficiency. The cuts also affect some programs that are important to creating pathways to the middle class, especially job training adults. These cuts were made in response to problems with the programs and highlight the need to improve the performance of services critical to residents.

Among the largest reductions in services are:

- **Medicaid In-Patient Hospital Services:** Medicaid reimbursement for inpatient hospital costs was cut by \$9 million. Medicaid covered 98 percent of the cost of services in hospitals, but would now cover only 86 percent.
- **The University of the District of Columbia:** UDC's budget was cut by 5 percent, or \$3.5 million. It is unclear what the impact will be.
- **Facilities maintenance:** Support for preventive maintenance of DC facilities was also cut 5 percent, or \$4.8 million

- **First-time homeowner assistance:** Funding for the Home Purchase Assistance Program, which provides down payment and closing cost assistance to low- and moderate-income homebuyers, was cut about one-fifth, from \$12.2 million to \$9.7 million.

Beyond these, some cuts were made to better tie funding levels to the ability of agencies to spend the money they receive or to better match the level of need. For example, the budget cuts funding for senior wellness centers, with a plan to reduce evening hours at centers that are least utilized. These kinds of “right sizing” reductions make sense, since they ensure that limited resources are directed to services most likely to be utilized makes sense.

At the same time, the “right-sizing” reductions include cuts to two job training programs for adults – the TANF employment program in the Department of Human Services and the “local adult job training” program in the Department of Employment Services, totaling \$8 million. The cuts were made based on an assessment that the agencies would not be able to fully spend the funds they currently receive, as a result of administrative and implementation problems.

While reducing these jobs programs may make sense for the current year, the Bowser administration should be working to improve the effectiveness of these programs, since job training is critical to helping families thrive in DC. Once the programs are strengthened, funding should be restored or even increased to serve the many residents who could benefit.

Finally, some funding reductions will save money without affecting services – and were labeled by Mayor Bowser as “efficiencies.” One example is to stop assigning police officers to monitor mobile traffic enforcement equipment.

Looking Forward

This review highlights areas where the DC Council should prioritize as it considers adding resources to the mayor’s spending plan.

- **Support to families with children on TANF:** Families affected by DC’s time limit receive just \$156 a month for a family of three. DC’s TANF program should provide financial stability while also helping parents move to greater self-sufficiency. Even with the extension of benefits for a year, the very low level does not support family stability.
- **Expand Rental Assistance:** There is virtually no affordable private-market housing in the District, which means that families with low wages or living on fixed incomes will struggle with housing cost burdens without additional assistance. Expanding rental assistance is a way to create affordable housing quickly and for the lowest-income families.
- **Increase Resources for At-Risk Students:** The current funding devoted to helping at-risk students is well below the level recommended by a 2013 DC-commissioned study – \$2,079 per student vs. \$3,500. Increasing the at-risk weight would allow high-poverty schools to take the steps needed to help low-income students succeed.
- **Raise Revenues If Needed:** Supporting these additional investments may require increasing revenues. The increases should fall on higher-income households that are best able to absorb them.