The District's Dime
Going Beyond the Budget Book

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Fiscal Year 2018 Budget Falls Short of "Inclusive Prosperity"

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Mayor Bowser's proposed fiscal year (FY) 2018 budget makes important investments to protect the incomes of vulnerable families with children and to help DC residents cope with rising housing costs.

At the same time, the budget reflects a missed opportunity to work towards the mayor's stated goal of "inclusive prosperity," by not making sufficient investments to ensure that all residents benefit from the city's growing economy or to help residents who have been negatively affected by DC's growth. The ability to make these investments was limited by $100 million in tax cuts included in the budget. The tax cuts were "triggered" by a policy was adopted in 2014. But Mayor Bowser could have used the budget to delay the tax cuts in FY 2018, which would have freed up $100 million to invest in schools, housing and other needs. Unfortunately, she chose to move forward with all of the tax cuts.

Some highlights of the budget include:

- **TANF:** The proposed budget allocates funding to protect DC's most vulnerable children from losing cash assistance and permanently resolves long-standing concerns with the TANF time limit, a problem that has confounded the District for years. The new policy would ensure that parents facing economic hardship always have resources to meet their children's basic needs.

- **Homeless Services:** The mayor's budget makes new investments to continue funding the Homeward DC plan, the 2015 strategic plan to make homelessness in the District rare, brief, and non-recurring. Yet given the tremendous scale of this problem, the budget fails to make the progress needed to meet these goals.

- **Housing:** The budget proposes $100 million for the Housing Production Trust Fund for the third year in a row, and creates a new housing tool to preserve existing affordable housing (with $10 million). But it provides no additional resources for rental assistance, the housing tool that is needed to make housing affordable to the poorest families.

- **Education:** Limited new funding for PreK-12 education does not accomplish the level of investment DC ought to be making in all student's potential, and it particularly shortchanges the resources low-income students deserve. The proposed 1.5 percent increase in per-pupil funding for public schools falls far short of what schools need to prepare all students for success.

- **Child Care:** While the mayor's budget includes a child care initiative that will notably expand access to market-rate seats, it does nothing to improve access to affordable, quality care for low-income families.

- **Job Training and Education:** The proposed FY 2018 budget creates a new "Washington DC Infrastructure Academy," located at the St. Elizabeth's East Campus, which will provide job training in the infrastructure industry, including the utility, energy efficiency, transportation, and logistics sectors. The proposed FY 2018 budget fails, however, to extend the Kids Ride Free program to all adult learners and re-engaging youth in the District, despite evidence that transportation costs keep many students from attending class regularly and a recommendation by the Deputy Mayor for Education to offer free public transportation to students in adult education.

- **Paid Family Leave and other Job Protections:** The proposed FY 2018 budget fails to provide the funds needed to help secure an IT program and other start-up costs for DC's paid family and medical leave program, delaying its implementation. The budget also fails to fund other legislation adopted in 2016 to protect workers.

- **Health:** The proposed FY 2018 budget leaves in place rules adopted in 2011 that have made it hard for eligible residents to maintain their health coverage through DC's Healthcare Alliance program—which largely serves immigrants—and that have led to a large drop in participation. The budget provides some new funding to address opioid addiction but largely fails to address low payment rates for mental health services that limit the ability of residents to get needed care.

Here's a more in-depth look at selected issue areas:

Homeless Services: Moving Forward But Too Little to Be on Track to End Homelessness

The mayor's budget makes new investments to continue funding the Homeward DC plan, the 2015 strategic plan to make homelessness in the District rare, brief, and non-recurring. Yet given the tremendous scale of this need, the budget fails to make the progress needed to meet these goals.

There are three key things to note about the proposed FY 2018 budget for homeless services. First, it devotes substantial resources to end the practice of starting the year with a funding gap and filling it mid-year. Second, it provides new funding to fully meet the costs of building new family homeless shelters. Third, it adds $21.2 million to help homeless youth, families, and single adults, an amount that falls far short of the investments called for by the Strategic Plan.

Filling the Ongoing Family Homelessness Budget Gap: The FY 2018 budget adds significant funding to address a long-standing gap in the family homelessness budget, especially with regards to funding emergency shelters and motels in the winter hypothermia season. For years, the District has started the year knowing this budget—which includes the use of motels in hypothermia season—was inadequate. It then used a variety of sources, including federal Temporary Assistance for Needy Family (TANF) funds—to fill the gap. Those TANF funds are no longer available. The mayor's proposed budget allocates $46 million dollars in local funding, including $16 million for motel rooms.

Additional Funding to Build Family Shelters and Improve Others: The proposed budget adds $50 million over the next four years to meet the expected costs of replacing the dilapidated DC General Family Shelter, and to replace shelter units that were lost when a provider lost the lease for the building. The budget also adds $6 million to make improvements in other shelters, transitional housing, and Rapid Re-Housing programs, including adding case managers and services like janitorial and pest control.

Ending Homelessness: Many individuals are chronically homeless, meaning they have been homeless for a long time and suffer from life-threatening health conditions and/or severe mental illness. The FY 2018 proposed budget takes steps to end long-term homelessness, but falls far short of what's needed to fully accomplish that.

For single adults:

- The budget adds $2.7 million to provide Permanent Supportive Housing (PSH) to 162 individuals. PSH provides affordable housing coupled with intensive case management services, which helps people stay in housing and improves their health, and saves a substantial amount of money as a result. This funding only meets 30 percent of what is needed to end chronic homelessness.
- The budget adds $1.3 million for Targeted Affordable Housing (TAH) for 100 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. Recognizing implementation challenges, the number of TAH slots in the plan to end chronic homelessness are split between FYs 2018 and 2019. The proposed budget only meets 24 percent of the units needed in FY 2018.
- The budget adds nothing to the Rapid Re-Housing budget for individuals. Some chronically homeless residents could be successful in Rapid Re-Housing, which provides four to 12 months of rental assistance and case management. The goal was to add $3.7 million in FY 2018 to meet one third of the RRH needed to end chronic homelessness.

For families:

- The proposed budget adds $3.9 million for 130 Rapid Re-Housing slots, $3.8 million for 117 PSH units, and $1.7 million for 85 TAH units. The actual need is difficult to measure based on existing information, but based on the original modeling included in the Strategic Plan, these investments meet only about 40 percent of the PSH and TAH needed in FY 2018 to meet the Plan's goals.

For youth:

- The Interagency Council on Homelessness passed the Comprehensive Plan to End Youth Homelessness in December 2016 with the goal of ending youth homelessness over 5 years. The proposed FY 2018 budget adds $2.4 million towards this, covering less than half of the $5.7 million first-year cost.

TANF: The Budget Provides Much-Needed Reform to Time Limits, But Additional Funding is Needed to Ensure Children's Basic Needs Are Met

The proposed budget allocates $8.1 million to protect DC's most vulnerable children and permanently resolve long-standing concerns with the TANF time limit, a problem that has confounded the District for years. Under the proposed budget, the nearly 6,000 families – including 10,000 children – who were scheduled to be permanently cut off as of October 1, 2017 are no longer at risk of permanently losing TANF benefits due to DC's 60 month time limit; they will continue to receive income assistance and employment services.

Under the proposal, a portion of a family's TANF benefit would be considered the children's portion, intended to meet the needs of a family's children, and it could not be cut. The remainder would be considered the portion to meet parents' needs and could be reduced if a parent is not complying with TANF program requirements.

The new policy would be implemented in April 2018 and would ensure that parents facing economic hardship always have resources to meet their children's basic needs. The TANF reforms are the result of a working group convened by Mayor Bowser's Department of Human Services in 2016. The working group was informed by research on the importance of economic stability for the well-being for children. That research shows that instability and extreme poverty increase the likelihood of problems in school, chronic health conditions, and other negative outcomes. In addition, the working group recognized that a cut-off of income assistance could contribute to increases in families experiencing homelessness, child welfare referrals, and other social services.

While the proposed budget largely reflects the recommendations of the working group, there is one important way in which it does not. The working group recommended that 80 percent of a family's benefit be considered the children's portion, but the proposed FY 2018 budget would consider only half of the TANF budget to be the children's portion. That would mean that up to 50 percent of a family's benefit could be cut as a result of sanctions on the parent. Given that TANF benefits are already modest, a 50 percent reduction would place undue hardship on children based on the actions of their parents and contradict the goal of the proposed reform to protect the well-being of children receiving TANF.

Affordable Housing: Budget Adds New Program but Fails to Expand Housing Aid for the Poorest Families

The mayor's proposed budget commits $100 million to the Housing Production Trust Fund for the third year in a row. This investment will support construction or renovation of about 1,000 homes for low and moderate-income residents, largely those with incomes below $54,000 for a family of four.

In addition, under the proposed budget DC will get a new tool in its affordable housing toolbox. The budget would create a new fund to help preserve existing affordable homes. Mayor Bowser allocated $10 million to this fund, with the goal of seeking additional private and philanthropic dollars. The preservation fund was a key recommendation of Mayor Bowser's housing preservation "strike force" and represents an important step toward saving DC's vanishing low-cost housing.

More funds for preservation would also free up Housing Production Trust Fund dollars to be focused on housing for extremely low-income residents.

Yet the proposed budget does not do much to expand housing assistance for the extremely low-income DC residents who are most in need of affordable homes. The budget provides no new funding for the Local Rent Supplement Program (beyond homeless services programs), which provides ongoing rental assistance. Without LRSP, projects built using the Housing Production Trust Fund are rarely affordable to the city's poorest residents, who face the most severe housing challenges, and often have to choose between rent and other key necessities like groceries.

Education: Limited PreK-12 Funding Increases Do Not Meet the Needs of the Most Under-Served Students

Although a $107.8 million funding increase for DC Public Schools (DCPS) and Public Charter Schools may sound impressive, it falls far short of what schools need to meet the demands of growing enrollment, never mind prepare all students for success. School enrollment is estimated to increase by 3,634 students next school year, of whom 94 percent are expected to enroll in charters and 6 percent in DCPS. The additional money for new students disguises the fact that the amount dedicated *per student* would increase only increase 1.5 percent under the proposed budget, which does not keep up with rising costs, and remains 14 percent below what's widely considered necessary.

An expert working group convened by the Office of the State Superintendent for Education recommended a 3.5 percent increase in per-pupil funding this year, as a pragmatic way to both bring school funding closer to an adequate level, and ensure that 'at-risk funds' in DC public schools are used as intended. At-risk funds are supposed to help schools provide *new* resources for the low-income students and other students at-risk of falling behind academically. But nearly half of the dedicated 'at-risk funding' in DCPS this year is going to pay for core functions, instead of driving additional, targeted resources, like afterschool programs and evening credit recovery. Many charters also had to use the new funds to replace lost summer school funds. A 1.5 percent increase in the amount of funding per student is less than half the amount recommended by the mayor's working group. Such a minimal increase will strain school budgets, and under-resource the most vulnerable students for another year of their education.

Child Care: Proposed Budget Would Expand Access to Market-Rate Care, But Would Not Provide Additional Help Targeted to Low-Income Families

The mayor's "My Child Care DC" initiative invests $15 million in the expansion of child care facilities, with is expected to create 1,300 market-rate seats, to the relief of working parents across the District. The majority of this funding will be directed through facility-based grants to expand child care facilities in District-owned or controlled properties, with some money for enabling current and aspiring early learning educators to attain higher credentials, as well as providing families with accessible information on child care options.

Yet My Child Care DC does nothing to improve access to affordable, quality care for low-income families, or address the achievement gap that starts well before children get to school. Advancing the education of low-income infants and toddlers requires larger investments in the early learning infrastructure, including adjusting the outdated reimbursement rates for the providers who care for them. Our 2016 report cites the need for at least $38 million more to help providers cover the costs of providing quality early care and education.

Paid Family Leave: Budget Does Not Provide Funds Need to Move Paid Family and Medical Leave Forward

Last year's budget allocated $20 million toward the start-up costs for the Universal Paid Leave Act (UPLA), to be used in 2018 and beyond. However, the CFO estimates start-up administrative costs to be $40 million over 36 months. The proposed FY 2018 budget maintains the initial $20 million set aside last year, but fails to fund the additional $20 million needed to help the new office secure an IT program, office supplies, and other start-up costs.

The lack of funding is damaging, because it will likely delay when DC can start offering paid leave to new parents and workers needing time to care for an ill relative. UPLA stands to help not just DC workers, but also small businesses and the broader economy.

Transportation Assistance: Budget Fails to Fund Transportation Subsidies for Adult Learners and Re-Engaging Youth

The proposed FY 2018 budget fails to extend the Kids Ride Free program to all adult learners and re-engaging youth in the District. This is disconcerting, because many participants in adult education programs live far from their training site, and find that the cost of transportation is a barrier to getting to class every day. Making an investment to ensure that these residents can get to their programs regularly will help them to get the education necessary for finding quality employment and supporting their families independently.

A fall 2016 report from the Deputy Mayor for Education recommends that Kids Ride Free be expanded to all DC residents enrolled in a publicly-funded education program, at an estimated cost of $1.5-2 million. The report notes that "the current investment in adult education could yield greater results" with transportation subsidies.

Job Training: Budget Creates a New Infrastructure Academy for Jobseekers, and Provides More Funding for Subsidized Job Programs

The proposed FY 2018 budget creates a new "Washington DC Infrastructure Academy," located at the St. Elizabeth's East Campus, which will provide job training in the infrastructure industry, including the utility, energy efficiency, transportation, and logistics sectors. The idea is for industry businesses, trade unions, and the University of the District of Columbia to provide work-based learning to underserved District residents to create a "pipeline" to employment. The budget allocates $16.75 million in capital money to construct the facility by 2021. It is not clear if the budget provides other funding to begin operating the academy earlier.

The proposed budget also creates a new agency within the Department of Employment Services (DOES), the Division of State Initiatives, which will house DOES's subsidized job programs: the Transitional Employment Program, the LEAP Academy, and Career Connections. The proposed budget increases funding for the Transitional Employment Program by $1 million, but it is not clear whether the other programs will be expanded.

The budget for the Deputy Mayor for Greater Economic Opportunity is increased by $1 for a continuation of the Local Business Utilization Pilot program, which was started in FY 2017. The budget does not provide a description of this pilot program.

Worker Protections: Proposed Budget Fails to Fund Labor Laws that Were Passed Last Year

Two labor laws were passed last year that can go a long way to helping vulnerable workers. However, both of these bills were passed subject to appropriation, and the mayor's proposed budget does not fund them. These bills are:

- **Building Service Employees Minimum Work Week Act of 2016.** This new law sets a minimum work week of 30 hours for any employee performing janitorial or building maintenance services in DC office buildings, to ensure that workers will have predictable and adequate incomes. The estimated cost is $445,500 to pay for 5 full-time staff for education and enforcement.
- **Procurement Integrity, Transparency, and Accountability Amendment Act of 2016** requires that contracts above $75 million have a Project Labor Agreement. The estimated cost is $113,000 each fiscal year, and $26.2 million annually in capital funds.

Health: Proposed Budget Maintains Barriers to Care Faced by Immigrants and Fails to address Mental Health Needs

The Healthcare Alliance provides health insurance coverage to low-income residents who are not eligible for Medicaid. In recent years, as Medicaid eligibility has expanded in DC under the federal Affordable Care Act, participants in the Alliance are largely undocumented immigrants. This program is important because Latino residents in DC are three times more likely to be uninsured than District residents overall, and people who are non-citizens lack coverage at higher rates than naturalized citizens.

Yet since October 2011, the program has required participants to have a face-to-face interview every six months at a DC social service center to maintain their eligibility. This has proved a barrier for eligible residents to keep the benefit. Enrollment in the Healthcare Alliance declined sharply in 2012 and has largely remained unchanged since then. From October 2011 to October 2012, the first year of the policy, the number of DC residents in the Alliance dropped by one-third, from 24,000 to 16,000.

Despite clear indications of this problem, the FY 2018 proposed budget takes no steps to improve access to the Alliance. Two new bills in City Council seek to partially or entirely correct this, and we hope they will be supported and passed.

The proposed budget also fails to make a much-needed boost in payment rates for mental health providers, jeopardizing DC residents' access to care. Low payment rates result in a limited number of providers available to care for low-income residents. This creates barriers to accessing care, which can ultimately result in harm to self or others and thus increased use of emergency department services, psychiatric hospitalizations, and justice system involvement.

Recent Tax Cuts Limited the Ability to Fund New Investments

Mayor Bowser could have made these investments by using the budget to delay the tax cuts in FY 2018, which would have freed up $100 million to invest in schools, housing and other needs. Unfortunately, she chose to move forward with all of the tax cuts.

DC's tax collections are growing rapidly due to an expanding economy, but the mayor and council are operating under a rule they adopted three years ago that put tax cuts ahead of everything else as DC revenues grow. That policy, which was recommended by the Tax Revision Commission in 2014, dictates that whenever DC's revenue projections increase, all new revenue goes to implement a series of tax cuts through an automatic "trigger".

Under that policy, some $100 million in tax cuts were scheduled to be implemented in FY 2018 based on recent revenue projections. They include cuts in taxes for businesses and wealthy estates, in addition to tax cuts that assist a broad range of DC households and make the tax system more progressive.

Prioritizing tax cuts made it impossible for the mayor's budget to address the District's staggering loss of affordable housing, the highest homelessness rate among large U.S. cities, a Metro system badly in need of repairs, and rapidly rising school enrollment. DC's revenue projections have increased by $175 million in just the last few months, but the $100 million in tax cuts consumed the majority of that and left just $75 million to meet a range of needs that totals much more than that.

This policy could have been put on hold by Mayor Bowser, but was not. Some 92 organizations sent a letter to Mayor Bowser in March 2017 encouraging her to delay these tax cuts for the coming year. This would have helped ensure that there is enough money in the 2018 budget to meet the needs of the most vulnerable residents and the city's urgent challenges—including housing and schools—and to address the impact of likely federal budget cuts.