Mayor Bowser’s proposed budget for fiscal year (FY) 2018 is notable for how it would use the resources of a growing city to meet the rising costs of some of DC’s most critical and fundamental needs. But the proposed budget also stands out as a missed opportunity to address racial and economic inequities that in many ways are getting worse as DC prospers. The mayor describes her budget as a “roadmap to inclusive prosperity,” an effort to ensure that all residents benefit from DC’s growing economy. But it falls short of that standard in many ways, in large part because the budget reflects the impact of $100 million in tax cuts that will go into effect next year.

The proposed budget for FY 2018 comes at a time when the District is experiencing substantial population and economic growth, which has contributed to substantial increases in the city’s tax collections. The budget also comes at a time when the District faces tremendous needs—in many ways connected to its growth—such as a troubling rate of homelessness and an economic recovery that has left many residents behind. Rising housing costs and the loss of affordable housing are placing severe financial pressure on thousands of low-income families and undermining the stability of entire communities. The black-white unemployment gap is growing, as unemployment among black residents has not fully recovered from a recession that officially ended seven years ago. Incomes of families east of the Anacostia River are low and stagnant, while incomes are rising city-wide.

The proposed budget devotes substantial resources to address four major needs, without making any major budget reductions. It includes substantial funding increases to support a Metro system badly in need of financial supports, to accommodate a growing number of students in DC schools, to address an ongoing gap in funding for homeless services during hypothermia season, and to cover rising payments on bonds issued to support DC’s infrastructure.

The proposed budget also includes a handful of important initiatives to address challenges facing low-income residents who are struggling to thrive amidst rapid development and rising housing costs. In particular, the budget includes a proposal to protect 10,000 vulnerable children and their families from losing cash assistance by resolving the city’s welfare time limit that has concerned DC policymakers for years. The budget also creates a new fund to preserve existing affordable housing that is at risk of being lost.
In many ways, however, the proposed budget fails to make progress on many things that would strengthen the District by addressing growing racial and economic disparities. This missed opportunity occurred in large part because of $100 million in tax cuts that will go into effect in 2018. The tax cuts were set in motion three years ago but could have been set aside by the mayor, given the city’s many demands.

With the tax cuts in place, there were not enough resources to both cover the rising costs noted above and make targeted new investments. Outside of the four major areas of funding increase—for Metro, school enrollment, rising debt payments, and homeless services—the proposed FY 2018 budget is 1 percent smaller than the FY 2017 budget, adjusting for inflation. That made it difficult to address a number of important documented needs, including:

- **Homeless Services:** The budget makes does not make progress to keep pace with DC’s established goals and timetable to end chronic homelessness.

- **Housing:** The proposed budget makes little progress to expand assistance for DC’s extremely low-income families who face the most severe affordable housing challenges. In particular, the budget provides no funding to reduce the very long wait list maintained by the DC Housing Authority.

- **Schools:** The funding to support each student has lost ground to inflation since 2009. The shortfall has led DCPS in recent years to take funds intended to help close the achievement gap and instead use them for core education functions.

- **Out of school time:** The budget does not address the very limited access to out-of-school time programming for low-income students. The number of children served by these programs has fallen by three-fourths in recent years, and DC ranks among the lowest in the nation in terms of access to afterschool programs for low-income children.

- **Early education:** The proposed budget proposes to open child care centers in some DC government buildings and to help other providers expand their space. But it does not devote any new resources to the child care subsidy program for low-income children, despite clear evidence that a low rate of per-child funding makes it hard to provide high-quality care and support the healthy development of low-income infants and toddlers.

- **Job training/transportation:** The budget does not address the transportation barriers that often keep adults from regularly attending education and training, limiting their chance for success and limiting the effectiveness of DC’s investments in these programs.

- **Health:** The proposed budget keeps in place a policy that hascreated a barrier to health care coverage in DC’s Healthcare Alliance program. These barriers appear to be keeping thousands of residents from accessing health care coverage.

These issues are discussed in more detail below. This analysis is part of an online “Budget Toolkit” developed each year by the DC Fiscal Policy Institute, which can be found at www.dcfpi.org.

### Highlights of the Proposed FY 2018 Budget by Major Functional Area

The proposed general fund budget — the portion of the DC budget that comes from local taxes and fees, including dedicated tax revenue and special purpose funds — is $8.6 billion.¹ When federal analysis does not include the enterprise appropriation and keeps several dedicated funds within finance instead of enterprise so year-to-year comparisons can be made.

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¹ The general fund budget includes the “local funds budget” — programs and services supported by taxes and fees collected by the District — as well as services supported by “special purpose” revenues or “dedicated taxes.” This
funding for programs and services is included — in what is called “gross funds” — the District’s FY 2018 budget is $12 billion.

The largest proposed dollar increases are in education, public works (which includes Metro) and government financing (which primarily reflects funds to repay bonds issued to support capital projects). Meanwhile, the budget reduces funding for public safety and health care, and has modest increases in other areas.

The District’s operating budget is divided into seven major categories, known as “appropriation titles.” For this analysis, two programmatic areas that are included in the “Economic Development” appropriations title—housing assistance and employment services—are added to the “Human Support Services” in an effort to group services that focus on low-income residents. In addition, health functions are separated from other “Human Support Services” because health programs represent a large part of this title, which means that health funding trends can mask other human services trends.

Key funding changes by appropriations title include the following (Figure 2):

- **Education:** Funding for DC Public Schools, public charter schools, the State Superintendent’s office, DC Public Libraries, the University of the District of Columbia, and other education functions would grow $66 million in FY 2018, or 3.2 percent adjusting for inflation. This is driven largely by increased enrollment in DC public charter schools—which will see a 9 percent funding increase—and in DC public schools, which will see a 1 percent funding increase. As discussed below, the budget also proposes an increase in per-pupil funding amount, but by less than the rate of inflation.

- **Housing and Human Services:** The proposed budget for housing and human services (excluding health), is $41 million, or 3.7 percent higher in FY 2018. The budget maintains $100 million for the Housing Production Trust Fund and would add $10 million for a new fund to preserve existing affordable housing. The budget includes funding to reform DC’s TANF time limit and protect 10,000 children from losing assistance. It also adds new funding for homeless services to address perennial funding shortfalls during the winter hypothermia season and to support the “Homeward DC” plan to end homelessness, but far less than needed to match the scope of the city’s homelessness crisis.

- **Health:** Local funding for health care – the Departments of Health, Behavioral Health and Health Care Finance, along with the DC Healthcare Exchange Authority – would fall by 2.4 percent, or $27 million adjusting for inflation. When federal funds are included, total health spending would remain unchanged in 2018. There has been a shift from local funding to federal funding of health care in

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2 This analysis does not include the “Enterprise” appropriation title, as these agencies and programs directly receive their funding and it does not comprise the general fund.
recent years as a result of federal expansions allowed under the Affordable Care Act.

- **Public Safety**: Funding for public safety would fall 7 percent in FY 2018, or $85 million, adjusting for inflation. This partly reflects a reduction in the required contribution to the police and firefighter retirement fund. It also reflects reductions in funding at the major public safety agencies—Metropolitan Police Department, Fire and Emergency Services, and the Department of Corrections. The MPD reduction appears to reflect savings due to efforts described in the budget as “staff realignment.”

- **Public Works**: Funding for public works would grow $79 million, or 10 percent in FY 2018, driven primarily by a substantial increase in DC’s contribution to Metro (WMATA). The budget also includes funding for traffic control officers through the Department of Transportation and added funding in the Department of Energy and the Environment for storm water management and to expand solar energy sources.

- **Economic Development**: The proposed budget for economic development and regulation would grow 10 percent in 2018, or $25 million adjusting for inflation. This is driven in part by an increase in funding for the Department of Consumer and Regulatory Affairs to hire more housing inspectors and additional funding in the Deputy Mayor for Planning and Economic Development for corporate attraction activities.

- **Financing**: Funds devoted to this area would increase 8.5 percent in FY 2018, or $89 million. This reflects higher amounts to repay bonds the city has issued for capital construction projects, such as schools and roads. Borrowing has increased in recent years to support more investment in DC’s infrastructure. The “Financing” portion of the budget also has a substantial amount set aside for increases in salaries for DC government employees that are expected to occur through collective bargaining. (Once the salary increases are negotiated, the funding will be shifted to the agencies that employ the relevant workers.)

- **Government Direction**: The FY 2018 proposed budget reflects an overall decline of 2.2 percent, or $17 million, in agencies that support basic government operations, but reflects increases in a few areas. The budget for the Office of the Attorney General would increase largely in its child support enforcement division. The Deputy Mayor for Greater Economic Opportunity’s proposed budget includes $1 million to fund a Local Business Utilization initiative.

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**Four Things Are Driving the DC Budget for Fiscal Year 2018**

A large share of the budget growth from FY 2017 to FY 2018 is accounted for by four factors:

- **Rising School Enrollment**: Funding for DC Public Schools and public charter schools would grow $108 million in FY 2018 (not adjusting for inflation), driven largely by rising enrollment. Public charter school enrollment is expected to grow 7 percent and DCPS enrollment will grow 4 percent. The growing number of students accounts for about $84 million of the budget increase for education.

- **Metro**: The budget adds $63 million to the city’s contribution to WMATA, the regional transportation system. WMATA faces serious financial pressures due to repair needs, falling ridership, and other factors.

- **Debt Service**: The amount the city contributes to payments on its debt will increase by $70 million in FY 2018. This reflects payments on bonds issued to support capital construction projects like schools and libraries. The District has expanded its capital construction spending, and this results in higher debt payments.

- **Homeless Services**: The proposed FY 2018 budget adds $46 million in local dollars to ensure the family shelter budget is sufficient to meet the need. Since at least FY 2013, the
District has started the year with an approved shelter budget—which includes shelters and motel rooms when shelters are full—that was anticipated to be inadequate. The District would add resources mid-year from a variety of one-time sources, including TANF funds or one-time transfers of local dollars, to fill the gap in the middle of each fiscal year. Those one-time sources are no longer available.

Together these items contributed to almost $300 million in proposed spending increases, accounting for most of the budget growth. Excluding these agencies, the proposed budget for FY 2018 is one percent smaller than in FY 2017, adjusting for inflation (Figure 3).

**FIGURE 3.**

Rising Costs in Four Areas Squeezed Remainder of DC Budget

<table>
<thead>
<tr>
<th>Change in funding, FY 2017-18, adjusted for inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
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<tr>
<td>20%</td>
</tr>
<tr>
<td>15%</td>
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<tr>
<td>10%</td>
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<tr>
<td>5%</td>
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</tbody>
</table>

The remainder of this analysis highlights proposed changes in funding, and its impact on services, in a number of issues that affect low- and moderate-income residents.

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

The proposed FY 2018 budget provides $253 million in funding for homeless services and housing dedicated to residents who have experienced homelessness, a 17 percent increase and the highest funding level ever. It reflects a recognition of the enormity of this challenge and new investments towards the Strategic Plan to end long-term homelessness by 2020.

Yet given the tremendous scale of this need, the budget fails to make the progress needed to meet these goals. It provides too little housing to end chronic homelessness, too little support to help homeless families and youth, and too little long-term affordable housing for homeless residents who need it. As a result, homelessness will continue to be a highly visible problem in the District in FY 2018, and the homeless services system will face many challenges.

There are three key things to note about the proposed FY 2018 budget for homeless services.

**Filling the Ongoing Family Homelessness Budget Gap:** The proposed FY 2018 adds $46 million in local dollars to ensure the family shelter budget is sufficient to meet the need. Since at least FY 2013, the District has started the year with an approved shelter budget—which includes shelters and motel rooms when shelters are full—that was anticipated to be inadequate. The District used TANF funds or one-time transfers of local dollars to fill the gap in the middle of each fiscal year. Those TANF funds are no longer available as the District is now investing all of its TANF funds in employment and other services.

**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 improve shelter operations across the system—including adding case managers and food, janitorial and pest control services—as well as transitional housing and Rapid Re-Housing programs.

Ending Homelessness: The FY 2018 proposed budget would take 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. The Strategic Plan calls for adding TAH slots in FY 2018 and FY 2019. The proposed budget only meets 24 percent of the units needed in FY 2018.

- The budget adds no funds to expand access to Rapid Re-Housing 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 $3.8 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 FY 2018 budget would reform DC’s TANF program to resolve long-standing concerns with the District’s rigid 60-month time limit, a problem that has confounded the District for years. The proposed budget allocates $8.1 million to protect DC’s most vulnerable children and prevent approximately 6,000 DC families—including over 10,000 children—from permanently losing their TANF benefits due to the District’s time limit, which was set to occur on October 1, 2017.

Under the proposal, a portion of a family’s TANF benefit would be considered intended to meet the needs of a family’s children, and 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. These 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 showing 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.

At the same time, the proposed budget leaves a large share of a family’s benefits subject to being cut when a parent is not complying with TANF requirements to engage in work preparation activities. The working group recommended that 80 percent of a family’s benefit be considered the protected children’s portion, but the 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. This higher sanction level runs counter to the goal of ensuring some level of assistance to meet children’s needs.

The proposed FY 2018 budget also would preserve increases in TANF benefits adopted in the FY 2015 budget and then modified in FY 2016 to alter the timeline for implementation. Under these changes, the maximum benefit for a family of three will increase from $508 a month in FY 2017 to $576 in FY 2018 and $644 by FY 2019, which is more in line with benefits in other high-cost jurisdictions (Figure 4).

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

Local funding for affordable housing would increase modestly under the proposed fiscal year (FY) 2018 budget. 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, the proposed budget would create a new tool in DC’s affordable housing toolbox. Mayor Bowser’s budget provides $10 million to create a new fund to help preserve existing affordable homes, 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 face the most severe affordable housing challenges and often have to choose between rent and other key necessities like groceries. In particular, the budget provides no new vouchers for families on the DC Housing Authority waiting list. (The budget adds a small amount of rental assistance for formerly homeless residents.) The proposed budget also does not add any rental assistance for apartments developed through the Housing Production Trust Fund. Without that assistance, it is unlikely that DC’s substantial investment in the Trust Fund will end up reaching the city’s lowest-income residents (Figure 5, pg. 7).

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

Although an increase of over $100 million for DC Public Schools (DCPS) and Public Charter Schools (PCS) may sound impressive, it falls far short of what schools need to prepare all PreK-12 students for success. As noted earlier, most of the new money is needed just to keep pace with increasing enrollment and rising costs of living.

A closer look at the proposed FY 18 budget shows that it was a missed opportunity to move funding closer to what is needed to provide an adequate education for all students, and to make investments to support low-income students and students of color.

**FIGURE 6.**

The Amount of Funding Per Student Still Below Pre-Recession Level

Percent change each year, adjusting for inflation

Per-student funding in the proposed FY 2018 budget would grow 1.5 percent, which is less than inflation and part of a trend of modest increases since 2010. The base rate was raised either 4 percent or 5 percent every year from FY 2007 through FY 2009. But for the budgets set after the Great Recession, the rate was increased 2 percent in six years, and not at all in two budgets. That means that for nearly a decade increases to school funding have not even kept pace with the rising cost of living (Figure 6).

In addition, proposed per-student funding in FY 2018 would be well below what it actually costs to meet high quality standards and ensure all students succeed—based on the 2013 DC Education Adequacy Study commissioned by the District government. That analysis found that a real investment in PreK-12 students requires a base rate of $11,125 per-pupil in fiscal year 2018 inflation adjusted dollars, rather than the proposed $9,682 level. In order to make
meaningful progress towards closing that gap, a mayoral-created working group recommended a 3.5 percent increase in per-pupil funding in the fiscal year 2018 budget. The proposed increase of 1.5 percent is less than half of that.

FIGURE 7.

Funding for Expanded Learning Flat, and Less Than Half FY 2010 Total

The failure to maintain base per-student funding limits the ability of schools to close the large achievement gap between low-income students and higher-income students. Limited funding means that it is likely that DCPS will continue to divert funds intended to help students who are low-income or otherwise at-risk of academic failure. Both DC Public Schools and public charter schools receive an additional $2,152 per student for low-income students and other students at-risk of falling behind academically. ‘At-risk funds’ are supposed to help schools provide new resources and expand important services for the most vulnerable students. But for the current school year, DCPS is using nearly half of the dedicated at-risk funding to pay for core functions instead of supporting additional, targeted resources like afterschool programs and evening credit recovery. Many public charter schools have had to use the new funds to replace lost summer school funds.

The proposed FY 2018 budget would also make only limited progress to expand opportunities for after-school and summer school programming for low-income students. The proposed DCPS budget indicates that it would increase extracurricular options in middle schools, with the goal of providing every student with at least one option. However, this expansion does not make up for the lost after-school slots for students of all ages due to the steep decline in grants for community based organizations. Due to funding reductions, the number of low-income students served by community-based programs through DC funds fell from almost 10,000 in 2010 to 2,500 in 2017. The FY 2018 budget keeps funding for expanded learning at the FY 2018 level. This means that access to after-school programming will continue to be limited for low-income students (Figure 7).

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 would invest $15 million in the expansion of child care facilities, which 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

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3 Analysis by Mary Levy, April 2016. See link for more information on calculations and definitions.
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. A 2016 report from DC Fiscal Policy Institute and DC Applesseed 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**

The Universal Paid Leave Act (UPLA), adopted in December 2016, will provide 8 weeks of paid leave for new parents to be with their children, 6 weeks to workers who need to care for an ill relative, and 2 weeks for workers to address their own health needs, beginning in 2020.

However, the program cannot be implemented until funding for start-up costs is provided. The fiscal year 2017 budget allocated $20 million toward the $40 million to help the new office secure an IT program, office supplies, and other start-up costs. The proposed FY 2018 budget fails to fund the additional $20 million needed.

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 that currently cannot afford to provide paid family leave. An extensive analysis of this program found that it would provide additional benefits to DC residents and the economy, including increasing breastfeeding rates, reducing infant mortality, and increasing the number of women who participate in the labor market.4

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

The proposed FY 2018 budget includes no funds to provide transportation assistance to adults in education and training programs, even though the cost of transportation has been identified as a major barrier to participation.5 Without transportation assistance, many adults miss classes and are unable to complete their programs. This means that many DC residents are being held back, and that the District is not getting as much as it could out of its substantial investments in adult education and job training.

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5 According to learner listening sessions conducted in 2015 by the DC Adult and Family Literacy Coalition (AFLC) and Fair Budget Coalition. In addition, over a third of 1,000 adult learners surveyed in 2016 by the DC AFLC reported their biggest transportation concern is its cost.
Unlike students through age 22—who do not have to pay to ride Metrorail and bus because they are enrolled in the Kids Ride Free program—students over age 22 currently pay the full price, which poses a significant financial burden that often threatens their success. A fall 2016 report from the Deputy Mayor for Education (DME) 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 to $2 million\(^6\) (Figure 8, pg. 10).

This relatively modest funding could lead to a substantial improvement in the outcomes for participants in these programs. The District invests over $80 million in local and federal dollars to support educational instruction for adult learners. The DME report notes that “the current investment in adult education could yield greater results with a reduction in transportation costs for adult learners.”

**Job Training: Proposed Budget Creates a New Infrastructure Academy for Jobseekers**

The proposed FY 2018 budget includes funds to create 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 proposal would establish a partnership between key partners in the infrastructure sector—businesses, trade unions, and the University of the District of Columbia—who would work together to provide work-based learning to underserved District residents to create a “pipeline” to employment.

The budget would allocate $16.75 million in capital money to construct the facility by 2021. It is not clear if other funding will be provided 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.

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

The Healthcare Alliance program provides health care coverage to low-income residents who are not eligible for Medicaid, Medicare, or subsidies on DC Health Link—which is now mostly documented and undocumented immigrants. This 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.

In 2011, DC implemented a strict eligibility rule that requires Alliance beneficiaries to visit a Department of Human Services (DHS) service center every six months and complete an in-person interview to maintain their eligibility. Within a year, participation in Alliance shrank from 25,000 people to about 16,000, a strong indication that this policy has made it difficult for residents to maintain coverage for which they are eligible. People may not be able to take the time off from work or find child care to spend a day twice a year re-certifying. Enrollment has fallen and risen modestly since then, but currently stands around 15,300.\(^7\)

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\(^6\) Deputy Mayor for Education. 2016. “The Need for Transportation Subsidies and Assistance for Adult Learners.”


Despite clear indications of this problem, the FY 2018 proposed budget would not alter this eligibility rule to improve access to the Alliance. Two new bills in City Council seek to partially or entirely correct this and would represent important steps to ensuring all residents have health care coverage (Figure 9).

**Tax Cuts Limited the Ability to Fund New Investments**

Over $100 million in tax cuts scheduled to go into effect in FY 2018 limited the ability to use the budget to progress on the issue areas identified in this analysis. The tax cuts were set in motion three years ago but could have been set aside by the mayor, given the city’s many demands.

DC’s tax collections are growing rapidly due to an expanding economy, but the mayor and council have operated since 2014 under a rule that puts tax cuts ahead of other needs as DC revenues grow. Under that policy, whenever DC’s revenue projections increase, all new revenue goes to implement a series of tax cuts recommended by the Tax Revision Commission, through an automatic “trigger.” Some $100 million in tax cuts are 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.

- **Reduction in Business Income Taxes**: The tax on business profits will fall from 9 percent to 8.25 percent. (The rate has already been reduced from 9.975 percent since 2014 due to the tax-cut trigger policy.)

- **Elimination of Taxes on Estates up to $5.5 million**: Under the tax-cut triggers, the threshold for owing estates was raised to $2 million from $1 million. The 2018 tax cut would eliminate taxes on estates worth up to $5.5 million, which matches the federal estate tax threshold. The threshold would then increase for inflation each year.

- **Increase in Personal Exemption to Over $4,000**: The Tax Revision Commission recommended increasing DC’s personal exemption in the income tax from the current level of $1,775 to match the federal level, which is now $4,050. The 2018 tax cut would implement this change, which also includes increasing the personal exemption for inflation each year. Increasing the personal exemption has broad benefits but is most helpful to lower-income households. Because all households receive the same exemption amount, the personal exemption offsets a greater share of income for lower-income households.8

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8 The personal exemption phases out starting at a $150,000 income, which was adopted following a recommendation of the Tax Revision Commission.
• **Increase in Standard Deduction to Match Federal Level:** The Tax Revision Commission recommended increasing DC’s standard deduction in the income tax to match the federal level, which now ranges from $6,300 for an individual to $12,600 for married couples filing jointly. The standard deduction has been increased in recent years due to the tax-cut trigger policy, and the 2018 tax cut would fully implement this change. It also includes increasing the standard deduction for inflation each year. The standard deduction typically is used by renters and lower-income homeowners, who do not have enough deductions to use itemized deductions, which means that increasing the standard deduction is most helpful to low- and moderate-income households.

Prioritizing tax cuts made it impossible for the mayor’s budget to make significant progress on issues such as affordable housing, given the tremendous demands from Metro, rising school enrollment, and other factors. 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 (*Table 1*).

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.

### Table 1.
**Available Revenue to Implement Tax Policy Changes**

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<tr>
<th></th>
<th>FY 2018</th>
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<td>Total Revenue Growth</td>
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</tr>
<tr>
<td>(in millions)</td>
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</tr>
<tr>
<td>% Dedicated to Tax-Cut Triggers</td>
<td>57%</td>
<td>71%</td>
<td>70%</td>
</tr>
</tbody>
</table>

Source: OCFO, February 2017 Revenue Estimates