

## **FINAL FY 2011 GAP-CLOSING PLAN RELIES HEAVILY ON CUTS All Areas of the Budget Are Affected, But Low-Income Residents Bear the Brunt**

On December 21, 2010, the DC Council approved a plan to address a \$188 million budget shortfall for the current fiscal year. The Council made several changes to the gap-closing proposal that was submitted by former Mayor Fenty in November, but the final plan continued to rely heavily on spending cuts to address a budget gap that was caused by a drop in tax collections, a reduction in expected federal revenues, and overspending in special education and a handful of other agencies.

The Council restored just over \$20 million of Mayor Fenty's proposed cuts and added just over \$500,000 to fund a new Deputy Mayor for Public Safety office and a new DC Open Government office. The large majority of the funds to restore cuts are one-time dollars — \$19 million — that came from creating four furlough days for non-essential District government employees. The Council restored \$11 million in cuts for low-income programs, including a complete restoration of cuts to adult job training, but the final plan still relies significantly on cuts to low-income programs, including cuts to basic assistance to thousands of poor families with children.

The Council also considered, but ultimately rejected, a number of proposals to raise taxes that would have been able to prevent some of the cuts. Most notably, two proposals to increase income taxes were introduced but rejected.

In addition to some funding restorations, the Council also attempted to create a budget reserve for unforeseen problems during the remainder of FY 2011. They indentified \$40 million for the reserve; however \$32 million of the reserve are funds that may be needed to address likely special education cost overruns. This likely leaves just \$8 million to address other concerns.

### **Overview of the Final Gap-Closing Plan**

Just under half of the gap-closing — \$91 million — comes from cuts in a broad range of services, according to an analysis by the DC Fiscal Policy Institute. The plan also reflects \$32 million in reduced expenses for certain services, \$19 million in greater use of federal funds, and \$24 million from tapping unspent resources in special funds. Only \$2.5 million would come from new fees — an increase in DC's hospital tax from \$1,500 per licensed bed to \$2,000, and an increase in parking rates at Metro lots.<sup>1</sup> (Other measures listed as "revenue initiatives" mainly reflect tapping resources from existing special accounts.)

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<sup>1</sup> The budget also reflected an additional \$7 million from an increase in delinquent tax collections from the Office of the Chief Financial Officer.

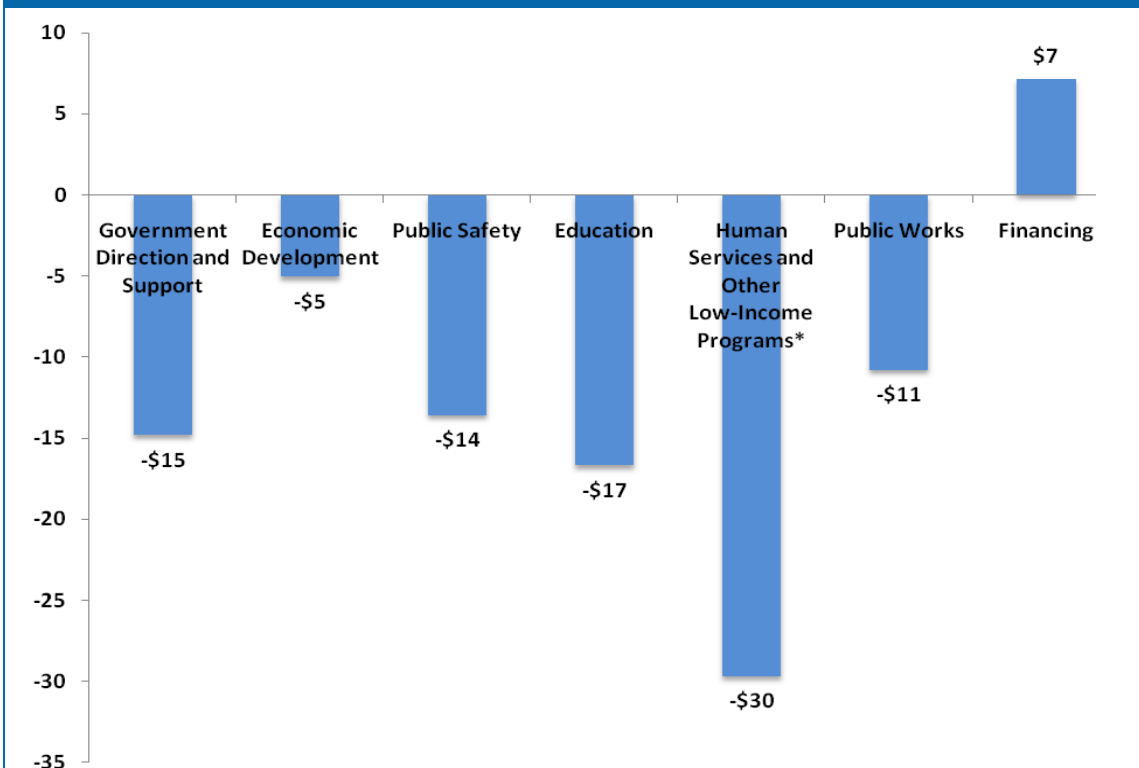
In addition, the Council implemented four furlough days for government employees, generating \$19.3 million. They used this money to restore some of the proposed cuts to programs such as: Healthy Schools — a program that provides more healthy, fresh food to local schools — funds for adult job training programs, and some of the funds cut from energy assistance, to name a few.

This latest gap-closing plan cuts even deeper into city agencies that have already seen budgets reduced over the past three years due to the Great Recession. The Fiscal Year 2011 budget approved last spring was already \$600 million lower than the budget in Fiscal Year 2008, adjusting for inflation. The approved plan to close the FY 2011 budget gap makes further cuts in a wide array of services: assistance to poor families with children, tree trimmings and plantings, police training, arts funding, out-of-school-time programs, affordable housing, child care, and small business assistance, among others. In addition, the gap-closing plan requires DC government employees to take four days without pay and pay a higher share of their health care costs.

### Overview of Cuts to Low-Income Programs

While the proposed cuts affect all parts of the city’s budget, they fall most heavily on services for DC’s lowest-income residents. Former Mayor Fenty’s proposed budget contained \$42 million in proposed cuts to low-income programs. The Council restored some funding to a handful of programs, including a full restoration of \$6.3 million in proposed cuts for adult job training. Yet, in the end, \$30 million of the cuts – 33 percent – affect low-income programs, even though these programs make up just 26 percent of DC’s locally funded budget. The cuts to low-income services far exceed the cuts to other program areas.

**FIGURE 1: FUNDING CUTS TO LOW-INCOME SERVICES FAR EXCEED CUTS TO OTHER PROGRAM AREAS**



Source: DCFPI Analysis of the FY 2011 Budget and Financial Plan (December 2010). All figures are in millions. \*For a list of the cuts included in this category see Table 1, pg 6, of this report.

Funding for low-income programs already has been cut 10 percent since 2008 — more than most other major parts of the DC budget — despite increased demand for many programs as a result of the recession.

The following are some of the major cuts to low-income programs in the FY 2011 gap-closing plan approved by the Council. (For a complete list, see Table 1.)

- **Access to Justice, \$300,000.** This program provides funding to provide civil legal assistance to low-income DC residents. The Council restored \$1.4 million of the \$1.7 million in proposed cuts to the program.
- **Energy Assistance, \$300,000.** The funding assists low-income families who are behind on gas and electricity bills and has been cut since 2008, even though the number of families facing utility shutoffs has increased by one-third in the recession. The Council restored \$400,000 of the Mayor's proposed \$700,000 cut to energy assistance.
- **Grandparent Caregivers Program, \$1.8 million.** This program provides cash assistance to grandparents who are the primary guardian for their grandchildren, who would otherwise be at risk of entering foster care. As a result of the cuts, the annual aid will be reduced by 33 percent—or \$2,500 per year—for 700 children being cared for by their grandparents. The Council restored \$900,000 of the \$2.7 million in proposed cuts for this program.
- **Child Care Subsidies, \$1.7 million cut.** Funding for child care has fallen by \$23 million, or more than one-fifth, since 2007. The final gap closing plan would cut child care funding even further, even though child care is one of the biggest barriers for parents to work and high-quality child care is important to early childhood development. The Council restored just under one-third, or \$1 million, of the proposed cut to child care funding.
- **Temporary Assistance for Needy Families (TANF): \$4.6 million.** TANF provides cash-assistance and job-training to low-income families with children. The new budget cuts monthly cash assistance benefits by 20 percent, starting in February 2011, for any family that has received assistance for at least 60 months. The budget also requires the Department of Human Services to implement a new system to assess client needs and to more appropriately address the barriers faced by parents on TANF. (DHS has been working on such a plan since early 2010 and is expected to release it early in 2011.) Finally, the budget created new provisions to increase the financial penalties imposed on families when parents fail to meet work participation requirements. The Council considered, but rejected, a proposal to cut benefits further in future years for long-term recipients.
- **Interim Disability Assistance (IDA), \$1.2 million.** This cut will prevent more than 350 disabled District residents from accessing emergency cash assistance while waiting for approval for the federal SSI program. IDA is a critical safety net program for these DC residents, most of whom cannot work due to their disability. The program currently serves 1,500 disabled residents and has a six-month waiting list of more than 500 individuals. Participation in IDA reduces reliance on costly emergency services, and increases the likelihood of approval for SSI when legal representation is assigned, which in turn improves the District's federal recovery rate.

- **Office of Disability Rights, \$147,000.** This cut will reduce the capacity of ODR to provide technical assistance and training to DC agencies and residents by cutting two staff positions. ODR helps the District avoid costly law suits by helping government agencies comply with the Americans with Disabilities Act. The office has already been cut by 32% since 2008; this cut would bring that total to a cumulative 41%.
- **Local Residential Placement Services, \$2 million.** This cut will force the Developmental Disabilities Administration to deny rental housing support to approximately 200 individuals with intellectual disabilities, and reduce DDA's ability to help disabled individuals in emergency situations. DDA is likely to need to start a waiting list for rental assistance, which may force many individuals with disabilities into homelessness or other unstable situations. In cutting this program, the District risks significant cost increases in homeless services, emergency room visits, and other costly programs.
- **Local Rent Supplement, \$3 million.** The gap-closing plan cut \$1 million that would have helped roughly 75 low-income families get assistance to meet monthly rental bills. The plan also cut \$2 million in the program's reserves, which could make it harder to serve existing tenants in the future.

### Highlights of Cuts in Other Program Areas

The proposed funding reductions in other parts of the budget include impact of the furlough days on personnel expenditures, as well as the following:

- **Public Education, \$17 million.** The final budget keeps in place the Mayor's plan to reduce funding for DC Public Libraries by nearly \$1 million, through cuts in staff and training. The other savings would come from reductions in the transportation program for special education students, which will partly offset rising expenses in other parts of the special education transportation system.
- **Public Safety and Justice, \$14 million.** The Council approved the Mayor's plan to reduce police officer recruitment and training by \$1.6 million, along with \$2 million in other cuts at MPD. The plan also cuts the Department of Corrections by \$1.6 million and the Office of Unified Communications by \$5.3 million largely from a reduction in funds for a technology upgrade.
- **Public Works, \$11 million.** The Council approved the Mayor's plan to reduce transportation funding by just over \$5.3 million, including road and alley paving and sidewalk replacement. It would also reduce funding for pedestrian and bicycle safety. The gap closing plan also would cut \$4 million from the Department of the Environment, largely from cuts to the Low-Income Energy Assistance Program, renewable energy incentive program rebates, and a weatherization program. Nearly \$4 million would also be cut from the Department of Public Works.
- **Economic Development and Regulation, \$5 million.** The Council approved the Mayor's plan to cut the DC Commission of Arts and Humanities, which makes awards to artists and arts organizations in the city, by \$450,000. The Council also maintained all but \$723,000 of a \$7

million cut for funds to provide assistance to small businesses affected by street construction. (The FY 2011 budget is the first time such funding has been provided.)

- **Government Direction, \$15 million:** The plan includes cuts to the Office of the Attorney General, the Office of the Chief Technology Officer, and the Inspector General, among others. The Council restored nearly \$3 million of those cuts among the various offices.
- **Financing, \$7 million *increase*.** This was the only area of the District's budget that had a net increase. Part of the increase, \$3 million, comes from allocating funds for a partial repayment of funds borrowed from the Rainy Day fund for United Medical Center (UMC).<sup>2</sup> The other \$4 million is funds coming to the District's general fund to help pay for improvements on the 11<sup>th</sup> Street Bridge.

### **Other Major Changes**

- **Cuts to employee pay and fixed costs across multiple agencies.** The Council was able to restore a number of proposed cuts because it created savings from a few key sources, primarily by creating four furlough days, saving the District just over \$19 million. The Council also identified \$5.4 million in savings from a reduction in security personnel and costs and from a reduced projection of its telecommunication expenditures. The \$19 million generated from the furlough days are one-time funds.
- **Budget Reserve.** The Council also attempted to create a budget reserve for unforeseen problems during the remainder of FY 2011. They indentified \$40 million for the reserve; however, \$32 million of the reserve comes from funds that may be needed to address likely special education cost overruns. This likely leaves just \$8 million to address other concerns.

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<sup>2</sup> Initially, \$26 million had been borrowed from the Rainy Day fund for UMC; however \$20 million was paid back during the year from the hospitals revenues leaving a total of \$6 million to be repaid

**TABLE 1: CUTS IN FINAL FY 2011 BUDGET AFFECT PROGRAMS SERVING DC'S LOW INCOME RESIDENTS**

DC AGENCY	PROGRAM	FINAL CUT
Access to Justice	Legal Services for Low-Income Residents	\$300,000
Department of Employment Services	Summer Youth Employment Program	\$1,945,000
	Year-Round Youth Employment Program	\$1,000,000
	Office of Apprenticeship Training and Information	\$41,000
	Budget Increase: Adult Job Training	-\$6,300,000
DC Housing Authority	Local Rent Supplement Program	\$3,000,000
Dept of Housing and Community Development	Various	\$537,000
Office of the Tenant Advocate	Housing Assistance Payments, Other	\$386,000
Department of Human Services	Interim Disability Assistance	\$1,200,000
	TANF Cash Assistance to Families with Children	\$4,627,000
Office of the State Superintendent of Education	Child Care Subsidies	\$1,700,000
District Department of the Environment	Low-Income Home Energy Assistance Program	\$300,000
Child and Family Services	Grandparent Caregivers Subsidy	\$1,800,000
	Community Collaboratives	623,000
	Tutoring Services	\$1,048,000
	Other	\$996,000
Department of Health	Community Health Grants	\$1,000,000
	Other	\$647,000
Department of Mental Health	Mental Health Rehabilitative Services Rate Reduction	\$1,079,000
	Community Health Services	\$1,222,000
	Other	\$1,972,000
Department of Health Care Finance	Various	\$810,000
Department of Disability Services	Local Residential Placement Services	\$2,000,000
	Host Home Residential Services	\$102,000
	Non-Medicaid Medical Services	\$260,000
	Clinical Services Contracts	\$267,000
	Other	\$566,000
Office of Disability Rights	Various	\$147,000
Children and Youth Investment Trust	Grants for Out-of-School-Time programs	\$2,575,000
Office of Latino Affairs	Community-based Grants, Other	\$213,000
Deputy Mayor for Planning & Econ Development	Neighborhood Investment Fund	\$3,610,000
	Budget increase: New Communities Human Capital	-\$2,400,000
TOTAL*		\$27,273,000

Source: DCFPI Analysis of the Final FY 2011 Amended Budget (December 7, 2010). \*Total figure does not include administrative cost reductions and reductions from the implemented furlough days. Including those costs brings the total cuts in the human services and other low-income program area to \$29,691,000