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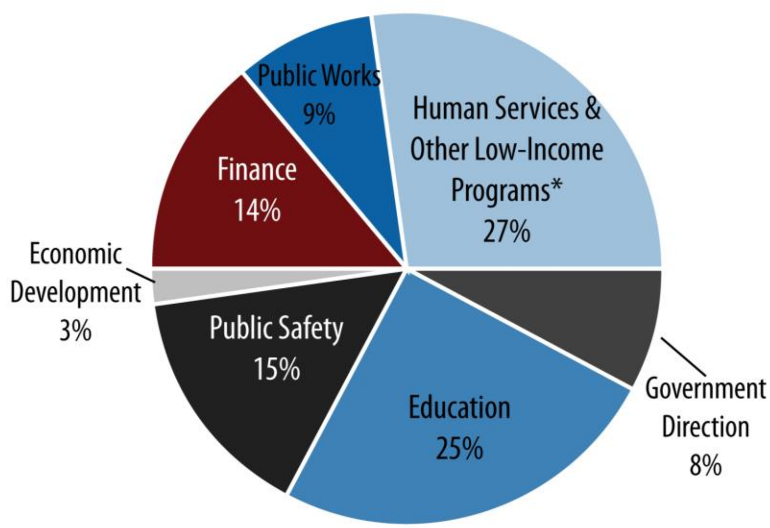
WHAT'S IN THE APPROVED FY 2014 BUDGET REQUEST?

On June 27th, the DC Council gave the final approval for fiscal year 2014 budget, which started October 1, 2013. The 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 $7.21 billion (**see Figure 1**).[1] When federal funding for programs and services is included — in what is called gross funds — the District's fiscal year (FY) 2014 budget is $10.1 billion.

The general fund budget is $329 million higher than the revised FY 2013 budget, after adjusting for inflation — an increase of 5 percent.[2] (Unless otherwise noted, all figures in this analysis are adjusted for inflation to equal FY 2014 dollars.)

Figure 1

DC's $7.21 Billion FY 2014 General Fund Budget



*Other low-income programs include the following agencies removed from Economic Development: Employment Services, Housing and Community Development, DC Housing Authority and Housing Production Trust Fund
Source: Approved Fiscal Year 2014 Budget and Financial Plan

This report reviews the key elements of the approved FY 2014 budget, which makes a number of investments in critical services, including affordable housing, public safety, libraries, education, public works and human services. The FY 2014 budget also makes a number of notable investments in DC's low- and moderate-income residents, including investments in low-income property tax assistance, child care, adult education and chronically homeless residents.

The largest funding increases from FY 2013 to FY 2014 cover rising enrollment in public schools, an increase in

[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 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.

repayments of debt issued for construction projects, the need to replace federal dollars that were available in FY 2013 but will not be available in FY 2014, increasing Medicaid costs, pay raises for DC government employees and funds to support the rising costs of providing city services, as well as other District priorities that will be discussed in greater detail.

While the District's improving economy allowed the mayor and Council to use the FY 2014 budget to make a number of investments, many DC residents have not felt the benefits of the recovery, and a number of programs aimed at helping these residents remain strapped. For example, the District's Interim Disability Assistance Program, which helps residents who are unable to work and who are waiting for determination of eligibility for federal disability benefits, is funded well below pre-recession levels. Funds to help Temporary Assistance for Needy Families obtain job training assistance remain under-funded.

The District's revenue collections in FY 2014 will total $6.7 billion. The District's tax collections dropped sharply in the Great Recession, starting in FY 2009, and have only recently recovered. Fiscal year 2014 revenue, with the inclusion of revenue increases in the FY 2014 budget, will be higher than those in FY 2008, the final year before the recession hit. A full discussion of the revenue changes occurs 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.

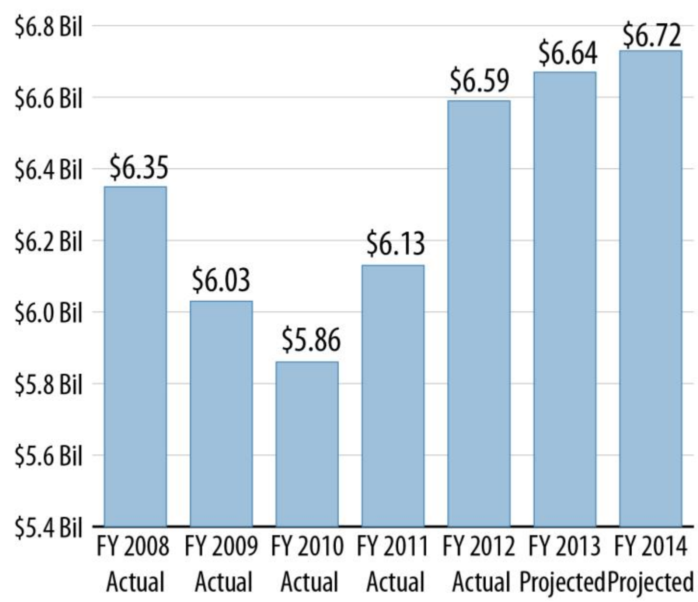
DC Revenues Have Recovered Since the Recession, But Growth Has Slowed

The District's tax collections have increased sharply in recent years, helping DC's revenue collections to recover from the recession (see **Figure 2**). However, when the final vote on the FY 2014 budget took place in June, DC's revenue collections in FY 2014 were only modestly above pre-recession levels.

Since that time, DC's revenues have continued to increase, rising to an estimated $6.8 billion in the December 2013 revenue forecast announced by DC's Chief Financial Officer. However, neither the Mayor nor Council has proposed additional spending of

Figure 2

DC Revenue FY 2008 Actual Through FY 2014 Projected



Figures are adjusted to equal FY 2014 dollars and do not include special purpose revenues

DCFPI Analysis of DC Budget and CFO Quarterly Revenue Forecasts those funds on the FY 2014 budget. This analysis uses the revenue estimates as of June 2014, the estimate that directly impacted the FY 2014 budget.

DC's tax collections dropped sharply in the Great Recession, going from $6.35 billion in FY 2008 to $6.03 billion in FY 2009. Revenue kept falling in FY 2010, with collections bottoming at $5.86 billion. The precipitous decline in revenue over two years led to substantial cuts in public services, many of which were in human services and other low-income programs. The city's revenue collections started to rise in FY 2011, in part due to a variety of tax and fee increases, but continued to remain below pre-recession levels.

Revenue collections in FY 2014 will be $6.75 billion which is $800 million, or 14 percent, higher than in the low point of the recession in FY 2010. FY 2014 represented the first year since FY 2010 that DC's mayor did not have to present a budget that first had to close a significant budget gap. However, overall growth in revenues since the start of the recession — when taking into account the fall in revenues in the recession and growth in the recovery — is modest; averaging less than 1 percent per fiscal year since FY 2008.

Furthermore, after significant growth in FY 2011 and FY 2012, federal budget cuts resulting from sequestration are expected to slow the DC economy by reducing employment and contracting in the DC area. This will put the brakes on further growth in tax collections in FY 2013 and FY 2014. In fact, revenues in 2013 are projected to be just $68 million higher in 2012, after adjusting for inflation, and revenues in FY 2014 are projected to be only $83 million above FY 2012.

Funding Changes by Major Program Area

The District's budget includes more than 80 operating agencies, with budgets ranging from under $100,000 to more than $600 million in local funds. These agencies are grouped into seven major categories, known as "appropriation titles." 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.

Table 1 shows how funding for each appropriation title from local sources would change in FY 2014 under the approved budget. The table also adjusts two titles, Economic Development and Human Services, to shift several agencies that target housing and jobs assistance from the Economic Development title to the Human Support Services title.

This section highlights the major cuts and additions within each appropriation title. A more detailed analysis of each appropriation title, including comparisons to the current year, is found in the appendix.

Table 1 Changes in DC's General Fund Budget from Approved FY 2013 to Approved FY 2014			
Appropriations Title	**FY 2013 Revised**	**FY 2014 Proposed**	**Change, 2013 to 2014**
Government Direction	$560	$597	7%
Economic Development	$336	$388	15%
Less Low-Income Agencies*	$169	$186	10%
Public Safety	$1,013	$1,035	2%
Education	$1,719	$1,771	3%
Human Support	$1,686	$1,761	4%
Plus other Low-Income Agencies*	$1,853	$1,963	6%
Public Works	$593	$623	5%
Financing	$973	$1,034	6%

Notes:
All figures are in millions and adjusted for inflation to equal FY 2014 dollars.
FY 13 figures are adjusted to reflect changes to the FY 2013 budgets for some agencies; the exception is the $67 million in one-time funds for the Housing Production Trust Fund. Including those funds distorts the changes from year to year and makes it appear that some areas of the budget are being significantly cut when, in fact, they are not.
These figures include some adjustments to make figures comparable.

* "Low-Income Agencies" includes Department of Employment Services, Housing and Community Development, Housing Authority Subsidy, and the Housing Production Trust Fund.

Government Direction

The FY 2014 general fund budget for Government Direction and Support agencies is $597 million, which represents a $38 million or 7 percent increase from FY 2013. This was largely driven by substantial budget increases for the Office of the Chief Technology Officer (OCTO), the Department of General Services, as well as the creation of the One City Fund, which will provide competitive grants to District nonprofit organizations. The Office of Contracting and Procurement also received a significant increase in its operating budget, mostly due to the addition of 15 new positions in the Procurement Division. Several agencies, including the Executive Office of the Mayor, Office of the Chief Financial Officer, Office of the Inspector General, and DC Council will experience a small decline in funding in FY 2014.

Economic Development

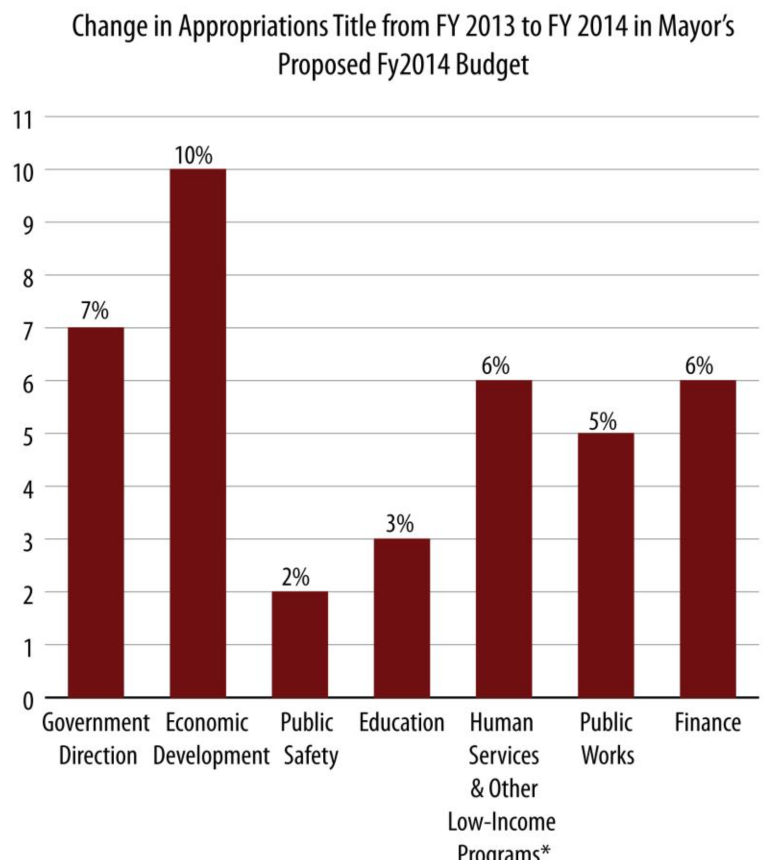
The FY 2014 general funds budget for economic development and regulation is $388 million, a 4 percent decrease from FY 2013. This is entirely the result of $67 million in one-time funds that were added to the FY 2013 budget for the Housing Production Trust Fund — DC's main source for affordable housing construction and renovation — that are not available in FY 2014. Adjusting for these funds, total funding for economic development will increase 15 percent from FY 2013.

FY 2014 local funding for the Department of Housing and Community Development is $21 million, a 7 percent increase from FY 2013. The increases is largely attributed to DHCD's plans to use additional revenues collected from other sources to increase its technical assistance contractual budget by $2.3 million.[3]

FY 2014 revenue for the Housing Production Trust Fund is $47 million. The budget fully restores a $20 million cut to the HPTF that had been in place for the last few years. In addition, the DC Housing Authority's budget includes nearly $10 million in additional funds for the Local Rent Supplement Program, which provides rent subsidies to make housing affordable for very-low income families.

Figure 3

Change in Appropriations from the Approved FY 2013 Budget to the Approved FY 2014 Budget



Change in funding is from FY 2013 figures, after adjusting for inflation to equal FY 2014 dollars and includes adjustments made from the proposed FY 2013 supplemental budget. *Other low-income programs include the following agencies removed from Economic Development: Employment Services, Housing and Community Development, DC Housing Authority and Housing Production Trust Fund
Source: Approved FY 2014 Budget and Financial Plan

FY 2014 local funding for the Department of Employment Services is $96 million, a 6 percent increase over the FY 2013 budget. The city's "one-stop" employment centers and a year-round program for youth got notable funding increases. Meanwhile, funding for adult job training and adult subsidized jobs will fall. Funding for the Summer Youth Employment Program, which has been scaled back since the late 2000s, is flat.

Public Safety

FY 2014 funding for public safety is $1 billion, a 2 percent, or $22 million, increase from FY 2013. Funding for the Metropolitan Police Department (MPD) increased by one percent from FY 2013 and includes $5 million for 93 additional police officers and $8 million in increased funding for automated traffic enforcement. These increases are offset by a movement of 38 MPD positions to

[3] The other sources that would be tapped include the HPAP repay account and DHCD's unified fund.

the Department of Corrections for corrections officers. Funding for the Office of the Deputy Mayor for Public Safety and Justice is $19 million, a 45 percent increase from FY 2013, stemming largely from increases in services for victims of domestic violence; this includes $3 million for housing programs that serve victims of crime and domestic violence as well as $4.4 million to replace expiring federal funds for other programs that serve crime victims.

Education

The fiscal year 2014 general fund budget for education is $1.8 billion, a 3 percent, or $52 million, increase over the approved FY 2013 budget. The FY 2014 budget includes a 2 percent increase to the locally funded Uniform Per Student Funding Formula (UPSFF). However, the budget for DC Public Schools (DCPS) of $656 million represents a 4 percent decrease in general funds, largely as a result of an expected drop in enrollment. Funding for Public Charter Schools is $616 million, an increase of 13 percent from FY 2013, due to a projected increase in enrollment over last year. Charter schools will also see greater local investment in their facilities allotment, which is $3,000 per student and will be completely funded with local dollars in FY 2014. The allotment was partially funded with federal dollars in past years.

The FY 2014 budget for Non-Public Tuition, which provides tuition for special education students placed in private schools is $80 million, a 29 percent reduction from FY 2013. That reflects efforts in the past few years to improve capacity at DCPS to serve students with special education needs and to reduce the number of students placed in private schools. DCPS will expand the number of classrooms for children with special education behavioral needs. The overall special education local budget within DCPS will see a decrease of $3 million from FY 2013 due to the 500 reduction in projected special education enrollment in FY 2014.

The Office of the State Superintendent of Education (OSSE) budget in FY 2014 is $127 million, 17 percent increase from FY 2013. This increase includes an investment of $6 million to expand early intervention services for infants and toddlers with developmental delays. The increase also includes a $9.5 million increase to the budget for the child care subsidy program, which serves about 10,000 children over the course of a year. The increase will help expand early childhood program infant and toddler slots by 200 and to increase the quality of existing infant and toddler slots by increasing the child care subsidy rate by 10 percent. FY 2014 funding for the DC Public Library system is $53 million, an increase of 22 percent, or $9 million, from FY 2013. The increased funds are being used to extend the operating hours at all library locations and to purchase additional resources.

Human Services and Health

The FY 2014 general fund budget for Human Support Services is $1.76 billion, a 4 percent increase from FY 2013. The general funds budget for the Department of Human Services (DHS) will increase 26 percent from FY 2013 to $215 million in FY 2014. This budget contains a number of changes including using local funds to replace $20 million in federal Temporary Assistance for Needy Families (TANF) carryover funds that are not available in FY 2014, a $6 million increase to delay the timing of a TANF benefit cuts for families who have received benefits for more than 60 months, and a $2.5 million increase for a contract with the Department of Behavioral Health to provide substance abuse treatment for parents in the TANF program.

The DHS budget also includes $3.6 million to fund five of the six time limit protections for vulnerable TANF families that were included as part of the FY 2013 budget, but never implemented because funds were not made available. These protections, which most states offer, give families a break from the 60-month time limit on benefit receipt to give them time to deal with serious issues that interfere with their ability to work such as domestic violence or caring for a family member with a disability.

Lastly, the DHS FY 2014 budget dedicates $1.5 million to homeless youth services and increases the funding for permanent supportive housing by $3 million to help provide housing for an additional 93 chronically homeless residents.

The budget increases local funding for the Department of Health Care Finance (DHCF) by $30 million or 4 percent, for a total general fund budget of $804 million. This is largely driven by increases in Medicaid enrollment and costs. Funding for the Healthcare Alliance, which serves uninsured residents not eligible for Medicaid, will fall by $2 million to $40 million. There has been a sharp reduction in Alliance enrollment since 2011, and this seems to reflect the impact of a restrictive process implemented that year that participants must go through to re-certify their eligibility.

The budget for the new Department of Behavioral Health is $206 million, a 6 percent increase from FY 2013 when compared with comparable services.[4] The DBH budget enhances reimbursement rates for mental health services for Medicaid recipients by $7 million in local funding, and it increases rates by $2 million for mental health services for non-Medicaid participants. The budget also expands the school mental health program by $2 million which will expand services to an additional 19 public schools.

Public Works

Local funding for public works is $623 million, a 5 percent, increase from FY 2013. The budget for the Department of Transportation (DDOT) is $93 million, a 20 percent increase from FY 2013, including $4 million for Streetcars and $4 million for parking meter operations. Funding for the Department of Public Works is $119 million, an increase of 4 percent from FY 2013, to reflect increased funding for sandbags for flood prevention and for supercan and recycling can replacement initiatives.

Funding for the Department of Motor Vehicles (DMV) is $37 million, a 6 percent increase that partly reflects opening a new DMV center in Georgetown. Funding for the District Department of the Environment (DDOE) is $69 million, an increase of 4 percent from FY 2013 to cover costs for salary increases, additional personnel, and fringe benefits. The budget for the Washington Metropolitan Area Transit Authority (WMATA) is $301 million, a 2 percent increase from FY 2013, including costs for the new Silver Line and an increase in retirement costs. The increase also includes approximately $4 million to provide free transportation to and from school for all students enrolled in DC public schools.

[4] The FY 2014 proposal creates the Department of Behavioral Health, which is composed of the Department of Mental Health and the Addiction Prevention and Recovery Administration from within the Department of Health.

Finance

The general fund budget for financing in fiscal year 2014 is $1.03 billion, an increase of 6 percent from fiscal year 2013. The largest increase is a $49 million, or 10 percent, increase in debt service payments reflecting increased borrowing in recent years for school construction and other capital projects. The Financing budget also includes $59 million for "workforce investments," which reflects expected pay increases for DC government employees. When the pay raises are completed — typically through negotiation with collective bargaining groups — the funds are allocated to the relevant DC government agencies.

The financing budget also includes a number of funding reductions. The cost of leasing equipment across DC government will fall $8 million, or 16 percent, under the FY 2014 budget. In addition, the District will pay off funds borrowed to renovate One Judiciary Square with a final payment in FY 2014. That payment will be $8 million lower (26 percent) than the payment made in FY 2013. Finally, funding for "non-departmental" activities, a catch-all line in the DC budget that creates budget flexibility, will be $11 million in FY 2014, compared with $35 million in FY 2013.

How the FY 2014 Budget Was Balanced

The District's $7.21 billion FY 2014 budget represents an increase of $331 million from the FY 2013 revised budget, after adjusting for inflation. It represents the first time since the start of the recession that the District did not have to close a looming budget gap. Instead, at the time the budget was presented to the DC Council, the District faced a $178 million increase in projected revenues for FY 2014 that allowed the mayor and Council to increase funds for a number of programs and services across DC government. In addition, the FY 2014 budget includes $74 million in revenue increases as well as $96 million in revenues that are being carried over from FY 2013 in to FY 2014 (these are discussed in greater detail below).

The FY 2014 budget allocates the increased revenues to a number of programs and services, including:

- **DC Public Charter Schools.** The FY 2014 budget includes a $70 million increase to DCPCS that is largely driven by projected enrollment growth, from 33,700 students in 2012-13 to 37,400 students in 2013-14, and a 2 percent increase in per-pupil funding.

- **Debt service.** The FY 2014 budget reflects increased payments for debt service by $49 million due to increased borrowing in recent years for capital construction projects, including school modernization.

- **Replacement of depleted federal funds within the Department of Human Services.** The FY 2014 budget for DHS includes a $45 million increase in local funds from FY 2013. That includes $20 million needed to replace federal carryover funds that were used in 2013 to fund the programs and services in the Temporary Assistance for Needy Families program (TANF) and that will not be available in FY 2014.

- **Pay raises for DC government employees.** The FY 2014 budget includes $59 million to implement pay raises for DC government employees that will begin in the latter half of FY 2013. The pay raises would cover both union and non-union DC employees, many of whom have not seen pay raises for four to seven years.

- **Medicaid.** The FY 2014 budget includes a $30 million increase for the Department of Health Care Finance, the majority of which is needed to address rising Medicaid enrollment.

- **Affordable housing.** Mayor Gray pledged $100 million for affordable housing in his 2013 State of the District address. Of that, $67 million represented one-time additions to the FY 2013 budget and $33 million represented additional recurring funds starting in FY 2014. The FY 2014 budget includes $20 million to fully restore a cut to the Housing Production Trust Fund that had been made each of the last two years, $1.5 million for homeless youth programs, nearly $10 million for the Local Rent Supplement program and $3 million each for Permanent Supportive Housing and housing for victims of domestic violence. The budget also allocates $2 million to further efforts to create a centralized affordable housing database.

Other notable increases include:

- **Expansion of DC's Low-Income Property Tax Credit, Schedule H.** Schedule H is a property tax credit, but it helps both homeowners and renters because it assumes a portion of a household's rent — 20 percent under the new law — reflects property taxes passed on by the landlord. Schedule H provides assistance to households struggling with substantial rents or property taxes relative to their income, and thus can help DC residents stay in their homes amidst sharply increasing housing costs.

  The FY 14 budget improved the effectiveness and reach of the program by raising the income eligibility limit from $20,000 to $50,000, increasing the maximum annual credit amount from $750 to $1,000, and allowing people who share housing to claim Schedule H separately. As many as 125,000 will be eligible for the updated Schedule H credit based on income, according to the Chief Financial Officer. Implementing these changes will cost $5.4 million in FY 2014.

- **Special education early intervention.** The budget includes $6 million in fiscal year 2014 to expand early intervention services for infants and toddlers with developmental delays. The funding will allow the DC Early Intervention Program to broaden coverage to serve children with a 25 percent developmental delay in two or more areas, rather than the current standard of only serving children with delays of 50 percent or more. The increased funds also will extend coverage until age four. Identifying and addressing delays early can improve a child's chances of succeeding in school.

- **Delay in the benefit cut for Temporary Assistance for Needy Families (TANF) recipients.** Cash assistance benefits for families who have received benefits for more than 60 months were cut 20 percent in 2011. Under current law, those benefits would have been cut further in October 2013, with the maximum benefit for a family of three falling from $342 per month to $171. The budget slows down the pace of the reductions, setting the maximum benefit for a family of three at $257 for affected families in fiscal year 2014.

- **Protections for Temporary Assistance for Needy Families (TANF) recipients who face severe barriers to work.** The DHS budget also includes $3.6 million to fund five of the six time limit protections for vulnerable TANF families that were included as part of the FY 2013 budget, but never implemented because funds were not made available. These kinds of protections, which most states offer, give families a break from the 60-month time limit on benefit receipt to give them time to deal with serious issues that interfere with their ability to work such as domestic violence or caring for a family member with a disability.

- **Domestic violence services.** The FY 2014 budget includes increased funding for services for victims of domestic violence, in addition to the funding for housing for these residents, to head off a potential significant cut to this area from lost federal funds.

- **Increases in child care reimbursement rates and slots for infants and toddlers**. The $11 million increase will help expand early childhood program infant and toddler slots by 200 and increase the quality of existing child care services by increasing the child care subsidy rate by 10 percent. FY 2014 funding for the DC Public Library system is $53 million, an increase of 22 percent, or $9 million, from FY 2013. The increased funds are being used to extend the operating hours at all library locations and to purchase additional resources.

Some Programs Aimed At Helping Vulnerable Residents Remain Underfunded

While the FY 2014 budget includes significant investments across DC government, there are several programs that were cut deeply in recent years that are not fully restored in the FY 2014 budget:

- **Interim Disability Assistance (IDA).** The IDA program provides $270 a month to residents with disabilities that prevent them from working. These residents are waiting for a determination on whether they qualify for federal Supplemental Security Income (SSI) benefits, which can take more than a year. Local funding for IDA – which assists residents during this period – was cut from $6 million in FY 2008 to $1.5 million in FY 2013, which led to an 80 percent decrease in the number of residents served, from 2,900 to 550 individuals. The FY 2014 budget has only a modest increase of $626,000 for IDA, enough to provide benefits for 279 additional individuals. This would bring the monthly caseload to roughly 979 cases per month, far lower than when 2,800 people with disabilities received assistance in 2009.

- **Temporary Assistance for Needy Families.** The FY 2014 budget did not provide sufficient funding to ensure that all work-ready parents in the TANF program have access to job training services. The budget includes $33 million for TANF employment vendors, sustaining FY 2013's maximum capacity to serve 3,630 unemployed TANF parents. This is not sufficient to meet the need for training, and as a result there is a waitlist of nearly 3,250. As of April 2013, the average wait time to access vendor services was three to six months. This wait time is likely to increase as DHS plans to assess the remaining 9,000 parents who have not yet received an assessment by the end of June 2013. It is anticipated that the vast majority of these parents will be referred to an employment vendor.

Changes to the Homeless Services Reform Act Raise Concerns

Another area of concern is that the proposed FY 2014 Budget Support Act (BSA), the legislation necessary to implement the budget, contained a number of significant changes to the Homeless Services Reform Act (HSRA). The HSRA is the law governing the District's homeless services system. In response to concerns expressed at the hearing on these proposed changes, the Council made a number of changes to the mayor's proposal.

The Council dropped the mayor's proposal to create a "provisional placement" policy for homeless families. This would have allowed the Department of Human Services to place a family in shelter for a period of time while determining whether a family was eligible for shelter and whether that family may be able to stay with friends or family. Provisional families would not have the same legal protections as residents who have been deemed homeless, such as the right to 15-day notice of shelter termination and the right to continued shelter pending a legal appeal of termination. Given concerns about the potential for shelter terminations to be made in error and affected families possibly being forced to sleep in unsafe conditions, the Council removed the provisional placement policy from the amendments.

The Council retained the mayor's proposal to require shelter residents to pay into savings accounts, but added a requirement that escrow plans have to be tailored to each resident's individual circumstances and expenses. For instance, a resident with high medical costs due to illness would have these costs considered when determining how much he would be required to contribute. Additionally, the Council dropped a provision that would have allowed residents to be terminated from shelter for failing to contribute to escrow. Instead, residents who fail to pay escrow will face sanctions, such as loss of traveling privileges. These sanctions will be outlined in the shelter's rules that are provided to each resident upon entering the shelter.

Finally, the Department of Human Services worked collaboratively with the Council, providers, and advocates on changes to the Permanent Supportive Housing program (PSH), also known as Housing First. PSH provides long-term housing and case management services to chronically homeless individuals and families, who typically suffer from chronic and life-threatening health conditions and severe mental illness. In the mayor's initial proposal, residents who were absent from their unit for more than 60 days could lose both their housing and supportive services. Given that the program by definition serves those at high need for hospitalization or in-patient rehabilitation, advocates and providers were concerned that residents would not seek these needed services if doing so could lead them to lose their housing. DHS extended the period of absence to 180 days, guaranteed that residents would get notice prior to a termination, and would be prioritized for rehousing upon their release.

FY 2013 Supplemental Budget

In addition to the FY 2014 budget, the DC Council passed a FY 2013 supplemental budget. The changes to the FY 2013 budget were based on a $190 million upward revision to FY 2013 revenue projections announced in February as well proposed increases to the spending authority among several agencies by $77 million. The FY 2013 supplemental also makes changes to revenues, although it does not include any broad-based fee or tax increases.

A summary of the major increases are as follows:

- **Housing Production Trust Fund: $67 million.** As part of the mayor's $100 million pledge for affordable housing, the FY 2013 revised budget included a significant one-time increase in funding for the HPTF — DC's main source for affordable housing construction and renovation.
- **Affordable housing database: $600,000.** The mayor proposed to allocate $500,000 to the Office of the Chief Technology Officer and $100,000 to the Deputy Mayor for Planning and Economic Development in FY 2013 to create a database that will track the District's creation of affordable housing across agencies.
- **Pay raises for DC government employees: $24 million.** The supplemental budget gave both union and non-union DC government employees raises in the latter half of FY 2013. Many DC government employees had been without raises for four to seven years.
- **Increased budget authority for several DC agencies: $77 million.** The FY 2013 supplemental budget increased the authority for several DC agencies to spend certain funds that were received in a prior year but not spent or special fees or charges the agency will collect this year beyond what was originally anticipated. Changes ranged from a $93,000 increase in the Department of Transportation's Tree Fund to $10 million within DC Public Schools for an increase for the e-rate education program. A list of proposed increases can be found on the CFO's website: http://cfo.dc.gov/node/477472.

A summary of the major changes to revenues include:

- **Repeal out of state bonds tax and fund various tax abatements: $4.4 million reduction.** The FY 2013 revised budget allocated $1.1 million to repeal an income tax on investments in out of state bonds. This makes the District the only jurisdiction in the nation to provide a blanket tax exemption for all out-of-state bonds and is described in great detail below. The budget also funded a variety of tax abatements for specific projects totaling $3.3 million.

The FY 2013 revised budget also included a proposal to carry $96 million in FY 2013 revenues—the amount of funding left over after the revenue reductions and new expenditures are subtracted from the $190 million surplus—into FY 2014 to help fund a number of increases in programs and services.

Revenue Additions in the FY 2014 Budget

The FY 2014 budget includes $74 million in additional revenues, equal to about 1 percent of the city's locally funded budget. The bulk would come from expansion of automated traffic enforcement, a new fee on hospitals that will be used to fund Medicaid services and generate federal matching funds, and improved tax compliance measures. The budget includes no broad-based tax increases but does include several notable tax reductions.

The major additions are as follows:

- **Expanded Automated Traffic Enforcement:** The FY 2014 budget would generate $43 million by expanding the use of speeding and other automated traffic enforcement cameras to more locations.

- **Improved Sales and Income Tax Compliance:** The FY 2014 budget would raise $13 million through a variety of measures to improve compliance with DC's taxes. Some $4.4 million would result from better use of federal matching programs to identify taxable sales and income, and $7.6 million would come from enhanced technology to detect errors or abuse.

- **Hospital Provider Fee:** The budget proposes a new that fee will be assessed on the gross patient-based receipts of every hospital in the District of Columbia. The funds will be used to fund Medicaid-eligible outpatient services provided by hospitals. The $12.4 million in local funds generated by the fee will draw $29 million in federal matching funds.

- **Increased Fee for Violation of Street Sweeping Restrictions:** The budget increased the fee for cars that park on street in violation of street-cleaning parking restrictions, from $30 to $45. This will raise $1 million.

- **Expanded Parking Enforcement:** The budget includes funding to hire 30 additional parking enforcement staff, which will raise $600,000 per year after taking into account the added personnel costs. Other parking related initiatives will add $1.7 million.

Table 2

Revenue Changes in the FY 2014 Budget

	Amount (In $ Millions)
REVENUE INCREASES	
Expanded Automated Traffic Enforcement	$43.0
Hospital Provider Fee	$12.4
Enhanced Tax Compliance	$12.8
Expand Parking Enforcement and Meters	$2.3*
Increase Street Sweeping Violation Fee	$1.0
Other	$2.8
REVENUE DECREASES	
Reduce general sales tax rate by ¼ percent	$19.8
Re-establish tax break for out-of-state bonds	$1.7
Sales tax exemption for restaurant utilities	$3.5
Expand/Update Schedule H credit	$5.4
Increase income limit for senior property tax credit	$0.7
Tax abatements for development projects	$1.3

*net increase after staffing costs

- **Other Sources of Revenue:** The FY 2014 budget projects $800,000 in revenue from enhanced food inspection, 350,000 from improved surplus property sales practices, 50,000 from an increase in a fee assessed on healthcare providers, $320,000 in enhanced debt collection for United Medical Center hospital, and $1.3 million in new assessments on homeowners in flood-prone areas. The assessments will be used to fund flood assistance services.

Revenue Reductions in the FY 2014 Budget

The budget includes several new tax reduction provisions, and it funds tax abatements to several development projects as well as providing a blanket tax exemption to all affordable housing developed under a specific DC program. Together, these total over $31 million in FY 2014.

In addition, the Council set aside $18 million in the FY 2014 budget to allow it to implement some of the recommendations from the Tax Revision Commission, which will be completed by the end of calendar year 2013. The set-aside was made possible by a revenue forecast issued during the week of the final budget vote that identified a substantial increase in expected revenue collections. Most of revenue increase was used to increase spending on priority services and to reduce the general sales tax rate (see below). The remainder was set aside for future tax reductions.

- **Sales Tax Rate Reduction:** The sales tax rate for general purposes was reduced from 6 percent to 5.75 percent, which will result in $20 million in lost revenues in FY 2014. (The District has separate sales tax rates for some types of purchases, such as restaurant meals, car rentals, and hotels. Those rates were not adjusted.) The sales tax rate had been raised from 5.75 percent to 6 percent on a temporary basis in FY 2010, but later the change was made permanent. The FY 2014 reduction will return the sales tax to its rate from 1995 to 2010.

- **Schedule H Property Tax Relief:** Legislation was adopted in 2012 to improve Schedule H, a tax credit for lower-income residents when rents or property taxes are high relative to income. Schedule H is a property tax credit, but it helps both homeowners and renters because it assumes a portion of a household's rent — 20 percent under the new law — reflects property taxes passed on by the landlord. Schedule H provides assistance to households struggling with rising rents or property taxes, and thus can help DC residents stay in their homes amidst sharply increasing housing costs.

Schedule H has not been updated for 35 years and has several problems that result in very few residents claiming it. The changes funded in the FY 14 budget address many of those problems, including the following:

- **Raising the income eligibility limit from $20,000 to $50,000.** The income eligibility limit for Schedule H has remained $20,000 for 35 years.

- **Increasing the maximum annual credit amount from $750 to $1,000.** The maximum credit amount has also not been adjusted for 35 years, and has remained at $750.

- **Allowing people who share housing to claim Schedule H separately.** Current rules require people or families sharing a home to apply together even if they do not share income or file tax returns together. This often makes it impossible for people to qualify. Of 16 states with similar credits, 14 allow people in shared housing to claim the credit separately based on their income and their share of the rent. The legislation adopted in 2012 follows this practice.

  As many as 125,000 will be eligible for the updated Schedule H credit based on income, according to the Chief Financial Officer. Implementing these changes will cost $5.4 million in FY 2014.

- **Expanded Income Eligibility for the Senior Property Tax Break:** As of 2013, senior homeowners with annual income under $100,000 qualified for a 50 percent cut in property taxes. That income limit had not been adjusted in a number of years, as is the case for many parts of the DC income tax. The FY 14 budget funds the Age in Place Tax Credit Act, which increases the income limit for this tax credit to $125,000 and adjusts it for inflation in subsequent years. The practical effect is to provide property tax reductions for seniors with incomes between $100,000 and $125,000. This tax reduction will cost $700,000 in FY 2014.

- **Out-of-State Bonds Tax Break:** The FY 2014 restores a tax break for interest earned on government bonds issued in other states. The DC Council voted in 2011 to eliminate this tax break for new investments in out-of-state bonds but has delayed implementation since then. The budget thus makes permanent the policy of offering a tax exemption for all such investments, including new ones.

  Restoring this tax break makes DC and North Dakota the only jurisdictions with an income tax to offer a blanket exemption for all out-of-state bond investments. It will cost $1.7 million in lost revenue in 2014, rising to nearly $4 million by 2017. Outside of DC, most states offer tax breaks only for bonds issued within the state as an incentive to invest in that state's infrastructure.

  Supporters of the tax break argued that the District offers residents only a limited number of DC bond options, and that this tax break is needed to protect seniors on limited incomes who live off such investments. While a small number of DC households rely on tax-exempt income for a notable share of their income – about 700 households get one-third or more of their income from such bonds – many very high-income residents appear to use out-of-state bonds as a tax shelter. Over three-fourths of tax-exempt income in the District in 2010 went to residents with income of $200,000 or more in income *in addition to their tax-exempt interest income*. In fact, just 81 DC households earned an average of $2 million from tax-exempt interest in 2010, accounting for nearly half of all tax-exempt interest earned in the District.

- **Sales Tax Exemption on Selected Restaurant Utilities:** The FY 2014 budget implements legislation adopted in 2011 to provide a sales tax exemption for the utilities used by restaurants to store and prepare food. This exemption reflects the fact that refrigeration and cooking are inputs into a restaurant's final products, and tax law often is designed not to tax the inputs to a business product, especially when the final product will be subject to sales tax. This provision will cost $3.5 million in 2014.

- **Tax Abatements:** The budget funds the following tax abatements, some of which were adopted in previous years but not funded.

  - United Negro College Fund — $340,000 in FY 2014
  - Carver 200 Low-Income and Senior Housing — $99,000 in FY 2014
  - Elizabeth Ministry Affordable Housing — $7,000 in FY 2014
  - Gala Hispanic Theater — $44,000 in FY 2014
  - Beulah Baptist Church — $59,000 in FY 2014
  - Tregaron Conservancy — minimal impact
  - Tibetan Community — $32,000 in FY 2014
  - Bryant Mews Homeowners Association — $70,000 in FY 2014
  - Basilica of the National Shrine of the Immaculate Conception — $207,000 in FY 2014
  - Jubilee Housing Residential Rental Project — $237,000 in FY 2014

The FY 2014 budget also implements legislation adopted in 2010 that repeals the property tax for affordable housing purchased under the Land Acquisition for Housing Development program. The budget also includes other tax abatements with no costs in FY 2014, either because costs are limited to FY 2013 or because costs will start in FY 2015. The latter includes a tax abatement for the Howard Town Center mixed-use development that will cost $800,000 per year starting in 2016, and Parkside Mixed Income Apartments that will cost about $500,000 per year starting in 2015.

Changes to the Structure of DC's Gas Tax in the Fiscal Year 2014 Budget

The budget adopts changes to the way the District's motor fuel tax is structured. The tax on gasoline is dedicated to the city's Highway Trust Fund and is used to match federal highway funds. In 2013, the gas tax was levied as a 23.5 cents tax per gallon, paid at the pump by the consumer. The FY 2014 budget eliminated this tax for gas and diesel fuel and replaced it with an 8 percent tax on the wholesale price of gas and diesel fuel, with the goal of raising the same amount of revenue in FY 2014. The change reflects a concern that increasing fuel efficiency of cars may lead to lower consumption, and that a tax based on the number of gallons of fuel purchased thus may decline over time. A tax on the dollar value of gas purchases is likely to be more stable, given the long-term trend of rising gas prices.

Provisions that Dedicate Future Revenues to Selected Purposes

The FY 2014 budget includes three provisions that direct potential future revenues to selected purposes. This includes the potential for new sales tax revenue if federal legislation is adopted to allow DC and the states to collect sales tax more broadly from online sales.

- **Sales Tax on Online Sales:** Congress is currently considering legislation—the Marketplace Fairness Act – that would allow DC and the states to require most Internet retailers to collect sales tax. If Congress passes this legislation, the new revenue collected by DC will be used in part to fund the services that revenues from the automated traffic enforcement currently support. Fifty percent of revenues from automated traffic enforcement then, up to $50 million, will be dedicated to a new End Homelessness Fund, which would be used to end homelessness in the District via a comprehensive plan to be developed later in the year.

- **Sales Tax Dedicated to Arts Funding:** The budget requires that future sales tax collections that exceed the amount projected in February 2013 will be devoted to the DC Commission on Arts and Humanities, up to $22 million.

- **Cigarette Tax Dedicated to Smoking Cessation Services:** The budget requires that future cigarette tax collections that exceed the amount projected in February 2013 will be devoted to smoking cessation efforts. This will be in effect through FY 2017. Starting in FY 2018, 10 percent of all cigarette tax revenue will be dedicated to cessation. Currently, the District collects about $35 million in cigarette tax per year, meaning if revenue collections remain steady, cessation funding will increase by $3.5 million in FY 2018.

While the idea of dedicated funding often has popular appeal, there are several problems with this funding method. First, there is no guarantee that any of these new provisions will result in new funding for the intended services in the near term. To the extent that these efforts are a top priority for the District, having an uncertain funding mechanism does not make sense. Second, if these provisions do result in new future funding, they will take revenues that could be used for other services. These provisions in essence set the budgets for future years, outside of a discussion of the full budget and full range of budget priorities. Finally, dedicated funding provides a false promise of secure future funding. In practice, the Mayor and Council have reduced funding from dedicated levels for several programs in recent years, including the Housing Production Trust Fund, the Baseball Community Benefits Fund, and the Neighborhood Investment Fund.

APPENDIX

Summary of FY 2014 Funding Changes by Appropriations Title

Note: all figures, unless otherwise noted, have been adjusted for inflation to equal FY 2014 dollars.

Government Direction and Support

The FY 2014 general fund budget for Government Direction and Support agencies is $597 million, which represents a $38 million or 7 percent increase from FY 2013. The major agencies within this appropriation title are the DC Council, the Executive Office of the Mayor, the Office of the Chief Technology Officer (OCTO), the Office of the Attorney General, and the Office of the Chief Financial Officer.

Several agencies under Government Direction will see significant increases in funding, including OCTO, the Office of Contracting and Procurement, and the Department of General Services. The budget for OCTO increases by 23 percent or $12 million, driven by a one-time allotment to fund the Affordable Housing Database and increased funding to support a new fiber optics contract. The Department of General Services will spend an additional $8 million, due mostly to increases in fixed costs such as utilities for DC government agencies. The Office of Contracting and Procurement's FY 2014 budget will grow substantially to support a Procurement Reform Initiative, adding $1.7 million for 15 new staff positions and $800,000 for training and consultant services.

Two new items in the FY 2014 budget are the One City Fund and the Tax Revision Commission. The budget creates the One City Fund, which will provide $15 million in competitively-awarded grants to District nonprofit organizations. The budget also provides $200,000 to support the Tax Revision Commission, which will release a report in 2013 with recommendations for changes to the District's tax system.

The Executive Office of the Mayor faces a 3 percent cut in funding, from $8.6 million to $8.4 million. The decline largely reflects the transfer of the Office of Returning Citizen Affairs out of the Mayor's Office to the Department of Corrections. Funding for the DC Council, Office of the Chief Financial Officer and Advisory Neighborhood Commission will decrease slightly, mostly as funding levels failed to keep up with inflation. The DC Council reorganized Council Committees, reducing the budget by $352,000.

Economic Development and Regulation

The general funds budget for Economic Development and Regulation is $388 million, a 15 percent increase from FY 2013. This appropriation title includes the budgets for the Housing Production Trust Fund, Department of Housing and Community Development, DC Housing Authority subsidy, the Department of Employment Services, the Deputy Mayor for Planning and Economic Development, Department of Consumer and Regulatory Affairs, and DC Commission on Arts and Humanities, among others.

Funding for the Department of Housing and Community Development (DHCD) is $21 million, a 7 percent increase from FY 2013. This is largely due to the fact that DHCD projects an increase in revenues collected from the HPAP repay account and DHCD's unified fund and will use those revenues to increase its technical assistance contractual budget by $2.3 million.

Revenue for the Housing Production Trust Fund is $47 million, an increase of $24 million, nearly 100 percent, from the approved FY 2013 budget. The budget fully removes a $20 million cut to the HPTF that had been in place for the last two years. (As noted above, the budget also includes a special one-time allocation to HPTF in FY 2013.)

Funding for the Department of Employment Services is $96 million, a 6 percent increase over the FY 2013 budget. The city's "one-stop" employment centers and a year-round program for youth will get notable funding increases. Meanwhile, funding for adult subsidized jobs and adult job training will fall. Funding for the Summer Youth Employment Program, which has been scaled back since the late 2000s, is flat.

Funding for the DC Housing Authority is $39 million, which provides funding for the Local Rent Supplement program, the DC Housing Authority police force, and housing assistance for roughly 500 families who would have lost their assistance when federal funding was reduced. The FY 2014 budget includes a $10 million increase in the Local Rent Supplement Program for project- and sponsor-based vouchers, but it also includes a $4 million decrease in new appropriations to the subsidy which the Housing Authority will cover with reserves.

Funding for the Department of Consumer and Regulatory Affairs is $39 million, an 18 percent increase from FY 2013. The increase is largely due to the agency's anticipated increase in fees collected from the Basic Business License, Nuisance Abatement and Corporate recordation fees. The additional $6.7 million in special purpose revenue will support 39 new full-time positions and an increase in contractual services.

Funding for the Deputy Mayor for Planning and Economic Development, the agency that oversees all of the agencies in this cluster, is $34 million, a 13 percent increase from FY 2013. Major increases include $5 million for the Great Streets Initiative, a program that aims to improve streetscapes and businesses along major DC retail corridors, $1 million to various initiatives designed to market the District, $1 million for an additional employees to help implement the mayor's five-year economic development plan and $3 million for increased asset management, including the DCUSA project. Some of these cost increases were offset by reductions to fixed costs and reductions in required support for various grant requirements.

Public Safety and Justice

Local funding for public safety is $1 billion, a 2 percent, or $22 million, increase from FY 2013. This appropriation title includes the Metropolitan Police Department, Fire and Emergency Management System, the Department of Corrections, and Homeland and Security Management Agency. Under the fiscal year 2014 budget, several public safety agencies would see an increase in funding.

Funding for the Metropolitan Police Department is $483 million, a 1 percent increase from FY 2013. This includes $5 million for 93 additional police officers and $8 million in additional funding to purchase equipment for automated traffic enforcement. The budget transfers 38 staff positions from MPD to the Department of Corrections, with corresponding shifts in funding.

Other notable increases in public safety include upticks in funding for the Police Officers and Fire Fighters' Retirement System, due to increased retirements costs. Funding for the Department of

Corrections is $140 million, which is a 1 percent decrease from the FY 2013 budget. The budget includes an increase that stems mainly from a shift of 38 employees from MPD to DOC as corrections officers. The department will also reduce funds due to a reduced inmate population and a reduction in the number of inmates needing expensive HIV-related drugs.

Funding for the Office of the Deputy Mayor for Public Safety and Justice is $19 million, a 45 percent increase from FY 2013, largely due to a $3 million increase to fund housing programs serving victims of crime and domestic violence, as well as $4.4 million to replace expiring federal funds for other programs that serve crime victims.

Local funding for the Homeland Security and Emergency Management Agency (HSEMA) is $2 million, a 1 percent decrease from FY 2013. HSEMA will see a significant decline in federal funding, its major source of funding, as a result of sequestration. The cuts total $11 million, or 10 percent of the agency's federal funds budget.

Education

The FY 2014 general fund budget for education is $1.8 billion, a 3 percent, or $52 million, increase over the approved FY 2013 budget. Agencies under the public education appropriation title include: the Deputy Mayor for Education, DC Public Schools, DC Public Charter Schools, the Office of the State Superintendent of Education, University of the District of Columbia, and the DC Public Library, among others.

The budget includes a 2 percent increase to the locally funded Uniform Per Student Funding Formula (UPSFF), the main source of local funding for both DC Public Schools and DC Public Charter Schools. Despite this, the budget for DC Public Schools is $656 million, a 4 percent decrease in general funds, primarily reflecting an expected drop in enrollment in DCPS from FY 2013 to FY 2014. On the other hand, funding for public charter schools will increase by 13 percent from FY 2013, to $616 million in FY 2014, largely due to a projected increase in enrollment and the per-pupil funding increase. Charter schools will receive a facilities allotment of $3,000 per student, the same level as in prior years but completely funded with local dollars in FY 2014. The allotment was partially funded with federal dollars in past years, and the federal funds freed up by this change will support other investments to strengthen public charter schools.

The budget for Non-Public Tuition, which provides tuition for special education students placed in private schools is $80 million, a 29 percent reduction from FY 2013. This reduction is expected to be achieved from efforts that have been put in place the past few years to improve capacity at DCPS and reduce the number of students placed in private schools. The mayor's budget also includes a related reduction in funding for Special Education Transportation. Funding for special education transportation will be $87 million, a 7 percent decrease from FY 2013.

Local spending on special education within DCPS — that is, serving students with special needs served by DCPS schools — will decrease by $3 million from FY 2013 to FY 2014, reducing their total local budget to $128 million (this includes special education funds as well as Blackman Jones compliance funds). This reduction is mostly due to the 500 fewer special education students projected for DCPS in FY 2014 than in the current school year. The significant reduction under Special Education Capacity Building line item is due to a shift of funding to other special education services and a reduction of expenses associated with non-public team contract services, the staff that assist with case management when a student is being served in a private setting.

Some of these anticipated savings will be used to hire additional coaches for behavioral services and specialized instruction in schools, enhanced special education literacy services and other programmatic investments. The FY 2014 budget also includes the addition of 35 classrooms for children with special behavioral needs and 36 social workers will particularly benefit middle and high schools. Special education student-teacher ratios will not change from FY 2013 with the exception of part-time students, whose ratios will be determined based on the number of hours on their IEP. The Early Stages program, which identifies young children with delays and identifies appropriate services for them, will be reduced by $766,000.

The Office of the State Superintendent of Education (OSSE) budget in FY 2014 is $127 million, a 17 percent increase from FY 2013. This increase in part reflects an investment of $6.4 million to expand early intervention services for infants and toddlers with developmental delays. OSSE will see a $6.8 million funding cut for the Teaching and Learning division which provides oversight for federal grant programs, as well as a $734,000 cut for adult and family education and a $334,000 cut for career and technical education.

The FY 2014 budget for the child care subsidy program, which serves about 10,000 children over the course of a year, is $84 million, a $9.5 million increase from FY 2013. The increase will help expand early childhood program infant and toddler slots by 200 and to increase the quality of existing infant and toddler slots by increasing the child care subsidy rate by 10 percent. A significant barrier for providers seeking to offer high-quality child care for infants and toddlers is the extremely low reimbursement rates available to them. Before this increase, DC child care reimbursement rates remained at 2004 levels for providers at the "gold" or highest level in the DC quality rating system, with even lower rates for providers at lower tiers. Without adequate reimbursement, providers often struggle to keep up with rising costs and to continue providing quality child care. To learn more about the current cost of providing child care in the District, see the most recent market rate survey.[5]

Another $4 million will be allocated to OSSE for a schools technology fund which will provide resources for technology to all DC schools. Funds will be distributed to schools on a per-pupil basis and will be based on fall 2012 audited enrollment figures. Lastly, $4 million was added to the budget to expand adult literacy and career and technology education programs through the Office of the State Superintendent for Education.

As a result of the "State Board of Education Personnel Authority Amendment Act of 2012," the State Board of Education (DCSBOE) will be its own funded agency and removed from the OSSE agency budget starting in FY 2014. Funding for the DCSBOE is $587,000 in FY 2014, a 14 percent increase in funding from FY 2013. This increase is mostly from the transfer of one staff position from the Office of the OSSE Director.

[5] 2012 District of Columbia Child Care Market Rates and Capacity Utilization Survey. Final Report. Available online at: http://osse.dc.gov/sites/default/files/dc/sites/osse/service_content/attachments/2012%20MRS%20Final%20Report.pdf.

Funding for the DC Public Library system is $53 million, an increase of 22 percent, or $9 million, from FY 2013. The increased funds will be used to extend the operating hours at all library locations and to purchase additional resources. Funding for public education facilities is $46 million, an increase of 5 percent when compared to FY 2013. These funds are used to manage school capital projects for the District. The budget also includes a $2 million increase to the capital budget for DCPS— which is separate from the operating budget being discussed in this analysis — bringing the budget to $455 million for the modernization and renovation of several DCPS schools in FY 2014. About $1.8 million in capital funding will create early learning centers to serve children from birth to age five in collaboration with community child care partners.

Human Support Services

The FY 2014 general fund budget for Human Support Services is $1.76 billion, a 4 percent increase from FY 2013. The agencies in this appropriation include the Department of Human Services, the Child and Family Services Agency, the Department of Health, and the Department of Health Care Finance, among others. The change in funds is not spread evenly among agencies within the human services cluster, with a range of agency budget changes from a 12 percent decrease to a 220 percent increase.

The local budget for the Department of Human Services will increase 26 percent from $170 million in FY 2013 to $215 million in FY 2014. This includes using local funds to replace federal Temporary Assistance for Needy Families (TANF) carryover funds that will be spent in FY 2013 and will not be available in FY 2014, a change in the schedule of benefit reductions for TANF recipients, and funding from the mayor's *$100 Million Affordable Housing Initiative*. The major changes to note are:

- $2.5 million increase to provide substance abuse treatment for parents in TANF, the District's welfare-to-work program.
- $6 million increase to adjust the timing of the TANF benefit cuts for families who have received benefits for more than 60 months. These families experienced a 20 percent cut in April 2011. Without additional funds in the FY 2014 budget, families would have experienced deep cuts in benefits in October 2013, from $342 a month for a family of three to $171 per month. Under the approved budget, benefits will fall to $257 a month.
- $3.6 million to fund five of the six time limit protections for vulnerable TANF families that were included as part of the FY 2013 budget, but never implemented because funds were not made available. These protections, which most states offer, give families a break from the 60-month time limit on benefit receipt to give them time to deal with serious issues that interfere with their ability to work such as domestic violence or caring for a family member with a disability.
- $20 million increase in local monies to replace lost federal funds and federal TANF carryover funds that were available in FY 2013 due to under-spending in previous fiscal years but will not be available in FY 2014.
- $3 million to increase funds for the Permanent Supportive Housing Program that provides housing assistance to chronically homeless residents.
- $1.5 million to provide assistance to homeless youth.

- $1 million dedicated to the Rapid Re-housing Program. This program, also known as the Family Re-Housing and Stabilization Program (FRSP), provides housing search assistance, supportive services, and short-term rental assistance to homeless families.

- $1 million increase for the Emergency Rental Assistance Program (ERAP). ERAP prevents homelessness by providing funding for overdue rent and related legal costs for households facing eviction. The program also provides security deposits and first month's rent for residents moving into new homes. ERAP serves low-income households that include one of the following: a child under the age of 19, an adult over the age of 59, or a person with a disability.

- $1 million to develop a pilot program to allow singles without children access to ERAP and Rapid Re-Housing. Each pilot would get approximately $500,000.

The Child and Family Services Agency (CFSA) budget reduces funding by 12 percent to $172 million. The majority of the decrease reflects an expected reduction in the number of children served and a significant reduction in CFSA's backlog of cases.

The Department of Youth Rehabilitation Services (DYRS) budget reduces funding by 3 percent, or $3.3 million, bringing the FY 2014 budget to $105 million. Nearly $2 million of this reduction is due to a staff reduction of 25 employees.

The FY 2014 budget for the Office of Aging would increase 54 percent to $26 million. This increase includes additional funds for nutrition services, funds to hire an Age-Friendly Coordinator, to ensure that seniors have access to resources needed for independent living, and funds to hire 10 employees to assist nursing facility residents' transition into independent living arrangements. The budget does not contain additional monies to provide affordable housing to this population. Lastly, the budget includes an increase in the contracts with agencies that provide services to seniors. These contracts have remained essentially flat-funded for ten years.

The Children and Youth Investment Collaborative (CYITC) provides grants to community-based providers for child, youth, and parenting programming. The FY 2014 budget remains at $3 million, the same dollar amount as in FY 2013. This reflects a 2 percent decrease in inflation-adjusted numbers.

The Department of Parks and Recreation (DPR) will see a 2 percent increase over their FY 2013 budget, bringing their budget to $47 million. This increase includes $570,000 to provide adequate staffing at four new recreational facilities, three pools, and a $300,000 increase in the funds provided to the Department of General Services for DPR facility operations.

The budget for the Department of Disability Services (DDS) remains virtually unchanged at $62.7 million, reflecting a less than 1 percent increase from FY 2013. The Budget Support Act establishes a separate fund to receive payments from the Social Security Administration for the Ticket to Work and Self Sufficiency Program, a program that provides employment services to individuals receiving federal disability benefits. This funding will not revert to the General Fund at the end of each fiscal year but will be retained by DDS to provide services in the coming year.

The Office of the Deputy Mayor for Health and Human Services (DMHHS) coordinates and oversees the agencies in this appropriation title. The FY2014 budget for the agency is $1.9 million, reflecting a 220 percent increase from the FY 2013 budget of $607,000. This increase includes $26,000 to support the development of a Children's Budget and $1 million for Truancy Reduction Initiative services.

The budget increases local funding for the Department of Health Care Finance (DHCF) by $31 million or 4 percent, for a total general fund budget of $805 million. This largely reflects increased costs per service and projected enrollment growth in DC's Medicaid program. The FY 2014 budget also adds $4 million for program updates needed in the Medicaid Management Information System required by the federal government.

The FY 2014 budget also establishes a Hospital Provider Fee Fund to support outpatient hospital services for Medicaid recipients. The revenue generated from the hospital provider fee in FY 2014 increases the local budget by $12 million and enhances federal Medicaid match payments by $29 million.

Funding for the Healthcare Alliance, which provides health insurance to low-income residents who are not eligible for Medicaid, will fall by $2 million to $40 million in FY 2014. This appears to reflect the impact of a requirement implemented in 2012 that all Alliance participants recertify their eligibility every six months with a face-to-face interview, rather than annual certification without an in-person interview. Enrollment in the Alliance has fallen by more than one-third since then, far more than had been anticipated.

The budget reflects a transfer of the Addiction Prevention and Recovery Administration division from the Department of Health to the new Department of Behavioral Health. As a result, the budget for the Department of Health (DOH) reflects a reduction of $24 million in local funds and 26 full time employees. After taking that transfer into account, DOH's budget will grow by $1 million to a total general fund level of $82 million. The budget includes an additional $2 million to support school-based health centers within DC Public Schools, and increased funding for food delivery to residents with chronic disease who are homebound and shelter-bound.

The FY 2014 budget reflects creation of the Department of Behavioral Health, which is composed of the Department of Mental Health and the transferred Addiction Prevention and Recovery Administration. The general fund budget for Department of Behavioral Health is $209 million, driven by funding increases in both of the former agencies. The budget enhances Medicaid reimbursement for Mental Health Rehabilitation Services (MHRS) by adding $7 million in local match funding. The budget increases funding for reimbursement by $2 million for mental health services for residents not on Medicaid. The budget also includes an additional $2 million for Department of Behavioral Health's school-based mental health services to expand the program into 19 additional public schools.

Public Works

FY 2014 funding for Public Works is $623 million, a 7 percent increase from FY 2013, for the Department of Public Works, Department of Transportation, Department of Motor Vehicles, District Department of the Environment and Washington Metropolitan Transportation Authority (WMATA). Almost all of the agencies would see an increase in funds under the FY 2014 budget.

Funding for the Department of Public Works is $119 million, an increase of 5 percent from FY 2013, reflecting the need for added funds for sandbags for flood prevention and supercan and recycling can replacement initiatives. Funding for the Department of Transportation (DDOT) is $91 million, a 20 percent increase in funds from FY 2013, including $3.6 million for Streetcars and $4.1 million for parking meter operations.

Funding for the Department of Motor Vehicles (DMV) is $37 million, a 6 percent increase that partly reflects opening a new DMV center in Georgetown. Funding for the District Department of the Environment (DDOE) is $69 million, an increase of 4 percent from FY 2013 to cover costs for salary increases, additional personnel, and fringe benefits. The budget for the Washington Metropolitan Area Transit Authority (WMATA) is $301 million, a 2 percent increase from FY 2013, including costs for the new Silver Line and an increase in retirement costs. The increase also includes approximately $4 million to provide free transportation to and from school for all students enrolled in DC public schools.

The only agency to see a decrease is Washington Metropolitan Area Transit Commission (WMATC), whose budget of $126,000 represents a 2 percent cut from FY 2013. WMATC keeps the same budget as 2013; the 2 percent decrease actually represents a difference due to inflation.

Financing

The general fund budget for financing in fiscal year 2014 is $1.03 billion, an increase of 6 percent from fiscal year 2013, after adjusting for inflation. The major items in this appropriation title include debt service, the costs of equipment leases, convention center operations, expected pay raises for DC government employees, and legal settlements and judgments.

There are a few notable changes in the FY 2014 budget. The largest increase is a 10 percent increase in debt service payment — or nearly $50 million — reflecting increased borrowing in recent years for school construction and other capital projects. There is also a significant increase in funding in the FY 2014 budget to support the convention center and related marketing activities; the increase is 10 percent, or $10 million.

The financing budget includes $59 million for "workforce investments," which reflects expected pay increases for DC government employees. When the pay raises are completed — typically through negotiation with collective bargaining groups — the funds for pay raises are allocated to the affected DC government agencies.

The financing budget also includes a number of funding reductions. The cost of leasing equipment across DC government will fall $8 million, or 16 percent, under the FY 2014 budget. In addition, the District will pay off funds borrowed to renovate One Judiciary Square with a final payment in FY 2014. That payment will be $8 million lower (26 percent) than the payment made in FY 2013. Finally, funding for "non-departmental" activities, a catch-all line in the DC budget that creates budget flexibility, will be $11 million in FY 2014, compared with $35 million in FY 2013.