



# The District's Dime

Going Beyond the Budget Book

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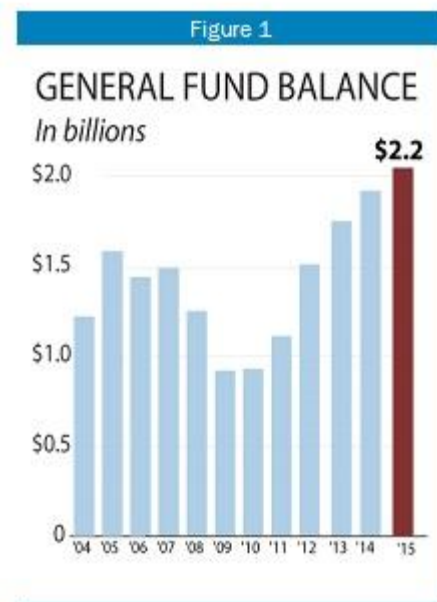
## Four Great Ways to Invest DC's Surplus, Rather Than Sitting on it All

By Ed Lazere

The District's recently announced surplus *should* be an opportunity to make much-needed investments in things like housing and schools. But local restrictions instead require all of the surplus to be kept in the bank. With the city's savings now above the [\\$2 billion](#) mark, and with residents facing serious [affordable housing](#) and homelessness crises, the "save it all" approach is not the best use of the city's resources. The mayor and Council should revisit these rules so that some of the surplus funds can be used for high-priority needs.

Sometimes spending money can be the fiscally responsible thing to do. For a homeowner with adequate savings but a leaky roof, for example, using savings to repair it would not only improve their quality of life but could save money by preventing water damage. Spending savings would be the responsible thing to do.

Similarly, DC policymakers should consider opportunities to invest in things that would make a difference to the quality of life in DC, but that will be lost if all of the surplus is saved. In particular, about \$110 million of the \$293 million 2015 surplus will go into a "working capital" reserve, but could instead go to a variety of important uses.



- **Housing:** The surplus could be used to build more housing, under the Housing Production Trust Fund. It also could go to helping more tenants buy their buildings, to [public housing repairs](#) that have been under-funded by the federal government, or to support the city's ability to preserve low-cost housing in developing neighborhoods.
- **Schools:** The surplus could be used to renovate schools that have not yet benefited from the city's school modernization efforts.
- **Paid Family Leave Start-up Costs:** Legislation to create paid family leave insurance is likely to have one-time costs to establish the insurance fund.

- **“Pay-Go” Capital to Support Construction Projects without Borrowing:** The surplus could be used to pay for capital projects, like libraries or fire houses, rather than borrowing. This would be helpful because the District is close to its borrowing limit.

In short, the District’s surplus could be used to build stronger communities across the city. But that cannot happen under current law, because of requirements to use all available surplus funds to build up a “working capital” fund. That fund reduces the need for the city to do short-term borrowing in the middle of the year, between major tax collections. Yet this short-term borrowing will cost the city less than \$4 million this year. Keeping hundreds of millions in the bank to save a few million in interest payments is pound foolish and penny wise.

DC’s leaders should feel good that the city has built a healthy fund balance. And they should start thinking about ways to use annual surpluses in ways other than only to build up savings.