

With Rising Costs and Continued Hardship, DC Budget Must Sustain Focus on Racial Justice

DCFPI's Updated Priorities for the Revised FY 2023 Budget and FY 2024 Budget

In recent years, District lawmakers have used the budget to make historic and transformative investments in DC's residents and economy. As a result, many working families are receiving bigger tax refunds, thousands of early educators are earning higher pay, students are gaining greater access to behavioral health specialists, and more residents are moving into affordable and permanent housing.

These inclusive policies are designed to help more District residents share in the gains of a strong economy. But decades of racially discriminatory policies and practice in everything from education to good jobs have disadvantaged Black and brown communities, and the racially disparate harms of the pandemic have deepened already stark racial and economic inequities.

Since 2019, the District has seen an increase in the number and share of people living below the poverty line, which is \$27,740 for a family of four, according to the US Census Bureau. At the same time, Black residents in the District are more than five times as likely to live in poverty and have roughly one-third the income relative to white residents. There remains a huge gap between the District's largely white, wealthier residents and the disproportionately Black and brown residents experiencing hardship.

Two months after unveiling [a plan for DC's economic comeback](#), [Mayor Bowser's fiscal year \(FY\) 2024 budget cuts vital lifelines for DC residents](#) struggling to make ends meet and backtracks on existing commitments aimed at advancing racial justice. Her proposal includes expansions in some key programs such as affordable child care but hits the pause button on key initiatives to end homelessness and prevent eviction, expunge records, and pulls back on affordable housing while locking in spending that benefits commercial developers.

As DC residents face the rising costs of basic needs like food and housing, DC Council must address the vast shortcomings in the Mayor's proposed budget and strengthen it to build on efforts for a racially just future. With revenue growth projected to slow, and as federal pandemic recovery dollars expire, it will be important for Councilmembers to prioritize investments and policies that:

- Repair harms that perpetuate inequity by addressing policies that stifle the economic, social, and political power of Black and brown residents,
- Build strong foundations of equity by fortifying programs that protect the most vulnerable and establishing guarantees for a liberation economy,
- And realize a future of shared abundance by ensuring a racially just tax code and innovating toward equity.

As DC Council builds on the mayor's budget, they can pursue these goals through the following priorities.

Early Education

- **MAYOR MET OUR ASK: Expand child care affordability** to more District families by increasing the income eligibility level for the child care subsidy program to 300 percent of the federal poverty level.

- **UNFUNDED: Expand the Early Educator Compensation Program to directors of early learning.** Allocate \$14.7 million to improve the quality of early childhood education by ensuring that directors of early learning programs receive pay commensurate with the credentials required by the Office of the State Superintendent of Education licensing beginning in December 2022.
- **MAYOR REJECTED OUR ASK: Preserve all existing funding for child care, particularly the Early Childhood Educator Pay Equity Fund (PEF).** The Mayor’s proposal makes a recurring \$5.4 million cut to the PEF, sweeps \$3.3 million in funding from sports wagering dedicated to child care, and cuts \$9 million in Temporary Assistance for Needy Families funds for the child care subsidy program. It also cuts \$8 million in Back-to-Work child care grants, which help boost supply of child care in economically-struggling communities.
- **UNCLEAR: Ensure adequate funding for effective implementation of the PEF,** including a strong equity adjustment, so that children in families with the most significant barriers to opportunity experience the greatest benefit. The Administration has not yet released its plans for the PEF funding formula and equity adjustment.

PreK-12 Education

- **UNCLEAR: Advance educational equity. Ensure that DC Public Schools equitably and adequately fund schools that serve majority Black and brown students and high poverty schools, especially those located East of the River.** This requires following the law on dollars designated for students considered “at-risk of academic failure” and adequately funding neighborhood schools.
- **MAYOR REJECTED OUR ASK: Support enrollment in neighborhood schools**—which are important community institutions—by **rejecting** plans to open new citywide schools. DC should focus on adequately and equitably supporting neighborhood schools to thrive, particularly those in historically divested areas.
- **MAYOR REJECTED OUR ASK: Proactively develop and adopt a plan to prevent schools from experiencing a fiscal cliff** as one-time federal and local pandemic recovery funds expire.
- **PARTIALLY FUNDED: Sustain investments in student behavioral health.** Council should add \$5.7 million to maintain FY 2023 grant funding (adjusted for inflation) for behavioral health community-based organizations serving students through the District’s School-Based Behavioral Health program: \$103,000 per clinician.

Tax and Revenue

- **MAYOR REJECTED OUR ASK: Create a DC Child Tax Credit (CTC) for families with children.** Build on the strategies to guarantee income via various pilots and an expanded DC Earned Income Tax Credit with a local Child Tax Credit of \$500 per child at minimum. A CTC of at least \$1,500 per child could cut child poverty in DC by 25 percent while also helping families with low- and middle-incomes better manage the cost of raising children. A local CTC would cost anywhere from \$38 to \$115 million depending on size of the credit. The Mayor did not include this in her budget.
- **MAYOR REJECTED OUR ASK: Improve fine and fee revenue data transparency.** Require the Office of the Chief Financial Officer to annually publish the total amount assessed in fine and fee revenues as well as the number and demographics of applicants denied a Certificate of Clean Hands.

- **MAYOR REJECTED OUR ASK: Reject revenue policies that fail to advance racial justice and are poorly designed.** Avoid poorly targeted tax breaks—temporary or permanent—including ineffective economic development tax incentives. The Mayor drastically expands a soon-to-be launched tax giveaway to wealthy developers known as the Housing in Downtown Abatement. She strips from the program essential equity provisions for DC workers and tenants and reduces requirements for affordable housing. Council should reinstate these key equity provisions, reject the proposed, costly increase to the abatement cap in FY 2028, and add a (1) “clawback” provision for developers that fail to comply with equity provisions, (2) phase down and time limit on abatement receipt, and (3) sunset on the program overall.

Inclusive Economy

- **PARTIALLY FUNDED: Ensure record relief for individuals with prior cannabis-related offenses.** Allocate \$10.5 million over the financial plan, including \$3.3 million in FY 2024, to implement the automatic expungement of records for those with decriminalized offenses. The Mayor’s budget invests \$300,000 to the Metropolitan Police Department in FY 2025 to support IT infrastructure upgrades needed to begin processing records eligible for expungement or sealing.
- **FUNDED: Ensure that residents with unpaid debt can renew their driver’s license.** Allocate \$7.2 million over the financial plan, including \$2.4 million in FY 2024, for the Clean Hands Certification Amendment Act of 2022. The FY 2023 budget includes a trigger whereby excess revenue above budgeted revenue in FYs 2023-2026 will be allocated to fund this legislation.
- **PARTIALLY FUNDED: Invest in Guaranteed Income Pilots.** Allocate additional funding to continue investments in Guaranteed Income Pilots, including in Strong Families, Strong Futures. Fund a Hold Harmless Fund to support the individuals and families whose net benefits may be lowered due to participating in a guaranteed income program. The Mayor invested \$1 million in one-time funding to grow Strong Families, Strong Futures, a direct cash assistance program supporting new and expecting mothers in Wards 5, 7, and 8. The Mayor also invested \$13 million for Career MAP, which offers cash and other resources to families participating in DC’s Rapid Re-Housing program to help them work toward a career or education goal without loss of public benefits due to increased earnings. The Mayor did not invest in a Hold Harmless Fund.
- **FUNDED: Increase staff capacity at the Council’s Office of Racial Equity (CORE).** New Council rules require CORE to produce Racial Equity Impact Assessments (REIA) at the time of a bill’s public hearing, with the option to also issue a supplemental REIA at mark-up. Additional staff capacity is needed for CORE to address its workload. The Mayor’s budget adds one full-time position to CORE.
- **DEFUNDED: Fully fund the Child Wealth Building Act, or “baby bonds,” at \$54.3 million over the financial plan.** Approved by the Council in FY 2022, the baby bonds program creates and seeds a trust fund for each new child born to an income-eligible family. Based on continuing eligibility, the program annually invests in the trust until the child reaches age 18. One of the first of its kind across the country, the baby bond program would help to close the racial wealth gap and reduce intergenerational poverty. The Mayor’s FY 2024 budget fails to provide ongoing funding for baby bonds, effectively ending the program before it was able to launch. In FY 2024, the cost to fund baby bonds is \$8.8 million. Over the financial plan, the cost is \$54.3 million.

Affordable Housing

- **UNFUNDED: Commit to affordable housing preservation.** Ensure that the Affordable Housing Preservation Fund has at least \$20 million to meet demand given the ongoing Tenant Opportunity to Purchase Act (TOPA) backlog and increasing need for low-cost preservation financing. Set aside a portion of the Housing Production Trust Fund (HPTF) for preservation projects. The proposed FY 2024 budget does not designate any new funding for the Preservation Fund nor any designated preservation funds within the HPTF.
- **UNFUNDED: Invest \$30 million in a program to enable tenants to purchase their building through TOPA.** Replace the inactive First Right to Purchase Program with a program that provides affordable financing to tenants who seek to purchase their building through the TOPA process in order to create stable homeownership opportunities for tenants and to build Black and brown wealth. The FY 2024 budget does not include any funding for tenant purchase.
- **PARTIALLY FUNDED: Improve safety and effectiveness of DC's deeply affordable housing stock.** Invest at least \$60 million in public housing repairs and implement increased transparency and oversight requirements to ensure that the Housing Authority meets improvement benchmarks. The Mayor's budget invests \$54 million in FY 2024 and \$61 million in FY 2025 to make public housing repairs.
- **ADDITIONAL TRANSPARENCY REQUIRED: Improve transparency and follow law for production of deeply affordable housing.** Implement transparency and reporting requirements for the HPTF and ensure adequate Project and Sponsor based Local Rent Supplement (PS LRSP) Vouchers to support the production of deeply affordable housing, as required by law. In FY 2024, the Mayor did not take action to improve HPTF transparency, and there is no increase in the budget for Project and Sponsor based LRSP vouchers, despite over half a billion dollars in funding for the HPTF in preceding years. DHCD indicated that the budget for PS LRSP would increase proportionally to HPTF, but FY 2024 budget does not reflect this.
- **FUNDED: Scale up funding for Home Purchase Assistance Program (HPAP), as needed.** Last year's changes to HPAP more than doubled the maximum allowable down payment assistance for eligible applicants but did not include a corresponding funding increase for the program. Funding for HPAP in FY 2024 should be sufficient to meet the need. The Mayor's budget allocates an additional \$8 million to implement recommendations from the Black Homeownership Strikeforce, including support for the HPAP program.

Ending Homelessness

Move More Residents Who Are Unhoused into Housing

- **UNFUNDED: Fund 1,030 Permanent Supportive Housing (PSH) vouchers for individuals experiencing chronic homelessness and 480 PSH vouchers for families.** Homeward DC 2.0, the District's strategic plan to end homelessness, anticipates that 1,030 PSH vouchers are needed in FY 2024. And approximately 20 percent of the 3,100 families in Rapid Re-Housing (RRH) need the intensive services provided by PSH.
- **UNFUNDED: Fund an additional 100 RRH slots for individuals to eliminate the waiting list.** Provide an additional \$2.5 million to RRH, which is a voluntary program that combines short-term rental assistance, case management, and workforce development, to eliminate the wait list for those seeking support.

Fund Homelessness Prevention and Robust Services

- **UNFUNDED: Boost staffing levels to enable the District to move people into housing more quickly.** Provide funding to ensure that DHS and homelessness providers have the staff they need to effectively administer programs for residents who are unhoused.
- **MOSTLY UNFUNDED: Ensure prevention programs are adequately funded.** The Mayor's budget cuts in half funding for Project Reconnect, which helps individuals who are newly homeless or exiting from institutions like jail or foster care find alternatives to shelter, such as reuniting with friends and families. The Council should ask the Department of Human Services how much funding is required to serve everyone in need. If they fail to provide this number, the Council should add at least \$1.2 million to the FY 2024 budget to maintain current funding. Allocate at least an additional \$108.8 million to the Emergency Rental Assistance Program (ERAP) so all in need can be served. ERAP prevents evictions by helping residents pay overdue rent and legal costs. The Mayor only allocated \$8.2 million to ERAP, an 80 percent cut compared to FY 2023.
- **DEFUNDED: Restore funding to build at least two standalone public restrooms.** The proposed budget cuts funding to pilot public restrooms. Residents experiencing homelessness in particular stand to benefit from restroom expansions since they often do not have money to make purchases at establishments to gain access to the restroom.
- **UNFUNDED: Create a flexible funding program at DHS to cover one-time move-in expenses for residents receiving a voucher or RRH and create a program at DHS that provides storage space for unhoused individuals.** This program would allow residents who are unhoused to keep their belongings in a safe place until they find housing, rather than dragging their belongings with them.
- **UNFUNDED: Ensure that at least 150 medical respite beds are available for individuals.** Meet the need for medical respite beds, which offer a safe place for the unhoused to recover from surgery and illness or to learn to manage a chronic condition.
- **UNFUNDED: Increase the number of psychiatric beds.** There are not enough psychiatric beds for unhoused residents experiencing psychiatric problems who need intensive services, which often results in release before patients are ready. Adding beds can help clients stabilize while they wait to move into housing.