

## What is the DC Budget?

Agency	Budget FY 2014	Proposed Budget FY 2015	% Change from FY 2014
Office on Aging	\$35,458,613	\$42,017,960	18.5
Child and Family Services Agency	\$237,643,927	\$249,213,191	4.9
Office of Disability Rights	\$1,842,443	\$1,649,563	-10.5
Department on Disability Services	\$95,595,851	\$158,051,133	65.3
Department of Employment Services	\$144,411,617	\$150,174,383	4.0
Department of Health	\$264,982,670	\$269,403,923	1.7
Department of Behavioral Health	\$242,578,182	\$277,636,072	14.5
Department of Health Care Finance	\$2,747,064,828	\$2,913,006,049	6.0
Department of Housing and Community Development	\$207,703,383	\$188,626,902	-9.2
Office of Human Rights	\$2,901,549	\$2,966,650	2.2
Department of Human Services	\$391,668,791	\$408,120,651	4.2
Department of Parks and Recreation	\$39,325,394	\$45,311,683	15.2
DC Public Charter Schools	\$616,499,168	\$674,128,996	9.3
DC Public Schools	\$816,390,270	\$866,603,691	6.2
Special Education Transportation	\$88,007,702	\$98,562,426	12.0
Office of the State Superintendent of Education	\$446,685,259	\$443,269,922	-0.8
Office of the Tenant Advocate	\$2,132,106	\$2,392,012	12.2
Department of Youth Rehabilitation Services	\$105,276,450	\$109,718,549	4.2
Department of Transportation	\$97,058,171	\$110,249,794	13.6
Washington Metro Area Transit Authority	\$301,088,000	\$328,339,281	9.1

Parts of below are adapted from: <http://www.dcfpi.org/wp-content/uploads/2013/03/3-26-13-Citizens-Budget-Guide.pdf>

## **What is the budget?**

DC's budget is divided into two parts: The operating budget allocates resources to run the city government day-to-day, paying for things such as the salaries of police officers and librarians, electricity and phone bills for government agencies, and health expenses for residents in one of the District's health programs. The capital budget supports the costs associated with building and maintaining infrastructure such as roads and schools. This includes planning and supervising these projects, as well as the direct construction costs. Most of the time, when officials speak about the budget, they are talking about the operating budget. This guide also focuses primarily on the operating budget.

The DC budget year is different from the calendar year. It operates in what's known as the "fiscal year," which for DC begins October 1 and ends September 30. The federal government also follows this schedule. Most other states, such as Maryland, begin their fiscal year July 1.

## **Where does the money come from?**

The money comes from three general categories:

- **Local funds:** Such as property, income, and sales taxes. These are general tax sources that are used to fund the full range of public services.
- **"Special purpose" funds and "dedicated taxes:"** These are fees or taxes levied by the District where the funds are designated for a specific use. For example, the District has a nuisance abatement fund which collects fees and fines from property owners who violate building codes. A dedicated tax is a levy that is directed for a specific purpose such as building a baseball stadium or funding affordable housing. A certain percentage of the city's deed and recordation taxes, for example, go toward a special fund to finance affordable housing called the Housing Production Trust Fund.
- **Federal funds:** The District receives federal funds to meet specific purposes, such as services for residents with HIV or grants for schools with significant low-income populations. These sometimes come in the form of matching funds, where the District and federal government share expenses for a particular program, or as grants fully funded by the federal government.

**\* Important to note** - Unlike the federal government, which is allowed to carry a deficit, DC must balance its budget each year. DC is like nearly all cities and states in this regard. In other words, the money the city brings in (revenue) must be equal to the money the city spends (expenditures), although the city can use money in its savings account to help meet its revenue needs. A budget gap occurs when revenue is less than expenditures; a surplus occurs when revenue exceeds expenditures.

## **Budget Timeline for FY 2015**

### **Mayor's Budget Submission: April 3, 2014**

The Mayor submitted a proposed Budget and Financial Plan, which includes proposed funding to cover the operating costs of running agencies in mid-March. The Mayor also submitted a proposed capital budget, which is a six-year plan for building and rehabbing government facilities and infrastructure. The budget legislation that reflects proposed funding levels is called the Budget Request Act. The Mayor also submits a Budget Support Act, which includes legislation for any budget proposal that requires a statutory change.

### **Council Overview Hearing on the Budget: April 7, 2014**

The full DC Council holds a hearing on the Mayor's budget proposal shortly after release

### **Council Budget Hearings, by Agency: April 8, 2014- May 9, 2014**

Shortly after the budget is submitted, each committee holds a hearing on the proposed budgets for the agencies the committee oversees. There are both public witnesses and executive branch witnesses. The DC Council Budget Office's website posts questions regarding the proposed budget that are submitted by committees to the agencies. The budget office also posts the agencies' responses.

This is a good time to testify on elements of the mayor's budget that you like and elements that you do not like, especially if things are not included at all.

### **Final Revenue Forecast: May 2014**

The CFO will release a new revenue forecast. The final budget adopted by the Council must fit within this revenue forecast. If the May revenue forecast is lower than the February forecast,

the Mayor and Council must work to find additional budget savings. If the May revenue forecast is higher than the February forecast, the Council can support some additional funding proposals.

### **Council Committee Budget Mark-ups: May 13-15, 2014**

Each Council committee meets to mark-up the budgets for the agencies they oversee. The committees cannot appropriate more in total for their agencies than the amount in the Mayor's proposed budget, but they can shift funds within and between their agencies. The committees can make recommendations for things they were not able to fund but that they hope the full Council will find a way to fund. The Committees also adopt recommendations on the Budget Support Act provisions that relate to the Committee.

After each committee has completed mark-up, there is a 1-2 week period during which the Council members work to merge the committee actions into a comprehensive budget. This work happens behind the scenes. There is no mark-up on the Council's comprehensive budget.

### **Main Budget Vote: May 28, 2014**

The full Council (Committee of the Whole) votes on the Budget Request Act, which sets the appropriations level for each agency. There is only one vote on the BRA. Also in May, the Council will hold its first reading of the Budget Support Act. There is a second reading on the BSA.

### **Final Vote on the Budget Support Act: Early June 2014**

The Council holds the second reading of the Budget Support Act. The budget is then submitted to the U.S. Congress for approval.

## **Budget Request Act and Budget Support Act**

By the end of the process of budget building, two laws are adopted and a set of budget documents are produced. The two laws are the Budget Request Act and the Budget Support Act. **The Budget Request Act** sets the funding level for each agency and program. This legislation also includes allocations for federal payments for the few local functions provided entirely by the federal government, such as the court system. The Budget Request Act often is limited in detail; it does not show program-by-program funding for each agency. Instead, that information is provided in the budget documents. **The Budget Support Act** is legislation covering any budget changes that require a change in law, such as a tax change or a change in eligibility for a specific program. Simple increases or decreases in funding for a specific program — such as library collections — do not require legislation. It's important to look at the Budget Support Act very closely. Sometimes initiatives that are not strictly related to that budget year are placed in the Budget Support Act, such as a proposal for the city to consider online gambling.

## **Is the DC Budget Process Different From Other cities and states?**

DC is a city, but it also has to act like a state in a way that's different from Baltimore, Milwaukee or San Francisco. The District, which is not a state or located within one, is in charge of many programs that Maryland, Wisconsin, or California would normally administer for their largest cities, like Medicaid, unemployment insurance, or TANF. While the District has more responsibilities than many cities, it also has less autonomy in many ways, including over its budget. This is because the U.S. Constitution gives the U.S. Congress broad authority to oversee the city.

While most residents are aware that the District lacks voting representation many may not be aware that the city is also deprived of budget autonomy—the ability to have ultimate authority over how to spend the money it collects. Indeed, every law passed by the DC Council and signed by the mayor needs congressional approval. That includes our budget, even though DC residents and businesses provide a majority of the funds. This means that the Congress can modify DC's budget any way it wants, even the portion of DC's budget supported with the city's own tax dollars. In reality, Congress largely defers to the decisions made by the Mayor and DC Council. Yet signs of federal control are clear. For example, federal law restricts how the city can spend its rainy day fund. Congress also mandates that the city budget not only for the upcoming fiscal year, but for four years out, known in technical jargon as the “financial plan.”

## Glossary of Key Terms

- Budget: A spending plan that outlines expenditures and revenues for a given period of time.
  - Operating Budget: Spending plan for day-to-day government operations.
  - Capital Budget: pending plan for infrastructure, such as roads and schools.
- Budget Request Act: Legislation that sets the funding level for each program/activity.
- Budget Support Act: Legislation needed to enact budget, including policy changes and new rules.
- Current Services Funding Level: Amount of funding needed to maintain current services.
- Expenditure: Payments for personnel, goods and services, and other expenses needed to carry out the functions of the DC government.
- Federal Funds: Funding provided by the federal government.
- Financial Plan: Budget for the city's current fiscal year and three years beyond.
- Fixed Expenses: Costs incurred in day-to-day operations. For District government, fixed costs include electricity, rent, and janitorial services.
- Full-Time Equivalent or FTE: One or more employment positions in which the combined work is equal to one full-time year round worker (40 hours and 52 weeks).
- General Fund: Expenditures funded with locally raised taxes and fees, including special purpose funds.
- Home Rule: Law which allows city to govern itself.
- Intra-District: An accounting mechanism to track payments for services provided by one District agency on behalf of another District agency.
- Local Revenue: Tax and non-tax revenue that isn't earmarked for a specific purpose.
- Mark-up: Changes made by DC Council committee to legislation.
- Medicaid: Government health insurance for some categories of low-income residents.
- Rainy Day Fund: Informal term for financial reserves set aside by cities and states to address unforeseen circumstances.
  - Emergency Fund: One of two parts of the congressionally mandated rainy day fund used for natural disasters.
  - Contingency Fund: One of two parts of the congressionally mandated rainy day fund used for budget shortfalls and unexpected drops in revenue
- Revenue: Annual income or receipts from taxes, charges, grants and investments.
- Tax: A financial charge or levy assessed on income, property or other goods and services to support government services.
- Uniform Per Pupil Student Funding Formula: Amount of local funds allocated to DCPS and to each public charter school based on student enrollment and characteristics.

From <http://www.dcfpi.org/a-first-look-at-mayor-grays-budget>

**Key investments in the FY 2015 budget include:**

**Education:** A \$112 million increase in funds goes to DC public schools (\$53 million) and public charter schools (\$58 million) through a boost in the per-pupil formula. Most notably, this includes \$2,079 more for each student considered “at-risk” — the first time in years that the formula has taken poverty into account. The funding increase also includes a 2 percent cost-of-living adjustment to the per-student formula and reflects projected growth in student enrollment in both school sectors.

**Health Care:** The mayor proposes a \$21 million investment in mental health, using local Medicaid money, almost double the amount spent in FY 2012. The budget also places additional emphasis on improving the health outcomes of District school children, adding \$5 million for school nurses and expanding mental health clinicians to 23 additional schools. Finally, the budget sustains the District’s home visiting program for at-risk families with young children by replacing expiring federal grants with \$2.5 million in local funds.

**Cash Assistance for Families with Children:** The mayor proposes a cost of living increase in benefits for families in the Temporary Assistance for Needy Families (TANF), DC’s welfare-to-work program. The current level of TANF benefits, just \$428 a month for a family of three, leaves many families in a state of constant crisis. Then, in FY 2017, benefits would be increased by 46 percent to make the amount similar to the benefits in neighboring Maryland. Under the proposal, a family of three will receive \$438 in FY 2015, \$449 in FY 2016, and \$655 in FY 2017.

**Affordable Housing:** The budget includes \$4 million for rental assistance, with one quarter of the funds being set aside for seniors who are leaving nursing homes to return to the community. Nearly \$5 million will go to help end chronic homelessness among veterans by 2015 and a \$1 million increase would be given to the Low-Income Heating and Energy Assistance in order to raise benefit levels for people enrolled in the Supplemental Nutrition Assistance Program. The Housing Production Trust Fund—DC’s main source for affordable housing construction and preservation—would see a \$30.2 million one-time increase in the current fiscal year.

**Tax Changes:** The Mayor’s budget adopts some recommendations from the Tax Revision Commission. On personal incomes taxes, the budget funds a new bracket and tax rate for individuals with incomes between \$40,000 and \$60,000 or two-earner families with incomes between \$80,000 and \$120,000. Part of the cost for this change would be offset in the later years by maintaining an income tax rate of 8.95 percent on income above \$350,000. The rate was set to expire at the end of 2015, which would have left the top income tax rate at 8.5 percent for taxable income over \$40,000.

Yet at the same time, some key programs are not adequately funded in FY 2015:

**Homeless Families:** The overall budget for homeless families shows a decrease in funds from FY 2014 to FY 2015. The budget includes a \$1 million increase each for the Emergency Rental Assistance Program (ERAP) and the Rapid Rehousing program (RRH). Emergency Rental Assistance prevents homelessness by providing funding for households facing eviction or those seeking new housing. Rapid rehousing provides housing search assistance, supportive services, and short-term rental assistance. Yet these increases will not offset an anticipated \$2.4 million reduction in available federal funding. Additionally, the District used \$9 million of federal TANF carryover dollars for homeless family services in FY 2014, but it is unclear how much, if any, carryover will be available in FY 2015.

**Paid Sick Days and New Minimum Wage:** DC recently passed two critical laws to help low-income workers by expanding paid sick days access and increasing DC's minimum wage. The new laws came with a small cost for enforcement and compliance to ensure low-income workers would benefit from the laws. Yet funding included in next year's budget is lower than the estimated cost by the Chief Financial Officer to implement these two laws.

The budget also funds a bill passed this year to eliminate property taxes for homeowners with incomes below \$60,000 who are 70 or older and have owned a home in DC for 20 or more years at a cost of \$8 million. DCFPI believes that property tax assistance for low-income residents is important and has concerns that the new bill leaves out renters, a significant share of the low-income senior population. Allocating some of the dollars towards an expansion of schedule H (DC's low-income property tax credit) would help provide property assistance for both renters and homeowners and those who need the help the most.



From <http://www.fairbudget.org/our-evaluation-of-the-mayors-fy2015-budget/>

## Our Evaluation of the Mayor's FY2015 Budget

Mayor Gray released his budget last week amid growing pressure to address poverty and inequality in DC. We are very happy to report that there were many new investments into critical safety net programs like affordable housing, cash assistance to low income families and mental health services. But the budget fell far short of where it needs to be to adequately address homelessness, adult literacy and hunger.

We evaluate the Mayor's budget based on the Fair Budget Coalition principles that a fair budget must:

Invest in programs that protect DC residents' fundamental rights to Housing, Health, Food, Education, Income and Safety.

Balance long-term solutions with immediate needs.

Raise money in a way that reduces rather than increases inequity.

Share the District's resources based on need.

Read on to find out how Mayor Gray's budget measures up:

## HOUSING

### Progress:

-500 Families in 100 Days effort (\$1M Emergency Rental Assistance Program; \$1M Rapid Re-Housing)

-\$250K increase in Emergency Housing Funding in Office of the Tenant Advocate

-\$78.5M Housing Production Trust Fund

-\$4.7M Permanent Supportive Housing for veterans to end veteran homelessness by 2015

-\$4M Local Rent Supplement Program (\$3M sponsor-based for individuals and families; \$1M tenant-based for low-income seniors)

-Dropped proposal for provisional placements for homeless families

### Unfulfilled:

-\$10M in the tenant-based Local Rent Supplement Program to provide long-term housing support for very low income families

- To better track outcomes from the Rapid Re-Housing Program and the Emergency Rental Assistance Program would allow us to know how to fund and target those programs more effectively
- Year-round access to shelter, especially now that hypothermia season is over
- As reported by the DC Fiscal Policy Institute: “The overall budget for homeless families shows a decrease in funds from FY 2014 to FY 2015.” Though the Mayor’s 500 Families in 100 Days effort gives \$2M towards temporary housing assistance, “these increases will not offset an anticipated \$2.4 million reduction in available federal funding”
- An offset for a \$366K reduction in federal funding for Permanent Supportive Housing for families
- To better meet the needs of single adults by creating a Coordinated Entry System and expanding the Rapid Re-Housing program to more individuals
- An expansion of emergency and longer term housing for homeless youth

## **HEALTH & FOOD**

### **Progress:**

- \$3.3 million to expand school-based mental health services into 23 additional schools and salary increases for current staff
- \$2.5M to broaden Medicaid health coverage to include transplants
- Funded Heat and Eat so DC will not suffer from Farm Bill cuts

### **Unfulfilled:**

- \$1.3M increase to SNAP benefits (food stamps) to address senior hunger

## **INCOME**

### **Progress:**

- TANF gets a cost of living increase (up by 46% by FY2017)
- \$ 500k increase to the Interim Disability Assistance Program
- \$4.2 million for adult job training
- \$2.5 million for workforce-development programs at the Community College of the District of Columbia

- \$150K to fund Earned Sick and Safe Leave Amendment Act implementation (though this is not yet enough to fund full enforcement of the law)

**Unfulfilled:**

- 12-month exemption to TANF parents caring for child under 12 months old

- "Opportunity Youth" funding

- Increase in minimum wage for tipped workers

- Funding to implement Unemployed Anti-Discrimination Amendment Act

- Full funding to implement enforcement of Paid Sick Days and Minimum Wage laws

- Funding to strengthen enforcement and adjudicate wage theft claims

**ADULT EDUCATION**

**Progress:**

- Following the recommendation from a literacy adequacy study, a new per pupil funding formula increases the weight for adults students from 75% of the base rate to 89%

**Unfulfilled:**

- \$5.5M increase in funding for Adult Literacy (though a \$3M increase is #6 on the Mayor's wish list)

- A cross-agency literacy task force to develop and implement a strategic plan for improving literacy in DC

**FAIR TAXATION**

**Progress:**

- Maintained high income tax bracket at 8.95% at \$350K and above (it had been set to expire next year)

- Reduced the marginal tax rate on individual income between \$40,000/year and \$60,000/year from 8.5 percent to 7.5 percent, covered with:

- Revenue-neutral business tax reform

- Maintained the Estate Tax threshold at \$1million (but the Mayor put it as the last priority on his wish list so we'll have to keep an eye on that)

## **Unfulfilled:**

- Earned Income Tax Credit expansion for childless workers (but it's #2 on Mayor's wish list)
- A sales tax credit to offset impact of the sales tax on low and moderate income families
- To eliminate current exemptions for professional services organizations

## **THE MAYOR'S WISH LIST**

The Mayor has made a habit of making an "Additional Revenue Priority List" for items that he did not include in his budget but which he would like to see funded if there is surplus money that comes available. We want to highlight the priorities we like and their corresponding spots on the wish list:

#2: \$10.8M Earned Income Tax Credit

#6: \$3M Adult Literacy Funding

#7: \$1.9M Expansion of School-Based Mental Health program

#8: \$1.8M Coverage of Ineligible for Health Benefits Exchange Insurance

#14: \$10.2M Personal Exemption

#15: \$10.1M Standard Deduction