

GOVERNMENT OF THE DISTRICT OF COLUMBIA



Fiscal Year 2019 Local Budget Act of 2018
Fiscal Year 2019 Federal Portion Budget Request Act of 2018
Fiscal Year 2019 Budget Support Act of 2018

Testimony of
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Committee of the Whole
Council of the District of Columbia

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Introduction

Good morning, Chairman Mendelson and members of the Council. For the record, my name is Rashad Young, and I am the City Administrator of the District of Columbia. I am pleased to testify before you today on the Fiscal Year 2019 Local Budget Act of 2018, the Fiscal Year 2019 Federal Portion Budget Request Act of 2018, and the Fiscal Year 2019 Budget Support Act of 2018, entitled collectively “A Fair Shot.”

Washington, DC is a growing city. Recently, we celebrated the fact that we are now 700,000 residents strong. Our local economy is one of the strongest in the nation. And our unemployment rate is down 1.7%, with decreases in all eight wards.

And because of our growth and prosperity, in recent years, we have been able to make unprecedented investments in our residents and neighborhoods—in education, affordable housing, and more. But, in order to ensure all Washingtonians get the fair shot they deserve, we know that there is more work to do. The Fiscal Year 2019 Budget Acts and the Fiscal Year 2019 Budget Support Act continue this important work.

FY19 Budget Acts

The Fiscal Year 2019 budget totals \$14.4 billion in operating authority, including \$7.8 billion in local funds, and \$1.6 billion for capital improvements. That budget authority is established by the Fiscal Year 2019 Local Budget Act of 2018, and the Fiscal Year 2019 Federal Portion Budget Request Act of 2018 supports a small portion of the budget by requesting direct payments from the federal government in areas such as school improvement, the testing and treatment of HIV/AIDS, and emergency planning and security costs.

Despite the strength of the city's finances, when putting together the District's budget, we are always faced with tough choices. To guide us in the FY19 budget formulation, we focused on funding programs and services that provide the greatest benefits to our residents. Specifically, we focused on providing District residents a fair shot by concentrating our resources across seven priority areas:

1. Infrastructure;
2. Education;
3. Affordable housing;
4. Human services;
5. Economic opportunity;
6. Seniors; and

7. Public safety.

Because the Council has already held a number of hearings on the budget, and Mayor Bowser and agency directors have provided extensive testimony on our FY19 spending proposals, I will not go into further detail on the FY19 budget bills during my testimony. However, I am happy to answer any questions you may have regarding them.

Fiscal Year 2019 Budget Support Act

The Fiscal Year 2019 Budget Support Act of 2018 (BSA) supports the FY19 budget by making amendments to District laws to facilitate the implementation of the policies and initiatives included in the budget and financial plan. The BSA supports key priorities of Mayor Bowser's budget in the areas of government operations, economic development, public safety, public education, health and human services, public works, finance and revenue, and the capital budget.

There has already been a substantial amount of discussion about many of the Budget Support Act subtitles during the Council's agency budget hearings, so I will not discuss the bill in detail during my testimony, but I do want to describe some of the major elements of this year's BSA.

The **Government Direction and Support** title of the BSA makes certain amendments to the Fair Elections Act that allow us to fund and implement that act starting in FY19. The Fair Elections Act provides for publicly funded political campaigns for the offices of Mayor, Councilmember, Attorney General, and members of the Board of Education. The bill was approved by the Council earlier this year, but implementation of the act was contingent on future funding. As you know, we were initially concerned that this bill would divert a significant amount of funding from other important programs and services. But after hearing from constituents at the budget town halls and at other events, we understood how important this bill was to District residents. By amending certain provisions of the Fair Elections Act in the BSA, we were able to develop a way to fund the Act and implement it starting in FY19, while at the same time ensuring that other key District priorities were funded.

The **Economic Development and Regulation** title contains a number of provisions that will advance community development across the District. For example, the Neighborhood Prosperity Initiative subtitle establishes an ongoing program to provide gap financing to mixed-use development projects in lower-income neighborhoods. These types of projects often face financing gaps for their non-residential components, and the Neighborhood Prosperity Initiative will help

fill those gaps. DMPED ran one round of this program as a pilot and selected two projects, one in Ward 7 and one in Ward 8. Based on the positive response to the pilot, we are proposing to establish the Neighborhood Prosperity Initiative as an ongoing, statutory program.

The Local Rent Supplement subtitle of the Economic Development and Regulation title will enhance the assistance that we can provide to District residents through the Local Rent Supplement Program (LRSP). Under this program, a rental subsidy is provided to households that have incomes at or below 30% of the area median income and that have experienced homelessness or housing instability. Eligible households, though, face additional challenges in finding money to cover other housing-related costs, such as application fees and security deposits. These costs are not eligible for LRSP assistance, which creates barriers to households obtaining permanent housing. This subtitle will therefore expand the allowable uses of LRSP funds to include the payment of security deposits and application fees, which will improve our ability to connect eligible households to permanent housing.

As part of the **Public Safety and Justice** title of the BSA, we are proposing to transfer a portion of the Roving Leaders program from the Department of Parks and Recreation to the Office of Neighborhood Safety and Engagement (ONSE).

ONSE's Roving Leaders will assist with critical incident responses, mediations, and conflict resolutions. They will also staff events, such as school basketball and football games, community events, and ONSE activities. The Roving Leaders will provide a critical resource that can be integrated with ONSE's other violence prevention and interruption and education programs.

As part of the **Public Safety and Justice** title, we are also proposing to extend the term of the Comprehensive Homicide Elimination Strategy Task Force. The Task Force was re-established as part of the NEAR Act, with the goal of developing a comprehensive plan to eliminate homicides in Washington, DC; presenting a report to the Mayor and Council; and then sunseting. However, we believe the Task Force would be a more valuable resource to the District if it were a longer-term entity that could provide ongoing input and if its focus was shifted to violence interruption and prevention. This BSA subtitle therefore would eliminate the sunset of the Task Force, shift the Task Force's primary responsibility to providing advice and recommendations to ONSE on successful violence interruption and violence prevention strategies, and eliminate the requirement that the Task Force issue a one-time report.

The **Public Education** title of the BSA makes several amendments to existing law that will improve educational services and outcomes for our children.

The first subtitle increases the amount of funding that is provided to DCPS and public charter schools to a historically high level. The uniform per student funding formula is increased by 3.91%, resulting in an additional \$94 million for our schools—and a total of \$2.3 billion for K-12 public education in the District.

In addition, this BSA title culminates years of ongoing work by the Office of the State Superintendent of Education and our schools, by repealing the subject-to-appropriations provision of the Enhanced Special Education Services Act of 2014. This repeal will expand the number of schoolchildren who are eligible for special education services; shorten the timeline for evaluating children who are suspected of having disabilities; and lower the age at which secondary transition plans are required. These are significant, important steps we are taking to improve educational outcomes for all of our students.

The **Public Education** title also helps to address the high costs of child care by establishing an early learning tax credit. Under the Early Learning subtitle, families who are not eligible for District-subsidized child care will receive a \$1,000 per child tax credit to offset their child care costs for children between the ages of 0 and 3, if the child is enrolled in a licensed child care facility and the child is not eligible for universal pre-K. This tax credit is another tool that the Bowser

Administration has created to expand the availability of high-quality child care to children throughout the District.

The **Health and Human Services** title contains the Individual Health Insurance Requirement subtitle, which will counter Congress's repeal of the Affordable Care Act's (ACA's) individual mandate at the federal level by establishing an individual mandate at the District level. The ACA's requirements are often referred to as a three-legged stool that makes the individual market more stable and affordable. The first leg of the stool was the individual mandate; the second leg was insurance market reforms and consumer protections, such as pre-existing conditions protections; and the third leg was various programs to make coverage more affordable.

In light of Congress's repeal of the individual mandate, and pursuant to a charge from Mayor Bowser, the Health Benefit Exchange Authority (HBX) convened a working group which recommended that the District enact its own individual responsibility provision to require District residents to maintain qualifying health coverage or pay a penalty on their District taxes, unless they qualify for an exemption. This BSA subtitle implements that recommendation.

The **Transportation, Public Works, and the Environment** title includes the WMATA Dedicated Funding subtitle, which is a historic commitment on the

part of the District, Maryland, and Virginia to provide a dedicated source of funding to WMATA. WMATA is currently funded largely through jurisdictional subsidies and user revenue. Over the years, this revenue has not met the infrastructure needs of the Metro system. In order to make necessary investments in WMATA's capital infrastructure, the District, Maryland, and Virginia have agreed to provide an additional \$500 million annually to finance over \$15 billion of safety-related and maintenance-related items and to ultimately achieve a state of good repair. The BSA subtitle provides the legal mechanism for the District to meet its funding commitment, conditioned on Maryland and Virginia doing the same.

The **Transportation, Public Works, and the Environment** title also implements an important program to help address the impact of rising DC Water bills on District residents and nonprofit organizations. DC Water is currently in the middle of implementing a \$2.7 billion "Clean Rivers" project which is required pursuant to a consent decree to clean up the Anacostia and Potomac Rivers. To fund the costs of the project, DC Water imposed a new charge on water customers' bills—the impervious area charge, or IAC, which is based on the amount of impervious surface area at each customer's property. The IAC has grown exponentially since the charge began. In 2009, the IAC for the average residential

customer was only \$1.24 per month, but it is now \$25.18 per month and is projected to grow another \$10 per month by 2026. This has placed a burden on lower-income households and senior households with fixed incomes. Moreover, the burden has been particularly acute for non-residential, nonprofit organizations, and in particular churches and cemeteries, which often have a significant amount of impervious surfaces but relatively low water and sewer use.

To address these impacts, this subtitle requires DC Water to establish rate relief programs for low-income, moderate income, and senior fixed-income households and also for non-profits. The Mayor included \$6 million in District funding for these programs, and this subtitle would require a \$6 million match from DC Water. Under the rate relief programs, we expect to be able to provide a discount of at least 50% on eligible households' IAC charges and to provide substantial relief to eligible nonprofits.

The **Finance and Revenue** title includes a subtitle that caps property tax increases at 5% per year for eligible senior households. The District has seen a significant increase in property values over the last two decades, which has led to a parallel increase in property taxes. The impact of the tax increases has been particularly challenging for seniors on fixed incomes. The Senior Residents Real Property Tax Cap subtitle therefore limits the annual increase in a property's real

property taxes to 5% a year, if the property owner is 65 or older, the owner lives at the property, and the owner's adjusted gross income is below \$130,550. This subtitle will help ease the burden on our senior households and increase their opportunity to age in place.

Finally, the **Finance and Revenue** subtitle includes a number of subject-to-appropriations repeals which will allow us to implement several important laws. Those laws include a sales tax exemption for the purchase of feminine hygiene products; the establishment of a maternal mortality review committee; the expansion of the District's infrastructure for electric vehicles; and implementation of tax increment financing for the Union Market project.

Conclusion

As I close, I want to thank the many residents who participated in the budget process and provided their opinions and insights. The FY19 budget and BSA are designed to meet the needs of Washingtonians across all eight wards. Together, they invest in our schools and communities; keep us on the path to making homelessness rare, brief, and non-recurring; provide the resources to keep our neighborhoods safe; and allocate resources for vital infrastructure improvements, such as the Metrorail and Metrobus systems. Most importantly, this budget and the

Budget Support Act ensure that more Washingtonians get the fair shot they deserve.

Thank you for the opportunity to provide testimony on these bills, and I am happy to answer any questions you may have.