We’ve all seen the data: between 2000 and 2013, DC had the most intense gentrification in the country, displacing over 20,000 black residents, many of them native Washingtonians.

Today, if you walk through our city, you can see and experience DC through two different lenses: the first, as one of the fastest growing cities in the country, with an expanding population and tax base, home to scores of new restaurants, housing developments, and gathering spaces; the second, as one of concentrated poverty, lacking critical access to food, health care, and stable housing, with friends and families often having to move out of the city due to violence and rising costs of living. Those who see the city through the first lens are mostly high-income and to a much lesser degree black and brown. Those who see the city through the second lens are mostly low-income and black and brown. DC has the greatest racial income inequality in the country, and that inequality is starkly represented by the way in which our residents experience and participate in our city.

In a city like ours with widening income inequality, the government has a primary role in remedying racial and income inequities. We often hear from the Council that a fair budget should provide programs, services, even tax breaks for all District residents. If everyone had the same opportunities for success, the same investments in their education, the same quality of housing, the same access to jobs and wealth accumulation, such an approach might be fair. But in DC, where many Black and brown residents have not been afforded the tools and opportunities needed to thrive, such an approach is not equitable, and therefore, doesn’t meet that principle of fairness. We are asking you to use an equity lens when assessing the fairness of this budget: Does every DC resident have what they need to be successful? Does this budget equitably address the needs and concerns of DC’s people, specifically our low-income and black and brown families? Our review of the proposed FY 2020 budget finds it falling short of achieving equity—or even working toward it—in many ways.

To elevate the voices and outcomes for low-income District residents, we have come together in the hope that you, as our elected officials and policymakers who have the power to reimagine the status quo and rectify inequities, will ensure that our current budget reflects an equitable budget. On the signature page, you can see that we represent a wide variety of “issue areas” and budget asks, but we are united by our ask that the District ensure that the critical needs of low-income, primarily black and brown, residents, such as housing, education, healthcare, food, childcare, and violence interruption are met. To assist you in finding resources to equitably address the needs of our residents, we have identified potential sources of funding laid out in the attached document.

We believe that if DC ensures that our budget goes to making for a better life for each of our residents, that the past 20 years of displacement of our people will not be repeated in the next 20. We look forward to seeing a Fiscal Year 2020 budget passed by the DC Council that reflects our city’s motto: Justitia Omnibus, Justice for All.
● Foundry United Methodist Church
● Holy Comforter-St Cyprian Roman Catholic Church
● Holy Redeemer Roman Catholic Church Social Justice Ministry
● Lutheran Church of the Reformation
● RESULTS DC
FINDING REVENUES TO ENHANCE EQUITY IN THE DC FY 2020 BUDGET

April 26, 2019

As the DC Council works to finalize the FY 2020 budget, it should work to address major gaps in funding for programs and services that are important to building an equitable city, where all residents can thrive. The proposed budget falls far short in funding for schools, student mental health, early childhood education, housing, homelessness, immigrant health care, and more. The Council can preserve and find additional resources for these needs in three ways, as detailed below.

- **We encourage the Council to maintain the revenue increases in the proposed budget.** The revenue increases are sound proposals, and any effort to scale them back would make it harder to fund needed services.

- **We encourage the Council to eliminate budget proposals that work against equity, and to identify other budget savings.** This includes, for example, eliminating the proposed so-called "workforce housing" program for families with incomes up to $140,000. Funds for this and other proposals can be shifted into services that promote equity.

- **We encourage the Council to find smart ways to raise new revenues.** This includes raising property and deed taxes on high-value homes—a “mansion tax.”

**Maintain Proposed Budget’s Revenue Increases**

The primary revenue increases in the proposed FY 2020 budget are in the commercial property tax and deed recordation/transfer taxes for commercial properties.

**Maintain Commercial Property Tax Increase:** The proposed FY 2020 budget reinstates the commercial property tax increase that the Council adopted in FY 2019, setting a higher rate on properties worth $10 million or more. The tax was included in the FY 2019 budget adopted by the DC Council, as part of the effort to fund Metrorail improvements. (The Council then used new online sales tax revenue later to scale back the Metro tax increases.) Improving Metro is critical to DC’s economy and has been a top priority of the business community. It therefore makes sense for business taxes to be part of the effort to support Metro. The tax increase totals $40 million, less than one-fourth of the nearly $180 million in new funds dedicated to Metro. Given the importance of Metro to DC businesses, asking them to shoulder a small share of the costs is reasonable. Rolling back the tax increase would inappropriately reduce this share even further. The Council should have not tried to reverse it and it makes sense that the Mayor reinstated the Council’s initial decision to raise this tax.

**Maintain Commercial Deed Tax Increase:** The proposed budget raises deed transfer and deed recordation taxes to 2.45 percent, up from 1.45 percent, on commercial property sales above $2 million. This means combined transfer and recordation taxes would grow from 2.9 percent to 4.9 percent on these properties. This is a one-time tax when a property is bought or sold. A review of DC’s deed taxes for the 2014 Tax Revision Commission concluded that that it is “an attractive source of revenues” because commercial properties are often owned by national or global increases and that it is unlikely to have a notable impact on economic development.

- Since the properties are owned by national and global interests, the impacts of the tax would be exported and not paid by DC residents or businesses.
DC’s commercial property market is one of the strongest in the world, and investors will still want to invest. The DC Tax Revision Commission study concluded that “taking fuller advantage of national and global interest in the District’s office market by augmenting taxes for such properties could provide enhanced revenues with little downside impact.”

Eliminate New Budget Proposals That Work Against Equity, and Find Other Savings

Advocates seeking more funds to invest in services and programs are often asked to identify where resources to support those increases can be found. The following is a list of ways to find savings in the FY 2020 budget that could be re-directed to higher-priority, more equitable, and more effective purposes.

Redirect funds from new “Workforce” Housing proposal: The proposed budget includes $20 million in one-time funding for the “Workforce Housing” program which would support the development of housing for families earning between 60 percent and 120 percent of the area median income (AMI), or up to $140,000 for a family of four. While a wide range of DC families undoubtedly face challenges with rising rents and home prices, prioritizing families with above-average incomes over extremely low-income families is a questionable allocation of resources. Given that the Black median household income is approximately $42,000 and the “Workforce Housing” program’s lower income limit is $70,000, it will exclude most Black District residents. Further, 40 percent of DC’s most common occupations pay 50 percent AMI or less and yet none of these workers will benefit from the program (CSG).

The $20 million should be redirected towards other efforts such as public housing repairs that benefit residents with the most need.

Eliminate Child Tax Credit: The proposed budget would make permanent a $1,000 tax credit for child care expenses that was included on a one-time basis in the FY 2019 budget. The tax credit covers children up to three years old attending a licensed facility, at a cost of $2.5 million per year. With a maximum income eligibility of $750,000, it is not targeted to families who need it the most. In Tax Year 2018, over half of the claimants made over six-figures. The District spent half a million dollars on tax credits for families making over $300,000 a year. At the same time, less than a quarter of claimants earned under 30 percent AMI or $35,000 a year.

The Council should eliminate the tax credit and invest those resources in the child care subsidy program that targets low- and moderate-income families, as included in the “Birth to Three” legislation.

Eliminate “Free Circulator” Proposal: The proposed budget includes $3 million in one-time funding to make the Circulator, DC’s standalone bus system, free of charge. The Circulator currently serves a relatively privileged group of DC residents that is whiter and wealthier than the District as a whole. The median income of the census tracts served is higher than the District’s median income. And the average census tract served is 59 percent white while the District’s population is 41 percent white. Adding a route in Ward 7 will bring the average census tract served closer to the District’s overall population but the effect is likely small.

We recommend repurposing this funding to meet the needs of families with lower incomes. The District has a growing number of students experiencing homelessness or housing instability who need transportation assistance to get to school. And while Kids Ride Free provides free Metrobus, DC Circulator, and Metrorail rides to kids so they can get to school, it does not cover fares for parents who need to accompany young children.
Eliminate Police Force Increase: The proposed FY 2020 budget continues to grow the DC police force, sticking to a longstanding belief that public safety requires having 4,000 or more police officers, even though there is strong evidence that Black communities in DC are over-policed. Meanwhile, the budget fails to adequately fund crucial components of the NEAR Act, which is intended to use public health approaches to improving community safety and stability.

The Council should eliminate the increased funding for police—taking at least $3 million from the proposed MPD budget—and increase funds for core elements of the NEAR Act.

Scale Back “High Tech” Tax Incentives: The District offers several economic development tax incentives that cost the city millions in lost revenue each year yet fail to contribute to economic growth or more jobs. The Qualified High Technology Company (QHTC) incentive provides generous tax subsidies to companies that self-identify as “high tech,” based on a loose definition. Many companies claiming these tax breaks, which total $40 million per year, are headquartered in Northern Virginia and maintain just a small DC office. Many others were in DC before the tax incentive program was created, calling into question whether the incentives have made any difference at all. Some of the QHTC subsidies are permanent tax cuts, meaning some businesses have been claiming tax breaks for almost 20 years. DC’s Chief Financial Officer concluded that they were “not able to reasonably identify what new actions were taken due to the incentives” or “what economic benefits are attributable to the incentives.”

The Council should cap tax benefits at 5 years, including current recipients. And following the CFO recommendations, the Council should cap how much a company can get in one year at no more than $250,000.

Transfer Surplus funds from, Events DC. Events DC manages and attracts conventions, sporting events, and other special events to the District. They own and manage the Convention Center, RFK Stadium and Nationals Park. Events DC is in part funded through dedicated taxes on hotel rooms, restaurant meals, alcoholic beverages, and auto rentals. In Fiscal Year (FY) 2018, this dedicated revenue brought in $135 million but Events DC only spent $72 million. This is part of a larger pattern of underspending that has occurred every year since FY 2012 that has led to a surplus of $206 million.

The Council should redirect some of the dedicated, recurring tax revenue and the one-time surplus.

DO NOT Fund Short-term rentals legislation: The legislation to limit short-term rentals that was adopted in 2018 has a cost, since it will eliminate commercial use of Airbnb and therefore reduce hotel taxes. (That said, there is some evidence that limiting Airbnb doesn’t limit how many people visit DC; they just find other accommodations, in which case the cost really should be close to zero). In developing a fiscal impact statement, the DC Chief Financial CFO determined that short-term rentals are not allowed at all in DC, and so the FIS assumed all short-term rentals would disappear, with costs of over $20 million a year. The DC Council has asked the Zoning Commission to rule that short-term housing is allowed, so that the law can go into effect without fully banning short-term rentals, but the Zoning Commission has not acted yet.

The DC Council should not fund this legislation until the Zoning Commission rules, which will limit the fiscal impact. The Council also should encourage the CFO to reduce the fiscal impact based on evidence that limiting inappropriate use of short-term rentals will lead visitors to use other accommodations, rather than not staying in DC at all.

Scale Back K Street Streetscape Improvement: The proposed capital budget includes $122 million to improve an 11-block stretch of K Street, NW in downtown DC. While aspects of this project may be justified, including improvements in pedestrian and bicycle safety, it is an extravagance in a budget that
fails to invest any new resources in repairing DC’s dilapidated housing, which needs $340 million in urgent repairs.

The DC Council should scale back the K Street project and reinvest those capital funds in public housing or other urgent capital needs affecting low-income residents of color.

Raise Revenues in Smart Ways

Beyond the savings ideas identified above, the District can explore ways to raise new revenues in economically sound and equitable ways.

Higher Taxes on High Value Homes (“Mansion Tax”): The DC and national economies have been marked for decades by an increasing concentration of wealth in a few hands, a sign that our economy is not creating equal opportunities for everyone. The barriers to opportunity for residents of color are evident in our wealth gap, with the average wealth of white households now 81 times the average wealth of Black households. The District can tackle this inequality by better taxing extreme wealth – particularly by levying taxes on DC’s highest-value housing, according to a recent report from the Center on Budget and Policy Priorities. A property tax surcharge of 1 percent on homes worth at least $2 million and 2 percent on homes worth at least $5 million would raise $74 million yet only affect 1.4 percent of homes.

Recapture Federal Income Tax Cuts for High-Income Residents and Businesses: The federal tax cuts adopted in 2017 provided over $250 million in tax breaks to households with incomes above $500,000. Tax cuts for businesses in DC totaled $460 million. This means that the District could increase taxes on high-income residents and on businesses while still leaving them better off in combined federal-DC taxes.

Marijuana Tax: Annual revenue from a fully functioning and regulated recreational marijuana market are estimated to exceed $20M annually.