



# THE BEST OF TIMES FOR SOME, THE WORST OF TIMES FOR MOST: Budgeting to Reduce Income Inequality

## Fair Budget Coalition FY2015 Budget Report

### Executive Summary

The District has the third highest income inequality of the 50 largest cities in the country. The budget can be a central tool for reducing inequality by funding affordable housing and safety net programs that help stabilize struggling residents. The following measures can guide us toward a more equitable DC:

### *Tax and Revenue*

- 1) Make DC's tax system more progressive by reducing taxes paid by low-income residents and increasing taxes for DC's highest income residents.**
  - a) Maintain the Mayor's proposal to create a new middle-income tax bracket for those making between \$40,000 and \$60,000 with a lower marginal tax rate. We also support the recommendations of the DC Tax Revision Commission (TRC) to raise the standard deduction and personal exemption to match the federal levels, and to expand the Earned Income Tax Credit (EITC) for workers without children in the home.
  - b) Maintain the Mayor's proposal to keep the current income tax rate at 8.95% for taxable income above \$350,000.
  - c) Create a sales tax credit, based on income and family size, to offset the impact of the highly regressive sales tax on low- and moderate-income families.
  - d) Maintain the DC estate tax threshold at the present level (\$1 million). Keeping the estate tax at its current rate will preserve \$15.8 million in the budget, which would be needed to provide tax relief for low income residents.
- 2) Eliminate the current exemptions in DC's unincorporated business tax for professional services organizations, requiring more businesses operating in the District to pay income taxes.**
- 3) Maintain the Tax Revision Commission's recommendation (included in Mayor Gray's budget) to apportion business income using a single-sales formula, generating \$20 million; and adopt the TRC recommendation to create a new local services levy of \$100 per employee on all employers, generating \$45 million.**

### *Good Jobs, Workforce Development and Income Supports*

- 1) Implement and strengthen enforcement of worker protection laws with an additional investment of at least \$1,265,000.**
  - a) Invest \$591,000 to implement the Wage Theft Prevention Act of 2014 and other wage and hour laws.
  - b) Invest an additional \$130,000 to fund a public education campaign by DOES about the new sick leave law, so that businesses and workers know about the expanded protections now offered.
  - c) Invest \$161,000 to implement the Unemployed Anti-Discrimination Amendment Act of 2012.
  - d) Invest \$383,000 to implement the reporting requirement for Minimum Wage Amendment Act of 2013.
- 2) Maintain at least the \$150,000 proposed in the Mayor's budget for staff to investigate and process claims under the Earned Sick and Safe Leave Amendment Act.**
- 3) Increase the minimum wage for tipped workers.**
- 4) Provide an intra-district transfer of \$4.1 million from DOES to OSSE Adult & Family Education to provide the literacy services adults need in order to gain the basic reading and math skills required for DOES job training.**
- 5) Create a cross-agency task force to develop, implement and report on a strategic plan for improving adult literacy in the District of Columbia. Allocate funds for staff to carry forward the work of the taskforce (\$175,000 for one FTE and technical consultants).**

- 6) Invest at least \$11 million to increase TANF benefits by at least 15% plus a cost-of-living adjustment (COLA) in FY15 and by a COLA in subsequent years. A parent with two children, who currently receives just \$428 per month, would see these benefits rise to at least \$492 per month.
- 7) Invest \$2.6 million to offer a one-time 12-month exemption (from the 60-month time limit) to TANF parents caring for a child under 12 months old.
- 8) Expand Interim Disability Assistance by \$3.9 million to reach 1,200 more residents in need.
- 9) Invest \$580,000 to provide application assistance to Interim Disability Assistance recipients.
- 10) Invest \$5 million to reconnect 1,000 16-24-year-old "Opportunity Youth," currently disconnected from school and employment, who need specialized programs to reconnect them to school, training and employment as well as mentors to help with their transition to productive adulthood.

### ***Nutrition and Health***

Invest \$1.3 million in local funds to address senior hunger and provide an additional \$15 per month in SNAP benefits to those receiving less than \$30 per month.

### ***Public Safety***

Enhance the Mayor's FY15 proposed Office of Victim Services (OVS) budget with an additional \$1.8 million in local funds to fully fund the new District-wide domestic violence hotline, Sexual Assault Victim's Rights Amendment Act ("SAVRAA") legislation, and other new initiatives without cutting into existing core services for victims of domestic and sexual violence.

### ***Children and Youth***

Invest an additional \$1.9 million and maintain the Mayor's proposed \$3 million to expand the School-based Mental Health Program to a total of 118 schools. (The Mayor included an initial investment of \$3 million in his FY2015 budget and included \$1.9 million as #7 on his Additional Revenue Priority List. The total investment necessary for FY2015 is \$5.4 million.)

### ***Housing and Homelessness***

- 1) Better track outcomes from the Rapid Rehousing and Emergency Rental Assistance Programs in order to determine appropriate future levels of funding and identify the most appropriate populations to target with these program funds.
- 2) Better meet the needs of single adults who are homeless by creating a Coordinated Entry System and by expanding the Rapid Re-Housing program being piloted this year.
  - a) Invest \$250,000 in Coordinated Entry to assess homeless individuals.
  - b) Invest \$1.5 million of one-time funding in Rapid Re-housing.
- 3) Dedicate \$5.4 million to Permanent Supportive Housing to house chronically homeless families and individuals.
- 4) Invest \$1.5 million in FY 2015 and \$17.2 million in FY 2016 to meet the goals of Helping Families Home: A Roadmap for the District.
- 5) Provide year-round access to shelter for DC "priority one" homeless families (i.e., those without a safe place to stay).
- 6) Invest \$10 million in the tenant-based Local Rent Supplement Program to provide approximately 667 affordable housing units for very low-income families.
- 7) Invest \$10 million in the Youth Services Amendment Act to expand emergency and longer-term housing to 150 homeless youth/young Families and establish a coordinated system of care.
- 8) Support the affordable housing production requests made by the Coalition for Non-Profit Housing and Economic Development (CNHED) by committing \$100 million each year to the Housing Production Trust Fund (HPTF), and an additional \$2 million to the project/sponsor-based Local Rent Supplement program (to supplement the \$3 million proposed by the mayor).