

February 12<sup>th</sup>, 2016

Dear Mayor Bowser:

As you prepare your Fiscal Year 2017 budget submission, I wanted to share with you some of my priorities for the year ahead. I know you face many competing priorities in an era of limited resources. However, there are several areas in which I believe we can work together to continue to build pathways to the middle class and invest in programs that have the greatest return on taxpayer dollars.

### ***PAID FAMILY LEAVE START-UP COSTS***

#### ***Working with CFO to determine costs of staff, infrastructure as well as buildup of insurance fund***

I am very appreciative of the Administration's support for the concept of a Paid Family and Medical Leave program. There is widespread agreement that District residents and workers need financial security while dealing with their own serious illnesses, as well as when they need to take time to care for family members who are ill or are new additions to their families.

As we continue to discuss and shape the program, it is critical that we include start-up costs in the FY17 budget so that the program administration can be carefully put in place. Our program will be a national model, and we want implementation to go smoothly. We will need trained staff, as well as a well-designed website and software system, to administer benefits and eligibility determinations fairly and efficiently. It would also be beneficial to include some start-up funding, which could be in the form of a loan, to capitalize the benefit fund itself so that benefits will not have to be delayed until tax collections have begun. After the start-up phase, the administering agency will be funded through a portion of the funds raised from the payroll tax, but a one-time budget allocation for start-up costs will help get the agency up and running as quickly and smoothly as possible.

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### ***HOUSING AND COMMUNITY DEVELOPMENT***

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I was thrilled to listen as you and DHCD Director Donaldson recently announced the allocations from the Housing Production Trust Fund for 804 affordable housing units in the District. The nearly equal distribution between housing preservation and production will have a substantial impact on addressing our affordable housing crisis. As you know, much more funding is needed if we are going to end the crisis. Thank you for putting \$100 million in your FY16 budget for the Trust Fund. I enthusiastically support you in your leadership on this issue, and I will support your efforts to allocate \$100 million to the HPTF in your FY17 budget. We will need to keep that pace for years to come if we are going to have a city where our lowest income neighbors have the secure housing they need. That will be the first step along the path out of poverty and into the middle class.

I also urge you to continue increasing funding for the Local Rent Supplement Program, both for tenant based vouchers to reduce our Housing Authority waitlist, and those that support the Homeward DC plan. While we need to produce and preserve as much affordable housing as we can, the fastest way to

solve a housing insecurity problem for a District resident is to ensure their rent is paid. I believe this is a critical part of our affordable housing strategy, especially as federal funds continue to dwindle.

### ***New Initiatives***

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- ***HOUSING PRESERVATION AGENCY SEED FUNDING***

**\$500,000 in one-time funding**

The report you recently received from the Housing Preservation Strike Force included the recommendation that you provide seed funding for an entity specifically to serve as an affordable housing preservation agent for the District. I whole-heartedly support this effort. Thank you for appointing me to the strike force. Right now there is no point person on housing preservation, which is why we made this recommendation. This entity could be created under the DMPED umbrella and assist in complicated Tenant Opportunity to Purchase (TOPA) transactions. It could also finally be the mechanism we need to get the District Opportunity to Purchase Act (DOPA) program off the ground. I encourage you to allocate \$500,000 in your FY17 budget to assess the possibilities for such an agency.

If we do not have a coordinated strategy to deal with expiring subsidies, rapidly appreciating market-rate housing, federal disinvestment in public housing, and other forces that are reducing the stock of currently-affordable housing every day, we will not be able to build enough affordable housing through the Trust Fund to make a dent in our housing crisis.

### ***Strengthening the Pathways to the Middle Class***

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- ***MAXIMIZING AFFORDABLE HOUSING BY REPAIRING PUBLIC HOUSING***

**\$1.4 million in one-time funds to bring closed units back online; \$10 million in recurring funds to continue preventive maintenance**

Preservation is one of the easiest ways to meet our affordable housing goals, and public housing is one of the places where the District can make a large impact quickly, and with relatively little funding. After years of federal underfunding, the DC Housing Authority continues to have a number of offline public housing units. Bringing these units back online is significantly cheaper than building new units, and investing in maintenance to prevent the further decay of our public housing stock is even more cost-effective. I think this is preservation low-hanging fruit and a modest expense for a big benefit to our residents.

This year's budget included a modest down payment for public housing repairs, and over the past year the Authority has brought many units back online. However, additional funds in FY17 would help the Authority bring all of their units back into service, while also helping to reverse the preventive maintenance backlog.

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### ***PUBLIC EDUCATION SYSTEM***

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The District's education system does more than just teach our children. Indeed, it can be a potent tool for breaking the cycle of poverty. With child poverty rates reaching 70 percent in some parts of the District according to recent Census data, it is more important than ever that our education system starts early, and builds a strong base for a successful pathway to the middle class.

***Strengthening the Pathways to the Middle Class***

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- ***INCREASE THE CHILD CARE REIMBURSEMENT RATE***

**Working with OSSE and advocates to determine appropriate costs**

With universal pre-Kindergarten for three and four year olds, the District has led the nation in recognizing that early childhood education is a critical piece of school reform, as well as a crucial support for working families. But early education – and the achievement gap -- begins before preschool. Because of the high cost of high-quality childcare in the District (more than \$20,000 per year) there is an enormous gap between what working parents know their children need and what they are able to provide, as they struggle to climb the ladder to the middle class.

A necessary first step to bridging this gap is raising reimbursement rates for all tiers of subsidized childcare providers by at least 40%, or whatever is deemed necessary to ensure that the reimbursement rates *fully compensate for the actual costs* of providing care. Many of our childcare providers currently pay poverty wages, struggle to make payroll, and operate in the red, while providing a desperately needed service to our working families and their children. I encourage you to dedicate sufficient funding to increase our childcare subsidy to achieve this goal.

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*ECONOMIC DEVELOPMENT AND REGULATION*

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The District’s economic development programs enroll thousands of District residents and are an important pathway to the middle class. I am looking forward to working with your administration during the coming performance oversight hearings, to make sure our programs are effective, efficient, and meaningful. We can do more, however, to expand these programs, and provide a full set of tools to our working class residents.

***New Initiatives***

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- ***EMPLOYMENT FIRST***

**\$3.25 million in recurring funds for Clean Teams and DMPED initiatives**

One of the most effective ways to help District residents with barriers to employment is to provide them directly with opportunities for paid work. Our Commercial Clean Teams provide an avenue for residents – and especially for returning citizens – to acquire soft job skills and experience and earn a living wage, while simultaneously improving our business districts and commercial corridors by cleaning up litter, graffiti, and illegal signs.

Your administration has recently expanded this approach to include Career Connections and the LEAP Academy. I support expanding this “Employment First” approach further by doubling the scope and funding for our Clean Teams, which have a proven record of success, from \$2.75 million to \$5.5 million. I also hope you will add at least an additional \$500,000 for DMPED to award grants to nonprofits with successful records of using the “Employment First” model to allow these nonprofits to employ more District residents.

***Strengthening the Pathways to the Middle Class***

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- **STRENGTHEN UNEMPLOYMENT INSURANCE BENEFITS**

**Less than \$2 million in recurring funds, for the District’s increased contribution to the fund**

Unemployment Insurance is a key guardrail on the pathway to the middle class. It is an earned benefit available only to people with a recent work history, and it is designed to allow employees who face layoffs or other temporary setbacks to afford their rent and groceries while they search for their new job. Without this security, losing a job can lead residents to lose their chance at joining the middle class, forcing them to struggle with eviction, homelessness, and food insecurity.

For more than a decade, housing, transportation, and food prices have increased dramatically while the maximum unemployment benefit employees in the District can receive has been stuck at \$359 a week. That is lower than the maximum benefit in Maryland, Virginia and nearly every other state, and is the smallest percentage of median income of any jurisdiction. District residents without substantial savings simply cannot afford to pay their bills with this low a benefit level, but they are penalized and lose most of their benefit if they attempt to earn any wages through part-time work while looking for a full-time job.

**While the real value of benefits has been falling, our Unemployment Compensation Fund balance exceeds \$369 million and has been running annual surpluses ranging from \$14 million to \$51 million.** Thanks to this healthy fund balance, the District can fund the Unemployment Benefits Modernization Amendment Act of 2015 (which was co-introduced or co-sponsored by 11 Councilmembers) to make up for inflation without changing tax rates, simply by expending \$20-\$30 million from the ongoing surpluses and/or the Unemployment Compensation Fund. The only net additional cost would be a less than \$2 million increase in the District Government’s annual contribution to the fund to cover its own employees.

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*HUMAN SUPPORT SERVICES*

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Your decision to fully support the Homeward DC plan has put the District on the path to doing something few jurisdictions will be able to do -- ending homelessness in our city. I have been proud to support you in these efforts and will continue to do so. I believe you have placed the best people at the helm of the agencies that designed and are implementing this program. My primary concern is that we do not underestimate the budgetary need for this effort. The Homeward DC plan states that it was designed to be a living document and should be amended as need arises. It is crucial that we ensure we are providing the flexible support that is needed.

***Strengthening the Pathways to the Middle Class***

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- **MAINTAINING THE TANF SAFETY NET**

**About \$10 million in recurring funds**

I recently attended the roundtable discussion on the Temporary Assistance for Needy Families program (TANF) and heard firsthand the impact the program has on families that are struggling. While the administration of TANF has had problems in the past, Director Zeilinger has made tremendous progress in her short time at the Department of Human Services. I believe that the

District can build on its reforms and make TANF work even better. Continued improvements to job training, education, and social supports will ensure that children and families facing the greatest odds in our city have the basic supports they need to stabilize.

I encourage you to provide enough funding to support the proposed time-limit exemption policy for TANF recipients introduced by Councilmember Nadeau. This is not only the right thing to do; it is also the economically smart thing to do. Families that have the security provided by TANF are more likely to have children that go to school ready to learn and get a strong start on a pathway to the middle class. With an appropriate exemption policy and enough funding to support her continued efforts, Director Zeilinger can make our TANF program one of the best in the country and put TANF recipients on a path to independence.

- **LONGER HOURS FOR DPR POOLS AND FITNESS CENTERS**

**Approximately \$5 million in recurring funds**

You have long made fitness a key part of our city's plan to become healthier and more productive. And your recent step of waiving all fees for residents at our recreation centers will go a long ways in motivating our residents to get out and use the centers. However, we can do more to increase their usage by better aligning our recreation center and pool operating hours to when our residents would benefit from them the most. We are holding up our fitness centers as a no-cost option for staying fit, but unfortunately they are not open before many people go to work—which fitness experts say is the best time to make fitness a routine. Additionally, our outdoor pools are not open before noon on the weekends—making it difficult for parents with toddlers and youngsters to use these facilities. Expanding the hours for these facilities would have a relatively small cost, but would have an outsized benefit.

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*FINANCING AND OTHER*

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As shown in our recent CAFR, you and your administration have made significant strides in our financial management. I said this at the hearing, but congratulations again not only on our clean audit, but also on showing no material weaknesses or significant deficiencies in our central units. However, as I mentioned at the hearing, I believe we must take a more sensible approach to our reserve policies.

***Strengthening the Pathways to the Middle Class***

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- **REVISING RESERVE FUND POLICIES TO SUPPORT HOUSING PRODUCTION AND PRESERVATION**  
**No cost**

As the CAFR shows, the District has a robust set of reserve funds. Not only are three out of our four reserve funds full, but in sheer dollar amounts our reserve funds are larger even than many states. These funds greatly improve our financial status by insuring against future economic and budgetary uncertainty, while also improving our bond rating and lowering our need for short-term borrowing. Any future financial decisions should include maintaining our strong financial position, but I think it is prudent to also consider ways to use our year-end surpluses to greater fiscal effect.

As you know, in the FY 2014 Budget Support Act, the then-Mayor and Council decided to dedicate half of the year-end surpluses to the Housing Production Trust Fund once all the

reserves are full. I believe this is the right policy, but we should not wait years more until the Cash Flow reserve fund is full, just to meet a standard that even the Government Finance Officers Association acknowledges might not be the right fit for a government the size of the District.

Dedicating half of our surpluses to the Trust Fund would provide more stability to the fund and require fewer and lower general fund infusions, while still allowing a large portion of the surplus to go to increasing our reserve funds. It is of course important to have strong reserves to protect ourselves from uncertainty, but we must recognize that at a certain point the policy has diminishing returns, and other areas, such as modernizing our schools or preserving our dwindling stock of affordable housing, are a higher priority. We are constrained in what we can do in our capital budget with schools, for example, by the debt cap.

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### *PUBLIC SAFETY AND JUSTICE*

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Public safety is not just about protecting our citizens. As you know, the best public safety programs are those that reduce violence, not increase our prison population. Our recent efforts in last year's supplemental budget and comprehensive crime bill are a good first step, but we can do more to use proven programs to help provide an alternative to violence, especially for our youth.

#### ***Strengthening the Pathways to the Middle Class***

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- ***Fighting Crime by Investing in Youth***  
**\$14.5 million in recurring funds**

Thank you for your commitment to reducing violence by investing in our young people. This is a big issue and we need to do more and do better, by investing in high-quality, evidence-based programming with proven results, and ensuring that our most at-risk youth have access to great enrichment activities after school and in the summer.

- At community meetings across the city, but especially in our neighborhoods most impacted by violence, I have heard requests from our residents for more after-school and summer activities for our young people. The District should dedicate at least \$10 million this year to after school and summer programming. However, the city should consider a new home for that funding, as the Children and Youth Investment Trust has a history of high overhead and has not been as effective at coordinating high-impact programming in a timely fashion as it should be.
- Two programs evaluated in the Chicago Public Schools, with oversight from researchers at the University of Chicago, have shown *exceptional* results in both improving academic achievement and reducing criminal justice involvement for students. Match Tutoring (now known as SAGA), provides high-dose two-on-one math tutoring in schools, while the Becoming a Man and Walking toward Womanhood programs use group mentoring during and after school to teach social-emotional skills to adolescents so they are better equipped to avoid impulsive behavior. These programs have such remarkable results we should immediately begin piloting them here in the District. I encourage you to devote at least \$1.5 million to getting these programs off the ground this year, with a plan to evaluate the programs and potentially bring them to scale in future years.

- The District already has quality diversion programs for our young people caught up in the criminal justice system or likely to experience violence, but the need is great and resources are not sufficient. We should devote an additional \$3 million to these programs, known as ACE and PASS.

I look forward to discussing these and many other issues in the coming months. Please do not hesitate to contact me with any questions.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Elissa Silverman', written over a light blue rectangular background.

Elissa Silverman  
At-Large Councilmember