



MURIEL BOWSER
MAYOR

May 29, 2024

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 504
Washington, DC 20004

Dear Chairman Mendelson:

As the Council prepares to take its first vote today on the Fiscal Year 2025 Budget, I want to highlight several significant concerns with the proposed budget as it currently stands.

Taken as a whole, this proposed budget fails to address several key issues I raised in my May 17 letter to you. Your proposed budget *raises \$530 million in new taxes and fees*, including:

- \$322 million by raising the paid family leave tax to its highest levels ever;
- \$95 million by raising taxes on residents' and businesses' gas and electric bills;
- \$65 million by removing the tax exemption for interest on out-of-state municipal bonds;
- \$23 million by increasing residential property taxes; and
- \$2 million by increasing surcharge fees on taxicab passengers.

Ironically, although the Council's proposed budget unnecessarily hikes a range of taxes and fees, it still leaves our public schools with insufficient funding for security, food, and technology; it leaves 21 District Government facilities – including DPR pools and recreation centers – with insufficient security; and it cuts essential investments we need to address truancy and get students to school safely.

The Council's proposed budget makes significant cuts including:

- Eliminating the new youth indoor sports complex at the former RFK Stadium site;
- Delaying the desperately needed replacement of our correctional facility;
- Eliminating \$31 million of improvements to our high-crash roadways;
- Requiring private property owners to comply with onerous renewable energy requirements, while exempting the District Government from those same mandates;
- Cutting \$28 million in Downtown investments to parks, support for the arts, and incentives to change vacant office space into vibrant new uses;
- Cutting \$2.5 million from the Vitality Fund – our key resource to attract businesses to DC.

When I submitted my budget on April 3, I noted the confluence of post-pandemic factors that required us to strike the right balance by prioritizing investments that would result in greater economic growth for our residents and businesses – and increased revenues for the District. The Council, however, appears ready to choose a different path – *one that is simply not financially sustainable*. It fails to recognize the new reality of our fiscal environment: revenues are growing at just two percent per year when we all know the costs of doing the basics are growing much faster. For example, we know WMATA will need additional infusions of cash next year to avoid service cuts or fare hikes. We know our employee healthcare contract is up for renegotiation and will cost significantly more. We know we will pay higher retirement contributions from new collective bargaining agreements with our labor unions.

But even with all these foreseeable costs on the horizon, *the Council's proposed budget and fiscal policy sets up our residents and businesses for additional tax hikes next year or large cuts to services and programs*. In other words, if natural revenue growth does not provide the revenue needed to satisfy must-fund obligations next year, let alone keep up with the unsustainable cost growth of new initiatives the Council has raised taxes to finance, then we will be left with no choice but to initiate another round of reductions in next year's formulation. The Council still has time to choose a financially sustainable path instead of creating inevitable fiscal cliffs.

I urge you to take seriously the following concerns before today's vote on the budget.

1. **The Council's budget cuts will make DCPS students less safe and eliminate key supports for students and teachers.** The Council's proposal includes \$8.3 million in cuts to critical services such as security, technology, food, and nutrition. The proposal also removes \$3.6 million for legally required activities like settlement payments. Moreover, the proposed budget cuts eliminate DCPS investment in academic progress for students, such as the \$2.4 million investment in the DREAM Center to drive student outcomes and close equity gaps in math, and \$1.6 million in support and intervention for the students with the greatest needs, such as the proposed supportive alternative placement. While there are some restorations to core services and reductions of some cuts, this proposal does not fully reverse the harmful cuts proposed by the Committee of the Whole. *We urge the Council to restore funding to core services, such as security, food, and technology, that keep students safe and healthy and allow schools to operate effectively.*
2. **The Council's budget cuts will leave 21 DC Government facilities without necessary security.** The proposed budget reverses a \$2.7 million investment I made to cover the rising costs of security services at DC Government facilities. Reversing this investment amounts to a nearly 10% cut to the projected funding need for citywide security services. Without this funding, DGS will have to reduce existing security guard staffing at 21 facilities, including five DPR sites. At best, this is a misunderstanding by the Council; at worst, it is a willful choice to ignore simple financial facts, putting our facilities, employees, and residents at risk.
3. **The Council's budget cuts important investments to address truancy and transport students to school safely.**
 - a. **DHS Truancy Enhancement:** Maintaining the Committee on Housing's 30 percent cut to truancy prevention at DHS will result in 220 fewer youth being served through diversion programs. This will have serious, adverse impacts on students with chronic truancy.
 - b. **DFHV School Connect:** In my budget priorities letter, I highlighted the need to reverse the Public Works and Operations Committee's \$2 million cut to DC School Connect. If the cut is sustained, DFHV cannot expand the program to additional students and will be vulnerable to budget pressures in the coming fiscal year.

4. **The Council's budget removes \$28 million of new investments in Downtown DC and \$2.5 million for the Vitality Fund.**

- a. **Vitality Fund:** Reducing the Vitality Fund will limit our efforts to revitalize Downtown and will limit our ability to attract and retain companies that will create jobs, fill retail and office space, and generate tax revenue – particularly as we are expanding eligibility for more businesses that will contribute to Downtown recovery. My proposed budget ensured the Vitality Fund program is funded with non-lapsing funds that allow DMPED to continue issuing grants with multi-year milestones for businesses to meet over the duration of the grant agreement. The Council's proposed changes would remove this non-lapsing element and reduce oversight and create new programmatic burdens for businesses and DMPED. To date, the Vitality Fund has supported seven projects, resulting in an estimated 616 new jobs and \$5.25 million in fiscal impact, an estimated three times return on investment. Another 17 attraction and expansion projects in the pipeline are estimated to result in 1,700 new jobs, 600,000 square feet leased, and \$34 million in fiscal impact.
- b. **Office to Anything:** The Council's proposed budget would tie this new program to the existing Housing in Downtown program's budget – forcing direct competition between the two. The Housing in Downtown (HID) program is live and has applications under review. Co-mingling these programs would cause unnecessary confusion, and administrative challenges. As this would function as a net reduction to the HID program, this change would limit the District's ability to encourage residential conversions and jeopardize the ability for the city to reach its 15,000 by 2028 goal established in the Comeback Plan.
- c. **Historic Green Triangle:** These capital resources allow the District to begin implementing the improvements outlined in both the Office of Planning's Public Realm Plan as well as the Downtown Action Plan. Both plans recommended, based on significant community engagement, the need to connect Farragut Square and McPherson Square via a green boulevard. Building off the successful transformation of Franklin Park that has become a center of activity for Downtown activations, these funds are critical in further advancing a more vibrant, mixed-use Downtown for residents, visitors, and workers.
- d. **Downtown Arts Hub:** These capital funds were a direct result of DMPED's community outreach with members of the Arts Community and would provide new and needed flexible, multi-use space in Downtown for theater, dance, music and visual arts organizations. The elimination of this \$5 million in funds removes a key element to the District's comeback plan.

5. **The Council's budget eliminates and delays key community projects.**

- a. **Indoor Sports Complex at RFK Stadium:** This capital project will deliver a new multi-level, state-of-the-art indoor sports complex on the RFK Stadium grounds which, once complete, will provide greater recreation opportunities to the District's children and youth and spur economic development and growth in Ward 7. Removing \$60 million from this project eliminates what I have allocated for this recreation facility in my proposed CIP and will needlessly delay the District's planning for the use of the space, including what we have publicly committed to our federal partners.
- b. **New Correctional Treatment Facility Annex:** Shifting \$79 million from FY25-FY27 to later years of the CIP will delay construction of this urgently needed facility by at least two years. In my budget proposal to the Council, I added \$34 million over the next two years to complete the architectural and engineering work needed to break ground by the end of 2026. Additionally, I added \$40 million in FY27 to enable construction to begin in earnest, with a target completion date of 2030. The action to move this funding out not only guarantees a delay to the project, but it also kills the momentum we've worked hard to build and will almost certainly lead to a considerably more expensive project. *Indeed, the*

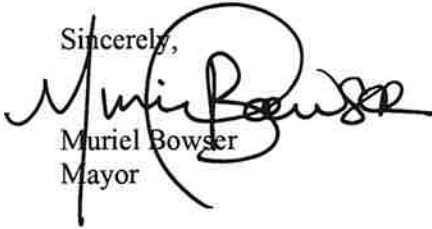
Council's actions create significant uncertainty as to whether the new jail project will ever occur.

- c. **Streetscape Improvements:** The Council proposes to cut DDOT's Streetscapes and Beautification projects by \$31 million over the CIP. In fact, the Council's proposed budget would cut these projects nearly in half next year. This will delay or possibly eliminate several projects that are close to breaking ground. Shockingly, the Council's proposed budget doesn't identify which streetscape projects will be cut; it just makes cuts in the overall funding levels and leaves it up to DDOT to decide which neighborhood projects will be delayed or eliminated.

- d. **Southeast Tennis and Learning Center:** Maintaining the Recreation, Libraries, and Youth Affairs Committee's \$5.3 million reduction to the Southeast Tennis and Learning Center project will result in the removal of the indoor facility, which is planned to house three indoor courts and a community room for residents and youth to enjoy. Additionally, it will delay the project, as agencies will need to embark on a complete redesign and resubmission to the Commission of Fine Arts and the National Capital Planning Commission. Most importantly, this reduction will betray District residents who are eagerly awaiting planned updates to the SETLC.

My team and I look forward to continuing to work with Councilmembers on these critical issues facing our city.

Sincerely,



Muriel Bowser
Mayor

cc: Members of the Council of the District of Columbia
Glen Lee, Chief Financial Officer, Office of the Chief Financial Officer