Testimony of Kesh Ladduwahetty, DC for Democracy
before the Committee of the Whole
at the June 25, 2021 Budget Oversight Hearing on the
Fiscal Year 2022 Local Budget Act and Fiscal Year 2022 Budget Support Act

Chairperson Mendelson and Councilmembers, my name is Kesh Ladduwahetty, and I am Operations Director of DC for Democracy. I am testifying today on behalf of our 700-plus voting members.

Our members are middle class and working class DC residents who care about our community and are some of the most civically active people in our city. We have been aware for years of the extreme poverty, unmet human needs, and inequality of income and wealth in our community. But like so many of our fellow Americans, the pandemic has made us newly horrified and newly angry.

We're angry that our government denies that housing is a human right, and would rather pay to close down tent encampments and displace native DC residents.

We're angry at the wholly inadequate funding for the Black and brown families who rely on subsidized child care, and the Black and brown women workers who deserve a pay raise.

We're angry at the pittance given to excluded workers who have struggled without federal stimulus checks or any federal benefits.

We're angry that our elected leaders act like they are outraged about gun violence but lack the political will to deal with the root cause -- racialized poverty.

But most fundamentally, we’re angry that the suffering in our community is so utterly preventable -- that our elected leaders choose to subject our people to unnecessary trauma and suffering.

We join the Fair Budget Coalition and the Just Recovery DC coalition in asking for bold investments in FY22 that back up the rhetoric about racial equity with real money. Please see our detailed budget priorities in our written testimony.
In the past year, we have seen the potential of enlightened legislation. You have enacted a moratorium on evictions that was the strongest in the country. The Council Office on Racial Equity (CORE) has brought a powerful justice-oriented lens to legislation.

We are heartened that some Councilmembers recognize that the political ground has shifted, that the public is demanding meaningful progress on racial equity through bold, sustained investments. If we cannot fund these investments with existing revenue, we must find new recurring revenues, specifically income tax revenue from the wealthiest 3% of DC households. We call for a new tax bracket and higher rates on the top two brackets, generating $169 million a year as follows:

- $250,000 - $350,000 (new): 8.5% ---$ 9.5% (+1%)
- $350,000 - $1,000,000: 8.75% ---$ 10.75% (+ 2%)
- $1,000,000 plus: 8.95% ---$ 11.95% (+ 3%)

This tax increase would make barely a dent in the lifestyles of these taxpayers, but without it, we will fail to make meaningful and lasting progress on racial equity. Since the DC Council has the last say on the budget, the DC Council will own this failure.

Thank you.

**Detailed Budget Priorities**

As longtime members of the Fair Budget Coalition (FBC), we support their full [FY22 budget recommendations](#). We also endorse the recommendations of the [Just Recovery DC Coalition](#) regarding use of federal funds provided by the American Rescue Plan and other federal relief efforts.

We highlight our budget priorities below and look forward to working with the DC Council to ensure they are funded.

**HOUSING**

Decent, stable, and affordable housing is the basis of public health, public safety, educational success, and every other measure of family and community well-being. That is why housing is our top budget priority. DC4D has a large, active Affordable Housing working group that works year-round on this issue. We highlight our housing budget priorities for FY22 below and look forward to working with the DC Council to ensure they are funded. Our housing priorities in the FY22 budget include:
End Homelessness
To date, our government has made a political choice to accept tent encampments and people sleeping on the street. The DC Council can choose this year to put an end to this tragic situation that harms everybody. We join the Fair Budget Coalition and the Way Home Campaign in calling for $136 million to end family and chronic Homelessness, including:

- $16.31 million for permanent supportive housing for 432 families
- $79.32 million for permanent supportive housing for 2,761 individuals
- $23.34 million for Targeted Affordable Housing for 928 families, and
- $17.33 million for Local Rent Supplement Program (LRSP) tenant vouchers for 800 families

According to the Washington Legal Clinic for the Homeless, the Mayor’s proposed budget fully funded permanent supportive housing (PSH) for only 527-687 individuals and 280-327 families (depending on how far federal funds will stretch), with all funding coming from federal relief funds. This makes FY 2022 the first year in many that the District would make no local contribution to ending homelessness. The Council should use federal funds as a supplement to local funds, not a replacement. The Council should fund PSH for 2,074 - 2,234 additional individuals and 105 - 152 additional families. The Mayor’s budget also contains none of the funding sought by advocates for Targeted Affordable Housing-- 928 units at $23.3 million -- and LRSP tenant vouchers -- 800 units at $17.3 million. The DC Council also needs to raise revenue to sustain these investments when federal relief funds run out.

Protect Tenants & Vulnerable Populations
The pandemic has only worsened an already difficult situation for DC tenants and vulnerable populations. Gentrification, which has been actively promoted and subsidized by government policy, has pushed rents far past affordability for many DC families. The burden falls hardest on Black and brown families, who suffer from stark racial gaps in income and wealth.

We call for the DC Council to fund the following in the FY22 budget, none of which was provided by the Mayor in her budget submission:

- **Rental Assistance:** provide $100 million in additional local funds for rent and utility relief via the Emergency Rental Assistance Program (ERAP) to assist households living at or below 30% of the Area Median Income. The DC Council needs to raise new revenue to sustain this investment.
• **Voluntary Agreement (VA) Moratorium**: $191,000 to fund the Voluntary Agreement Moratorium Amendment Act of 2020 (B23-878) over the 4-year planning horizon. We do not believe this act should have a cost, but the Chief Financial Officer used a very questionable approach to say that it would. This means the Council must provide this modest funding in order to implement the law and put a halt to VAs. Furthermore, the Fiscal Impact Statement confirms that a VA moratorium would actually succeed in reducing rents. Permanently eliminating VAs is a core demand of the Reclaim Rent Control coalition, of which DC4D is a member.

• **Returning Citizens**: $1.8 million for the Reentry Housing Pilot to provide intensive services and housing for returning citizens.

**Eviction Protection**
The DC Council is to be commended for instituting a very strong eviction moratorium during the public health emergency. However, there is a looming threat of mass evictions as the Council contemplates lifting the eviction moratorium. The DC Council must prevent mass evictions and needless trauma to tenants **by retaining the current moratorium on evictions until the enactment of comprehensive legislation** to protect tenants from eviction, eliminate rental debt, compensate landlords, and stabilize rents, as called for by the Cancel Rent Coalition, of which DC4D is a member.

**Invest in Truly Affordable Housing**
The lack of truly affordable housing is the root cause of the displacement of native DC residents and the racial imbalance (overwhelmingly white) in the new arrivals to DC. We will not remain “Chocolate City” for long unless the Council makes a serious and sustained commitment to build housing that is affordable to Black residents. Current housing policies are skewed by the focus on Area Median Income, which ignores the racial gap in income and wealth. **Despite the Mayor’s historic levels of investment in the Housing Production Trust Fund in the FY22 budget, more must be done to focus the investments on programs that promote racial equity. The Mayor’s HPTF investment, while notable, will generate just 675 units of deeply affordable housing in each of the next two years. The DC Council must make additional investments, as follows:**

• **Commit a minimum of $60 million for public housing repair and renovation** each year. *Only $22M is funded in the Mayor’s budget, all for Claridge Towers.*

• **Maximize use of Housing Production Trust Fund (HPTF) funds for housing for families earning 0-30% Area Median Income (AMI) level**, and provide adequate funding for Local Rent Supplement Program (LRSP) vouchers to support families qualifying for such housing. *It is not clear if the $2.8 million provided in FY22 funding...*
is sufficient to provide the operating subsidy needed by families at this income level. Additional LRSP also could help ensure that HPTF projects funded in recent years and now coming on line include enough deeply affordable units.

- **Use federal relief funds to purchase properties for publicly owned and permanently/deeply affordable housing, including $140 million to purchase the Marriott Wardman hotel.** The Mayor has provided $50 million for hotel acquisition in the budget; the Council must find the remaining funds to take advantage of this unique opportunity to improve racial diversity in Ward 3. Given the very poor track record of DCHA, we recommend that the property be purchased on behalf of the Douglass Community Land Trust with funds from the Deputy Mayor for Planning & Economic Development (DMPED) budget.

- Maximize the use of surplus public land for permanent and affordable housing for families at the 0-60% AMI level, with a focus on households below 30% of AMI.

**EQUITABLE DEVELOPMENT**

We are delighted that Mayor Bowser provided $20 million for a community center at the historic Alexander Crummell school and surrounding park, in response to decades of agitation by the Ivy City community.

**CHILD CARE**

Childcare is a heavy burden on DC families, especially low-income families. The childcare industry, which employs a high percentage of Black and brown women, has also been particularly hard hit by the pandemic. Assisting this industry, through funding for the Birth-to-Three program, will have multiple benefits: ease the burden for families, boost wages for Black and brown women, and allow women to return to the workforce. Funding should include:

- $60 million increase (recurring) in subsidy for child care providers to raise wages for educators
- $975K for the Department of Behavioral Health, consisting of $300K for Healthy Steps (pediatric primary care) and $675K for Healthy Futures (licensed mental health professionals provide on-site mental health consultation to early childhood educators)

The Mayor has failed to provide adequate, sustained funding for this vital program, or completely failed to fund critical aspects, such as Healthy Steps. The DC Council must fully fund Birth to Three over the long-term.
FOOD EQUITY
Food is a critical component in health, and the racial disparities in COVID fatalities is proof that DC needs to promote food justice by doing the following:

- Invest a minimum of $9 million over 3 years in the Nourish DC Fund, a loan and grant program for food businesses in Wards 7 and 8 to address food deserts and health inequities. If federal relief funds can be used for the Nourish DC Fund, invest significantly more
- Increase DC food stamp (SNAP) benefits by 30% at a cost of $58 - $70 million
- Provide $500K for nutrition education in the Department of Parks & Recreation’s Community Recreation Division. This is a funding priority of DC Greens that we support.

DIRECT ASSISTANCE

Cash Assistance for Excluded Workers
Two major groups of DC residents have been excluded from the federal stimulus relief and enhanced unemployment benefits: undocumented workers and returning citizens. Undocumented workers are a critical labor force in the hard-hit hospitality industry, and returning citizens are victims of a racist criminal justice system. Help these deserving DC residents by providing $200 million in excluded worker cash assistance. This would allow each of the 13,000 workers served by the first round of funding to receive an additional $12,000 each -- $1,000 per month for the first year of the pandemic -- and allow approximately 1,900 additional excluded workers to receive this same sum.

Direct Assistance to Needy DC residents
Councilmember McDuffie has proposed investing $100 million to study, develop and pilot a guaranteed income program for families whose incomes fall below the Federal Poverty Level. He has also proposed a $20 million proposal for “baby bonds” to build wealth for DC families with incomes at five times the poverty level. Councilmember Silverman has proposed $10,000 stimulus checks for DC residents who qualified for unemployment insurance and Pandemic Unemployment Assistance. We endorse these proposals, or similar alternatives, that provide direct assistance to DC residents who are financially insecure. Such investments will benefit families are largely Black and brown, and thereby further racial equity.

DEMOCRACY
Democracy is one of our core values. We must continue to invest in our democracy to ensure that our government and politics are truly people-powered and people-centered, by doing the following:
• Provide full and adequate funding for Fair Elections. We were delighted to see the program well used in the 2020 election cycle, and are very pleased that the Mayor has funded the program in the FY22 budget.

• Provide full funding for the Campaign Finance Reform Amendment Act of 2018. This law, which the Council enacted unanimously, is a major step toward dismantling the systemic corruption that allows the wealthy and well-connected to dominate public policy. We are very disappointed that this important law remains unfunded and unimplemented, mainly due to lack of action by Mayor Bowser. The DC Council must provide funding for the Office of Contracts & Procurement (OCP).

PAID FAMILY LEAVE
As a member of the DC Paid Family Leave Coalition, we are outraged that the Mayor proposes raiding the Paid Family & Medical Leave (PFML) fund to dole out tax breaks to businesses. One of the reasons the fund currently shows a surplus is because so many workers, especially Black and brown people, were laid off or otherwise disqualified from using the program during the COVID pandemic. This fund should be used to expand benefits for working families who need them, as called for by the PFL coalition, by expanding the program eligibility, as well as by allowing funds to be used for cash assistance to excluded workers.

REVENUE
Even with historic amounts of federal funds, the Mayor’s proposed budget falls short in the critical areas identified above. Since federal funds are time-limited, it is vital that the DC Council raise recurring revenue that can maintain these needed investments.

We join the Fair Budget Coalition in calling for new revenue through higher income tax rates, raising property taxes on luxury homes, adjustments in the estate tax, and the elimination of wasteful tax breaks. The most significant revenue increase is by raising marginal income tax rates. The DC Council should create a new tax bracket from $250,000 to $350,000 and raise the marginal tax rates on the new bracket, as well as the top existing two brackets as follows:

- $250,000 - $350,000: 9.5%
- $350,000 - $1,000,000: 10.75%
- $1,000,000 plus: 11.95%

Those with less than $250,000 in taxable income per year would see no changes to their income taxes. Overall, only the top 3 percent of households would see a tax increase, and in fact, those earning about one million dollars or more would be responsible for paying about 90 percent of the tax increase under this plan. This tax increase would make
barely a dent in the lifestyles of these taxpayers, but they can mean all the difference to the families who benefit from the additional funding.

**CONCLUSION**

By making these significant improvements to the FY22 budget, the public will know that Councilmembers are committed to boldly tackle longstanding racial inequities that have been further aggravated by the pandemic.

As the budget season advances, we will pay close attention to which Councilmembers take leadership on critical budget amendments to improve the budget, as well as how Councilmembers vote on those amendments. We plan to educate our members and the public about these votes and we will take them into serious consideration in future endorsements.