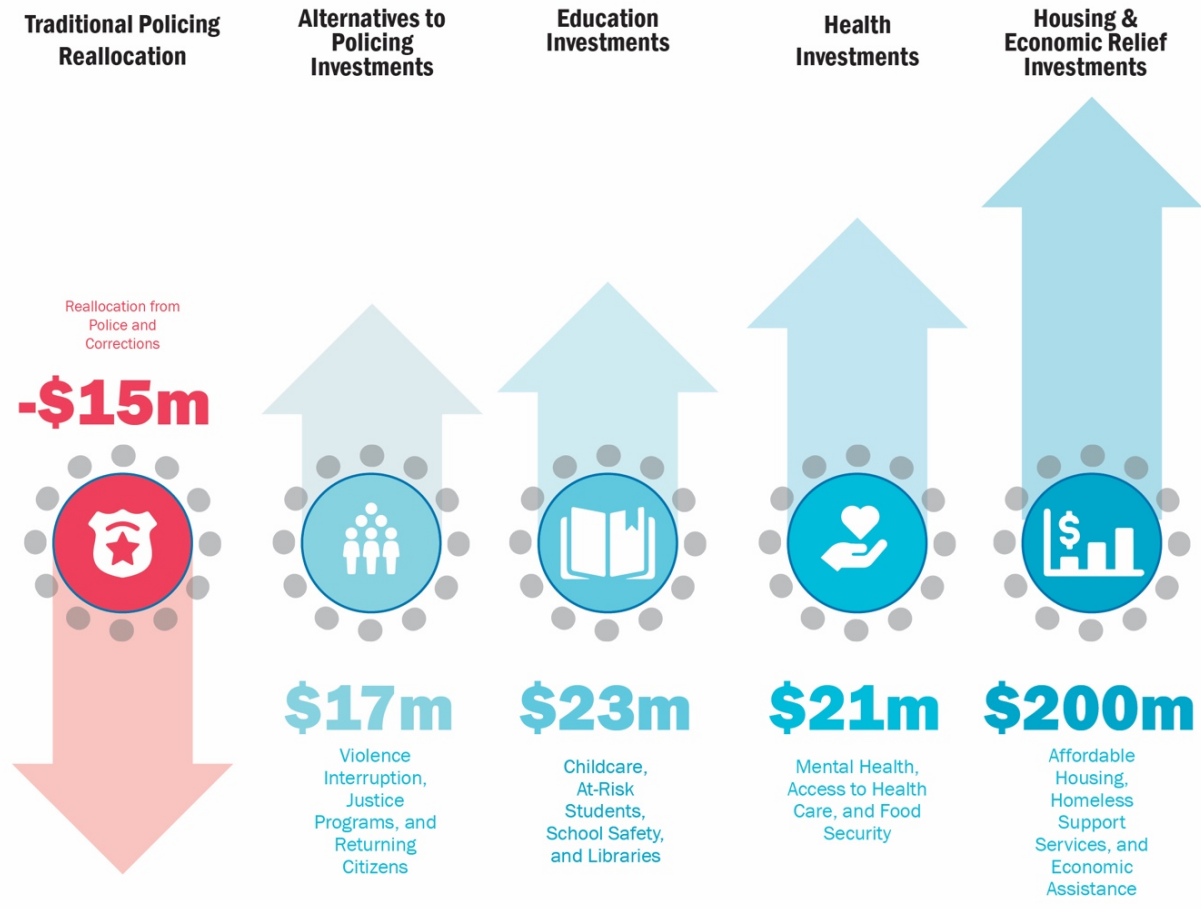


Introduction to the FY 2021 Budget

The Fiscal Year (FY) 2021 Budget and Financial Plan reflects the District of Columbia's progressive values and envisions a more just and equitable future by investing in policies, programs, and services that tackle the root causes of racial injustice and work to alleviate its symptoms. Against a backdrop of declining tax revenues, the Council is proud that the FY 2021 Budget and Financial Plan provides resources to address District residents' most urgent and immediate needs with a net total of \$80 million of budget enhancements in Local Funds and Dedicated Taxes; reallocates funds from policing to community-based interventions; invests in education, health care access, and housing; strengthens the social safety net; and opens new opportunities to businesses – see [chart](#) below. Still, this budget is only possible because of shared sacrifice. The Council reduced or eliminated certain nonessential services, broadened the tax base, tapped into dedicated reserve funds, and thanks District government employees for forgoing cost-of-living adjustments.

Council's Enhancements for an Equitable Recovery



Note: These enhancements include investments from both the Fiscal Year 2020 Revised Local Budget Emergency Adjustment Act of 2020 and the Fiscal Year 2021 Local Budget Act of 2020

Source: FY 2021 Approved Budget and Financial Plan

Background

The District entered a crisis when coronavirus (COVID-19) reached our jurisdiction and the global economy ground to a near halt. On March 11, 2020, Mayor Muriel Bowser declared a public health emergency, which was still in effect at the issuance of this report.¹ Since then, close to 122,000 residents have applied for unemployment.² At the same time that residents' need for social safety net services skyrocketed, the District's tax revenues plummeted. In April 2020, the Office of the Chief Financial Officer (OCFO) lowered the District's predicted revenue by \$721.8 million in FY 2020 and \$773.6 million in FY 2021. The OCFO forecasted that it will take three years for revenues to recover to the FY 2019 baseline.³ Unlike the federal government, U.S. state and local governments are statutorily required to pass balanced budgets, meaning they cannot spend more money than they bring in during a given year. Fortunately, a decade's worth of economic prosperity, strong tax revenues, and sizable reserves will allow the District to better weather the storm.

The dual impacts of a viral contagion and historic job loss have laid bare the ubiquity and perniciousness of racial inequity in the United States. Systemic racism and ingrained stereotypes shape how Black people are perceived in our society and too often limit their access to opportunities. The District and the nation's work will not be over until race is no longer a predictor of life outcomes.⁴ We are far away from achieving this dream, and that is why the work started by this budget is so important.

In response to the death of George Floyd, Breonna Taylor, Amhaud Arbery and countless others by police, thousands of people gathered in the District and were joined by millions around the world to demand justice and systemic change. Protestors decried the disparities and injustices that Black Americans have been forced to endure for centuries. Federal, state, and local governments have a long history of enacting laws that directly or indirectly target Black Americans: Jim Crow laws, redlining, the war on drugs, and voter I.D. laws are just some examples.⁵ Even after many overtly racist laws and policies were overturned, their effects remain. Too often equity is conflated with equality to pacify momentum for systemic change. This must end. Now is the time to address the harm done to Black communities and stride towards true equity in the District.

Racial disparities harm everyone, while advancing towards racial justice helps our collective society. Achieving racial equity is not only about closing gaps so that everyone is treated the same. It is about treating everyone fairly. By fighting for racial equity, the District will broaden opportunities for all residents. Studies have repeatedly shown that racial inequity holds everyone back. For instance, racial differences in healthcare access damages the quality of care for all Americans and cost health care systems \$230 billion over a four year period.⁶ Students develop stronger critical thinking, problem solving, and leadership skills and exhibit more creativity and motivation when their learning takes place in classrooms with racial and socioeconomic diversity. Further, the racial wage gap reduces the U.S.'s gross domestic product (GDP) by \$2.1 trillion per year.⁷

Our work will not be over until race is no longer a predictor of life outcomes.

We are far away from achieving this dream, and that is why the work started by this budget is so important.

Health and Economic Disparities

Rarely have racial disparities been more apparent or deeply felt than in the context of COVID-19. The virus has dealt a significant blow to the District. As of August 14, 2020, the District had lost 594 residents and recorded a total of 13,024 positive cases. COVID-19 has upended daily life in a myriad of ways, but Black and Latinx residents have borne the greatest devastation. While 44 percent of the District's population is Black, 74 percent of COVID-19 related deaths in D.C. and 50 percent of positive cases are among Black patients. Latinx people make up 11 percent of the District's resident population and 13 percent of COVID-19-related deaths, but they account for 25 percent of positive cases. Thirty-seven percent of the District's population is white, and white residents constitute 11 percent of deaths and 20 percent of positive cases. The racial disparities are also reflected in the virus's geographic impact. The death toll in Ward 8, in which 90 percent of residents are Black, is nearly twice as high as Wards 2 and 3 combined, where 66 percent and 72 percent of the population are non-Latinx white, respectively.⁸ Across the country, people who are Black are 4.7 times more likely to have been hospitalized for COVID-19 than people who are the same age but are white, and people who are Latinx are 4.5 times more likely than white people to have been hospitalized.⁹

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The virus's economic impacts have also been more damaging for Black than white Americans, and Black and white Americans do not have equitable access to federal relief programs. The virus's disparate racial impacts are reflected in U.S. unemployment numbers. In April 2020, the U.S. unemployment rate for Black workers stood at 17 percent, compared with 14 percent for white workers.¹⁰ Between February and April 2020 alone, more than one in every six Black workers lost their job; meaning less than half of the adult Black population was employed. Many of those who remain employed work in essential positions that cannot be done remotely, meaning they have a greater risk of contracting the virus and spreading it to family and friends. Forty-one percent of frontline workers are persons of color, including 17 percent who are Black.¹¹ Black-owned businesses are at greater risk of closing due to the coronavirus than businesses overall. On average, Black-owned businesses bring in one-third as much revenue and are typically smaller than businesses not owned by a Black individual.¹²

Individuals who are Black also face greater barriers in accessing federal COVID-19 relief funds. For example, those without a bank account or stable address may struggle to access the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Economic Impact Payments. Unbanked individuals cannot receive their \$1,200 payment via direct deposit and must instead wait to receive the paper check.¹³ Nationally, almost 17 percent of Black households do not have a checking or savings account, which is more than double the national average of 7 percent.¹⁴ Further, 40 percent of Black-owned businesses that applied for the Paycheck Protection Program were approved, versus 52 percent of all businesses.¹⁵

Structural Inequities

COVID-19 has ravaged Black communities in the U.S. because of inequitable structural conditions that exacerbate health disparities.¹⁶ Race is an important predictor of birth weight, gestational age, and the risk of infant mortality; it is associated with health services access and use; and it is a robust predictor of the timing and nature of mortality.¹⁷ In the District, 20 percent of Black residents report to be in fair to poor health compared with 4 percent of white residents. While the vast majority of D.C. residents have health insurance, those who are Black have an almost 50 percent higher uninsured rate than white residents.¹⁸ When Black Americans seek medical services, they face disparities in the quality of care.¹⁹ The difference in the maternal death rate between Black and white residents is a stark example of the impact of these disparities.²⁰

The global pandemic intensified pre-existing employment and income racial inequities. The Black unemployment rate has consistently stayed at least twice the white unemployment rate since 1972, except in periods following recessions.²¹ In 2019, Black Americans had an unemployment rate of 6 percent, far higher than the national average (3.7 percent) and double the unemployment rate for white Americans (3 percent).²² On average, Black employees are paid 73 cents for every dollar paid to white employees. The wage gap holds true across education levels and industries.²³ Differences in household income by race in the District are stark. Over 30 percent of Black households in D.C. live in poverty or are teetering on its edge with their income at \$25,000 or less in 2018. Just 10 percent of Black households in D.C. earned an income of \$150,000 or higher in 2018, compared with 45 percent of white resident households.²⁴

Black families and individuals also have more difficulty absorbing COVID-19's economic shock because generations of structurally racist policies and practices created, maintained, and furthered a vast racial wealth gap.²⁵ To be able to survive this pandemic and economic downturn, households need savings. However Black Americans typically have less access to liquid assets.²⁶ Black households have an average of \$8,800 in liquid assets compared to \$49,529 for white households.²⁷ Over generations, wealth has accumulated for some families while others have been left empty handed. In 2016, the median net worth for white families was \$171,000 while the median for Black families was \$17,600.²⁸ Two-thirds of all wealth derives from equity in home ownership, which was inaccessible to black families for decades due to overtly discriminatory housing policy.²⁹ It is also more difficult for Black families to maintain intergenerational wealth. A 2018 study found that in 99 percent of communities, Black and white boys who grow up in the same neighborhood have drastically different economic outcomes. In a wealthy neighborhood, 39 percent of white boys who grew up in households in the top income quintile maintained this high earning status when they reached adulthood. However, for Black boys the outcome was reversed: only 17 percent stayed in the top earning quintile as adults while 21 percent ended up poor.³⁰

Black families and individuals also have more difficulty absorbing COVID-19's economic shock because generations of structurally racist policies and practices created, maintained, and furthered a vast racial wealth gap.

Conclusion

The District simultaneously faces the greatest public health crisis in living memory, a social reckoning on the compounded effects of generations of racial injustice, an unprecedented number of residents facing job loss, businesses everywhere on the brink of financial ruin, and declining tax revenues. Further, the disenfranchisement of District residents was felt anew during the week of June 1, 2020 when locally elected officials had little legal recourse to prevent the Trump administration from unleashing battlefield tactics and military weaponry against peaceful Black Lives Matter protestors. The FY 2021 Budget and Financial Plan recognizes that the District has a tough road ahead, but a recovery that gets us back to "normal" is not good enough. "Normal" was not fair, and "normal" was not just. The FY 2021 Budget and Financial Plan guides the District of Columbia towards both financial recovery and racial equity.

The FY 2021 Budget and Financial Plan recognizes that the District has a tough road ahead, but a recovery that gets us back to "normal" is not good enough. "Normal" was not fair, and "normal" was not just.

Endnotes

- 1 Mayor's Order 2020-045 and Mayor's Order 2020-046, respectively.
- 2 (D.C. Department of Employment Services, 2020)
- 3 (D.C. Chief Financial Officer, 2020)
- 4 (Nelson, Spokane, Ross, & Deng, 2015)
- 5 (Georgetown Law Library; Grimmer, Hersh, Meredith, Mummolo, & Nall, 2017; Perry & Harshbarger, 2019; Rosino & Hughley, 2018)
- 6 (LaVeist, Gaskin, & Richard, 2011)
- 7 (The Century Foundation, 2019; Treuhaft, Scoggins, & Tran, 2014; Wilkinson et al., 2017)
- 8 (Office of the Mayor of the District of Columbia, 2020; U.S. Census Bureau, 2020)
- 9 (Centers for Disease Control and Prevention, 2020)
- 10 (Gould & Wilson, 2020)
- 11 (Rho, Brown, & Fremstad, 2020)
- 12 (Fitzhugh et al., 2020)
- 13 (Internal Revenue Service, 2020)
- 14 (Apaam et al., 2018)
- 15 (Center for Responsible Lending, 2020)
- 16 (Ray, 2020)
- 17 (El-Sayed, 2014)
- 18 (D.C. Department of Health, 2018)
- 19 (Smedley, Smith, & Nelson, 2003; Wheeler & Bryant, 2016; Williams & Rucker, 2000; Yearby, 2018)
- 20 Nationally, the maternal mortality rate is three to four times higher for Black women than for white or Hispanic women. Hawkins, Ghiani, Harper, Baum, & Kaufman, 2019
- 21 (Ajilore, 2020)
- 22 (Bureau of Labor and Statistics, 2019)
- 23 (Gould & Wilson, 2020)
- 24 (U.S. Census Bureau, 2018a, 2018b, 2018c, 2018d, 2018e)
- 25 (Kraus, Rucker, & Richeson, 2017)
- 26 Liquid assets include checking or savings accounts, cash, prepaid cards, and directly held stocks, bonds, and mutual funds.
- 27 (Gould & Wilson, 2020)
- 28 (Dettling, Hsu, Jacobs, Moore, & Thompson, 2017)
- 29 (Jones, 2017)
- 30 (Chetty, Hendren, Jones, & Porter, 2018)

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