

The Federal Stimulus

A Critical Boost to Keep the District Moving Forward

BY ELISSA SILVERMAN AND LIZ WILLIAMS

Is the federal stimulus working in the District? It's a good question to ask. The \$787 billion fiscal package passed by Congress and signed by President Obama last February has been getting a lot of criticism lately. And given the District's erratic history of accessing federal funds, it's reasonable to wonder whether the city is benefitting.

The good news is that we are. Drivers headed east on Interstate 395 see one sign of it in action. As the US Capitol looms on the left, a prominent road sign tells motorists that recent improvements to the heavily trafficked highway are being funded by the American Recovery and Reinvestment Act, commonly known as the stimulus bill.

DC will receive boosts in other areas, too. Kids in DC public schools, homeowners wanting to make their dwellings more energy efficient, and residents covered by Medicaid are among the many who gain from the law. In some cases, the District has proven to be a leader in dispersing these funds.

The stimulus is helping DC in two key ways. Plummeting tax revenues combined with increased demands for health care and other human services have created gaping holes in state and local government budgets everywhere. The District is no exception. About a quarter of DC's budget gap this year and next will be plugged by various pots of money made available from the stimulus. Without that critical influx of dollars, the city would have had to make even deeper spending cuts that would have led to more job losses and slowed down our economic recovery.

The stimulus also is providing targeted funds for programs in job training, homelessness prevention, and putting foreclosed homes back on the market.

That's what the stimulus is designed to do: Help states and cities such as the District main-

tain programs to keep people productive and prevent the economy from going into a further downward spiral.

That doesn't mean DC can't get more out of the stimulus, of course. There's additional money to increase unemployment benefits, for example, but it's sitting in the federal treasury because DC leaders have not adopted the legislation needed to claim it.

The federal stimulus package included several provisions specifically intended to help states manage their budget crises, including "state fiscal stabilization funds." The District is receiving \$374 million between 2009 and 2010 from these funds. That doesn't eliminate our budget problems entirely, but it helps a lot.

Some may argue that using this money to help close budget gaps is not providing stimulus or creating jobs. We disagree. The federal funds are helping protect important services and pumping money into the DC economy.

In the last few weeks, the Mayor Adrian Fenty and DC councilmembers have grappled with how to close the latest \$666 million spending pressure, contemplating program cuts that will make life harder for many District families. The mayor proposed slashing \$55 million from a wide array of programs, including job training, cash assistance for families with children, and services for the disabled. If he didn't have stimulus funds to tap into, however, cuts to programs would have been even larger.

Support for Current Programs and Shovel-Ready Projects Is the Right Way to Use the Stimulus

A July Government Accountability Office report showed that the District is leading the nation in putting transportation-related stimulus dollars to work. That's

good news on several fronts. Those dollars are putting people to work on road construction projects. The paychecks from these jobs pay rent and mortgages, purchase food, and generally keep money circulating in our local economy.

Plus, it helps us keep our roads safe and improve our critical infrastructure.

The stimulus makes critical investments in hu-

EXAMPLES OF STIMULUS FUNDS COMING TO THE DISTRICT, FY2009-2011 (in millions)

Highway restoration and repair	\$125
Public transit upgrades	\$111
Support for the Section 8 Housing program	\$41
Additional funding for low income (Title I) schools	\$38
Increase unemployment coverage	\$28
Public housing rehabilitation	\$27
State-level Energy Program implementation	\$22
Drinking water quality protection	\$20
Water quality protection	\$19
Community Services Block Grants (funds for Head Start, housing, emergency food)	\$16

Reed, Jenny. 2009. "What the economic stimulus package can do for the District," updated March 17, 2009 at <http://dcfpi.org/wp-content/uploads/2009/03/3-17-09stimulusupdated.pdf>

The Stimulus is Helping DC Avoid a Complete Budget Meltdown

Like every city and state across the country, the District's fiscal outlook is not pretty. Expected revenue collections for this year and those projected for next year have fallen by approximately \$1.5 billion, creating the greatest budget challenge the city has faced since the mid-1990s financial collapse.

man capital as well, by helping to fund health care, education and stable homes. In April, the city's Department of Housing and Community Development issued a Notice of Funding Availability for \$33.7 million in projects focused on housing for special needs, the elderly and chronically homeless individuals.

Over the next three years, the District will receive at least \$76.3 million to use in DC public schools, District public charter schools, and the University of the District of Columbia.

There's also money being put to use in energy efficiency and conservation, water quality, modernizing public transit, and many other purposes.

District Leaders Need to Be More Aggressive About Some Stimulus Funds

The District receives some stimulus money automatically, but in order to qualify for additional dollars, the city needs to make changes to current law or make a case that it can put the money to good use.

For example, there's \$18 million in stimulus money available to help unemployed DC residents get back on their feet. The city's unemployment rate rose to nearly 11 percent in June, the highest it has been in 25 years.

The District has yet to make the necessary reforms to its unemployment insurance program to claim these funds. The money is tied to the Unemployment Insurance Modernization Act, which gives states the flexibility to offer benefits to those who need to leave work due to domestic violence or other family reasons.

Twenty-five states have expanded their unemployment assistance to qualify for the federal stimulus funds. The District hasn't yet done so. The deadline to qualify is August 2011.

So why is the District waiting?

DC did get \$9 million in additional unemployment funds – based on existing provisions of its unemployment insurance program.

But there's no reason for DC to be sluggish about getting the other \$18 million. The mayor and the DC Council, particularly Ward 8 Councilmember Marion Barry, who oversees the Department of Employment Services, need to push to make decisions and bring forth the necessary legislation to put these reforms into place.

Keeping Track of the Stimulus

Mayor Fenty has set up a website to allow residents to track how stimulus funds are being used: www.recovery.dc.gov. The federal government required each state to do this, as a measure of accountability.

The DC Council recently passed emergency legislation introduced by At-Large Councilmember Kwame Brown to create a list of jobs created by stimulus dollars. The legislation moves in the right direction, but city leaders need to work quickly to put an effective mechanism in place to perform oversight and to provide accountability so the stimulus will be used most effectively.

The council should work with the mayor to make sure the city maximizes the competitive funding available through the stimulus.

In the end, the stimulus may not be working perfectly – but it is working and making a big difference in DC. Every DC resident is better off as a result, even if you cannot see every program or service that has been spared.

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