



July 3, 2020

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

**Subject: The Proposed FY 2021 Budget and the Importance of Focusing on the District’s Current Economic Challenges**

Dear Chairman Mendelson:

We write to express our appreciation to you and the Members of the Council of the District of Columbia (“Council”) for your service and dedication to our city, especially during these very demanding times. The COVID-19 pandemic and the recent tragic killings of people of color at the hands of law enforcement have brought renewed focus to the inequities within our society. Like all committed Washingtonians, we stand ready to work with our leaders and fellow residents to confront and address these challenges.

On Tuesday, July 7, 2020, the Council will meet to consider the First Reading of Mayor Muriel Bowser’s proposed Fiscal Year 2021 (“FY21”) budget. We are deeply grateful for the conscientious approach of current and past Mayors and Councils, which have worked to build a substantial accumulated reserve funds. Today, this longstanding commitment is shielding us from the true financial impact of the current economic crisis brought on by the COVID-19 pandemic. Without these reserve funds and their stabilizing impact, the District’s FY20 and FY21 budgets would be facing cuts of hundreds of millions of dollars. Instead, in large part because of our reserves, the District’s FY21 budget is able to grow by more than \$476.2 million or 3.6 percent over the Fiscal Year 2020 approved budget.

Notwithstanding our immediate good fortune, as mentioned above, the undeniable reality is that the District’s FY21 budget is contingent upon the use of one-time enhanced Federal assistance associated with the CARES Act and the use of \$532.3 million including the entirety of the District’s \$312 million Fiscal Stabilization Reserve, which was created in 2010. It is worth noting

that, as a result of revenue shortfalls in FY20 and FY21, will substantially deplete its unrestricted reserves by the end of FY21.

We have followed the Council's FY21 Committee Budget Hearings and Mark-ups and made note of the requests of some to increase spending for a variety of potentially worthy programs. Moreover, during the Council's Budget Work Session, we witnessed similar appeals.

Annual requests for additional spending outside of a Mayor's proposed budget are to be expected and are an important part of the budget process. Still, it is critical for the Council to remain disciplined in crafting budgets that are sustainable. Given the uncertainties which lie ahead, we urge the Council to consider the implications of increased spending that is dependent upon depleted reserve funds.

At the same time, as part of the FY21 budget process, we urge the Council to focus on the threat that the COVID-19 pandemic poses to our economy, as well as the negative implications for our budget. According to April 2020 data from the Federal Bureau of Labor Statistics, during the *first* full month of the pandemic, the District's economy experienced the following:

- 63,000 jobs were lost – 3 times more than the Great Recession (2008);
- 30,079 District residents lost their jobs – 4 time more than in the Great Recession;
- and
- The unemployment rate hit 11.1%.

Now more than three months into this crisis, many of our businesses, particularly small employers, are burning through (or have already exhausted) their cash reserves and Federal Paycheck Protection Program benefits. Many will not be able to pay rent, payroll, insurance premiums, and other basic expenses. Accordingly, we expect to see more closures and layoffs in the near future, especially in the retail, food services, hospitality, personal services, and the arts and entertainment sectors. Similarly, declining rent collections from both commercial and residential tenants could trigger comparable layoffs in the real estate sector, as well as declining property values – a concern shared by the District's Chief Financial Officer. The Chief Financial Officer projects that the commercial real estate sector, which represents approximately 66% of the District's real estate tax collections, *will* be negatively impacted by the COVID-19 health and economic crisis. The sum total of present economic uncertainties underscores the need to be cautious with the current and future proposed budgets.

Conspicuously, the FY21 budget is essentially silent on how the District will engage and support our businesses, as they struggle to survive during these unprecedented times. This moment requires a plan. A good place to start is by not imposing additional tax, regulatory and compliance burdens on our businesses and residents in the midst of a pandemic; such actions will only accelerate closures and undermine the District's efforts to attract new residents and investment.

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As we navigate these uncertain waters, we stand ready to work with District officials to weather this storm and to get our city moving again. To be sure, the District's ability to invest in housing, healthcare and education – issues that contribute to an equitable city – depends on a healthy economy. Simply put, without a robust economy, the District will not be in a position to fund our priorities for the District of Columbia.

We stand ready to assist in any way we can.

Sincerely,

Jacqueline Bowens  
President and CEO  
District of Columbia Hospital Association

Kathy Hollinger  
President and CEO  
Restaurant Association of Metropolitan  
Washington

Angela Franco  
Interim President & CEO  
DC Chamber of Commerce

Peggy Jeffers  
Executive Vice President  
Apartment & Office Building Association of  
Metropolitan Washington

Solomon Keene  
President & CEO  
Hotel Association of Washington, DC

Lisa María Mallory  
President & CEO  
District of Columbia Building Industry  
Association

Jack McDougle  
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Greater Washington Board of Trade

Nicole Quiroga  
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Cc: Councilmember Brianne K. Nadeau  
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Councilmember Mary M. Cheh  
Councilmember Brandon T. Todd  
Councilmember Keynan R. McDuffie  
Councilmember Charles Allen

Councilmember Vincent C. Gray  
Councilmember Trayon White, Sr.  
Councilmember Anita Bonds  
Councilmember David Grosso  
Councilmember Elissa Silverman  
Councilmember Robert C. White, Jr.