MURIEL BOWSER
MAYOR

June 2, 2026

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

Dear Chairman Mendelson:

As the Council prepares for its first vote on *Grow DC*, my Fiscal Year 2027 (FY27) budget, I want to express my great concerns about several changes recommended by committees. While I appreciate that committees adopted the vast majority of my proposals, some of their modifications move the District in the wrong direction.

The *Grow DC* budget was designed to provide a strong foundation to the next administration by strengthening education and public safety, protecting core services and residents' healthcare, and supporting economic growth. Unfortunately, some of the Council's proposed changes would undermine the progress we've made over the past 12 years in educational achievement, weaken public safety strategies that have resulted in the lowest violent crime rates and highest case closures in decades, discourage the economic growth that is absolutely vital to our recovery from the impacts of DOGE, and add new burdens that reduce affordability for our residents and businesses by once again hiking taxes and fees.

Eroding Progress in Educational Achievement

The Council's proposed changes to IMPACT and reductions to schools funding will undermine proven strategies that are demonstrably improving outcomes for DCPS students. DCPS is the nation's fastest-improving urban school district in large part due to our exceptional educators. The IMPACT performance management system has been rigorously evaluated and found to improve teacher effectiveness, attract top talent, increase retention of effective educators, and incentivize teaching in Title I schools. DCPS routinely retains 96% of teachers rated highly effective. ***Eliminating IMPACT will hurt our schools, reduce teacher pay by $30 million by eliminating bonuses, reduce our ability to hire and retain outstanding teachers, and drive away families who want outstanding educational options for their children.***

Backtracking on Public Safety Improvements

The Council proposes taking $20 million to address overcrowding in our youth rehabilitative facilities to fund a recreation center in Ward 5. The investment in our juvenile justice system that I proposed is critical to serving our at-risk young people. Redirecting these funds will delay urgent needs. Similarly, taking funding needed for an immediate expansion of bed capacity to pay for a fraction of the cost of a *future* residential treatment facility that will take years to build simply does nothing to help our young people *now*.

The Council also proposes removing $4.5 million from school security. This reduction could limit security support for community partners or require us to scale back security presence at a time when we know it's greatly needed. I note that in 2021, the Council decided to eliminate school security officers; four years later, it retracted that decision after an outcry from principals, teachers, and parents. Demand for security at athletic events has grown and labor costs for security services continue to rise. ***No parent would agree that reducing their children's school security is a good idea.***

Finally, ***fully eliminating the private security camera rebate program is simply wrongheaded***. This is one of the most popular and effective public safety tools we offer. Tens of thousands of residents and businesses have relied on this program to afford security cameras whose footage has repeatedly helped law enforcement identify suspects, solve crimes, and convict criminals.

Tax Hikes Aren't Needed to Balance the Budget

I am deeply concerned the Council intends to implement two new taxes: an online gambling tax and a new income tax. Additionally, I am concerned that Council's proposal would eliminate an income tax decrease for low- and moderate-income residents that would have taken effect next year.

The Council is considering a new tax – a so-called "wealth surcharge" – on income derived from interest, dividends, capital gains, rental income, residential property sales, and passive business incomes. Given the District's ongoing economic challenges from devastating DOGE cuts and our struggling commercial and affordable rental housing markets, ***this is the wrong time to impose a new tax to make it more expensive to live and do business in DC***.

To be clear, the proposals under consideration could impact single tax filers making $200,000 or more and married couples filing jointly making $250,000 or more. It would ***impose a new tax on any person or family selling their primary residence or earning rental income***. And since it would take place in tax year 2026, it will unexpectedly hit individuals and families with a large tax bill they had no idea was coming and could not have planned for. That is deeply unfair and inequitable to our residents. It is also ***terrible public policy***: Making major tax policy on the fly with no public input, no public hearings, and no public scrutiny. Enacting new taxes will have an immediate chilling effect on our residential property market and put us far out of line with Maryland and Virginia.

The Council is also proposing to remain decoupled from a lower federal standard deduction which would have lowered income taxes for low- and moderate-income families who do not itemize. "Decoupling" means the District would not mirror the federal income tax code in certain cases and would have its own tax rates and criteria. The standard deduction benefits low- and moderate-income households the most by allowing them to reduce their income taxes if they don't itemize. By decoupling permanently, the Council will prohibit these residents from seeing their standard deduction go up, and as a result, their tax liability go down. ***Under my proposal, these residents' income taxes could have gone down next year; instead, the Council wants them to pay more in taxes.*** The Council should reverse this decision and cut taxes for our lower- and moderate-income residents.

Finally, the Council is considering an online gambling scheme to raise revenue. Online gambling carries high risks of addiction. Revenue from this tax would come directly from residents' financial losses. In other words, ***the more money our residents lose by gambling online, the more money Council would raise from this new tax***. This is terrible public policy and is not the outcome we want for our residents.

Using $270 Million in New Revenue to Fund The Essentials

The Chief Financial Officer gave the Council $270 million in decoupling revenue that he refused to certify in my budget formulation. ***The Council should take advantage of the CFO's flip-flop by using those funds on important priorities such as union contracts, childcare services, universal paid medical leave, and the Housing Production Trust Fund.*** This is a far better alternative to another round of tax and fee hikes on our residents and businesses.

Unless the Council prioritizes these funds for union contracts, the ***next mayoral administration will start off in a preventable financial hole with no money appropriated for promised collective bargaining agreements***.

As I watched your recent budget discussions, there appeared to be great energy around the Pay Equity Fund and universal paid leave. The Council can restore more sustainable pay equity and universal paid leave programs by making some modifications.

On pay equity, the Council should eliminate the bachelor's degree differential pay as it is not a requirement we place on childcare providers. The Council could also prioritize funds to childcare centers with the greatest needs by excluding from the Pay Equity Fund any childcare provider that charges more than $3,300 in tuition and does not serve subsidized children, is affiliated with large national for-profit chains, or is sponsored by the federal government. ***These two modest changes would reduce costs to the Pay Equity Fund by $14 million annually.***

For universal paid leave, the Council should accept my proposal to reduce costs by limiting covered weeks and capping the weekly payment at $1,000. This would more closely align with what leave participants are actually utilizing. ***These two changes would reduce costs to the universal paid leave program by $41 million annually.***

Creating Unnecessary and Duplicative Bureaucracy

The Council proposes creating yet another office to oversee juvenile justice facilities – despite already having a Council committee responsible for doing the same oversight. In a difficult budget year, the proposed $500,000 for a duplicative office would be better directed toward higher priority needs for residents. This is on top of another duplicative office the Council created, the Office of the Ombudsman for Children, to oversee the Child and Family Services Agency, even though the agency already has an ombudsman and a Council committee with oversight. It raises questions on why Council believes it cannot provide robust and necessary oversight.

Rolling Back Efforts To Make It Cheaper and Easier To Do Business In DC

To grow our revenue base and fund essential programs, we must support economic growth. Businesses repeatedly tell us that operating costs in DC are way too high – and there's a cheaper alternative just across the river. My *Grow DC* budget reduced fees on certificates of occupancy and corporate filings to keep us competitive with surrounding states. The Council decided instead to keep those fees higher than they need to be.

Although the District has an affordability crisis with housing, the Council proposes to make it harder and more expensive to build in DC by requiring multiple, conflicting building code standards. My *Grow DC* budget proposed a one-year delay of net zero requirements so the District had enough time to update its construction codes with the most recent sustainability requirements. I urge the Council to listen to housing industry experts and maintain my proposal that would eliminate uncertainty for builders.

Making DC More Unaffordable for Residents

Raising residents' utility bills…yet again. At a time when our residents are facing rising utility bills and higher costs of living, the Council is proposing to once again increase their bills. Residents and businesses can expect new Council-mandated fees, including:

- New monthly fee on all phone bills;
- 51% increase in stormwater fees on residents' monthly water bills; and
- New fee on every food delivery.

While each new fee or tax hike mandated by the Council may seem small in isolation, over time they add up to thousands of dollars in additional costs to our residents and businesses. An example of this is the Renewable Portfolio Standards (RPS) that impact everyone who pays an electricity bill. The District's RPS requirements are unique: Local electricity suppliers, like Pepco, are legally mandated not only to buy renewable energy, but a portion of that renewable energy must come from solar in the District. DC's extremely ambitious targets are the highest in the nation.

Likewise, DC's solar renewable credits (SRECs) are the highest in the country – ***and they add $20 to every electricity bill***. DC's energy laws result in all DC electricity ratepayers subsidizing a small portion of residents – regardless of their income – to have solar panels on their homes. If the

Council takes no action to rightsize SRECs and align their cost with the rest of the country, the $20 on every electricity bill will double to $40 by 2029 and then continue growing every year.

I know Councilmembers care a great deal about affordability – but these constant tax and fee increases make our city less affordable for residents who have been tightening their budgets to manage higher costs.

I urge the Council to sustain our strong education and public safety ecosystems and focus on economic growth so we can continue moving forward, together. My team and I are available to assist the Council on making the necessary changes to the budget proposal so we can keep the District on track.

Sincerely,

Muriel Bowser
Mayor

Contingent revenues

IF $180M OF COLLECTED REVENUES BEING HELD BACK WERE TO BECOME AVAILABLE, WE WOULD PRIORITIZE:

- Funding workforce investments to support future collective bargaining agreements for our workers
- Funding childcare programs that focus on affordability for families, including lifting the current waitlist
- Funding medical leave for Universal Paid Leave program in FY 27 and reducing the Employer Tax by adopting a more sustainable program
- Funding the Housing Production Trust Fund

1 RUN THROUGH THE TAPE!

GOVERNMENT OF THE DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR