



Request to Congress Regarding District of Columbia Budget and Shutdown Authority

OUR ASK:

- We are asking Congress ***not to reduce the District's spending levels for the District's own locally generated revenues.***
- We are asking Congress to include the language that was already included in the prior two prior CRs: authorizing the District to spend its locally generated revenue at the FY25 levels that the District adopted in July 2024.

Background Info:

- In July 2024, the District Government adopted its Fiscal Year 2025 budget and sent it to Congress for approval.
- As part of each previous Continuing Resolution for FY25, Congress authorized the District to spend at the ***FY 25 budgeted level.*** (See, e.g., section 128 of the first CR.)
- Since October 1, 2024, the District has been operating under and spending at its FY25 approved budget.
 - This is different than federal agencies, which were approved in the CRs at their ***FY24 budgeted levels*** and have been spending at those levels since October 1, 2024.
- The ***federal government saves no money from reducing DC's locally funded expenditures.***

Draft Continuing Resolution & DC Local Budget Facts:

- The draft full-year CR would ***reverse Congress's approval of the District FY25 spending levels and – six months into the current fiscal year –*** require the District to spend at its FY24 budgeted level.
 - This drastic funding change would have ***devastating impacts*** on the District.
- The District's FY25 general funds budget (the portion solely supported by locally raised taxes, fees and fines) was almost \$1.1 billion dollars higher than its FY24 local budget.
- Nearly ***75% of DC's budget is made up of locally generated revenues***; 24.3% comes from federal grants that all other states received.
 - DC's ***federal payment represents just 0.8% of our total budget***; it is separate from the federal grants. Yet it supports critical functions, including in FY25's approved budget of \$47 million for the costs incurred to support the inauguration of President Donald Trump and \$50 million to the District's Emergency Security and Planning Fund (EPSF) which supports costs incurred by the District to support federal activities. In FY 24, DC had no funds appropriated to support President Trump's inauguration and less funding for the EPSF.
- ***As part of its FY26 Budget formulation, DC is already making significant spending cuts.*** Recently revised revenue estimates from DC's Chief Financial Officer showed a \$1 billion drop in revenues across our four-year financial plan. The drop in revenues is driven by the significant federal job losses and continued impacts of remote work on commercial office market. DC is preparing to make significant reductions across its budget to ensure we can maintain a balanced four-year budget and financial plan.



Impacts of Draft Continuing Resolution:

- The draft CR would force the District to ***cut almost \$1.1 billion from its FY25 general fund spending*** halfway into the fiscal year.
- So far, DC has expended, obligated or encumbered \$6.3 billion, which is 48% of the total local appropriation.
 - ***If we now had to reduce local spending by \$1.1 billion it would require a 16% cut to all remaining funds that are not expended.***
- It would decimate critical services DC delivers every day to support its more than 700,000 residents, 26 million tourists, and 782,200 employees that work in the public and private sectors within the District.
- The vast majority of the District's workforce are people who directly interact and serve residents and visitors, there are far less overhead and administrative positions. ***A cut of this magnitude, by definition, would result in immediate and unanticipated layoffs of direct service workers and reduction or elimination of direct services residents and visitors rely on.***
- Enacting the draft CR would have immediate impacts on people, contracts, fixed costs and capital projects
 - ***People:*** Many of the most critical agencies in the District have a budget that almost entirely funds people. For example, 90% of the Metropolitan Police Department, 87% of the Fire and Emergency Medical Services, and 84% of DC Public Schools budgets are for people. If the District is forced to reduce remaining spending by 16%, it will require reductions in force, furloughs, and hiring freezes across government including for our critical front-line services.
 - ***Contracts:*** The District enters into contracts during the fiscal year based on appropriated funding levels. If forced to reduce spending by 16%, DC would immediately have to reduce contracts that have already been awarded for a variety of goods and services.
 - ***Fixed costs:*** The District enters into leases, pays utility bills, and provides security and janitorial services across DC facilities. If forced to reduce spending by 16%, DC would need to immediately look at renegotiating or terminating leases and may not be able to continue to provide the same level of security and janitorial services at our facilities. It would also force deeper cuts elsewhere in the budget to maintain our ability to pay our energy bills.

Impacts on DC capital projects and bond ratings:

- DC has a statutory debt cap limit of 12 percent of our general funds budget spent on debt service.
 - If we had to revert to FY 24 spending levels, it would reduce general funds expenditures by \$1.1 billion dollars and immediately require us to cut approximately \$600 million in projects before FY 2029 in our approved 6-year capital improvements plan.
- Moody's has said it is taking another look at DC's current Aaa credit rating because of the significant federal layoffs and impacts on commercial property values.
 - If the draft CR is enacted, it will cause DC's bond rating to be downgraded resulting in more expensive borrowing costs.
 - This would also lead to immediate cuts from our current CIP.



- DC's CIP is largely for horizontal infrastructure (roads, bridges, sidewalks, alleys, road safety improvements, WMATA support) (37.2%) and school improvements and modernizations (18 percent). Importantly, it also includes a \$515 million investment in the modernization of our Capital One Arena across FY 25- FY 27.

Impacts of Continuing Resolution on Critical Agencies & Services:

- Ten agencies make up 70% of DC's local funds budget:
 - Metropolitan Police Department
 - Fire and Emergency Medical Services
 - DC Public Schools
 - DC Public Charter Schools
 - Debt Service (payments on bonds to support capital projects)
 - Department of Healthcare Finance
 - Washington Metropolitan Area Transit Authority (WMATA)
 - Department of Human Services
 - Department of General Services
 - Department of Behavioral Health
- Making a \$1B cut this late in the fiscal year means large cuts in these agencies.
 - Being forced to cut police officers, teachers, bus/rail service, and first responders would contravene the Trump Administration's vision of making DC a world class national capital.
- **The federal government saves no money from reducing DC's locally funded expenditures.**



The District's Shutdown Authority

- A second critical ask is to add back the language that provided the District with the ability to spend its local resources in the event of a federal government shutdown.
- The removal of the District shutdown authority provision will create significant legal uncertainty about the District's budget, which in turn will create financial uncertainty—and may create substantial operational issues for the Districts and the services it provides to District residents, visitors, and commuters, including public safety, public education, and clean city services. Since there is no benefit to removing the District shutdown provision, and great risks are created by removing it, we respectfully request that the District shutdown authority be restored in the full-year CR.
- For over a decade, through both Republican and Democratic Congresses and Republican and Democratic administrations, the federal government's annual appropriations act has included a specific and detailed provision authorizing the District of Columbia to remain fully operational, and to spend at its locally approved funding levels, in the event of a federal government shutdown in the next fiscal year. (This has been referred to as the District having “shutdown authority”.)
- The FY24 Appropriations Act contains the following provision:
 - SEC. 816. (a)(1) During fiscal year 2025, during a period in which neither a District of Columbia continuing resolution or a regular District of Columbia appropriation bill is in effect, local funds are appropriated in the amount provided for any project or activity for which local funds are provided in the Act referred to in paragraph (2) (subject to any modifications enacted by the District of Columbia as of the beginning of the period during which this subsection is in effect) at the rate set forth by such Act.
 - (2) The Act referred to in this paragraph is the Act of the Council of the District of Columbia pursuant to which a proposed budget is approved for fiscal year 2025 which (subject to the requirements of the District of Columbia Home Rule Act) will constitute the local portion of the annual budget for the District of Columbia government for fiscal year 2025 for purposes of section 446 of the District of Columbia Home Rule Act (sec. 1–204.46, D.C. Official Code).
 - (b) Appropriations made by subsection (a) shall cease to be available—
 - (1) during any period in which a District of Columbia continuing resolution for fiscal year 2025 is in effect; or
 - (2) upon the enactment into law of the regular District of Columbia appropriation bill for fiscal year 2025.
 - (c) An appropriation made by subsection (a) is provided under the authority and conditions as provided under this Act and shall be available to the extent and in the manner that would be provided by this Act.
 - (d) An appropriation made by subsection (a) shall cover all obligations or expenditures incurred for such project or activity during the portion of fiscal year 2025 for which this section applies to such project or activity.
 - (e) This section shall not apply to a project or activity during any period of fiscal year 2025 if any other provision of law (other than an authorization of appropriations)



(1) makes an appropriation, makes funds available, or grants authority for such project or activity to continue for such period; or

(2) specifically provides that no appropriation shall be made, no funds shall be made available, or no authority shall be granted for such project or activity to continue for such period.

(f) Nothing in this section shall be construed to affect obligations of the government of the District of Columbia mandated by other law.

- The shutdown authority provision allows local services to continue to be provided to District residents, commuting workers, and visitors: garbage can be picked up, MPD and other public safety agencies are able to operate at full capacity, schools can operate as usual, businesses and homeowners can get building permits, roads can be repaired, etc.
- The current draft of the full-year CR eliminates the shutdown authority provision.
- We have been told by a congressional staff person that the District will continue to have shutdown authority under section 1112 of the draft CR, which reads as follows:

SEC. 1112. With respect to any discretionary account for which advance appropriations were provided for fiscal year 2025 or 2026 in an appropriations Act for fiscal year 2024, in addition to amounts otherwise made available by this division, advance appropriations are provided in the same amount for fiscal year 2026 or 2027, respectively, with a comparable period of availability.
- However, relying on section 1112 for the District’s shutdown authority will create significant legal and financial questions and risks.
- Most importantly, it is not at all clear from the language of section 1112 that the intent of that provision is to provide the District with shutdown authority.
- First, it is not clear that the District’s budget is a “discretionary account” --which are the only advance appropriations to which section 1112 applies. The term “discretionary account” isn’t defined, and there is no obvious reason why the District’s budget would be considered a “discretionary account”.
- Second, even if the District’s budget is a “discretionary account”, it is not clear how the shutdown authority transfers from fiscal year 2025 to fiscal year 2026, since the fiscal year 2025 authority is contingent on there being a shutdown *in fiscal year 2025*. And it is not clear what year’s budget authorization would apply, since the appropriation is not for a specific dollar amount (which is how other advance appropriations are generally structured) but instead is based on the District’s own fiscal year 2025 budget act. Would the District’s fiscal year 2026 act apply in fiscal year 2026 as the advance appropriation, or would the fiscal year 2025 act still apply?
 - It is important to note that the District’s shutdown authority provision is much different and much more complex than the typical advance appropriation provision, which would simply state a fiscal year, dollar amount, and purpose (e.g., “and further, for fiscal year 2026, \$XXX million, for continued modernization of information technology resources”)



- In addition, the removal of the District shutdown provision from the CR would itself create legal uncertainty, because the courts, attorneys, and financial staff will likely believe that there was a specific reason why Congress removed it (particularly since it has been included for over a decade in other CRs and appropriations acts).

A very possible interpretation will be that Congress removed the District shutdown provision because it wanted to remove the District's shutdown authority (not that section 1112 is a replacement for that).