



**D.C. POLICY**  
**CENTER**

**Public Hearing on**

B26-0658 - Fiscal Year 2027 Federal Portion Budget Request Act of 2026

B26-0660 - Fiscal Year 2027 Local Budget Emergency Act of 2026

B26-0659 - Fiscal Year 2027 Local Budget Act of 2026

B26-0661 - Fiscal Year 2027 Budget Support Act of 2026

B26-0662 - Fiscal Year 2026 Revised Local Budget Emergency Act of 2026

B26-0663 - Fiscal Year 2026 Revised Local Budget Temporary Act of 2026

**Committee of the Whole, Chairman Phil Mendelson**

Wednesday, May 13, 2026, 9:30 am

Testimony of Yesim Sayin

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Good afternoon, Chairman Mendelson and members of the Committee of the Whole. My name is Yesim Sayin, and I am the Executive Director of the D.C. Policy Center, an independent, nonpartisan think tank advancing policies for a strong, vibrant, and compelling District of Columbia.

My testimony today focuses on a pattern at the center of the District's fiscal challenge: The District has repeatedly raised taxes for specific public commitments, then redirected those revenues to support broader spending growth, while deferring the hard decisions needed to put the budget on a sustainable path.

Consider the Early Childhood Education Pay Equity Fund. Launched in 2022, it aimed to raise childcare educator wages to levels comparable with public school teachers. New income tax brackets on earnings above \$250,000 generated approximately \$101 million in FY 2022 and \$162 million in FY 2023, with roughly half dedicated to the Fund.<sup>1</sup> Yet within only a few years, the city found it could not sustain that commitment. The proposed FY 2027 budget again eliminates Pay Equity Fund appropriations because the money is needed elsewhere. When revenues raised for a specific purpose cannot sustain that purpose within a few years, it signals that overall spending growth has become disconnected from long-term fiscal capacity.

The Universal Paid Family Leave program illustrates the same dynamic at greater scale. The program was adopted with a dedicated payroll tax after a divisive debate, justified on the grounds that it would make the District more competitive for workers and employers. But the dedicated revenues were not applied to their intended use. According to OCFO data, between FY 2021 and FY 2026, the District spent approximately \$700 million on program benefits and administration while transferring roughly \$1.1 billion of the program's dedicated payroll tax revenues to support unrelated government expenditures. In other words, for every dollar spent on benefits, approximately \$1.60 has been diverted to fill gaps elsewhere in the budget.

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<sup>1</sup> Fiscal Year 2022 Budget Support Act of 2021, L24-0045 Effective from Nov 13, 2021

Table 1 - Program costs and diversions to general fund 2021-27

|                                  | 2021            | 2022            | FY 2023                | FY 2024               | FY 2025                | FY 2026                | FY21-26            |
|----------------------------------|-----------------|-----------------|------------------------|-----------------------|------------------------|------------------------|--------------------|
| <b>Program costs<sup>1</sup></b> | <b>\$61,201</b> | <b>\$80,231</b> | <b>\$107,644</b>       | <b>\$131,640</b>      | <b>\$144,107</b>       | <b>\$174,949</b>       | <b>\$699,772</b>   |
| <b>Transfers out</b>             |                 |                 |                        |                       |                        |                        |                    |
| FY 2023 BSA                      |                 |                 | \$421,400 <sup>2</sup> |                       |                        |                        | \$421,400          |
|                                  |                 |                 |                        | \$25,715 <sup>3</sup> |                        |                        | \$25,715           |
| FY 2025 BSA                      |                 |                 |                        |                       | \$323,056 <sup>4</sup> | \$340,572 <sup>4</sup> | \$663,628          |
| <b>TOTAL</b>                     |                 |                 | <b>\$421,400</b>       | <b>\$25,715</b>       | <b>\$323,056</b>       | <b>\$340,572</b>       | <b>\$1,110,743</b> |

<sup>1</sup> Includes benefits paid and administrative costs incurred.. <sup>2</sup>FY 2023 AFCR. <sup>3</sup>FY 2024 AFCR. <sup>4</sup>OCFO (From budget books)

The FY 2027 Budget Support Act deepens this pattern. It reduces benefits and redirects the freed resources to support unrelated recurring expenditures. Between FY 2027 and FY 2030, the District is projected to spend approximately \$553 million on benefits while diverting another \$1.7 billion from the fund to support broader government operations.

Table 2 - Program costs and diversions to general fund 2027-30

|                                  | FY 2027          | FY 2028          | FY 2029          | FY 2030          | FY27-30            |
|----------------------------------|------------------|------------------|------------------|------------------|--------------------|
| <b>Program costs<sup>1</sup></b> | <b>\$87,810</b>  | <b>\$148,776</b> | <b>\$155,008</b> | <b>\$161,044</b> | <b>\$552,638</b>   |
| <b>Transfers out:</b>            |                  |                  |                  |                  |                    |
| FY 2025 BSA <sup>2</sup>         | \$345,286        | \$362,121        | \$378,723        | \$396,791        | \$1,482,921        |
| FY 2027 BSA <sup>3</sup>         | \$95,355         | \$42,873         | \$44,845         | \$46,984         | \$230,057          |
| <b>TOTAL</b>                     | <b>\$440,641</b> | <b>\$404,994</b> | <b>\$423,568</b> | <b>\$443,775</b> | <b>\$1,712,978</b> |

<sup>1</sup> Estimated by subtracting projected transfers from OCFO Certification Letter (March 1, 2026) expenditures. <sup>2</sup>FY 2023 AFCR. <sup>3</sup> Fiscal Impact Statement for the FY 2027 Budget Support Act of 2026.

These diversions do not solve the underlying problem. In the proposed FY 2027 budget, the gap between recurring expenditures and recurring revenues is approximately \$570 million— even after repurposing dedicated revenues. The proposed financial plan reduces reliance on fund balance in the out-years, which is a positive step. But it achieves this largely through assumed expenditure reductions concentrated in public education and human services— reductions that do not yet reflect a clear operational strategy for how government will deliver services differently, reduce costs durably, or build consensus around implicit policy choices.

This leaves the District in a troubling cycle. New revenues raised for specific priorities are absorbed into broader fiscal pressures. Difficult expenditure decisions are deferred, relying on assumptions that grow increasingly difficult—and politically costly—to implement. Over time, this erodes taxpayer trust, weakens future revenue proposals, and undermines confidence that the government can manage long-term commitments responsibly.

The better approach is to use this budget cycle to make deliberate decisions about where spending growth must slow, which programs need redesign, and what level of government the city can sustainably afford. The Council should take three concrete steps in FY 2027.

- **Require formal cost-growth reviews for major subsidy and transfer programs whose expenditures have grown faster than inflation, enrollment, utilization, or population growth over the past five years.** These reviews should be completed by the Office of the Chief Financial Officer and submitted to the Council by the end of FY 2027. They should identify the primary drivers of cost escalation, evaluate whether programs are achieving intended outcomes, and present operational alternatives for slowing expenditure growth without undermining core services—particularly in housing subsidies, healthcare obligations, and education-related spending. This work would also provide a critical foundation for the incoming administration.
- **Use these reviews to identify where regulatory reform and stronger government performance can reduce long-term spending pressures.** Increasing housing production can reduce the cost of housing subsidies over time. Streamlining requirements to open or expand childcare facilities can lower operating costs and reduce public subsidy requirements. In many cases, the District’s own regulatory systems contribute to the cost pressures the budget is later forced to absorb.
- **Establish a higher transparency threshold—enforceable by Council resolution—before dedicated tax revenues may be used to support unrelated recurring expenditures.** If the Mayor’s office proposes redirecting revenues raised for a specific public commitment, the administration should be required to publicly identify the fiscal rationale, the impact on the original commitment, and the long-term plan for restoring structural balance. Taxpayers should be able to clearly understand when revenues raised for one purpose are being used to support another.

The District cannot continue addressing structural budget problems by layering new taxes onto a slower-growing economy while weakening the connection between public promises and public spending. I urge the Council to use this budget cycle to invest in the analysis and reforms necessary to align policy commitments, government performance, and the city's long-term fiscal capacity.

Thank you for the opportunity to testify.