



**MURIEL BOWSER**  
MAYOR

May 27, 2025

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

Dear Chairman Mendelson:

On behalf of the 702,000 residents of Washington, DC, I am pleased to submit to the Council of the District of Columbia my Fiscal Year 2026 Budget and Financial Plan, *Grow DC*.<sup>1</sup>

Washington, DC is a world-class city. Last year, our population grew faster than all 50 states, we have the fastest improving urban school district, welcomed a record 27 million visitors, completed our 29th consecutive balanced budget, and drove violent crime down to its lowest level in three decades.

Despite positive growth and improvements, recent federal government actions have caused job losses, economic uncertainty, and a shifting economy across the country—but especially here in DC. The Chief Financial Officer's February revenue estimate showed just how real that impact is: our revenues were reduced by \$1 billion over the next four years, driven by an expected loss of 40,000 jobs, reduced income, and reduced consumer spending.

But DC cannot stand still; we must build what's next and, by doing so, create jobs for residents and revenue for our shared priorities. If we do not take these actions, if we stand still, we risk losing the progress we have made over the past three decades—progress that not only has allowed us to grow our economy and our population, but has also allowed us to dramatically improve our schools; invest in public safety; create more opportunities in our neighborhoods; build and modernize world-class libraries, parks, and recreation centers; and provide reliable and well-run city services across all eight wards.

To meet this moment, the Fiscal Year (FY) 2026 *Grow DC* budget is focused on growing our economy; rightsizing spending; and investing in our shared priorities.

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<sup>1</sup> Included in this submission are the Fiscal Year 2026 Local Budget Act of 2025, the Fiscal Year 2026 Federal Portion Budget Request Act of 2025, the Fiscal Year 2026 Budget Support Act of 2025, the Fiscal Year 2026 Local Budget Emergency Act of 2025, and the Fiscal Year 2026 Local Budget Emergency Declaration Resolution of 2025. In addition, I am submitting the following accompanying measures: the Fiscal Year 2025 Revised Local Budget Emergency Act of 2025, the Fiscal Year 2025 Revised Local Budget Temporary Act of 2025, and the Fiscal Year 2025 Revised Local Budget Emergency Declaration Resolution of 2025.

### **A Robust Growth Agenda**

Our challenge as a city is to turn the potential loss of 40,000 federal jobs, associated local jobs, and one billion dollars of revenue over four years, into a gain of new jobs and new revenues. Only by doing so can we ensure our city continues to grow. To do that, we must focus investments—in both the capital and operating budgets—on opportunities that lead to more economic activity.

Our Growth Agenda also includes important investments to build on the success of our Comeback Plan and Downtown Action Plan:

- \$1.1 million to support businesses in Chinatown and Gallery Place while the Capital One Arena redevelopment project is under construction;
- \$17 million for the Gallery Square project and the revitalization of Farragut Square, McPherson Square, and Lafayette Park; and
- \$250,000 to support the Chinatown Renewal Initiative to rejuvenate and preserve the cultural identity of Chinatown.

Our Growth Agenda doubles down on our fast-growing sports, entertainment, and tech industries:

- \$171 million for Capital One Arena improvements;
- \$6 million to support the historic National Theatre, Lincoln Theatre, and Howard Theatre;
- \$2.2 million to revive the Qualified High Technology Companies tax incentive;
- \$2.4 million to create the DC Technology Ecosystem Fund to invest in business accelerators and incubators for start-up tech companies in DC;
- \$681 million to support horizontal construction and parking costs at RFK (and \$175 million in FY32, which is outside the plan); and
- \$202 million for utilities, roadways, and a WMATA study at RFK.

Our Growth Agenda will also help the District attract new jobs and cut red tape by:

- Balancing our attraction dollars to include tourism and business attraction.
- Making it easier to open a new business in DC:
  - Reforming zoning procedures to streamline reviews of new development projects.
  - Pausing *Building Energy Performance Standard* and *Net Zero* requirements.
  - Repealing the Parking Benefit Equivalent Program.
  - Reforming the Tenant Opportunity to Purchase Act to encourage new investment in housing production.
  - Repealing Initiative 82
- Making it easier to keep a business in DC by cutting taxes and supporting local businesses:
  - No sales tax increase in FY26.
  - Reduce Universal Paid Leave tax from 0.75% to 0.72%.
  - Expand eligibility for DMPED retail grant programs.
  - Establish sales tax holidays for our restaurants.

### **Rightsizing Spending**

Even with a slightly larger budget, we cannot buy the same amount as last year. The reality is that with inflation, increased labor costs, and increased demand, many programs are growing at rates that are far higher than our revenues. While the FY26 budget is \$180 million more than the FY25 budget, if we do not rightsize programs across DC government, our spending growth would be more than double the growth in revenues – at least \$497 million more than FY25.

To address this imbalance and to adjust to our new financial realities, *Grow DC* resets spending in several areas where costs are growing at unsustainable rates, largely in our health and human services cluster as well as government operations.

Through a close review of spending on agency operations, we have identified cost savings that can be achieved through consolidation, coordination, and efficiencies. And we avoid painful cuts early in the financial plan to give the economy time to recover.

### Investing in Shared Priorities

Finally, *Grow DC* continues to invest in our shared priorities—the programs, services, and investments that keep DC a world-class city and a place where people want to live, work, and visit.

- *A Clean and Safe City*

Last year, we drove down violent crime to its lowest level in 30 years. We also removed more than 413 tons of waste from highly trafficked areas of the city. And in FY 2026, we continue to make important investments in a clean and safe DC, including \$30 million increase for the Metropolitan Police Department to hire more officers and purchase crime-fighting technology; \$1.3 million to increase salaries of 911 and 311 call takers; and \$4.6 million to support our Clean Corridors initiative with 80 additional staff at the Department of Public Works.

- *Building on Progress in Our Schools*

We continue to make significant investments in our students, teachers, and school facilities through a \$2.8 billion investment in our DC Public Schools (DCPS) and public charter schools; \$270 million to support pay raises for teachers at both DCPS and at DC public charter schools; and \$2 billion to support 30 public school modernizations across all eight wards. Importantly, our *Grow DC* budget also fully funds core childcare programs, including the childcare subsidy, pre-K enhancement and expansion program (PKEEP), and the pay equity fund.

- *Producing and Preserving Affordable Housing*

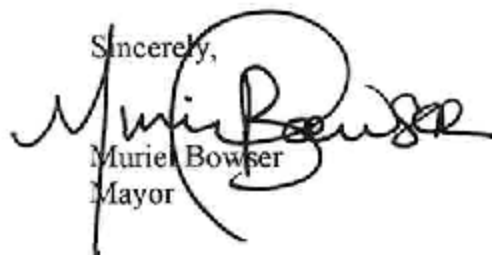
Continuing my commitment to affordable housing, *Grow DC* is once again investing \$100 million in the Housing Production Trust Fund—our highest impact affordable housing tool. Because of our investments in affordable housing, we have thousands more Washingtonians in affordable housing today than we did a decade ago.

But that progress is at risk and our city's affordable housing system is facing significant financial distress due to non-payment of rent and increased costs, putting many affordable housing properties at risk of foreclosure. To protect our affordable housing stock, *Grow DC* includes provisions from the RENTAL Act.

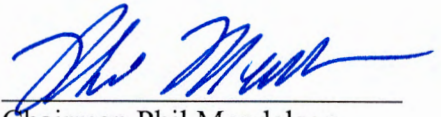
My FY 2026 *Grow DC* budget is about creating a new, stronger path forward for DC. It acknowledges the challenges we are facing, but also includes bold, forward-thinking solutions to change our economic trajectory. If we refuse to stand still, we will get it right and we will turn a loss of 40,000 jobs into a gain of at least 15,000 jobs. Our FY 2026 investments are strategic, prudent, and focused on ensuring we are building for what's next.

Let's work together to make change happen successfully and continue delivering for DC!

Sincerely,



Muriel Bowser  
Mayor



Chairman Phil Mendelson  
at the request of the Mayor

A PROPOSED RESOLUTION

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To declare the existence of an emergency with respect to the need to adjust certain appropriations in the Fiscal Year 2025 Local Budget Act of 2024.

RESOLVED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this resolution may be cited as the "Fiscal Year 2025 Revised Local Budget Emergency Declaration Resolution of 2025".

Sec. 2. (a) The Mayor and the Council previously adopted a balanced budget for Fiscal Year 2025 pursuant to the Fiscal Year 2025 Local Budget Act of 2024, effective September 18, 2024 (D.C. Law 25-218; 71 DCR 8366).

(b) Since the time that budget was approved, Congress adjusted the District's Fiscal Year 2025 budget through the Full-Year Continuing Appropriations and Extensions Act, 2025, approved March 15, 2025 (Pub. L. 119-4; 139 Stat. 9), and the Chief Financial Officer issued revised revenue estimates for Fiscal Year 2025. In addition, certain budget pressures have arisen since the beginning of Fiscal Year 2025.

(c) As part of Congress's actions under the Full-Year Continuing Appropriations and Extensions Act, 2025, Congress appropriated the District's Fiscal Year 2025 local budget at the level specified for *Fiscal Year 2024* in the Financial Services and General Government

Appropriations Act, 2024 (division B of the Further Consolidated Appropriations Act, 2024, approved March 23, 2024 (Pub. L. 118-47; 138 Stat. 460)).

(d) This change unnecessarily and detrimentally impacted the District’s ability to spend approximately \$1.1 billion of its own locally generated revenue. Congress compounded this significant problem by taking its action during the middle of the fiscal year, and even though it had twice previously approved, through two prior continuing resolutions, the District’s own enacted Fiscal Year 2025 spending levels. These actions greatly reduced the District’s ability to fund important services for District residents, commuters, and visitors, such as public safety, educational supports, infrastructure improvements, and social services.

(e) The District is able to somewhat mitigate the impact of Congress’s action by utilizing the authority providing by Congress in Section 817 of the Omnibus Appropriations Act, 2009, approved March 13, 2009 (123 Stat. 699; D.C. Official Code § 47-369.02) (“Section 817”).

(f) Section 817 authorizes the District, “beginning in fiscal year 2009 and each fiscal year thereafter,” to increase the amounts appropriated in a fiscal year, when such an increase is consistent with revenue collections.

(g) In such a circumstance, the District may, pursuant to section 817, increase the amount appropriated for special-purpose revenue funds by an aggregate amount of up to 25% and to increase the amount appropriated for any other District funds by an aggregate amount of up to 6%.

(h) Revenue collections from special-purpose revenue funds, dedicated taxes, and local funds in Fiscal Year 2025 exceed the amounts appropriated for expenditure in Fiscal Year 2024.

(i) Appropriating these additional revenue collections will allow the District to provide support for public services, including public safety, education, and human services, above the levels authorized in Congress's Full-Year Continuing Appropriations and Extensions Act, 2025.

(j) Unfortunately, however, even after these adjustments are made, Congress's actions will have resulted in the unnecessary and detrimental reduction in the District's ability to spend \$XXX million of its own local funds,

(k) Therefore, at this time, adjustments to the Fiscal Year 2025 budget are now necessary to recognize the adjustments made by Congress; recognize additional resources above the Congressionally adjusted amounts that are now available for appropriation by the District pursuant to section 817 of the Omnibus Appropriations Act, 2009, approved March 13, 2009 (123 Stat. 699; D.C. Official Code § 47-369.02); and address existing budget pressures.

(l) It is important to take immediate action to make these adjustments so that the associated modifications to District government programs and activities may be timely implemented and a balanced budget for Fiscal Year 2025 may be maintained.

Sec. 3. The Council of the District of Columbia determines that the circumstances enumerated in section 2 constitute emergency circumstances making it necessary that the Fiscal Year 2025 Revised Local Budget Emergency Act of 2025 be adopted after a single reading.

Sec. 4. This resolution shall take effect immediately.