



May 18, 2022

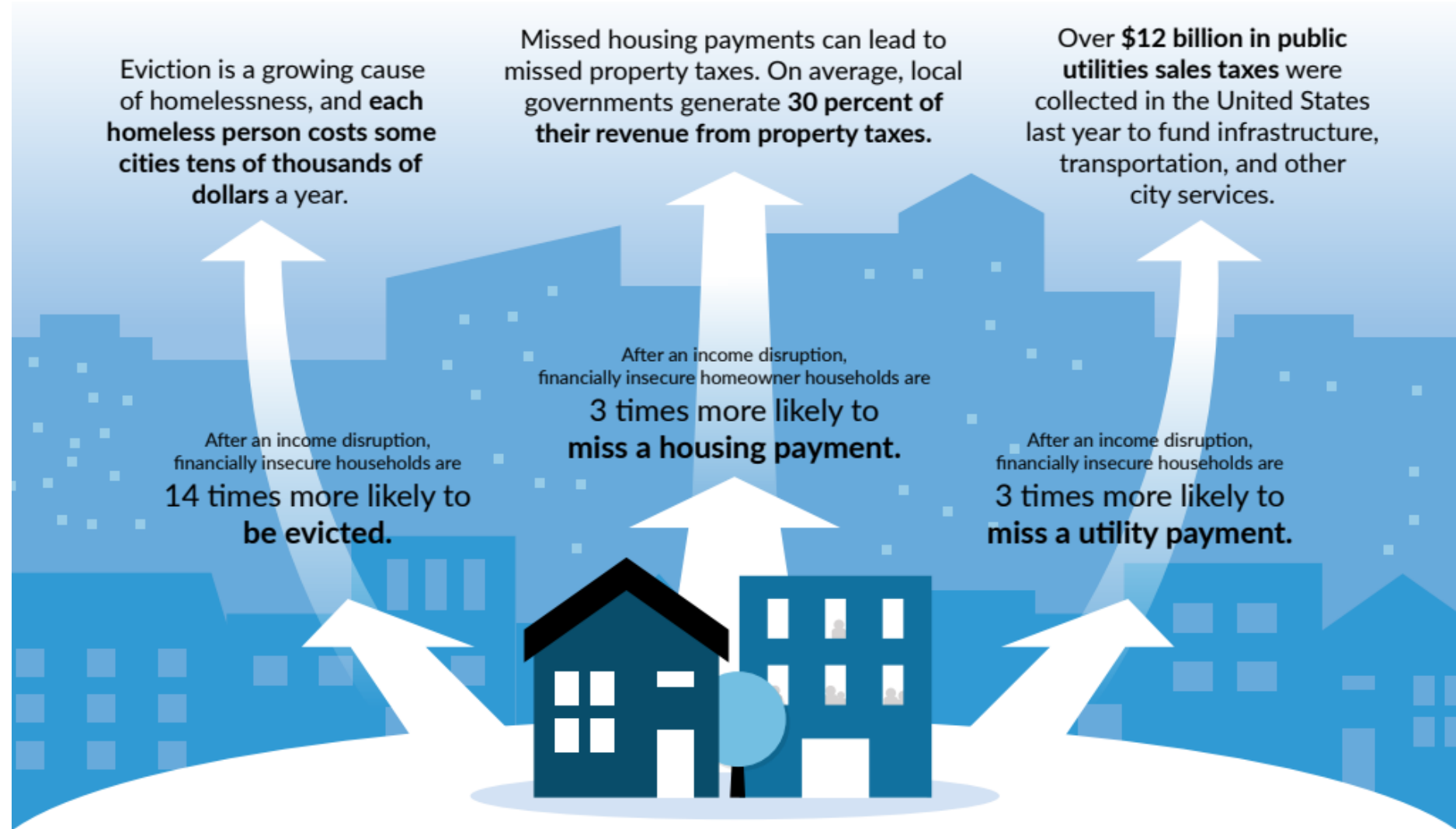
How DC is Budgeting for Income & Wealth

Signe-Mary McKernan and Madeline Brown



The Need for Both an Income and Wealth Approach

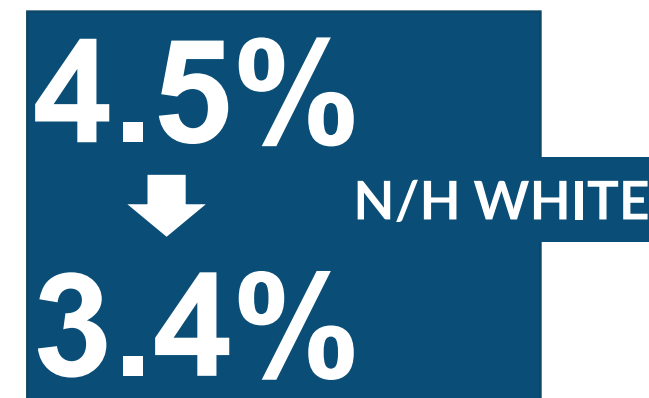
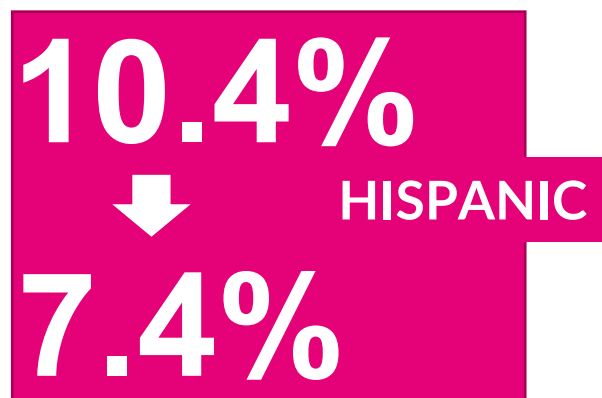
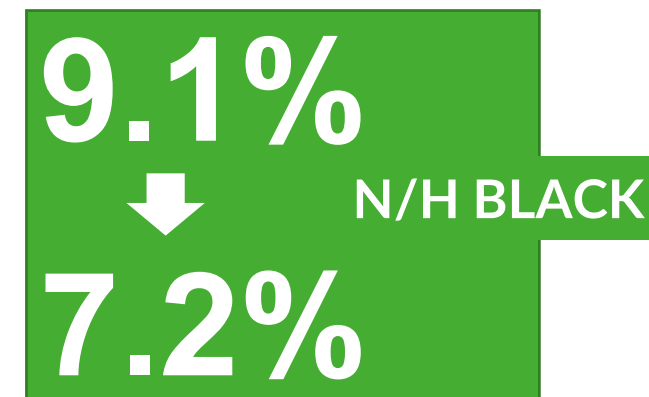
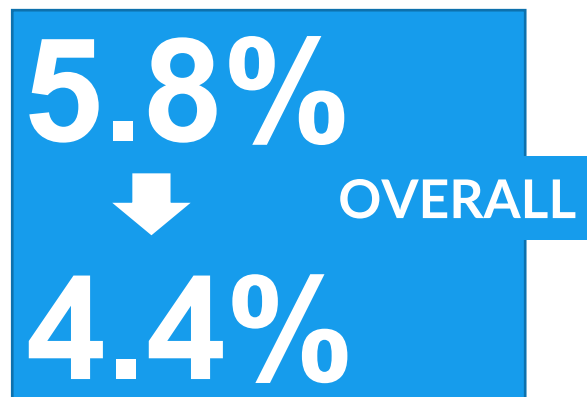
Financial insecurity costs \$6 million a year in Miami and \$1.23 billion a year in New York



Half of all households do not have \$2,000 in nonretirement savings, making them financially insecure and at higher risk for evictions and missed payments.

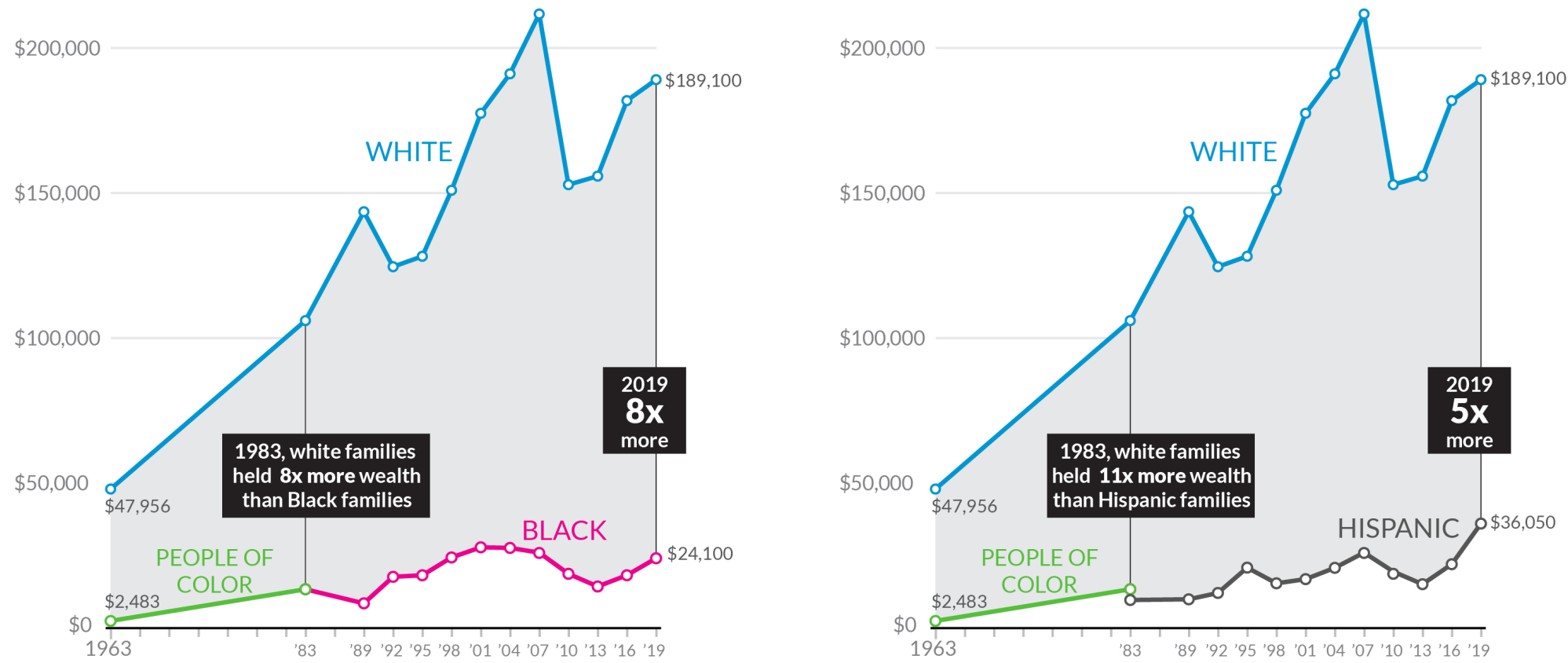
Source: Elliot, Diana and Kassandra Martincheck. 2019. [New York City: The Cost of Eviction and Unpaid Bills of Financially Insecure Families for City Budgets \(2019\)](#). Washington, DC: Urban Institute.

In Pennsylvania, an extra \$1,400 to all residents would reduce poverty rates by:



The racial wealth gap is wider than the income Gap

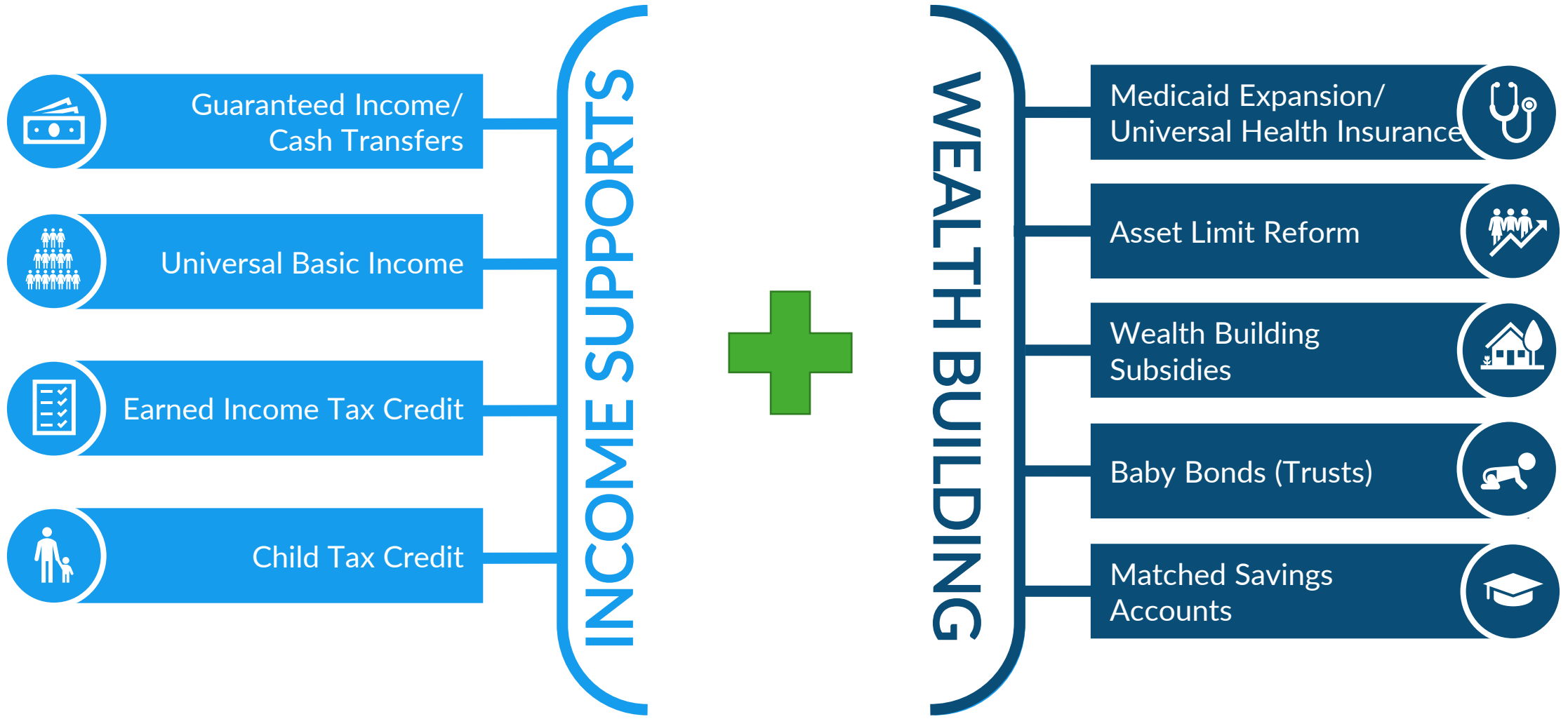
Median Family Wealth by Race/Ethnicity, 1963–2019



Sources: Urban Institute calculations from the Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983–2019.

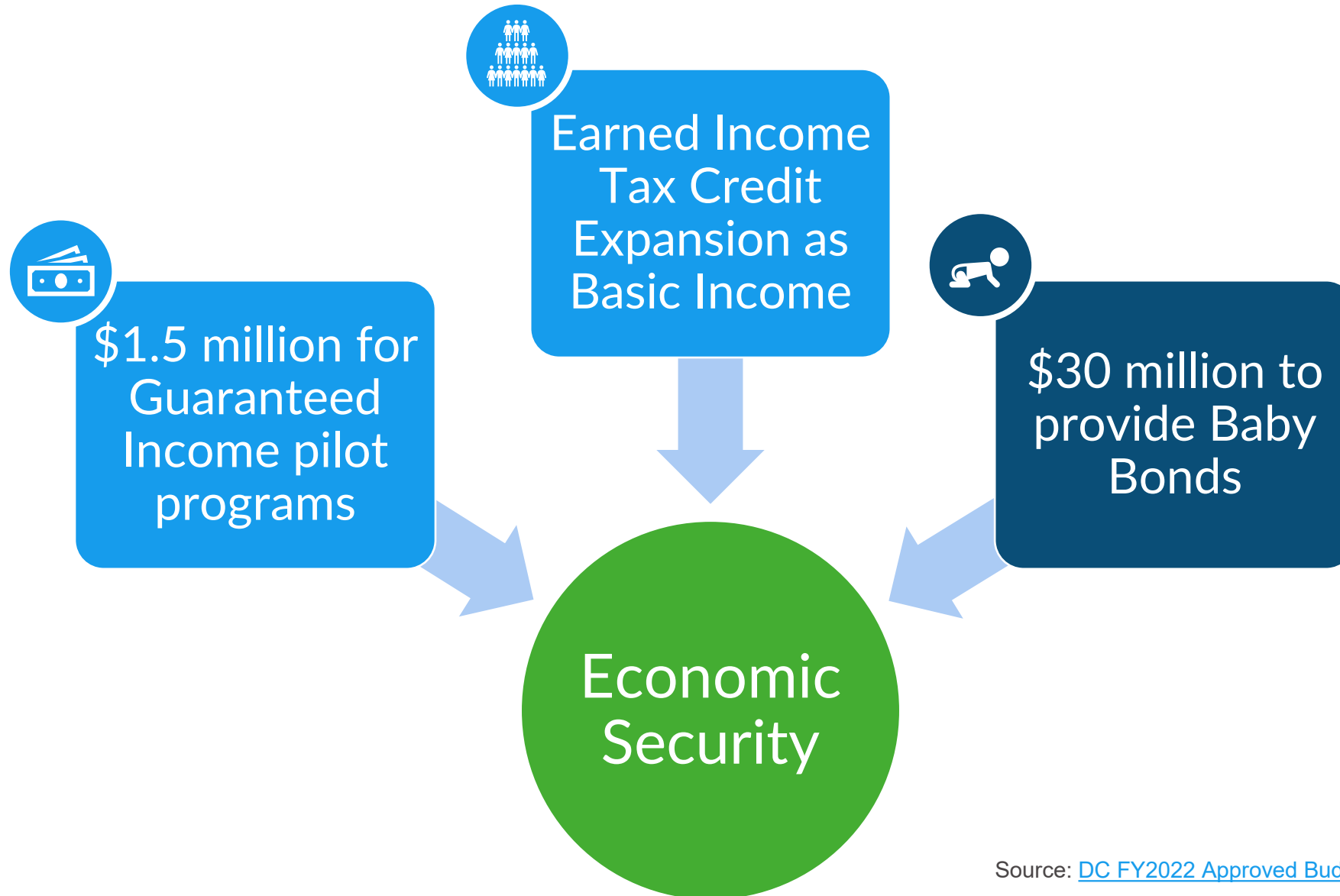
Notes: Amounts are 2019 dollars. No comparable data are available between 1963 and 1983. Disaggregated data for Black and Hispanic are available in 1983 and later. We have used the term “Hispanic” in this chart rather than “Latinx” to match the data source.

A menu of options towards both goals exists



Addressing Both Financial Security and Wealth Building: DC as an Example

DC's fiscal year 2022 budget



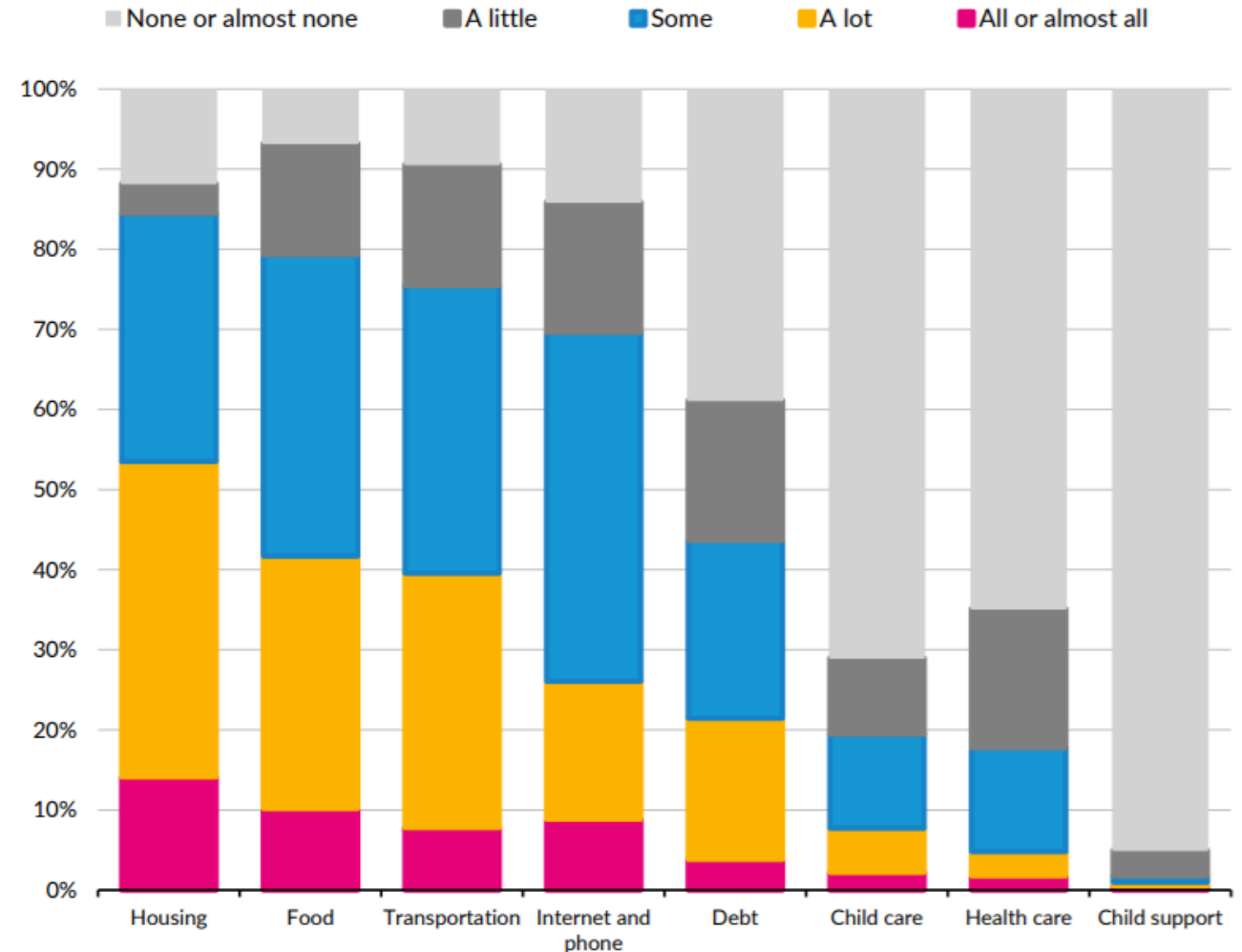
Source: [DC FY2022 Approved Budget and Financial Plan](#)

Evidence of cash transfer uses by DC residents

Takeaways from evaluation:

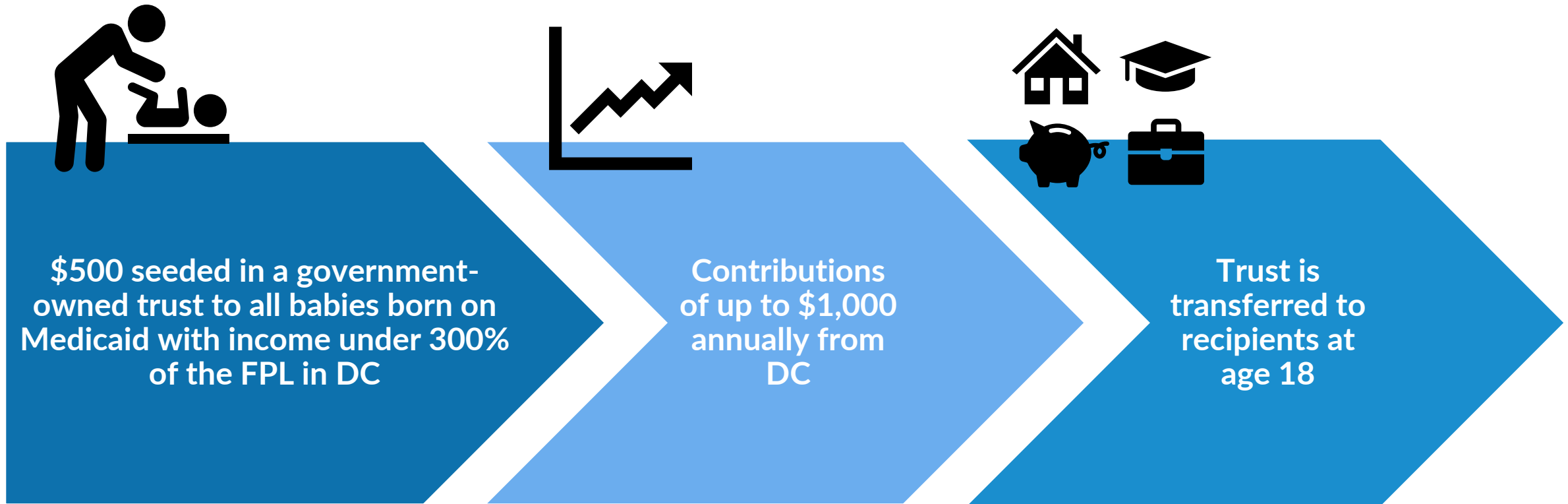
- Most recipients were spending money on basic needs
- Recipients reported positive mental health impacts
- Most recipients were eligible for public benefits but had difficulty accessing them

Breakdown of THRIVE Payment Spending as Reported by Respondents



Source: [Urban Institute](#) analysis of THRIVE Survey 2 responses completed through January 31, 2021.

Basic structure of DC's Baby Bonds Program



Source: [DC FY2022 Approved Budget and Financial Plan](#)

Making a Decision

Questions for decisionmakers:

What policy levers or funding streams do I have access to?

Who is my target population and what does economic security look like for them?

What community-based organizations can I engage to support this work?

Has my state addressed existing structures that serve as barriers to asset building (i.e., expanding access to healthcare, removing asset limits)?

What happens if we do nothing?

Inequity has detrimental effects on economies as a whole

- If the goal is to broaden economic security equitably, we cannot ignore the scale of the racial wealth gap or residents' basic needs
- Persistent racial disparities cause significant aggregate economic losses; losses measured in trillions of dollars and several tenths of a percentage point on GDP growth
- In New York, the government cost of family financial insecurity from eviction and unpaid property taxes and utility bills is estimated to range from \$542 million to \$1.23 billion of total annual expenditures of \$85 billion
- If four key racial gaps for Black Americans — wages, education, housing, and investment — were closed 20 years ago, \$16 trillion could have been added to the U.S. economy
 - If the gaps are closed today, \$5 trillion can be added to U.S. GDP over the next five years

