

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER



Natwar M. Gandhi
Chief Financial Officer

NOV -5 2004

The Honorable Anthony A. Williams
Mayor of the District of Columbia
1350 Pennsylvania Avenue, NW
6th Floor
Washington, DC 20004

The Honorable Linda W. Cropp
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW - Suite 504
Washington, DC 20004

Dear Mr. Mayor and Chairman Cropp:

I am pleased to certify revised revenue estimates for FY2004 and FY2005. The FY2005 estimate is \$4,183.0 million for general purpose tax and non-tax local source revenue. The estimate is \$70 million greater than the estimate certified in June.

In addition, under the FY2003 Budget Support Amendment Act of 2002 the new estimate triggers a reduction in certain tax rates. Because the current (October) FY2005 estimate exceeds the estimate in the FY2005 budget and financial plan by more than \$105 million, the tax rate on gross receipts of Public Utilities and Toll Telecommunications companies will be reduced from 11 percent to 10 percent on January 1, 2005. This will reduce the FY2005 revenue by \$15.4 million and yield a net estimate of \$4,167.6 million.

Real property tax revenues are revised upward \$27 million (3%). This revenue source remains strong, following very strong real estate markets in the past 2 years. Paralleling this growth is an additional \$54 million (17%) in baseline revenue from the deed recordation and transfer taxes, as transactions in real property continue to outstrip any historic precedent.

The individual income tax baseline estimate is \$18 million (2%) lower than estimated in June. The lower estimate reflects the impact of the weak 2004 stock market on FY 2005 declarations, payments, and refunds—stock market returns impact individual income tax receipts with a one-year lag. The June estimate was predicated on a strong stock market recovery in the second half of the year, but the stock market performance continues to be lackluster.

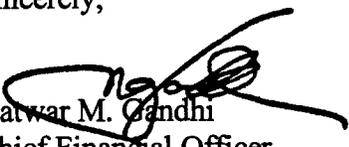
The baseline estimate of revenue from toll telecommunication and insurance taxes is revised upwards by \$4 million, reflecting stronger than expected growth in collections through July.

Certified revised revenue estimates for FY2004 and FY2005
November 5, 2004

Local Source, General Fund Revenue Estimate (S million)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Non-dedicated General Fund estimate with enhancements & tax rate reductions, as of October 2004	4,000.5	4,183.0	4,436.5	4,667.8	4,883.2
Growth	6.1%	7.2%	6.1%	5.5%	4.3%
June 2004 non-dedicated General Fund baseline estimate	3,929.7	4,142.7	4,348.8	4,543.2	4,705.3
Revenue enhancements		69.6	119.7	169.9	210.5
Tax reductions		(99.7)	(109.0)	(118.1)	(126.6)
June 2004 Estimate w/ enhancements and tax reductions	3,929.7	4,112.6	4,359.5	4,595.0	4,789.2
Net Change over estimates of June 2004	70.8	70.4	77.0	72.8	94.0
Reductions in Gross Receipts tax rates triggered by October 2004 Estimate		(15.4)	(20.9)	(21.2)	(21.2)
Total Non-Dedicated General Fund Revenue after newly triggered reduction in Gross Receipts tax rates	4,000.5	4,167.6	4,415.6	4,646.6	4,862.0

If you have any questions regarding this matter, please contact me at (202) 727-0065, or Dr. Julia Friedman at (202) 727-7658.

Sincerely,


Natwar M. Gandhi
Chief Financial Officer

DISTRIBUTION LIST

Councilmember Harold Brazil (At-Large)
Councilmember Carol Schwartz (At-Large)
Councilmember David Catania (At-Large)
Councilmember Phil Mendelson (At-Large)
Councilmember Jim Graham (Ward 1)
Councilmember Jack Evans (Ward 2)
Councilmember Kathleen Patterson (Ward 3)
Councilmember Adrian Fenty (Ward 4)
Councilmember Vincent Orange (Ward 5)
Councilmember Sharon Ambrose (Ward 6)
Councilmember Kevin Chavous (Ward 7)
Councilmember Sandra Allen (Ward 8)
Robert Bobb, Deputy Mayor and City Administrator
Alfreda Davis, Chief of Staff, Executive Office of the Mayor
Deborah K. Nichols, District of Columbia Auditor
Arte Blitzstein, Budget Director, Council of the District of Columbia

Estimated Key Variables for the D.C. Economy for the Forecast Period FY 1999 through FY 2008

Fiscal Years	1999 act	2000 act	2001 act	2002 act	2003 act	2004 est	2005 est	2006 est	2007 est	2008 est
Gross State Product (\$ billion)	54.33 5.1%	58.81 8.2%	63.38 7.8%	67.63 6.7%	71.23 5.3%	75.63 6.2%	79.96 5.7%	84.22 5.3%	89.02 5.7%	93.88 5.5%
Real Gross State Product (billions of \$96)	50.66 2.4%	53.43 5.5%	55.58 4.0%	58.01 4.4%	60.22 3.8%	62.76 4.2%	64.86 3.3%	67.21 3.6%	69.94 4.1%	72.37 3.5%
Personal Income (\$ billion)	21.02 3.6%	22.49 7.0%	25.25 12.3%	26.48 4.9%	27.06 2.2%	28.51 5.4%	30.28 6.2%	31.89 5.3%	33.71 5.7%	35.55 5.5%
Real Personal Income (billions of \$96)	21.65 2.2%	22.62 4.5%	24.84 9.8%	25.72 3.5%	25.79 0.3%	26.71 3.6%	27.91 4.5%	28.91 3.6%	29.97 3.7%	31.00 3.4%
Per Capita Income (\$)	36,915 2.9%	39,317 6.5%	44,093 12.1%	46,425 5.3%	47,936 3.3%	50,317 5.0%	53,009 5.4%	55,432 4.6%	58,239 5.1%	61,061 4.8%
Real Per Capita Income (\$96)	38,030 1.5%	39,536 4.0%	43,380 9.7%	45,091 3.9%	45,685 1.3%	47,136 3.2%	48,869 3.7%	50,259 2.8%	51,783 3.0%	53,251 2.8%
Earnings of D.C. Residents (\$ billion)	14.42 5.5%	15.63 8.4%	18.20 16.4%	19.08 4.8%	19.46 2.0%	20.61 5.9%	21.94 6.5%	23.15 5.5%	24.48 5.7%	25.82 5.5%
Population ('000)	569.3 0.7%	572.0 0.5%	572.6 0.1%	570.4 -0.4%	564.5 -1.0%	566.6 0.4%	571.2 0.8%	575.2 0.7%	578.8 0.6%	582.1 0.6%
Households ('000)	247.3 0.9%	248.4 0.4%	248.3 0.0%	248.2 0.0%	246.8 -0.6%	248.0 0.5%	250.2 0.9%	252.1 0.8%	253.7 0.7%	255.3 0.6%
Civilian Labor Force ('000)	305.1 5.7%	309.1 1.3%	312.1 1.0%	305.2 -2.2%	302.2 -1.0%	304.2 0.7%	307.4 1.1%	309.8 0.8%	311.8 0.7%	313.8 0.6%
At-Place Employment ('000)	620.7 1.0%	645.2 4.0%	654.4 1.4%	661.8 1.1%	665.0 0.5%	669.2 0.6%	676.3 1.1%	683.1 1.0%	689.9 1.0%	696.9 1.0%
Resident Employment ('000)	284.2 8.2%	291.9 2.7%	292.4 0.2%	285.6 -2.3%	281.5 -1.4%	280.8 -0.2%	285.0 1.5%	288.9 1.4%	291.5 0.9%	293.8 0.8%
Unemployment Rate	6.9	5.6	6.3	6.4	6.8	7.0	6.9	6.7	6.5	6.4
Housing Starts	644	1,194	2,450	2,450	2,450	4,548	4,548	3,840	3,840	3,912
Housing Stock ('000)	273.6 0.1%	274.8 0.4%	274.0 -0.3%	272.7 -0.5%	272.2 -0.2%	273.3 0.4%	275.2 0.7%	277.1 0.7%	278.8 0.6%	281.2 0.9%
Change in S & P 500 Index of Common Stock	21.3%	13.1%	-12.2%	-16.0%	-12.5%	20.7%	6.5%	7.4%	7.9%	7.1%
Interest rate on 10-year Treasury notes (%)	5.3	6.2	5.2	4.8	3.9	4.4	5.3	5.8	5.8	5.9
Washington Area Consumer Prices: % change from prior year	1.9	3.1	2.9	2.2	3.0	2.4	2.4	2.3	2.3	2.3

Note: Estimated by the D.C. Office of Research and Analysis based on forecasts of the D.C. and national economies prepared by Global Insight (Summer 2004) and Economy.com (May 2004); on forecasts of the national economy prepared by the Congressional Budget Office (January 2003 and Blue Chip Economic Indicators (July 2004); on BLS labor market information from June 2004; on the 2000 Census and Census Bureau estimates of the 2003 D.C. population (December 2003); on Bureau of Economic Analysis estimates of D.C. Personal Income (June 2004); and on D.C. Office of Planning information on housing construction activity (August 2003).

FY 2002 - FY 2008 Revenue Actuals, Estimates and Projections for Baseline Budget
(thousands of dollars)

Revenue Source	FY 2002		FY 2003		FY 2004		FY 2005		FY 2006		FY 2007		FY 2008	
	Actual	Actual	Actual	Revision	Estimate	Oct-04	Oct-04	Estimate	Oct-04	Oct-04	Oct-04	Oct-04	Oct-04	Oct-04
Real Property	726,014	822,845	918,440	1,133,286	1,024,973	1,231,321	1,320,302	1,231,321	1,320,302	1,231,321	1,320,302	1,231,321	1,320,302	1,320,302
Pers. Property (net)	65,208	67,294	69,733	58,590	58,107	59,826	61,309	58,590	59,826	58,590	59,826	59,826	61,309	61,309
Public Space	12,167	11,749	11,834	12,050	12,050	12,495	12,724	12,050	12,271	12,050	12,495	12,495	12,724	12,724
Total Property	803,389	901,888	1,000,007	1,095,130	1,085,130	1,303,642	1,394,336	1,095,130	1,204,159	1,303,642	1,394,336	1,303,642	1,394,336	1,394,336
General Sales (gross)	612,354	690,076	765,266	867,835	863,512	963,512	962,542	863,512	867,835	863,512	963,512	963,512	962,542	962,542
Convention Ctr Transfer		(58,908)	(63,442)	(69,287)	(78,904)	(78,904)	(78,904)	(69,287)	(69,287)	(72,959)	(72,959)	(72,959)	(78,904)	(78,904)
General Sales (net)	612,354	631,168	691,823	788,568	743,854	830,562	875,638	743,854	788,568	830,562	875,638	830,562	875,638	875,638
Alcohol	4,721	4,618	4,990	4,890	4,890	4,897	4,603	4,618	4,990	4,890	4,897	4,897	4,603	4,603
Cigarette	17,189	21,344	21,557	21,019	21,019	19,981	19,481	21,019	20,483	19,981	19,981	19,981	19,481	19,481
Motor Vehicle	34,573	37,066	40,847	41,255	41,255	42,084	42,505	41,255	41,668	42,084	42,505	42,084	42,505	42,505
Total Sales	684,837	769,217	834,484	911,018	866,521	997,324	1,042,227	866,521	911,018	997,324	1,042,227	997,324	1,042,227	1,042,227
Individual Income	949,175	928,988	1,017,975	1,033,945	1,033,945	1,128,375	1,170,790	1,033,945	1,085,540	1,128,375	1,170,790	1,128,375	1,170,790	1,170,790
Corp. Franchise	142,847	186,777	149,250	157,518	157,518	164,087	167,886	157,518	159,670	164,087	167,886	164,087	167,886	167,886
U. B. Franchise	68,802	81,707	92,485	98,970	98,970	108,875	129,034	98,970	108,875	108,875	118,678	108,875	129,034	129,034
Total Income	1,160,424	1,197,472	1,259,710	1,291,433	1,291,433	1,401,340	1,467,710	1,291,433	1,354,985	1,401,340	1,467,710	1,401,340	1,467,710	1,467,710
Public Utility	140,931	166,743	167,544	168,365	168,365	170,084	170,982	168,365	169,212	170,084	170,982	170,084	170,982	170,982
Toll Telecommunication	55,353	53,324	56,280	57,968	57,968	60,287	62,699	57,968	60,287	60,287	62,699	60,287	62,699	62,699
Insurance Premiums	35,502	41,281	46,000	46,000	46,000	46,000	46,000	46,000	46,000	46,000	46,000	46,000	46,000	46,000
Healthcare Provider Tax				5,500	5,500	11,000	11,000	5,500	11,000	11,000	11,000	11,000	11,000	11,000
Total Gross Rec.	211,786	261,348	269,824	277,833	277,833	286,499	290,681	277,833	286,499	286,499	289,783	286,499	290,681	290,681
Estate	125,889	29,944	33,172	32,921	32,921	34,411	35,151	32,921	33,667	34,411	35,151	34,411	35,151	35,151
Deed Recordation (net)	89,951	134,262	169,518	145,898	145,898	169,354	179,885	145,898	158,467	169,354	179,885	169,354	179,885	179,885
Deed Transfer (net)	62,228	99,052	123,618	111,952	111,952	142,814	157,809	111,952	125,385	142,814	157,809	142,814	157,809	157,809
Economic Interests	5,078	4,934	15,782	4,595	4,595	4,598	4,598	4,595	4,595	4,598	4,598	4,598	4,598	4,598
Total Other Taxes	263,146	268,192	342,091	284,966	284,966	351,175	377,241	284,966	323,114	351,175	377,241	351,175	377,241	377,241
TOTAL TAXES (w/ enhancements & legislation)	3,147,562	3,293,374	3,630,649	3,770,360	3,770,360	4,253,054	4,472,194	3,770,360	4,023,376	4,253,054	4,472,194	4,253,054	4,472,194	4,472,194
Licenses & Permits	50,195	59,761	63,644	70,026	70,026	69,044	69,044	70,026	68,253	70,026	70,026	70,026	69,044	69,044
Fines & Forfeits	86,539	86,455	86,289	116,933	116,933	122,237	121,708	116,933	122,789	122,237	121,708	122,237	121,708	121,708
Charges for Services	55,472	65,736	51,003	57,767	57,767	53,143	53,147	57,767	53,143	53,143	55,360	53,143	53,147	53,147
Miscellaneous	80,553	89,905	97,295	94,832	94,832	94,289	94,965	94,832	96,863	94,289	94,289	94,289	94,965	94,965
TOTAL NON-TAX (w/ enhancements & legislation)	272,759	303,857	286,241	339,548	339,548	341,046	339,864	339,548	341,046	341,046	342,673	341,046	339,864	339,864
Lottery/Intertfund Transfer	63,000	72,050	71,500	73,100	73,100	72,100	72,100	73,100	72,100	72,100	72,100	72,100	72,100	72,100
Federal Project Funds	43,295	33,000	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NON-DEDICATED GENERAL FUND	3,526,836	3,702,281	4,009,590	4,183,026	4,183,026	4,667,837	4,863,159	4,183,026	4,438,626	4,667,837	4,863,159	4,667,837	4,863,159	4,863,159
Gross Receipts Tax Reductions (Trigger Activated)				(15,432)	(15,432)	(21,162)	(21,244)	(15,432)	(20,864)	(21,162)	(21,244)	(21,162)	(21,244)	(21,244)
TOTAL GENERAL FUND with tax reductions	3,526,836	3,702,281	4,009,590	4,167,594	4,167,594	4,646,675	4,841,914	4,167,594	4,417,762	4,646,675	4,841,914	4,646,675	4,841,914	4,841,914
Tax Parity (Trigger Activated)				(24,000)	(24,000)	(25,176)	(27,381)	(24,000)	(25,176)	(25,176)	(27,381)	(25,176)	(27,381)	(27,381)
Deed Tax Rate Reduction				(75,721)	(75,721)	(83,760)	(99,262)	(75,721)	(83,760)	(83,760)	(99,262)	(83,760)	(99,262)	(99,262)
Gross Receipts Tax Rate Reductions (Trigger Activated)				(15,432)	(15,432)	(21,162)	(21,244)	(15,432)	(20,864)	(21,162)	(21,244)	(21,162)	(21,244)	(21,244)
TOTAL POLICY CHANGES				(115,153)	(115,153)	(128,820)	(147,867)	(115,153)	(128,820)	(128,820)	(147,867)	(128,820)	(147,867)	(147,867)

FY 2002 - FY 2008 Revenue Actuals, Estimates and Projections for Baseline Budget
(thousands of dollars)

Revenue Source	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
	Actual	Actual	Feb-04 Revision	Feb-04 Baseline Budget	Feb-04	Feb-04	Feb-04
	Actual	Actual	Revision	Budget	Proj.	Proj.	Proj.
Total Property	803,389	901,888	1,000,007	1,095,130	1,204,159	1,303,642	1,394,335
Total Sales	668,837	694,494	759,217	811,018	855,521	897,324	942,227
Total Income	1,160,424	1,167,452	1,259,710	1,291,433	1,354,085	1,411,140	1,467,710
Total Gross Rec.	231,786	261,348	269,824	277,833	286,499	289,783	290,681
Total Other Taxes	283,146	268,192	342,091	294,966	323,114	351,175	377,241
TOTAL TAXES (w/ enhancements & legislation)	3,147,582	3,293,374	3,630,849	3,770,380	4,023,378	4,253,064	4,472,194
TOTAL NON-TAX (w/ enhancements & legislation)	272,759	303,857	298,241	339,548	341,048	342,673	338,864
Lottery/Interfund Transfer	63,000	72,050	71,500	73,100	72,100	72,100	72,100
Federal Project Funds	43,295	33,000	-	-	-	-	-
TOTAL NON-DEDICATED GENERAL FUND	3,526,636	3,702,281	4,000,590	4,183,028	4,436,526	4,667,637	4,983,158
Gross Receipts Tax Reductions (Trigger Activated)	-	-	-	(15,432)	(20,864)	(21,162)	(21,244)

Growth Rates: FY 2002 - FY 2008 Revenue Actuals, Estimates and Projections for Baseline Budget
(thousands of dollars)

Revenue Source	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
	Actual	Actual	Revision	Baseline Budget	Proj.	Proj.	Proj.
Real Property	726,014	13.3%	8.8%	11.5%	10.6%	8.6%	7.2%
Pers. Property (net)	65,208	3.2%	3.6%	-16.7%	0.8%	2.1%	2.5%
Public Space	12,167	-3.4%	0.7%	1.8%	1.8%	1.8%	1.8%
Total Property	803,389	12.3%	8.3%	9.3%	9.9%	8.3%	6.9%
General Sales (net)	612,354	3.1%	9.5%	7.3%	5.6%	5.5%	5.2%
Alcohol	4,721	-2.2%	8.0%	-2.0%	-2.0%	-2.0%	-2.0%
Cigarette	17,189	24.2%	1.0%	-2.5%	-2.5%	-2.5%	-2.5%
Motor Vehicle	34,573	7.2%	10.2%	1.0%	1.0%	1.0%	1.0%
Total Sales	668,837	3.8%	9.3%	6.6%	5.1%	5.1%	4.8%
Individual Income	949,175	-2.1%	9.6%	5.7%	5.5%	4.9%	2.5%
Corp. Franchise	142,647	9.9%	-6.3%	7.3%	1.4%	2.8%	2.3%
U.B. Franchise	68,602	19.1%	12.8%	7.5%	8.2%	8.8%	8.5%
Total Income	1,160,424	0.6%	7.7%	6.0%	5.2%	5.0%	3.0%
Public Utility	140,931	18.3%	0.5%	0.5%	0.5%	0.5%	0.5%
Toll Telecomm.	55,353	-3.7%	0.5%	3.0%	4.0%	4.0%	4.0%
Insurance Prems.	35,502	16.3%	7.8%	0.0%	0.0%	0.0%	0.0%
Total Gross Rec.	231,786	12.8%	1.6%	3.0%	3.1%	1.1%	1.2%
Estate	125,889	-76.2%	10.8%	-0.8%	2.3%	2.2%	2.2%
Deed Recordation (net)	89,951	49.3%	9.0%	7.7%	9.3%	6.2%	6.1%
Deed Transfer (net)	62,228	59.2%	8.8%	12.8%	12.4%	13.9%	10.5%
Econ. Interests	5,078	-2.8%	219.9%	-70.9%	0.0%	0.0%	0.0%
Total Other Taxes	283,146	5.3%	13.0%	4.5%	9.6%	8.8%	7.5%
TOTAL TAXES (w/enhancements & legislation)	3,147,582	4.6%	8.1%	6.7%	6.7%	6.0%	4.8%
Licenses & Perm.	50,195	19.1%	6.5%	10.0%	-2.5%	3.7%	-2.5%
Fines & Forfeits	86,539	2.2%	-2.4%	35.5%	5.0%	-0.4%	-0.4%
Charges/Services	55,472	18.5%	-22.4%	13.2%	-8.0%	4.2%	-4.0%
Misc. Revenue	80,553	11.6%	8.2%	-2.5%	2.1%	-2.7%	0.7%
TOTAL NON-TAX (w/enhancements & legislation)	272,759	11.4%	-1.8%	13.9%	0.4%	0.5%	-1.1%
Lottery	63,000	14.4%	-2.6%	4.1%	-1.4%	0.0%	0.0%
Federal Project Funds	43,295	-	-	-	-	-	-
TOTAL NON-DEDICATED GENERAL FUND	3,526,636	5.0%	6.1%	7.2%	6.1%	5.5%	4.3%