April 2020 Revised Revenue Estimate

April 24, 2020

Office of the Chief Financial Officer
District of Columbia
### Forecast Assumptions

- Slow recovery beginning late summer 2020 (U-shaped recovery from recession)
- Strong stock market recovery in 2021
- Federal aid does not offset revenue loss

#### Wages in DC
- Previous projection of 4% growth in FY 2020 revised to minus 1.0% in FY 2020 and grows 0.6% in FY 2021
- FY2022 growth of 5.5% from 2021 reflects recovery

#### Jobs in DC
- Previous projection of 1.1% revised down to minus 5.1%, 93,000 jobs lost (mostly hospitality) from January 2020 to July 2020
- FY2021 increases 0.5% from FY 2020 as economy begins to recover

#### Real Gross Domestic Product for DC
- Previous projection of 2% growth in FY 2020 revised to minus 3.8% from FY 2019
- FY2021 will grow 2.3% reflecting the recovery

#### Stock market (S&P 500)
- Down 15% year over year in the fourth quarter of calendar year 2020.
- Recovering prior peak by end of calendar year 2021.
GDP declines and returns to pre-COVID 19 levels end of calendar year 2021
Assumed Phases of Recovery

• Some businesses allowed to reopen with social distancing and other restrictions in Summer

• Recovery begins in Fall of 2020

• New “normal” by Spring/Summer 2021
SALES TAXES COMPRIS 18% OF REVENUE.

- 56% of sales tax essentially shut down
- Online and essential purchases up but retail still falling

FY 2019 GENERAL FUND: $9.1 billion
(includes dedicated revenue)
### April 2020 Revenue Estimate

#### April revenue estimate compared to previous estimate

<table>
<thead>
<tr>
<th>Local Source, General Fund Revenue Estimate (S millions)</th>
<th>Actual FY 2019</th>
<th>Estimated FY 2020</th>
<th>Estimated FY 2021</th>
<th>Estimated FY 2022</th>
<th>Estimated FY 2023</th>
<th>Estimated FY 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2020 Revenue Estimate</td>
<td>8,314.9</td>
<td>8,452.0</td>
<td>8,690.0</td>
<td>8,975.9</td>
<td>9,249.2</td>
<td>9,547.1</td>
</tr>
<tr>
<td>April revision to estimate</td>
<td>-721.8</td>
<td>-773.6</td>
<td>-605.6</td>
<td>-568.1</td>
<td>-555.1</td>
<td></td>
</tr>
<tr>
<td>April 2020 Revenue Estimate</td>
<td>7,730.2</td>
<td>7,916.4</td>
<td>8,370.3</td>
<td>8,681.1</td>
<td>8,992.0</td>
<td></td>
</tr>
</tbody>
</table>

#### Revenue Change from Previous Year

<table>
<thead>
<tr>
<th>Amount</th>
<th>556.5</th>
<th>(584.7)</th>
<th>186.2</th>
<th>453.9</th>
<th>310.9</th>
<th>310.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-Over-Year Percent Change</td>
<td>7.2%</td>
<td>-7.0%</td>
<td>2.4%</td>
<td>5.7%</td>
<td>3.7%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>
$395 Million reduction in sales tax revenue including $262 million local and $134 million dedicated to other funds in FY 2020

• DRIVEN BY SHUTDOWN OF HOSPITALITY SECTOR
• Affects Convention Center and Other Dedications

Components of Sales Tax Reduction

<table>
<thead>
<tr>
<th>$millions</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax:</td>
<td>(395.7)</td>
<td>(377.3)</td>
</tr>
<tr>
<td>Local</td>
<td>(262.1)</td>
<td>(296.5)</td>
</tr>
<tr>
<td>Dedicated/Enterprise</td>
<td>(133.5)</td>
<td>(80.8)</td>
</tr>
<tr>
<td>Convention Center</td>
<td>(86.2)</td>
<td>(70.8)</td>
</tr>
<tr>
<td>Other</td>
<td>(47.3)</td>
<td>(10.0)</td>
</tr>
</tbody>
</table>

Other includes tax increment areas, WMATA, Commission on Arts and Humanities and sales at the ballpark
Risks Remain

Could it get better?

- Public health interventions continue to work
- Therapy protocol earlier than expected
- Vaccine
- Increased federal assistance
- Broader acceptance/use of new delivery/consumption channels
  - Restaurant carryout / delivery
  - Traditional in-person services delivered online (fitness, instruction, hobbies)

Could it get worse?

- Second wave of infection
- Layoffs extend deeper into professional sectors
- Reopening delayed
- Serious financial market problems:
  - Greater negative stock market reaction
  - Financial institution stresses
  - Increased levels of bankruptcies

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