



December 2024 Revenue Estimate

December 31, 2024

DC Economic Outlook Unchanged from September



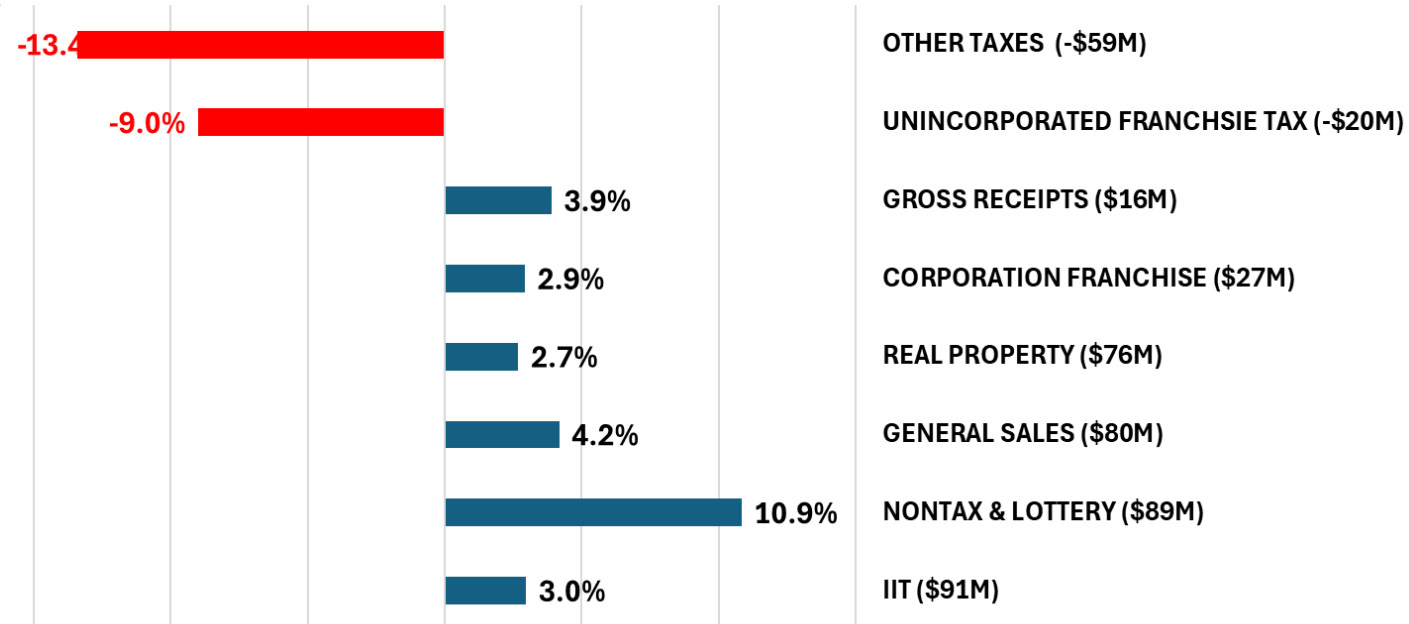
- U.S. economic growth exceeded expectations in the third quarter, with GDP rising 2.8%. Despite high interest rates, consumer spending remained the main driver.
- Inflationary pressures are easing, but the most recent data shows a slight uptick. The Personal Consumption Expenditures (PCE) price index was 2.7 percent in Q3, up from 2.5 percent in Q2.
- The US labor market continued to soften, with the unemployment rate ticking up to 4.2% from 4.1% in October.
- The Federal Reserve cut interest rates by 25 basis points again in December but has signaled that it may slow the easing rate as inflation remains a risk.
- The District's economy continues to lag the national economy in all indicators except for population, which grew by 14,926 between July 2023 and July 2024, a 2.2% growth rate, which was the highest for any state. It was also the fastest growth for the District since 2018.
- As of Q2 2024, the DC labor market is at 96% of pre-pandemic employment levels, with only Professional and Management, and Local Government sectors exceeding those levels.
- Unemployment in the District averaged 5.6% during the third quarter of 2024, higher than both the metro area's rate of 3.0% and the national rate of 4.2%.

Preliminary Actual Revenue – FY 2024 v. FY 2023

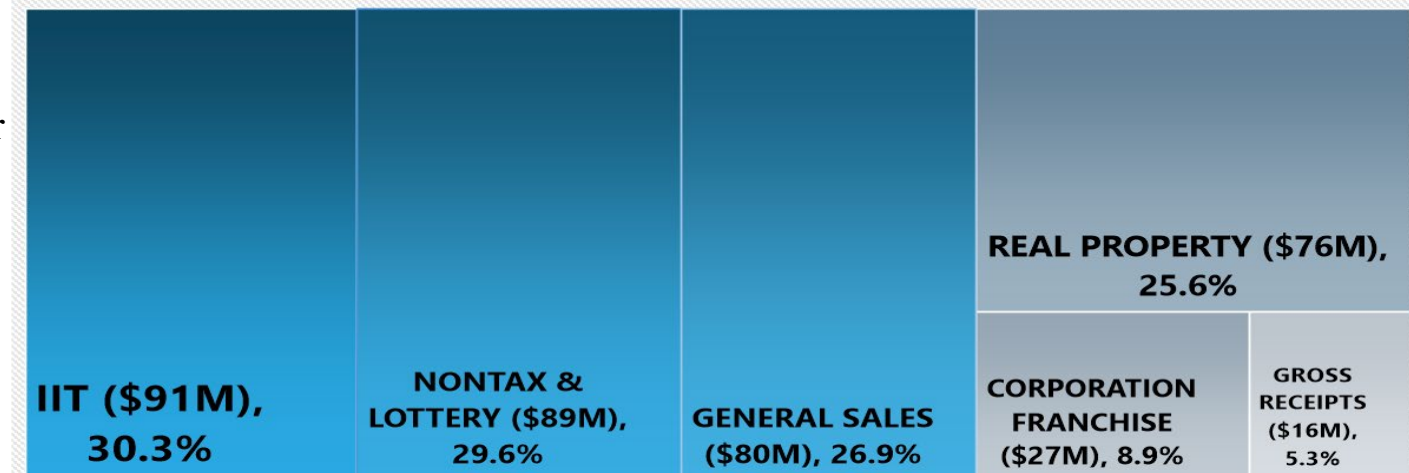


- Preliminary data indicates that FY 2024 gross revenue has increased by \$299 million compared to FY 2023, representing a 2.8% growth. This figure surpasses the September 2024 estimates by \$169 million, or 1.5%.
- Revenue grew across all sources except unincorporated business and other (deed and estate) taxes, which declined by 9% and 13.4%, respectively.
- Non-tax revenue rose by 10.9%, contributing about 29.6% to annual revenue growth, primarily driven by increased traffic fine collections.
- Individual income tax revenue rose by 3.0% due to higher withholding collections, making up 30.3% of the revenue growth.
- General sales tax revenue grew by 4.2%, mainly due to higher hotel revenue, and accounted for 26.9% of the growth.
- Real property tax revenue rose 2.7% due to higher collection rates, contributing 25.6% to revenue growth.

FY 2024 REVENUE GROWTH



Revenue Share: \$299 Million YoY Revenue Increase



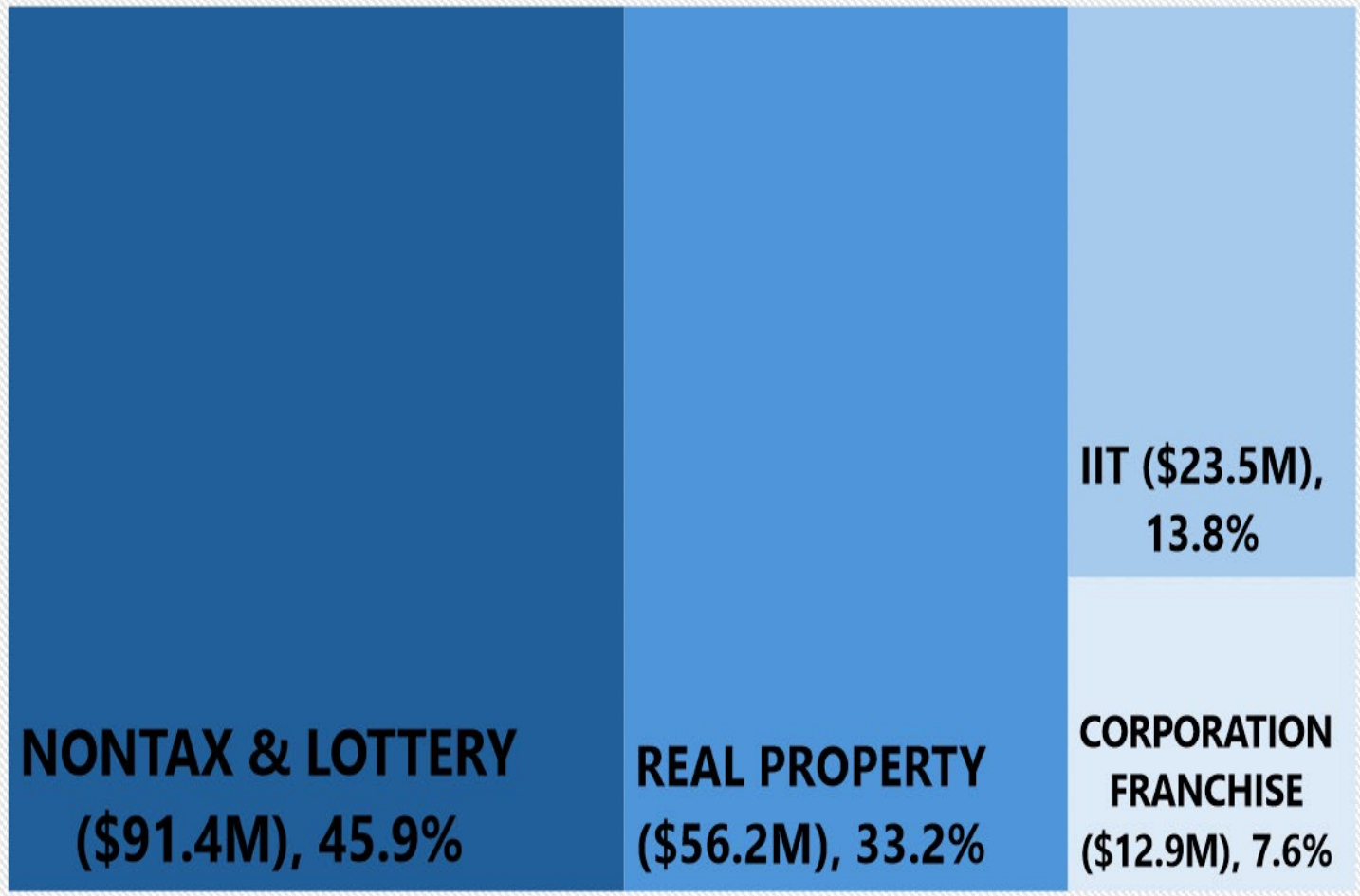
Preliminary Actual v. September 2024 Forecast



- FY 2024 preliminary gross revenue is about \$169.4 million higher than the September forecast.
- About 46% of the higher collections are from nontax revenue sources.
- One-time accounting adjustments resulting from prior year cost recoveries (PYCR)—the release of previously obligated funds—and one-time collections from litigation, make up the bulk of the revision in non-tax revenue.
- Higher-than-estimated real property tax receipts account for 33% of the higher-than-forecasted revenue, with higher collections rates on non-office commercial properties and late payments driving the increase.
- Income taxes from residents and businesses accounted for the rest of the higher-than-expected revenue, with strong withholding tax collections, a big driver of higher individual income tax collections.

Major Components of December Revision to FY2024 revenue:

\$169.4M



FY 2024 - FY 2028 Financial Plan – Local Component



December 2024 Revenue Estimate Compared to Previous Estimate

Local Source, General Fund Revenue Estimate (\$M)	Actual	Prel. Actual	Estimate	Projections		
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<i>September 2024 Revenue Estimate</i>	9,974.5	10,062.5	10,701.8	10,955.6	11,255.2	11,642.0
<i>December Revision to the Estimate-Local</i>		169.7	0.0	0.0	0.0	0.0
December 2024 Revenue Estimate	9,974.5	10,232.2	10,701.8	10,955.6	11,255.2	11,642.0
Revenue Change From Previous Year						
Amount		257.7	469.6	253.8	299.6	386.8
<i>Year-Over-Year Percent Change</i>	0.9%	2.6%	4.6%	2.4%	2.7%	3.4%

Risks to Outlook



✓ National:

- Policy uncertainty related to the change in administration
- Federal government shutdown and decisions over Federal Spending levels
- Inflation resurfaces
- Geopolitical turmoil: escalation of the war in Ukraine and the Middle East
- Risk of U.S. recession

✓ District:

- Changes to federal employment and office use patterns
- Population recovery stalls
- Potential reduction in Metro service
- Public safety concerns



Questions?