

GOVERNMENT OF THE DISTRICT OF COLUMBIA

OFFICE OF THE CHIEF FINANCIAL OFFICER



Glen Lee
Chief Financial Officer

February 28, 2023

The Honorable Muriel Bowser
Mayor of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 306
Washington, DC 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 504
Washington, DC 20004

Re: February 2023 Revenue Estimates

Dear Mayor Bowser and Chairman Mendelson:

This letter certifies the revenue estimate for the FY 2023 – 2027 District of Columbia Budget and Financial Plan. FY 2023 local source revenue has been revised upward by \$128 million based on year-to-date collections data which show higher than expected withholding, corporate franchise, and sales taxes as well as nontax revenue. For the rest of the financial plan period, the revenue has been lowered due to 1) a more pessimistic economic outlook; and 2) a deteriorating real property market. The economic outlook is more pessimistic because of higher interest rates and the determination of the Federal Reserve to continue to raise interest rates to slow the economy and contain inflation. Recently completed preliminary real property tax assessments, which is the basis for FY 2024 real property tax revenue, are lower than anticipated, and year-to-date revenue collections through January for deed and unincorporated business taxes, both of which are gauges of strength of the real estate market, are drastically lower than last year. The forecast for the out years has thus been revised downward by \$81 million in FY 2024, \$183 million in FY 2025, and by approximately \$200 million in FY 2026. The table below compares the December 2022 estimate with the February 2023 estimate.

February 2023 revenue estimate compared to previous estimate:

	Actual		Estimated		Projected	
Local Source, General Fund Revenue Estimate (\$M)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
December 2022 Revenue Estimate		9,570.2	9,716.1	9,997.0	10,320.8	
<i>February revision to estimate</i>		<i>128.1</i>	<i>-81.2</i>	<i>-182.8</i>	<i>-199.8</i>	
February 2023 Revenue Estimate	9,886.8	9,698.3	9,634.9	9,814.1	10,121.1	10,446.0
Revenue Change From Previous Year						
Amount	1,163.3	(188.5)	(63.3)	179.2	306.9	324.9
Year-Over-Year Percent Change	13.3%	-1.9%	-0.7%	1.9%	3.1%	3.2%

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This revenue forecast was developed amidst considerable economic uncertainty and conflicting economic signals. Despite a strong jobs market and historically low unemployment rate that generated large gains in income taxes revenue in FY 2022, the economy faces headwinds going forward. The Federal Reserve's interest rate increases over the past year to contain high inflation have already pushed 30-year mortgage rates close to 7%. The effects of these rate increases have so far been largely blunted by the excessive savings and net worth accumulated during the past three years. Although inflationary pressures have started to subside in recent months, the current 6.4 percent growth in the consumer price index (CPI) is significantly higher than the Federal Reserve's 2 percent target rate. As such, the Federal Reserve is expected to continue to raise interest rates over the coming months, elevating the risk of a recession.

Year-to-date revenue collections are above forecast, driven by strong growth in individual income withholding, sales, and corporate tax revenue. But January individual income tax- estimated payments are lower, as are receipts from deed taxes and unincorporated business taxes, both of which are barometers of the strength of the real estate market. First half real property tax payments due in March are also expected to be lower than the previous year.

The expansion of remote work, coupled with higher interest rates, pose a serious long-term risk to the District's economy and its tax base. Tax revenue from commercial properties in the District, particularly large office buildings valued over \$50 million, significantly declined in the past fiscal year and was the main reason for the reduction in overall real property tax revenue in FY 2022. Deed taxes receipts from building sales and commercial property loan refinancings, which were among the major sources of FY 2022 excess revenue, have significantly declined, both in number of sales and value so far this fiscal year, and are poised to finish the year weaker than in FY 2022.

In addition to the cash collection reports, the revenue forecast was informed by a variety of data sources, including official data on key economic indicators and forecasts prepared by the Congressional Budget Office and private forecasters S&P Global and Moody's Analytics. What emerges from a thorough review of these data sources is the picture of a worsening economic outlook over the next year. The revenue estimate therefore assumes a mild economic slowdown starting at the end of calendar year 2023.

Fare-Free Bus Funding Emergency Act: Update

The Fare-Free Bus Funding Emergency Amendment Act of 2022 included a triggered dedication of local fund sales tax revenue if the revenue in the December 2022 or February 2023 estimate is above the budgeted revenue amount for FY 2023-FY 2026. With the downward revision of the February 2023 estimates, the funding criteria for the Act will not be met due to lack of sufficient excess recurring revenue. (See the table below)

	FY 2023	FY 2024	FY 2025	FY 2026
FY 2023-FY 2026 Budgeted Local Revenue	9,471,454	9,711,312	9,990,147	10,280,078
February 2023 Local Revenue Estimate	9,698,260	9,634,931	9,814,117	10,121,050
Difference	226,806	-76,381	-176,030	-159,028

Metro for DC bus fare dedication: update	FY 2023	FY 2024	FY 2025	FY 2026
February 2023 Revenue Estimate	9,698,260	9,634,931	9,814,117	10,121,050
<i>Add back Metro for DC bus fare dedication</i>	<i>13,500</i>	<i>53,031</i>	<i>55,183</i>	<i>57,422</i>
February 2023 Revenue Estimate after reversal of Metro for DC	9,711,760	9,687,962	9,869,300	10,178,472

Revenue Highlights

FY 2023 year-to-date tax (YTD) revenue has increased by approximately 3.6 percent, mainly due to stronger sales and income taxes receipts as well as receipts from non-tax sources. The estimate for FY 2023 has hence been revised upward by \$128 million to reflect stronger year-to-date tax collection from these revenue sources. Beyond FY 2023, tax revenue has been revised downward, mainly due to a forecasted reduction in real property and income tax revenues.

Real property tax revenue

Real property tax revenue in FY 2023 is revised slightly upward by \$2 million based on the latest data on the impacts of appeals, refunds, and collection rates. However, the forecast for FY 2024 has been revised downward by \$53 million based on the assessed values from the latest real property tax data and after adjusting for the estimated impact of appeals and refunds. The residential market has performed much better than the commercial market since the pandemic's onset. Revenue growth in residential property taxes is expected to slow but remain positive in FY 2023 and FY 2024, as rising mortgage rates cool the housing market.

For the period FY 2025 through FY 2027, the forecast assumes a worsening office market, as vacancy rates rise and rents trend downward. Real property tax revenue from hotels, restaurants and retail properties that are part of the commercial real property tax category is expected to continue its path of recovery in the out years. This growth is expected to be more than offset by a deeper loss in tax revenue from office properties. Overall, the revenue forecast for real property tax revenue has been revised downward by an average of \$105 million annually in the out years of the financial plan. Growth in tax revenue from residential real property is expected to average 3 percent over the financial plan period, while revenue from commercial property, significantly influenced by large office buildings, is expected to decline by an average of 0.6 percent annually throughout the financial plan period.

Sales tax revenue

Sales tax revenue collections have been steadily growing since the lifting of pandemic restrictions. FY 2023 YTD sales tax revenue collections are up 22 percent relative to last year, and about 1 percent higher than the last estimate. Based on the steady performance of hotel and restaurant collections, sales and use tax revenue for FY 2023 is estimated to increase by 7.3 percent. The strong job market and high inflation have helped retail sales tax revenue achieve steady growth in the last two years, however, recent data indicate that retail sales activity in the District is slowing, with gains of less than 4 percent in the first three months of FY 2023 compared to the same period a year earlier. Nevertheless, the strength of hotel and restaurant tax revenue has continued in the most recent quarter. In the first quarter of FY2023, hotel tax revenue surpassed the pre-pandemic peak level by 6%, and first quarter FY2023 restaurant tax revenue was above the pre-pandemic level by 11%. Recent legislation raising the hotel tax rate from 14.95 percent to 15.95 percent will further boost hotel tax revenue for FY 2023-2027. This legislation dedicates the additional 1 percent of tax revenue to Destination DC.

Income tax revenue

Solid gains in District resident wages and salaries, capital gains, profits, and income from dividends, interest, and rents have boosted income tax revenue growth over the past two years. Year-to-date income tax receipts continue to hold strong and is 6 percent higher than the same period last year, mainly due to stronger withholding and corporate franchise taxes. Higher bonus payments for high income earners and stronger extension payments tied to the previous year are the likely cause of the strong year-to-date gains.

However, some of the more volatile components of income tax revenue, particularly individual income non-withholding and unincorporated business tax revenues, have declined relative to last year due to the steep stock market sell-off over the past year and lower real estate rents.

Overall, individual income tax revenue is expected to be almost flat (0.2%) in FY 2023, far below the double-digit growth rates of the past two years. Growth in individual income tax revenue is expected to recover to 3.3 percent in FY 2024, and then return to the pre-pandemic long-term trend of 4.5 percent for fiscal years 2025 through 2027.

The forecast for corporate franchise tax revenue is revised upward by \$65 million in FY 2023, reflecting strong collections from the latest estimated payments. Corporate franchise tax revenue is expected to decline after FY 2023, as the economy slows, falling by an average of 4 percent in FY 2024 and FY 2025, before returning to a growth rate of about 5 percent over the remainder of the financial plan. As the commercial real estate market deteriorates, unincorporated business tax revenue will decline by 25 percent in FY 2023, and by an average of 5 percent over the remainder of the financial plan.

Deed tax revenues

Year-to-date deed tax collections are 48 percent below FY 2022 levels. FY 2022 revenue was driven by large spikes in high-valued property transactions, especially by commercial office properties valued above \$50 million. Such transactions have largely been absent this fiscal year. The deteriorating real estate market, higher mortgage rates and declines in housing sales have all contributed to this decline. The forecast for FY 2023 deed tax revenue has been revised downward by \$143 million, and by \$111 million annually through the remainder of the financial plan.

Gross receipts tax revenues

Gross receipts tax revenue is revised upward by \$11 million in FY 2023, and by an average of \$10 million in FY 2024-FY 2027, mostly due to increased insurance premium collections that have been positively impacted by high inflation.

Non-tax revenue

Non-tax revenue has been revised upward by \$147 million in FY2023 mainly due to strong investment income collections which have benefited from record high level of investible balances coupled with high interest rates. The out-year forecast is revised upward by an average of \$61 million annually to reflect this change.

National and Regional Economies

The national economy experienced a steady deceleration in growth throughout calendar year 2022 after a strong performance in 2021. Inflation-adjusted gross domestic product (real GDP) grew by 3.7 percent in the first quarter, but the growth rate dropped to 1.9 percent in the third quarter. Additionally, the S&P 500 stock market index closed the year approximately 20 percent below where it started in 2022. Following the first quarter that saw the emergence of the omicron variant and the start of the Russian invasion of Ukraine, the rest of the year was marked by high inflation, as oil prices rose and supply chains were disrupted. The consumer price index, which averaged 8 percent in 2022, was the highest since 1981. This extraordinary surge has compelled the Federal Reserve to increase interest rates, which contributed to a doubling of 30-year mortgage rates. Unemployment remains low, however, and consumer spending has remained relatively strong though consumer sentiment has weakened.

	2021q3	2021q4	2022q1	2022q2	2022q3
Real GDP (% change from prior year)	5.0	5.7	3.7	1.8	1.9
Nominal GDP (% change from prior year)	10.2	12.2	10.9	9.6	9.2
Nominal Personal Income (% change from prior year)	4.9	6.9	-3.5	3.2	4.1
Unemployment rate (%)	5.1	4.2	3.8	3.6	3.5
CPI (% change from prior year)	5.3	6.7	8.0	8.6	8.3
Yield on 10-Yr Treasury (%)	1.3	1.5	1.9	2.9	3.1
S&P 500 (avg level)	4,421	4,601	4,467	4,106	3,974

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Dow Jones Indices.

The U.S. economy is expected to experience a slowdown in growth. Record levels of inflation have raised the risk of a recession. As noted previously, the Federal Reserve is determined to slow demand and bring inflation down to 2% by tightening monetary policy which increases the rates for loans to businesses and individuals. As borrowing costs increase, there will be less demand for financing residential and nonresidential investments. While the underlying economic fundamentals such as employment and consumer spending have remained strong in 2022, there were signs of pressure by the end of the year. S&P Global, a national macroeconomic consultant, projects a recession in the second and third quarter of fiscal year 2023, with an expected growth rate of about 0.7 percent for the whole year. The actions by the Federal Reserve are also expected to bring inflation down to approximately 2 percent by the end of FY 2024.

U.S. Economic Outlook

	FY 2022 (actual)	FY 2023 (est.)	FY 2024 (est.)	FY 2025 (est.)	FY 2026 (est.)	FY 2027 (est.)
Real GDP (% change)	3.3	0.7	1.3	2.0	1.7	1.6
Nominal GDP (% change)	10.4	5.2	3.8	4.1	3.9	3.9
Nominal Personal Income (% change)	2.5	4.6	4.4	4.8	4.4	4.4
Unemployment rate (%)	3.8	4.2	5.0	4.5	4.4	4.4
CPI (% change)	7.9	4.9	2.5	1.9	2.1	2.2
Yield on 10-Yr Treasury (%)	2.4	3.7	3.5	3.3	3.2	3.2
S&P 500 (level last quarter)	3,973.6	3,991.2	3,906.7	4,017.7	4,129.6	4,272.7

Source: SP Global Jan. 2023 Outlook; ORA for SP500;

District of Columbia Economy

While the District's economy, as measured by gross domestic product, has rebounded from the COVID-19 pandemic period, employment still lags pre-pandemic levels. As of December 2022, there were approximately 27,000 fewer jobs than in February 2020, with losses concentrated in the hospitality, finance and real estate, business services, and federal government sectors. Over the last year, there has been a notable decline in federal employment in the District, as the federal government struggles to replace retirees and recent departures in a tight labor market. Wages in the District grew by 7.5 percent in the first quarter of 2022, but the pace slowed to 4.9 percent in the third quarter, which is slower than the national average. Adjusting for inflation, real wages declined modestly. The unemployment rate averaged 5 percent in the third quarter of 2022, down from 6.8 percent a year ago. Personal income growth in the District stagnated, with a modest gain of only 0.2 percent in FY 2022 compared to the previous year, when federal relief payments to households bolstered income.

D.C. Recent History

	2021q3	2021q4	2022q1	2022q2	2022q3
Real GDP (% change from prior year.)	5.0	3.9	4.0	1.9	0.8
Nominal GDP (% change from prior year)	7.4	6.7	7.1	5.5	5.0
Nominal Personal Income (% change from prior year)	2.0	2.7	-3.0	0.4	0.9
Wages in D.C. (% change from prior year)	7.2	5.3	7.5	6.4	4.9
D.C. Resident Wages (% change from prior year)	4.6	3.2	7.1	7.2	5.6
Employment in D.C. (% change from prior year)	2.5	4.2	4.8	4.1	2.8
D.C. Resident Employment (% change from prior year)	2.3	2.4	2.9	2.9	1.7
Unemployment rate (%)	6.8	6.2	6.1	5.6	5.0
Washington area CPI (% change from prior year)	5.7	5.9	7.3	8.0	7.7

Source: BEA; BLS; ORA;

Like that of the national economy, the economic outlook for the District has deteriorated. Real gross domestic growth is projected to slow to 0.2 percent in FY 2023. Employment levels are not expected to return to their 2019 peak during the financial plan period, which ends in FY 2027, due to slower growth in the hospitality sector and weak federal and professional job growth. On a positive note, the District's population showed a slight gain of 0.2% in 2022, reversing the declining trend seen since the onset of the pandemic. The District's labor market is getting tight, as the unemployment rate dropped to a historical low of 4.6% in November. However, the dynamics of the labor market present a more nuanced story, according to data from BLS. From July to December 2022, the District saw a decrease of 11,400 individuals in its labor force. Employment among residents declined by 8,900, and the number of unemployed residents decreased by 2,500. Despite the drop in resident employment, the unemployment rate fell due to a relatively larger number of residents leaving the labor force as opposed to losing their jobs.

D.C. Economic Outlook

	FY 2022 (actual)	FY 2023 (est.)	FY 2024 (est.)	FY 2025 (est.)	FY 2026 (est.)	FY 2027 (est.)
Real GDP (% change)	2.6	0.2	1.7	2.0	1.7	1.6
Nominal GDP (% change)	6.1	4.5	4.8	4.7	4.3	4.0
Nominal Personal Income (% change)	0.2	3.9	3.2	5.2	4.8	4.1
Wages in D.C. (% change)	6.0	4.7	5.2	5.3	4.8	4.4
D.C. Resident Wages (% change)	5.8	5.4	3.0	5.5	3.9	4.2
Population (% change)	0.7	0.2	0.6	0.5	0.5	0.5
Employment in D.C. (% change)	4.0	1.1	0.5	0.7	0.5	0.5
D.C. Resident Employment (% change)	2.5	-1.2	-0.3	0.8	0.7	0.4
Unemployment rate (%)	5.7	5.1	5.9	5.6	5.5	5.6
Washington area CPI (% change)	7.2	4.9	2.5	1.9	2.2	2.2

Source: Office of Revenue Analysis June 2022

Note: Complete table on page 14

Risks to the Forecast

There are several risks to the current forecast. Recent actions by the Federal Reserve to increase interest rates have resulted in increased mortgage rates, from 3.45 percent in January 2022 to an average of over 6 percent in December 2022. The Federal Reserve has signaled it plans to implement several more rate hikes in 2023, with rates likely to remain high for an extended period, possibly tipping the economy into a recession. The housing market has already experienced a significant slowdown, as the combination of increased mortgage rates and higher input costs have resulted in a substantial decrease in construction activity. While the baseline estimate of a slowing economy reflects the most likely scenario, a more pessimistic forecast scenario of a recession estimates that the District could experience additional revenue losses of approximately \$200 million annually over the financial plan period.

Over the last quarter, tourism has been a bright spot for the District, as hotels have been re-occupied and restaurant taxable sales are surpassing pre-pandemic levels even without commuters fully returning. However, high prices and global instability continue to suppress international tourism and may dampen domestic travel as well.

The COVID-19 pandemic has brought about significant changes in the District's population and economy, with potential long-term implications. The population decline observed during the pandemic, coupled with the increasing prevalence of remote work, may lead to demographic shifts and economic repercussions. If the population loss becomes permanent, the city's demographic profile could change, but the extent and impact of such changes are not yet clear. Additionally, as more people work from home, the District's transportation and office real estate sectors are likely to experience significant shifts. With fewer commuters, there may be less demand for public transportation and office space, leading to a potential reduction in real estate prices. In fact, this trend is already emerging, as federal agencies have reduced their office footprints, signaling a shift in the demand for office space. Overall, the pandemic and the shift towards remote work are likely to have far-reaching economic consequences for the District. Policymakers will need to carefully monitor and respond to these changes. Although the baseline estimate for real property tax revenue included in this forecast is the most likely scenario, a more pessimistic alternative includes greater deterioration in the commercial office market that could result in additional revenue losses of approximately \$80 to \$90 million in the current and next fiscal years, and \$150 million annually for the rest of the financial plan period.

At the national level, the geopolitical risk due to the continued war in Ukraine and its impact on energy and food prices as well as the supply chain also remains a significant risk to the outlook.

The prevailing risks and high degree of uncertainty makes for a challenging forecasting environment. As such, we will continue to monitor international, national, and local economic activity for any developments that would impair the forecast. If you have any questions regarding these matters, please contact me at (202) 727-2476.

Sincerely,

A handwritten signature in blue ink, appearing to read "Glen Lee".

Glen Lee

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Kathy Patterson, District of Columbia Auditor

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TABLE 1: REVENUE SUMMARY TABLE

\$ in Thousands	ACTUAL		ESTIMATE		OUT YEAR PROJECTIONS	
	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
PROPERTY	2,936,478	2,928,768	2,926,915	2,950,714	3,005,587	3,065,042
Real Property	2,814,534	2,808,908	2,807,055	2,830,854	2,885,727	2,945,182
Personal Property	82,885	76,760	76,760	76,760	76,760	76,760
Public Space Rental	39,060	43,100	43,100	43,100	43,100	43,100
<i>Dedicated to other funds</i>	-42,268	-45,853	-51,165	-55,235	-59,418	-64,934
PROPERTY (NET)	2,894,209	2,882,915	2,875,750	2,895,479	2,946,169	3,000,108
SALES & EXCISE	1,813,697	1,929,852	1,985,818	2,077,827	2,158,188	2,215,731
General Sales	1,702,383	1,825,929	1,881,756	1,972,865	2,051,992	2,108,524
Alcohol	6,919	7,057	7,170	7,285	7,402	7,538
Cigarette	22,465	18,987	18,512	18,327	18,236	18,144
Motor Vehicle	59,002	55,000	55,550	56,569	57,562	58,489
Motor Fuel	22,928	22,879	22,830	22,781	22,996	23,036
<i>Dedicated to other funds</i>	-483,721	-554,871	-619,955	-646,833	-664,029	-663,710
SALES & EXCISE (NET)	1,329,975	1,374,981	1,365,863	1,430,994	1,494,159	1,552,021
INCOME	4,108,314	4,096,948	4,150,279	4,254,874	4,430,935	4,627,609
Individual Income	3,116,991	3,122,982	3,227,523	3,364,754	3,512,526	3,683,338
Corporate Franchise	728,036	775,061	730,733	712,391	745,034	781,998
U.B. Franchise	263,286	198,905	192,023	177,729	173,375	162,273
INCOME (NET)	4,108,314	4,096,948	4,150,279	4,254,874	4,430,935	4,627,609
GROSS RECEIPTS	404,541	399,164	397,253	400,492	403,406	407,253
Public Utilities	129,362	128,908	129,037	129,811	130,590	131,374
Toll Telecommunications	46,716	42,991	41,719	42,399	42,727	43,949
Insurance Premiums	145,200	146,962	148,328	149,708	151,102	152,508
Ballpark Fee	41,975	39,900	37,900	37,900	37,900	37,900
Private sports wagering	3,963	4,798	4,338	4,412	4,485	4,575
Games of Skill	17	17	17	17	17	17
Health Related Taxes	37,308	35,588	35,913	36,245	36,584	36,930
<i>Dedicated to other funds</i>	-152,678	-149,753	-153,213	-155,103	-156,968	-158,792
GROSS RECEIPTS (NET)	251,863	249,411	244,040	245,390	246,438	248,461
OTHER TAX	738,184	480,110	440,027	457,732	491,158	524,592
Estate	48,202	41,608	40,290	40,783	41,280	41,784
Deed Recordation	383,560	235,531	214,890	224,379	243,035	261,690
Deed Transfer	271,147	179,074	164,679	172,402	186,675	200,950
Economic Interest	35,276	23,897	20,168	20,168	20,168	20,168
<i>Dedicated to other funds</i>	-100,610	-63,648	-58,401	-60,991	-65,939	-70,887
OTHER TAX (NET)	637,574	416,461	381,626	396,741	425,220	453,705
TOTAL TAX (GROSS)	10,001,213	9,834,842	9,900,291	10,141,639	10,489,274	10,840,227
TOTAL TAX (NET)	9,221,936	9,020,716	9,017,558	9,223,477	9,542,921	9,881,904
NONTAX	624,165	633,812	575,915	548,882	535,148	521,016
Licenses & Permits	135,008	140,063	147,729	150,684	151,589	145,635
Fines & Forfeits	161,321	154,329	153,493	152,471	151,475	149,702
Charges for Services	78,407	66,033	66,879	67,737	67,982	68,514
Miscellaneous	249,429	273,387	207,815	177,989	164,102	157,165
NONTAX (NET)	624,165	633,812	575,915	548,882	535,148	521,016
LOTTERY	40,670	43,731	43,975	44,275	45,550	45,550
<i>Dedicated to other funds</i>			-2,517	-2,517	-2,568	-2,568
LOTTERY (NET)	40,670	43,731	41,458	41,758	42,982	42,982
GROSS REVENUE	10,666,048	10,512,385	10,520,182	10,734,795	11,069,972	11,406,793
LOCAL FUND REVENUE	9,886,771	9,698,260	9,634,931	9,814,117	10,121,050	10,445,902
OTHER FUNDS (See Table 2)	779,278	814,125	885,251	920,679	948,921	960,891

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¹ The numbers in Table 1 are not adjusted for the reversal of Metro for DC Bus Fare Dedication

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TABLE 1: REVENUE SUMMARY TABLE (Continued)

% Change from Year Ago	ACTUAL		ESTIMATE		OUT YEAR PROJECTIONS	
	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
PROPERTY	-3.3%	-0.3%	-0.1%	0.8%	1.9%	2.0%
Real Property	-3.4%	-0.2%	-0.1%	0.8%	1.9%	2.1%
Personal Property	3.0%	-7.4%	0.0%	0.0%	0.0%	0.0%
Public Space Rental	-9.3%	10.3%	0.0%	0.0%	0.0%	0.0%
<i>Dedicated to other funds</i>	-3.8%	8.5%	11.6%	8.0%	7.6%	9.3%
PROPERTY (NET)	-3.3%	-0.4%	-0.2%	0.7%	1.8%	1.8%
SALES & EXCISE	38.5%	6.4%	2.9%	4.6%	3.9%	2.7%
General Sales	41.5%	7.3%	3.1%	4.8%	4.0%	2.8%
Alcohol	11.6%	2.0%	1.6%	1.6%	1.6%	1.8%
Cigarette	1.3%	-15.5%	-2.5%	-1.0%	-0.5%	-0.5%
Motor Vehicle	7.1%	-6.8%	1.0%	1.8%	1.8%	1.6%
Motor Fuel	-2.9%	-0.2%	-0.2%	-0.2%	0.9%	0.2%
<i>Dedicated to other funds</i>	34.8%	14.7%	11.7%	4.3%	2.7%	0.0%
SALES & EXCISE(NET)	39.9%	3.4%	-0.7%	4.8%	4.4%	3.9%
INCOME	17.2%	-0.3%	1.3%	2.5%	4.1%	4.4%
Individual Income	17.9%	0.2%	3.3%	4.3%	4.4%	4.9%
Corporate Franchise	8.6%	6.5%	-5.7%	-2.5%	4.6%	5.0%
U.B. Franchise	36.6%	-24.5%	-3.5%	-7.4%	-2.4%	-6.4%
INCOME (NET)	17.2%	-0.3%	1.3%	2.5%	4.1%	4.4%
GROSS RECEIPTS	9.3%	-1.3%	-0.5%	0.8%	0.7%	1.0%
Public Utilities	0.1%	-0.4%	0.1%	0.6%	0.6%	0.6%
Toll Telecommunications	23.4%	-8.0%	-3.0%	1.6%	0.8%	2.9%
Insurance Premiums	11.5%	1.2%	0.9%	0.9%	0.9%	0.9%
Ballpark Fee	13.4%	-4.9%	-5.0%	0.0%	0.0%	0.0%
Private sports wagering	85.2%	21.1%	-9.6%	1.7%	1.7%	2.0%
Games of Skill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Health Related Taxes	11.2%	-4.6%	0.9%	0.9%	0.9%	0.9%
<i>Dedicated to other funds</i>	10.4%	-1.9%	2.3%	1.2%	1.2%	1.2%
GROSS RECEIPTS (NET)	8.6%	-1.0%	-2.2%	0.6%	0.4%	0.8%
OTHER TAX	26.1%	-35.0%	-8.3%	4.0%	7.3%	6.8%
Estate	51.9%	-13.7%	-3.2%	1.2%	1.2%	1.2%
Deed Recordation	29.0%	-38.6%	-8.8%	4.4%	8.3%	7.7%
Deed Transfer	15.6%	-34.0%	-8.0%	4.7%	8.3%	7.6%
Economic Interest	62.0%	-32.3%	-15.6%	0.0%	0.0%	0.0%
<i>Dedicated to other funds</i>	24.0%	-36.7%	-8.2%	4.4%	8.1%	7.5%
OTHER TAX (NET)	26.5%	-34.7%	-8.4%	4.0%	7.2%	6.7%
TOTAL TAX (GROSS)	13.5%	-1.7%	0.7%	2.4%	3.4%	3.3%
TOTAL TAX (NET)	12.6%	-2.2%	0.0%	2.3%	3.5%	3.6%
NONTAX	27.8%	1.5%	-9.1%	-4.7%	-2.5%	-2.6%
Licenses & Permits	6.8%	3.7%	5.5%	2.0%	0.6%	-3.9%
Fines & Forfeits	17.3%	-4.3%	-0.5%	-0.7%	-0.7%	-1.2%
Charges for Services	-2.7%	-15.8%	1.3%	1.3%	0.4%	0.8%
Miscellaneous	73.2%	9.6%	-24.0%	-14.4%	-7.8%	-4.2%
NONTAX (NET)	27.8%	1.5%	-9.1%	-4.7%	-2.5%	-2.6%
LOTTERY	-15.5%	7.5%	0.6%	0.7%	2.9%	0.0%
<i>Dedicated to other funds</i>						
LOTTERY (NET)	-15.5%	7.5%	-5.2%	0.7%	2.9%	0.0%
GROSS REVENUE	14.1%	-1.4%	0.1%	2.0%	3.1%	3.0%
LOCAL FUND REVENUE	13.3%	-1.9%	-0.7%	1.9%	3.1%	3.2%
OTHER FUNDS (See Table 2)	25.2%	4.5%	8.7%	4.0%	3.1%	1.3%

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TABLE 2: DEDICATED/ENTERPRISE REVENUE

\$ in Thousands		ACTUAL		ESTIMATE		OUT YEAR PROJECTIONS	
DEDICATED TO	Tax Type	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
TIF	Real Property	19,796	15,949	16,166	17,165	18,597	19,285
	General Sales	17,963	21,316	22,300	27,331	28,724	30,187
PILOT	Real Property	21,619	28,553	33,648	36,719	39,469	44,297
	General Sales	14,555	22,776	26,257	27,441	28,513	29,627
Walter Reed Development	Real Property	651	744	744	744	744	744
St. Elizabeth East Campus Red. Fun	Real Property	203	607	607	607	607	607
	General Sales	117	81	81	81	81	81
Convention Center	General Sales	117,325	140,488	145,456	157,275	163,976	168,333
Convention Center-DestinationDC	General Sales	4,956	17,602	28,264	31,159	32,537	19,387
Ballpark	General Sales	12,429	14,535	16,150	16,150	16,150	16,150
	Public Utility	7,067	6,937	6,745	6,841	6,942	6,949
	Toll Telecom	2,308	2,228	2,212	2,277	2,280	2,288
	Ballpark Fee	41,975	39,900	37,900	37,900	37,900	37,900
Healthy DC - Marijuana	General Sales	2,229	2,234	2,234	2,234	2,234	2,234
Healthy DC - MCO	Insurance premium	63,819	64,900	66,105	67,427	68,776	70,151
WMATA - Operations	General Sales	64,172	71,414	74,271	76,499	78,794	80,370
WMATA - Capital	General Sales	178,500	178,500	178,500	178,500	178,500	178,500
WMATA - Bus Fare	General Sales	-	13,500	53,031	55,183	57,422	59,814
Healthy Schools	General Sales	5,690	5,690	5,690	5,690	5,690	5,690
ABRA	General Sales	1,170	1,170	1,170	1,170	1,170	1,170
Comm. on Arts and Humanities	General Sales	41,688	42,686	43,721	45,339	47,242	49,131
Highway Trust Fund	Motor Fuel	22,928	22,879	22,830	22,781	22,996	23,036
Nursing Facility Quality of Care	Health Related	17,818	16,285	16,610	16,943	17,281	17,627
Hospital Fund	Health Related	8,454	8,454	8,454	8,454	8,454	8,454
Hospital Provider Fee Fund	Health Related	5,518	5,310	5,310	5,310	5,310	5,310
ICF-IDD Stevie Sellows	Health Related	5,518	5,539	5,539	5,539	5,539	5,539
Dept of Behavioral Health	Sports Wager	200	200	200	200	200	200
Neighborhood Safety	Sports Wager	-	-	2,069	2,106	2,143	2,187
and Engagement Fund	Lottery-SW	-	-	1,259	1,259	1,284	1,284
Early Childhood Development Fund	Sports Wager	-	-	2,069	2,106	2,143	2,187
	Lottery-SW	-	-	1,259	1,259	1,284	1,284
Housing Production	Deed Recordation	53,763	32,201	30,357	31,786	34,582	37,380
Trust Fund (HPTF)	Deed Transfer	40,672	26,215	24,314	25,474	27,614	29,756
	Economic Interest	1,058	891	891	891	891	891
HPTF-Debt Service	Deed Recordation	3,771	3,129	1,876	1,871	1,873	1,873
	Deed Transfer	647	646	387	386	387	387
	Economic Interest	-	-	-	-	-	-
West End Maintenance	Deed Recordation	338	283	287	291	295	300
	Deed Transfer	361	283	287	291	295	300
TOTAL		779,278	814,125	885,251	920,679	948,921	960,891

² The numbers in Table 2 are not adjusted for the reversal of Metro for DC Bus Fare Dedication

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Supplemental Tables

TABLE 1-1 REVENUE COMPONENTS

\$ in Thousands

	ACTUAL	ESTIMATE		OUT YEAR PROJECTIONS		
	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
1. REAL PROPERTY	2,814,534	2,808,908	2,807,055	2,830,854	2,885,727	2,945,182
Residential (C1)	1,118,137	1,157,960	1,190,022	1,216,514	1,254,079	1,294,577
Commercial (C2)	1,673,550	1,628,101	1,593,729	1,590,570	1,607,403	1,625,875
Vacant & Blighted	22,847	22,847	23,304	23,770	24,245	24,730
2. GENERAL SALES	1,702,383	1,825,929	1,881,756	1,972,865	2,051,992	2,108,524
Retail	894,879	884,461	906,515	940,268	979,794	1,019,118
Restaurant	420,646	466,060	470,721	489,550	509,132	529,497
Hotel	247,395	321,378	346,779	382,299	399,202	393,603
Other	139,463	154,030	157,740	160,747	163,864	166,305
3. INDIVIDUAL INCOME TAX	3,116,991	3,122,982	3,227,523	3,364,754	3,512,526	3,683,338
Withholding	2,423,544	2,617,657	2,738,721	2,862,260	2,998,963	3,148,598
Nonwithholding	693,447	505,325	488,802	502,494	513,563	534,741

Supplemental Tables

TABLE 1-1 REVENUE COMPONENTS (Continued)

% Change from Year Ago	ACTUAL		ESTIMATE		OUT YEAR PROJECTIONS		
	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	
1. REAL PROPERTY	-3.4%	-0.2%	-0.1%	0.8%	1.9%	2.1%	
Residential (C1)	5.8%	3.6%	2.8%	2.2%	3.1%	3.2%	
Commercial (C2)	-8.9%	-2.7%	-2.1%	-0.2%	1.1%	1.1%	
Vacant & Blighted	16.8%	0.0%	2.0%	2.0%	2.0%	2.0%	
2. GENERAL SALES	41.5%	7.3%	3.1%	4.8%	4.0%	2.8%	
Retail	20.3%	-1.2%	2.5%	3.7%	4.2%	4.0%	
Restaurant	64.6%	10.8%	1.0%	4.0%	4.0%	4.0%	
Hotel	183.2%	29.9%	7.9%	10.2%	4.4%	-1.4%	
Other	20.1%	10.4%	2.4%	1.9%	1.9%	1.5%	
3. INDIVIDUAL INCOME TAX	17.9%	0.2%	3.3%	4.3%	4.4%	4.9%	
Withholding	10.1%	8.0%	4.6%	4.5%	4.8%	5.0%	
Nonwithholding	56.6%	-27.1%	-3.3%	2.8%	2.2%	4.1%	

Estimated Key Economic Indicators for the DC Economy - February 2023

Forecast Period Fiscal Year 2017 to Fiscal Year 2027

Variable	Actual						Estimated		Forecast			
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	
Gross Domestic Product - DC (\$billions)	132.3	138.2	142.9	144.3	151.2	160.4	167.6	175.6	183.9	191.8	199.6	
<i>% change annual</i>	3.1%	4.5%	3.4%	1.0%	4.8%	6.1%	4.5%	4.8%	4.7%	4.3%	4.0%	
Real GDP-DC (2012 \$billions)	120.4	123.1	124.3	122.9	125.8	129.1	129.4	131.5	134.2	136.5	138.6	
<i>% change annual</i>	1.3%	2.2%	0.9%	-1.1%	2.3%	2.6%	0.2%	1.7%	2.0%	1.7%	1.6%	
Personal Income (\$billions)	54.0	56.1	57.8	61.2	64.1	64.2	66.7	68.8	72.4	75.9	79.1	
<i>% change annual</i>	3.7%	3.9%	3.1%	5.8%	4.8%	0.2%	3.9%	3.2%	5.2%	4.8%	4.1%	
Real Personal Income (2012 \$billions)	46.7	47.0	48.1	49.8	50.5	47.8	47.8	48.2	49.7	51.1	52.2	
<i>% change annual</i>	3.6%	0.5%	2.4%	3.6%	1.2%	-5.3%	0.1%	0.7%	3.2%	2.8%	2.1%	
Per capita personal income	79,477	81,923	84,137	90,247	96,081	95,616	99,136	101,683	106,445	111,055	115,128	
<i>% change annual</i>	2.6%	3.1%	2.7%	7.3%	6.5%	-0.5%	3.7%	2.6%	4.7%	4.3%	3.7%	
Real per capita personal income (2012\$)	68,825	68,629	69,972	73,513	75,644	71,137	71,111	71,160	73,067	74,753	75,993	
<i>% change annual</i>	2.5%	-0.3%	2.0%	5.1%	2.9%	-6.0%	0.0%	0.1%	2.7%	2.3%	1.7%	
Wages in DC (\$billions)	72.2	75.7	78.2	79.5	82.9	87.8	92.0	96.8	101.9	106.8	111.6	
<i>% change annual</i>	4.0%	4.8%	3.3%	1.7%	4.2%	6.0%	4.7%	5.2%	5.3%	4.8%	4.4%	
Wages of DC residents (\$billions)	27.1	29.0	30.3	30.9	31.7	33.6	35.4	36.4	38.4	40.0	41.6	
<i>% change annual</i>	5.4%	6.9%	4.4%	2.2%	2.7%	5.8%	5.4%	3.0%	5.5%	3.9%	4.2%	
Population (000s)	679.2	684.4	687.4	678.6	667.2	671.7	672.9	676.8	680.3	683.5	686.6	
<i>% change annual</i>	1.1%	0.8%	0.4%	-1.3%	-1.7%	0.7%	0.2%	0.6%	0.5%	0.5%	0.5%	
Households (000s)	301.7	307.0	311.9	312.5	319.1	325.5	325.6	324.2	324.9	326.9	329.3	
<i>% change annual</i>	0.3%	1.8%	1.6%	0.2%	2.1%	2.0%	0.0%	-0.4%	0.2%	0.6%	0.7%	
Civilian labor force (000s)	394.4	395.3	398.8	393.9	381.3	385.1	371.9	374.3	376.1	378.4	380.1	
<i>% change annual</i>	0.2%	0.2%	0.9%	-1.2%	-3.2%	1.0%	-3.4%	0.6%	0.5%	0.6%	0.4%	
Employment in DC (000s)	782.7	791.2	796.3	762.8	734.6	764.0	772.3	775.9	781.3	785.4	789.1	
<i>% change annual</i>	1.0%	1.1%	0.6%	-4.2%	-3.7%	4.0%	1.1%	0.5%	0.7%	0.5%	0.5%	
Employment of DC residents (000s)	369.7	373.1	376.9	365.6	354.2	363.0	358.6	357.7	360.7	363.1	364.5	
<i>% change annual</i>	0.3%	0.9%	1.0%	-3.0%	-3.1%	2.5%	-1.2%	-0.3%	0.8%	0.7%	0.4%	
Unemployment rate	6.2	5.7	5.5	7.2	7.1	5.7	5.1	5.9	5.6	5.5	5.6	
Housing Starts	4,309	4,732	6,180	5,193	5,462	4,541	4,581	3,162	3,167	3,187	3,159	
Home Sales	8.60	8.96	8.89	9.41	11.14	9.55	6.61	7.33	8.03	8.32	8.97	
<i>% change annual</i>	3.1%	4.2%	-0.7%	5.8%	18.4%	-14.3%	-30.8%	10.9%	9.5%	3.6%	7.9%	
Avg Home Sale Price (000s)	824.9	835.1	794.3	803.6	827.7	837.9	803.7	802.8	842.9	895.7	955.1	
<i>% change annual</i>	3.8%	1.2%	-4.9%	1.2%	3.0%	1.2%	-4.1%	-0.1%	5.0%	6.3%	6.6%	
SP 500 Stock Index	19.2%	3.3%	14.7%	15.2%	29.4%	-16.3%	5.5%	0.5%	3.2%	4.4%	5.0%	
US 10 Year Treasury	230.0%	270.0%	250.0%	110.0%	130.0%	240.0%	390.0%	380.0%	350.0%	360.0%	360.0%	
Washington Area CPI: % change prior year	0.9%	2.1%	-1.8%	0.6%	4.0%	7.2%	4.9%	2.5%	1.9%	2.2%	2.2%	