

GOVERNMENT OF THE DISTRICT OF COLUMBIA

OFFICE OF THE CHIEF FINANCIAL OFFICER



Glen Lee
Chief Financial Officer

February 28, 2025

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 2025 Revenue Estimates

Dear Mayor Bowser and Chairman Mendelson:

This letter certifies the revenue estimate for the FY 2025 – FY 2029 Budget and Financial Plan of the District of Columbia. The FY 2025 local source revenue forecast has been revised downward by \$21.6 million as year-to-date collections show lower-than-expected receipts for the sales and non-tax revenue sources. The revenue forecast for the rest of the financial plan period has also been revised downward by an average of \$342.1 million annually, largely due to forecasted sharp declines in employment levels as the Federal government proceeds with reducing its workforce significantly. The resulting decline in income and consumption means lower revenue from the District’s individual income and sales taxes. Real property tax revenue in this estimate has also been lowered based on lower assessed values across almost all classes of properties. This reflects ongoing weakness in commercial property values due to expanded remote work since the pandemic and a recent decline in residential home prices.

February 2025 Revenue Estimate Compared to Previous Estimate

	Actual		Estimate		Projections	
Local Source, General Fund Revenue						
Estimate (\$M)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<i>December 2024 Revenue Estimate</i>	10,232.2	10,701.8	10,955.6	11,255.2	11,642.0	
<i>February Revision to the Estimate-Local</i>	-8.3	-21.6	-325.0	-337.8	-363.2	
<i>February 2025 Revenue Estimate</i>	10,223.9	10,680.2	10,630.6	10,917.4	11,278.7	11,656.4
Revenue Change From Previous Year						
Amount	249.4	456.3	(49.6)	286.7	361.4	377.6
<i>Year-Over-Year Percent Change</i>	2.5%	4.5%	-0.5%	2.7%	3.3%	3.3%

Year-to-date tax receipts through January grew 5 percent, but do not reflect major tax payments for the District's primary revenue sources, such as property taxes (first half payments are due in March) and final income tax payments (due in April). Changes in the economic landscape as the new administration proceeds with reductions to the federal workforce will shape revenue trends for the remainder of FY 2025.

Due to ongoing and planned federal workforce reductions, the District's economic outlook has deteriorated significantly from the December forecast. Nationally, over 75,000 federal employees have accepted buyouts, many probationary federal employees have been fired, and the administration has instituted a hiring freeze, allowing only one replacement employee for every four that leave. Federal employment in the District is projected to decline by approximately 40,000, or 21 percent, by the end of the financial plan period. With fewer federal employees in the region, spending on restaurants, retail, transportation, and other taxable goods and services is expected to decline, particularly for businesses that rely on federal workers. Job losses are also anticipated for federal contracting, hospitality, and transportation sectors, as reduced federal employment leads to lower demand in these sectors. There is a high degree of uncertainty around the forecast as some of the new administration's executive actions have or likely will be challenged in the courts, as new ones emerge, making meaningful economic impact analysis extremely difficult.

A variety of sources provide the basis for this estimate, including cash collection reports; federal data on District population, employment, and income; private data sources on housing, commercial real estate, and hotels; forecasts of the U.S. economy prepared by the Congressional Budget Office, and private-sector economists, including the Blue Chip consensus forecast of 50 private sector economists and two private-sector firms (S&P Global and Moody's Analytics) that also prepare forecasts of the District's economy. In addition, comments were received from recent meetings of three advisory groups of external subject-matter experts. These discussions focused on general business and economic conditions and real estate market developments in the District and the neighboring jurisdictions.

Revenue Highlights

Real Property Tax

Real property tax revenue for FY 2025 is unchanged from the December forecast. For FY 2026, the revenue forecast has been revised downward by \$113 million due to a 2.2 percent decline in the total taxable real property assessments compared to FY 2025. These assessments reflect a significant adjustment that includes the most recent market valuations. With the reductions in assessments, real property tax revenue for FY 2026 is expected to decline by 3.2 percent.

While the revenue forecast for FY 2027 and FY 2028 has been revised downward from previous estimates, the projected growth rates have been adjusted upward from the December forecast for two key reasons. First, CoStar's latest projections indicate that office market values will rise in 2026, driven by improving vacancy rates, higher rents per square foot, and favorable market capitalization rates. Second, the substantial downward adjustment to FY 2026 property assessments means the forecasted improvements in market valuations start from a lower base. As a result, real property tax revenue is expected to grow by an average of 2.6 percent annually during the period FY 2027 through FY 2029.

Sales Tax

The February forecast for general sales tax revenue has been lowered significantly across the forecast period due to anticipated sharp reductions in federal employment and their ripple effect on the District's economy and tax base. Downward revisions begin with a relatively modest \$15 million in FY 2025, escalating to nearly \$80 million by FY 2028. The smaller impact in FY 2025 is based on substantial collections for the first quarter, amounting to nearly 4 percent growth year-to-date. However, as District employment deteriorates, consumers are expected to spend less, reducing sales tax receipts.

The average annual growth rate of 2.9 percent for sales tax over the financial plan period is primarily driven by incremental sales tax rate increases enacted under the FY 2025 Budget Support Act (BSA); from 6 percent in FY 2025 to 6.5 percent in FY 2026 and 7 percent in FY 2027 and onwards. Without these rate increases, underlying sales tax revenue growth would be notably weaker due to employment reductions.

Income Taxes

Individual Income Taxes

Year-to-date individual income tax receipts have grown 6.9 percent, driven entirely by an 8.2 percent increase in withholding tax collections compared to last year. However, withholding tax revenue growth is expected to slow as the federal workforce reductions decrease the wages and salaries of District residents. For FY 2025, the economic outlook for resident wages has been revised only slightly, meaning the strong year-to-date collections will help offset any immediate impact. The withholding tax revenue forecast for FY 2026 through FY 2029 has been revised downward to reflect the full impact of the federal job cuts; by \$94.7 million in FY 2026 and an average reduction of \$139.7 million per year for the rest of the financial plan period.

Non-withholding income taxes are down 3.4 percent year-to-date compared to last year, primarily due to higher refunds. However, January estimated payments, a key indicator of the upcoming April tax filings, rose 3.8 percent. This is a notable improvement from the double-digit declines seen in FY 2023 and FY 2024. As a result, the FY 2025 non-withholding tax revenue forecast was revised upward and is now projected to increase by 9.5 percent to reflect the improved estimated payments performance in January. Beyond FY 2025, the forecast for non-withholding taxes has been revised downward, reflecting expectations of weaker S&P 500 earnings as the market adjusts to align with its long-term average after the increases over the last two years.

Overall individual income tax is projected to increase by 4.5 percent in FY 2025 and decline by 0.7 percent in FY 2026. Growth is expected to average 3.2 percent for the remainder of the financial plan period.

Corporate Franchise Tax

Year-to-date corporation franchise tax receipts have risen 13.9 percent compared to the same period last year, driven by higher estimated and final tax payments. As a result, the FY 2025 corporate franchise tax revenue forecast has been revised upward by \$13.4 million.

The forecast for the out years is slightly reduced, reflecting the lower earnings forecasts for large public companies in defense and other government support service sectors. As a result, corporate

franchise taxes are expected to decline by 1.4 percent in FY 2026 and revert to an average growth of 1.3 percent through the remainder of the financial plan period.

Unincorporated Business Franchise Tax

Year-to-date unincorporated business tax receipts have surged by 18.2 percent, a sharp reversal from the 10.4 percent decline projected in the December forecast. This growth is largely driven by higher January estimated tax payments, which historically served as a key indicator for the April tax filing season. As a result, the FY 2025 unincorporated business tax revenue forecast has been revised upward by \$15.8 million, reflecting both the strong year-to-date gains and adjustments for the estimated impact of previously enacted tax credits. While the previously forecasted decline in unincorporated business tax revenue for FY 2025 has been revised to 2.2 percent (an improvement from the earlier 10.4 percent decline), the growth rate for the remainder of the financial plan period is expected to remain negative, amidst continued challenges for the real estate sector, from which most District unincorporated businesses derive their earnings.

Gross Receipts Tax Revenues

Year-to-date gross receipts tax collections have increased 15.2 percent in FY 2025, driven primarily by higher sports wagering and public utility tax payments compared to FY 2024. The extreme cold weather has likely contributed to increased public utility consumption, prompting an upward revision to the previous forecast. Additionally, insurance premium tax receipts, another key component of gross receipts, have shown strong year-to-date gains, benefiting from the impact of higher inflation on insurance premium collections. As a result, the gross receipts tax revenue forecast has been revised upward by \$18.1 million for FY 2025, and by an average of \$31.8 million annually from FY 2026 to FY 2028.

Deed Tax Revenues

Year-to-date deed tax collections—including deed recordation, deed transfer, and economic interest taxes—have increased 20 percent compared to FY 2024, driven by a higher volume and value of commercial, single-family, and vacant property sales. This growth aligns with the December forecast, and as a result, the deed taxes revenue forecast remains largely unchanged.

Non-Tax Revenue

The non-tax revenue forecast for the financial plan period has been significantly reduced, primarily due to downward revisions in fines and miscellaneous revenue. Recent data on the expanded automated traffic enforcement units implemented last year indicate lower-than-expected ticket issuance rates, leading to a downward revision in fines and forfeitures revenue by an average of \$23.1 million annually throughout the forecast period. Additionally, lower than expected investment income from reserves—driven by a combination of reduced investible reserves and lower interest rates compared to the previous year—has led to a significant reduction in the miscellaneous revenue component of local fund revenue.

National and Regional Economies

National Economy

U.S. GDP grew at an annual rate of 2.3 percent in the fourth quarter, according to the Bureau of Economic Analysis' (BEA) advance estimate. Final sales to private domestic purchasers, a key measure of underlying demand, rose 3.2 percent, reflecting strong momentum. For the full year of 2024, the economy expanded by a solid 2.8 percent, exceeding economists' expectations. The primary driver of GDP growth was consumer spending, which accounted for 1.9 percent of the annual growth rate. Consumer spending has remained the cornerstone of economic growth in the post-pandemic years, supporting robust expansion despite the Federal Reserve's efforts to slow the economy in its fight against inflation.

Inflation continued to ease in 2024, but progress toward the Federal Reserve's 2 percent target has slowed. For the year, the Personal Consumption Expenditures (PCE) price index rose by only 2.5 percent, a significant decline from 3.8 percent in 2023. Excluding food and energy, the core PCE price index increased by 2.8 percent, down from 4.1 percent the previous year. However, inflationary pressures picked up toward the end of the year, with the core CPI inflation rate rising from 2.4 percent in Q3 to 3.6 percent in Q4.

The labor market rebounded after a slowdown in the third quarter of 2024, demonstrating renewed momentum. The January 2025 employment report showed a strong increase in payrolls, significant upward revisions to job growth for November and December 2024, and a drop in the unemployment rate to 4 percent.

Employment growth in the Washington metropolitan area continued to lag the national average in 2024, with regional employment increasing 0.8 percent for the year compared to 1.3 percent nationally. Slowing job growth is likely to remain a drag on the region's economy.

U.S. Recent History

	2023q4	2024q1	2024q2	2024q3	2024q4
Real GDP (% change from prior year)	3.2	2.9	3.0	2.7	2.5
Nominal GDP (% change from prior year)	5.8	5.4	5.7	5.0	5.0
Nominal Personal Income (% change from prior year)	5.1	5.9	5.5	5.2	5.4
Unemployment rate (%)	3.8	3.8	4.0	4.2	4.1
CPI (% change from prior year)	3.2	3.2	3.2	2.6	2.7
Yield on 10-Yr Treasury (%)	4.4	4.2	4.4	4.0	4.3
S&P 500 (avg level)	4,472	4,996	5,254	5,546	5,911

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, SP Global and Moody's Analytics.

U.S. Economic Outlook

	FY 2024 (actual)	FY 2025 (est.)	FY 2026 (est.)	FY 2027 (est.)	FY 2028 (est.)	FY 2029 (est.)
Real GDP (% change)	3.0	2.4	1.9	1.8	2.0	2.0
Nominal GDP (% change)	5.5	5.1	5.0	4.3	4.3	4.2
Nominal Personal Income (% change)	5.5	4.7	5.2	4.9	4.5	4.5
Unemployment rate (%)	3.9	4.1	4.2	4.3	4.3	4.2
CPI (% change)	3.1	2.7	2.9	2.6	2.1	2.2
Yield on 10-Yr Treasury (%)	4.2	4.4	4.3	4.1	4.0	4.0
S&P 500 (level last quarter)	5,911.0	5,710.8	5,450.0	5,229.2	5,069.9	5,045.2

There is significant uncertainty in three key federal policy areas: tariffs, fiscal policy, and efforts to reshape the federal government. Many analysts predict that implementing substantial import tariffs temporarily increases inflation in 2025, while workforce reductions may slow national employment growth. However, since federal employees (excluding the U.S. Postal Service) account for just over 1.4 percent of the civilian workforce, overall employment is still expected to expand in the coming months.

The Federal Reserve held the federal funds rate steady at its January 2025 meeting, maintaining a total of 100 basis points in rate cuts since the Federal Open Market Committee (FOMC) began adjusting the target range in September 2024. While moderating inflation has given the Federal Reserve room to ease monetary policy, strong job growth and a recent increase in core CPI inflation have reduced the urgency for further cuts. Lower rates will be welcomed by prospective homebuyers, many of whom were priced out of the housing market due to previously high borrowing costs. Additionally, rate cuts should relieve pressure on other interest-sensitive sectors, providing a boost to the broader economy, and greater stability in the job market. The Federal Reserve is expected to pause additional rate reductions in the first half of 2025 to assess the economic impact of federal policy changes.

Based on insights from sources such as S&P Global and Moody's, we expect the recent strength in economic growth to be carried over to the first half of calendar 2025. However, growth is expected to moderate in the second half of 2025 and in 2026 due to policy uncertainties and high interest rates. The GDP projections, along with forecasts for other economic activities in the nation and the District of Columbia, depend on a combination of factors, including key economic indicators, global market trends, geopolitical events, and changes in monetary and fiscal policy. The inherent uncertainties and complexities influencing current economic dynamics make it crucial to monitor these factors closely to gain a comprehensive understanding of the evolving economic landscape.

District Economy

While the District's economy continues to recover from the pandemic-induced recession of 2020, it has consistently underperformed the national economy across most indicators. The District remains below pre-pandemic employment levels, with approximately 26,600 fewer jobs recorded in the fourth quarter of 2024 compared to early 2020 (Q1 2020). Among major industries, only the

Professional and Management sector and the District of Columbia government had surpassed their early 2020 employment levels by the fourth quarter of 2024.

Employment growth in the District has accelerated this year. From the fourth quarter of 2023 to the fourth quarter of 2024, total employment in the District increased by 11,200 jobs (1.4 percent year-over-year), surpassing both the District's historical average and the national growth rate of 1.2 percent.

The professional and management sector led job gains, adding 5,261 positions over the year. The Leisure and Hospitality sector, which suffered severe job losses during the pandemic—shedding 60 percent of its workforce in the second quarter of 2020—has rebounded to 97 percent of pre-pandemic levels. Additionally, the Other Services sector, which includes nonprofit organizations, recorded a strong gain of 3,433 jobs.

Other sectors, including trade, transportation and utilities, education and health, and the District government experienced modest job growth. In contrast, employment in the federal government, information and financial services, and business services sectors, along with other private industries, saw slight declines.

The District's unemployment rate averaged 5.6 percent in the fourth quarter of 2024. Although still near historically low levels, it increased from 4.9 percent in the same quarter of the previous year, and has been rising for the past two years. This trend suggests that the District's labor market is struggling to absorb the new residents it continues to attract.

In the third quarter of 2024, the District's real gross state product (GSP) reached \$149.5 billion, growing 2 percent from the second quarter. The economy is driven primarily by five key sectors—Government (including Federal and D.C.) at 30 percent, Professional, Management and Business Services at 22 percent, Finance and Real Estate Services at 13 percent, Information Services at 9 percent, and Other Services at 6 percent—which together account for 80 percent of the District's GSP. Growth in the third quarter was largely concentrated in just two sectors: professional, management and business services and information services, which accounted for 80 percent of the expansion.

Personal income in the District grew by 5.1 percent in the third quarter of 2024, slightly trailing the national increase of 5.2 percent during the same period. Per capita personal income in the District has consistently exceeded that of all 50 states. In 2023, it reached \$106,816, compared to the national average of \$69,810, according to the U.S. Bureau of Economic Analysis. The District serves as a hub for high-paying jobs, driven largely by the substantial presence of the federal government, which offers salaries well above the national average. In the third quarter of 2024, the federal government accounted for 27.6 percent of all wages in the District. Additionally, proximity to federal agencies attracts private contractors that provide competitive wages to skilled professionals. Despite its high-income sectors, the District also has a significant lower-income population, with 14 percent of residents living below the poverty line in 2023.

D.C. Recent History

	2023q3	2023q4	2024q1	2024q2	2024q3
Real GDP (% change from prior year.)	1.3	2.1	1.6	0.6	1.8
Nominal GDP (% change from prior year)	6.7	6.9	6.1	4.9	5.6
Nominal Personal Income (% change from prior year)	6.4	6.3	5.6	4.8	5.1
Wages in D.C. (% change from prior year)	4.9	5.9	6.2	4.5	5.0
D.C. Resident Wages (% change from prior year)	6.4	7.3	6.6	5.1	5.1
Employment in D.C. (% change from prior year)	0.5	0.7	0.5	0.4	0.7
D.C. Resident Employment (% change from prior year)	1.7	3.0	2.9	2.4	1.0
Unemployment rate (%)	4.8	4.9	5.1	5.3	5.6
Washington area CPI (% change from prior year)	4.3	3.8	3.9	3.0	2.7

Source: BEA; BLS; ORA

By the third quarter of 2024, total income in the District had risen by 31.2 percent since the first quarter of 2020, while prices increased by 20.7 percent over the same period, resulting in real income growth of 10.5 percent for District residents. Although personal income growth in the District lagged the national average during the pandemic years, it experienced a strong rebound in 2022–2023. As a result, by the third quarter of 2024, the District's personal income had nearly returned to pace with the national trend.

Tourism is a vital component of the District's economy, employing approximately 10 percent of the city's workforce. According to Destination DC, the city welcomed nearly 26 million visitors in the past year, including 24 million domestic and 1.95 million international travelers. Strong demand from both consumers and businesses has driven a surge in activity at the region's major airports—Ronald Reagan Washington National, Washington Dulles International, and Baltimore/Washington International—with airport traffic increasing by 7 percent in the 12 months ending September 2024 compared to the previous year. The hospitality sector has also seen gains, with 3.2 percent more hotel-room-days sold in the fourth quarter of 2024 than a year ago, while the average room rate rose by 4.6 percent. Additionally, weekend rail ridership on WMATA in 2024 surpassed pre-pandemic levels, marking an 11 percent increase from 2023.

Higher mortgage interest rates have slowed existing home sales both nationally and regionally from their post-pandemic highs. In the District, the number of active housing units for sale remains exceptionally low, with closed sales of existing homes in 2024 totaling approximately 6,900 units, the lowest level in over a decade. Housing starts have also declined sharply, falling to an annual rate of 1,426 units in the fourth quarter. Although this represents a slight rebound from the decade-low of 972 units in the third quarter, it is still below the 2,131 units recorded in the same period of 2023. This slowdown has had a broad economic impact, reducing revenue in real estate and construction-related sectors, and likely contributing to the region's tight labor market, further limiting economic expansion.

Highlighting a positive trend, the District's civilian labor force and resident employment surpassed their pre-pandemic peak in the first quarter of 2024. After experiencing a significant population decline in 2020, the District has recorded three consecutive years of population growth, reversing the losses seen during the COVID-19 pandemic. In December 2024, the U.S. Census Bureau released updated estimates showing that the District's population grew from 687,324 to 702,250

between July 2023 and July 2024, a net increase of 14,926 residents. The majority of this growth (12,502 individuals) was driven by international migration.

D.C. Economic Outlook

	FY 2024 (actual)	FY 2025 (est.)	FY 2026 (est.)	FY 2027 (est.)	FY 2028 (est.)	FY 2029 (est.)
Real GDP (% change)	1.5	0.9	-1.9	0.8	1.5	1.7
Nominal GDP (% change)	5.9	4.0	1.1	3.2	3.7	3.9
Nominal Personal Income (% change)	5.4	3.3	0.4	3.6	3.8	3.8
Wages in D.C. (% change)	5.4	4.0	1.6	3.1	3.4	3.5
D.C. Resident Wages (% change)	6.0	4.0	0.1	2.7	2.7	2.7
Population (% change)	2.1	1.3	0.2	-0.2	0.0	0.2
Employment in D.C. (% change)	0.6	0.1	-2.6	-0.4	0.0	0.2
D.C. Resident Employment (% change)	2.3	-0.3	-0.9	-0.4	0.1	0.5
Unemployment rate (%)	5.2	5.7	6.2	6.3	6.2	6.0
Washington area CPI (% change)	3.3	3.0	3.1	2.7	1.9	2.4

Source: Office of Revenue Analysis February 2024 Outlook

Looking ahead, the District’s economy faces considerable uncertainty. The District has the most government-centered economy in the United States, a characteristic that offers both stability and challenges. Historically, the substantial presence of federal agencies helps buffer against economic fluctuations that may disrupt private-sector industries. During the early months of the pandemic, federal employment in the District expanded as the government increased its role in crisis response, hiring more staff for agencies focused on health, safety, and economic recovery.

The efforts to reduce the federal workforce are expected to have a disproportionate impact on the District’s economy. While federal jobs (excluding the U.S. Postal Service) make up just 1.4 percent of the U.S. civilian workforce, they account for close to 25 percent of total civilian employment in the District. Additionally, a significant portion of the Professional and Management Services sector depends on federal funding and contracts. As a result, widespread federal layoffs could have major ripple effects throughout the District’s economy.

We have updated our February forecast to reflect the impact of ongoing and planned federal workforce reductions on the District’s economy. Federal employment in the District is expected to drop to 150k by the end of our forecasting period, a reduction of 40,000, or 21%, compared to the previous forecast. Real GDP is now projected to grow by 0.9 percent in FY 2025, trailing the national growth rate of 2.4 percent. The District’s economy is expected to enter a mild recession in FY 2026, with GDP contracting by 1.9 percent, before beginning a gradual recovery in FY 2027 and returning to trend growth by FY 2028 and FY 2029. Employment in the District is expected to remain flat in FY 2025, decline by 2.6 percent in FY 2026, and decrease by 0.4 percent in FY 2027. Other key economic indicators have also been adjusted to reflect these latest trends.

Risks to the Forecast

The current forecast carries several notable risks. As a government-driven economy, the District relies heavily on federal jobs and related economic activity, making the new administration's policies a key factor in shaping the city's economic outlook. The uncertainty surrounding federal policies adds complexity to forecasting. While some of the administration's proposed budget and personnel cuts may be curtailed by legal challenges, the economic impact on the District will be more severe if more job cuts than assumed in the forecast are implemented.

The office real estate market poses a significant risk to the forecast, with the growing volume of vacant office space a major concern. The average vacancy rate for office buildings in the central business district reached 18.1% in the fourth quarter of 2024. A recent study by the D.C. Office of Revenue Analysis revealed that between 2020 and 2023, vacant office space increased by 8.4 million square feet, a 46.2% rise, primarily driven by the shift toward remote work. This trend is expected to persist for at least the next few years, even with the recent return-to-office order for federal employees. The assessed values of hundreds of office buildings are projected to remain depressed through 2029. A sharper-than-anticipated decline in property values could pose a risk to commercial property and deed tax revenues.

Additionally, potential WMATA service reductions to address its budget shortfall represent another risk to the forecast. Other risks include a surge in oil prices due to the escalation of regional conflicts and the prospect of a prolonged government shutdown, which could place significant strain on the economy. Previous government shutdowns disrupted the District's economy and had a range of impacts on revenue.

The prevailing risks and high degree of uncertainty make 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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Kevin Donahue, City Administrator

Lindsey Parker, Chief of Staff, Executive Office of the Mayor

Jennifer Reed, Director, Mayor's Office of Budget and Performance Management

Jennifer Budoff, Budget Director, Council of the District of Columbia

Kathy Patterson, District of Columbia Auditor

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TABLE 1: REVENUE SUMMARY TABLE

\$ in Thousands	ACTUAL	ESTIMATE			OUT YEAR PROJECTIONS		
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	
PROPERTY	3,039,519	2,962,559	2,869,971	2,923,002	2,991,302	3,094,247	
Real Property	2,916,752	2,840,877	2,751,103	2,803,929	2,870,687	2,972,995	
Personal Property	83,354	82,388	80,392	79,857	81,398	82,033	
Public Space Rental	39,413	39,294	38,477	39,216	39,217	39,218	
<i>Dedicated to other funds</i>	-52,541	-33,513	-28,399	-28,913	-24,610	-25,319	
PROPERTY (NET)	2,986,978	2,929,046	2,841,572	2,894,088	2,966,691	3,068,927	
SALES & EXCISE	2,084,378	2,131,157	2,209,560	2,282,908	2,335,999	2,388,608	
General Sales	2,001,987	2,050,696	2,127,033	2,201,667	2,254,202	2,312,104	
Alcohol	7,027	6,886	6,817	6,715	6,782	6,850	
Cigarette	9,763	8,770	8,673	8,578	8,484	8,391	
Motor Vehicle	43,823	43,282	45,884	45,163	46,097	41,179	
Motor Fuel	21,778	21,523	21,152	20,786	20,434	20,084	
<i>Dedicated to other funds</i>	-593,709	-579,313	-573,083	-563,399	-553,477	-561,132	
SALES & EXCISE(NET)	1,490,670	1,551,844	1,636,477	1,719,509	1,782,522	1,827,475	
INCOME	4,271,954	4,413,057	4,356,061	4,492,741	4,597,600	4,703,284	
Individual Income	3,138,951	3,281,725	3,258,162	3,368,786	3,473,995	3,578,790	
Corporate Franchise	932,363	935,123	922,100	954,457	951,058	958,657	
U.B. Franchise	200,640	196,210	175,798	169,498	172,547	165,837	
INCOME (NET)	4,271,954	4,413,057	4,356,061	4,492,741	4,597,600	4,703,284	
GROSS RECEIPTS	421,622	570,483	628,500	634,221	639,548	648,099	
Public Utilities	122,724	124,702	124,559	123,993	123,428	124,415	
Toll Telecommunications	35,869	35,347	34,347	33,506	32,221	32,478	
Insurance Premiums	167,070	174,769	186,780	188,692	190,627	192,584	
Ballpark Fee	51,519	50,768	52,266	53,508	54,699	55,916	
Private sports wagering	3,795	18,734	18,884	19,035	19,188	19,341	
Games of Skill	121	135	136	138	139	140	
Health Related Taxes	40,524	166,027	211,528	215,350	219,248	223,224	
<i>Dedicated to other funds</i>	-177,002	-326,490	-385,554	-392,569	-399,752	-353,761	
GROSS RECEIPTS (NET)	244,620	243,993	242,946	241,652	239,795	294,338	
OTHER TAX	375,079	437,957	485,227	530,744	665,267	743,102	
Estate	44,965	45,087	45,606	46,132	46,665	47,204	
Deed Recordation	168,985	215,469	241,620	263,494	335,129	378,412	
Deed Transfer	147,327	157,234	177,834	200,950	263,306	297,318	
Economic Interest	13,803	20,168	20,168	20,168	20,168	20,168	
<i>Dedicated to other funds</i>	-49,888	-50,986	-52,010	-53,055	-54,029	-55,114	
OTHER TAX (NET)	325,191	386,972	433,217	477,689	611,238	687,988	
TOTAL TAX (GROSS)	10,192,552	10,515,213	10,549,320	10,863,617	11,229,717	11,577,340	
TOTAL TAX (NET)	9,319,412	9,524,911	9,510,273	9,825,680	10,197,848	10,582,013	
NONTAX	865,118	1,120,786	1,089,223	1,059,564	1,048,938	1,042,364	
Licenses & Permits	142,463	144,828	146,551	147,325	148,939	150,590	
Fines & Forfeits	232,947	310,948	304,764	298,704	292,765	286,945	
Charges for Services	73,874	70,873	72,690	72,287	74,132	73,828	
Miscellaneous	415,834	594,137	565,218	541,248	533,102	531,001	
<i>Dedicated to other funds</i>	0	0	0	0	0	0	
NONTAX (NET)	865,118	1,120,786	1,089,223	1,059,564	1,048,938	1,042,364	
LOTTERY	39,350	34,472	31,112	32,112	31,962	32,000	
<i>Dedicated to other funds</i>	0	0	0	0	0	0	
LOTTERY (NET)	39,350	34,472	31,112	32,112	31,962	32,000	
GROSS REVENUE	11,097,020	11,670,471	11,669,654	11,955,293	12,310,617	12,651,704	
LOCAL FUND REVENUE	10,223,880	10,680,169	10,630,608	10,917,356	11,278,748	11,656,377	
OTHER FUNDS	873,140	990,302	1,039,046	1,037,937	1,031,869	995,326	

TABLE 1: REVENUE SUMMARY TABLE (Continued)

% Change from Year Ago	ACTUAL		ESTIMATE		OUT YEAR PROJECTIONS		
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	
PROPERTY	2.5%	-2.5%	-3.1%	1.8%	2.3%	3.4%	
Real Property	2.7%	-2.6%	-3.2%	1.9%	2.4%	3.6%	
Personal Property	-0.7%	-1.2%	-2.4%	-0.7%	1.9%	0.8%	
Public Space Rental	-5.0%	-0.3%	-2.1%	1.9%	0.0%	0.0%	
<i>Dedicated to other funds</i>	20.1%	-36.2%	-15.3%	1.8%	-14.9%	2.9%	
PROPERTY (NET)	2.2%	-1.9%	-3.0%	1.8%	2.5%	3.4%	
SALES & EXCISE	3.6%	2.2%	3.7%	3.3%	2.3%	2.3%	
General Sales	4.2%	2.4%	3.7%	3.5%	2.4%	2.6%	
Alcohol	2.6%	-2.0%	-1.0%	-1.5%	1.0%	1.0%	
Cigarette	4.4%	-10.2%	-1.1%	-1.1%	-1.1%	-1.1%	
Motor Vehicle	-14.4%	-1.2%	6.0%	-1.6%	2.1%	-10.7%	
Motor Fuel	-3.1%	-1.2%	-1.7%	-1.7%	-1.7%	-1.7%	
<i>Dedicated to other funds</i>	4.5%	-2.4%	-1.1%	-1.7%	-1.8%	1.4%	
SALES & EXCISE(NET)	3.3%	4.1%	5.5%	5.1%	3.7%	2.5%	
INCOME	2.3%	3.3%	-1.3%	3.1%	2.3%	2.3%	
Individual Income	3.0%	4.5%	-0.7%	3.4%	3.1%	3.0%	
Corporate Franchise	2.9%	0.3%	-1.4%	3.5%	-0.4%	0.8%	
U.B. Franchise	-9.0%	-2.2%	-10.4%	-3.6%	1.8%	-3.9%	
INCOME (NET)	2.3%	3.3%	-1.3%	3.1%	2.3%	2.3%	
GROSS RECEIPTS	3.9%	35.3%	10.2%	0.9%	0.8%	1.3%	
Public Utilities	-1.1%	1.6%	-0.1%	-0.5%	-0.5%	0.8%	
Toll Telecommunications	-2.3%	-1.5%	-2.8%	-2.4%	-3.8%	0.8%	
Insurance Premiums	6.0%	4.6%	6.9%	1.0%	1.0%	1.0%	
Ballpark Fee	10.1%	-1.5%	3.0%	2.4%	2.2%	2.2%	
Private sports wagering	141.4%	393.7%	0.8%	0.8%	0.8%	0.8%	
Games of Skill	222.9%	12.2%	0.8%	0.8%	0.8%	0.8%	
Health Related Taxes	4.3%	309.7%	27.4%	1.8%	1.8%	1.8%	
<i>Dedicated to other funds</i>	7.6%	84.5%	18.1%	1.8%	1.8%	-11.5%	
GROSS RECEIPTS (NET)	1.4%	-0.3%	-0.4%	-0.5%	-0.8%	22.7%	
OTHER TAX	-13.4%	16.8%	10.8%	9.4%	25.3%	11.7%	
Estate	-52.4%	0.3%	1.2%	1.2%	1.2%	1.2%	
Deed Recordation	-13.4%	27.5%	12.1%	9.1%	27.2%	12.9%	
Deed Transfer	10.0%	6.7%	13.1%	13.0%	31.0%	12.9%	
Economic Interest	43.9%	46.1%	0.0%	0.0%	0.0%	0.0%	
<i>Dedicated to other funds</i>	-1.6%	2.2%	2.0%	2.0%	1.8%	2.0%	
OTHER TAX (NET)	-15.0%	19.0%	12.0%	10.3%	28.0%	12.6%	
TOTAL TAX (GROSS)	2.0%	3.2%	0.3%	3.0%	3.4%	3.1%	
TOTAL TAX (NET)	1.7%	2.2%	-0.2%	3.3%	3.8%	3.8%	
NONTAX	10.6%	29.6%	-2.8%	-2.7%	-1.0%	-0.6%	
Licenses & Permits	-3.1%	1.7%	1.2%	0.5%	1.1%	1.1%	
Fines & Forfeits	48.8%	33.5%	-2.0%	-2.0%	-2.0%	-2.0%	
Charges for Services	4.7%	-4.1%	2.6%	-0.6%	2.6%	-0.4%	
Miscellaneous	1.9%	42.9%	-4.9%	-4.2%	-1.5%	-0.4%	
<i>Dedicated to other funds</i>							
NONTAX (NET)	11.2%	29.6%	-2.8%	-2.7%	-1.0%	-0.6%	
LOTTERY	17.6%	-12.4%	-9.7%	3.2%	-0.5%	0.1%	
<i>Dedicated to other funds</i>							
LOTTERY (NET)	17.6%	-12.4%	-9.7%	3.2%	-0.5%	0.1%	
GROSS REVENUE	2.7%	5.2%	0.0%	2.4%	3.0%	2.8%	
LOCAL FUND REVENUE	2.5%	4.5%	-0.5%	2.7%	3.3%	3.3%	
OTHER FUNDS	5.0%	13.4%	4.9%	-0.1%	-0.6%	-3.5%	

February 2025 Revenue Estimates
February 28, 2025
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TABLE 2: DEDICATED/ENTERPRISE REVENUE

\$ in Thousands		ACTUAL		ESTIMATE		OUT YEAR PROJECTIONS		
DEDICATED TO	Tax Type	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	
TIF	Real Property	15,254	14,829	14,465	15,109	10,497	10,850	
	General Sales	29,080	29,095	30,448	31,154	29,434	30,360	
PILOT	Real Property	36,346	17,742	12,992	12,862	13,171	13,527	
	General Sales	24,330	8,871	-	-	-	-	
Walter Reed Development	Real Property	638	639	639	639	639	639	
St. Elizabeth East Campus Red. Fund	Real Property	304	304	304	304	304	304	
	General Sales	131	141	143	146	149	148	
Convention Center	General Sales	167,086	170,206	170,579	172,438	174,172	177,949	
Convention Center-DestinationDC	General Sales	32,211	33,332	33,411	19,223	7,786	7,942	
Ballpark*	General Sales	13,872	16,382	16,640	16,864	17,103	17,345	
	Public Utility	7,324	7,851	7,842	7,807	7,771	7,833	
	Toll Telecom	2,062	2,067	1,997	1,922	1,950	1,938	
	Ballpark Fee	51,519	50,768	52,266	53,508	54,699	-	
Healthy DC - Marijuana	General Sales	1,861	1,898	1,936	-	-	-	
Medical Cannabis Social Equity Fund	General Sales	-	-	-	1,975	2,014	2,055	
Healthy DC - MCO	Insurance premium	75,573	83,580	95,575	97,486	99,436	101,425	
WMATA - Operations	General Sales	75,256	75,461	75,492	76,859	77,522	79,460	
WMATA - Capital	General Sales	178,500	178,500	178,500	178,500	178,500	178,500	
Healthy Schools	General Sales	5,690	-	-	-	-	-	
ABRA	General Sales	870	-	-	-	-	-	
Comm. on Arts and Humanities	General Sales	43,044	43,905	44,783	45,454	46,363	47,290	
Highway Trust Fund	Motor Fuel	21,778	21,523	21,152	20,786	20,434	20,084	
Nursing Facility Quality of Care	Health Related	19,145	18,021	21,569	22,001	22,441	22,890	
Hospital Fund	Health Related	8,716	8,454	8,454	8,454	8,454	8,454	
Hospital Provider Fee Fund	Health Related	7,339	6,603	6,603	6,603	6,603	6,603	
Inpatient Hospital Directed Payment Pr	Health Related	-	81,164	106,225	108,349	110,516	112,727	
Outpatient Hospital Directed Payment F	Health Related	-	46,398	63,289	64,555	65,846	67,163	
ICF-IDD Stevie Sellows	Health Related	5,325	5,388	5,388	5,388	5,388	5,388	
Child Trust Fund	Sports Wager	-	16,196	16,346	16,497	16,650	19,341	
Vision Zero Enhancement Fund	Traffic Fines-ATE	-	-	-	-	-	-	
Housing Production	Deed Recordation	23,094	24,951	25,296	25,347	26,067	26,662	
Trust Fund (HPTF)	Deed Transfer	22,099	20,273	20,936	21,916	22,251	22,722	
	Economic Interest	2,070	3,025	3,025	3,025	3,025	3,025	
HPTF-Debt Service	Deed Recordation	2,253	2,257	2,260	2,260	2,257	2,262	
	Deed Transfer	-	-	-	-	-	-	
	Economic Interest	-	-	-	-	-	-	
West End Maintenance	Deed Recordation	185	239	246	254	215	222	
	Deed Transfer	185	239	246	254	215	222	
		873,140	990,302	1,039,046	1,037,937	1,031,869	995,326	

* Beging FY2029, dedications to Ballpark dedications would go to Ballpark Preservation and Improvement Fund

Supplemental Tables

TABLE 1-1 REVENUE COMPONENTS

\$ in Thousands

	ACTUAL	ESTIMATE		OUT YEAR PROJECTIONS		
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
1. REAL PROPERTY	2,916,752	2,840,877	2,751,103	2,803,929	2,870,687	2,972,995
Residential (C1)	1,202,617	1,238,030	1,255,771	1,295,384	1,335,326	1,394,013
Commercial (C2)	1,676,265	1,557,921	1,448,785	1,460,136	1,485,016	1,526,623
Vacant & Blighted	37,870	44,926	46,547	48,409	50,345	52,359
2. GENERAL SALES	2,001,987	2,050,696	2,127,033	2,201,667	2,254,202	2,312,104
General (6%)	911,239	951,878	1,025,944	1,098,054	1,145,950	1,178,086
Food and drink for immediate consum	549,305	544,962	546,068	557,484	570,537	584,801
Hotel and short term lodging (15.95%)	396,078	408,953	409,925	398,057	388,003	395,763
All others	145,365	144,904	145,097	148,072	149,712	153,454
3. INDIVIDUAL INCOME TAX	3,138,951	3,281,725	3,258,162	3,368,786	3,473,995	3,578,790
Withholding	2,846,218	2,961,322	2,941,484	3,025,827	3,119,350	3,213,688
Nonwithholding	292,732	320,402	316,679	342,959	354,646	365,102

Remark: Commercial (C2) includes hotel, retail stores and other industrial complex properties

Supplemental Tables

TABLE 1-1 REVENUE COMPONENTS (Continued)

% Change from Year Ago

	ACTUAL	ESTIMATE	OUT YEAR PROJECTIONS			
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
1. REAL PROPERTY	2.7%	-2.6%	-3.2%	1.9%	2.4%	3.6%
Residential (C1)	2.6%	2.9%	1.4%	3.2%	3.1%	4.4%
Commercial (C2)	1.9%	-7.1%	-7.0%	0.8%	1.7%	2.8%
Vacant & Blighted	65.1%	18.6%	3.6%	4.0%	4.0%	4.0%
2. GENERAL SALES	4.2%	2.4%	3.7%	3.5%	2.4%	2.6%
General (6%)	4.8%	4.5%	7.8%	7.0%	4.4%	2.8%
Food and drink for immediate consu	-0.8%	-0.8%	0.2%	2.1%	2.3%	2.5%
Hotel and short term lodging (15.95%)	13.1%	3.3%	0.2%	-2.9%	-2.5%	2.0%
All others	-1.8%	-0.3%	0.1%	2.1%	1.1%	2.5%
3. INDIVIDUAL INCOME TAX	3.0%	4.5%	-0.7%	3.4%	3.1%	3.0%
Withholding	8.2%	4.0%	-0.7%	2.9%	3.1%	3.0%
Nonwithholding	-30.1%	9.5%	-1.2%	8.3%	3.4%	2.9%

Estimated Key Economic Indicators for the DC Economy - February 2025

Forecast Period Fiscal Year 2019 to Fiscal Year 2029

Variable	Actual						Estimated		Forecast		
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Gross Domestic Product - DC (\$billions)	143.9	145.9	153.9	163.9	173.6	183.7	191.0	193.2	199.4	206.8	214.9
% change annual	3.1%	1.4%	5.5%	6.5%	5.9%	5.9%	4.0%	1.1%	3.2%	3.7%	3.9%
Real GDP-DC (2017 \$billions)	138.4	137.8	141.8	144.9	145.3	147.5	148.8	145.9	147.0	149.2	151.8
% change annual	0.9%	-0.4%	2.9%	2.2%	0.3%	1.5%	0.9%	-1.9%	0.8%	1.5%	1.7%
Personal Income (\$billions)	57.4	60.0	64.5	66.7	71.4	75.3	77.8	78.1	80.9	84.0	87.2
% change annual	2.8%	4.7%	7.4%	3.4%	7.2%	5.4%	3.3%	0.4%	3.6%	3.8%	3.8%
Real Personal Income (2017 \$billions)	50.7	52.1	53.9	51.7	53.6	55.6	56.6	56.0	56.8	57.9	59.0
% change annual	2.7%	2.8%	3.3%	-3.9%	3.6%	3.7%	1.8%	-1.1%	1.4%	1.9%	1.8%
Per capita personal income	81,083	87,942	96,544	98,608	104,166	107,607	109,778	109,930	114,106	118,509	122,728
% change annual	2.1%	8.5%	9.8%	2.1%	5.6%	3.3%	2.0%	0.1%	3.8%	3.9%	3.6%
Real per capita personal income (2017 \$)	71,670	76,359	80,656	76,539	78,202	79,479	79,858	78,845	80,133	81,676	83,012
% change annual	2.1%	6.5%	5.6%	-5.1%	2.2%	1.6%	0.5%	-1.3%	1.6%	1.9%	1.6%
Wages in DC (\$billions)	78	80	83	88	92	96	100	102	105	109	112
% change annual	3.2%	1.9%	4.3%	5.6%	4.4%	5.4%	4.0%	1.6%	3.1%	3.4%	3.5%
Wages of DC residents (\$billions)	30.3	30.9	32.3	34.9	37.1	39.4	40.9	41.0	42.1	43.2	44.4
% change annual	4.4%	2.2%	4.4%	7.9%	6.5%	6.0%	4.0%	0.1%	2.7%	2.7%	2.7%
Personal Consumption Expenditure (\$billions)	49.3	47.7	51.1	57.0	61.3	64.9	67.6	69.1	71.6	74.6	77.8
% change annual	4.3%	-3.4%	7.3%	11.5%	7.6%	5.8%	4.2%	2.2%	3.7%	4.2%	4.3%
Population (000s)	707.6	683.8	667.7	676.0	685.8	699.9	709.1	710.6	709.1	709.1	710.4
% change annual	0.7%	-3.4%	-2.3%	1.2%	1.4%	2.1%	1.3%	0.2%	-0.2%	0.0%	0.2%
Households (000s)	321.0	314.8	319.2	330.2	339.4	346.9	352.4	354.0	354.5	355.2	356.7
% change annual	1.1%	-1.9%	1.4%	3.4%	2.8%	2.2%	1.6%	0.4%	0.1%	0.2%	0.4%
Employment in DC (000s)	796.0	762.1	728.2	757.7	764.9	769.4	770.3	750.1	746.8	746.5	748.3
% change annual	0.6%	-4.3%	-4.4%	4.1%	0.9%	0.6%	0.1%	-2.6%	-0.4%	0.0%	0.2%
Employment of DC residents (000s)	376.4	363.9	349.6	366.8	375.6	384.4	383.2	379.8	378.3	378.6	380.4
% change annual	1.0%	-3.3%	-3.9%	4.9%	2.4%	2.3%	-0.3%	-0.9%	-0.4%	0.1%	0.5%
Civilian labor force (000s)	398.8	392.1	376.9	386.8	394.5	405.7	404.7	399.2	396.7	396.4	397.5
% change annual	0.8%	-1.7%	-3.9%	2.6%	2.0%	2.8%	-0.2%	-1.3%	-0.6%	-0.1%	0.3%
Unemployment rate	5.6	7.2	7.3	5.2	4.8	5.2	5.7	6.2	6.3	6.2	6.0
Housing Starts	5,963	4,811	5,475	4,458	5,212	1,337	1,823	2,363	2,557	2,552	2,548
Home Sales (000s)	10	10	13	11	8	7	7	8	9	9	10
% change annual	-3.2%	2.1%	26.5%	-11.8%	-31.2%	-12.3%	2.7%	15.8%	13.0%	3.9%	2.9%
Avg Home Sale Price (000s)	765.9	798.2	823.1	821.1	781.7	785.1	787.0	802.8	828.3	859.8	895.2
% change annual	1.7%	4.2%	3.1%	-0.2%	-4.8%	0.4%	0.2%	2.0%	3.2%	3.8%	4.1%
Multifamily residential average rent per unit (\$)	2,180	2,183	2,176	2,294	2,345	2,393	2,476	2,588	2,678	2,762	2,842
% change annual	2.7%	0.2%	-0.3%	5.4%	2.2%	2.1%	3.5%	4.5%	3.5%	3.1%	2.9%
CBD office Vacancy rate	11.0%	11.9%	14.0%	15.4%	16.8%	18.0%	18.6%	19.7%	20.2%	20.6%	20.8%
SP 500 Stock Index	14.7%	15.2%	29.4%	-16.3%	16.1%	32.2%	-3.4%	-4.6%	-4.1%	-3.4%	-2.9%
US 10 Year Treasury	2.5	1.1	1.3	2.4	3.8	4.2	4.4	4.3	4.1	4.0	4.0
Washington Area CPI: % change prior year	1.7%	1.5%	4.2%	7.3%	5.2%	3.3%	3.0%	3.1%	2.7%	1.9%	2.4%

Note: Estimated by the D.C. Office of Revenue Analysis based on forecasts of the D.C. and national economies prepared by S&P Global Market Intelligence (Aug. 2024); Moodys Analytics (Aug. 2024); BLS labor market information from Aug. 2024; the Census Bureau estimates of DC population (July 2023); BEA estimates of DC personal income (2024q1) and CoStar D.C. property market data (Q2 2024).