



District of Columbia

Revised Revenue Estimate December 2011

December 21, 2011



District of Columbia

Summary of December 2011 Revenue Estimate

Local Source, General Fund Revenue Estimate (\$ millions)	Actual*	Estimate		Projected	
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
September 2011 Forecast		5,627.9	5,773.8	5,948.3	6,134.1
Change from prior forecast		<u>42.2</u>	<u>(46.4)</u>	<u>(92.1)</u>	<u>(129.8)</u>
December 2011 Revenue Estimate	5,321.7	5,670.1	5,727.4	5,856.2	6,004.3
<i>Percent growth over previous year</i>	<i>4.8%</i>	<i>6.5%</i>	<i>1.0%</i>	<i>2.2%</i>	<i>2.5%</i>

* preliminary



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SUMMARY OF CHANGES – FISCAL YEAR 2012

(\$millions) Revenue Source	Estimate for FY 2012		Variance	
	Sept 2011	Dec 2011	Amount	Percent
Property	2,212.2	2,212.2	0.0	0.0%
Property (net of TIF/PILOT)	1,919.0	1,919.0	0.0	0.0%
Deed taxes (net of transfers to Housing Production Trust) & Estate	293.2	293.2	0.0	0.0%
Income	1,782.2	1,813.4	31.2	1.8%
Individual Income	1,391.9	1,416.9	25.0	1.8%
<i>Withholding</i>	1,262.4	1,270.0	7.6	0.6%
<i>Nonwithholding</i>	129.5	146.9	17.4	13.4%
Business Income (corp. franchise and UB tax)	390.3	396.5	6.2	1.6%
Sales, excise and gross receipts	1,150.8	1,161.6	10.8	0.9%
Sales (net of convention center transfer, TIF, parking tax transfer to DDOT, ballpark sales tax) and Excise	899.8	910.7	11.0	1.2%
Gross receipts (net of transfers)	251.1	250.9	(0.2)	-0.1%
Non-tax and Lottery	482.7	482.9	0.2	0.0%
Non-tax	414.0	420.4	6.4	1.5%
Lottery	68.7	62.5	(6.2)	-9.0%
Total	5,627.9	5,670.1	42.2	0.7%



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SUMMARY OF CHANGES – FISCAL YEAR 2013

(\$millions) Revenue Source	Estimate for FY 2013		Variance	
	Sept 2011	Dec 2011	Amount	Percent
Property	2,308.8	2,308.5	(0.2)	0.0%
Property (net of TIF/PILOT)	2,001.7	2,001.5	(0.2)	0.0%
Deed taxes (net of transfers to Housing Production Trust) & Estate	307.0	307.0	-	0.0%
Income	1,817.0	1,810.3	(6.7)	-0.4%
Individual Income	1,413.8	1,398.7	(15.1)	-1.1%
<i>Withholding</i>	1,305.9	1,331.6	25.6	2.0%
<i>Nonwithholding</i>	107.9	67.2	(40.7)	-37.7%
Business Income (corp. franchise and UB tax)	403.2	411.6	8.4	2.1%
Sales, excise and gross receipts	1,195.0	1,149.1	(45.9)	-3.8%
Sales (net of convention center transfer, TIF, parking tax transfer to DDOT, ballpark sales tax) and Excise	943.7	897.6	(46.1)	-4.9%
Gross receipts (net of transfers)	251.3	251.5	0.2	0.1%
Non-tax and Lottery	453.0	459.5	6.5	1.4%
Non-tax	383.6	394.8	11.2	2.9%
Lottery	69.4	64.7	(4.7)	-6.8%
Total	5,773.8	5,727.4	(46.4)	-0.8%



District of Columbia

Impact of federal sequestration on DC economy and revenue

Federal government is a key driver of the DC economy

- There are about 210,000 federal civilian employees in DC, accounting for about 29% of all wage and salary employment in DC and 35% of the wages and salaries paid in the city.
- An estimated 45,000 DC residents are employed by the federal government, representing about 15% of all employed DC residents.
- In FY 2010 the Federal government spent a total of \$62 billion in DC in salaries and wages, procurement, grants, retirement and other benefits, and other direct payments, about 60% of DC's gross state product. In comparison, federal spending is about 33% of gross state product in MD and 32% in VA.

Given the District's exposure to federal spending and employment, its economy and revenue will be seriously impacted by federal sequestration

- According to an analysis by the Bipartisan Policy Center, the sequester provision, should it be implemented in its current form, would result in an 8.5% reduction in federal defense and non-defense discretionary spending.
- The decrease in federal employment will affect income tax withholding and sales taxes almost immediately. In FY 2014, the cuts in procurement will affect corporate income and deed taxes.
- **Under this scenario federal sequestration would reduce the District's revenue by an estimated \$47 million in FY 2013, \$86 million in FY 2014 and \$93 million in FY 2015.**



FY 2013 Budget Outlook

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Sequestration (cont'd)

- Based on preliminary analysis of the exemptions as currently written, using FY 2010 (non-ARRA) grants data, this means a reduction of \$42 million to \$55 million in the District's federal grants, which totaled over \$2 billion. See table below.

<i>(\$ in millions)</i>		
Total District Grants	100%	\$2,285
Less: Medicaid		\$1,321
Less: Other exempt programs (such as TANF, Highway Construction, SCHIPS)		\$ 358
	73%	<u>\$1,679</u>
Equals: Total subject to sequestration	27%	\$606
7% of total subject to sequestration		\$42
9% of total subject to sequestration		\$55
Notes: Data is based on expenditures, not award amounts. Excludes Unemployment Insurance, which is not part of the General Fund. Assumes full year – the FY 2013 effect might be only 75 percent: \$41M		



District of Columbia

Current State of the District's Economy

OVERVIEW: The District's economy now appears to be caught between slowing on the federal side and very modest growth in the US economy.

Labor Markets and Personal Income

- In November there was marginal improvement in the District's labor market.
- The District's unemployment rate for November fell from 11.0 percent last month to 10.6 percent, but resident employment is still 0.3 percent lower than a year ago.

Commercial Office Market

- In the quarter ending September, occupied office space rose by 1.6% from the prior year. At the same time, the commercial office vacancy rate rose to 8.7% (including sublet), still well below the metropolitan area average of 12.1%.

Housing

- Growth in housing has slowed in recent months.
- Single family sales for the 3-month period ending November 2011 were down 12.7% from a year ago, and the average selling price was 7.1% lower.
- Condominium sales were down 0.2%, with average prices 2.3% lower.

Hospitality Industry

- Growth in the hospitality sector has been flat.
- For the 3-month period ending October, the average room-rate for hotels was 1.0% higher than for the same period a year earlier.
- For October, the number of hotel room-days sold was down 0.7% from a year earlier and revenues from room sales were up 0.3%.