



District of Columbia

Revised Revenue Estimate February 2012

February 29, 2012



District of Columbia

Summary of February 2012 Revenue Estimate

Local Source, General Fund Revenue Estimate (\$ millions)	Actual	Estimate		Projected		
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
December 2011 Forecast		5,670.1	5,727.4	5,856.2	6,004.3	
Revisions to estimate		34.8	13.1	(14.1)	(19.4)	
Additional revenue from lower impact of federal sequestration*			22.6	24.9	22.2	
Total change to the estimate		34.8	35.7	10.8	2.8	
February 2012 Revenue Estimate	5,390.9	5,704.9	5,763.0	5,867.0	6,007.1	6,164.7
<i>Percent growth over previous year</i>	<i>6.2%</i>	<i>5.8%</i>	<i>1.0%</i>	<i>1.8%</i>	<i>2.4%</i>	<i>2.6%</i>

* The December 2011 forecast included an estimate of the impact of federal sequestration on the District. The estimate has been updated to be consistent with the latest Congressional Budget Office's (CBO) estimate. The additional revenue is the difference between the updated estimate and the December estimate. (see table on slide 4).



District of Columbia

A high degree of uncertainty clouds the future course of the economy

- The threat of federal cutbacks poses the greatest risk to the District's economic and fiscal outlook.
- The federal sequestration, if implemented in its current form, would have a severe impact on the District's economy and finances.
- Other risks to the District's economy include:
 - Financial ripple effects from the ongoing European debt crisis
 - Possible disruptions to oil supplies from the Middle East
 - Downturn in the still fragile national economy



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.

Updated estimate of the impact of federal sequestration

- In December we estimated that the federal sequestration would reduce federal spending by 8.5 percent. The latest CBO report, however, estimates that the reduction in federal outlays would be about 6.5 percent. The following table shows the change in the impact of federal sequestration on the revenue:

Federal Sequestration (\$ millions)	FY 2013	FY 2014	FY 2015
Dec 2011 Estimate	(46.7)	(86.1)	(93.5)
Feb 2012 Estimate	(24.1)	(61.2)	(71.3)
Change from December	22.6	24.9	22.2



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 December, there was marginal improvement in the District's labor market.
- The District's unemployment rate for December fell from 10.6 percent in November to 10.4 percent and resident employment was 0.6 percent higher than a year ago.

Housing

- Growth in housing has slowed in recent months.
- Single family sales for the 3-month period ending December 2011 were down 14.3% from a year ago, and the average selling price was 6.3% lower.
- Condominium sales were up 3.5%, with average prices 2.5% lower.

Commercial Office Market

- In the quarter ending December, occupied office space rose by 1.0% from the prior year. The commercial office vacancy rate fell to 8.4% (including sublet), still well below the metropolitan area average of 12.1%.
- An additional 3.1 million square feet are expected to be added to inventory over the next two years, but the District's vacancy rate will be 8.9 percent.

Hospitality Industry

- Growth in the hospitality sector has been flat.
- For the 3-month period ending December, the average room-rate for hotels declined 1.2% from a year earlier.
- For December, the number of hotel room-days sold was up 7% from a year earlier and revenues from room sales were up 5.7%.



District of Columbia

SUMMARY OF CHANGES – FISCAL YEAR 2012

(\$millions) Revenue Source	Estimate for FY 2012		Variance	
	Dec 2011	Feb 2012	Amount	Percent
Property	2,212.2	2,209.2	(3.0)	-0.1%
Property (net of TIF/PILOT)	1,919.0	1,891.0	(28.0)	-1.5%
Deed taxes (net of transfers to Housing Production Trust) & Estate	293.2	318.2	25.0	8.5%
Income	1,813.4	1,834.4	20.9	1.2%
Individual Income	1,416.9	1,446.4	29.5	2.1%
<i>Withholding</i>	1,270.0	1,303.6	33.6	2.6%
<i>Nonwithholding</i>	146.9	142.8	(4.0)	-2.8%
Business Income (corp. franchise and UB tax)	396.5	387.9	(8.6)	-2.2%
Sales, excise and gross receipts	1,161.6	1,175.3	13.7	1.2%
Sales (net of convention center transfer, TIF, parking tax transfer to DDOT, ballpark sales tax) and Excise	910.7	925.6	14.9	1.6%
Gross receipts (net of transfers)	250.9	249.6	(1.3)	-0.5%
Non-tax and Lottery	482.9	486.1	3.2	0.7%
Non-tax	420.4	423.7	3.3	0.8%
Lottery	62.5	62.4	(0.1)	-0.2%
Total	5,670.1	5,704.9	34.8	0.6%



District of Columbia

SUMMARY OF CHANGES – FISCAL YEAR 2013

(\$millions) Revenue Source	Estimate for FY 2013		Variance	
	Dec 2011	Feb 2012	Amount	Percent
Property	2,308.5	2,315.3	6.7	0.3%
Property (net of TIF/PILOT)	2,001.5	2,003.2	1.7	0.1%
Deed taxes (net of transfers to Housing Production Trust) & Estate	307.0	312.0	5.0	1.6%
Income	1,810.3	1,806.3	(4.0)	-0.2%
Individual Income	1,398.7	1,406.2	7.4	0.5%
<i>Withholding</i>	1,331.6	1,336.3	4.7	0.4%
<i>Nonwithholding</i>	67.2	69.9	2.7	4.0%
Business Income (corp. franchise and UB tax)	411.6	400.1	(11.5)	-2.8%
Sales, excise and gross receipts	1,149.1	1,186.2	37.2	3.2%
Sales (net of convention center transfer, TIF, parking tax transfer to DDOT, ballpark sales tax) and Excise	897.6	935.9	38.3	4.3%
Gross receipts (net of transfers)	251.5	250.3	(1.1)	-0.5%
Non-tax and Lottery	459.5	455.3	(4.2)	-0.9%
Non-tax	394.8	392.1	(2.7)	-0.7%
Lottery	64.7	63.2	(1.5)	-2.4%
Total	5,727.4	5,763.0	35.7	0.6%