



District of Columbia

# Revised Revenue Estimate December 2014

December 30, 2014



District of Columbia

## Ripple effect of FY 2014 revenue shortfalls offset by population growth and stronger economy

### Revenue Estimate Highlights

- Although the revenue estimate for FY 2015 has decreased from the prior estimate, **revenue growth remains strong over the forecast period, ranging from 3.2% to 4.3%, and more than making up for the FY 2015 reduction by FY 2018.**
- Preliminary revenue for FY 2014 shows shortfalls in revenue from both business- and capital gains-related individual income taxes, similar to other parts of the country, and delayed implementation of automated traffic enforcement initiatives.
- In FY 2014, these losses were mostly offset by greater than anticipated gains in deed taxes and wage-related income taxes and one-time revenues.
- Some of the FY 2014 revenue shortfall will ripple through to FY 2015 and the out years of the financial plan.
- Strong economic and revenue growth eliminates these revenue shortfalls by FY 2018.



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## Summary of December 2014 Revenue Estimate

### December 2014 Revenue Estimate Compared to Previous Estimate

	<u>Preliminary</u>	<u>Estimate</u>	<u>Projected</u>		
<b>Local Source, General Fund Revenue Estimate (\$ million)</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
September 2014 Estimate*	6,334.1	6,660.9	6,869.3	7,091.0	7,311.3
December Revision to Estimate	(25.4)	(83.4)	(39.5)	(43.7)	21.4
<b>December 2014 Preliminary</b>	<b>6,308.6</b>	<b>6,577.6</b>	<b>6,829.8</b>	<b>7,047.3</b>	<b>7,332.7</b>
<i>Percent change from previous year</i>	<i>1.7%</i>	<i>4.3%</i>	<i>3.8%</i>	<i>3.2%</i>	<i>4.1%</i>

\*September 2014 estimate is the same as the February 2014 estimate adjusted for tax code changes.



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## PRELIMINARY FISCAL YEAR 2014 REVENUE

Revenue Source	Estimate for FY 2014 (\$M)		Variance	
	Sep-14	Dec-14	Amount (\$M)	Percent
<b>Property</b>	<b>2,378.7</b>	<b>2,433.0</b>	<b>54.3</b>	<b>2.3%</b>
Property (net of TIF/PILOT)	2,061.4	2,062.7	1.3	0.1%
Deed taxes (net of transfers to Housing Production Trust) & Estate	317.3	370.3	53.0	16.7%
<b>Income</b>	<b>2,196.1</b>	<b>2,094.8</b>	<b>(101.3)</b>	<b>-4.6%</b>
Individual Income	1,721.2	1,679.2	-42.0	-2.4%
<i>Withholding</i>	1444.5	1483.6	39.1	2.7%
<i>Nonwithholding</i>	269.6	195.6	-74.0	-27.4%
Business Income (corp. franchise and UB tax)	474.9	415.6	-59.3	-12.5%
<b>Sales, excise and gross receipts</b>	<b>1,302.4</b>	<b>1,296.0</b>	<b>(6.4)</b>	<b>-0.5%</b>
Sales (net of convention center transfer, TIF, parking tax transfer to DDOT, ballpark sales tax) and Excise	1,054.1	1,046.1	-8.0	-0.8%
Gross receipts ( net of transfers)	248.3	249.9	1.6	0.6%
<b>Non-tax and Lottery</b>	<b>456.9</b>	<b>484.9</b>	<b>28.0</b>	<b>6.1%</b>
Fines and Forfeitures	175.0	136.8	-38.2	-21.8%
Other Non-Tax	221.8	293.1	71.4	32.2%
Lottery	60.2	55.0	-5.2	-8.7%
<b>Total</b>	<b>6,334.1</b>	<b>6,308.6</b>	<b>(25.4)</b>	<b>-0.4%</b>



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## SUMMARY OF CHANGES – FISCAL YEAR 2015

Revenue Source	Estimate for FY 2015 (\$M)		Variance	
	Sep-14	Dec-14	Amount (\$M)	Percent
<b>Property</b>	<b>2,544.8</b>	<b>2,610.6</b>	<b>65.8</b>	<b>2.6%</b>
Property (net of TIF/PILOT)	2,221.3	2,236.9	15.7	0.7%
Deed taxes (net of transfers to Housing Production Trust) & Estate	323.5	373.7	50.2	15.5%
<b>Income</b>	<b>2,234.0</b>	<b>2,146.8</b>	<b>(87.2)</b>	<b>-3.8%</b>
Individual Income	1,744.2	1,725.0	-19.1	-1.1%
<i>Withholding</i>	1455.5	1502.4	47.0	3.1%
<i>Nonwithholding</i>	288.7	222.6	-66.1	-22.9%
Business Income (corp. franchise and UB tax)	489.9	421.8	-68.1	-13.8%
<b>Sales, excise and gross receipts</b>	<b>1,363.1</b>	<b>1,352.9</b>	<b>(10.2)</b>	<b>-0.8%</b>
Sales (net of convention center transfer, TIF, parking tax transfer to DDOT, ballpark sales tax) and Excise	1,109.7	1,107.8	-1.9	-0.2%
Gross receipts ( net of transfers)	253.4	245.1	(8.3)	-3.3%
<b>Non-tax and Lottery</b>	<b>519.0</b>	<b>467.3</b>	<b>(51.7)</b>	<b>-10.0%</b>
Fines and Forfeitures	226.3	148.1	-78.2	-34.6%
Other Non-Tax	226.6	264.2	37.4	16.5%
Lottery	66.0	55.0	-11.0	-16.7%
<b>Total</b>	<b>6,660.9</b>	<b>6,577.6</b>	<b>(83.4)</b>	<b>-1.2%</b>



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## SUMMARY OF CHANGES – FISCAL YEAR 2016

Revenue Source	Estimate for FY 2016 (\$M)		Variance	
	Sep-14	Dec-14	Amount (\$M)	Percent
<b>Property</b>	<b>2,636.5</b>	<b>2,714.7</b>	<b>78.2</b>	<b>3.0%</b>
Property (net of TIF/PILOT)	2,303.1	2,335.7	32.6	1.4%
Deed taxes (net of transfers to Housing Production Trust) & Estate	333.4	379.0	45.6	13.7%
<b>Income</b>	<b>2,310.1</b>	<b>2,235.7</b>	<b>(74.5)</b>	<b>-3.2%</b>
Individual Income	1,807.5	1,801.3	-6.2	-0.3%
<i>Withholding</i>	1504.6	1565.0	60.5	3.9%
<i>Nonwithholding</i>	302.9	236.3	-66.7	-22.0%
Business Income (corp. franchise and UB tax)	502.6	434.4	-68.3	-13.4%
<b>Sales, excise and gross receipts</b>	<b>1,413.7</b>	<b>1,406.5</b>	<b>(7.2)</b>	<b>-0.5%</b>
Sales (net of convention center transfer, TIF, parking tax transfer to DDOT, ballpark sales tax) and Excise	1,154.5	1,155.9	1.4	0.1%
Gross receipts ( net of transfers)	259.2	250.6	(8.6)	-3.3%
<b>Non-tax and Lottery</b>	<b>509.0</b>	<b>473.0</b>	<b>(36.1)</b>	<b>-7.1%</b>
Fines and Forfeitures	215.7	150.6	-65.2	-30.2%
Other Non-tax	226.3	259.9	33.6	14.8%
Lottery	67.0	62.5	-4.5	-6.7%
<b>Total</b>	<b>6,869.3</b>	<b>6,829.8</b>	<b>(39.5)</b>	<b>-0.6%</b>



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## Growing population, improving economy, and fairly strong employment gains drive revenue growth

### Economic Assumptions

- Population growth continues at a slightly slower pace (19,400—3.0 percent--over the two fiscal years 2015 and 2016); resident employment grows by 2.8 percent over that time.
- D.C. Personal Income picks up from 2.7 percent growth in FY 2014 to 4.4 percent in FY 2015, and 4.8 percent in FY 2016.
- Job growth picks up from 0.7 percent in FY 2014 to 1.1 percent in FY 2015, and 0.9 percent in FY 2016. Professional and business services and hospitality are the leading sectors.