**GOVERNMENT OF THE DISTRICT OF COLUMBIA**
OFFICE OF THE CHIEF FINANCIAL OFFICER

**Jeffrey S. DeWitt**
Chief Financial Officer

February 28, 2019

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: <u>February 2019 Revenue Estimates</u>**

Dear Mayor Bowser and Chairman Mendelson:

This letter certifies revenue estimates for the FY 2019 - 2023 District of Columbia Budget and Financial Plan. The local fund estimate for FY 2019 is $7.8 billion, $41.4 million lower than estimated in December 2018. The estimated $47.4 million in lost revenue from the five-week federal government shutdown is only slightly offset by about $6 million in higher collections. The higher collections reflect higher revenue from deed taxes, interest income, and unclaimed property over lower revenue from property, income, and sales taxes. For FY 2020, the local fund revenue will be $8.1 billion, $25 million higher than the previous estimate. This increase is comprised of $16 million in higher revenue from legislative changes and a net increase of $9 million from higher deed taxes, interest income, and unclaimed property, which offset lower property, income, and sales taxes.

Overall, revenue growth remains healthy, but revenue before additions from legislative changes was unchanged or lower due to slightly slower growth in population, employment, and income since the last estimate. Federal cutbacks are still a drag on the local and regional economies, but this is largely offset by the anticipated arrival of Amazon and its plan to add at least 25,000 jobs to the regional economy over the next ten years. The benefit of Amazon exceeds the slower growth in the revision except for in FY 2022 where the reduction in growth exceeds the impact of Amazon by $20.4 million. Local fund revenue growth in FY 2019 is expected to be only 0.3 percent relative to FY 2018, which is a sharp reduction from the FY 2018 growth of 3.7 percent. FY 2018 growth was high due to the stimulus effect of the Tax Cuts and Jobs Act on the local economy. FY 2019 growth will be lower because of lost revenue from the federal shutdown and because FY 2019 will be the first year when sales tax revenue is dedicated to WMATA. The revenue dedicated to WMATA is a net loss to the District's local fund because not all the dedicated revenue is offset by other tax and fee increases. Revenue growth rebounds to 4 percent in FY 2020 and just exceeds 3 percent for FY 2021 to FY 2023.

**February 2019 Revenue Estimate Compared to Prior Estimate**

| | Actual | Preliminary | Estimated | | Projected | |
|---|---|---|---|---|---|---|
| **Local Source, General Fund Revenue Estimate ($M)** | **FY2018** | **FY2019** | **FY2020** | **FY2021** | **FY2022** | **FY2023** |
| **December 2018 Revenue estimate** | **7,757.1** | **7,820.6** | **8,064.1** | **8,330.9** | **8,608.5** | |
| *February revision to estimate* | | *6.0* | *9.0* | *0.9* | *-20.4* | |
| *Legislative and shutdown adjustments* | | *-47.4* | *16.0* | *27.3* | *29.1* | |
| **Net Adjustments** | | **-41.4** | **25.0** | **28.2** | **8.7** | |
| **February 2019 Estimate** | | **7,779.2** | **8,089.0** | **8,359.0** | **8,617.2** | **8,879.5** |
| **Revenue Change From Previous Year** | | | | | | |
| Amount | 279.0 | 22.1 | 309.8 | 270.0 | 258.2 | 262.3 |
| *Year-Over Year Percent Change* | *3.7%* | *0.3%* | *4.0%* | *3.3%* | *3.1%* | *3.0%* |

## Overview

The December revenue forecast made no change from September's estimate. In the months since September, there has been little change in the national outlook – economic growth in FY 2018 and FY 2019 to date was faster than in FY 2017 but is now slowing as stimulus from tax cuts dissipates. There have, however, been significant developments affecting the District. Since September 2018, federal data, released before the shutdown, indicates slower population growth and slower job and income growth, all suggesting that the District's economy will likely grow more slowly over the course of the financial plan than was anticipated in September. On the other hand, Amazon's announcement will have the likely effect of bringing related jobs and more residents to the District. The preliminary estimated impact of Amazon adds an additional half a percent to annual revenue growth by FY 2023. On balance, the economic outlook over the period of the financial plan is similar to that reflected in the September 2018 revenue estimate. Personal Income growth in the District remains close to the nation's growth rate and about equal to the District's 10-year average growth rate.

The biggest risk to this estimate is federal spending policy. The federal government remains the major engine of the District's economy and uncertainty in the outlook for this sector is of great concern. The recent record-length federal government shutdown reduced FY 2019 revenue by an estimated $47.4 million, or about one-half of one percent, and was a reminder that despite the diversification of the District's economy over the last several years, the federal government is still an important driver of employment and economic activity in the District. This spring or summer, the federal government will run out of temporary options for the debt ceiling, which could adversely impact federal spending.

The bipartisan budget resolution enacted in 2013 increased the FY 2018 and FY 2019 ceilings for discretionary spending. However, unless Congress takes specific action, spending caps on discretionary spending contained in the Budget Control Act of 2011 are set to return for Fiscal Year 2020. Those caps would impose a 3.1 percent reduction in all mandatory spending which would adversely affect the District's economy.

The Congressional Budget Office noted in its Budget and Economic Outlook Report for 2019 that Congress has demonstrated a willingness to change spending caps, as they did in 2013. That report presented an illustrative alternative fiscal policy in which discretionary spending increases with inflation for FY 2020 and subsequent years. We have assumed that federal spending will be more in line with this alternative policy. Possible major restructuring of federal agencies also adds uncertainty. Furthermore, although the federal tax reform legislation provided a temporary boost to economic growth, it also adds to the national debt and may eventually lead to additional efforts to control domestic spending.

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; and 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 (IHS Markit 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 consisting of external subject-matter experts. These discussions focused on general business conditions and real estate market developments in the District, and how the Congressional Budget Office, the states of Maryland and Virginia, and neighboring counties have all dealt with issues such as the impact of the recent federal tax law on the amount and timing of individual and business income tax revenues.

**Remote Sales Estimate**

The District recently enacted legislation requiring remote vendors to collect sales tax on purchases made by District residents. The legislation was passed on December 4, 2018. In February, the Office of Revenue Analysis (ORA) revisited the estimate of additional sales tax revenue attributable to remote sellers that will be used for the commercial property tax rate reduction made in October 2018. At this time, based on very limited data and research on other states' experience, there is no evidence to support a change to the original estimate. ORA will monitor sales tax data and review this estimate in February 2020 to determine if there is enough revenue to further reduce the top commercial property tax rate.

The estimated \$14.3 million remote sales tax revenue in FY 2019 is dedicated to the Commission on Arts and Humanities. From 2020, the revenue estimate reflects a reduction in the top commercial property tax rate from \$1.89 per \$100 of taxable assessed value to \$1.86 per \$100 of taxable assessed value for properties with assessed values greater than \$10 million.

**Remote Sales Tax**

| ($000s) | FY2019 | FY2020 | FY2021 | FY2022 | FY 2023 |
|---|---|---|---|---|---|
| **Remote sales tax (22-914)** | | | | | |
| Remote Sales Including Digital | 14,336 | 25,299 | 27,475 | 29,837 | 32,403 |
| Reduce commercial property tax to 1.86 for property over $10m | - | (24,705) | (25,224) | (25,754) | (26,295) |
| **Annual Impact** | **14,336** | **593** | **2,250** | **4,083** | **6,109** |
| **Distribution:** | | | | | |
| **Local Fund** | - | **593** | **2,250** | **4,083** | **6,109** |
| **Commission on Arts & Humanities** | **14,336** | | | | |

**Revenue Outlook**

*Real property*

Real property grows 4.1 percent in FY 2019 and 3.6 percent in FY 2020 following growth of 3.3 percent in FY 2018. These estimates are based on final assessments in FY 2019, which include all the appeals and supplemental assessments over the course of 2018, and preliminary assessments in FY 2020. Collections grow by 3.1 percent annually from FY 2021 through FY 2023.

*General sales*

Year-to-date gross general sales tax revenue through January was 6.7 percent higher. The strong collections reflect increases in the tax rates on October 1, 2018, to support increased WMATA funding. December holiday sales appear to have been strong both nationally and in the District, offsetting some of the dampening effect of the shutdown, which started just before Christmas. However, January sales tax activity, particularly for hotels and restaurants, was impacted and reduced collections by over $30 million.

The outlook for gross sales tax collections is for growth of 3.9 percent in FY 2019 and 7.2 percent in FY 2020, buoyed by remote sales revenue. Growth ranges from 4.2 percent to 3.8 percent from FY 2021 through FY 2023, reflecting solid wage growth.

*Excise taxes*

Cigarette tax revenue is projected to grow 17 percent in FY 2019, reflecting an increase in the cigarette tax rate, and then decline with demand over time. A new excise tax on privately-operated sports wagering facilities has been added to the forecast. Revenue from this new 10 percent tax is expected beginning September 2019.

*Income taxes*

The federal Tax Cuts and Jobs Act and stock market volatility in 2018 increase forecasting uncertainty for FY 2019 income tax revenue. Business tax filers face difficulty in filing tax returns in 2019 as the federal shutdown delayed guidance on several outstanding federal tax issues related to business taxes. This increases the likelihood of an "April surprise" when final returns are filed in April and October.

Individual income tax filers will see differences this year in the amount of their refunds at both the federal and District levels, as it is widely recognized that withholding through payroll was adjusted by few taxpayers in anticipation of the new federal and conforming District law. Year-to-date withholding collections are 3 percent higher compared to the previous year, and estimated payments are down almost 30 percent through January. The income tax revenue forecast was revised down from December to reflect slower withholding and lost wages from the federal shutdown. Growth in FY 2019 and FY 2020 are 3.4 percent and 4.5 percent, respectively, and approximately 4 percent from FY 2021 through FY 2023.

District corporate tax revenue was 12.2 percent higher in 2018 than in 2017, despite a District corporate tax rate reduction beginning in 2017. Changes in the federal tax law under the Tax Cut and Jobs Act increased taxable income at the District level in tax year 2017, generating the higher revenue in FY 2018. So far, estimated payments for tax year 2018 have been much higher, potentially due to safe-harbor provisions that require estimated payments to be based on prior-year tax liability, but we expect final returns to generate lower final payments or more refunds than normal when taxpayers file in April and October. As a result, we expect corporate franchise tax revenue to decline 8.2 percent in FY 2019 before returning to relatively normal growth. Growth in the out years is revised downward from an average of about 5 percent growth to about 2 percent to be consistent with the current economic outlook.

Unincorporated business tax collections decreased 16.2 percent in 2018 and are not expected to rebound. Like the individual and corporate taxes, unincorporated tax receipts for the April filing season will likely be a surprise, but whether it will be on the upside or the downside is difficult to determine at this time. Unincorporated taxpayers may also be investing capital gains into Opportunity Zones which will defer tax on those gains for several years, and which could also lower revenue in the current tax year and next.

*Deed taxes*

Deed taxes remain strong and are expected to continue to grow by approximately 2 percent in FY 2019, based on year-to-date collection information. However, deed taxes revenue, which is driven by major commercial property sales, is notoriously volatile. While rising interest rates could dampen demand for commercial real property, growing international uncertainty could increase demand for safe assets like commercial property. The supply of new construction, both in process and planned, supports modest continued growth.

*Nontax and lottery*

License and permit revenues are estimated to grow 34 percent in FY 2019, mostly due to the increased tax on private for-hire vehicles. The tax on the gross receipts of non-taxicab for-hire vehicles was increased from 1 percent to 6 percent, with the additional revenue going to support WMATA. Lottery revenue from FY 2020 through FY 2023 reflects the implementation of small retailer and mobile sports wagering, which is expected to start in January 2020.

**National and Regional Economies**

The national economy has continued its pattern of steady growth that has now lasted almost 10 years. Real GDP was 2.7 percent higher in the year ending September 2018 than a year earlier, and in nominal terms, GDP growth in the year ending September 2018 was 5.0 percent higher. Employment is increasing, and the unemployment rate and inflation remain low. The stock market, quite volatile over the past six months and down at the end of 2018, has risen since the beginning of 2019.

The outlook is for continued solid growth in the national economy for the next several years. In February 2019, the Blue Chip Economic Indicators consensus forecast was that national real GDP growth would rise slightly to 2.8 percent in FY 2019, up from the 2.7 percent rate of FY 2018, then fall back to 2.0 percent in FY 2020. Nominal growth is expected to be 4.9 percent in FY 2019 and 4.2 percent in FY 2020.

- The U.S. economy added 2.6 million jobs (1.8%) from December 2017 to December 2018.
- The U.S. unemployment rate (seasonally adjusted) was 3.9 percent in December 2018, down from 4.1 percent a year earlier.
- U.S. Personal Income in the year ending December 2018 was 4.4 percent above a year ago.
- The S&P 500 stock market index average for December 2018 was 11.2 percent below the level of three months earlier, and 3.6 percent below December 2017. Thus far in 2019, however, the market has gained some ground lost at the end of the year. On February 15th of this year, the market was up 9.1 percent from the last day of December.
- Employment in the Washington metropolitan area has increased during the past year. In the three-month period ending December, wage and salary jobs in the region grew by 54,700 (1.7%) compared to a year earlier. The District of Columbia accounted for only about 2 percent of the increase in area employment.
- The DC metropolitan area unemployment rate was 2.9 percent in December (not seasonally adjusted), down from 3.3 percent a year earlier.

**The District of Columbia Economy**

In recent months, job growth in the District slowed considerably. Hotel stays are about the same as last year, but room rates are down. The latest data from the U.S Bureau of the Census and the Bureau of Economic Analysis, respectively, indicates that population growth and Personal Income growth in DC was slower last year.

- In the three months ending December 2018, there were 1,067 (0.1%) more wage and salary jobs located in the District than a year earlier. (In 2017, job growth in the comparable period had been 7,800.)
- Federal government jobs in December were down by 3,533 (1.8%) from a year earlier, and private sector jobs increased by 3,233 (0.6%).
- The largest increases in private-sector jobs in December over the prior year were in finance and information. Employment declined in education, health, business services, and retail.
- District resident employment in the three months ending December 2018 increased by 4,263 (1.1%) compared to a year earlier. (In 2017, growth in resident employment in the comparable period had been 5,414.)
- The December unemployment rate was 5.5 percent (seasonally adjusted), down from 5.9 percent a year ago.
- In the three months ending December 2018, initial claims for unemployment rose 42.2 percent from a year earlier.
- Wages earned in the District grew 2.2 percent in the September 2018 quarter, compared to the prior year. DC Personal Income was 3.5 percent higher.
- Single-family home sales for the three-month period ending December 2018 were down 16.7 percent from a year ago, with the average selling price up 5.2 percent. Condominium sales were down 12.3 percent, while the average selling price was 2.6 percent higher. The value of all home sale settled contracts for the three-month period ending December 2018 was 11.5 percent less than a year ago. For the past 12 months, the value of all sales fell 1.4 percent.
- For the 12-month period ending November 2018, 4,070 housing permits were issued, down 27.1 percent from a year ago; for the 3-month total, 1,913 was 26.0 percent less than in the same period of 2017.
- According to CoStar, a real estate information firm, occupied apartment units increased by 4,859 (3.7%) in 2018. The vacancy rate fell to 6.3 percent (from 7.4 percent in 2017) and the average effective rent increased 2.3 percent.
- According to CoStar, occupied commercial office space in 2018 was up 0.8 percent from a year ago, while the vacancy rate fell slightly over the past year from 10.7 percent in the December quarter of 2017 to 10.4 percent in the December quarter of this year. Average rents were 2.9 percent higher in the December quarter than a year earlier.
- The market value of real property transfers subject to the deed transfer and economic interest taxes can be quite volatile. The value was 13.0 percent higher than a year earlier for the 12 months ending December 2018. For the last three months, the value was 37.2 percent more than a year earlier.

Hotel room-days sold for the three months ending December 2018 did not increase from the prior year, and hotel room revenues were down 4.7 percent due to decline in the average room rate.

**Outlook**

In this estimate, the slowing that appears to be developing in the District's economy is mostly offset by the spinoff benefits from the decision by Amazon to locate in Arlington, Virginia. This revenue estimate anticipates continued growth in jobs, population and income. Although the federal government still has a central role in the District's economy, the diversification of the District's economy continues. The outlook includes:

- Job growth increases of 0.5 percent in FY 2019 and 0.8 percent in FY 2020, compared to a 0.8 percent rate of increase in FY 2018. Federal employment is expected to continue falling in FY 2019, increase slightly in FY 2020 (due to short term decennial census hiring activity), and decline slightly in FY 2021.
- Population growth continues with 12,300—1.8 percent—added over the two fiscal years 2019 and 2020. This pace is slower than the 2.4 percent growth from FY 2016 to FY 2018.
- Resident employment grows by 2.3 percent over the two fiscal years 2019 and 2020, and the unemployment rate declines to 5.5 percent in FY 2020 from 5.7 percent rate that occurred in FY 2018.
- DC Personal Income growth increases by 4.3 percent in FY 2019 and 4.5 percent in FY 2020, compared to 3.6 percent in FY 2018.

**Risks and Uncertainties**

As noted previously, a major risk to the revenue forecast is federal government spending policies and their impact on the District's economy. Another risk to the forecast is that the full amount of expected population growth and increased earnings of District residents may not materialize. The exact timing and impact on the District of Amazon's decision to locate in Northern Virginia is also subject to considerable uncertainty as the implementation of this development will not begin until the end of this fiscal year.

The national economy is nearing the end of its 10$^{th}$ year of expansion and, while we are not predicting one, a recession may occur during the financial plan and adversely affect the District tax base. The Blue Chip consensus forecast put the odds of a recession at about one in four by 2019 and about one in three in 2020. The amount of the federal deficit will likely make it harder for increases in federal spending to offset some of a recession's impact on the District economy, as has happened in past recessions.

Developments outside of the local economy also create uncertainty to the forecast. The increased tension in global trade will not affect the District directly but could slow the national economy which would be felt here. Volatility in the stock market, increases in interest rates and other financial market problems, such as tightening of Federal Reserve monetary policy measures, contribute to uncertainty, along with possible disruptions arising from uncertainties around the world and potential national security events.

Past experience has shown that three of the District's most volatile revenue sources—deed taxes, corporate profits and individual capital gains—can be adversely affected quite quickly by developments in the nation's economy and capital markets. We will continue to closely watch the key economic indicators for deviations from this forecast that might impact the financial plan.

If you have any questions regarding this matter, please contact me at (202) 727-2476.

Sincerely,

Jeffrey S. DeWitt

Jeffrey S. DeWitt

*Enclosures*

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**TABLE 1: REVENUE SUMMARY TABLE**

| $ in Thousands | ACTUAL | ESTIMATE | | OUT YEAR PROJECTIONS | | |
|---|---|---|---|---|---|---|
| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
| PROPERTY | 2,659,241 | 2,803,742 | 2,878,685 | 2,970,329 | 3,061,616 | 3,156,002 |
| Real Property | 2,554,229 | 2,696,817 | 2,768,861 | 2,857,525 | 2,945,750 | 3,036,990 |
| Personal Property | 67,397 | 69,081 | 70,809 | 72,579 | 74,393 | 76,253 |
| Public Space Rental | 37,615 | 37,843 | 39,016 | 40,226 | 41,473 | 42,759 |
| *Dedicated to other funds* | *(45,343)* | *(52,765)* | *(59,099)* | *(55,903)* | *(51,590)* | *(55,414)* |
| PROPERTY (NET) | 2,613,898 | 2,750,977 | 2,819,587 | 2,914,427 | 3,010,025 | 3,100,588 |
| SALES & EXCISE | 1,597,405 | 1,661,371 | 1,775,817 | 1,846,105 | 1,911,183 | 1,980,824 |
| General Sales | 1,492,567 | 1,551,117 | 1,664,498 | 1,735,179 | 1,800,679 | 1,870,598 |
| Alcohol | 6,560 | 6,675 | 6,795 | 6,918 | 7,035 | 7,148 |
| Cigarette | 27,956 | 32,725 | 31,435 | 30,212 | 29,007 | 27,850 |
| Motor Vehicle | 44,055 | 44,540 | 45,080 | 45,600 | 46,126 | 46,657 |
| Private sports wagering | - | 130 | 1,712 | 1,883 | 2,072 | 2,279 |
| Motor Fuel | 26,268 | 26,184 | 26,298 | 26,313 | 26,265 | 26,292 |
| *Dedicated to other funds* | *(313,481)* | *(536,856)* | *(550,811)* | *(571,582)* | *(585,376)* | *(607,842)* |
| SALES & EXCISE(NET) | 1,283,924 | 1,124,514 | 1,225,007 | 1,274,523 | 1,325,807 | 1,372,982 |
| INCOME | 2,641,586 | 2,676,987 | 2,786,431 | 2,883,762 | 2,983,070 | 3,091,974 |
| Individual Income | 2,066,842 | 2,136,542 | 2,232,396 | 2,319,679 | 2,415,249 | 2,510,692 |
| Corporate Franchise | 436,526 | 400,777 | 412,694 | 421,463 | 423,853 | 435,645 |
| U.B. Franchise | 138,219 | 139,668 | 141,341 | 142,620 | 143,968 | 145,637 |
| INCOME (NET) | 2,641,586 | 2,676,987 | 2,786,431 | 2,883,762 | 2,983,070 | 3,091,974 |
| GROSS RECEIPTS | 365,129 | 368,251 | 355,330 | 356,863 | 358,815 | 360,866 |
| Public Utilities | 139,295 | 140,599 | 141,302 | 142,008 | 142,718 | 143,432 |
| Toll Telecommunications | 39,770 | 46,278 | 44,472 | 42,722 | 41,335 | 39,993 |
| Insurance Premiums | 112,836 | 113,972 | 116,144 | 118,359 | 120,619 | 122,920 |
| Ballpark Fee | 36,217 | 33,300 | 33,300 | 33,300 | 33,300 | 33,300 |
| Health Related Taxes | 37,011 | 34,102 | 20,112 | 20,473 | 20,842 | 21,221 |
| *Dedicated to other funds* | *(130,742)* | *(124,069)* | *(111,089)* | *(112,718)* | *(113,944)* | *(115,636)* |
| GROSS RECEIPTS (NET) | 234,388 | 244,182 | 244,240 | 244,145 | 244,872 | 245,230 |
| OTHER TAX | 507,976 | 503,198 | 517,134 | 538,240 | 559,021 | 576,286 |
| Estate | 35,708 | 20,473 | 20,923 | 21,799 | 22,739 | 23,686 |
| Deed Recordation | 257,570 | 264,610 | 273,164 | 284,280 | 295,201 | 304,361 |
| Deed Transfer | 200,591 | 204,008 | 208,939 | 218,053 | 226,973 | 234,131 |
| Economic Interest | 14,108 | 14,108 | 14,108 | 14,108 | 14,108 | 14,108 |
| *Dedicated to other funds* | *(70,979)* | *(71,910)* | *(72,575)* | *(75,549)* | *(78,531)* | *(80,985)* |
| OTHER TAX (NET) | 436,997 | 431,288 | 444,559 | 462,690 | 480,490 | 495,301 |
| **TOTAL TAX (GROSS)** | **7,771,338** | **8,013,549** | **8,313,397** | **8,595,300** | **8,873,706** | **9,165,952** |
| **TOTAL TAX (NET)** | **7,210,794** | **7,227,949** | **7,519,823** | **7,779,548** | **8,044,264** | **8,306,075** |
| NONTAX | 496,838 | 506,578 | 507,233 | 507,272 | 500,168 | 499,118 |
| Licenses & Permits | 98,699 | 132,989 | 132,109 | 134,868 | 134,833 | 138,117 |
| Fines & Forfeits | 164,382 | 162,877 | 164,769 | 158,943 | 153,483 | 148,385 |
| Charges for Services | 87,632 | 77,258 | 77,501 | 79,135 | 78,985 | 81,149 |
| Miscellaneous | 146,124 | 133,454 | 132,854 | 134,326 | 132,867 | 131,467 |
| NONTAX (NET) | 496,838 | 506,578 | 507,233 | 507,272 | 500,168 | 499,118 |
| LOTTERY | 49,500 | 44,710 | 61,990 | 72,221 | 72,788 | 74,355 |
| | | | | | | |
| GROSS REVENUE | 8,317,676 | 8,564,837 | 8,882,621 | 9,174,793 | 9,446,662 | 9,739,425 |
| LOCAL FUND REVENUE | 7,757,132 | 7,779,237 | 8,089,047 | 8,359,042 | 8,617,220 | 8,879,548 |
| OTHER FUNDS (See Table 2 for Details) | 560,545 | 785,600 | 793,574 | 815,752 | 829,442 | 859,877 |

**TABLE 1: REVENUE SUMMARY TABLE (Continued)**

| % Change from Year Ago | ACTUAL | ESTIMATE | | OUT YEAR PROJECTIONS | | |
|---|---|---|---|---|---|---|
| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
| PROPERTY | 3.5% | 5.4% | 2.7% | 3.2% | 3.1% | 3.1% |
| Real Property | 3.3% | 5.6% | 2.7% | 3.2% | 3.1% | 3.1% |
| Personal Property | 6.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Public Space Rental | 15.9% | 0.6% | 3.1% | 3.1% | 3.1% | 3.1% |
| *Dedicated to other funds* | *-0.5%* | *16.4%* | *12.0%* | *-5.4%* | *-7.7%* | *7.4%* |
| PROPERTY (NET) | 3.6% | 5.2% | 2.5% | 3.4% | 3.3% | 3.0% |
| SALES & EXCISE | 4.6% | 4.0% | 6.9% | 4.0% | 3.5% | 3.6% |
| General Sales | 5.2% | 3.9% | 7.3% | 4.2% | 3.8% | 3.9% |
| Alcohol | -1.2% | 1.7% | 1.8% | 1.8% | 1.7% | 1.6% |
| Cigarette | -5.3% | 17.1% | -3.9% | -3.9% | -4.0% | -4.0% |
| Motor Vehicle | -4.1% | 1.1% | 1.2% | 1.2% | 1.2% | 1.2% |
| Private sports wagering | | | | 10.0% | 10.0% | 10.0% |
| Motor Fuel | 0.6% | -0.3% | 0.4% | 0.1% | -0.2% | 0.1% |
| *Dedicated to other funds* | *6.7%* | *71.3%* | *2.6%* | *3.8%* | *2.4%* | *3.8%* |
| SALES & EXCISE(NET) | 4.1% | -12.4% | 8.9% | 4.0% | 4.0% | 3.6% |
| INCOME | 5.1% | 1.3% | 4.1% | 3.5% | 3.4% | 3.7% |
| Individual Income | 5.5% | 3.4% | 4.5% | 3.9% | 4.1% | 4.0% |
| Corporate Franchise | 12.2% | -8.2% | 3.0% | 2.1% | 0.6% | 2.8% |
| U.B. Franchise | -16.2% | 1.0% | 1.2% | 0.9% | 0.9% | 1.2% |
| INCOME (NET) | 5.1% | 1.3% | 4.1% | 3.5% | 3.4% | 3.7% |
| GROSS RECEIPTS | 0.9% | 0.9% | -3.5% | 0.4% | 0.5% | 0.6% |
| Public Utilities | 0.8% | 0.9% | 0.5% | 0.5% | 0.5% | 0.5% |
| Toll Telecommunications | -19.7% | 16.4% | -3.9% | -3.9% | -3.2% | -3.2% |
| Insurance Premiums | 4.3% | 1.0% | 1.9% | 1.9% | 1.9% | 1.9% |
| Ballpark Fee | 16.4% | -8.1% | 0.0% | 0.0% | 0.0% | 0.0% |
| Health Related Taxes | 6.4% | -7.9% | -41.0% | 1.8% | 1.8% | 1.8% |
| *Dedicated to other funds* | *6.6%* | *-5.1%* | *-10.5%* | *1.5%* | *1.1%* | *1.5%* |
| GROSS RECEIPTS (NET) | -2.0% | 4.2% | 0.0% | 0.0% | 0.3% | 0.1% |
| OTHER TAX | 1.2% | -0.9% | 2.8% | 4.1% | 3.9% | 3.1% |
| Estate | -13.4% | -42.7% | 2.2% | 4.2% | 4.3% | 4.2% |
| Deed Recordation | 2.7% | 2.7% | 3.2% | 4.1% | 3.8% | 3.1% |
| Deed Transfer | 6.3% | 1.7% | 2.4% | 4.4% | 4.1% | 3.2% |
| Economic Interest | -33.9% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| *Dedicated to other funds* | *7.7%* | *1.3%* | *0.9%* | *4.1%* | *3.9%* | *3.1%* |
| OTHER TAX (NET) | 0.2% | -1.3% | 3.1% | 4.1% | 3.8% | 3.1% |
| **TOTAL TAX (GROSS)** | 4.0% | 3.1% | 3.7% | 3.4% | 3.2% | 3.3% |
| **TOTAL TAX (NET)** | 3.8% | 0.2% | 4.0% | 3.5% | 3.4% | 3.3% |
| NONTAX | 1.9% | 2.0% | 0.1% | 0.0% | -1.4% | -0.2% |
| Licenses & Permits | 6.6% | 34.7% | -0.7% | 2.1% | 0.0% | 2.4% |
| Fines & Forfeits | -1.8% | -0.9% | 1.2% | -3.5% | -3.4% | -3.3% |
| Charges for Services | 7.7% | -11.8% | 0.3% | 2.1% | -0.2% | 2.7% |
| Miscellaneous | -0.1% | -8.7% | -0.4% | 1.1% | -1.1% | -1.1% |
| NONTAX (NET) | 1.9% | 2.0% | 0.1% | 0.0% | -1.4% | -0.2% |
| LOTTERY | 8.6% | -9.7% | 38.7% | 16.5% | 0.8% | 2.2% |
| | | | | | | |
| GROSS REVENUE | 3.9% | 3.0% | 3.7% | 3.3% | 3.0% | 3.1% |
| LOCAL FUND REVENUE | 3.7% | 0.3% | 4.0% | 3.3% | 3.1% | 3.0% |
| OTHER FUNDS (See Table 2 for Details) | 6.2% | 40.1% | 1.0% | 2.8% | 1.7% | 3.7% |

**TABLE 2: DEDICATED REVENUE**

| DEDICATED TO | Tax Type | ACTUAL | ESTIMATE | | OUT YEAR PROJECTIONS | | |
|---|---|---|---|---|---|---|---|
| | | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
| TIF | Real Property | 18,294 | 19,059 | 19,825 | 22,114 | 24,668 | 27,690 |
| | General Sales | 32,550 | 33,293 | 36,744 | 41,423 | 40,273 | 47,266 |
| PILOT | Real Property | 26,700 | 33,031 | 38,560 | 33,221 | 26,922 | 27,723 |
| | General Sales | 7,718 | 14,676 | 18,653 | 19,123 | 19,605 | 20,098 |
| Downtown TIF | Real Property | 349 | 674 | 713 | 568 | - | - |
| Convention Ctr | General Sales | 135,299 | 133,946 | 143,020 | 147,162 | 151,494 | 154,818 |
| Convention Ctr-Dest.DC | General Sales | 6,149 | 5,778 | 6,477 | 7,064 | 7,015 | 7,171 |
| Ballpark | General Sales | 20,294 | 18,100 | 18,100 | 18,100 | 18,100 | 18,100 |
| | Public Utility | 8,089 | 7,901 | 8,532 | 8,617 | 8,703 | 8,790 |
| | Toll Telecom | 2,338 | 2,443 | 2,254 | 2,499 | 2,313 | 2,565 |
| | Ballpark Fee | 36,217 | 33,300 | 33,300 | 33,300 | 33,300 | 33,300 |
| Healthy DC | Health Related | 862 | 879 | 897 | 914 | 933 | 951 |
| | Ins.premium | 47,086 | 46,323 | 46,891 | 47,829 | 48,785 | 49,761 |
| WMATA - Operations | General Sales | 78,506 | 77,225 | 84,470 | 88,362 | 91,628 | 95,941 |
| WMATA - Capital | General Sales | - | 178,500 | 178,500 | 183,855 | 189,371 | 195,052 |
| Healthy Schools | General Sales | 4,666 | 4,266 | 4,266 | 4,266 | 4,266 | 4,266 |
| ABRA | General Sales | 1,170 | 1,170 | 1,170 | 1,170 | 1,170 | 1,170 |
| Comm. on Arts and Hum. | General Sales | - | 42,711 | 30,503 | 31,947 | 33,185 | 34,438 |
| Highway Trust Fund | Motor Fuel | 26,268 | 26,184 | 26,298 | 26,313 | 26,265 | 26,292 |
| DBH-Gambling addiction | Private Sports wagering | - | 130 | 200 | 200 | 200 | 200 |
| Birth to Three | Private Sports wagering | - | - | 756 | 842 | 936 | 1,039 |
| Neighborhood Safety and Engagement | Private Sports wagering | - | - | 756 | 842 | 936 | 1,039 |
| Nursing Facility Quality of Care | Health Related | 16,800 | 15,029 | 15,035 | 15,396 | 15,765 | 16,144 |
| Hospital Fund | Health Related | 8,948 | 8,600 | - | - | - | - |
| Hospital Provider Fee Fund | Health Related | 5,511 | 5,507 | - | - | - | - |
| ICF-IDD Stevie Sellows | Health Related | 5,752 | 4,967 | 5,077 | 5,077 | 5,077 | 5,077 |
| Housing Production Trust Fund (HPTF) | Deed Recordation | 33,227 | 34,098 | 35,381 | 37,050 | 38,687 | 40,066 |
| | Deed Transfer | 27,675 | 28,356 | 29,096 | 30,464 | 31,802 | 32,877 |
| HPTF-Debt Service | Deed Recordation | 5,404 | 5,594 | 5,594 | 5,592 | 5,593 | 5,588 |
| | Deed Transfer | 2,418 | 2,245 | 2,245 | 2,244 | 2,244 | 2,242 |
| West End Maintenance | Deed Recordation | 1,152 | 809 | 130 | 100 | 103 | 106 |
| | Deed Transfer | 1,102 | 809 | 130 | 100 | 103 | 106 |

**Estimated Key Variables for the D.C. Economy for the Forecast Period**
**FY 2014 through FY 2023**

| Fiscal Years | 2014 act | 2015 act | 2016 act | 2017 act | 2018 est | 2019 est | 2020 est | 2021 est | 2022 est | 2023 est |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross State Product ($ billion) | 118.59 | 124.47 | 128.64 | 134.54 | 139.54 | 145.59 | 152.13 | 158.29 | 165.41 | 173.35 |
| | *4.0%* | *5.0%* | *3.3%* | *4.6%* | *3.7%* | *4.3%* | *4.5%* | *4.0%* | *4.5%* | *4.8%* |
| Real Gross State Product (billions $2005) | 114.26 | 116.99 | 118.82 | 121.73 | 123.77 | 125.90 | 128.32 | 129.93 | 132.02 | 134.60 |
| | *1.6%* | *2.4%* | *1.6%* | *2.5%* | *1.7%* | *1.7%* | *1.9%* | *1.3%* | *1.6%* | *2.0%* |
| Personal Income ($ billion) | 46.51 | 50.12 | 52.42 | 54.93 | 56.93 | 59.35 | 61.99 | 64.73 | 67.47 | 70.16 |
| | *5.0%* | *7.8%* | *4.6%* | *4.8%* | *3.6%* | *4.3%* | *4.5%* | *4.4%* | *4.2%* | *4.0%* |
| Real Personal Income (billions $2005) | 38.49 | 41.41 | 43.60 | 45.14 | 45.85 | 46.99 | 48.00 | 49.00 | 49.94 | 50.80 |
| | *2.6%* | *7.6%* | *5.3%* | *3.6%* | *1.6%* | *2.5%* | *2.2%* | *2.1%* | *1.9%* | *1.7%* |
| Per Capita Income ($) | 70,346 | 74,401 | 76,518 | 79,098 | 81,134 | 83,927 | 86,840 | 89,744 | 92,576 | 95,329 |
| | *3.0%* | *5.8%* | *2.8%* | *3.4%* | *2.6%* | *3.4%* | *3.5%* | *3.3%* | *3.2%* | *3.0%* |
| Real Per Capita Income ($2005) | 58,227 | 61,471 | 63,639 | 65,010 | 65,348 | 66,445 | 67,242 | 67,935 | 68,520 | 69,025 |
| | *0.6%* | *5.6%* | *3.5%* | *2.2%* | *0.5%* | *1.7%* | *1.2%* | *1.0%* | *0.9%* | *0.7%* |
| Wages earned in D.C. ($ billion) | 63.88 | 67.06 | 69.26 | 72.23 | 74.41 | 76.57 | 79.34 | 82.35 | 85.51 | 88.85 |
| | *2.9%* | *5.0%* | *3.3%* | *4.3%* | *3.0%* | *2.9%* | *3.6%* | *3.8%* | *3.8%* | *3.9%* |
| Wages earned by D.C. residents ($ billion) | 22.9 | 24.7 | 25.6 | 26.7 | 27.5 | 28.5 | 29.7 | 30.9 | 32.3 | 33.6 |
| | *5.1%* | *7.5%* | *3.8%* | *4.4%* | *3.1%* | *3.5%* | *4.1%* | *4.3%* | *4.3%* | *4.1%* |
| Population ('000) | 661.0 | 673.6 | 685.0 | 694.4 | 701.6 | 707.2 | 713.9 | 721.3 | 728.8 | 735.9 |
| | *2.0%* | *1.9%* | *1.7%* | *1.4%* | *1.0%* | *0.8%* | *0.9%* | *1.0%* | *1.0%* | *1.0%* |
| Households ('000) | 292.5 | 298.1 | 302.2 | 305.8 | 308.7 | 311.5 | 314.4 | 317.6 | 320.9 | 324.1 |
| | *2.1%* | *1.9%* | *1.4%* | *1.2%* | *1.0%* | *0.9%* | *0.9%* | *1.0%* | *1.0%* | *1.0%* |
| Civilian Labor Force ('000) | 375.9 | 386.2 | 393.3 | 399.6 | 404.7 | 408.4 | 412.2 | 416.4 | 420.6 | 424.9 |
| | *0.5%* | *2.7%* | *1.8%* | *1.6%* | *1.3%* | *0.9%* | *0.9%* | *1.0%* | *1.0%* | *1.0%* |
| At-Place Employment ('000) | 751.7 | 764.7 | 780.9 | 788.6 | 794.8 | 798.6 | 804.6 | 810.3 | 815.8 | 822.9 |
| | *0.9%* | *1.7%* | *2.1%* | *1.0%* | *0.8%* | *0.5%* | *0.8%* | *0.7%* | *0.7%* | *0.9%* |
| Resident Employment ('000) | 346.1 | 358.5 | 368.8 | 375.3 | 381.6 | 385.8 | 390.4 | 395.1 | 399.3 | 403.4 |
| | *1.3%* | *3.6%* | *2.9%* | *1.8%* | *1.7%* | *1.1%* | *1.2%* | *1.2%* | *1.1%* | *1.0%* |
| Unemployment Rate | 7.9 | 7.2 | 6.2 | 6.1 | 5.7 | 5.6 | 5.5 | 5.4 | 5.4 | 5.4 |
| Housing Starts | 4,526 | 3,879 | 4,250 | 4,215 | 4,951 | 4,041 | 3,562 | 3,241 | 3,174 | 3,085 |
| Housing Stock ('000) | 312.0 | 316.2 | 320.3 | 323.9 | 326.6 | 330.0 | 332.8 | 335.5 | 337.9 | 342.2 |
| | *1.6%* | *1.4%* | *1.3%* | *1.1%* | *0.8%* | *1.0%* | *0.9%* | *0.8%* | *0.7%* | *1.2%* |
| Home sales | 7,616 | 7,929 | 8,340 | 8,598 | 8,957 | 8,778 | 8,778 | 8,866 | 8,954 | 9,044 |
| | *2.0%* | *4.1%* | *5.2%* | *3.1%* | *4.2%* | *-2.0%* | *0.0%* | *1.0%* | *1.0%* | *1.0%* |
| Average home sale price ('000) | 736 | 768 | 795 | 825 | 835 | 871 | 909 | 950 | 990 | 1,029 |
| | *3.3%* | *4.3%* | *3.5%* | *3.8%* | *1.2%* | *4.3%* | *4.5%* | *4.4%* | *4.2%* | *4.0%* |
| Change in S & P 500 Index of Common Stock* | 13.6% | 2.0% | 6.4% | 19.2% | 3.6% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% |
| Interest rate on 10-year Treasury notes (%) | 2.7 | 2.2 | 1.9 | 2.3 | 2.7 | 3.3 | 3.6 | 3.7 | 3.7 | 3.8 |
| Washington Area Consumer Prices: % change from prior year | 1.8 | -0.1 | 0.0 | 2.1 | 2.1 | 2.0 | 2.4 | 2.4 | 2.4 | 2.4 |

** Change in S and P 500 Index of Common Stock is the change from the 4th quarter to the 4th quarter on a calendar year (rather than fiscal year) basis. (For example, the value in FY 2018 is the % change from CY 2017.4 to CY 2018.4)*

Note: Estimated by the D.C. Office of Revenue Analysis based on forecasts of the D.C. and national economies prepared by IHS Global Insight (January 2019) and Moody's Analytics (Economy.com) (January 2019); forecasts of the national economy prepared by the Congressional Budget Office (January 2019) and Blue Chip Economic Indicators (February 2019); BLS labor market information from December 2018; the Census Bureau estimates of the D.C. population (2018);Bureau of Economic Analysis estimates of D.C. Personal Income (September 2018); Metropolitan Regional Information System (MRIS) D.C. home sales data (December 2018), accessed in part through the Greater Capital Area Association of Realtors (GCAAR);CoStar information on commercial office buildings and residential property in D.C. (December 2018); and Delta Associates commercal office buildings and apartments in DC (December 2018).

February 27, 2019