



June 2023 Revenue Estimate

June 30, 2023

Office of the Chief Financial Officer
Government of the District of Columbia

DC Economic Outlook Unchanged from February



- Labor market still relatively strong, but remains below pre-pandemic levels and job growth has trailed the regional and national averages
- Unemployment rate, although at historic low, remains high compared to metro area and nation and has started to increase
- DC's leisure and hospitality sector continued its strong recovery and in May gained 15% more jobs compared to a year ago
- Federal jobs are still declining and have now fallen below pre-pandemic levels
- Inflation has slowed since 2022 peak but remains high
- After pausing rate hikes in June, the Federal Reserve has signaled further tightening of monetary policy later this year
- High mortgage rates continue to slow housing market activity and roughly 15% of DC commercial office space is unleased



FY 2023 revenue on track to meet February estimate

- FY 2023 year-to-date (YTD) revenue collections are below FY 2022 level, declining 0.9%, compared to the 1.4% decline forecasted in February
- YTD revenue collections for non-withholding, unincorporated business, and deed taxes (historically volatile sources) are trending below forecast
- However, strong sales tax growth, derived mainly from the leisure and hospitality sector, and higher than expected receipts from interest income have largely offset the weakness in the other sources



Risks to Outlook

National:

- Elevated risk of U.S. recession
- Geopolitical: escalation of war in Ukraine and tensions with China
- Government shut down: if no agreement is reached on federal spending bills

District:

- Remote work stays high compared to pre-pandemic levels
- Federal employment continues to decline
- Population recovery stalls



Emerging risk to the forecast

- The policy riders included in federal spending bill could create a shortfall of over \$100 million in FY 2024 and about \$300 million a year for the outyears of the financial plan

| Potential Revenue Impact of Congressional Policy Riders restricting the enforcement of ATE tickets | | | | | | |
|--|---------|-----------|-----------|-----------|-----------|-----------|
| ATE Revenue -included in baseline estimate | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | Fin- Plan |
| ATE fines-Local | | (98,757) | (98,757) | (98,757) | (98,757) | (395,028) |
| ATE fines-SPR | | (4,906) | (2,833) | (801) | - | (8,541) |
| Gross estimated revenue loss | | (103,663) | (101,590) | (99,558) | (98,757) | (403,569) |
| ATE Revenue - Policy Proposal included in FY 2024 Budget | | | | | | |
| | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | Fin- Plan |
| Enhanced Automated Traffic Enforcement Program | - | (13,326) | (197,877) | (187,983) | (178,584) | (577,770) |
| Gross ATE Revenue included in the FY 2024 Budget | | (116,989) | (299,467) | (287,541) | (277,341) | (981,339) |