GOVERNMENT OF THE DISTRICT OF COLUMBIA

OFFICE OF THE CHIEF FINANCIAL OFFICER

Jeffrey S. DeWitt
Chief Financial Officer

February 28, 2018

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 2018 Revenue Estimates</u>

Dear Mayor Bowser and Chairman Mendelson:

This letter certifies, as of February 2018, revised revenue estimates for the FY 2018-2022 District of Columbia Budget and Financial Plan. The local fund forecast for FY 2018 was revised upward by $42.5 million in FY 2018 and $36.8 million in FY 2019. The impact on the District of the federal tax law passed by Congress adds $34.8 million to the FY 2018 estimate and $51.9 million in FY 2019 for a total revenue increase of $77.3 million in FY 2018 and $88.7 million in FY 2019. The revisions, including the impact of the federal tax law changes, add almost $400 million in new revenue over the financial plan. The forecasted growth in revenue over the period of the financial plan continues to be modest and the outlook remains cautious. The table below compares the February 2018 estimate with the December 2017 revenue estimate.

February 2018 Revenue Estimate Compared to December 2017

	Actual	Estimate	Projected			
Local Source, General Fund Revenue Estimate ($M)	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
December 2017 Revenue Estimate		**7,501.0**	**7,722.0**	**7,962.4**	**8,205.1**	
Revision to Estimate		*42.4*	*36.7*	*22.9*	*33.1*	
Federal tax law		34.8	51.9	54.3	56.7	59.2
Total Adjustments		**77.2**	**88.6**	**77.2**	**89.8**	**59.2**
February 2018 Estimate	**7,478.0**	**7,578.2**	**7,810.6**	**8,039.7**	**8,294.8**	**8,567.5**
Revenue Change From Previous Year						
Amount		100.2	232.4	229.1	255.2	272.7
Year-Over Year Percent Change		*1.3%*	*3.1%*	*2.9%*	*3.2%*	*3.3%*

A variety of sources provides the basis for this estimate including: cash collection reports; federal data on District population, employment and income; discussions with revenue, business, and real property advisory groups on the District's economy; and forecasts of the U.S. and regional economies prepared by private sector firms. The economic outlook over the period of the financial plan is modestly improved from December, with additional population, employment, and income expected over the next several fiscal years.

Late in 2017, Congress enacted major tax legislation that impacts District residents and businesses. As detailed in a separate analysis recently provided to the Mayor and the Council, the new law is estimated to inject close to $1 billion into the District economy, as individuals and businesses spend and invest their tax savings. As of January 1, 2018, the District tax code conforms to provisions in the federal individual income and estate taxes that were changed by the federal tax law. Although many District taxpayers will experience an increase in their District taxes because of the federal tax law changes, for most, the increase is offset by lower federal taxes. We estimate that the federal tax legislation will increase combined District corporate and individual income tax revenue by $58.4 million in FY 2019 and decrease estate tax revenue $6.5 million.

District Fiscal Impact of Federal Tax Reform
($ millions)

	FY18	FY19	FY20	FY21	FY22
1. Individual Income Tax	33.8	56.4	58.9	61.4	64.1
2. Corporate tax	0.5	1.0	1.0	1.1	1.1
3. Unincorporated tax	0.5	1.0	1.0	1.1	1.1
4. Estate tax		(6.5)	(6.6)	(6.9)	(7.2)
Net Impact	34.8	51.9	54.3	56.7	59.2

There is a high degree of uncertainty regarding implementation and administration of the new tax law at the federal level and we are monitoring developments closely. In addition, the federal government remains the major engine of the District's economy and the outlook for this sector remains a source of concern. The bipartisan budget resolution enacted earlier this month that increases the federal budget for the next two years and raises the debt ceiling removes one source of uncertainty around federal fiscal policy. Whether increased appropriations for domestic programs will benefit the District of Columbia economy, however, is not yet clear. Furthermore, although the federal tax reform legislation is expected to provide an immediate boost to economic growth, it also adds to the national debt, increases the risks of inflation and a steeper rise in interest rates, and may eventually lead to additional efforts to control domestic spending.

Because of all these factors, we remain somewhat cautious in our outlook, particularly as it relates to federal spending and growth of total jobs and population in the city. Even with uncertainty in the federal sector, personal income growth in the District of Columbia is expected to be about equal to the 10-year average growth rate.

In the past several months both interest rates and inflation have increased, and partly in response to these occurrences, the stock market experienced higher volatility in February. (The S & P 500 stock index lost 7.7 percent of its value in the first week of the month, about half of which was recovered in the next two weeks.) 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 continue to closely monitor key economic indicators for deviations from this forecast that might impact the financial plan.

Revenue Forecast: FY 2018- 2022

The estimate for FY 2018 is revised upward by $42.5 million, excluding the impact of the federal tax legislation. The latest real property tax bills show slightly increased assessed values for 2018, and strong individual income tax withholding and estimated payments at the end of 2017 reflect increased bonuses from companies following the federal tax legislation and prepayments. Overall District revenue will grow by only 1.3 percent in FY 2018, mainly because of the implementation of the last of the DC Tax Revision Commission's recommendations, which lowers taxes on District residents and businesses. Revenue is forecasted to grow at approximately 3 percent for the remainder of the financial plan period. The following is an analysis of the main sources of District revenue.

Property Taxes

Real property tax revenue in FY 2018 is expected to grow 4.7 percent based on the property tax bills sent out in February. Approximately $90 million was pre-paid before December 31, 2017, as taxpayers tried to pay as much as possible before the new federal state tax limitations go in effect. These prepayments do not impact the 2018 collections – only the timing of payments. Assessments for 2019 mailed in February suggest continued strength in real property values and revenue is projected to grow 3.1 percent to 3.3 percent for the remainder of the financial plan.

Sales and Excise Taxes

At 2.8 percent, FY 2018 year-to-date growth in sales and excise tax collections is relatively slow, and absent the federal stimulus, would likely have been revised downward. However, the additional income from the federal tax changes for individuals is expected to keep sales tax revenues growing at 3.5 percent in 2018 and 4.3 percent in 2019. Net local fund sales tax revenue is less than that of gross sales tax collections due to $24.2 million of additional funding being dedicated to WMATA starting in FY 2018, and to higher dedications to tax increment financing obligations.

Individual Income Tax

The federal tax reform significantly affects the District's individual income tax profile as many District tax provisions are linked to the federal tax code. Last February, the revenue estimate triggered the last set of tax policy changes enacted by the Tax Revision Commission Implementation Act of 2014. As a result, the District conforms with the federal standard deduction and personal exemption as of January 1, 2018. The new federal tax legislation significantly increases the standard deduction and suspends the personal exemption. These two changes have the combined effect of increasing District taxes for some and reducing District taxes for others. The net result for the District from these and other provisions is an increase in District taxes as detailed in a separate analysis recently provided to the Mayor and the Council.

In addition, the income tax revenue estimate has been revised upward in 2018 to reflect significant year-end bonuses and the increase in taxable income from reduced federal taxes for District residents. As mentioned previously, some taxpayers who may be subject to the 2018 federal limit on state and local tax deductions prepaid almost $90 million of property tax in calendar year 2018, ahead of the new federal tax law which limits deductibility of property taxes. These prepayments will be deducted from returns, reducing revenue in 2018 but will not be deducted in 2019. This, in effect, shifts about $5 million in District individual income tax collections from 2018 to 2019.

Excluding the effects of the federal tax law changes, the FY 2018 estimate has been revised upward by $25 million because of stronger than expected withholding collections. In FY 2019, the estimate increased by about $44 million, mainly because of expected stronger income growth from the federal fiscal stimulus.

Business Income Taxes

The short-term impact of the federal tax legislation on District business franchise tax revenue is difficult to assess. The new corporate rates and the pass-through deduction do not have a fiscal impact on District tax revenues, but there are other provisions in the new law that impact corporate franchise and unincorporated franchise tax collections. Components of taxable income are volatile and difficult to accurately project for multi-state companies, particularly as they seek to manage their federal tax bill in response.

The year-end collections for corporate franchise taxes were down significantly from the same period in 2017 but unincorporated franchise tax revenue, where some pass-through income shows up, grew from 2017, highlighting the volatility this uncertainty has created. As a result, the forecast is unchanged from December as we wait for more information from the tax returns filed between now and April.

Deed Transfer and Recordation Taxes

Deed taxes continue to be strong, growing more than 30 percent in the first four months of the fiscal year over the same period in 2017. This growth reflects several large office building transactions in this period: six properties sold for more than $100 million from October 2017 to January 2018 versus just 3 in the same period last year. The fiscal year 2018 estimate was increased by $20 million to reflect this strength, but otherwise, the projections for 2019 to 2022 are unchanged from December.

Non-tax Revenue

The estimate for fees and other charges was increased in FY 2018 due to stronger year-to-date collections. Corporate recordation fees are 10 percent higher than the same period last year, possibly indicating some companies may be incorporating in response to tax changes. Year-to-date strength in interest income is driving the upward revision in miscellaneous revenue.

National and Regional Economies

The national economy has continued its pattern of steady growth that has now lasted eight years. Real GDP was 2.5 percent higher in the December 2017 quarter than a year earlier and nominal growth was 4.4 percent higher, the highest year-over-year growth rates in more than two years. Employment is increasing, and the unemployment rate remains low. However, interest rates and inflation are also starting to increase.

The outlook is for continued moderate growth in the national economy for the next several years. In February 2018, the consensus forecast of 50 economists contributing to the Blue Chip Economic Indicators was that national real GDP growth would rise 2.7 percent in FY 2018 and 2.5 percent in FY 2019, up from the 2.1 percent rate of FY 2017. Nominal growth is expected to be 4.8 percent in FY 2018 and 4.7 percent in FY 2019, up from 3.8 percent in FY 2017.

- The U.S. economy added 2.2 million jobs (1.5%) from December 2016 to December 2017.
- The U.S. unemployment rate (seasonally adjusted) was 4.1 percent in December 2017, down from 4.8 percent a year earlier.
- U.S. Personal Income in the December 2017 quarter was 4.3 percent above a year ago.
- The S&P 500 stock market index average for January 2018 was 9.1 percent above the level of three months earlier, and 22.6 percent above a year earlier. In February, however, the stock market became more volatile, and on February 20th, the index was 3.9 percent lower than it had been on the last day of January.
- Employment in the Washington metropolitan area has remained high during the past year. In the three-month period ending December, wage and salary jobs in the region grew by 50,465 (1.5%) compared to a year earlier. The District of Columbia accounted for about 15 percent of the increase in area employment.
- The D.C. metropolitan area unemployment rate was 3.3 percent in December (not seasonally adjusted), down from 3.5 percent a year earlier.

The District of Columbia Economy

In recent months, job growth in the District has been quite strong, although unemployment has been rising. More apartment units have been rented, and the pace of housing sales has been strong, although selling prices are slightly lower than last year. Hotel stays continue to outpace those in the prior year.

- In the three months ending December 2017, there were 7,667 (1.0%) more wage and salary jobs located in the District than a year earlier.
- Federal government jobs in December were down by 2,533 (1.3%) from a year earlier, and private sector jobs increased by 9,333 (1.7%).

- The increase in private sector jobs was concentrated in two sectors: food service (up by 3,900), and education (up by 3,267).
- District resident employment in the three months ending December 2017 increased by 5,667 (1.5%) compared to a year earlier.
- The December unemployment rate was 6.0 percent (seasonally adjusted), up from 5.7 percent a year ago.
- Wages earned in the District of Columbia grew 2.1 percent in the September 2017 quarter, compared to the prior year. DC Personal Income was 2.2 percent higher.
- Single family home sales for the three-month period ending January 2018 were up 4.8 percent from a year ago, with a 2.5 percent decrease in the average selling price. Condominium sales were up 6.7 percent, while the average selling price was 5.2 percent less. The value of all home sale settled contracts for the three-month period ending January 2018 was 9.0 percent more than a year ago. For the past 12 months, the value of all sales increased 9.8 percent.
- For the 12-month period ending December 2017, 5,326 housing permits were issued, up 14.1 percent from a year ago; the 3-month total, 2,347 was 124 percent more than in the same period of 2016.
- According to CoStar, occupied commercial office space in December 2017 was up 0.8 percent from a year ago, while the vacancy rate fell slightly over the past year from 11.4 percent in the December quarter of 2016 to 10.9 percent in the December quarter of this year. Average rents were 2.3 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 was 10.8 percent higher than a year earlier for the 12 months ending December. For the last three months, the value was 4.1 percent higher than a year earlier.
- Hotel room-days sold for the three months ending December 2017 were 5.3 percent above the prior year, and hotel room revenues were up 6.9 percent.

Outlook

The economic forecasting services IHS Global Insight and Moody's Analytics both assume that growth in District employment will be slower in FY 2018 and FY 2019 than it was in FY 2017. They also agree that the federal sector will play a smaller role in the economy, and that the annual increases in population will be slower in the coming years. This revenue estimate anticipates continued growth in jobs, population, and income. As noted earlier, the fastest growth in Personal Income over the financial plan is expected to be in FY 2019 when the full impact of federal tax cuts will be felt in the economy. The outlook includes:

- Job growth increases of 0.9 percent in FY 2018 and 0.8 percent in FY 2019 are down from the 1.3 percent rate of increase in FY 2017. Federal employment is expected to continue falling in FY 2018 and for the remainder of the period of the financial plan. (Due to the lifting of the budget caps on discretionary spending through March 2019, the amount of the yearly decrease in federal employment is less severe than had been anticipated in the December estimate.)
- Population growth continues, but at a slightly slower pace (17,300—2.5 percent—over the two fiscal years 2018 and 2019); resident employment grows by 2.7 percent over the same period as the unemployment rate declines to 5.9 percent from the 6.0 percent rate that occurred in FY 2016.

- DC Personal Income growth increases by 3.7 percent in FY 2018 and 4.9 percent in FY 2019, compared to 3.5 percent in FY 2016.

Risks and Uncertainties

As noted, federal government fiscal policy uncertainty remains a primary concern. The impacts of federal tax reform legislation on the District's economy and tax revenue, and the timing of those impacts, are another source of concern.

Developments outside of the local economy also create uncertainty to the forecast. These include the possibility of faster economic growth due to the new tax legislation or, alternatively, of slower national economic growth should a recession occur (the last recession ended more than eight years ago). Volatility in the stock market, increases in interest rates, and other financial market problems as the Federal Reserve phases in tighter monetary policy measures contribute to uncertainty, along with possible disruptions arising from uncertainties around the world and potential national security events.

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

Sincerely,

Jeffrey S. DeWitt

Jeffrey S. DeWitt

Enclosures

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FY 2017 - FY 2022 Revenue Actuals, Estimates and Projections: February 2018

(thousands of dollars)

		Actual	Estimate		Out year projections		
	Revenue Source	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
1	Real Property	2,473,328	2,588,414	2,678,396	2,767,465	2,852,710	2,940,805
2	*Transfer to TIF/Pilot*	*(45,587)*	*(44,033)*	*(49,336)*	*(63,559)*	*(68,744)*	*(59,399)*
3	Real Property (net)	2,427,742	2,544,381	2,629,061	2,703,905	2,783,966	2,881,405
4	Personal Property	63,305	62,580	62,820	63,121	63,321	63,522
5	Public Space Rental	32,468	33,507	34,579	35,686	36,828	38,007
8	**Total Property (net)**	**2,523,515**	**2,640,468**	**2,726,460**	**2,802,712**	**2,884,115**	**2,982,934**
9	General Sales	1,419,197	1,481,046	1,546,609	1,611,032	1,686,653	1,743,651
10	*Transfer to convention center*	*(138,128)*	*(149,196)*	*(155,543)*	*(162,090)*	*(170,201)*	*(175,307)*
11	*Transfer to TIF*	*(32,102)*	*(45,488)*	*(55,112)*	*(61,868)*	*(69,275)*	*(66,529)*
12	*Transfer to Ballpark Fund*	*(17,764)*	*(15,900)*	*(15,900)*	*(15,900)*	*(15,900)*	*(15,900)*
13	*Transfer to Healthy DC Fund*	*(835)*	*(808)*	*(808)*	*(825)*	*(841)*	*(858)*
14	*Transfer to WMATA*	*(74,167)*	*(100,897)*	*(104,164)*	*(107,534)*	*(111,709)*	*(114,337)*
15	*Transfer to Healthy Schools*	*(4,266)*	*(4,666)*	*(4,266)*	*(4,266)*	*(4,266)*	*(4,266)*
16	*Transfer to ABRA*	*(1,170)*	*(1,170)*	*(1,170)*	*(1,170)*	*(1,170)*	*(1,170)*
18	General Sales (net)	1,150,763	1,162,921	1,209,645	1,257,380	1,313,291	1,365,284
19	Alcohol	6,641	6,746	6,827	6,960	7,178	7,286
20	Cigarette	29,530	29,750	29,018	28,589	28,260	27,977
21	Motor Vehicle	45,915	45,521	45,698	45,923	46,323	46,555
22	Motor Fuel Tax	26,099	25,761	25,426	25,095	24,769	24,447
23	*Transfer to Highway Trust Fund*	*(26,099)*	*(25,761)*	*(25,426)*	*(25,095)*	*(24,769)*	*(24,447)*
24	**Total Sales (net)**	**1,232,850**	**1,244,937**	**1,291,188**	**1,338,852**	**1,395,052**	**1,447,102**
25	Individual Income	1,958,277	2,054,640	2,142,789	2,224,425	2,316,352	2,408,578
26	Corp. Franchise	389,218	337,563	347,164	357,240	360,485	373,106
27	U. B. Franchise	165,027	162,061	167,570	173,105	179,650	186,477
28	**Total Income**	**2,512,522**	**2,554,264**	**2,657,523**	**2,754,770**	**2,856,488**	**2,968,161**
29	Public Utility	138,124	136,927	137,611	138,299	138,991	139,686
30	*Transfer to Ballpark Fund*	*(7,938)*	*(8,268)*	*(8,351)*	*(8,434)*	*(8,518)*	*(8,603)*
31	Public Utility (net)	130,186	128,659	129,260	129,865	130,473	131,084
32	Toll Telecommunications	49,543	51,382	51,608	51,834	52,060	52,287
33	*Transfer to Ballpark Fund*	*(2,484)*	*(2,564)*	*(2,704)*	*(2,843)*	*(2,983)*	*(3,130)*
34	Toll Telecommunications (net)	47,059	48,818	48,904	48,991	49,077	49,157
35	Insurance Premiums	108,213	110,324	112,433	114,583	116,776	119,011
36	*Transfer to Healthy DC Fund*	*(45,467)*	*(45,467)*	*(46,323)*	*(47,250)*	*(48,195)*	*(49,159)*
37	Insurance Premiums (net)	62,745	64,857	66,110	67,333	68,581	69,852
38	Healthcare Provider Tax	13,949	14,283	14,917	15,215	15,519	15,830
39	*Transfer to Nursing Facility Quality of Care Fund*	*(13,949)*	*(14,283)*	*(14,917)*	*(15,215)*	*(15,519)*	*(15,830)*
40	Ballpark fee	31,107	33,900	33,900	33,900	33,900	33,900
41	*Transfer to Ballpark Fund*	(31,107)	(33,900)	(33,900)	(33,900)	(33,900)	(33,900)
42	Hospital Bed Taxes	15,928	14,819	-	-	-	-
43	*Transfer to Hospital Fund*	*(15,928)*	*(14,819)*	-	-	-	-
44	ICF-IDD Assessment	4,913	4,918	5,479	5,479	5,479	5,479
45	*Transfer to Stevie Sellows*	*(4,913)*	*(4,918)*	*(5,479)*	*(5,479)*	*(5,479)*	*(5,479)*
48	**Total Gross Receipts (net)**	**239,990**	**242,334**	**244,274**	**246,189**	**248,131**	**250,093**
49	Estate	41,215	23,019	12,459	12,731	13,262	13,837
50	Deed Recordation	250,740	257,099	260,981	269,876	278,755	287,615
51	*Transfer to HPTF/ Bond repayment/West End*	*(37,653)*	*(39,760)*	*(39,822)*	*(40,611)*	*(41,913)*	*(43,245)*
52	Deed Recordation (net)	213,087	217,339	221,159	229,265	236,842	244,370
53	Deed Transfer	188,781	193,864	195,708	202,553	209,398	216,242
54	*Transfer to HPTF/ Bond repayment/West End*	*(28,445)*	*(30,275)*	*(30,031)*	*(30,513)*	*(31,509)*	*(32,539)*
55	Deed Transfer (net)	160,336	163,589	165,677	172,040	177,888	183,703
57	Economic Interests/Co-op Recordation	21,336	17,824	16,852	15,881	14,910	13,938
58	**Total Other Taxes (net)**	**435,974**	**421,771**	**416,148**	**429,918**	**442,903**	**455,849**
59	**TOTAL TAXES NET OF DEDICATED TAXES**	**6,944,852**	**7,103,774**	**7,335,593**	**7,572,441**	**7,826,689**	**8,104,139**
60	Licenses & Permits	92,549	89,992	98,793	94,454	99,483	96,849
61	Fines & Forfeits	167,385	156,460	152,469	148,589	144,814	141,135
62	Charges for Services	81,371	82,079	77,443	78,697	78,452	78,840
63	Miscellaneous	146,208	100,893	101,290	100,471	100,394	101,588
64	**TOTAL NON-TAX**	**487,514**	**429,424**	**429,995**	**422,211**	**423,143**	**418,411**
65	Lottery	45,600	45,000	45,000	45,000	45,000	45,000
66	**TOTAL REVENUE NET OF DEDICATED TAXES**	**7,477,966**	**7,578,198**	**7,810,588**	**8,039,651**	**8,294,832**	**8,567,550**

FY 2017 - FY 2022 Revenue Actuals, Estimates and Projections: February 2018
(percent change from prior year)

	Revenue Source	Preliminary FY 2017	Estimate FY 2018	FY 2019	Out year projections FY 2020	FY 2021	FY 2022
1	Real Property	4.9%	4.7%	3.5%	3.3%	3.1%	3.1%
2	*Transfer to TIF/Pilot*	34.5%	-3.4%	12.0%	28.8%	8.2%	-13.6%
3	Real Property (net)	4.5%	4.8%	3.3%	2.8%	3.0%	3.5%
4	Personal Property	7.1%	-1.1%	0.4%	0.5%	0.3%	0.3%
5	Public Space Rental	-19.6%	3.2%	3.2%	3.2%	3.2%	3.2%
8	**Total Property (net)**	**4.1%**	**4.6%**	**3.3%**	**2.8%**	**2.9%**	**3.4%**
9	General Sales	5.7%	4.4%	4.4%	4.2%	4.7%	3.4%
10	*Transfer to convention center*	11.8%	8.0%	4.3%	4.2%	5.0%	3.0%
11	*Transfer to TIF*	-5.5%	41.7%	21.2%	12.3%	12.0%	-4.0%
12	*Transfer to Ballpark Fund*	8.2%	-10.5%	0.0%	0.0%	0.0%	0.0%
13	*Transfer to Healthy DC Fund*	75.2%	-3.2%	0.0%	2.0%	2.0%	2.0%
14	*Transfer to WMATA*	2.5%	36.0%	3.2%	3.2%	3.9%	2.4%
15	*Transfer to Healthy Schools*	0.0%	9.4%	-8.6%	0.0%	0.0%	0.0%
16	*Transfer to ABRA*	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
18	General Sales (net)	5.5%	1.1%	4.0%	3.9%	4.4%	4.0%
19	Alcohol	2.7%	1.6%	1.2%	2.0%	3.1%	1.5%
20	Cigarette	-3.0%	0.7%	-2.5%	-1.5%	-1.2%	-1.0%
21	Motor Vehicle	-0.2%	-0.9%	0.4%	0.5%	0.9%	0.5%
22	Motor Fuel Tax	3.0%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%
23	*Transfer to Highway Trust Fund*	3.0%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%
24	**Total Sales (net)**	**5.0%**	**1.0%**	**3.7%**	**3.7%**	**4.2%**	**3.7%**
25	Individual Income	2.6%	4.9%	4.3%	3.8%	4.1%	4.0%
26	Corp. Franchise	0.6%	-13.3%	2.8%	2.9%	0.9%	3.5%
27	U. B. Franchise	-2.6%	-1.8%	3.4%	3.3%	3.8%	3.8%
28	**Total Income**	**2.0%**	**1.7%**	**4.0%**	**3.7%**	**3.7%**	**3.9%**
29	Public Utility	1.9%	-0.9%	0.5%	0.5%	0.5%	0.5%
30	*Transfer to Ballpark Fund*	-2.1%	4.2%	1.0%	1.0%	1.0%	1.0%
31	Public Utility (net)	2.1%	-1.2%	0.5%	0.5%	0.5%	0.5%
32	Toll Telecommunications	-2.7%	3.7%	0.4%	0.4%	0.4%	0.4%
33	*Transfer to Ballpark Fund*	8.6%	3.2%	5.5%	5.1%	4.9%	4.9%
34	Toll Telecommunications (net)	-3.3%	3.7%	0.2%	0.2%	0.2%	0.2%
35	Insurance Premiums	3.1%	2.0%	1.9%	1.9%	1.9%	1.9%
36	*Transfer to Healthy DC Fund*	1.9%	0.0%	1.9%	2.0%	2.0%	2.0%
37	Insurance Premiums (net)	4.0%	3.4%	1.9%	1.9%	1.9%	1.9%
38	Healthcare Provider Tax	-18.0%	2.4%	4.4%	2.0%	2.0%	2.0%
39	*Transfer to Nursing Facility Quality of Care Fund*	-18.0%	2.4%	4.4%	2.0%	2.0%	2.0%
40	Ballpark fee	-5.1%	9.0%	0.0%	0.0%	0.0%	0.0%
41	Transfer to Ballpark Fund	-5.1%	9.0%	0.0%	0.0%	0.0%	0.0%
42	Hospital Bed Taxes	-5.2%	-7.0%				
43	Transfer to Hospital Fund	-5.2%	-7.0%				
44	ICF-MR Assessment	1.1%	0.1%	11.4%	0.0%	0.0%	0.0%
45	Transfer to Stevie Sellows	1.1%	0.1%	11.4%	0.0%	0.0%	0.0%
48	**Total Gross Receipts (net)**	**1.5%**	**1.0%**	**0.8%**	**0.8%**	**0.8%**	**0.8%**
49	Estate	-23.6%	-44.1%	-45.9%	2.2%	4.2%	4.3%
50	Deed Recordation	0.3%	2.5%	1.5%	3.4%	3.3%	3.2%
51	*Transfer to HPTF*	0.4%	5.6%	0.2%	2.0%	3.2%	3.2%
52	Deed Recordation (net)	0.3%	2.0%	1.8%	3.7%	3.3%	3.2%
53	Deed Transfer	8.1%	2.7%	1.0%	3.5%	3.4%	3.3%
54	*Transfer to HPTF*	8.6%	6.4%	-0.8%	1.6%	3.3%	3.3%
55	Deed Transfer (net)	8.0%	2.0%	1.3%	3.8%	3.4%	3.3%
57	Economic Interests/Co-op Recordation	9.7%	-16.5%	-5.4%	-5.8%	-6.1%	-6.5%
58	**Total Other Taxes (net)**	**0.4%**	**-3.3%**	**-1.3%**	**3.3%**	**3.0%**	**2.9%**
59	**TOTAL TAXES NET OF DEDICATED TAXES**	**3.2%**	**2.3%**	**3.3%**	**3.2%**	**3.4%**	**3.5%**
60	Licenses & Permits	2.3%	-2.8%	9.8%	-4.4%	5.3%	-2.6%
61	Fines & Forfeits	-15.2%	-6.5%	-2.6%	-2.5%	-2.5%	-2.5%
62	Charges for Services	1.4%	0.9%	-5.6%	1.6%	-0.3%	0.5%
63	Miscellaneous	3.8%	-31.0%	0.4%	-0.8%	-0.1%	1.2%
64	**TOTAL NON-TAX**	**-4.2%**	**-11.9%**	**0.1%**	**-1.8%**	**0.2%**	**-1.1%**
65	Lottery	-14.4%	-1.3%	0.0%	0.0%	0.0%	0.0%
66	**TOTAL REVENUE NET OF DEDICATED TAXES**	**2.5%**	**1.3%**	**3.1%**	**2.9%**	**3.2%**	**3.3%**

Estimated Key Variables for the D.C. Economy for the Forecast Period FY 2013 through FY 2022

Fiscal Years	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
			Actual					Forecast		
Gross State Product ($ billion)	110.98	115.04	120.55	125.27	130.09	135.71	141.95	148.00	154.11	160.48
	1.4%	*3.7%*	*4.8%*	*3.9%*	*3.9%*	*4.3%*	*4.6%*	*4.3%*	*4.1%*	*4.1%*
Real Gross State Product (billions $2005)	103.37	104.60	107.01	108.81	111.01	113.22	115.07	116.75	118.14	119.58
	-0.5%	*1.2%*	*2.3%*	*1.7%*	*2.0%*	*2.0%*	*1.6%*	*1.5%*	*1.2%*	*1.2%*
Personal Income ($ billion)	43.08	45.30	48.86	51.35	53.14	55.09	57.79	60.48	63.22	65.87
	2.8%	*5.1%*	*7.9%*	*5.1%*	*3.5%*	*3.7%*	*4.9%*	*4.6%*	*4.5%*	*4.2%*
Real Personal Income (billions $2005)	34.39	35.38	38.14	39.94	40.64	41.36	42.61	43.63	44.55	45.34
	2.0%	*2.9%*	*7.8%*	*4.7%*	*1.7%*	*1.8%*	*3.0%*	*2.4%*	*2.1%*	*1.8%*
Per Capita Income ($)	66,473	68,672	72,787	75,204	76,703	78,494	81,391	84,306	87,321	90,222
	0.6%	*3.3%*	*6.0%*	*3.3%*	*2.0%*	*2.3%*	*3.7%*	*3.6%*	*3.6%*	*3.3%*
Real Per Capita Income ($2005)	53,060	53,633	56,819	58,492	58,658	58,931	60,014	60,828	61,542	62,103
	-0.3%	*1.1%*	*5.9%*	*2.9%*	*0.3%*	*0.5%*	*1.8%*	*1.4%*	*1.2%*	*0.9%*
Wages earned in D.C. ($ billion)	62.08	63.91	66.88	69.39	71.10	73.59	76.62	79.76	83.06	86.39
	2.4%	*2.9%*	*4.6%*	*3.8%*	*2.5%*	*3.5%*	*4.1%*	*4.1%*	*4.1%*	*4.0%*
Wages earned by D.C. residents ($ billion)	21.7	22.8	24.5	25.6	26.5	27.5	28.8	30.1	31.4	32.8
	4.1%	*5.5%*	*7.2%*	*4.7%*	*3.3%*	*3.8%*	*4.8%*	*4.5%*	*4.4%*	*4.4%*
Population ('000)	648.1	659.5	671.2	682.8	692.7	701.9	710.1	717.3	723.9	730.0
	2.3%	*1.8%*	*1.8%*	*1.7%*	*1.5%*	*1.3%*	*1.2%*	*1.0%*	*0.9%*	*0.8%*
Households ('000)	286.5	291.8	297.1	301.1	305.0	308.9	312.9	316.2	319.3	322.1
	2.2%	*1.9%*	*1.8%*	*1.3%*	*1.3%*	*1.3%*	*1.3%*	*1.1%*	*1.0%*	*0.9%*
Civilian Labor Force ('000)	373.7	374.7	385.0	391.4	396.9	402.5	408.2	413.0	417.6	421.2
	4.0%	*0.3%*	*2.8%*	*1.7%*	*1.4%*	*1.4%*	*1.4%*	*1.2%*	*1.1%*	*0.9%*
At-Place Employment ('000)	745.3	751.6	764.5	780.0	789.9	797.4	803.9	808.3	812.0	814.9
	1.9%	*0.8%*	*1.7%*	*2.0%*	*1.3%*	*0.9%*	*0.8%*	*0.6%*	*0.5%*	*0.4%*
Resident Employment ('000)	341.5	345.1	357.4	367.2	374.7	378.6	384.2	388.7	392.9	396.4
	4.8%	*1.1%*	*3.6%*	*2.7%*	*2.1%*	*1.1%*	*1.5%*	*1.2%*	*1.1%*	*0.9%*
Unemployment Rate	8.6	7.9	7.2	6.2	6.0	5.9	5.9	5.9	5.9	5.9
Housing Starts	3,540	4,502	3,976	4,418	4,320	4,544	3,277	3,241	3,072	3,052
Housing Stock ('000)	307.2	312.0	316.2	320.3	323.9	327.0	331.0	334.4	337.5	340.6
	1.7%	*1.6%*	*1.4%*	*1.3%*	*1.1%*	*1.0%*	*1.2%*	*1.0%*	*0.9%*	*0.9%*
Home sales	7,466	7,616	7,929	8,340	8,598	8,727	8,771	8,771	8,771	8,771
	17.6%	*2.0%*	*4.1%*	*5.2%*	*3.1%*	*1.5%*	*0.5%*	*0.0%*	*0.0%*	*0.0%*
Average home sale price ('000)	712.8	736.4	767.9	794.7	824.9	858.4	900.5	944.5	990.9	1046.2
	13.1%	*3.3%*	*4.3%*	*3.5%*	*3.8%*	*4.1%*	*4.9%*	*4.9%*	*4.9%*	*5.6%*
Change in S & P 500 Index of Common Stock*	24.8%	13.6%	2.0%	6.4%	19.2%	2.7%	2.7%	2.7%	2.7%	2.7%
Interest rate on 10-year Treasury notes (%)	2.1	2.7	2.2	1.9	2.3	2.7	3.6	3.7	3.7	3.7
Washington Area Consumer Prices: % change from prior year	1.3	1.9	-0.1	0.9	2.0	2.1	2.3	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 2017 is the % change from CY 2016.4 to CY 2017.4)*

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 (February 2018) and Moody's Analytics (Economy.com) (January 2018); forecasts of the national economy prepared by the Congressional Budget Office (June 2017) and Blue Chip Economic Indicators (February 2018); BLS labor market information from December 2017; the Census Bureau estimates of the D.C. population (2017);Bureau of Economic Analysis estimates of D.C. Personal Income (September 2017); Metropolitan Regional Information System (MRIS) D.C. home sales data (December 2017), 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 2017); and Delta Associates commercal office buildings and apartments in DC (December 2017).