

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



**Jeffrey S. DeWitt**  
Chief Financial Officer

February 28, 2020

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: February 2020 Revenue Estimates**

Dear Mayor Bowser and Chairman Mendelson:

This letter certifies the revenue estimate for the FY 2020 – 2024 District of Columbia Budget and Financial Plan. FY 2020 has been revised upward based on the strength of year-to-date collections, but FY 2021– 2024 remains unchanged from the December 2019 estimate because of uncertainty in the economic outlook stemming from public health concerns regarding the spread of the coronavirus. The following table compares the February 2020 revenue estimate to the December 2019 estimate:

**February revenue estimate compared to previous estimate**

	Actual		Estimated		Projected	
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Local Source, General Fund Revenue Estimate (\$ millions)</b>						
December 2019 Revenue estimate	\$8,314.2	\$8,372.2	\$8,690.0	\$8,975.9	\$9,249.2	
February revision to estimate		79.8				
<b>February 2020 Revenue Estimate</b>		<b>8,452.0</b>	<b>8,690.0</b>	<b>8,975.9</b>	<b>9,249.2</b>	<b>9,547.1</b>
<b>Revenue Change from Previous Year</b>						
Amount	556.5	137.8	238.1	285.8	273.4	297.8
Year-Over-Year Percent Change	7.2%	1.7%	2.8%	3.3%	3.0%	3.2%

Absent the potential economic disruption related to the coronavirus, the District's tax base experienced strong wage and sales tax growth. However, recent developments in the spread of a new coronavirus could have a significant adverse impact on the national and local economies going forward. Some recent economic developments signal the extent of the possible economic disruption:

- As of February 28, 2020, the S&P 500 has officially entered a correction phase having declined 12.9 percent over the last week. Other indices are also in the correction phase. Since December 31, 2019, the market index has declined 8.6 percent. All of that decline resulting from a series of sharp drops beginning February 24.
- The yield curve, which measures the difference in demand for long term bonds (10-year US treasuries) and short-term notes (3-month US treasury), inverted last summer and has since inverted again on February 20, 2020. An inverted yield curve when short term yields are higher than long term yields has preceded past recessions.
- Factory shutdowns in China have disrupted key supply chains for US firms, most notably Apple, which has already warned of lower future earnings. This is likely to be the case for many other US companies, significantly reducing their profitability.

If reaction to the coronavirus is limited to the current financial market volatility, and if it does not go on to affect jobs and income or the longer-term soundness of financial and credit markets, then the impact on the District would be mostly on travel and tourism. If, however, the spread of the virus becomes a pandemic, and measures instituted to contain its spread significantly disrupt the national and local economies, the impact on District revenues could be considerable. Experience has shown that three of the District's most volatile revenue sources—deed taxes, corporate profits and individual capital gains—can be quickly affected by adverse developments in the nation's economy and capital markets. Disruption to tourism would also be felt immediately in sales tax receipts from restaurants and hotel stays. Therefore, stabilization of economic conditions must occur before considering any positive revision to revenues over the financial plan. The current strength in wage growth and sales taxes related to e-commerce will help buffer these impacts resulting in the unchanged forecast for FY 2021-2024 from the December 2019 estimate.

### **FY 2020 Revision**

Fiscal year 2020 is revised upward by \$79.8 million. There are two main sources for the upward revision: real property taxes, which reflect higher than expected final property tax billings, and individual and business income taxes, where the latest collections data show stronger than expected growth. As a precaution to the high risk associated with economic disruption due to heightened public health concerns and potential responses, a slowdown in restaurant and hotel activity has been incorporated in this estimate resulting in a downward adjustment of general sales and use taxes and the transfers to the Convention Center and Destination DC.

The District's labor market continues to be stronger than last year, due in part to higher federal spending on contractors and other goods and services after the lifting of federal budget caps. Wage growth and recent property indicators have also been positive year to date. Despite the improved economic outlook, substantial and growing risks, discussed above, could weaken the outlook going forward.

*Real Property*

The real property tax revenue estimate for FY 2020 is increased by \$36 million to reflect final billings, which have just been mailed to taxpayers. Billings are based on the final assessments after all appeals and supplemental assessments have been made.

*General sales and use*

The sales tax revenue estimate for FY 2020 is revised downward by \$52 million to reflect a slowdown in hotel and restaurant sales. Even if the coronavirus does not turn out to be a serious public health emergency in the Washington area, both domestic and international travel are likely already being reconsidered. Sales taxes overall are expected to grow 3.4 percent in FY 2020, revised downward from 7 percent in the December 2019 estimate.

*Individual income tax*

The FY 2020 estimate for the individual income tax was revised upward by \$55 million, growing 4.9 percent. The latest tax collections data show that growth in individual income tax receipts remains strong. An increase in the withholding portion of the income tax is the main driver of the higher individual income tax collections. Withholding collections exceed previous projections and are expected to grow 5.6 percent in FY 2020. Collections in December and January were boosted by year-end bonus payments which were about \$20 million higher than normal. We believe that this level of withholding tax receipts from bonuses is unusual and not likely to be repeated going forward.

The non-withholding portion of the individual income tax, comprised of refunds, final payments, and quarterly estimated payments, is one of the more volatile components of the District's revenue stream. In FY 2019, these portions of income tax revenue grew by 36 percent due to the combination of strong stock markets and continued adjustment to the federal tax legislation. Non-withholding tax collections are forecasted to grow in FY 2020 based on last year's stock market gains, but at a much slower pace than last year. This component of income tax revenue can be a source of an "April surprise." There is a risk of a negative surprise as many high-income taxpayers may have made estimated payments based on last year's tax liability and/or have used some of their refunds to pre-pay 2019 taxes. In either case, refunds could be significantly higher than past years. At the same time, the significant gains in the stock market last year could result in a positive April surprise. It is too early to tell if one will occur or whether it will be negative or positive.


*Business franchise taxes*

The revenue estimate for the business franchise taxes was revised upward by \$37 million in FY 2020. Corporate franchise tax revenues are estimated to contract 9 percent following a strong year in FY 2019, an improvement from the December 2019 forecast which estimated a contraction of 13.3 percent. Examination of corporate returns from tax year 2018, filed in 2019, suggest capital gains as well as an expanded income base from foreign earnings supported the growth over the last two years. Year-to-date collections are greater than last year at this time, but refunds and lower final payments in April and October are expected to offset the early strength in collections.

Unincorporated business franchise taxes have shown significant improvement after declining in FY 2019 and are expected to grow 6.2 percent in FY 2020. Several taxpayers made fourth quarter estimated payments in December that were larger than in previous years, suggesting one-time capital gains realizations in 2019. As with corporate franchise, the April filing season will be important to monitor for changes in this volatile revenue source.

We will continue to closely watch developments regarding the spread of the coronavirus and its impact on the economy and update you accordingly. If you have any questions regarding this matter, please contact me at (202) 727-2476.

Sincerely,



Jeffrey S. DeWitt

**DISTRIBUTION LIST**

Councilmember Anita Bonds (At-Large)  
Councilmember David Grosso (At-Large)  
Councilmember Elissa Silverman (At-Large)  
Councilmember Robert White (At-Large)  
Councilmember Brianne Nadeau (Ward 1)  
Councilmember Mary Cheh (Ward 3)  
Councilmember Brandon Todd (Ward 4)  
Councilmember Kenyan McDuffie (Ward 5)  
Councilmember Charles Allen (Ward 6)  
Councilmember Vincent Gray (Ward 7)  
Councilmember Trayon White (Ward 8)  
Rashad Young, City Administrator  
John Falcicchio, Chief of Staff, Executive Office of the Mayor  
Jennifer Reed, Director, Mayor's Office of Budget and Performance Management  
Kathy Patterson, District of Columbia Auditor  
Jennifer Budoff, Budget Director, Council of the District of Columbia

**TABLE 1: REVENUE SUMMARY TABLE**  
\$ in Thousands

	Actual	Estimate		Out Year Projections		
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>PROPERTY</b>	2,827,757	2,924,690	2,978,335	3,068,958	3,162,638	3,259,180
Real Property	2,710,080	2,811,269	2,861,844	2,949,314	3,039,754	3,132,967
Personal Property	78,997	74,405	76,265	78,171	80,126	82,130
Public Space Rental	38,680	39,016	40,226	41,473	42,758	44,083
<i>Dedicated to other funds</i>	<i>(53,318)</i>	<i>(56,336)</i>	<i>(51,504)</i>	<i>(46,202)</i>	<i>(51,857)</i>	<i>(55,337)</i>
<b>PROPERTY (NET)</b>	<b>2,774,438</b>	<b>2,868,354</b>	<b>2,926,830</b>	<b>3,022,756</b>	<b>3,110,780</b>	<b>3,203,843</b>
<b>SALES &amp; EXCISE</b>	<b>1,707,223</b>	<b>1,761,939</b>	<b>1,878,158</b>	<b>1,948,832</b>	<b>2,018,771</b>	<b>2,091,442</b>
General Sales	1,597,727	1,651,570	1,767,977	1,838,894	1,909,023	1,981,826
Alcohol	7,042	7,169	7,299	7,422	7,541	7,662
Cigarette	28,546	28,359	27,180	26,019	24,908	23,844
Motor Vehicle	45,973	46,662	47,269	47,836	48,410	48,991
Motor Fuel	27,935	28,179	28,433	28,660	28,889	29,120
<i>Dedicated to other funds</i>	<i>(533,623)</i>	<i>(552,493)</i>	<i>(575,504)</i>	<i>(591,750)</i>	<i>(620,826)</i>	<i>(641,819)</i>
<b>SALES &amp; EXCISE (NET)</b>	<b>1,173,600</b>	<b>1,209,447</b>	<b>1,302,654</b>	<b>1,357,082</b>	<b>1,397,945</b>	<b>1,449,623</b>
<b>INCOME</b>	<b>2,941,982</b>	<b>3,018,756</b>	<b>3,052,717</b>	<b>3,173,554</b>	<b>3,299,508</b>	<b>3,430,512</b>
Individual Income	2,299,326	2,411,355	2,458,590	2,560,475	2,666,974	2,777,903
Corporate Franchise	507,911	464,251	462,859	478,143	493,834	510,040
Unincorporated Franchise	134,745	143,150	131,268	134,936	138,700	142,569
<b>INCOME (NET)</b>	<b>2,941,982</b>	<b>3,018,756</b>	<b>3,052,717</b>	<b>3,173,554</b>	<b>3,299,508</b>	<b>3,430,512</b>
<b>GROSS RECEIPTS</b>	<b>395,068</b>	<b>375,947</b>	<b>379,627</b>	<b>381,933</b>	<b>384,363</b>	<b>386,912</b>
Public Utilities	156,274	141,302	142,008	142,718	143,432	144,149
Toll Telecommunications	41,899	40,579	42,722	41,335	39,993	38,695
Insurance Premiums	118,802	119,359	121,626	123,938	126,297	128,701
Ballpark Fee	45,096	37,400	37,400	37,400	37,400	37,400
Private Sports Wagering	0	1,398	1,883	2,072	2,279	2,507
Health Related	32,999	35,909	33,987	34,469	34,961	35,460
<i>Dedicated to other funds</i>	<i>(136,184)</i>	<i>(132,828)</i>	<i>(131,960)</i>	<i>(133,288)</i>	<i>(135,083)</i>	<i>(136,613)</i>
<b>GROSS RECEIPTS (NET)</b>	<b>258,885</b>	<b>243,119</b>	<b>247,667</b>	<b>248,645</b>	<b>249,279</b>	<b>250,299</b>
<b>OTHER TAX</b>	<b>583,377</b>	<b>614,632</b>	<b>653,492</b>	<b>677,739</b>	<b>698,472</b>	<b>719,870</b>
Estate	22,311	23,056	21,439	22,493	23,554	24,666
Deed Recordation	299,512	316,092	336,875	349,472	360,309	371,482
Deed Transfer	228,249	251,867	270,648	281,244	290,079	299,192
Economic Interest	33,306	23,617	24,530	24,530	24,530	24,530
<i>Dedicated to other funds</i>	<i>(82,399)</i>	<i>(90,412)</i>	<i>(95,007)</i>	<i>(98,492)</i>	<i>(101,449)</i>	<i>(104,412)</i>
<b>OTHER TAX (NET)</b>	<b>500,978</b>	<b>524,220</b>	<b>558,485</b>	<b>579,247</b>	<b>597,024</b>	<b>615,458</b>
<b>TOTAL TAX (GROSS)</b>	<b>8,455,408</b>	<b>8,695,964</b>	<b>8,942,329</b>	<b>9,251,016</b>	<b>9,563,752</b>	<b>9,887,915</b>
<b>TOTAL TAX (NET)</b>	<b>7,649,883</b>	<b>7,863,895</b>	<b>8,088,353</b>	<b>8,381,283</b>	<b>8,654,536</b>	<b>8,949,734</b>
<b>NONTAX</b>	<b>619,241</b>	<b>531,791</b>	<b>531,912</b>	<b>521,855</b>	<b>521,598</b>	<b>521,994</b>
Licenses & Permits	146,956	140,372	144,001	144,851	149,099	153,471
Fines & Forfeits	195,392	174,257	167,358	159,620	152,411	145,528
Charges for Services	77,487	77,835	82,591	80,718	84,658	88,789
Miscellaneous	199,407	139,327	137,962	136,666	135,430	134,206
<b>NONTAX (NET)</b>	<b>619,241</b>	<b>531,791</b>	<b>531,912</b>	<b>521,855</b>	<b>521,598</b>	<b>521,994</b>
<b>LOTTERY</b>	<b>45,050</b>	<b>56,292</b>	<b>69,776</b>	<b>72,735</b>	<b>73,114</b>	<b>75,337</b>
<b>GROSS REVENUE</b>	<b>9,119,699</b>	<b>9,284,048</b>	<b>9,544,017</b>	<b>9,845,606</b>	<b>10,158,463</b>	<b>10,485,246</b>
<b>LOCAL FUND REVENUE</b>	<b>8,314,175</b>	<b>8,451,978</b>	<b>8,690,041</b>	<b>8,975,873</b>	<b>9,249,248</b>	<b>9,547,065</b>
<i>DEDICATED FUNDS (See Table 2 for Details)</i>	<i>805,524</i>	<i>832,069</i>	<i>853,976</i>	<i>869,733</i>	<i>909,216</i>	<i>938,181</i>

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

% Change

	Actual	Estimate		Out Year Projections		
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>PROPERTY</b>	6.3%	3.4%	1.8%	3.0%	3.1%	3.1%
Real Property	6.1%	3.7%	1.8%	3.1%	3.1%	3.1%
Personal Property	17.2%	-5.8%	2.5%	2.5%	2.5%	2.5%
Public Space Rental	2.8%	0.9%	3.1%	3.1%	3.1%	3.1%
<i>Dedicated to other funds</i>	18.5%	5.7%	-8.6%	-10.3%	12.2%	6.7%
<b>PROPERTY (NET)</b>	6.1%	3.4%	2.0%	3.3%	2.9%	3.0%
<b>SALES &amp; EXCISE</b>	6.9%	3.2%	6.6%	3.8%	3.6%	3.6%
General Sales	7.0%	3.4%	7.0%	4.0%	3.8%	3.8%
Alcohol	7.4%	1.8%	1.8%	1.7%	1.6%	1.6%
Cigarette	2.1%	-0.7%	-4.2%	-4.3%	-4.3%	-4.3%
Motor Vehicle	4.4%	1.5%	1.3%	1.2%	1.2%	1.2%
Motor Fuel	6.3%	0.9%	0.9%	0.8%	0.8%	0.8%
<i>Dedicated to other funds</i>	70.2%	3.5%	4.2%	2.8%	4.9%	3.4%
<b>SALES &amp; EXCISE (NET)</b>	-8.6%	3.1%	7.7%	4.2%	3.0%	3.8%
<b>INCOME</b>	11.4%	2.6%	1.1%	4.0%	4.0%	4.0%
Individual Income	11.2%	4.9%	2.0%	4.1%	4.2%	4.2%
Corporate Franchise	16.4%	-8.6%	-0.3%	3.3%	3.3%	3.3%
Unincorporated Franchise	-2.5%	6.2%	-8.3%	2.8%	2.8%	2.8%
<b>INCOME (NET)</b>	11.4%	2.6%	1.1%	4.0%	4.0%	4.0%
<b>GROSS RECEIPTS</b>	8.2%	-4.8%	1.0%	0.6%	0.6%	0.7%
Public Utilities	12.2%	-9.6%	0.5%	0.5%	0.5%	0.5%
Toll Telecommunications	5.4%	-3.1%	5.3%	-3.2%	-3.2%	-3.2%
Insurance Premiums	5.3%	0.5%	1.9%	1.9%	1.9%	1.9%
Ballpark Fee	24.5%	-17.1%	0.0%	0.0%	0.0%	0.0%
Private sports wagering			34.7%	10.0%	10.0%	10.0%
Health Related	-10.8%	8.8%	-5.4%	1.4%	1.4%	1.4%
<i>Dedicated to other funds</i>	4.2%	-2.5%	-0.7%	1.0%	1.3%	1.1%
<b>GROSS RECEIPTS (NET)</b>	10.5%	-6.1%	1.9%	0.4%	0.3%	0.4%
<b>OTHER TAX</b>	14.8%	5.4%	6.3%	3.7%	3.1%	3.1%
Estate	-37.5%	3.3%	-7.0%	4.9%	4.7%	4.7%
Deed Recordation	16.3%	5.5%	6.6%	3.7%	3.1%	3.1%
Deed Transfer	13.8%	10.3%	7.5%	3.9%	3.1%	3.1%
Economic Interest	136.1%	-29.1%	3.9%	0.0%	0.0%	0.0%
<i>Dedicated to other funds</i>	15.8%	9.7%	5.1%	3.7%	3.0%	2.9%
<b>OTHER TAX (NET)</b>	14.7%	4.6%	6.5%	3.7%	3.1%	3.1%
<b>TOTAL TAX (GROSS)</b>	8.8%	2.8%	2.8%	3.5%	3.4%	3.4%
<b>TOTAL TAX (NET)</b>	6.1%	2.8%	2.9%	3.6%	3.3%	3.4%
<b>NONTAX</b>	24.6%	-14.1%	0.0%	-1.9%	0.0%	0.1%
Licenses & Permits	48.9%	-4.5%	2.6%	0.6%	2.9%	2.9%
Fines & Forfeits	18.9%	-10.8%	-4.0%	-4.6%	-4.5%	-4.5%
Charges for Services	-11.6%	0.4%	6.1%	-2.3%	4.9%	4.9%
Miscellaneous	36.5%	-30.1%	-1.0%	-0.9%	-0.9%	-0.9%
<b>NONTAX (NET)</b>	24.6%	-14.1%	0.0%	-1.9%	0.0%	0.1%
<b>LOTTERY</b>	-9.0%	25.0%	24.0%	4.2%	0.5%	3.0%
<b>GROSS REVENUE</b>	9.6%	1.8%	2.8%	3.2%	3.2%	3.2%
<b>LOCAL FUND REVENUE</b>	7.2%	1.7%	2.8%	3.3%	3.0%	3.2%
<i>DEDICATED FUNDS (See Table 2 for Details)</i>	43.8%	3.3%	2.6%	1.8%	4.5%	3.2%

**Table 2: Dedicated/Enterprise revenue**

\$ in Thousands

Dedicated to	Tax Type	Actual	Estimated		Out year projections		
		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
TIF	Real Property	17,944	17,261	17,713	19,280	24,134	25,754
	General Sales	30,732	33,947	35,840	35,595	48,274	50,349
PILOT	Real Property	34,698	38,360	33,221	26,922	27,723	29,583
	General Sales	14,340	15,111	15,512	16,061	16,649	17,303
Downtown TIF	Real Property	676	715	570	-	-	-
Convention Center	General Sales	141,276	146,037	156,513	161,726	166,195	172,011
DestinationDC	General Sales	6,358	6,572	7,472	7,462	7,646	7,914
Ballpark	General Sales	16,150	21,500	18,000	18,000	18,000	18,000
	Public Utility	8,180	8,532	8,379	8,421	8,463	8,834
	Toll Telecom	2,336	2,263	2,499	2,313	2,565	1,991
	Ballpark Fee	45,096	37,400	37,400	37,400	37,400	37,400
Healthy DC – Marijuana	General Sales	1,158	1,141	1,358	1,616	1,923	1,988
Healthy DC – MCO	Insurance premium	47,573	48,524	49,495	50,484	51,494	52,626
WMATA - Operations	General Sales	79,782	81,021	87,278	90,618	94,176	98,131
WMATA - Capital	General Sales	178,500	178,500	183,855	189,371	195,052	200,903
Healthy Schools	General Sales	4,266	5,110	5,110	5,110	5,110	5,110
ABRA	General Sales	1,170	1,170	1,170	1,170	1,170	1,170
Commission on Arts and Humanities	General Sales	31,956	34,205	34,962	36,361	37,743	39,818
Highway Trust Fund	Motor Fuel	27,935	28,179	28,433	28,660	28,889	29,120
Nursing Facility Quality of Care	Health Related	14,338	15,345	15,652	15,965	16,285	16,675
Hospital Fund	Health Related	8,452	8,814	8,454	8,623	8,796	9,007
Hospital Provider Fee Fund	Health Related	5,345	6,673	4,804	4,804	4,804	4,804
ICF-IDD Stevie Sellows	Health Related	4,864	5,077	5,077	5,077	5,077	5,077
Dept of Health	Private Sports Wager	-	200	200	200	200	200
Housing Production Trust Fund (HPTF)	Deed Recordation	40,698	44,554	47,672	49,561	51,189	52,874
	Deed Transfer	28,743	32,882	35,701	37,289	38,619	39,892
	Economic Interest	4,880	3,462	3,599	3,599	3,599	3,599
HPTF-Debt Service	Deed Recordation	2,856	2,860	2,859	2,860	2,857	2,857
	Deed Transfer	4,892	4,898	4,897	4,897	4,893	4,893
	Economic Interest	80	80	80	80	80	80
West End Maintenance	Deed Recordation	125	838	100	103	106	109
	Deed Transfer	125	838	100	103	106	109
<b>TOTAL</b>		<b>804,839</b>	<b>832,069</b>	<b>853,976</b>	<b>869,733</b>	<b>909,216</b>	<b>938,181</b>