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

Jeffrey S. DeWitt
Chief Financial Officer

June 29, 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: June 2018 Revenue Estimates

Dear Mayor Bowser and Chairman Mendelson:

This letter certifies, as of June 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 $77.5 million largely due to one-time increases in deed and estate taxes and strong income tax collections in April. The forecast is revised higher in FY 2019 by $41.0 million, which increases to $76.9 million by FY 2022. The increased revenue over the period of the financial plan reflects increased sales and income tax revenue from an improved outlook in wages and income.
Although the forecasted growth in revenue for the period of the financial plan has improved, the outlook remains cautious. The table below compares the June 2018 estimate with the February 2018 revenue estimate.

June 2018 Revenue Estimate Compared to February 2018

	Actual	Estimate		Projected		
Local Source, General Fund Revenue Estimate ($M)	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
February 2018 Revenue Estimate		**7,578.2**	**7,810.6**	**8,039.7**	**8,294.8**	**8,567.6**
Revision to Estimate		*77.5*	*41.0*	*51.2*	*66.4*	*76.9*
June 2018 Estimate	**7,478.1**	**7,655.7**	**7,851.6**	**8,090.9**	**8,361.2**	**8,644.4**
Revenue Change From Previous Year						
Amount		177.6	195.9	239.3	270.3	283.2
Year-Over Year Percent Change		*2.4%*	*2.6%*	*3.0%*	*3.3%*	*3.4%*

A variety of sources provide the basis for this estimate including: cash collection reports, federal data on District population, employment and income, and forecasts of the U.S. and regional economies prepared by private-sector firms. The economic outlook over the period of the financial plan improved modestly from February, with additional population and income expected over the next several fiscal years.

Late in 2017, the federal government enacted significant changes to individual and business income taxes, which generated a modest stimulus to the District's economy and revenues. In the February estimate, real gross domestic product in DC was expected to grow 2.0 percent in FY 2018, and as a result of the stimulus from the federal tax legislation, is now expected to be a more robust 2.9 percent, the best growth in a decade. However, the stimulus provided by the federal tax legislation has not dramatically changed the long-term economic outlook.

We await guidance in the implementation and administration of the new tax law at the federal level and will continue to monitor developments closely. Outstanding questions about the precise application of many of the business tax provisions remain unanswered and represent a potential risk to District revenue due to our conformity with several federal tax definitions.

The federal government remains the major engine of the District's economy and the outlook for this sector is a source of concern. On the one hand, the federal budget resolution enacted in February increases the federal budget for the next two years and raises the debt ceiling, removing one source of uncertainty around federal fiscal policy. However, recent spending plans discussed in Congress and possible major restructuring of federal agencies add uncertainty. Whether increased appropriations for domestic programs will benefit the District's economy 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 these factors, we continue to be somewhat cautious in our outlook, particularly as it relates to federal spending and growth of total jobs and population in the city. It should be noted, however, that even with uncertainty in the federal sector, income growth in the District of Columbia is still expected to be about the same as the nation's growth rate over the period of the financial plan and about equal to the District's 10-year average growth rate.

Over the past several months, both interest rates and inflation have increased. Partly in response to these occurrences, the stock market has been much more volatile since the beginning of this calendar year. The S & P 500 stock index at the beginning of June was close to 5 percent below the market peak of its value reached in late January. 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.

Revenue Forecast: FY 2018- 2022

The estimate for FY 2018 is revised upward by $77.5 million. More than half of the revision is due to one-time increases in deed taxes, estate taxes, and fines. The other half was a positive April surprise for individual and corporate franchise taxes. Stronger sales and income taxes are the major drivers of the upward revision of $41 million in FY 2019 increasing to $76.9 million in FY 2022. These revenues are driven by a stronger forecast in wages and income.

Overall, we expect District revenue to grow 2.4 percent in FY 2018, 2.6 percent in FY 2019 and above 3 percent for the remainder of the financial plan period. The following is an analysis of the changes to the revenue forecast by major revenue categories.

Property Taxes

The real property tax forecast is unchanged from February. Real property tax revenue in FY 2018 is still expected to grow 4.7 percent based on the property tax bills sent out last 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 went into effect. These pre-payments 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 3.5 percent for the remainder of the financial plan.

Sales and Excise Taxes

The forecast for sales and excise taxes remains unchanged in FY 2018 and revised higher by $13 million in FY 2019, increasing to $43 million by FY 2022, reflecting stronger wage growth. Fiscal 2018 year-to-date growth in sales and excise tax collections increased through May, consistent with the expected stimulus from the federal tax changes and are expected to grow 4.4 percent in FY 2018. The trend over FY 2019 to FY 2022 has improved modestly due to a more optimistic projection of income and wage growth. Any impact on sales tax revenue from the Stanley cup finals will not be apparent until later in the quarter and will be reflected in the September update.

We have not yet fully analyzed its impact, but the recent U.S. Supreme Court decision allowing states to collect sales taxes from internet retailers supports a more optimistic forecast of sales tax revenue. News reports on the decision have suggested significant revenue gains for states, but there are reasons the impact may be muted in the District. For example, the District currently collects from many major online retailers because of either agreements or physical presence in the District; therefore, it is uncertain how much remains to be collected.

Individual Income Tax

Individual income tax revenue was revised higher by approximately $11 million more than estimated in February and is expected to grow 5.5 percent in FY 2018. An improved economic forecast has increased the growth rate to about 4 percent annually over the financial plan. By 2022, the stronger economy will increase the estimate in individual income tax by $19 million.

The higher estimate in FY 2018 reflects a positive April surprise arising from last minute tax planning around the federal tax changes. Simultaneously, wealthy taxpayers and business owners made their first quarterly estimated payments based on projected tax liability for tax year 2018, and the April 2018 estimated payment was over 30 percent higher than the April 2017 payment. Final payments and refunds reflected last minute tax planning at the end of last year were 7 percent higher than in 2017.

Business Income Taxes

Corporate franchise tax revenue in FY 2018 has been revised higher by approximately $25 million based on higher than expected quarterly payments for tax year 2018. Corporate franchise tax collections have been difficult to estimate because of tax planning in anticipation of tax changes in 2016 and 2017 following the presidential election and in response to enacted tax changes at the end of 2017. It is likely that income from 2017 was pushed forward into 2018 to take advantage of the lower rates. Overall, corporate franchise tax revenue in FY 2018 is still expected to be less than in FY 2017.

In contrast to corporate franchise taxes, the unincorporated business franchise tax receipts were revised downward by $7 million and are now expected to be much lower than 2017. Larger refunds in April and lower estimated payments resulted in the reduction. The lower estimated payments, particularly in April, point to a reduction in tax collections in FY 2019, and is largely a result of tax planning around the federal tax legislation.

Deed and Estate Taxes

FY 2018 year-to-date deed taxes collections is stronger than expected. The FY 2018 estimate was increased by $9 million to reflect this strength, but otherwise, the projections for FY 2019 through 2022 were mostly unchanged from February. Sales of office buildings greater than $100 million in value slowed in the last quarter, but residential markets continue to be strong. Higher interest rates and federal tax changes, which diminish the financial benefits of home mortgage interest, may dampen home sales going forward.

The FY 2018 estimate for the estate tax revenue is increased by $20 million based on collections thus far this year. The number of high-value estates processed to date this fiscal year has already exceeded the total number of high-value estates reported last year. However, because of a significant increase in the exemption level in the recently passed federal tax legislation, estate tax receipts will decline significantly in FY 2019. Typically, the tax is collected on estates nine months after death, and collections beginning in FY 2019 will reflect the higher exemption that became effective beginning January 1, 2018.

Non-tax Revenue

The estimate for non-tax revenue was increased by $16 million in FY 2018 due to continued stronger year-to-date collections in traffic fines and permit fees. Interest income, which is part of the miscellaneous revenue category, is also a contributor to the higher non-tax revenue and is expected to continue to be strong as interest rates rise.

National and Regional Economies

The national economy has continued its pattern of steady growth that has now lasted nine years. Real GDP was 2.8 percent higher in the March 2018 quarter than a year earlier and nominal growth was 4.7 percent higher, the highest year-over-year growth rates in almost three years. Employment is increasing, and the unemployment rate remains low. Interest rates and inflation, however, are also starting to increase.

The outlook is for continued moderate growth in the national economy for the next several years. In May 2018, the consensus forecast of 50 economists contributing to the Blue Chip Economic Indicators was that national real GDP growth would rise 2.8 percent in FY 2018 and 2.7 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 5.0 percent in FY 2019, up from 3.8 percent in FY 2017.

- The U.S. economy added 2.3 million jobs (1.6%) from April 2017 to April 2018.
- The U.S. unemployment rate (seasonally adjusted) was 3.9 percent in April 2018, down from 4.4 percent a year earlier.
- U.S. Personal Income in the March 2018 quarter was 3.7 percent above a year ago.
- The S&P 500 stock market index average for May 2018 was 0.1 percent below the level of three months earlier, and 12.7 percent above a year earlier. The market has been volatile over much of this calendar year, losing about 9 percent of its value from the end of January to early April, but then regaining about half of that loss by the beginning of June.
- Employment in the Washington metropolitan area has grown during the past year. In the three-month period ending April, wage and salary jobs in the region grew by 38,633 (1.2%) compared to a year earlier. The District of Columbia accounted for about 14 percent of the increase in area employment.
- The DC metropolitan area unemployment rate was 3.1 percent in April (not seasonally adjusted), down from 3.4 percent a year earlier.

The District of Columbia Economy

In recent months, job growth in the District has been moderate and unemployment has been falling. More apartment units have been rented, and housing sales appear to be improving after a slow start to the year. Hotel stays continue to outpace those in the prior year.

- In the three months ending April 2018, there were 5,433 (0.7%) more wage and salary jobs located in the District than a year earlier.
- Federal government jobs in April were down by 3,800 (1.9%) from a year earlier, and private sector jobs increased by 8,433 (1.5%).
- The largest increases in private-sector jobs were in food service (up by 2,367), professional and technical services (up by 1,967), and information services (up by 1,067).
- District resident employment in the three months ending April 2018 increased by 8,908 (2.4%) compared to a year earlier.
- The April unemployment rate was 5.6 percent (seasonally adjusted), down from 6.2 percent a year ago.

- Wages earned in the District grew 2.6 percent in the March 2018 quarter, compared to the prior year. DC Personal Income was 2.8 percent higher.
- Single-family home sales for the three-month period ending April 2018 were up 4.7 percent from a year ago, with a 1.8 percent increase in the average selling price. Condominium sales were up 0.2 percent, while the average selling price was 4.3 percent higher. The value of all home sale settled contracts for the three-month period ending April 2018 was 5.8 percent more than a year ago. For the past 12 months, the value of all sales increased 8.2 percent.
- For the 12-month period ending April 2018, 5,059 housing permits were issued, up 1.2 percent from a year ago; the 3-month total of 697 was 22.2 percent less than in the same period of 2017.
- According to CoStar, occupied commercial office space in March 2018 was up 0.2 percent from a year ago, while the vacancy rate rose slightly over the past year from 11.2 percent in the March quarter of 2017 to 11.5 percent in the March quarter of this year. Average rents were 2.4 percent higher in the March quarter than a year earlier.
- The market value of real property transfers subject to the deed transfer and economic interest taxes was 2.0 percent higher than a year earlier for the 12 months ending April. For the last three months, the value was 31.1 percent less than a year earlier.
- Hotel room-days sold for the three months ending April 2017 were 3.2 percent above the prior year, and hotel room revenues were up 0.9 percent.

Outlook

The economic forecasting services IHS Global Insight and Moody's Analytics both assume that the federal sector will play a smaller role in the economy and that the annual increases in population will slow 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, down from the 1.0 percent rate of increase in FY 2017. Federal employment is expected to continue falling in FY 2018 and for the remainder of the financial plan period.
- Population growth continues with 18,700—2.7 percent—new residents added over the two fiscal years 2018 and 2019. This pace is a little slower than the 3.2 percent growth from FY 2015 to FY 2017.
- Resident employment grows by 2.4 percent over the two fiscal years 2018 and 2019, and the unemployment rate declines to 5.6 percent in FY 2019 from 6.1 percent rate that occurred in FY 2017.
- DC Personal Income growth increases by 4.1 percent in FY 2018 and 5.0 percent in FY 2019, compared to 3.0 percent in FY 2017.

Risks and Uncertainties

As noted, federal government spending policies and their potential effect on the District's economy remain a primary concern. Other risks to the forecast include less than expected population and earnings growth of District residents.

Developments outside of the local economy also create uncertainty in the forecast. The increased tension on 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 as the Federal Reserve phases in tighter monetary policy measures also contribute to uncertainty, along with possible disruptions arising from uncertainties around the world and potential national security events.

The economy has entered the 10th year of expansion. While this forecast does not predict recession, one may occur during the financial plan period, which could adversely affect the District tax base. The Blue Chip consensus forecast put the odds of a recession by 2019 at one in four. The amount of the federal deficit may 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.

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

Sincerely,

Jeffrey S. DeWitt

Jeffrey S. DeWitt

Enclosures

<u>DISTRIBUTION LIST</u>

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Rashad Young, City Administrator
John Falcicchio, Chief of Staff to the Mayor
Jennifer Reed, Budget Director
Kathy Patterson, District of Columbia Auditor
Jennifer Budoff, Budget Director, Council of the District of Columbia

FY 2017 - FY 2022 Revenue Actuals, Estimates and Projections: June 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)*	*(44,556)*	*(47,886)*	*(57,709)*	*(63,854)*	*(55,067)*
3	Real Property (net)	2,427,742	2,543,857	2,630,510	2,709,756	2,788,856	2,885,737
4	Personal Property	63,305	62,580	62,820	63,121	63,121	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**	**2,639,944**	**2,727,909**	**2,808,563**	**2,888,805**	**2,987,266**
9	General Sales	1,419,197	1,481,046	1,554,903	1,627,838	1,708,479	1,769,345
10	*Transfer to convention center*	*(138,128)*	*(149,196)*	*(155,764)*	*(161,994)*	*(168,960)*	*(168,960)*
11	*Transfer to TIF*	*(32,102)*	*(37,420)*	*(52,362)*	*(56,603)*	*(62,734)*	*(61,536)*
12	*Transfer to Ballpark Fund*	*(17,764)*	*(15,900)*	*(15,900)*	*(15,900)*	*(15,900)*	*(15,900)*
13	*Transfer to Healthy DC Fund*	*(835)*	*(855)*	*(875)*	*(900)*	*(900)*	*(900)*
14	*Transfer to WMATA*	*(74,167)*	*(100,836)*	*(101,639)*	*(104,817)*	*(108,371)*	*(109,371)*
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	1,171,004	1,222,928	1,282,188	1,346,178	1,407,242
19	Alcohol	6,641	6,758	6,879	7,003	7,122	7,239
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)**	**1,232,850.322**	**1,253,032**	**1,304,523**	**1,363,703**	**1,427,883**	**1,489,013**
25	Individual Income	1,958,277	2,065,530	2,154,398	2,239,483	2,336,236	2,428,002
26	Corp. Franchise	389,218	362,944	356,301	368,735	375,914	389,613
27	U. B. Franchise	165,027	155,000	160,270	165,559	171,353	177,351
28	**Total Income**	**2,512,522**	**2,583,474**	**2,670,969**	**2,773,777**	**2,883,503**	**2,994,966**
29	Public Utility	138,124	143,234	143,951	144,670	145,394	146,121
30	*Transfer to Ballpark Fund*	*(7,938)*	*(8,649)*	*(8,736)*	*(8,823)*	*(8,910)*	*(8,999)*
31	Public Utility (net)	130,186	134,586	135,215	135,848	136,483	137,122
32	Toll Telecommunications	49,543	41,743	49,761	49,979	50,197	50,416
33	*Transfer to Ballpark Fund*	*(2,484)*	*(2,203)*	*(2,327)*	*(2,451)*	*(2,575)*	*(2,699)*
34	Toll Telecommunications (net)	47,059	39,540	47,434	47,528	47,621	47,716
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	14,202	14,917	15,215	15,519	15,830
39	*Transfer to Nursing Facility Quality of Care Fund*	*(13,949)*	*(14,202)*	*(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	14,307	-	-	-	-
43	*Transfer to Hospital Fund*	*(15,928)*	*(14,307)*	-	-	-	-
44	ICF-IDD Assessment	4,913	4,792	5,479	5,479	5,479	5,479
45	*Transfer to Stevie Sellows*	*(4,913)*	*(4,792)*	*(5,479)*	*(5,479)*	*(5,479)*	*(5,479)*
48	**Total Gross Receipts (net)**	**239,990**	**238,982**	**248,758**	**250,709**	**252,686**	**254,690**
49	Estate	41,215	43,482	17,064	17,441	18,171	18,978
50	Deed Recordation	250,740	261,417	260,981	262,717	271,829	280,941
51	*Transfer to HPTF/ Bond repayment/West End*	*(37,566)*	*(40,408)*	*(39,822)*	*(39,537)*	*(40,874)*	*(42,244)*
52	Deed Recordation (net)	213,174	221,009	221,159	223,180	230,955	238,697
53	Deed Transfer	188,781	198,485	197,019	197,553	204,398	211,242
54	*Transfer to HPTF/ Bond repayment/West End*	*(28,361)*	*(30,968)*	*(30,228)*	*(29,763)*	*(30,759)*	*(31,789)*
55	Deed Transfer (net)	160,420	167,517	166,791	167,790	173,638	179,453
57	Economic Interests/Co-op Recordation	21,336	17,824	16,852	15,881	14,910	13,938
58	**Total Other Taxes (net)**	**436,145**	**449,832**	**421,866**	**424,292**	**437,675**	**451,067**
59	**TOTAL TAXES NET OF DEDICATED TAXES**	**6,945,023**	**7,165,264**	**7,374,025**	**7,621,044**	**7,890,552**	**8,177,002**
60	Licenses & Permits	92,549	92,181	99,009	94,653	99,640	98,487
61	Fines & Forfeits	167,385	168,070	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	103,110	103,659	102,892	102,765	103,959
64	**TOTAL NON-TAX**	**487,514**	**445,440**	**432,580**	**424,830**	**425,672**	**422,420**
65	Lottery	45,600	45,000	45,000	45,000	45,000	45,000
66	**TOTAL REVENUE NET OF DEDICATED TAXES**	**7,478,137**	**7,655,704**	**7,851,605**	**8,090,874**	**8,361,224**	**8,644,422**

June 29, 2018

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

(percent change from prior year)

		Actual	Estimate		Out year projections		
	Revenue Source	**FY 2017**	**FY 2018**	**FY 2019**	**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%	-2.3%	7.5%	20.5%	10.6%	-13.8%
3	Real Property (net)	4.5%	4.8%	3.4%	3.0%	2.9%	3.5%
4	Personal Property	7.1%	-1.1%	0.4%	0.5%	0.0%	0.6%
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%**	**3.0%**	**2.9%**	**3.4%**
9	General Sales	5.7%	4.4%	5.0%	4.7%	5.0%	3.6%
10	*Transfer to convention center*	11.8%	8.0%	4.4%	4.0%	4.3%	0.0%
11	*Transfer to TIF*	-5.5%	16.6%	39.9%	8.1%	10.8%	-1.9%
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%	2.3%	2.3%	2.9%	0.0%	0.0%
14	*Transfer to WMATA*	2.5%	36.0%	0.8%	3.1%	3.4%	0.9%
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%	1.8%	4.4%	4.8%	5.0%	4.5%
19	Alcohol	2.7%	1.8%	1.8%	1.8%	1.7%	1.6%
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%**	**1.6%**	**4.1%**	**4.5%**	**4.7%**	**4.3%**
25	Individual Income	2.6%	5.5%	4.3%	3.9%	4.3%	3.9%
26	Corp. Franchise	0.6%	-6.8%	-1.8%	3.5%	1.9%	3.6%
27	U. B. Franchise	-2.6%	-6.1%	3.4%	3.3%	3.5%	3.5%
28	**Total Income**	**2.0%**	**2.8%**	**3.4%**	**3.8%**	**4.0%**	**3.9%**
29	Public Utility	1.9%	3.7%	0.5%	0.5%	0.5%	0.5%
30	*Transfer to Ballpark Fund*	-2.1%	9.0%	1.0%	1.0%	1.0%	1.0%
31	Public Utility (net)	2.1%	3.4%	0.5%	0.5%	0.5%	0.5%
32	Toll Telecommunications	-2.7%	-15.7%	19.2%	0.4%	0.4%	0.4%
33	*Transfer to Ballpark Fund*	8.6%	-11.3%	5.6%	5.3%	5.1%	4.8%
34	Toll Telecommunications (net)	-3.3%	-16.0%	20.0%	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%	1.8%	5.0%	2.0%	2.0%	2.0%
39	*Transfer to Nursing Facility Quality of Care Fund*	-18.0%	1.8%	5.0%	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%	-10.2%				
43	*Transfer to Hospital Fund*	-5.2%	-10.2%				
44	ICF-IDD Assessment	1.1%	-2.5%	14.3%	0.0%	0.0%	0.0%
45	*Transfer to Stevie Sellows*	1.1%	-2.5%	14.3%	0.0%	0.0%	0.0%
48	**Total Gross Receipts (net)**	**1.5%**	**-0.4%**	**4.1%**	**0.8%**	**0.8%**	**0.8%**
49	Estate	-23.6%	5.5%	-60.8%	2.2%	4.2%	4.4%
50	Deed Recordation	0.3%	4.3%	-0.2%	0.7%	3.5%	3.4%
51	*Transfer to HPTF/ Bond repayment/West End*	0.2%	7.6%	-1.4%	-0.7%	3.4%	3.4%
52	Deed Recordation (net)	0.3%	3.7%	0.1%	0.9%	3.5%	3.4%
53	Deed Transfer	8.1%	5.1%	-0.7%	0.3%	3.5%	3.3%
54	*Transfer to HPTF/ Bond repayment/West End*	8.3%	9.2%	-2.4%	-1.5%	3.3%	3.3%
55	Deed Transfer (net)	8.1%	4.4%	-0.4%	0.6%	3.5%	3.3%
57	Economic Interests/Co-op Recordation	9.7%	-16.5%	-5.5%	-5.8%	-6.1%	-6.5%
58	**Total Other Taxes (net)**	**0.4%**	**3.1%**	**-6.2%**	**0.6%**	**3.2%**	**3.1%**
59	**TOTAL TAXES NET OF DEDICATED TAXES**	**3.2%**	**3.2%**	**2.9%**	**3.3%**	**3.5%**	**3.6%**
60	Licenses & Permits	2.3%	-0.4%	7.4%	-4.4%	5.3%	-1.2%
61	Fines & Forfeits	-15.2%	0.4%	-9.3%	-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%	-29.5%	0.5%	-0.7%	-0.1%	1.2%
64	**TOTAL NON-TAX**	**-4.2%**	**-8.6%**	**-2.9%**	**-1.8%**	**0.2%**	**-0.8%**
65	Lottery	-14.4%	-1.3%	0.0%	0.0%	0.0%	0.0%
66	**TOTAL REVENUE NET OF DEDICATED TAXES**	**2.5%**	**2.4%**	**2.6%**	**3.0%**	**3.3%**	**3.4%**

June 29, 2018

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

			Actual			Estimate			Forecast	
Fiscal Years	2013 act	2014 act	2015 act	2016 act	2017 act	2018 est	2019 est	2020 est	2021 est	2022 est
Gross State Product ($ billion)	110.98	115.06	120.72	124.87	129.13	135.64	141.95	148.31	154.46	160.77
	1.4%	*3.7%*	*4.9%*	*3.4%*	*3.4%*	*5.0%*	*4.7%*	*4.5%*	*4.1%*	*4.1%*
Real Gross State Product (billions $2005)	103.37	104.62	107.15	108.51	109.81	113.03	115.15	116.93	118.37	119.83
	-0.5%	*1.2%*	*2.4%*	*1.3%*	*1.2%*	*2.9%*	*1.9%*	*1.6%*	*1.2%*	*1.2%*
Personal Income ($ billion)	43.08	45.30	48.86	51.35	53.27	55.47	58.23	60.97	63.78	66.51
	2.8%	*5.1%*	*7.9%*	*5.1%*	*3.7%*	*4.1%*	*5.0%*	*4.7%*	*4.6%*	*4.3%*
Real Personal Income (billions $2005)	34.39	35.38	38.14	39.94	40.73	41.56	42.77	43.77	44.77	45.62
	2.0%	*2.9%*	*7.8%*	*4.7%*	*2.0%*	*2.0%*	*2.9%*	*2.3%*	*2.3%*	*1.9%*
Per Capita Income ($)	66,473	68,672	72,787	75,204	76,888	78,994	81,849	84,679	87,614	90,439
	0.6%	*3.3%*	*6.0%*	*3.3%*	*2.2%*	*2.7%*	*3.6%*	*3.5%*	*3.5%*	*3.2%*
Real Per Capita Income ($2005)	53,060	53,633	56,819	58,492	58,800	59,182	60,131	60,796	61,492	62,033
	-0.3%	*1.1%*	*5.9%*	*2.9%*	*0.5%*	*0.6%*	*1.6%*	*1.1%*	*1.1%*	*0.9%*
Wages earned in D.C. ($ billion)	62.08	63.91	66.88	69.39	71.45	74.68	77.81	81.08	84.46	87.91
	2.4%	*2.9%*	*4.6%*	*3.8%*	*3.0%*	*4.5%*	*4.2%*	*4.2%*	*4.2%*	*4.1%*
Wages earned by D.C. residents ($ billion)	21.7	22.8	24.5	25.6	26.6	27.8	29.2	30.5	31.9	33.3
	4.1%	*5.5%*	*7.2%*	*4.7%*	*3.8%*	*4.7%*	*4.8%*	*4.6%*	*4.5%*	*4.4%*
Population ('000)	648.1	659.5	671.2	682.8	692.7	702.2	711.4	719.9	728.0	735.3
	2.3%	*1.8%*	*1.8%*	*1.7%*	*1.5%*	*1.4%*	*1.3%*	*1.2%*	*1.1%*	*1.0%*
Households ('000)	286.5	291.8	297.1	301.1	305.0	309.1	313.3	316.9	320.6	323.8
	2.2%	*1.9%*	*1.8%*	*1.3%*	*1.3%*	*1.3%*	*1.4%*	*1.2%*	*1.1%*	*1.0%*
Civilian Labor Force ('000)	374.1	375.9	386.2	393.3	396.5	401.8	407.2	412.0	416.7	420.9
	4.1%	*0.5%*	*2.7%*	*1.8%*	*0.8%*	*1.3%*	*1.4%*	*1.2%*	*1.1%*	*1.0%*
At-Place Employment ('000)	745.2	751.7	764.7	780.9	788.6	795.3	802.0	807.8	812.0	815.2
	1.9%	*0.9%*	*1.7%*	*2.1%*	*1.0%*	*0.9%*	*0.8%*	*0.7%*	*0.5%*	*0.4%*
Resident Employment ('000)	341.8	346.1	358.5	368.8	375.3	379.0	384.4	389.1	393.7	397.9
	4.9%	*1.3%*	*3.6%*	*2.9%*	*1.8%*	*1.0%*	*1.4%*	*1.2%*	*1.2%*	*1.1%*
Unemployment Rate	8.6	7.9	7.2	6.2	6.1	5.7	5.6	5.6	5.5	5.5
Housing Starts	3,542	4,497	3,966	4,401	4,504	6,662	3,531	3,218	3,137	3,103
Housing Stock ('000)	308.6	312.8	316.1	319.5	323.0	326.9	331.3	335.2	338.8	342.2
	1.9%	*1.4%*	*1.1%*	*1.1%*	*1.1%*	*1.2%*	*1.3%*	*1.2%*	*1.1%*	*1.0%*
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	859.1	902.4	946.9	992.8	1037.4
	13.1%	*3.3%*	*4.3%*	*3.5%*	*3.8%*	*4.1%*	*5.0%*	*4.9%*	*4.8%*	*4.5%*
Change in S & P 500 Index of Common Stock*	24.8%	13.6%	2.0%	6.4%	19.2%	3.6%	1.8%	1.8%	1.8%	1.8%
Interest rate on 10-year Treasury notes (%)	2.1	2.7	2.2	1.9	2.3	2.8	3.5	3.8	3.9	4.0
Washington Area Consumer Prices: % change from prior year	1.3	1.8	-0.1	0.9	2.0	2.2	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 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 (May 2018) and Moody's Analytics (Economy.com) (May 2018); forecasts of the national economy prepared by the Congressional Budget Office (April 2018) and Blue Chip Economic Indicators (May 2018); BLS labor market information from April 2018; the Census Bureau estimates of the D.C. population (2017);Bureau of Economic Analysis estimates of D.C. Personal Income (December 2017); Metropolitan Regional Information System (MRIS) D.C. home sales data (April 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. (March 2018); and Delta Associates commercal office buildings and apartments in DC (March 2018).