



February 2024 Revenue Estimate

February 29, 2024

No significant changes to economic outlook



National

- U.S. economy remains strong: U.S. real GDP grew 3.3% in Q4, exceeding expectations
- Strong consumer spending (2.8% growth in Q4 CY2023) drove the economy, but consumers may reduce spending as pandemic savings dissipate
- Inflation rate stabilized as supply increased to match strong demand
- As inflation eases, Federal Reserve expected to cut rates in 2024, but there is uncertainty as to the timing and magnitude

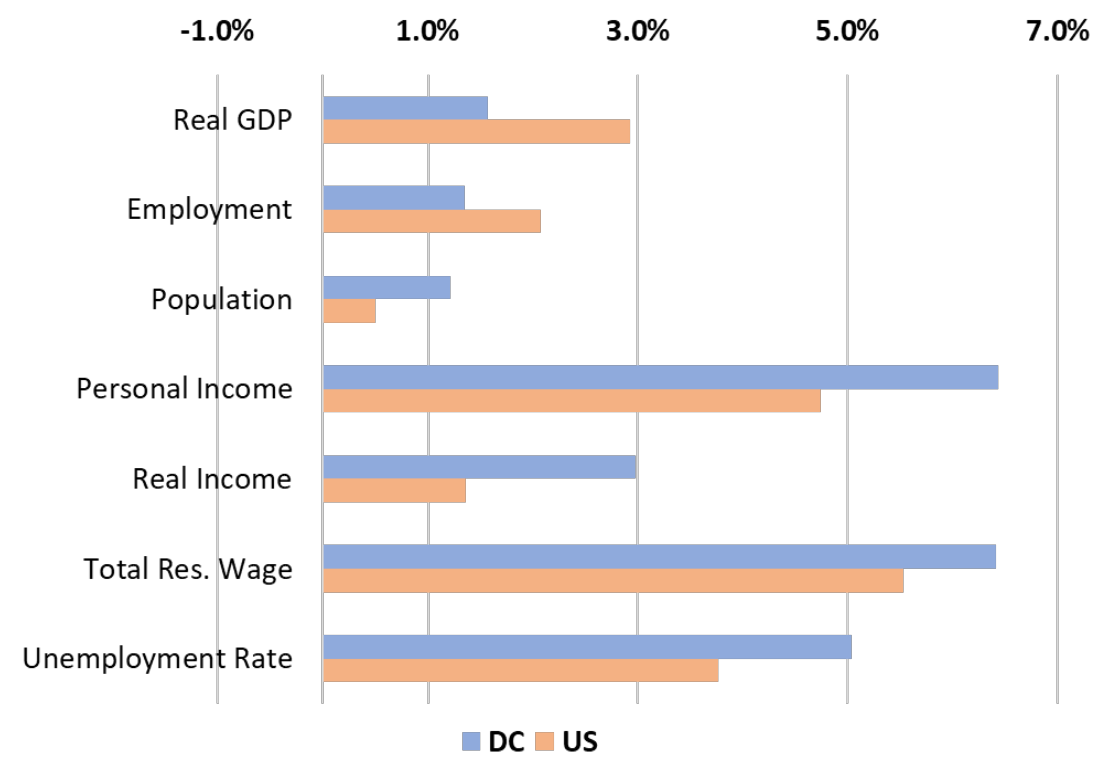
District

- DC's economy lags the nation's, except for personal income/wages for residents, which have grown faster in the last two quarters
- The DC labor market remains tight, but employment growth has slowed in recent months
- DC unemployment rate averaged 5% over the past five months, an increase over last year's 4%
- DC's population continues to rebound from pandemic lows; the latest census data reports a gain of approximately 8,000 residents between July 2022 and July 2023

DC's economy outperforms US on population, income, and wages, but lags on growth and employment

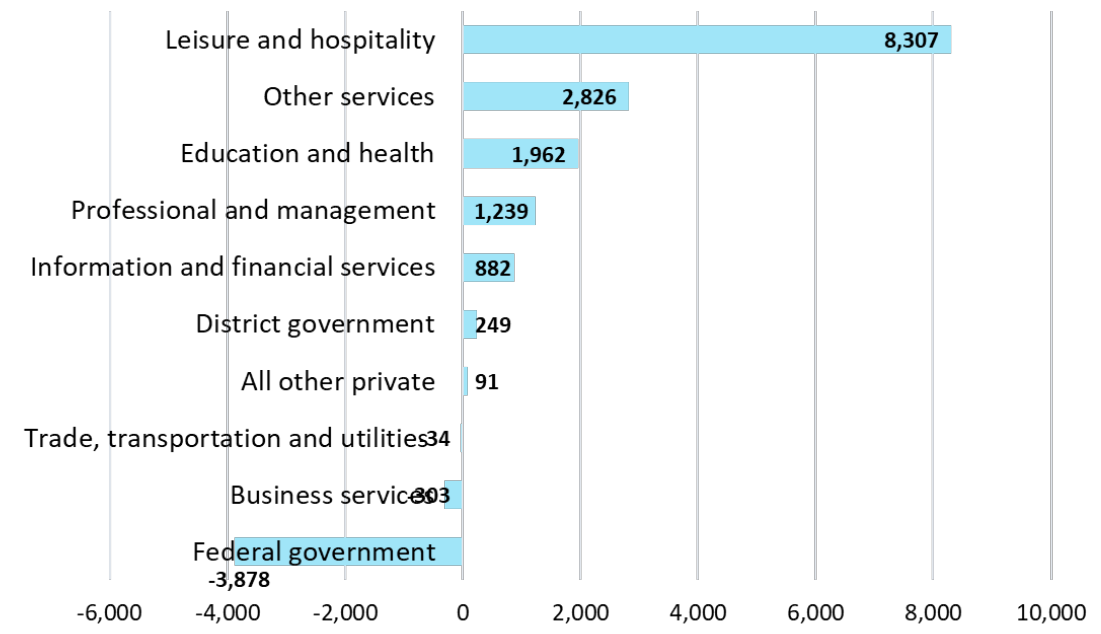


Relative performance in key indicators
Q3 2023 vs a year earlier



*Unemployment rate in levels as of Q3 2023

Change in wage and salary jobs in DC by sector: Q4 2022 vs Q4 2023



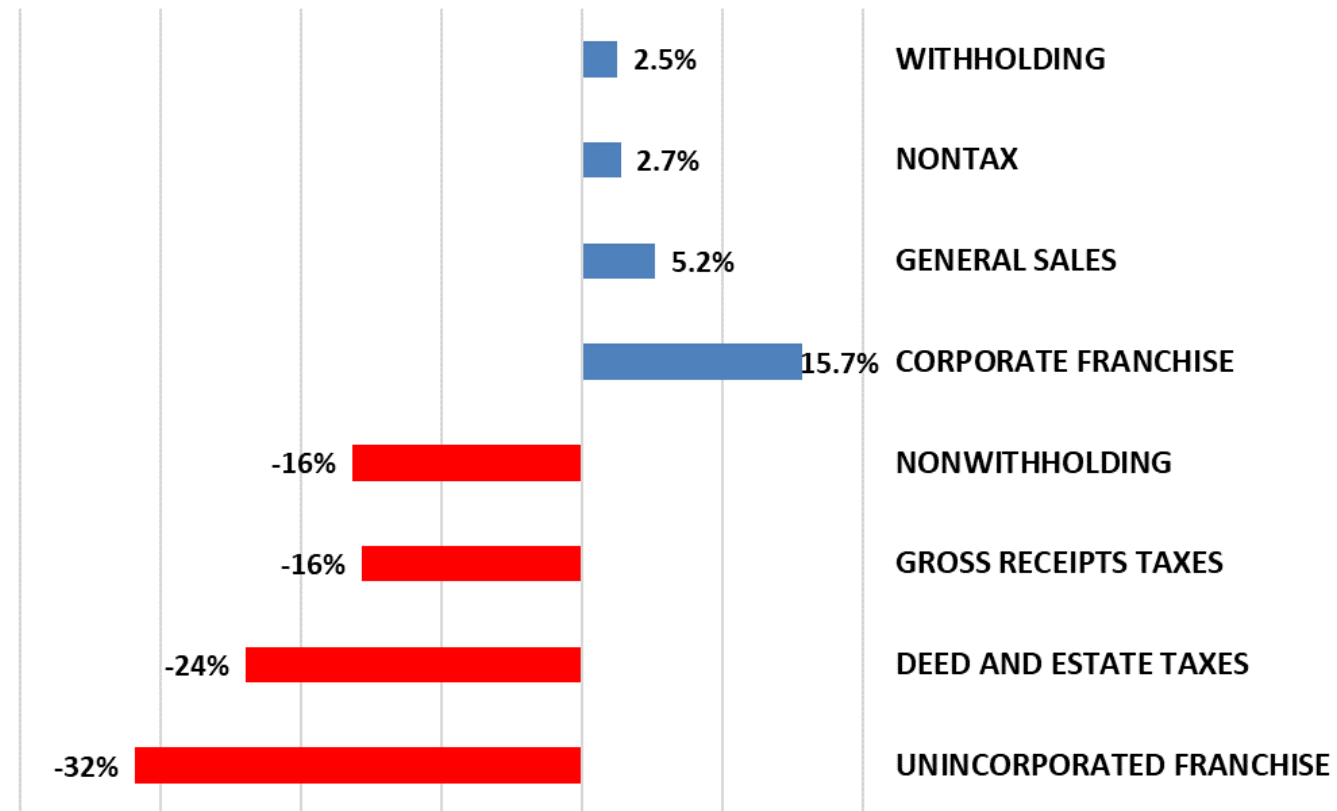
source: BLS and ORA Dec. 2023 Outlook, 12-month average

FY 2024 revenue year-to-date through January



- Revenue trending above forecast, but signs of slowing ahead
- Strong revenue growth mainly due to sales taxes and corporate franchise estimated payments
 - Between October 1, 2023, and February 1, 2024, estimated payments were about 33% above the same period last year
 - January estimated payments for corporate and individual income taxes are up, 7.8% and 2.8%, respectively
 - Sales tax growth was boosted by holiday shopping and increased restaurant spending
- Unincorporated business tax collections decline due to weak commercial real estate market
- Deed tax collections decline reflects fewer real estate transactions and lower tax rate

Year-to-date FY 2024 Revenue Growth



Revenue estimate: FY 2024 - FY 2028



February 2024 Revenue Estimate Compared to Previous Estimate

Local Source, General Fund Revenue Estimate (\$M)	Estimate		Projections		
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<i>December 2023 Revenue Estimate</i>	9,909.7	10,190.0	10,393.4	10,667.3	
<i>February Revision to the Estimate</i>	67.6	64.3	62.1	10.7	
<i>February 2024 Revenue Estimate</i>	9,977.3	10,254.4	10,455.5	10,678.0	10,914.9
Revenue Change From Previous Year					
Amount	(9.5)	277.1	201.2	222.5	236.9
<i>Year-Over-Year Percent Change</i>	0%	2.8%	2.0%	2.1%	2.2%

Revenue estimate: change from previous forecast



REVISION FROM LAST ESTIMATE (\$000)

SOURCES OF FEBRUARY REVISION	FY 2024	FY 2025	FY 2026	FY 2027
PROPERTY	3,841	(18,740)	(18,724)	(18,730)
SALES & EXCISE	(20,907)	(24,810)	(40,276)	(57,050)
INCOME	47,954	94,129	77,151	37,276
GROSS RECEIPTS	7,620	12,656	14,933	16,614
DEED AND ESTATE	(37,686)	(25,124)	(12,693)	(1,944)
GROSS TAX	822	38,112	20,391	(23,834)
NONTAX	77,936	34,180	51,317	48,196
REVISION (GROSS)	81,701	72,292	71,708	19,226
Dedicated revision	(14,076)	(7,958)	(9,572)	(8,508)
LOCAL FUND REVISION	67,626	64,334	62,136	10,718

Risks to Outlook



■ National:

- Federal government impasse on the federal budget
- Inflation resurfaces
- Geopolitical turmoil: escalation of the wars in Ukraine and Gaza
- U.S. recession

■ District:

- Remote work expands beyond current levels
- Federal employment continues to decline
- Population recovery stalls
- Potential reduction in Metro service within financial plan period
- Public safety concerns



Questions?