



June 2026 Revenue Estimate

June 30, 2026

Current National Economic Trends



- The Federal Reserve in June maintained their federal funds rate target range at 3.50%–3.75%, in the face of persistently high inflation.
- The Personal Consumption Expenditure (PCE) inflation index, the Fed gauge of inflation, was 4.1% in May, well above the Fed’s 2% target.
- The CPI rose 0.6% in April, lifting annual inflation to 3.8%, driven largely by a 17.9% jump in energy; core CPI increased 0.4% month-over-month and 2.8% year-over-year.
- U.S. real GDP growth for Q1 2026 was a 2.1% annualized rate, an increase from the previous 1.6% estimate and much higher than the sluggish 0.5% growth rate recorded in Q4 2025.
- Nonfarm payrolls rose by 172,000 in May 2026, and upward revisions to prior months lifted the three-month average to 188,000, while the unemployment rate held steady at 4.3%.

DC Current Economic Conditions at a Glance



6.1%

Unemployment (May 2026)

Same as in May 2025

-5.3%

Total DC Jobs Lost (YoY)

Down 40K from 758K in May 2025

-14%

Federal DC Jobs Lost (YoY)

Down 27K from 191K in May 2025

+1.7%

Personal Income (2025 Q4)

Up 0.9B from \$80B in 2024 Q4

18.5%

Office Vacancy (2026 Q2)

Up 300 basis points year-over-year

+0.3%

Home Price Growth (YoY)

Singe family avg price, March 2026

-23%

Building Permits (Mar 2026)

12-month avg down 420 from March 2025

-3.6%

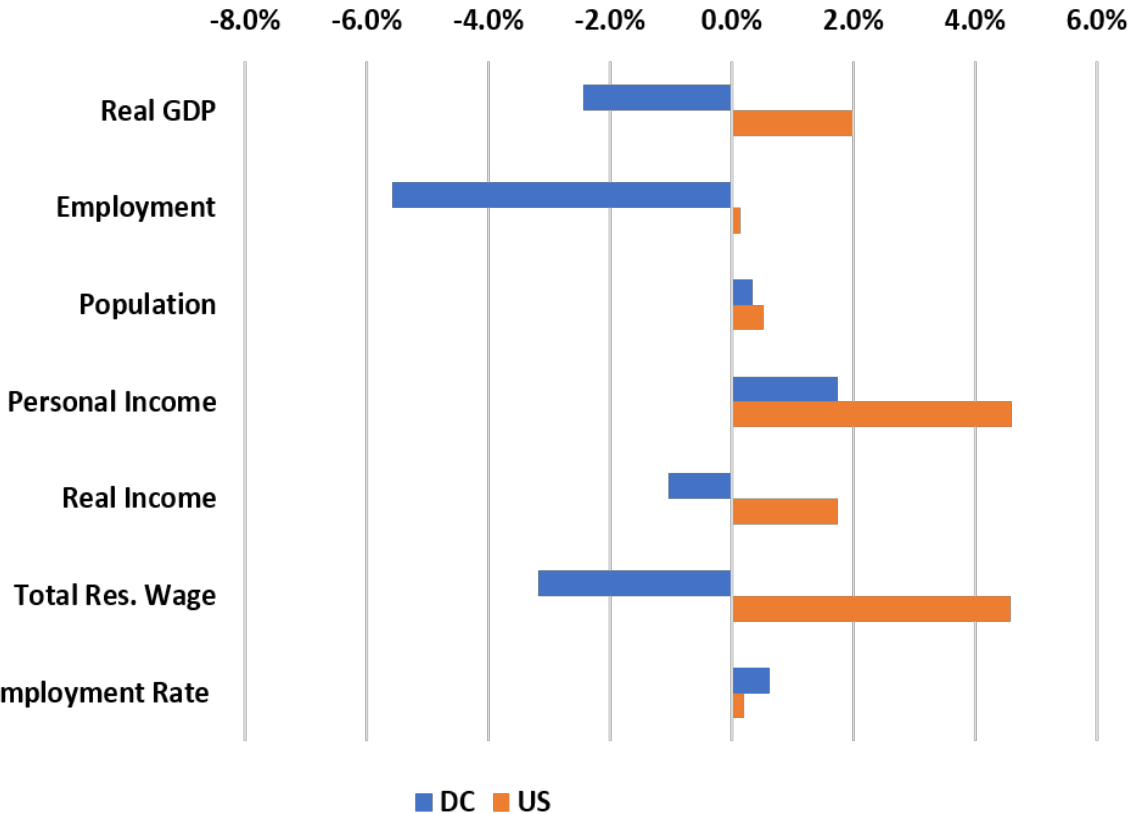
Hotel Room Days Sold (YoY)

12-mo avg, March 2026

DC Economy Weakens with Federal Workforce Shock

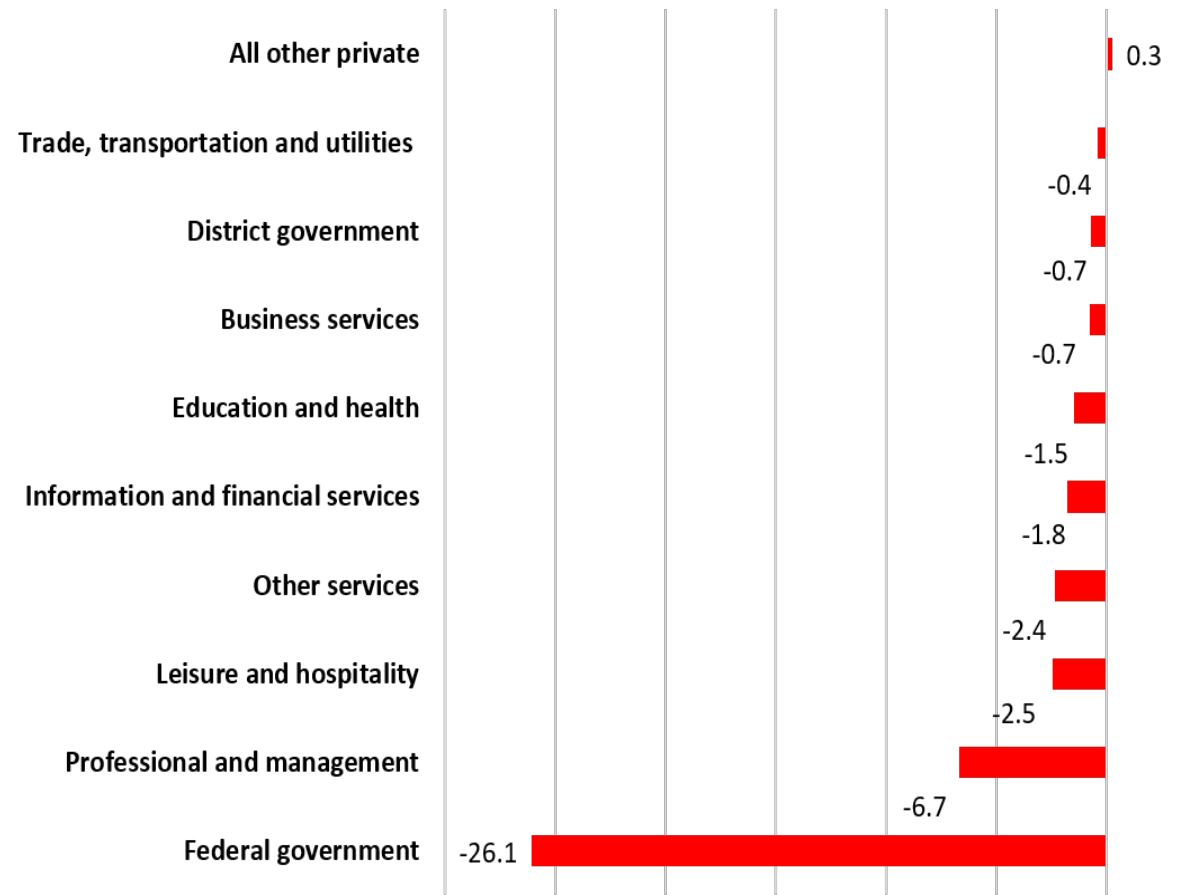


Relative performance in key indicators
Q4 2025 vs a year earlier



*Population reflects change from 2024 to 2025; employment statistics are as of Q1 2026.

Change in wage and salary jobs in DC by sector: Q1 2026 vs Q1 2025, Seasonally Adjusted



Data source: Bureau of Labor Statistics (BLS) Total Jobs: -42,400



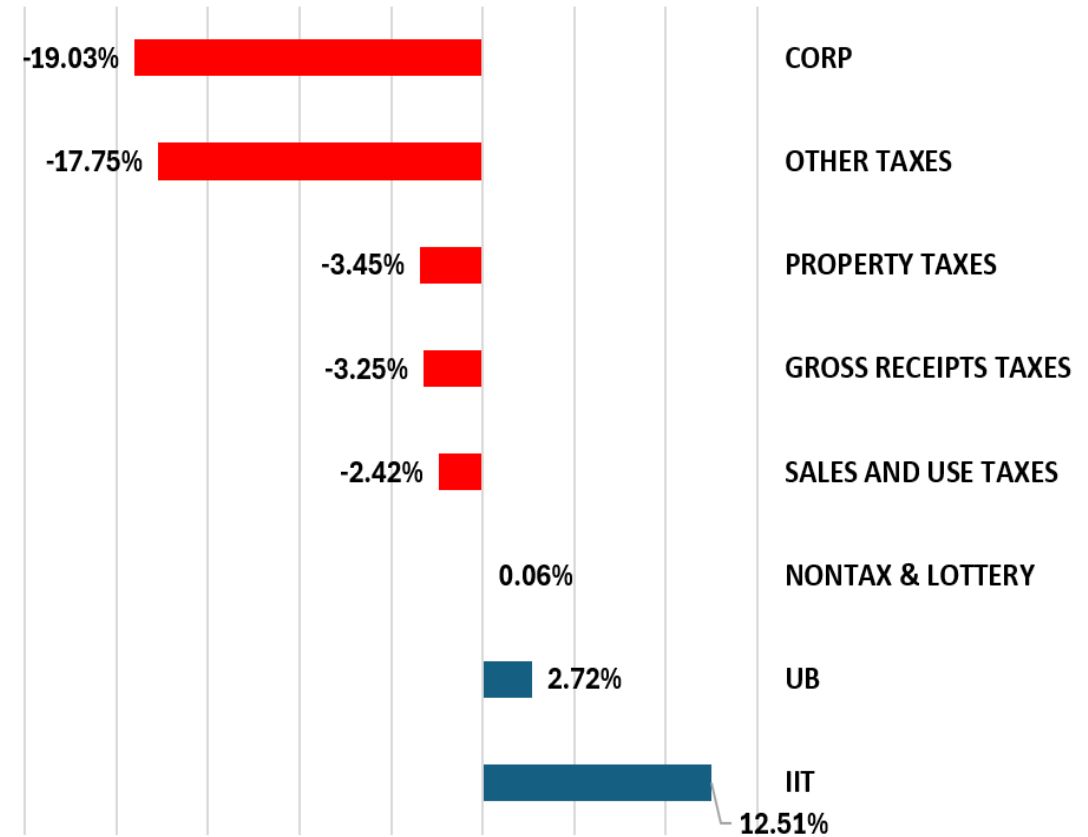
No Change to Economic Outlook, but Balance of Risks to the Downside

- In contrast to the relative strength and resilience of the national economy, almost all key DC economic indicators have turned negative.
- Since January 2025, the District has lost 28,000 federal jobs, which is on track to meet our February 2025 forecast of a 40,000-job loss over the next 3 years.
- Nominal personal income is growing but has slowed and is growing more slowly than that of the US and inflation.
- Capital markets continue to soar but are a volatile component of the tax base, subject to wild and sudden swings.
- The baseline economic outlook remains unchanged pending additional data, as there is not sufficient evidence that underlying economic conditions have materially changed.
- With broad weakening of the District's economy and its tax base, the balance of risks has shifted to the downside.

FY 2026 Year-to-date (YTD) Revenue Performance

- YTD tax receipts through May are up 3 percent, but only up 0.3 percent if the policy impact of changes to Medicaid-related reimbursements is excluded.
- Individual income tax revenue (IIT) accounted for nearly all YTD FY2026 revenue growth (+12.5%).
 - Non-withholding receipts, up 70.7%, accounted for most of the growth.
 - Withholding receipts grew a stronger than expected 4 percent, likely benefiting from bonuses and federal severance pay.
- Unincorporated business tax receipts are up 2.7% YTD, driven by higher April final payments and a few large estimated payments.
- Corporation franchise tax receipts are down 19% YTD, primarily due to significantly lower April final payments; estimated payments in April are down 15.3%, and YTD are down 12.8%.
- Other tax receipts (Deed, Economic Interest, and Estate) are down 18% YTD, reflecting decreased real estate sales and financing activity.
- Sales and Use tax receipts are down 2.4% YTD, across all components, led by a sharp decline (-11%) in hotel tax revenue.

YTD FY 2026 Major Tax Revenue Growth



Source: OCFO –DIFS Monthly Cash Revenue Data

FY 2026 Year-to-Date Revenue Strength Likely Temporary



- Capital gains were a significant source of revenue gains but are a volatile component of the tax base, subject to wild and sudden swings.
- Withholding income growth of 4% is faster than the growth in resident wages and likely temporary because:
 - ✓ Ongoing federal severance payments that continue to generate taxable wage income following workforce reductions will fade.
 - ✓ Seasonal compensation, including year-end and performance bonuses, were unusually high in some sectors, which may not recur.
 - ✓ Nominal wage growth and bracket creep, resulting in higher withholding per employee, are likely to slow with slower employment growth.
 - ✓ Withholding receipts' strength is concentrated in a small number of sectors (finance, technology, legal services) suggesting YTD gains are not broad-based.
 - ✓ Timing effects—labor market softening typically appears in withholding collections with a lag—are delaying the impact of the federal workforce downsizing shock and will catch up in the coming months.
- Current withholding strength may weaken as some of these factors disappear or weaken.

No Change in the Revenue Estimate



June 2026 Revenue Estimate Compared to the Previous Estimate

| | Actual | | Estimate | | | Projections | |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|-----------------|--|
| Local Source, General Fund Revenue Estimate (\$M) | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | |
| <i>February 2026 Revenue Estimate</i> | <i>11,088.7</i> | <i>10,815.9</i> | <i>11,094.6</i> | <i>11,461.5</i> | <i>11,832.7</i> | <i>12,219.9</i> | |
| <i>June Revision to the Estimate</i> | | | | <i>**No Change**</i> | | | |
| <i>June 2026 Revenue Estimate</i> | <i>11,088.7</i> | <i>10,815.9</i> | <i>11,094.6</i> | <i>11,461.5</i> | <i>11,832.7</i> | <i>12,219.9</i> | |
| Revenue Change From Previous Year | | | | | | | |
| Amount | 864.8 | (272.8) | 278.7 | 366.9 | 371.2 | 387.2 | |
| <i>Year-Over-Year Percent Change</i> | <i>8.5%</i> | <i>-2.5%</i> | <i>2.6%</i> | <i>3.3%</i> | <i>3.2%</i> | <i>3.3%</i> | |

Note: Revenues exclude the impact of DC budget legislation, which has not yet become law, that would decouple from some tax changes in the federal One Big Beautiful Bill Act.

National:

- Economic uncertainty related to tighter trade, monetary, and immigration policies
- Uncertainty surrounding future federal tax, spending, and deficit reduction policies
- Persistent inflation, a slowing labor market, and consumer spending vulnerability
- Financial market volatility
- Escalating geopolitical conflicts and energy market disruptions
- Risk of U.S. recession/stagflation

District:

- Congressional actions affecting the District's fiscal autonomy, tax laws, or budget
- Continued federal workforce reductions and changing federal office utilization
- Persistent weakness in the commercial office market
- Population growth stalls due to federal workforce reductions and tighter immigration
- Declining tourism amid more restrictive trade and immigration policies