# Overview

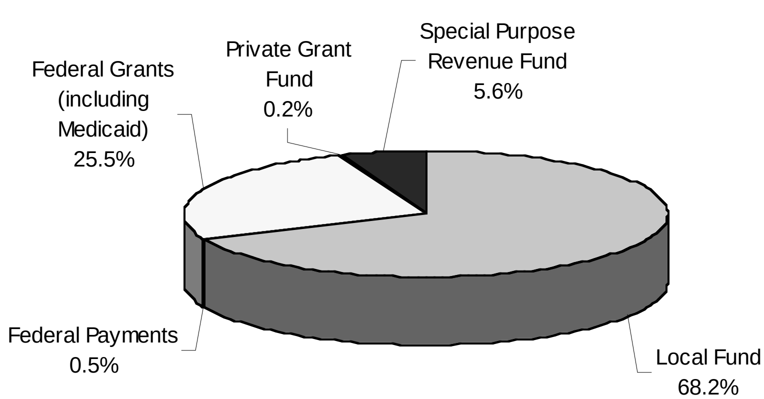
# Introduction to the FY 2007 Budget and Financial Plan

## The District of Columbia has what is arguably the most complex government in the United States.

As one entity, the District government provides services typically delivered elsewhere by states, counties, cities, and special taxing districts. The challenge for the District is to navigate this jurisdictional complexity while facing variable revenues and increasing service needs. Totaling $7.503 billion, the FY 2007 Proposed Budget and Financial Plan is $114 million more than the FY 2006 approved budget of $7.388 billion, not including Intra-District funding or Enterprise Fund agencies. The budget funds services as diverse as street cleaning, affordable multi-family housing development, voter registration, business inspection, fire fighting, police patrol, running a lottery, managing a vast multimodal transit system, educating children, promoting economic development, encouraging people to move into the District, and protecting at-risk youth.

The District's proposed budget is similar to any other budget in that it identifies resources (revenues) and uses (expenditures) to accomplish

Chart 1-1
**Where the Money Comes From - Total Gross Funds FY 2007 $7.503 Billion**



specific purposes developed by citywide strategic planning and departmental business planning. In addition to these basic elements, the proposed budget includes a financial forecast for the Mayor and the District Council's policy priorities and detailed cost information for agency programs and activities.

### Where the Money Comes From

Money for providing District services comes from a variety of sources. The District's general fund consists of Local and Special Purpose Revenue funds. Federal grants, federal Medicaid, and federal payments constitute the District's federal resources. Private resources make up the balance of the District's gross funds (chart 1-1).

Local tax revenue accounts for most of the money supporting services and includes such common sources as income, property, and sales taxes (chart 1-2). Detailed revenue information, including historical trends, FY 2007 revenue estimates and projection assumptions are included in the revenue chapter of this budget book.

### How the Money is Allocated

To facilitate policy decisions concerning expenditures and to provide summary information for reporting expenditures, the District's budget is developed, presented, and executed along several lines. These include fund types, appropriation titles, agencies, programs, and expense categories. As with revenues, expenditures can be grouped by the source of funds. The total of these funds is referred to as gross funds. The proposed gross funds budget for FY 2007 is $7.503 billion, $114 million or 1.5 percent more than the FY 2006 approved budget of $7.388 billion. For purposes of appropriating the District's budget, agency budgets are grouped by function, such as public safety or public education. Table 1-1 shows the FY 2007 proposed gross funds expenditures budget by appropriation title.

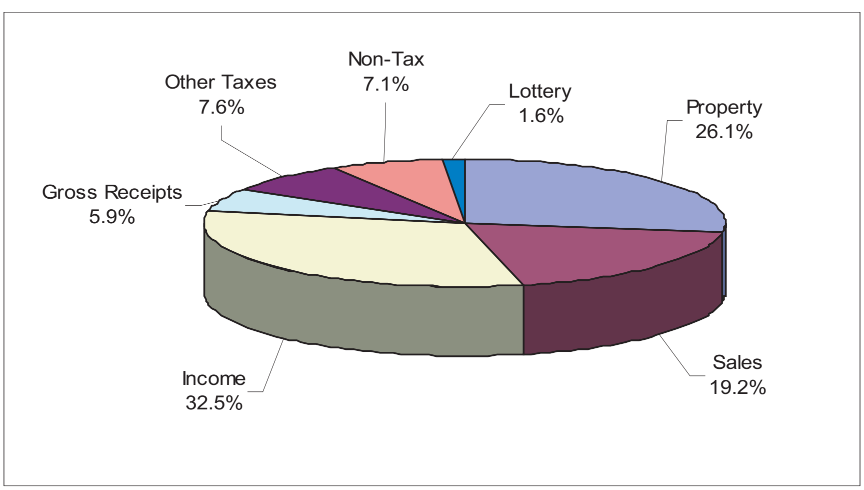
The proposed Local funds budget for FY 2007 is $4.951 billion, $7 million or 0.1 percent less than the FY 2006 approved budget of $4.958 billion. Table 1-2 shows the FY 2007 proposed Local funds expenditures budget by appropriation title.

The proposed Local funds budget represents 66.0 percent of the proposed gross funds budget. The largest appropriation titles, Public Education System and Human Support Services, represent 58.0 percent of the Local funds proposed budget - meaning approximately a little more than one-half of every dollar generated locally is directed to just these two areas.

Within the appropriation titles are the agencies that operate the programs, activities, and services

Chart 1-2

**Where the Money Comes From - Local Fund FY 2007 $4.985 Billion**




**Note: The above chart includes fund balance and policy proposals.**

Table 1-1
## Gross Funds Expenditure Budget, by Appropriation Title
(Dollars in Thousands)

| | FY 2006 Approved Budget | FY 2007 Proposed Budget | Change from FY 2006 | % Change from FY2006 |
|---|---|---|---|---|
| Governmental Direction and Support | 512,834 | 538,238 | 25,404 | 5.0 |
| Economic Development and Regulation | 449,668 | 473,266 | 23,598 | 5.2 |
| Public Safety and Justice | 837,602 | 948,374 | 110,277 | 13.2 |
| Public Education System | 1,454,904 | 1,450,996 | -3,908 | -0.3 |
| Human Support Services | 2,717,732 | 2,911,166 | 193,434 | 7.1 |
| Public Works | 375,466 | 427,498 | 52,032 | 13.9 |
| Financing and Other | 1,040,040 | 753,174 | -286,866 | -27.6 |
| **Total** | **7,388,246** | **7,502,711** | **114,465** | **1.5** |

Table 1-2
## Local Funds Expenditure Budget, by Appropriation Title
(Dollars in Thousands)

| | FY 2006 Approved Budget | FY 2007Proposed Budget | Change from FY 2006 | % Change from FY 2006 |
|---|---|---|---|---|
| Governmental Direction and Support | 296,632 | 325,898 | 29,266 | 9.9 |
| Economic Development and Regulation | 104,829 | 105,320 | 491 | 0.5 |
| Public Safety and Justice | 769,785 | 870,684 | 100,899 | 13.1 |
| Public Education System | 1,177,599 | 1,204,185 | 26,586 | 2.3 |
| Human Support Services | 1,276,326 | 1,361,511 | 85,185 | 6.7 |
| Public Works | 316,374 | 353,493 | 37,119 | 11.7 |
| Financing and Other | 1,016,216 | 729,669 | -286,548 | -28.2 |
| Total | 4,957,761 | 4,950,760 | -7,001 | -0.1 |

provided to District citizens and businesses. For example, the Public Works appropriation title includes the Department of Public Works, the Department of Transportation, and the Department of Motor Vehicles. The FY 2007 proposed budget includes 112 agencies dispersed across eight appropriation titles.

To provide context as to the types of expenses for a particular program, information is presented by expense category. Table 1-3 shows the entire Local funds proposed budget by expense category. These same categories are used by all District agencies. Specific agency costs by expense category are included in the agency chapters.

One of the District's largest expense categories is personal services, totaling $1.773 billion and representing 35.8 percent of the Local funds proposed budget. This funding will support 26,721 Local full-time equivalent (FTE) positions, a decrease of 68 FTEs, or 0.3 percent from FY 2006 (see table 1-4). Including all fringe benefits, but excluding extra compensation like overtime and shift differential, the average Local FTE for FY 2007 will cost $63,491.

The District's FY 2007 gross funds proposed budget includes 34,458 FTEs, a decrease of 177 FTEs or 0.5 percent from FY 2006. Major gross funds FTE changes by agency are detailed in table 1-5.

## Performance-Based Budgets

In addition to these District-wide expenditure reports by appropriation title and category, we are also able to show the results associated with expenditures. As the District completes its transition to a performance-based budgeting (PBB) structure for all agencies, agency budgets now show the programs and activities they provide. In limited cases, service-level information can also be provided. More information about performance-based budgeting is available in the Strategic Budgeting chapter.

## Organization of the FY 2007 Budget and Financial Plan

The FY 2007 Budget and Financial Plan is composed of the following volumes:

- Volume I - FY 2007 Executive Summary
- Volume II - FY 2007 Budget and Financial Plan - This provides all summary information regarding the District's proposed budget.
- Volumes III and IV - FY 2007 Operating Appendices - This provides detailed information about operating funds by agency.
- Volume V - FY 2007-2012 Capital Appendices - This provides detailed information about capital projects and spending by agency.
- FY 2007 Citizen's Guide to the Budget
- Special Studies

Additional details about the organization of the District's FY 2007 budget and financial plan may be found in the How to Read the Budget and Financial Plan chapter.

## The FY 2007 Budget Calendar

The FY 2007 Budget and Financial Plan is a culmination of a year-long process that starts with strategic and neighborhood planning and culminates with the specific spending decisions in the budget. Some of the critical steps in the budget formulation process are described in Table 1-6.

## The District's Budget Process: A Brief Overview

The District of Columbia Home Rule Act (Public Law 93-198; 87 Stat. 777) [D.C. Official Code 1-201.01 et. seq.], approved December 24, 1973, prescribes a procedure for the approval of the annual budget for the District of Columbia Government. Using the estimates of the Chief Financial Officer, the Mayor submits a budget to the Council for approval. Once approved, it is transmitted to Congress, which appropriates the funds.

Under section 424(a)(5) [D.C. Official Code 1-204.24(a)(5)], the Chief Financial Officer for the District of Columbia prepares and submits to the Mayor and the Council annual estimates of all revenues of the District of Columbia (without regard to the source of such revenues), including proposed revenues. These revenue estimates are binding on the Mayor and the Council for purposes of the annual budget to be submitted to Congress, except that the Mayor and the Council may base the budget on estimates of revenues that are lower than those prepared by the Chief Financial Officer.

Under section 442(a) [D.C. Official Code 1-204.42(a)], the Mayor prepares and submits a proposed annual budget to the Council. In preparing the annual budget, the Mayor may utilize a budget prepared by the Chief Financial Officer for this purpose under section 424(a)(2) [D.C. Official Code 1-204.24(a)(2)]. Under section 603(c) [D.C. Official Code 1-206.03(c)], the Mayor is required to submit a balanced budget and identify any tax increases that shall be required. The Council is required to adopt such tax increases to the extent the budget is approved. The annual budget submitted shall include, among other items, a multiyear plan for all agencies of the District government (as required under section 443 [D.C. Official Code 1-204.43]) and multiyear capital improvements plan for all agencies of the District government (as required under section 444 [D.C. Official Code 1-204.44]).

Under section 446 [D.C. Official Code 1-204.46], the Council must hold a public hearing on the budget submission and, within 50 calendar days after receipt of the budget proposal from the Mayor, adopt a budget by act. The act is styled as the Budget Request Act (of the year of adoption) and requires only one reading. If the Mayor approves the budget act, he or she submits the act to the President for transmission to Congress.

Table 1-3

## Local Funds Proposed Expenditure Budget, by Category

(Dollars in Thousands)

| | FY 2006 Approved Budget | FY 2007 Proposed Budget | Change from FY 2005 | % Change from FY 2005 |
|---|---|---|---|---|
| Continuing Full Time Pay | 1,303,451 | 1,365,435 | 61,983 | 4.8 |
| Regular Pay - Other | 101,100 | 102,419 | 1,319 | 1.3 |
| Additional Gross Pay | 36,701 | 39,307 | 2,605 | 7.1 |
| Fringe Benefits | 211,766 | 228,703 | 16,936 | 8.0 |
| Overtime Pay | 34,777 | 36,837 | 2,060 | 5.9 |
| **Personal Services** | **1,687,796** | **1,772,700** | **84,904** | **5.0** |
| | | | | |
| Supplies and Materials | 50,188 | 46,481 | -3,708 | -7.4 |
| Energy | 60,674 | 81,877 | 21,204 | 34.9 |
| Telephone, Telegraph, Telegram, Etc. | 29,803 | 32,370 | 2,567 | 8.6 |
| Rentals - Lands and Structures | 81,672 | 87,061 | 5,389 | 6.6 |
| Janitorial Services | 5,053 | 4,436 | -617 | -12.2 |
| Security Services | 21,987 | 28,797 | 6,810 | 31.0 |
| Occupancy Fixed Costs | 9,752 | 11,854 | 2,102 | 21.6 |
| Other Services and Charges | 147,238 | 146,736 | -502 | -0.3 |
| Contractual Services - Other | 355,334 | 347,481 | -7,853 | -2.2 |
| Subsidies and Transfers | 2,004,908 | 1,814,164 | -190,743 | -9.5 |
| Equipment and Equipment Rental | 47,430 | 47,859 | 429 | 0.9 |
| Debt Service | 455,926 | 528,944 | 73,018 | 16.0 |
| **Nonpersonal Services** | **3,269,965** | **3,178,060** | **-91,905** | **-2.8** |
| | | | | |
| **Total** | **4,957,761** | **4,950,760** | **-7,001** | **-0.1** |

Table 1-4

## Local Funds Proposed FTEs, by Appropriation Title

| | FY 2005 Actual Budget | FY 2006 Approved Budget | FY 2007 Proposed Budget | Change from FY 2005 | % Change from FY 2005 |
|---|---|---|---|---|---|
| Governmental Direction and Support | 2,048 | 2,362 | 2,458 | 96 | 4.1 |
| Economic Development and Regulation | 397 | 522 | 523 | 1 | 0.1 |
| Public Safety and Justice | 6,963 | 7,679 | 7,674 | -5 | -0.1 |
| Public Education System | 9,474 | 9,682 | 9,478 | -204 | -2.1 |
| Human Support Services | 3,794 | 4,359 | 4,337 | -22 | -0.5 |
| Public Works | 1,377 | 1,549 | 1,618 | 69 | 4.5 |
| Financing and Other | 0 | 16 | 0 | -16 | -100.0 |
| Enterprise Funds (University of the District of Columbia) | 530 | 620 | 633 | 13 | 2.1 |
| **Total** | **24,583** | **26,789** | **26,721** | **-67.8** | **-0.3** |

Table 1-5
## How and When the Budget is Prepared

| | |
|---|---|
| **Neighborhood Planning** | |
| Every other year | Beginning in the summer of 2000, the Office of Neighborhood Action initiated strategic planning in the 39 area clusters (neighborhoods) of the District. The result of these Strategic Neighborhood Action Plans (SNAPs) provide invaluable information and insight to the priorities of the various neighborhoods of the District. |
| **Budget Guidance** | |
| August - October 2005 | The FY 2007 budget process began with the Office of Budget and Planning creating guidelines on how agencies should prepare the agency budget submissions. |
| **Citizen Summit** | |
| Every other year | On November 15, 2005, the Mayor hosted Citizen Summit III at the new Washington Convention Center to seek citizen advice on the draft Citywide Strategic Plan. |
| **Agency Budget Request Development** | |
| November - December 2005 | Taking into consideration the draft citywide strategic plan, the SNAPs, and following the budget guidance from OBP, agencies developed their FY 2007 budget requests and program enhancements. |
| **Budget Analysis** | |
| December 2005 - January 2006 | OBP reviewed agency budget requests for adherence to guidelines, identified opportunities for efficiencies and incorporated revised economic data. |
| **Budget Presentation** | |
| January - March 2006 | OBP provided the Mayor with the baseline budget and program enhancements requested by the agencies. Final budget priorities were determined, and the FY 2007 proposed budget was finalized for submission to the Council on March 20, 2006. |
| **Budget Consensus Process** | |
| The consensus process is the period when the Council, citizens, interested parties and the Mayor come to agreement on FY 2007 spending priorities. The District is legislatively required to develop and adopt a balanced budget. | |
| **March - April 2006** | Public hearings on the FY 2007 proposed budget |
| **April 2006** | Council begins revising, or marking up, the Mayor's proposed budget |
| **May 2006** | Council approves the FY 2007 Budget and Financial Plan |
| **June 2006** | The FY 2007 Proposed Budget and Financial Plan is submitted to Congress |

However, unlike other acts submitted to the Mayor for signature, the Mayor may exercise a line-item veto under section 404(f) [D.C. Official Code 1-204.04]. If the Mayor disapproves an item or provision, he or she must attach to the act a statement of the item or provision which is disapproved and, within the 10-day period for approval or disapproval, return a copy of the act and statement with his or her objections to the Council.

The Council has 30 calendar days to reenact a disapproved item or provision by a two-thirds vote of the members of the Council present and voting. If an item or provision is reenacted, the chairman submits it to the President for transmission to Congress. If the Mayor fails to return a disapproved item or provision to the Council in a timely manner, he or she shall be deemed to have approved the item or provision and the chairman will submit it to the President for transmission to Congress.

Unlike other legislation, the Budget Request Act does not become effective after a period of congressional review; it never becomes District of Columbia local law. Instead, the President transmits the Budget Request Act to the House and Senate. Ultimately, Congress appropriates all funds for the District by an act. This act may, but is not required to, include some or all of the provisions of the Budget Request Act as transmitted by the District.

Table 1-6
## Major Gross Funds FTE Changes

| Agency | FTE | Description |
|---|---|---|
| **Governmental Direction and Support** | | |
| Office of the Attorney General | 117 | Transfer of the District's legal services to the OAG. |
| Office of the Chief Financial Officer | 62 | 57 FTEs for OTR's revenue initiative and 5 for Capital FTE conversion |
| **Economic Development and Regulation** | | |
| Department of Employment Services | 20 | Additional positions for the Transitional Employment and Summer Youth programs |
| Department of Consumer and Regulatory Affairs | -14 | Transfer of attorney positions to OAG for Legal Services program |
| **Public Safety and Justice** | | |
| Metropolitan Police Department | 56 | Civilianization of sworn officers |
| Department of Corrections | -18 | Transfer of correctional officers to DYRS |
| **Public Education System** | | |
| District of Columbia Public Schools | -454 | Decrease in funding for Special Education |
| **Human Support Services** | | |
| Department of Health | -160 | Transfer to the new Department of the Environment |
| Department of Parks and Recreation | 116 | Agency lost federal TANF dollars used to fund these positions |
| Department of Youth Rehabilitation Services | 90 | New positions to meet court mandated staffing levels |
| **Public Works** | | |
| Department of the Environment | 188 | New agency in FY 2007 |
| **Other Agencies** | 100 | This variance represents a net impact of other agency FTE changes that are not detailed above. |

# Strategic Budgeting

The District government continues to make strides in financial management and improvements in service delivery. Balanced budgets and timely, clean Comprehensive Annual Financial Reports are the norm. As the District makes routine much of its financial activities, we continue to examine our business operations and seek to leverage our management reforms and other tools to improve the quality of government and the services provided to residents, businesses, and visitors.

These initiatives range from very focused and targeted to a global reach. While there should be no illusions that any of these efforts will instantly transform the District's government into a world class organization, they do help the District build on the Mayor's success in stabilizing basic program delivery and reforming management practices.

The District no longer focuses solely on centralizing information for planning and allocating resources. It now emphasizes on empowering program, activity, and service managers with accurate real-time information so that they can make informed management decisions and deliver better results.

With Mayor and Council support, the Office of the Chief Financial Officer (OCFO) has initiated several projects to improve budgetary, performance, and financial practices to provide accurate, real-time financial and performance data to decision-makers at the top for prioritizing programs and at the bottom for efficient execution of programs, so that both groups can make well-informed management decisions. These projects have resulted in changes to our structures and methodologies for managing performance and budgets. This chapter outlines the current status of these initiatives.

## PERFORMANCE-BASED BUDGETING

The District is transforming the way it articulates what the government does and how it funds programs, as well as how it reports results. Performance-based budgeting (PBB) links spending to programs and activities, allowing results to be measured. This linkage enables public officials, program managers, and the public to evaluate whether money is being spent wisely on a program that is meeting its goals, or if the money could be better spent elsewhere.

In FY 2001, the Council passed legislation (DC 47-308.01) requiring the Mayor's budget to be performance-based. The law specified that the following must be included in the budget presentation:

- Program name;
- Agency strategic result goals;
- Estimated total program, activity, and service costs;
- Program overview describing activities provided;

- Program performance measures;
- Estimated program costs;
- Full-time equivalents for the prior, current, and next fiscal year; and
- Program benchmarks providing comparisons with other jurisdictions.

Later legislation modified some of these requirements for specific agencies, including service-level costs and benchmarks.

Planned as a multi-year project, PBB replaces organizational budget structure with a structure that shows programs, activities and services. These plans incorporate an agency's mission, major initiatives, and short and long-term goals with performance measures for the programs, activities, and services they provide. As new agencies are created and existing agencies restructured, the implementation of PBB will continue as appropriate. Table 2-1 lists the fiscal year and the agencies transitioned.

## PBB Impact on Budget Development and Budget Execution

Moving to PBB blurs the lines that have clearly marked the beginning (distribution of the budget instructions to agencies) and ending (Council/Congress adoption of the budget) of the budget development period. PBB shifts the focus to a continuous process of planning, budgeting and evaluating programs. By putting planning activities before the budget process and program performance after budget adoption, the planning, financial management, and performance evaluation functions merge to become an effective agency management and budgeting tool.

The technical elements of budgeting, such as estimating revenues, projecting personnel costs, and accounting for inflation, do not change under PBB. However, as the District's PBB implementation matures with improved performance data collection and reporting processes, the budget development process is intended to

Table 2-1

### District PBB Phases of Implementation[1]

**FY 2003 - Phase I**

| | |
|---|---|
| Department of Public Works | Department of Transportation |
| Metropolitan Police Department | Department of Motor Vehicles |
| Fire and Emergency Medical Services Department | Department of Human Services |
| | Office of the Chief Financial Officer |

**FY 2004 - Phase II**

| | |
|---|---|
| Office of the Mayor | Office of the City Administrator |
| Office of Personnel | Office of Contracting and Procurement |
| Office of the Chief Technology Officer | Office of Property Management |
| Department of Housing and Community Development | Office of the Deputy Mayor for Planning and Economic Development |
| Department of Employment Services | Department of Corrections |
| Department of Consumer and Regulatory Affairs | Office of Cable Television and Telecommunications |
| Department of Insurance, Securities, and Banking | Commission on the Arts and Humanities |
| D.C. Emergency Management Agency | Office of the Chief Medical Examiner |
| Department of Health | Office of Human Rights |
| Office on Aging | Department of Recreation and Parks |
| Department of Mental Health | Child and Family Services Agency |
| State Education Office | |

1 Not all agencies represented in the District's budget will be transitioned to PBB. Those not transitioning to PBB are regional enterprises and/or enterprise funds that do not report to the Mayor and/or Council.

Table 2-1(continued)

## District PBB Phases of Implementation

**FY 2005 - Phase III**

| | |
|---|---|
| Judicial Nomination Commission | D.C. Energy Office |
| Office on Latino Affairs | Office of Veteran Affairs |
| Office of Asian and Pacific Islander Affairs | D.C. Taxicab Commission |
| D.C. Lottery and Charity Games Board | D.C. Public Library |
| University of the District of Columbia | Office of the Peoples' Counsel |
| Public Service Commission | Office of Zoning |
| Alcohol and Beverage Regulation Administration | Board of Real Property Assessments and Appeals |
| D.C. Sentencing Commission | Office of Local Business Development |

**FY 2006 - Phase IV**

| | |
|---|---|
| Advisory Neighborhood Commissions | Office of the D.C. Auditor |
| Contract Appeals Board | Board of Elections & Ethics |
| Office of Campaign Finance | Public Employee Relations Board |
| Office of Employee Appeals | Office of the Inspector General |
| Office of Administrative Hearings | D.C. Office of Risk Management |
| Office of Finance and Resource Management | |

**FY 2007 – Phase V**

| | |
|---|---|
| Department of Youth Rehabilitation Services | Office of Unified Communications |

shift focus from technical budgeting to program costs and program results.

Performance-Based Budgeting also impacts budget execution. Because an agency's new program structure aligns agency resources to the work the agency performs, agency spending is shown more clearly, allowing policy makers to know exactly where an agency is spending its allotted dollars.

The Mayor and Council can use the program structure to make decisions about where they should place additional resources or where to reduce spending. The idea of targeted reductions based on policy priorities is not new. However, if structures are not in place to show the work performed, cuts are often made across the board or at the agency level without knowing what will be affected.

### Agency Management Program

An additional benefit of PBB is the District's ability to track specific expenses across various agencies. In FY 2004, OBP and OCA developed the Agency Management Program (AMP) to track costs for common administrative expenses across the District. The completed PBB agency strategic business plans include the AMP and up to 13 of its associated activities, depending on whether the agency performs that function. Among these activities are[2] :

- **Personnel** – Provides human resource services to agencies so they can hire, manage, and retain a qualified and diverse workforce.
- **Training and Employee Development** – Provides training and career development services to department staff so that they can maintain/increase their qualifications and skills.
- **Labor-Management Partnership** – Creates a structure in which agencies can collaboratively resolve workplace issues.
- **Property Management** – Provides real estate and facility services to agencies in a timely, efficient, and effective manner in keeping with current District operations, industry standards and best practices.
- **Information Technology** – Provides network, telephone, and computer hardware and software support and information ser-

[2] For a complete list, please see the glossary under Agency Management Program.

vices to departmental management and staff so that they can use technologies to produce, communicate, and manage information.

- **Financial Services** – Provides financial and budgetary information to departmental program/administrative units to ensure the appropriate collection/allocation, utilization and control of District resources.

The AMP brings consistency in budgeting and performance reporting to the District's administrative services and allows for more accurate tracking of administrative costs.

### Agency Financial Operations

As part of the process for developing the FY 2005 proposed budget, the funding and FTE count for all OCFO FTEs assigned to the agencies was separated into a program called Agency Financial Operations (AFO). The purpose of the AFO program is to provide comprehensive and efficient financial management services to and on behalf of all District agencies.

Agency financial operations are managed by the Associate Chief Financial Officers (ACFOs) who serve as the key contact between the Office of the Chief Financial Officer and the Deputy Mayors in managing agency finances[3].

The five ACFOs each represent one of the major appropriation titles in the District's budget: Government Direction and Operations, Economic Development and Regulation, Government Services, Human Support Services, and Public Safety and Justice. Agency fiscal officers report to their respective ACFO.

### The Future of PBB

As agencies make the transition to PBB, the District is working toward a new level of performance integration – performance-based management. Some of the PBB Phases I, II, and III agencies will revisit their strategic business plans and update them as needed. While performance measures should ideally remain constant to provide historical information, agencies do have the opportunity to update their strategic goals, program, activities and services. These revisions may lead to updated or enhanced performance measures, as some agencies gain experience using performance measures throughout the year as a management tool.

## SERVICE-LEVEL BUDGETING

Performance-based budgeting has created a uniform structure within every agency for presenting the work they do. Agencies manage programs; programs are made up of activities; and activities consist of services. Previously, the District budgeted at the activity level. However, during the development of the FY 2005 budget, the District Council identified 20 services, for which it requested service-level costing information. Service-level budgeting has value in that it allows for greater clarity and transparency in agency budgets, informing stakeholders about the operations of government. It also assists in identifying program cost drivers and unit cost information that may contribute to better-informed budget and management decisions. Table 2-2 identifies which activities are presented at the service level in FY 2007.

## BENCHMARKING

For the District, benchmarking is a comparison between District programs and those comparable in external governments to assess performance and efficiency. Benchmarking helps identify potential program efficiencies by comparing them with similar programs in other cities. Another benefit is developing and fostering a culture of program management focused on continuous improvement.

As part of the FY 2007 budget process, PBB agencies were asked to develop benchmarks at the program level. These benchmarks are included in the Special Studies volume.

### Strategic Partnership with the Office of the City Administrator

OBP and the Office of the City Administrator (OCA) have embarked on a strategic partnership to integrate the finance and program elements of the District's performance management system. The shared responsibilities of OBP and OCA

3 For more detail on the Agency Financial Operations program, please see the glossary

include reviewing agency performance measures and facilitating the strategic business planning process.

## CFO$OURCE: EMPOWERING REAL-TIME DECISION-MAKING

In FY 2004, the Office of Budget and Planning developed the CFO$ource Executive Dashboard, which brought financial information together in one software program. The Dashboard provides agency heads, managers and their staff the ability to get financial and programmatic information to help them in decision-making. This web-based application provides online standardized financial reports from SOAR, the District's financial system of record. Analytical cubes called "Dynamic Views" let users look at high-level financial data while drilling down to specific programs, activities, funds, or objects for operating, capital, and grants. Information related to budget, payroll, procurement, and agency performance is currently linked to the application. Links to published monthly financial reports and strategic business plans give users the necessary information to effectively monitor their agencies. Since its initial release in July 2004, upgrades were added in a new release, providing users enhanced tools for inquiring about vendor/procurement information. It allows users to filter, sort, and view history of procurements for any vendor.

Table 2-2
### Service-Level Budgets for the FY 2007 Budget and Financial Plan

| **Department of Transportation** | **Metropolitan Police Department** |
|---|---|
| Transportation Safety | Regional Field Operations |
| | Investigative Operations Support |
| **Department of Public Works** | Police Personnel |
| Public Space | Business Services |
| Sanitation Collections | Office of Professional Responsibility |
| Parking Regulations Enforcement | Property Management |
| Sanitation Disposal | Information Technology |
| Property Management | Fleet |
| Enforcement | |
| Fleet Consumables | **Department of Corrections** |
| | Inmate Personnel |
| **Department of Motor Vehicles** | Inmate Health |
| Vehicle Inspections | External Security |
| Ticket Processing | |
| | **Office of the Attorney General** |
| **Fire and Emergency Medical Services** | Enforcement |
| Fire/Rescue Operations | Administration & Customer Support |
| Emergency Medical Services Operations | |

# Financial Plan and Fund Structure

**Revenue growth in the District of Columbia led to a large surplus in FY 2005, and prospects are good for continued growth that will ensure a balanced financial plan in coming years. The FY 2007 Proposed Budget and Financial Plan utilizes a portion of these increased General Fund revenues to finance new initiatives, transfer funds to pay for capital projects, and make a down payment now to reduce large future liabilities.**

FY 2005 marked the District's ninth consecutive balanced budget, with a large surplus and an unqualified ("clean") audit opinion. The year ended with General Fund revenues exceeding expenditures by $369.7 million and a fund balance of $1.6 billion.

The District's ratings on its debt continue to improve. Wall Street bond rating agencies have recognized the District's improved financial status by upgrading the ratings on its debt. For the first time, three major rating agencies--Standard & Poor's, Moody's, and Fitch--now rate the District's debt in the A range. Their actions represent a vote of confidence for the District's financial prospects.

While recent years' operating budgets have ended with healthy surpluses, the District still finds it difficult to meet the challenges of providing services for the needs of a state, county, and city population. This difficulty is perhaps most evident in the capital budget, as borrowing constraints and a shortfall in the capital fund balance combine to limit capital spending below what the District would desire. The proposed budget transfers some of the accumulated balance in the General Fund to the capital fund.

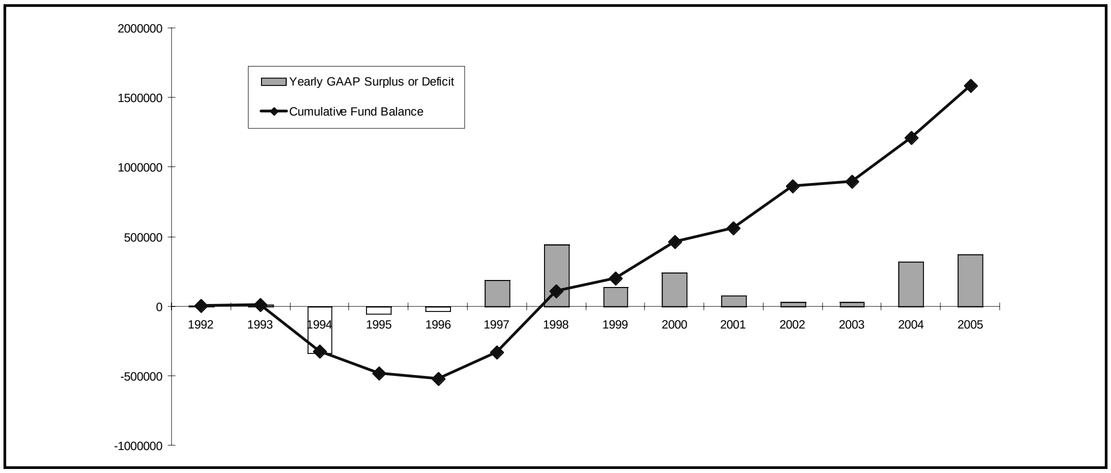
In addition, future costs can always upset a financial plan that has a small margin of surplus. One known cost that will affect the District by FY 2008 is the need to recognize as a liability the future health insurance costs of retired District workers. The District will use another portion of the accumulated fund balance to offset some of these costs. Without such a down payment now, when funds are available, the cost in 2008 will be even higher.

This chapter's primary focus is the financial plan for the General Fund operating budget, which displays the past year, the current year, the proposed FY 2007 revenue and expenditure budget, and projections for the next three years. It then describes the District's fund structure, including funds outside the operating budget.

## Revenues and Expenditures: Past and Future

The District's General Fund has completed its turnaround from its deficit position in the mid-1990s (see figure 3-1). After three years of deficits ending in 1996, the District posted large surpluses in 1997 and 1998, with its fund balance becoming positive again in 1998. Seven additional surpluses have followed.

Revenue and operating expenditure trends are discussed in more detail in the respective chapters included in the Budget Highlights. The financial plan shows fairly small surpluses, as a percentage of the District's budget, for the next three years.




## Understanding the Financial Plan

The financial plan is a synopsis of past, present, and future activity related to the General Special Purpose Revenue funds--certain fees collected by and dedicated to agencies for specific purposes through District legislation. Along with the full financial plan for the General Fund (table 2-2), which includes fund balance and reserve fund projections, shorter summaries of the Local and Special Purpose Revenue components of the plan are included.

The operating budget, the primary focus of this budget volume and Volumes 2 through 4, includes the General Fund and the Federal and Private Resources Fund. The sum of activity related to the General Fund and the Federal and Private Resources Fund is sometimes called the District's "Gross Funds" budget. This chapter includes a financial plan for the Federal and Private Resources Fund, table 3-4. Finally, other funds that capture financial activity related to the District are discussed after the presentation of the financial plan.

The General Fund financial plan covers six fiscal years:

- FY 2005 financial data from the CAFR;
- FY 2006 original council budget and revised budget;
- FY 2007 proposed budget, the topic of the remainder of this volume and Volumes 2 through 4; and
- FY 2008 through FY 2010 projections of revenues and expenditures.

The Chief Financial Officer certifies revenues periodically, and details on revenue trends and future estimates are included in the Revenues chapter of this volume. The financial plan includes the use of both current-year revenues and fund balance--that is, accumulated funds from prior years--for one-time purposes. The plan also displays the effects of proposed revenue initiatives. Expenditures are projected based in part on past trends, and more details are in the Operating Expenditures chapter of this volume. The financial plan also includes assumptions about the use of reserves and other means of financing.

The District uses the multi-year financial plan as a working tool throughout the fiscal year to monitor the impact of legislative proposals, programmatic initiatives, and economic changes on the District's near-term fiscal outlook. The plan is primarily a budget document, but it has aspects of an accounting document and a cash flow document. It includes projections of the effects of budget decisions on the fund balance, and it considers the maintenance of certain required reserve funds.

Below are line-item descriptions of the financial plan elements. For explanatory purposes, the plan is broken into four sections:

- Revenues;
- Expenditures;
- Fund balance, Generally Accepted Accounting Principles (GAAP) adjustments, and transfers; and
- composition of fund balance.

The numbering scheme noted below refers to the line numbers on Tables 3-1, 3-2, 3-3 and 3-4.

## Revenues

1. Taxes. Includes property, sales, income, and other taxes, which are projected by the Office of Revenue Analysis. See the Revenue chapter for details.

2. General Purpose Non-Tax Revenues. Includes revenue from licenses and permits, fines, charges for services, and other revenue sources that are not dedicated to particular purposes. See the Revenue chapter for details.

3. Special Purpose (O-Type) Revenues. Special Purpose Revenues are O-type or Other revenues from charges and fees that are collected and spent by the collecting agency. This pool is distinct from the general purpose non-tax revenue category above.

4. Transfer from Lottery. Reflects the portion of D.C. Lottery and Charitable Games Control Board revenue that is transferred to the District's general fund.

5. General Fund Revenues. The sum of lines 1 through 4.

6. Gross Sales Tax Dedicated for School Modernization. Starting in FY 2007, Sales Tax, that has not previously been dedicated, shall be deposited into the school modernization fund.

8. Bond Proceeds for Issuance Costs. The cost of issuing General Obligation bonds is included as revenue, since that portion of the entire issuance is retained in the General Fund rather than going to the capital fund.

9. Payment-in-Lieu-of-Taxes from WASA. The Water and Sewer Authority (WASA) makes payment-in-lieu-of-taxes (PILOT) to the District. The revenues are recorded on a gross basis (related expenditures are included in the expenditure section). The expenditures were recorded in the Office of Finance and Resource Management in FY 2006 and will be recorded in the Department of Public Works in FY 2007.

10. Transfer from Federal and Private Resources. Reflects the movement of federal grant dollars into Local funds to pay for certain indirect costs.

11. Transfer from Special Purpose Funds for Debt Service. Revenue from Bus Shelter Advertisements and the Housing Production Trust fund will be used to securitize dedicated revenues to cover bonded debt.

12. Fund Balance Use. Includes funds that fell to the fund balance in a prior year but which the District is proposing to use in the current year. In FY 2007, this includes Local fund balance that finances transfers to other District funds (on lines 29 through 31), certain one-time expenditures, and Special Purpose Revenues that some agencies plan to spend from accumulated fund balances.

13. Transfer from Local to Special Purpose Revenues. Funds are proposed to be transferred from Local to Special Purpose Revenues. In the General Fund plan, this line nets to zero, but the amount can be seen in the detail tables (tables 2-2 and 2-3).

14. Transfer to Capital. transfers to the Capital fund, represent a revenue loss to the General Fund.

15. Revenue Proposals/One-Time Revenues. Reflects one-time revenues in FY 2006 and proposed revenue changes that are detailed in the

Revenue chapter of this volume.

16. Total General Fund Resources. The sum of lines 7 through 15.

Expenditures

18. - 24. Agency Expenditures. These items reflect agency expenditures by appropriation title. The growth of expenditures in the out-years is based on growth assumptions that are discussed in the Operating Expenditures chapter. in the Executive Summary Volume.

25 Financing and Other. Includes Repayment of Debt, Short-Term Borrowings, Certificate of Participation, and other items in this appropriation title that are not specifically shown in lines 26 and 27.

26. Cash Reserve (Budgeted Contingency). The District is required to budget for a cash reserve of $50 million each year, to provide budgetary stability in the absence of the budgeted reserve, which was eliminated after FY 2003.

27 Lease Purchase Costs. Additional costs in FYs 2008, 2009 and 2010 for lease purchase arrangements associated with development of new government facilities, including hospitals.

28. Subtotal, Operating Expenditures. The sum of lines 19 through 27.

29. Paygo Capital. A transfer to the capital fund to increase capital financing for FY 2007.

30. Transfer to Trust Fund for Post-Employment Benefits. A transfer in FY 2007 to reduce the District's accumulated liability for health insurance costs for retirees. These costs must be recognized beginning in FY 2008.

31. General Fund Contribution to Capital Fund Balance. A transfer to reduce the accumulated shortfall in the capital fund.

32. Total General Fund Expenditures. The sum of lines 28 through 31.

33. Operating Margin, Budget Basis. The difference between Total General Fund Resources and Expenditures (lines 16 and 32).

## Fund Balance, GAAP Adjustments and Transfers

35. Beginning General Fund Balance. Shows the accumulated fund balance at the beginning of the fiscal year, which is identical to the end of year fund balance for the previous fiscal year.

36. Operating Margin, Budget Basis. Restatement of line 33.

37. Projected GAAP Adjustments (Net). GAAP adjustments are year-end adjustments necessary to properly report the ending fund balance on an accounting basis by converting budgeted activity to resources earned and used in the current fiscal year. This includes items such as fund balance released from restrictions, current year purchases used to build up ending inventory levels, and the current year net consumption of inventories purchased in prior years.

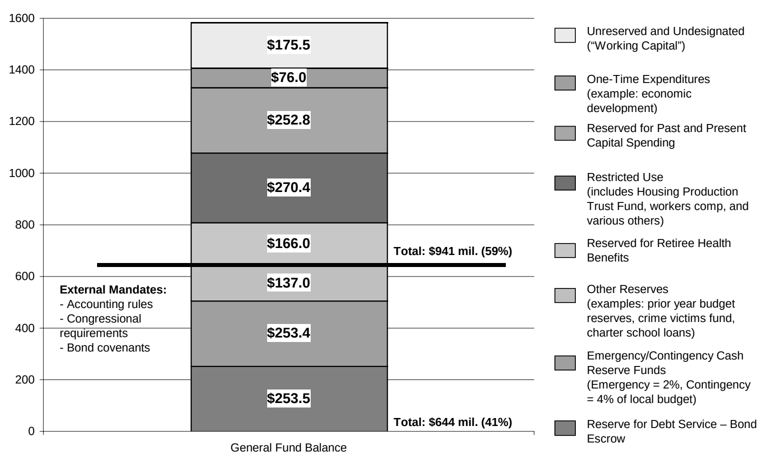
38. Deposits into Reserve Funds (From Fund Balance). Funds will be moved from the fund balance into the Emergency and Contingency Reserve Funds each year. See the discussion on page 3-8.

39. Deposits into Reserve Funds (To Cash Reserves). Shows that funds deposited into the reserve funds remain in the General Fund balance.

40. Fund Balance Use. The amount of prior-year fund balance that is used in the current year (line 9) must be subtracted when calculating the current year-end fund balance.

41. Ending General Fund Balance. Shows the sum of the beginning fund balance, the budget-basis operating margin, and GAAP and other adjustments (lines 35 through 40).
exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Composition of General Fund Balance, September 30, 2005




Total as of September 30, 2005: $1,585 million

## Fund Balance Overview

The fund balance reflects the cumulative earnings of the District. At the end of each fiscal year, fund balance adjustments are made to show the effects of the current year's financial transactions. Year-end adjustments are made so that the financial statements are presented in accordance with GAAP. Implementing accounting pronouncement 34 of the Government Accounting Standards Board (GASB 34) resulted in a significant restatement of the FY 2002 fund balance at October 1, 2001.

The general fund balance has two major components: (1) reserved and (2) unreserved. The unreserved fund balance is apportioned further into designated and undesignated components. Figure 3-2 shows the components of the District's General Fund balance.

## Reserved Fund Balance

To use reserved fund balance items, the District must have approval from the external entity that has imposed the restriction. The reserved balance has been dominated historically by bond escrow, that is, accumulated cash that the District is required to maintain for debt service payments in the coming year. More recently, the reserved balance has been dominated by the congressionally mandated Emergency and Contingency (cash) Reserves.

## Unreserved Fund Balance

Unreserved but Designated Fund Balance. The designated component of the fund balance contains items that have been purpose restricted by the legislative or executive branch of the District government.

Unreserved and Undesignated Fund Balance. Those items that fall into this category have neither internal nor external claims against them. Unlike most large cities, the District is prohibited from accessing these funds.

Comprising elements of budgeting and accounting, the financial plan reflects GAAP adjustments as well as transfers between fund balance and cash reserves that do not affect the budget basis operating margin. Hence, these items are sometimes referred to as "below-the-line" adjustments because they are outside of the budget but impact the District's financial statements.

## Composition of Fund Balance

44. Emergency Cash Reserve Balance (2 percent formerly 4 percent). The District was required to establish an Emergency Reserve, by the end of FY 2004, equal to four percent of the District's Local expenditures. The requirement was satisfied in FY 2002. In FY 2005, the requirement was changed to be two percent, and the base for the calculation was also changed.

45. Contingency Cash Reserve Balance (4 percent, formerly 3 percent). The District was required to establish a Contingency Reserve

equal, by the end of FY 2007, to three percent of the District's Local expenditures. The requirement was satisfied in FY 2002. In FY 2005, the requirement was changed to be four percent, and the base for the calculation was also changed.

46. Fund Balance not in Emergency and Contingency Reserves. Reflects the portion of the fund balance that is not composed of the two cash reserve funds. This line item does not reflect available funds, because there are several other restrictions on the District's fund balance in addition to cash reserve balances, such as bond escrow. Fund balance restrictions are addressed thoroughly in the District's Comprehensive Annual Financial Report.

47. Ending General Fund Balance. Reflects the sum of lines 44 through 46, representing the various components of the fund balance.

### Discussion: Filling Emergency and Contingency Reserves

The District was required to fill the Emergency Reserve at four percent of its local budget by the end of FY 2004 and to fill the Contingency Reserve at three percent by the end of FY 2007. In FY 2002, the District filled both funds to the combined level of seven percent, or $248.7 million. This seven-percent level was maintained during FYs 2003 and 2004.

In its FY 2005 Appropriations Act, the District's requirement was lowered to six percent, and the calculation was changed to be based on a past year rather than the current. Congress made this change in part to recognize the District's success in restoring its fiscal balance. The District was allowed to withdraw part of the excess funds, that is, convert them to undesignated fund balance. However, it was not allowed to withdraw all of the excess above six percent of the new target.

### Fund Structure

The General Fund, as discussed above, is one of many funds that capture the District's financial activities. Other funds and reporting entities, both governmental and non-governmental, are included in the District's CAFR and are discussed below. The primary categories are:

- Governmental Funds,
- Proprietary Funds,
- Fiduciary Funds, and
- Component Units.

In FY 2007, the District is publishing six budget volumes, four covering the operating budget and two covering the capital budget. The operating budget includes revenues and expenditures in the General Fund and the Federal and Private Resources Fund. These operating budget funds, plus the capital funds and the non-major funds, are considered governmental funds. In addition, the District's finances reflect a number of other entities that are considered non-governmental, including Proprietary Funds, Fiduciary Funds, and Component Units, some of which are discussed in the operating budget volumes.

## Governmental Funds

Governmental Funds consist of two operating, two capital, and two special revenue funds.

## Operating Funds

The District's operating budget is the primary focus of this budget volume and Volumes 2 through 4. The operating budget has a variety of funding sources and has two components: the General Fund and the Federal and Private Resources Fund.

### General Fund:

Local Funds are the District's primary source of revenue.

- All the District's tax receipts, the larger of which are income taxes, sales taxes, and property taxes, go into Local Funds.
- In addition, certain non-tax revenues (those fines, fees, and miscellaneous revenues not dedicated for a particular agency's use) are part of Local Fund.
- Finally, an annual transfer from the Lottery goes into Local Funds.

Special Purpose Revenues are collected by District agencies and, by law, are dedicated to support the functions those agencies perform. Examples include certain fees and permit charges that the public pays for and whose proceeds are used by the agency to carry out operations in that same area. Some agencies retain unused revenues collected in a given fiscal year in the dedicated portion of the Fund Balance. They are allowed to spend those revenues, if they receive appropriation authority to do so, in a succeeding year.

*Federal and Private Resources Fund:*

- Federal Grants are grants the District receives from federal agencies, including block grants, formula grants, certain entitlements, and competitive grants
- Federal Payments are direct appropriations from the Congress to the District, usually to a particular District agency for a particular purpose.
- Federal Medicaid Payments are the federal share of the District's Medicaid costs. Generally, the federal government pays 70 percent of the cost of Medicaid while the District pays 30 percent, although the proportions differ in certain circumstances.
- Private Grants are grants the District receives from non-Federal sources. This category includes private donations.

Table 2-4 displays a summary financial plan for the Federal and Private Resources Fund. The line items are as follows:

F1. **Federal Grants.** Federal grant awards received by District agencies.

F2. **Federal Payment/Contribution.** Funding contributed by the federal government for specific projects. These funds are restricted in use by the federal government.

F3. **Private Grants.** Revenues received from private grants.

F4. **Federal and Private Resources.**

F5. **Fund Balance Use.** Reflects amounts previously contained in the fund balance that have been released for use in the current year.

F6. **Transfer to General Fund.** Funds used to pay for indirect costs, as shown on line 8 of the General Fund financial plan.

F7. **Total Federal and Private Resources.**
F10. - F16. **Agency Expenditures.** These items reflect agency expenditures by appropriation title. The growth of expenditures in the out-years is based on growth assumptions that are discussed in the Operating Expenditures chapter.

F17. **Total Federal and Private Fund Expenditures.**

F18. **Operating Margin, Budget Basis.** This line provides the difference between Total Federal and Private Resources and Total Federal and Private Expenditures.

F20. - F24. **Fund Balance Calculations.**

### *A Note on Intra-District Budgets*

Intra-District budgets represent agreements between two agencies whereby one agency purchases services from the other. The buying agency spends its own budget (Local, Special Purpose Revenue, Federal, or Private). The selling agency receives this expenditure as intra-District revenue, establishes intra-District budget authority, and spends against that authority to provide the service.

An agency's total "gross funds" budget includes its intra-District budget authority. Because such arrangements appear as expenditures twice, once in each agency, the intra-District totals are excluded from the District-wide calculations of the total "gross funds" budget. They also are excluded from the CAFR totals at the end of the year.

## Capital Funds

The District's Capital Budget is the focus of the other two budget volumes. The Capital Budget has three components: the General Capital Improvements Fund, the Highway Trust Fund and the Baseball Capital Projects Fund.

- The General Capital Improvements Fund accounts for all capital projects activity not in the Highway Trust Fund and the Baseball Capital Projects Fund.
- The Highway Trust Fund accounts for capital projects financed entirely or partly by

transfers of taxes, fees, capital grants, and other revenue that is dedicated to highway projects.

- The Baseball Project Fund is used to account for financial resources used for the construction of a new baseball stadium.

This budget volume is produced in June for the Congressional budget submission.

## Special Revenue Funds

Special Revenue Funds account for specific revenue that is legally restricted to expenditures for particular purposes. The District currently has three such funds:

- The Tobacco Settlement Financing Program accounts for activities relating to the tobacco litigation settlement.
- The Tax Increment Financing Program accounts for activities relating to tax increment financing development initiatives.
- The Baseball Project Fund is used to account for the proceeds of baseball related revenue sources that are legally restricted to expenditures for baseball project purposes.

## Proprietary Funds

Proprietary Funds are District units that charge customers for the services provided, whether to outside customers or to other units of the District. The District has three Proprietary Funds:

- D.C. Lottery and Charitable Games Board, which not only operates and is financed like a private business where net income is key to sound management, but also can finance the costs of its goods and services provided to the public on a continuing basis primarily through user charges. The Lottery accounts for revenue from lotteries and daily numbers games all operated by the District and from licenses to conduct charitable games. The Lottery exists solely to transfer its profits to help finance the General Fund.
- Unemployment Compensation Fund, which accounts for funds used to pay benefits to unemployed former employees of the District, federal government, and private employers within the District. The fund is administered by the Department of Employment Services.
- Non-Major Proprietary Fund, which includes three entities grouped as Nursing Home Services:
- Washington Center for Aging Services
- Washington Center for Aging Services Center Care
- JB Johnson Nursing Center.

## Fiduciary Funds

Fiduciary Funds account for assets held by the District in a trustee or agency capacity. These assets cannot be used to support the District's programs. The District's Fiduciary Funds are:

- The Pension Trust Funds, which account for resources used for retirement annuity payments for police officers, firefighters, public school teachers and their survivors. Resources are contributed by employees and by the District and federal governments at amounts determined by an annual actuarial study. The funds are administered by a 13-member Retirement Board. The administrative costs of the board are accounted for in the funds.
- The Private Purpose Trust Funds, which account for the District's sponsored college tuition savings plan.
- The Agency funds, which account for refundable deposits required of various licenses, monies held in escrow as an agent for individuals, private organizations or other governments.

## Component Units

Component Units are legally separate organizations for which the District is financially accountable because their governing bodies are appointed by the Mayor, with the consent of the unitCouncil, or other District officials. Budgets for these entities are presented in section H, Enterprise and Other Funds, of Volume 2. The District has six Component Units:

- D.C. Water and Sewer Authority, which accounts for the provision of water and sewer services to the District, and specific counties in Maryland and northern Virginia.
- Washington Convention Center Authority, which accounts for maintaining and operating the Washington Convention Center for local public shows, civic events, and other activities.

- Sports and Entertainment Commission, which accounts for maintaining and operating the National Guard Armory for nonmilitary events and the Robert F. Kennedy Memorial Stadium and promoting the District as a sporting event site.
- Housing Finance Agency, which accounts for cash received from public and private sources used to alleviate the shortage of housing through greater supply and less expensive mortgage and construction loans.
- University of the District of Columbia (UDC), which accounts for resources received and used by the University of the District of Columbia. The contains four separate fund groups: Current Funds, Loan Fund, Endowment Fund, and Plant Funds. A budget is prepared for only the Current Funds. This budget is in the Enterprise and Other Funds section; the General Fund includes only the subsidy from Local funds to the University.
- Anacostia Waterfront Corporation (AWC), which is a public entity charged with leading the revitalization of the District's Anacostia Waterfront. The AWC will coordinate the implementation of a multi-year plan for land redevelopment. Additionally, the AWC will help coordinate efforts to clean up the river.

The District established the District of Columbia Tobacco Settlement Financing Corporation (the "Tobacco Corporation") as a special purpose, independent instrumentality of the District government. The Tobacco Corporation is a blended component unit because it provides services exclusively to the District.

Table 3-1

## FY 2007 - FY 2010 Proposed Budget and Financial Plan: General Fund

($ thousands)

| | Revenues | FY 2005 Actual | FY 2006 Approved | FY 2006 Adjusted | FY 2007 Proposed | FY 2008 Projected | FY 2009 Projected | FY 2010 Projected |
|---|---|---|---|---|---|---|---|---|
| 1 | Taxes | 4,052,087 | 4,101,533 | 4,110,172 | 4,341,981 | 4,613,778 | 4,892,984 | 5,179,039 |
| 2 | General Purpose Non-Tax Revenues | 352,427 | 340,522 | 319,847 | 323,575 | 318,077 | 320,958 | 317,518 |
| 3 | Special Purpose (O-type) Revenues | 311,789 | 264,254 | 347,538 | 372,841 | 373,534 | 372,954 | 386,829 |
| 4 | Transfer from Lottery | 71,450 | 73,100 | 72,000 | 72,100 | 72,100 | 72,100 | 72,100 |
| 5 | **General Fund Revenues** | **4,787,753** | **4,779,409** | **4,849,557** | **5,110,497** | **5,377,489** | **5,658,996** | **5,955,486** |
| 6 | Gross Sales Tax Dedicated for School Modernization | 0 | 0 | 0 | (100,000) | (106,000) | (112,360) | (119,102) |
| 7 | **Adjusted General Fund Revenues** | **4,787,753** | **4,779,409** | **4,849,557** | **5,010,497** | **5,271,489** | **5,546,636** | **5,836,384** |
| 8 | Bond Proceeds for Issuance Costs | 4,935 | 40,000 | 40,000 | 30,000 | 30,000 | 20,000 | 20,000 |
| 9 | Payment-in-Lieu-of-Taxes from WASA | 0 | 1,576 | 1,576 | 1,551 | 0 | 0 | 0 |
| 10 | Transfer from Federal and Private Resources | 0 | 6,502 | 6,502 | 6,502 | 6,646 | 6,807 | 6,979 |
| 11 | Transfer from Special Purpose Funds for Debt Service | 0 | 0 | 0 | 8,091 | 14,526 | 15,097 | 15,465 |
| 12 | Fund Balance Use | 80,781 | 591,642 | 607,615 | 326,189 | 19,968 | 0 | 0 |
| 13 | Transfer to Special Purpose Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 | Transfer to Capital | 0 | (30,000) | 0 | 0 | 0 | 0 | 0 |
| 15 | Revenue Proposals/One-time Revenue | 0 | 8,729 | 0 | 114,700 | 246,405 | 215,344 | 169,286 |
| 16 | **Total General Fund Resources** | **4,873,469** | **5,397,858** | **5,505,250** | **5,497,530** | **5,589,034** | **5,803,884** | **6,048,114** |
| 17 | | | | | | | | |
| 18 | **Expenditures (by Appropriation Title)** | | | | | | | |
| 19 | Governmental Direction and Support | 294,778 | 340,859 | 341,858 | 380,492 | 366,995 | 377,019 | 388,915 |
| 20 | Economic Development and Regulation | 193,456 | 328,156 | 347,556 | 339,524 | 313,718 | 320,934 | 335,286 |
| 21 | Public Safety and Justice | 805,471 | 827,037 | 829,687 | 940,976 | 957,159 | 986,518 | 1,018,881 |
| 22 | Public Education System | 1,082,177 | 1,189,302 | 1,179,939 | 1,224,534 | 1,247,351 | 1,279,254 | 1,312,659 |
| 23 | Human Support Services | 1,258,537 | 1,307,530 | 1,340,581 | 1,419,912 | 1,471,831 | 1,544,764 | 1,624,269 |
| 24 | Public Works | 328,997 | 366,101 | 366,101 | 408,107 | 407,465 | 422,309 | 439,338 |
| 25 | Financing and Other | 421,070 | 561,276 | 532,857 | 573,032 | 645,695 | 685,065 | 733,145 |
| 26 | Cash Reserve (Budgeted Contingency) | 0 | 50,000 | 48,400 | 50,000 | 50,000 | 50,000 | 50,000 |
| 27 | Lease Purchase Costs | 22,058 | 27,441 | 27,441 | 43,955 | 46,320 | 49,320 | 51,320 |
| 28 | **Subtotal, Operating Expenditures** | **4,406,544** | **4,997,702** | **5,014,420** | **5,380,532** | **5,506,534** | **5,715,183** | **5,953,813** |
| 29 | Paygo Capital | 20,550 | 207,083 | 208,523 | 81,487 | 0 | 0 | 0 |
| 30 | Transfer to Trust Fund for Post-Employment Benefits | 0 | 138,000 | 138,000 | 4,700 | 81,000 | 86,200 | 91,800 |
| 31 | General Fund Contribution to Capital Fund Balance | 0 | 53,800 | 53,800 | 0 | 0 | 0 | 0 |
| 32 | **Total General Fund Expenditures** | **4,427,094** | **5,396,585** | **5,414,743** | **5,466,719** | **5,587,534** | **5,801,383** | **6,045,613** |
| 33 | **Operating Margin, Budget Basis** | **446,375** | **1,273** | **90,507** | **30,811** | **1,500** | **2,500** | **2,500** |
| 34 | | | | | | | | |
| 35 | **Beginning General Fund Balance** | **1,215,015** | **1,584,683** | **1,584,683** | **1,047,575** | **732,197** | **693,729** | **676,230** |
| 36 | Operating Margin, Budget Basis | 446,375 | 1,273 | 90,507 | 30,811 | 1,500 | 2,500 | 2,500 |
| 37 | Projected GAAP Adjustments (Net) | 4,074 | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) |
| 38 | Deposits into Reserve Funds (From Fund Balance) | 0 | 0 | 0 | 0 | (31,150) | 0 | 0 |
| 39 | Deposits into Reserve Funds (To Cash Reserves) | 0 | 0 | 0 | 0 | 31,150 | 0 | 0 |
| 40 | Fund Balance Use | (80,781) | (591,642) | (607,615) | (326,189) | (19,968) | 0 | 0 |
| 41 | **Ending General Fund Balance** | **1,584,683** | **974,314** | **1,047,575** | **732,197** | **693,729** | **676,230** | **658,730** |
| 42 | | | | | | | | |
| 43 | **Composition of Fund Balance** | | | | | | | |
| 44 | Emergency Cash Reserve Balance (2%), | 70,532 | 84,622 | 70,532 | 73,001 | 100,879 | 101,142 | 102,294 |
| 45 | Contingency Cash Reserve Balance (4%) | 182,905 | 169,244 | 182,905 | 189,307 | 201,759 | 202,284 | 204,588 |
| 46 | Fund Balance not in Emergency & Contingency Reserves | 1,331,246 | 720,448 | 794,138 | 469,890 | 391,091 | 372,803 | 351,847 |
| 47 | **Ending General Fund Balance (Line 41)** | **1,584,683** | **974,314** | **1,047,575** | **732,197** | **693,729** | **676,230** | **658,730** |

Table 3 - 2

## Local Funds Component of the General Fund Financial Plan

($ thousands)

| | Revenues | FY 2005 Actual | FY 2006 Approved | FY 2006 Revised | FY 2007 Proposed | FY 2008 Projected | FY 2009 Projected | FY 2010 Projected |
|---|---|---|---|---|---|---|---|---|
| 1 | Taxes | 4,052,087 | 4,101,533 | 4,110,172 | 4,341,981 | 4,613,778 | 4,892,984 | 5,179,039 |
| 2 | General Purpose Non-Tax Revenues | 352,427 | 340,522 | 319,847 | 323,575 | 318,077 | 320,958 | 317,518 |
| 4 | Transfer from Lottery | 71,450 | 73,100 | 72,000 | 72,100 | 72,100 | 72,100 | 72,100 |
| 5 | **General Fund Revenues** | **4,475,964** | **4,515,155** | **4,502,019** | **4,737,656** | **5,003,955** | **5,286,042** | **5,568,657** |
| 6 | Gross Sales Tax Dedicated for School Modernization | 0 | 0 | 0 | (100,000) | (106,000) | (112,360) | (119,102) |
| 7 | **Adjusted General Fund Revenues** | **4,475,964** | **4,515,155** | **4,502,019** | **4,637,656** | **4,897,955** | **5,173,682** | **5,449,555** |
| 8 | Bond proceeds for Issuance Costs | 4,935 | 40,000 | 40,000 | 30,000 | 30,000 | 20,000 | 20,000 |
| 9 | Payment-in-Lieu-of-Taxes from WASA | 0 | 1,576 | 1,576 | 1,551 | 0 | 0 | 0 |
| 10 | Transfer from Federal and Private Resources | 0 | 6,502 | 6,502 | 6,502 | 6,646 | 6,807 | 6,979 |
| 11 | Transfer from Special Purpose Funds for Debt Service | 0 | 0 | 0 | 8,091 | 14,526 | 15,097 | 15,465 |
| 12a | Fund Balance Use: To Replace Dedicated Gross Sales Taxes | 0 | 0 | 0 | 100,000 | 0 | 0 | 0 |
| 12b | Fund Balance Use: Transfers to Capital and Trust Fund | 0 | 390,700 | 390,700 | 81,487 | 0 | 0 | 0 |
| 12c | Fund Balance Use: One-time Expenditures in FY | 67,325 | 76,230 | 79,542 | 38,305 | 19,968 | 0 | 0 |
| 13 | Transfer to Special Purpose Revenues | 0 | (54,395) | 0 | 0 | 0 | 0 | 0 |
| 14 | Transfer to Capital | 0 | (30,000) | 0 | 0 | 0 | 0 | 0 |
| 15a | Revenue Proposals- Tax Compliance Initiatives | 0 | 0 | 0 | 49,000 | 70,000 | 66,000 | 64,250 |
| 15b | Revenue Proposals -Comercial Deed Recordation Tax Increase (School Mod) | 0 | 0 | 0 | 0 | 106,000 | 73,833 | 23,919 |
| 15c | Revenue Proposals/One-time Revenue | 0 | 4,976 | 0 | 0 | 0 | 0 | 0 |
| 16 | **Total General Fund Resources** | **4,548,224** | **4,950,744** | **5,020,339** | **4,952,592** | **5,145,095** | **5,355,419** | **5,580,168** |
| 17 | | | | | | | | |
| 18 | **Expenditures (by Appropriation Title)** | | | | | | | |
| 19 | Governmental Direction and Support | 272,404 | 296,632 | 297,632 | 325,898 | 327,471 | 337,556 | 347,984 |
| 20 | Economic Development and Regulation | 84,178 | 101,629 | 111,729 | 105,320 | 92,364 | 94,844 | 97,398 |
| 21 | Public Safety and Justice | 782,797 | 769,785 | 772,435 | 870,684 | 891,165 | 920,497 | 950,864 |
| 22 | Public Education System | 1,074,120 | 1,177,599 | 1,168,236 | 1,204,185 | 1,232,619 | 1,264,545 | 1,297,403 |
| 23 | Human Support Services | 1,229,443 | 1,273,676 | 1,297,897 | 1,361,511 | 1,426,051 | 1,499,050 | 1,576,984 |
| 24 | Public Works | 317,426 | 316,374 | 316,374 | 353,493 | 367,927 | 382,832 | 398,392 |
| 25 | Financing and Other | 421,070 | 537,452 | 527,163 | 549,527 | 628,678 | 668,075 | 715,523 |
| 26 | Cash Reserve (Budgeted Contingency) | 0 | 50,000 | 48,400 | 50,000 | 50,000 | 50,000 | 50,000 |
| 27 | Lease Purchase Costs | 22,058 | 27,441 | 27,441 | 43,955 | 46,320 | 49,320 | 51,320 |
| 28 | **Subtotal, Operating Expenditures** | **4,203,496** | **4,550,588** | **4,567,307** | **4,864,573** | **5,062,595** | **5,266,719** | **5,485,868** |
| 29 | Paygo Capital | 20,550 | 207,083 | 208,523 | 81,487 | 0 | 0 | 0 |
| 30 | Transfer to Trust Fund for Post-Employment Benefits | 0 | 138,000 | 138,000 | 4,700 | 81,000 | 86,200 | 91,800 |
| 31 | General Fund Contribution to Capital Fund Balance | 0 | 53,800 | 53,800 | 0 | 0 | 0 | 0 |
| 32 | **Total General Fund Expenditures** | **4,224,046** | **4,949,471** | **4,967,630** | **4,950,760** | **5,143,595** | **5,352,919** | **5,577,668** |
| 33 | **Operating Margin, Budget Basis** | **324,178** | **1,273** | **52,709** | **1,832** | **1,500** | **2,500** | **2,500** |

Table 3 - 3

## Special Purpose Revenue Component of the General Fund Financial Plan

($ thousands)

| | | FY 2005 Actual | FY 2006 Approved | FY 2006 Revised | FY 2007 Proposed | FY 2008 Projected | FY 2009 Projected | FY 2010 Projected |
|---|---|---|---|---|---|---|---|---|
| | **Revenues** | | | | | | | |
| 3 | Special Purpose (O-type) Revenues | 311,789 | 264,254 | 347,538 | 372,841 | 373,534 | 372,954 | 386,829 |
| 5 | **General Fund Revenues** | **311,789** | **264,254** | **347,538** | **372,841** | **373,534** | **372,954** | **386,829** |
| 12 | Fund Balance Use | 13,456 | 124,712 | 137,373 | 106,397 | 0 | 0 | 0 |
| 13 | Transfer from Local Revenues | 0 | 54,395 | 0 | 0 | 0 | 0 | 0 |
| 15 | Revenue Proposals/One-time Revenue | 0 | 3,753 | 0 | 65,700 | 70,405 | 75,511 | 81,117 |
| 16 | **Total General Fund Resources** | **325,245** | **447,114** | **484,911** | **544,938** | **443,939** | **448,464** | **467,945** |
| 17 | | | | | | | | |
| 18 | **Expenditures (by Appropriation Title)** | | | | | | | |
| 19 | Governmental Direction and Support | 22,374 | 44,226 | 44,226 | 54,594 | 39,524 | 39,463 | 40,931 |
| 20 | Economic Development and Regulation | 109,278 | 226,527 | 235,827 | 234,204 | 221,354 | 226,090 | 237,888 |
| 21 | Public Safety and Justice | 22,674 | 57,252 | 57,252 | 70,292 | 65,994 | 66,021 | 68,017 |
| 22 | Public Education System | 8,057 | 11,703 | 11,703 | 20,349 | 14,732 | 14,709 | 15,256 |
| 23 | Human Support Services | 29,094 | 33,854 | 42,684 | 58,401 | 45,780 | 45,714 | 47,285 |
| 24 | Public Works | 11,571 | 49,727 | 49,727 | 54,614 | 39,538 | 39,477 | 40,946 |
| 25 | Financing and Other | 0 | 23,824 | 5,694 | 23,505 | 17,017 | 16,990 | 17,622 |
| 28 | **Subtotal, Operating Expenditures** | **203,048** | **447,114** | **447,113** | **515,959** | **443,939** | **448,464** | **467,945** |
| 32 | **Total General Fund Expenditures** | **203,048** | **447,114** | **447,113** | **515,959** | **443,939** | **448,464** | **467,945** |
| 33 | **Operating Margin, Budget Basis** | **122,197** | **0** | **37,798** | **28,979** | **0** | **0** | **0** |

Table 3-4

## Federal and Private Resources Financial Plan

($ thousands)

| | Revenues | FY 2005 Actual | FY 2006 Approved | FY 2006 Revised | FY 2007 Proposed | FY 2008 Projected | FY 2009 Projected | FY 2010 Projected |
|---|---|---|---|---|---|---|---|---|
| F1 | Federal Grants | 1,633,406 | 1,911,042 | 1,911,041 | 2,003,470 | 2,126,302 | 2,257,756 | 2,399,477 |
| F2 | Federal Payment/Contribution | 89,166 | 34,500 | 62,617 | 36,400 | 37,258 | 38,099 | 38,960 |
| F3 | Private Grants | 5,677 | 16,213 | 16,213 | 6,850 | 7,070 | 7,292 | 7,521 |
| F4 | **Federal & Private Resources** | **1,728,249** | **1,961,755** | **1,989,871** | **2,046,720** | **2,170,630** | **2,303,147** | **2,445,958** |
| F5 | Fund Balance Use | 43,420 | 0 | 0 | 0 | 0 | 0 | 0 |
| F6 | Transfer to General Fund | 0 | (6,502) | (6,502) | (6,502) | (6,646) | (6,807) | (6,979) |
| F7 | **Total Federal & Private Resources** | **1,771,669** | **1,955,253** | **1,983,369** | **2,040,218** | **2,163,984** | **2,296,340** | **2,438,979** |
| F8 | | | | | | | | |
| F9 | **Expenditures (by Appropriation Title)** | | | | | | | |
| F10 | Governmental Direction and Support | 120,489 | 171,976 | 171,976 | 157,746 | 161,608 | 165,408 | 169,301 |
| F11 | Economic Development and Regulation | 91,671 | 118,312 | 118,312 | 133,742 | 137,261 | 140,745 | 144,325 |
| F12 | Public Safety and Justice | 9,724 | 10,577 | 10,564 | 7,398 | 7,629 | 7,860 | 8,099 |
| F13 | Public Education System | 200,469 | 240,194 | 265,601 | 226,462 | 232,485 | 238,452 | 244,583 |
| F14 | Human Support Services | 1,300,169 | 1,405,819 | 1,407,551 | 1,495,479 | 1,605,026 | 1,723,317 | 1,851,512 |
| F15 | Public Works | 13,728 | 8,375 | 9,365 | 19,391 | 19,975 | 20,558 | 21,159 |
| F16 | Financing and Other | 16,697 | 0 | 0 | 0 | 0 | 0 | 0 |
| F17 | **Total Federal & Private Expenditures** | **1,752,947** | **1,955,253** | **1,983,369** | **2,040,218** | **2,163,984** | **2,296,340** | **2,438,979** |
| F18 | **Operating Margin, Budget Basis** | **18,722** | **0** | **0** | **0** | **0** | **0** | **0** |
| F19 | | | | | | | | |
| F20 | **Beginning Federal & Private Fund Balance** | **139,607** | **117,947** | **117,947** | **117,947** | **117,947** | **117,947** | **117,947** |
| F21 | Operating Margin, Budget Basis | 18,722 | (0) | (0) | 0 | 0 | 0 | 0 |
| F22 | Projected GAAP Adjustments (Net) | 3,038 | 0 | 0 | 0 | 0 | 0 | 0 |
| F23 | Fund Balance Use | (43,420) | 0 | 0 | 0 | 0 | 0 | 0 |
| F24 | **Ending Federal & Private Fund Balance** | **117,947** | **117,947** | **117,947** | **117,947** | **117,947** | **117,947** | **117,947** |

# Revenue

## Introduction

The outlook for the District of Columbia's economy in FY 2006 and FY 2007 continues to be favorable, although personal income growth is not expected to be as great as in FY 2005. However, due to the combination of changes in tax policies and unusually rapid increases in revenues for several taxes in FY 2005, overall revenue growth in FY 2006 will be much below that of FY 2005. Revenue gains will be higher in FY 2007, but the percentage increase will be less than the annual gains of almost 10 percent recorded in both FY 2004 and FY 2005.

The District's economic outlook is similar to that which most economists have projected for the nation as a whole—steady growth in employment, wages, and income. The District will benefit from the national growth and some additional strengths of its own. Continued high levels of federal spending means an extra "kick" locally because so many of these dollars will be spent here. Currently, small business growth is helping the economy in the District and this is expected to continue, adding jobs and economic activity. Retail activity will continue to improve, as the number of retail outlets in the District continues to grow and as shoppers increase their spending.

The estimating assumptions for FY 2006 and FY 2007, respectively, include 1.2 percent and 1.1 percent growth each year in total jobs; 5.4 percent and 5.6 percent increases, respectively, in personal income of District residents; and inflation of 3.3 and 2.2 percent. Most of the increases in jobs and wages will be in the District's leading private sector service industries: professional and business services, education, health, membership organizations, retail, and hospitality services.

One key question for the District in FY 2006 and on into FY 2007 is "What will happen in the market for real property?" Rising real estate assessments and transactions were major sources of revenue gains in fiscal years 2003 through 2005. The key fundamentals affecting the District's real estate markets remain strong: the District's economy is growing, individuals and businesses both continue to demonstrate a desire to locate in the District, and the supply of housing and land for commercial development cannot increase very rapidly. Accordingly, the contributions of the real estate sector are expected to be significant in FY 2006 and FY 2007 as well, but they will be more muted, especially as regards the number of transactions.

In FY 2004 and FY 2005 the assessed value of all taxable property in the District (before the application of any caps or credits) increased 14.5 percent and 18.6 percent, respectively. The real property tax baseline will continue to increase by about 12.6 and 9.7 percent during FY 2006 and FY 2007. However, policy changes implemented in FY 2005—increased homestead exemption (to $60,000), homestead tax increases capped at 10 percent, and a rate reduction—will moderate the revenue impact of the rising assessments. Real property tax revenue gains in FY 2006 will be 5.8 percent, rising to 9.8 percent in FY 2007.

The total value of taxable real property sales grew 37.1 percent in FY 2005, following a 31.6 percent increase in FY 2004. For FY 2006 and FY 2007 the value of all transactions are expected to increase more modestly beyond FY 2005's high level, due primarily to declining transactions rather than prices. Revenues from deed recordation, deed transfer and economic interest taxes are expected to increase by 8.6 percent and 9.4 percent respectively in FY 2006 and FY 2007 (net of the transfer to the Housing Production Trust Fund). (Deed recordation, deed transfer and economic interest tax collections actually declined by 1.8 percent in FY 2005 due to the 26.7 percent rate reduction—from 1.5 percent to 1.1 percent on deed transfers and recordations—that took place at the beginning of that year.)

In other areas, growth in personal income and gains in financial markets will expand the individual income tax base, but rate reductions will cut FY 2006's revenues to 2.1 percent below FY 2005. Revenue will rise by 0.8 percent in FY 2007 before returning in FY 2008 to increases more in line with growth in the District's income. Franchise tax revenues also will grow—5.7 percent in FY 2006 and 8.2 percent in FY 2007. By contrast, the increase in FY 2005 was almost 22 percent.

General sales tax revenues will increase in FY 2006 and FY 2007, but the rate of growth will be considerably less than the 14.5 percent that occurred in FY 2005. Developments that gave a special boost to sales tax revenues in FY 2005 include the presidential inauguration, the return of Major League baseball, the full operations of the new Convention Center, and the opening of two new attractions on the Mall—the World War II Memorial and the National Museum of the American Indian. The dedication of the parking tax to DDOT means that growth for FY 2006 will only be 3.2 percent in FY 2006, rising to 6.5 percent in FY 2007.

In all, despite a growing D.C. economy, total local revenue available for general fund purposes in FY 2006 is forecast to be just 0.8 percent greater than in FY 2005, but growth in FY 2007 will rise to 5.2 percent. The growth in total local general fund revenue in FY 2005 was 9.9 percent over FY 2004.

Although the national and local economies continue to show considerable strength, recent developments point to a number of possible risks. For example, the U.S. economy continues to grow, but much of this depends upon continued gains in consumer spending. Consumers are heavily indebted, with net saving rates close to zero. Were consumers to cut back on spending, a slowing U.S. economy would eventually impact the District economy, primarily through its dampening effect on tourism receipts, other retail sales, and corporate profits.

Also, driven primarily by higher oil prices, inflation may be a real threat to the national economy. Rising inflation combined with current imbalances in the economy—in particular, the record-level budget and trade deficits—could lead to a rapid upward movement in long-term interest rates. The District's revenue estimates are vulnerable to a sharp rise in the interest rate; our forecast calls for a gradual rise in long-term interest rates. More rapid increases in interest rates could cause more slowing of growth in the real estate market than we are forecasting here. The uncertainties involved in projecting changes in real estate markets that have such a big impact on revenues are comparable with those encountered a few years earlier in trying to anticipate the performance of the stock market, which had such a large impact on income tax revenues.

The S&P 500 stock index on December 31, 2005 was just 3.0 percent higher than a year earlier, and increases that occurred over the past year are very tentative and uneven. A sharp decline, or a prolonged period of stagnation in the U.S. stock market, would adversely affect the District's revenues, particularly individual income tax revenues as stock market returns for the current year are a significant determinant of the changes to income tax revenue in the year that follows.

Another source of risk is the pattern of federal expenditures. Federal spending is the significant economic underpinning of the entire Washington D.C. Metropolitan area, including the District of Columbia itself. Security concerns arising out of 9/11 and the Iraq war have resulted in large increases in government spending that

Table 4-1
## Selected U.S. Economic Indicators: 2004.3 to 2005.4

(Percent change from same calendar year quarter of previous year unless noted)

| GDP: | 2004.3 | 2004.4 | 2005.1 | 2005.2 | 2005.3 | 2005.4 |
|---|---|---|---|---|---|---|
| Real | 3.8 | 3.8 | 3.6 | 3.6 | 3.6 | 3.2 |
| Nominal | 6.6 | 6.8 | 6.5 | 6.1 | 6.7 | 6.4 |
| Employment (wage and salary) | 1.4 | 1.6 | 1.7 | 1.6 | 1.7 | 1.5 |
| Income: | | | | | | |
| Wages | 5.5 | 7.2 | 7.1 | 6.7 | 6.3 | 4.8 |
| Total personal income | 5.6 | 7.5 | 6.2 | 5.9 | 5.4 | 4.6 |
| Inflation (CPI) | 2.7 | 3.3 | 3.0 | 2.9 | 3.8 | 3.7 |
| S & P 500: | | | | | | |
| Level | 1104 | 1162 | 1193 | 1190 | 1224 | 1230 |
| Change from prior quarter | -1.6 | 5.2 | 2.6 | -0.2 | 2.9 | 0.5 |
| Change from prior year | 10.4 | 10.0 | 5.5 | 5.9 | 10.8 | 5.9 |
| Interest rate (10-yr. Treasuries) | 4.3 | 4.2 | 4.3 | 4.2 | 4.2 | 4.5 |

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, and Yahoo financial.

benefited the Washington D.C. area. Efforts to reduce government spending over the next few years to bring greater balance to federal fiscal policy could dampen growth in the District of Columbia.

## Economic Assumptions for the FY 2007-2010 Revenue Estimates and Financial Plan

### The U.S. Economy

The national economy continues to be strong, although a slowdown in the rate of growth that occurred in the quarter ending December 31, 2005, raises a cautionary note. According to the U.S. Bureau of Economic Analysis, U.S. Real Gross Domestic Product in the quarter ending December 31, 2005, was 3.2 percent over the same quarter a year earlier, down from 3.6 percent growth in the previous quarter. Nominal Gross Domestic Product and Personal Income in the quarter that ended December 31, 2005 were 6.4 percent and 4.6 percent higher, respectively, than in the same quarter of 2004.

In the quarter ending December 31, 2005, employment was up 1.5 percent, and wage and salary earnings were up 4.8 percent from the prior year.

For guidance, the survey of the economic factors affecting the District's revenue base uses forecasts of the U.S. economy prepared by the Congressional Budget Office (CBO) and the Blue Chip Indicators, along with those of two forecasting services, Global Insight and Economy.com, that also make forecasts of the District's economy. Highlights of the forecasts for the United States economy are:

- *Slower nominal GDP growth*. In real terms, economic growth in FY 2006 is forecast by both Blue Chip Indicators and the CBO to continue at the same rate as FY 2005, declining slightly thereafter. In nominal terms, however, the increase for FY 2006 and FY 2007 will be at a rate below FY 2005's 6.4 percent increase. Growth rates in nominal GDP for the U.S. are expected by Blue Chip Indicators to be 6.2 percent in FY 2006 and 5.4 percent in FY 2007.
- *Slower wage and salary growth*. According to the CBO, wage and salary growth will be 5.6 percent and 5.5 percent, respectively, in FY 2006 and FY 2007, down from 6.9 percent in FY 2005.
- *Inflation will be modest.* According to the

Blue Chip Indicators, the CPI is expected to increase at a 3.3 percent rate in FY 2006, the same as FY 2005, then decline to 2.3 percent in FY 2007, as energy prices recede somewhat from their FY 2005 peak and productivity gains and imports continue to moderate the price impact of wage increases.

- *Gradually rising interest rates.* The interest rates on 10-year Treasury securities are expected to rise somewhat from 4.2 percent in FY 2005. According to the Blue Chip Indicators, in FY 2006 and FY 2007 the rates are anticipated to be 4.8 percent and 5.0 percent, respectively. The Financial Plan assumes the interest rate on 10-year Treasury securities will be 4.7 percent in FY 2006 and 5.0 percent in FY 2007.
- *Moderate stock market gains.* Economy.com and Global Insight both expect the stock market to grow relatively modestly in FY 2006 and 2007, following a 7.9 percent increase in FY 2005, although they differ in the amount of gain that will occur. The two services forecast single digit increases in FY 2006 ranging from 5.4 percent to 8.0 percent, with subsequent growth in FY 2007 ranging from just 2.3 percent to 4.1 percent. The Financial Plan assumes the market will gain 6.3 percent in FY 2006, the average of two forecasting service quarterly growth rates calculated from the S&P actual level in the quarter that ended December 31, 2005. The Financial Plan's 5.7 percent increase in FY 2007 is based on an historical relationship to GDP.

### The D.C. Economy

The outlook for the District is favorable if things go well nationally. However, because the rate of growth in federal spending is expected to slow, the growth in the District's economy for FY 2006 and FY 2007 is not expected to outpace that of the U.S. economy as it did in FY 2004 and FY 2005 (see tables 4-1 and 4-2 for key variables reflecting the District's economy).

The driving forces in expected gains in output, income, and employment in FY 2006 and FY 2007 are private sector services (professional and business services, health, education, membership organizations, retail, and hospitality) along with federal government spending. (Federal government employment will not increase, however.) The Financial Plan also assumes that inflation will decline in FY 2007. The value of real estate is expected to continue to increase in both FY 2006 and FY 2007, although the number of transactions will not. In FY 2006 and FY 2007 resident employment and the number of households are both expected to increase.

Highlights of the economic assumptions are:

- *Slower growth in nominal Gross State Product.*[1] Growth rates in FY 2006 and FY 2007 are 6.1 percent and 5.6 percent, respectively, somewhat less than the 7.6 percent growth for FY 2005. The slower growth rate in the next two years reflects a slowing down in the growth of federal spending and the fact that the District has already recovered from earlier slowdowns. Major services, government spending, and retail and hospitality all contribute significantly to the increase in GSP.
- *Continued growth in jobs located in D.C.* The number of jobs in the District in FY 2006 is expected to show a net increase of 8,300 (1.2 percent), then increase another 7,800 (1.1 percent) in FY 2007, with all gains in private sector services. The percent gain in FY 2006 slightly exceeds that in FY 2005.
- *Slower personal income growth.*[2] Growth rates in FY 2006 and FY 2007 are 5.4 percent and 5.6

1 GSP, the value added in production by the labor and property located in a state, is a measure of the gross output of all industries in a state.

2 Personal income is a measure of before-tax income received by all persons in a state. It is the total of net earnings by place of residence, rental income, personal dividend income, personal interest income, and transfer payments. Wages and salaries are the biggest component of personal income. Health and other employee benefits are also a significant component.

3 In the table, the number of sales and average price of residential real estate is measured by the average selling price of single family and condominium units as reported by the Metropolitan Regional Information System (MRIS), as accessed through the Greater Capital Area Association of Realtors. The MRIS system reports only sales handled by brokers.

percent, respectively, down from 7.3 percent growth for FY 2005.

- *Lower inflation expected in FY 2007.* The Financial Plan assumes D.C. inflation will be 3.3 percent in FY 2006 and 2.2 percent in FY 2007. The rate in FY 2005 was 3.9 percent.
- *The number of housing sales projected to decline, while the average price continues to increase.* [3] In FY 2006 the number of housing sales is expected to decrease about 9.5 percent and another 7.9 percent in FY 2007. However, the average price of units sold is expected to increase 8.8 percent, and rise again in FY 2007 by another 5.8 percent. This increase in prices, down from the 20.9 percent increase experienced in FY 2005, is due to both supply and demand factors in the District's residential market. Comparable changes are expected in com-

Table 4-2

## Estimated Key Variables for the D.C. Economy for the Forecast Period FY 2004 through FY 2010

| | FY 2004 actual | FY 2005 actual | FY 2006 est. | FY 2007 est. | FY 2008 est. | FY 2009 est. | FY 2010 est. |
|---|---|---|---|---|---|---|---|
| Gross State Product (nominal; $ billions) | 75.11 | 80.80 | 85.70 | 90.50 | 95.73 | 101.10 | 106.83 |
| | 7.7% | 7.6% | 6.1% | 5.6% | 5.8% | 5.6% | 5.7% |
| Personal Income ($ billions) | 28.24 | 30.29 | 31.92 | 33.70 | 35.51 | 37.40 | 39.38 |
| | 6.2% | 7.3% | 5.4% | 5.6% | 5.4% | 5.3% | 5.3% |
| Earnings of DC Residents ($ billions) | 20.85 | 22.56 | 23.90 | 25.20 | 26.53 | 27.88 | 29.28 |
| | 7.7% | 8.2% | 5.9% | 5.4% | 5.3% | 5.1% | 5.0% |
| Population (thousands) | 554.2 | 550.5 | 553.9 | 557.6 | 561.5 | 565.5 | 569.2 |
| | -0.6% | -0.7 % | 0.6% | 0.7% | 0.7% | 0.7% | 0.7% |
| Household (thousands) | 251.7 | 252.5 | 255.3 | 258.1 | 261.2 | 264.2 | 267.2 |
| | 0.9% | 0.3% | 1.1% | 1.1% | 1.2% | 1.2 % | 1.1% |
| At-place Employment (thousands) | 670.5 | 677.9 | 686.2 | 694.0 | 700.7 | 709.2 | 716.4 |
| | 0.7% | 1.1% | 1.2% | 1.1% | 1.0% | 1.2% | 1.0% |
| Civilian Labor Force (thousands) | 297.9 | 301.5 | 299.5 | 300.2 | 302.2 | 304.4 | 306.6 |
| | -0.1% | 1.2 % | -0.7% | 0.2% | 0.7% | 0.7% | 0.7% |
| Resident Employment (thousands) | 274.5 | 278.2 | 281.2 | 281.9 | 283.4 | 285.5 | 287.6 |
| | -1.0% | 1.4% | 1.1% | 0.3% | 0.5% | 0.7% | 0.7% |
| Unemployment Rate (percent) | 7.9 | 7.7 | 6.1 | 6.1 | 6.2 | 6.2 | 6.2 |
| Housing Starts | 4,548 | 4,548 | 4,775 | 4,775 | 4,775 | 5,000 | 5,000 |
| Housing Stock (thousands) | 276.6 | 277.7 | 280.8 | 284.0 | 287.3 | 290.7 | 294.0 |
| Sale of housing units | 13,300 | 14,218 | 12,866 | 11,850 | 11,637 | 11,493 | 11,677 |
| | 8.1% | 6.9% | -9.5% | -7.9 % | -1.8 % | -1.2% | 1.6 % |
| Average housing price ($) | 411,512 | 497,331 | 541,267 | 572,586 | 604,717 | 646,211 | 691,203 |
| | 17.9% | 20.9% | 8.8% | 5.8% | 5.6 % | 6.9 % | 7.0 % |
| Washington Area CPI (% change from prior year) | 2.5 | 3.9 | 3.3 | 2.2 | 2.3 | 2.2 | 2.2 |
| Interest Rate on 10-year Treasury Notes (%) | 4.3 | 4.2 | 4.7 | 5.0 | 5.2 | 5.2 | 5.2 |
| Change in S&P Index of Common Stock (%) | 19.8 | 7.9 | 6.3 | 5.7 | 6.7 | 6.8 | 6.4 |

Note: Estimated by the D.C. Office of Revenue Analysis based on forecasts of the D.C. and national economies prepared by Global Insight (Winter 2005) and Economy.com (November 2005); on forecasts of the national economy prepared by the Congressional Budget Office (January 2006) and Blue Chip Economic Indicators (February 2006); on BLS labor market information from January 2006; and on Bureau of Economic Analysis estimates of D.C. Personal Income (December 2005); D.C. housing sales data are from Global Insight.

mercial values as well.

- *Population and employment gains are projected.* In FY 2006 and FY 2007 the increases in housing construction and in the number of District households is expected to translate into gains in total population and employed residents as well. Accordingly, the Financial Plan assumes that FY 2005 will be the ending point for declines in population that occurred in prior years; the FY 2006 estimated population of 553,900 is up 3,400 (0.6 percent) from FY 2005. The unemployment rate is expected to decline from 7.7 percent in FY 2005 to 6.1 percent in each of FY 2006 and FY 2007, as the increase in D.C. resident employment outpaces the increase in the District's labor force.

## Employment

The forecast of employment growth in FY 2006 is 1.2 percent—up slightly from FY 2005—and 1.1 percent in FY 2007. Of the increase in employment through FY 2007, 53 percent is expected to be in professional and business services (including finance and information services), with the remainder occurring in educa-

Table 4-3

**Revenue and Economic Indicators of the District of Columbia, FY 1999 through FY 2005**

| | FY 1999 | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|---|---|---|---|---|---|---|---|
| **Local Source Revenue ('000)** | **$3,232,938** | **$3,374,763** | **$3,655,399** | **$3,526,636** | **$3,702,281** | **$4,062,394** | **$4,465,714** |
| Growth | -0.4% | 4.4% | 8.3% | -3.5% | 5.0% | 9.7% | 9.9% |
| **Baseline Revenue (before tax policy changes) ('000)** | **$3,232,938** | **$3,465,843** | **$3,825,936** | **$3,743,584** | **$3,969,595** | **$4,128,038** | **$4,336,757** |
| No. of Employees in DC (Thousands) | 620.6 | 645.2 | 654.4 | 661.8 | 665.9 | 670.5 | 677.9 |
| Growth | 1.0% | 4.0% | 1.4% | 1.1% | 0.6% | 0.7% | 1.1% |
| Employees in Gov't. (Thousands) | 224.4 | 224.0 | 224.3 | 231.5 | 231.1 | 230.3 | 230.9 |
| Growth | -2.2% | 0.7% | 0.1% | 3.2% | -0.2% | -0.3% | 0.3% |
| **Population** | | | | | | | |
| No. of DC Residents (Thousands) | 570.2 | 571.0 | 569.3 | 564.6 | 557.8 | 554.3 | 550.5 |
| Growth | NA | 832 | (1,724) | (4,697) | (6,778) | (3,607) | (3,718) |
| **Single Family Housing Sales** | | | | | | | |
| No. of Single Family Sales | NA | NA | 5,340 | 5,488 | 5,700 | 5,867 | 5,372 |
| Growth | NA | NA | NA | 2.8% | 3.9% | 2.9% | -8.4% |
| **S.F. Sales Prices** | | | | | | | |
| Median ($Thousands) | NA | NA | $187 | $254 | $285 | $346 | $436 |
| Growth | NA | NA | NA | 35.9% | 12.2% | 21.4% | 25.9% |
| Avg. ($ Thousands) | NA | NA | $233 | $372 | $397 | $470 | $571 |
| Growth | NA | NA | NA | 11.7% | 6.8% | 18.4% | 21.5% |
| **Condo Sales** | | | | | | | |
| No. of Condo Sales | NA | NA | 2,656 | 3,066 | 3,586 | 3,919 | 4,426 |
| Growth | NA | NA | NA | 15.4% | 17.0% | 9.3% | 12.9% |
| **Condo Sales Prices** | | | | | | | |
| Median ($ Thousands) | NA | NA | $166 | $204 | $246 | $300 | $356 |
| Growth | NA | NA | NA | 23.0% | 20.4% | 21.8% | 18.7% |
| Avg. ( $ Thousands) | NA | NA | $199 | $236 | $277 | $334 | $402 |
| Growth | NA | NA | NA | 18.2% | 17.5% | 20.6% | 20.4% |
| **Commercial Office Space** | | | | | | | |
| Total Inventory (million sq. ft.) | NA | 101.6 | 104.4 | 106.4 | 109.3 | 111.2 | 113.5 |
| Growth | NA | NA | 2.8% | 1.9% | 2.7% | 1.8% | 2.1% |
| Vacancy Rate (includes sublet) | NA | NA | 5.2% | 6.7% | 6.7% | 6.4% | 6.1% |

Table 4-4

## Percent Change in Wage and Salary Employment in D.C., the Washington Metropolitan Area, and the U.S.: 2004.3 to 2005.4

(Percent change from same calendar year quarter of previous year unless noted)

| | 2004.3 | 2004.4 | 2005.1 | 2005.2 | 2005.3 | 2005.4 |
|---|---|---|---|---|---|---|
| Total employment | | | | | | |
| DC | 1.1 | 1.1 | 0.8 | 0.8 | 1.6 | 1.8 |
| US | 1.4 | 1.6 | 1.7 | 1.6 | 1.7 | 1.5 |
| Metro area | 2.7 | 2.4 | 2.5 | 2.3 | 1.9 | 2.6 |
| Private Sector | | | | | | |
| DC | 1.4 | 1.5 | 1.2 | 1.3 | 2.1 | 2.7 |
| US | 1.6 | 1.8 | 1.9 | 1.8 | 1.8 | 1.6 |
| Metro area | 3.3 | 3.9 | 2.9 | 2.8 | 2.6 | 2.8 |

Source: BLS

Table 4-5

## Change in D.C. Wage and Salary Employment by Sector in the Quarter Ending December 31, 2005, Compared With the Same Period of the Previous Year

| Sector | Level | Change from one year ago | |
|---|---|---|---|
| | | Amount | Percent |
| Government | 229,500 | 0 | 0 |
| Private Sector | 458,300 | +12,100 | +2.7% |
| Professional and all business* | 202,500 | +5,100 | +2.6% |
| Education and health | 97,500 | +2,600 | +2.8% |
| Trade and hospitality | 77,400 | +3,000 | +4.1% |
| Organizations and other services | 60,500 | +1,400 | +2.3% |
| All other | 20,500 | 0 | +0.2% |
| Total | 687,900 | +12,100 | +1.8% |

Source: BLS * Professional, business, information, and financial services

Note: Percent changes calculated from unrounded numbers.

Table 4-6

## Hospitality Sector Indicators for the Quarter Ending December 31, 2005

| | Level | Change from one year ago | |
|---|---|---|---|
| | | Amount | Percent |
| Hotel occupancy rate (percent) | 67.1 | 0.7 | 1.2% |
| Hotel room rate ($) | $190.64 | $21.95 | 13.0% |
| Amount spent for hotel stays ($M) | $309.9 | $40.7 | 15.1% |

Source: Smith Travel

Note: Percent changes calculated from unrounded numbers.

Table 4-7
**Growth in Wages and Salaries in D.C., the Washington Metropolitan Area, and the U.S.: FY 2003, FY 2004, and FY 2005**
(Percent change from the prior year)

| | FY 2003 | FY 2004 | FY 2005 |
|---|---|---|---|
| Wages and Salaries | | | |
| DC | 4.3 | 6.3 | 5.9 |
| US | 1.9 | 4.6 | 6.7 |
| Washington Metropolitan Area | 3.6 | 6.4 | 8.6 |

Source: Bureau of Economic Analysis, Personal Income by State, December 2005. Washington Metropolitan Area estimated by Global Insight

tion, health, trade, hospitality, and other services (primarily organizations). No growth is expected in government employment.

Employment in the District slowed during CY 2005, but rebounded in the second half, exceeding the rate of increase in the national economy (see table 4-4). As a result, FY 2006 began with a very strong employment picture. In the quarter ending December 31, 2005, District employment grew 1.8 percent from the same quarter of the prior year, and the private sector increase was a robust 2.7 percent, almost the same rate as that of the Washington Metropolitan Area. Of the 12,100 increase in employment that occurred in the quarter ending December 31, 2005, professional and all business services accounted for 42 percent of the gain. Significant increases also occurred in many segments of the District's private sector (see table 4-5).

Retail trade and hospitality are important sources of employment and tax revenue. In the quarter ending December 31, 2005, these two sectors added 3,000 jobs, a 4.1 percent gain. The new D.C. convention center and downtown revitalization are factors in the strength of the leisure and hospitality industry, as are events like the opening of the National Museum of the American Indian and the World War II Memorial. In the quarter ending December 31, 2005, hotel revenues were up 15.1 percent from a year earlier (see table 4-6).

## Wages and Salaries

Wages and salaries earned in the District of Columbia are expected to grow by 5.6 percent in FY 2006 and 5.8 percent during FY 2007, down slightly from the 5.9 percent increase in FY 2005. During FY 2003 and FY 2004 wage growth has been stronger in the District than for the United States and was about the same as growth in the metropolitan area (see table 4-7). In FY 2006 and FY 2007, professional and all business services are expected to account for 45 percent of the increase in wages earned in the District of Columbia.

## D.C. Real Estate Markets

The value of real estate is assumed to continue to increase during FY 2006 and FY 2007. The expected growth is not based on projecting the rapid gains of the past three years into the future. Analysis of the supply and demand factors present in the current market suggest these gains unless we experience an external shock, such as a sharp rise in interest rates or a slowdown in the District's economy.

### Residential Markets

Although the number of residential sales is expected to decline over the next several years, prices will continue to rise, although at a more moderate rate than over the past three years (see table 4-8). Gains in D.C. employment and wages, together with public confidence about safety and other city services, make the D.C. location attractive for households that prefer not

Table 4-8

## D.C. Residential Real Estate Transactions: FY 2003, FY 2004, and FY 2005

| | FY 2003 | FY 2004 | FY 2005 |
|---|---|---|---|
| Level | | | |
| Sales | 9,286 | 9,786 | 9,798 |
| Value of Transactions ($ million) | $3,256.6 | $4,067.3 | $4,847.9 |
| Percent change from prior year | | | |
| Sales | 8.6% | 5.4% | 0.1% |
| Value of Transactions | 17.9% | 24.9% | 19.1% |

Source: Metropolitan Regional Information System (MRIS) accessed through the Greater Capital Area Association of Realtors (December 2005)

Table 4-9

## Single Family and Condominium Home Sales for FY 2005

| | Level | Change from one year ago | |
|---|---|---|---|
| **Single Family** | | **Amount** | **Percent** |
| Units sold | 5,372 | -495 | -8.4% |
| Average price | $571,300 | +$101,100 | +21.5% |
| Median price | $435,900 | +$89,700 | +25.9% |
| **Total value of transactions ($M)** | **$3,068.8** | **+$309.8** | **+11.2%** |
| | | | |
| **Condominium** | | | |
| Units sold | 4,426 | +507 | +12.9% |
| Average price | $402,000 | +$68,100 | +20.4% |
| Median price | $356,000 | +$56,100 | +18.7% |
| **Total value of transactions ($M)** | **$1,780.0** | **+$470.0** | **+36.0%** |

Source: MRIS, accessed through Greater Capital Area Association of Realtors, through December 2005 (median price is the weighted average of monthly values).

Table 4-10

## Single Family and Condominium Home Sales for the Quarter ending December 31, 2005

| | Level | Change from one year ago | |
|---|---|---|---|
| **Single Family** | | **Amount** | **Percent** |
| Units sold | 1,034 | -249 | -19.4% |
| Average price | $619,900 | +$110,500 | +21.7% |
| Median price | $487,700 | +$106,600 | +28.0% |
| **Total value of transactions ($M)** | **$641.0** | **-$12.6** | **-1.9%** |
| | | | |
| **Condominium** | | | |
| Units sold | 920 | -13 | -1.4% |
| Average price | $423,700 | +$63,900 | +17.8% |
| Median price | $376,200 | +$53,500 | +16.6% |
| **Total value of transactions ($M)** | **$389.8** | **+$54.1** | **+16.1%** |

Source: MRIS, accessed through Greater Capital Area Association of Realtors, through December 2005 (median price is the weighted average of monthly values).

to be committed to a daily commute. Homeland security spending, outsourcing of government activities, and other changes to the federal government help fuel the demand for D.C. homes.

In FY 2005 price appreciation in the residential market was very strong, with average prices for single family homes and condominiums up 21.5 percent and 20.4 percent respectively. The total value of transactions increased by 11.2 percent and 36.0 percent, respectively (see table 4-9). In the first quarter FY 2006, there was evidence of a slow down in the number of sales, even in condominiums; the decrease in the number of sales was sufficient to significantly reduce the value of transactions (see table 4-10).

The price appreciation in the residential market reflects high demand combined with limited supply. In FY 2005 there was an overall 8.4 percent decrease in single-family homes sold, while sales of single-family homes valued above $300,000 rose 31.3 percent. In the condominium and cooperative sub sector there was a strong 12.9 percent increase for all condominium homes sold and for condominiums valued above $300,000, the increase was 45.9 percent.

Should the supply of housing increase significantly, this might moderate future price increases. This is, however, likely to be a factor only in the upper price ranges and in the condominium market where a significant number of units are under construction. Delta Associates reports that as of December 31, 2005, there were 5,243 condominiums and 1,465 apartment units under construction in the District of Columbia, and approximately 6,000 additional new condominiums and 1,800 additional apartment units are likely to be built before the end of 2008. However, new residential construction totals do not represent a net increase in the District's total housing stock due to demolitions and com-

Table 4-11

## Commercial Office Space in the District of Columbia: 2003.4, 2004.4, 2005.4

(Million square feet unless otherwise indicated)

| | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2005 |
|---|---|---|---|
| Inventory | 110.00 | 112.07 | 113.69 |
| Vacancy rate (no sublet) | 5.6% | 5.1% | 5.1% |
| Vacancy rate (with sublet) | 7.1% | 6.0% | 6.0% |
| Under construction | 4.93 | 6.19 | 7.81 |
| Net increase in leased space from prior year | +2.17 | +2.51 | +1.53 |

Source: Delta Associates
Note: Data is for the end of the quarter.

Table 4-12

## DC Area Office Vacancy Rates for CY 2003.4, 2004.4, 2005.4

| | D.C. | No. Virginia | Suburban MD | Metro |
|---|---|---|---|---|
| December 31, 2003 | 7.1% | 13.9% | 11.7% | 11.2% |
| December 31, 2004 | 6.0% | 11.1% | 10.1% | 9.2% |
| December 31, 2005 | 6.0% | 8.9% | 8.7% | 7.9% |

Source: Delta Associates (includes sublet space)
Note: Data is for the end of the quarter.

Table 4-13
## Sales of Residential and Commercial Office Real Estate: 2004.3 to 2005.4
(Percent change from same calendar year quarter of previous year unless noted)

| | 2004.3 | 2004.4 | 2005.1 | 2005.2 | 2005.3 | 2005.4 |
|---|---|---|---|---|---|---|
| Value of sales ($ million) | | | | | | |
| Residential | 1,004.9 | 989.2 | 1,170.1 | 1,518.5 | 1,170.1 | 1,030.8 |
| Commercial office space | 759.0 | 246.9 | 1,385.0 | 1,406.0 | 1,251.0 | 534.0 |
| Total | 1,763.9 | 1,236.1 | 2,555.1 | 2,924.5 | 2,421.1 | 1,564.8 |
| Percent change from prior year | | | | | | |
| Residential | 16.0 | 16.5 | 18.9 | 23.5 | 16.4 | 4.2 |
| Commercial office space | -27.6 | -59.3 | -1.8 | 129.7 | 64.8 | 116.3 |
| Total | -7.9 | -15.1 | 6.7 | 58.8 | 37.3 | 26.6 |

Source:Delta Associates and MRIS

Table 4-14
## Labor Force, Resident Employment, and Unemployment in Quarter Ending December 31, 2005

| | Level | Change from one year ago | |
|---|---|---|---|
| | | Amount | Percent |
| Labor force | 293,000 | -7,900 | -2.6 % |
| Resident employment | 275,700 | +1,300 | +0.5 % |
| Resident unemployment | 17,300 | -9,100 | -34.6% |
| Unemployment rate | 5.9% | +-2.9 | -- |

Source: Bureau of Labor Statistics

bining of several units into one. Without the needed—and unavailable—accounting of the total number of dwelling units, we have no definite assessment of the size of the city's housing stock.

### Commercial Real Estate Markets

The value of commercial property and the value of annual transactions in commercial property are forecast to grow in FY 2006 and FY 2007. The Washington area commercial market remains strong and attractive to investors from around the world. Many new buildings are under construction or in the active planning stage. Within the Metropolitan area and the nation, D.C.'s vacancy rates for commercial office space remain low (see table 4-12). All of these factors suggest that the commercial property market will remain lively.

In FY 2005 the inventory of commercial office space was up by 2.49 million square feet (2.2 percent) from the prior year; the vacancy rate (including space for sublet) fell to 6.1 percent (very low compared to the rest of the nation) from 6.4 percent. The number of square feet sold (9.75 million square feet) represented a decrease of 5.4 percent from the prior year, but an average increase in price per square foot of 33.8 percent resulting in a 26.5 percent increase in the value of transactions.

In FY 2005, the District was a top commercial office market in the nation as a result of a growing office tenant base comprised of the federal government, the legal sector and large associations. This tenant base has been a constant source of growth since 2001 for commercial office space demand and commercial real estate investment.

## Population and D.C. Labor Market

The Financial Plan projects that households and resident employment will continue to increase in FY 2006, with gains continuing into FY 2007 and the years following. The projection is based in large measure on a judgment that housing construction and renovation, together with improvements in city services and amenities, are attracting more households, resulting in greater resident employment and increasing population.

The District's housing and employment markets are very active and continued construction should result in a net increase in the District's occupied housing stock, households, and probably population, labor force, and employed residents as well. We project that it is happening now and growth will be sustained by next year and beyond, but little is actually known about the dynamics of changes in the District's population, households (size and age distributions), housing stock (new units, units going out of existence), labor force, and resident employment. At present, the federal statistics available for the District make it difficult to make definitive judgments.

The U.S. Bureau of the Census shows, in a report dated December 2005, that the District's population is continuing to decline, down 21,538 (3.7 percent) from the 2000 census, and down 56,379 (9.3 percent) since 1990. The population in the District of Columbia was 550,521 in July of 2005 as compared to the 2000 Census count of 572,059.

## Longer Term (Fiscal Years 2008-2010)

In looking further ahead to FY 2008 to FY 2010, the consensus among forecasters of the U.S. economy is that, despite a recent rise in inflation, steady, low-inflationary growth will continue, with accompanying gains in employment and wages and modest increases in interest rates. Absent any disturbances arising from the national economy, the regional economy is expected to show strength over the long term as it benefits from continued high levels of federal government expenditures for both national and homeland defense. The continuing revitalization of the downtown area will draw metropolitan area residents to downtown restaurants, shops, and theaters. The new convention center that opened in FY 2003 should continue to boost the city's tourism industry, as will the addition of Major League Baseball which played its first season in D.C. in 2005. The housing market and commercial real estate markets are expected to remain quite strong, although the number of transactions or percentage increase in prices is not expected to reach levels experienced in FY 2004 and FY 2005.

## Revenues

The FY 2007 and revised FY 2006 estimates show General Fund revenues of $5.225 billion and $4.850 billion, respectively (see table 4-15). These amounts include local source General Purpose Tax, Non-Tax, and Special Purpose Revenues, and proposed tax policy changes. Table 4-15 reports estimated revenue by revenue source for the period FY 2006 to FY 2010, along with actual FY 2005 revenues. Table 4-16 provides estimates, over a similar time period, of the fiscal impact on District revenues of those tax policies that were enacted since FY 2004.

## Specific Revenue Sources

The income taxes account for 32.5 percent of estimated local general fund revenues in FY 2006, followed by 26.1 percent in property tax revenues, 19.2 percent in sales tax revenues, and 22.2 percent from all other sources (see figure 4-1). The Other Taxes include Deed Taxes (Deed Recordation, Deed Transfer, Economic Interest), and the Estate Tax. These revenue sources are discussed below.

## Real Property Tax

The District taxes real property based on 100 percent of assessed value and bills taxpayers twice annually like many other jurisdictions throughout the United States. The District, also like many other jurisdictions, divides properties into separate tax classes depending on the use of the real property. Each class is taxed at a different rate. The real property taxable class types in the District are residential, commercial and vacant/abandoned. The major difference, however, between the District and other jurisdictions is the extraordinarily large proportion of real property that is exempt from paying the District's real property tax—amounting to roughly 57 percent of the city's land area and 33 percent of the total assessed value. Tax-exempt properties primarily include those owned by the federal government as well as properties owned by foreign governments, non-profit organizations, educational institutions, and the District government.

### Real Property Tax Base

The value of all real property in the District grew 18.6 percent from $109.7 billion in 2004 to $130.1 billion in 2005. The total value of all taxable commercial properties amounted to $36.9 billion or 28.4 percent of all property in the District. The total value of all residential properties amounted to $50.0 billion or 38.4 percent of all property in the District. The total value of all exempt properties amounted to $43.2 billion, 33.2 percent of all property in the District.

In 2005, the total value of taxable commercial properties grew 9.3 percent, taxable residential properties grew 52.8 percent. The value of all exempt property in 2005 was $43.2 billion, approximately the same as in 2004. With only 66.8 percent of the value of all real property in the District being taxable in 2005, the commercial sector accounted for 42.5 percent of the 2005 tax base, down from 50.8 percent in 2004, and the residential sector accounted for 57.5 percent of the 2005 tax base, up from 49.2 percent in 2004. In FY 2005, the District's total taxable real property had an assessed value of $86.9 billion.

### Real Property Tax Rates

As mentioned earlier, the District's real property tax system divides taxable properties into three separate tax classes depending on the use of the real property, and each class is taxed at a different rate. Class 1 properties are residential properties, of which there are approximately 158,000. These properties are taxed at the residential rate of $0.92 per $100 of assessed

Figure 4-1
**FY 2006 Local Fund Revenue**

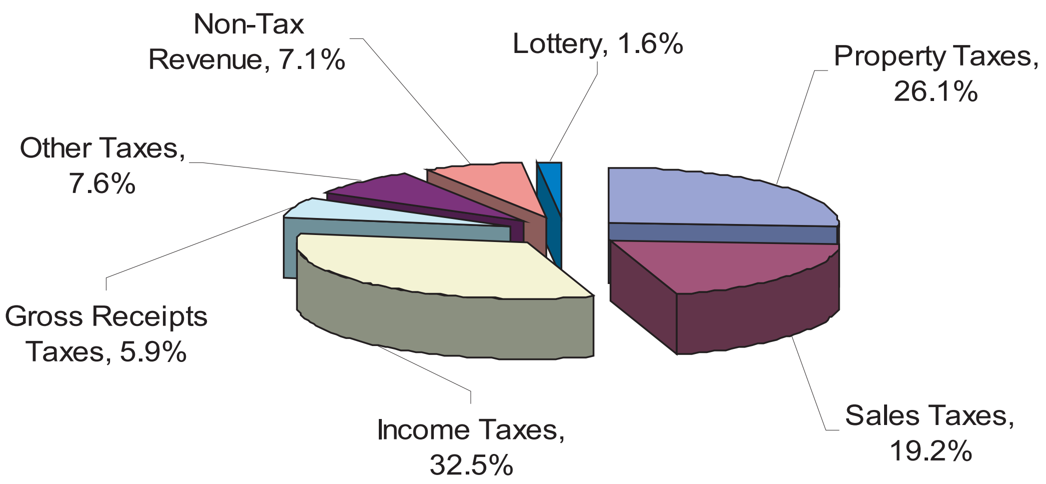


Table 4-15
## General Fund Revenue by Source, Fiscal Year 2005 Actual, Fiscal Years 2006-2010 Estimates and Projections
($ thousands)

| Revenue Source | FY 2005 actual | FY 2006 revised | FY 2007 original | FY 2008 projected | FY 2009 projected | FY 2010 projected |
|---|---|---|---|---|---|---|
| Real Property | 1,058,100 | 1,119,770 | 1,229,342 | 1,332,983 | 1,428,388 | 1,524,553 |
| Personal Property (net) | 62,068 | 54,549 | 55,165 | 55,960 | 56,974 | 57,644 |
| Public Space | 15,628 | NA | NA | NA | NA | NA |
| **Total Property** | **1,135,796** | **1,174,319** | **1,284,507** | **1,388,943** | **1,485,362** | **1,582,197** |
| General Sales (gross) | 845,798 | 870,759 | 922,616 | 969,043 | 1,019,501 | 1,073,431 |
| *Convention Center Transfer* | *(77,490)* | *(78,210)* | *(78,250)* | *(82,313)* | *(86,588)* | *(91,091)* |
| General Sales (net) | 768,308 | 792,549 | 844,366 | 886,730 | 932,913 | 982,340 |
| Alcohol | 5,051 | 5,013 | 4,977 | 4,944 | 4,912 | 4,882 |
| Cigarette | 22,336 | 20,238 | 19,724 | 19,223 | 18,735 | 18,260 |
| Motor Vehicle | 42,380 | 44,359 | 46,431 | 48,599 | 50,869 | 53,245 |
| **Total Sales** | **838,075** | **862,159** | **915,498** | **959,496** | **1,007,429** | **1,058,727** |
| Individual Income | 1,160,074 | 1,135,146 | 1,144,252 | 1,207,798 | 1,280,652 | 1,352,874 |
| Corporation Franchise | 195,492 | 203,175 | 219,064 | 232,614 | 244,254 | 253,958 |
| U. B. Franchise | 116,866 | 126,999 | 138,264 | 151,915 | 166,561 | 182,511 |
| **Total Income** | **1,472,432** | **1,465,320** | **1,501,580** | **1,592,327** | **1,691,467** | **1,789,343** |
| Public Utility (gross) | 174,084 | 166,041 | 166,042 | 166,043 | 166,043 | 166,044 |
| *Baseball Gross Receipts Tax* | *(8,045)* | *(9,184)* | *(9,303)* | *(9,424)* | *(9,546)* | *(9,546)* |
| Public Utility (net) | 166,039 | 156,857 | 156,739 | 156,619 | 156,497 | 156,498 |
| Toll Telecommunication (gross) | 55,486 | 54,607 | 54,612 | 54,721 | 54,742 | 54,760 |
| *Baseball Gross Receipts Tax* | *(910)* | *(3,162)* | *(3,165)* | *(3,165)* | *(3,165)* | *(3,165)* |
| Toll Telecommunication (net) | 54,576 | 51,445 | 51,447 | 51,556 | 51,577 | 51,595 |
| Insurance Premiums | 48,888 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 |
| Healthcare Provider Tax | 0 | 8,000 | 11,000 | 11,000 | 11,000 | 11,000 |
| **Total Gross Receipts** | **269,503** | **264,302** | **267,186** | **267,175** | **267,074** | **267,093** |
| Estate | 29,257 | 21,420 | 20,072 | 19,352 | 18,657 | 18,652 |
| Deed Recordation (gross) | 190,048 | 208,516 | 228,555 | 250,427 | 274,343 | 300,543 |
| *Transfer to HPTF* | *(28,507)* | *(31,277)* | *(34,283)* | *(37,564)* | *(41,151)* | *(45,081)* |
| Deed Recordation (net) | 161,541 | 177,239 | 194,272 | 212,863 | 233,192 | 255,462 |
| Deed Transfer (gross) | 146,929 | 161,663 | 177,490 | 194,849 | 213,886 | 234,782 |
| *Transfer to HPTF* | *(22,039)* | *(24,250)* | *(26,624)* | *(29,227)* | *(32,083)* | *(35,217)* |
| Deed Transfer (net) | 124,890 | 137,413 | 150,866 | 165,622 | 181,803 | 199,565 |
| Economic Interests | 10,593 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| **Total Other Taxes** | **326,281** | **344,072** | **373,210** | **405,837** | **441,652** | **481,679** |
| **TOTAL TAXES** | **4,042,087** | **4,110,172** | **4,341,981** | **4,613,778** | **4,892,984** | **5,179,039** |
| Licenses & Permits | 74,010 | 68,408 | 70,845 | 68,604 | 71,661 | 68,705 |
| Fines & Forfeits | 108,012 | 110,637 | 107,336 | 103,221 | 99,990 | 96,497 |
| Charges for Services | 51,344 | 50,513 | 53,218 | 52,460 | 54,161 | 54,175 |
| Miscellaneous Revenue | 119,061 | 90,289 | 92,176 | 93,792 | 95,146 | 98,141 |
| **TOTAL NON-TAX** | **352,427** | **319,847** | **323,575** | **318,077** | **320,958** | **317,518** |

Table 4-15 (continued)

## General Fund Revenue by Source, Fiscal Year 2005 Actual, Fiscal Years 2006-2010 Estimates and Projections

($ thousands)

| Revenue Source | FY 2005 actual | FY 2006 revised | FY 2007 original | FY 2008 projected | FY 2009 projected | FY 2010 projected |
|---|---|---|---|---|---|---|
| Lottery/Interfund Transfer | 71,450 | 72,000 | 72,100 | 72,100 | 72,100 | 72,100 |
| **TOTAL LOCAL FUND REVENUE** | **4,465,964** | **4,502,019** | **4,737,656** | **5,003,955** | **5,286,042** | **5,568,657** |
| | | | | | | |
| **SPECIAL PURPOSE REVENUE FUNDS** | **311,789** | **347,538** | **372,841** | **373,534** | **372,954** | **386,829** |
| **TOTAL GENERAL FUND WITHOUT POLICY PROPOSALS** | **4,777,753** | **4,849,557** | **5,110,497** | **5,377,490** | **5,658,996** | **5,955,486** |
| **TOTAL GENERAL FUND WITHOUT POLICY PROPOSALS PLUS TAX REVENUES TRANSFERRED OUT** | **4,944,103** | **5,045,051** | **5,309,049** | **5,588,928** | **5,874,934** | **6,176,810** |
| | | | | | | |
| **POLICY PROPOSALS:** | | | | | | |
| | | | | | | |
| **Local Fund Revenue:** | | | | | | |
| Increased Compliance Enforcement | | | 49,000 | 70,000 | 66,000 | 64,250 |
| **Subtotal, Local Fund Revenue Proposals** | | | **49,000** | **70,000** | **66,000** | **64,250** |
| | | | | | | |
| **Special Purpose Revenue (O-type) Funds:** | | | | | | |
| 911 Fee | | | 15,000 | 15,105 | 15,211 | 15,317 |
| CareFirst | | | 3,500 | 3,500 | 3,500 | 3,500 |
| Residential Deed Tax Increase | | | 47,200 | 51,800 | 56,800 | 62,300 |
| *Transfer to HPTF* | | | *7,000* | *7,800* | *8,500* | *9,400* |
| *Transfer to Comprehensive Housing Strategy Fund* | | | *40,200* | *44,000* | *48,300* | *52,900* |
| **Subtotal, Special Purpose Revenue Fund Proposals** | | | **65,700** | **70,405** | **75,511** | **81,117** |
| | | | | | | |
| **TOTAL POLICY PROPOSALS** | | | **114,700** | **140,405** | **141,511** | **145,367** |
| | | | | | | |
| **TOTAL GENERAL FUND WITH POLICY PROPOSALS** | **4,777,753** | **4,849,557** | **5,225,197** | **5,517,895** | **5,800,507** | **6,100,853** |
| | | | | | | |
| **TOTAL GENERAL FUND WITH POLICY PROPOSALS PLUS TAX REVENUES TRANSFERRED OUT** | **4,944,103** | **5,045,051** | **5,423,749** | **5,729,333** | **6,016,445** | **6,322,177** |
| **ADDENDUM** | | | | | | |
| **Tax Revenues Transferred out of the General Fund** | | | | | | |
| Convention Center | | | | | | |
| *Sales Tax* | *77,490* | *78,210* | *78,250* | *82,313* | *86,588* | *91,091* |

Table 4-15 (continued)

## General Fund Revenue by Source, Fiscal Year 2005 Actual, Fiscal Years 2006-2010 Estimates and Projections

($ thousands)

| Revenue Source | FY 2005 actual | FY 2006 revised | FY 2007 original | FY 2008 projected | FY 2009 projected | FY 2010 projected |
|---|---|---|---|---|---|---|
| Tax Increment Financing | | | | | | |
| *Sales & Property Tax* | | *22,840* | *24,190* | *25,187* | *26,102* | *26,777* |
| Ballpark Fund | | | | | | |
| *Sales Tax* | *8,547* | *11,348* | *12,500* | *19,808* | *18,596* | *18,301* |
| *Public Utility* | *8,046* | *9,184* | *9,303* | *9,424* | *9,546* | *9,546* |
| *Toll Telecommunication* | *909* | *3,162* | *3,165* | *3,165* | *3,165* | *3,165* |
| *Gross Receipts* | *16,207* | *14,000* | *14,000* | *14,000* | *14,000* | *14,000* |
| Highway Trust Fund | | | | | | |
| *Motor Fuel Tax* | *25,912* | *26,750* | *26,844* | *26,938* | *27,032* | *27,221* |
| DDOT Capital | | | | | | |
| *Parking Tax* | *29,239* | *30,000* | *30,300* | *30,603* | *30,909* | *31,224* |
| **Total Transfers** | **166,350** | **195,494** | **198,552** | **211,438** | **215,938** | **221,325** |

value after applying the homestead deduction where appropriate. Class 2 properties are commercial properties, of which there are approximately 12,000. These properties are taxed at the commercial rate of $1.85 per $100 of assessed value. Class 3 properties are vacant and/or abandoned properties, of which there are approximately 7,400. These properties are taxed at a rate of $5.00 per $100 of assessed value. The significantly higher Class 3 tax rate is intended to prevent the proliferation of such properties, while simultaneously not being overly onerous for all potential Class 3 property owners. For example, Class 3 legislation provides a host of exemptions—15 for residential property and 16 for commercial property—for buildings that are, for example, under construction, for sale, or have been damaged by flood or fire.

### Real Property Tax Assessments
### Annual Assessments

The District operated under a triennial assessment system from FY 1999 to FY 2003. In FY 2004 all real property in the District was assessed on an annual basis for the first time since 1998. The return to annual assessments has meant that assessed values are more indicative of market values. But, the return to annual assessments, combined with the continuously strong demand to own real property in the District, has helped bring about increases in annual property tax liability of 30 percent and higher for some properties in FYs 2004 to 2006. In an effort to ameliorate the rapidly escalating financial burden of real property tax bills for residential tax payers, the Mayor and the Council enacted the Real Property Tax Relief Act of 2005 and the Residential Property Tax Rate and Cap Reduction Act of 2005. The former increases the annual homestead deduction by $22,000 to $60,000. The latter lowers the tax rate for all residential properties from $0.96 per $100 of assessed value to $0.92 per $100 of assessed value, and it stipulates that annual property taxes for District homeowners will increase no more than 10 percent annually. The legislation does not limit the assessed value determined by the Office of Tax and Revenue. These tax relief initiatives are effective beginning in FY 2006

### Real Property Revenue

In FY 2005, collections under the real property tax constituted 23.7 percent of local revenue, making the real property tax the second largest source of local revenue after the individual income tax. In FY 2006, real property tax revenue collections

Table 4-16

## Tax Reductions Enacted Since FY 2004

*(thousands of dollars)*

| TAX REDUCTIONS TRIGGERED BY DECEMBER 2005 CERTIFICATION LETTER | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|---|---|---|---|---|---|
| Triennial Group Taxable Assessment Disparity Correction Act of 2005 | | (19,151) | (21,035) | (22,802) | (24,410) |
| Disabled Person Tax Reduction Act of 2005 | | (3,630) | (3,680) | (3,780) | (3,780) |
| Disabled Property Owners Tax Reduction Act of 2005 | | (1,492) | (1,639) | (1,776) | (1,902) |
| **TOTAL POLICY CHANGES** | | **(24,273)** | **(26,354)** | **(28,358)** | **(30,092)** |
| **TAX REDUCTIONS TRIGGERED BY SEPTEMBER 2005 CERTIFICATION LETTER** | **FY 2005** | **FY 2006** | **FY 2007** | **FY 2008** | **FY 2009** |
| Residential Property Tax Rate and Cap Reduction Act of 2005 | | (20,908) | (22,964) | (24,894) | (26,649) |
| Limited Equity Cooperative Tax Fairness Act of 2005 | | (203) | (223) | (242) | (259) |
| Affordable Housing Preservation Tax Assessment Act of 2005 | | (415) | (456) | (494) | (529) |
| **Total, Tax Reductions Triggered by September 2005 Certification** | | **(21,526)** | **(23,643)** | **(25,630)** | **(27,437)** |
| **POLICY PROPOSALS IN FY 2006 BUDGET AFFECTING GENERAL PURPOSE REVENUE** | | | | | |
| **Budget Support Act Subtitles Impacting Revenue** | | | | | |
| Catholic University of America Property Tax Exemption | | (1,000) | - | - | - |
| Carver 2000 Low-Income and Senior Housing Tax Exemption | | (50) | (50) | (50) | (50) |
| Dupont Commons Low-Income Housing Tax Exemption | | (100) | 0 | 0 | 0 |
| The Way of the Cross Church of Christ Tax Exemption | | (10) | 0 | 0 | 0 |
| Appalachian State University Tax Exemption | | (20) | (20) | (20) | (20) |
| Family Property Recordation and Transfer Tax Exemption | | (44) | (44) | (44) | (44) |
| American Psychological Association Tax Exemption Continuation | | (940) | (970) | (1,010) | (1,040) |
| Recyclable Materials Sales Tax Clarification | | (373) | (100) | (100) | (100) |
| **Subtotal, Budget Support Act Subtitles** | | **(2,537)** | **(1,184)** | **(1,224)** | **(1,254)** |
| **Income Tax Relief Proposals** | | | | | |
| Expand Local EITC Match to 35% | | (7,125) | (9,500) | (10,100) | (10,600) |
| Extend EITC Benefits to Non-Custodial Parents | | (300) | (300) | (300) | (300) |
| Increase the Standard Deduction to $2,500 | | (3,375) | (4,600) | (4,800) | (4,900) |
| Increase the Personal Exemption to $1,500 | | (3,525) | (4,800) | (5,000) | (5,100) |
| **Subtotal, Income Tax Proposals** | | **(14,325)** | **(19,200)** | **(20,200)** | **(20,900)** |
| **Property Tax Relief Proposals** | | | | | |
| Increase the Homestead Deduction to $60,000 | | (18,700) | (19,600) | (20,600) | (21,600) |
| Low-Income Property Tax Deferral | | (2,000) | (2,300) | (2,100) | (1,900) |
| **Subtotal, Property Tax Proposals** | | **(20,700)** | **(21,900)** | **(22,700)** | **(23,500)** |
| **Total, Tax Reductions in FY 2006 Budget** | | **(37,562)** | **(42,284)** | **(44,124)** | **(45,654)** |
| **FISCAL IMPACT OF TAX POLICIES ENACTED IN FY 2004** | | | | | |
| Lowering of Property Tax Cap (from 25% to 12%) | (18,846) | (20,269) | (23,259) | (26,231) | (30,100) |
| Increase in Homestead Exemption (from $30K to $38K) | (6,553) | (6,553) | (6,553) | (6,553) | (6,553) |
| Tax Parity Restart | (24,000) | (77,129) | (141,000) | (141,000) | (141,000) |
| Deed Tax Rate Reduction (from 1.5% to 1.1%) | (89,525) | (102,273) | (114,209) | (126,282) | (138,147) |
| Trigger Activated PUTT Gross Receipts Tax Rate Reduction (from 11% to 10%) | (15,432) | (20,864) | (21,162) | (21,244) | (21,244) |
| **Total, Tax Reductions Enacted in FY 2004** | **(154,356)** | **(227,088)** | **(306,183)** | **(321,310)** | **(337,044)** |
| **Total, Tax Reductions Enacted since FY 2004** | **(154,356)** | **(310,449)** | **(398,464)** | **(419,422)** | **(440,227)** |

are expected to account for 24.9 percent of Local Fund revenue. Real property tax revenue increased by 11.7 percent in FY 2005 over the prior year, and FY 2006 revenue is expected to increase 5.8 percent over FY 2005. The decline in the revenue growth in FY 2006 compared to FY 2005 is primarily the consequence of the Real Property Tax Relief Act of 2005 and the Residential Property Tax Rate and Cap Reduction Act of 2005 that went into effect at the start of FY 2006.

Notwithstanding these two pieces of recent legislation, which are estimated to reduce real property revenue in FY 2006 by $57.1 million, the FY 2006 growth rate in real property tax revenue is still quite robust and is the direct result of the enormously vibrant real property market and the return to an annual assessment system.

The total growth in the residential sector of the real property market does not only stem from the growth in annual assessments for the housing stock that has existed for several years, but also from new housing construction in recent years. The U.S. Census Bureau reports that in 2005, there were more than 2,294 permits issued to build new housing units in the District. This is an increase of 917 units over 2004. Furthermore, Delta Associates reports that at the close of 2005

Table 4-17
## Real Property Tax Classes and Rates

| Real Property Tax Class | Tax Rate |
|---|---|
| Class 1 (Residential) | $0.92 per $100 of assessed value |
| Class 2 (Commercial/ Non Class 1 & 3 Properties) | $1.85 per $100 of assessed value |
| Class 3 (Vacant/Abandoned) | $5.00 per $100 of assessed value |

there were more than 5,000 condominiums and nearly 1,500 apartments under construction in the District of Columbia, and approximately 6,000 additional new condominiums and more than 1,800 additional apartment units are likely to be built before 2009. Because no evidence exists to suggest that the number of housing units eliminated from the city's housing stock in recent and forthcoming years is greater than the number of recently built and under construction units, a growing housing stock along with a strong demand to own residential property in the city will only buttress strong annual growth in real property tax revenue in coming years.

Commercially-owned real estate in the District is the other major real property sub-sector. And it is this real property sub-sector that accounts for more than 60 percent of real property tax collections. The commercial office market is the primary component of this sub-sector, and it has had a vacancy rate of 5.1 percent in both the fourth quarters of CYs 2004 and 2005. This vacancy rate is among the lowest in the nation among large office markets in central cities. Moreover, for the third year in a row, the Association of Foreign Investors in Real Estate (AFIRE) ranked the District as the best city for commercial real estate investment for 2005. However, the District fell to the number two position, behind London, as the best city globally for commercial real estate investment. The District's slight slip on the global front is a reflection of increased competitiveness of world markets and not an indication of weakening local area market fundamentals. Rounding out the top five U.S. cities are New York, Los Angeles, San Francisco and San Diego. Rounding out the top five global cities are New York, Paris and Toyko.

Clearly, there continues to be a growing demand for the District's residential and commercial properties taking place in all parts of the city. When the several recently enacted real property tax relief programs are accounted for, the real property tax revenue is expected to grow by 5.8 percent in 2006 and 9.8 percent in 2007. The annual rate of growth for the real property market in the District is expected to continuously moderate back to its long term trend growth rate of about 7 percent by FY 2009.

### General Obligation Bond - Debt Service

Each year the District dedicates a percentage of its real property tax collections to pay off the principal and interest on its General Obligation Bonds. For FY 2006, the percentage of real property tax collections dedicated to the repayment of principal and interest on the District's General Obligation Bonds is 40 percent.

Table 4-18
## Property Tax Revenue, Fiscal Years 2005-2010
($ thousands)

| Revenue Source | FY 2005 actual | FY 2006 revised | FY 2007 original | FY 2008 projected | FY 2009 projected | FY 2010 projected |
|---|---|---|---|---|---|---|
| Real Property | 1,058,100 | 1,119,770 | 1,229,342 | 1,332,983 | 1,428,388 | 1,524,553 |
| Personal Property (net) | 62,068 | 54,549 | 55,165 | 55,960 | 56,974 | 57,644 |
| Public Space | 15,628 | 0 | 0 | 0 | 0 | 0 |
| **Total Property Taxes** | **1,135,796** | **1,174,319** | **1,284,507** | **1,388,943** | **1,485,362** | **1,582,197** |

Table 4-19

## Value of Property Sold as a Percentage of Total Taxable Property

| FY 1997 | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|---|---|---|---|---|---|---|---|---|
| 5.75% | 8.97% | 10.07% | 9.38% | 12.77% | 10.76% | 12.68% | 14.53% | 13.07% |

## Personal Property Tax

The District's personal property tax is levied on the depreciated value of all tangible personal property used in a trade or business, including computers, vehicles, plant and equipment but excluding inventories held for sale. The strength of the District's economy in recent years has resulted in greater investment in personal property used for commercial purposes.

In 2005, gross total personal property tax collections totaled $72.1 million, a 13.4 percent increase over 2004 collections. This unexpected large increase in annual revenue may be due to many local businesses significantly increasing their net investments in machinery and equipment in response to the sustained vibrant local economic growth that has taken place in the city for the past three years. However, an increase of this magnitude in private local business investment is not expected to reoccur in FY 2006. Instead, total personal property tax collections are expected to grow four percent to $64.5 million in FY 2006 and an additional two percent to $65.2 million in FY 2007. Thereafter, personal property tax collections are expected to revert back to its trend growth rate of less than two percent per annum for FYs 2008 to 2010. This forecast is predicated on lower annual growth rates for local gross state product and District employment.

In 2004 District legislation created a Neighborhood Investment Fund and a Neighborhood Investment Program which dedicates approximately $10 million annually from personal property tax revenue to pay for a variety of community revitalization development purposes, including commercial, residential, and civic uses for twelve priority neighborhoods. With the initial implementation of this program beginning in 2005, actual net personal property tax collections going to the General Fund was $62.1 million, 2.3 percent less than in 2004. Net personal property tax collections expected to go to the General Fund in 2006 is $54.5 million, a 12.1 percent decrease compared to FY 2005. Net personal property tax collections expected to go to the General Fund in 2007 are $55.2 million, a 1.1 percent increase compared to FY 2006.

## Public Space Rental

There are three categories of public space rentals: sidewalks/surfaces, vaults and fuel tanks. Public space rental of sidewalks/surfaces includes enclosed cafes, unenclosed cafes, and merchandise display areas (including used car lots). Vaults are underground areas that extend wider than an owner's property to spaces beneath the surface of public real property. For public space rental purposes, fuel oil tanks are areas used for tanks that hold heating fuel.

In FY 2005, revenue from public space rentals

Table 4-20

## Estimated Sales Tax Base and Payments by Tax Type, FY 2005

(In Millions)

| | Retail | Liquor | Restaurant | Parking | Hotel | Total |
|---|---|---|---|---|---|---|
| Base | 6,492.4 | 245.7 | 2,461.0 | 289.3 | 1,186.3 | 10,674.7 |
| Rate | 5.75% | 9% | 10% | 12% | 14.5% | |
| Collections | 373.3 | 19.7 | 246.1 | 34.7 | 172.0 | 845.8 |
| Convention Center Transfer | NA | NA | 24.6 | NA | 52.9 | 77.5 |
| General Fund | 370.7 | 19.7 | 221.6 | 34.7 | 119.2 | 768.3 |

Table 4-21
## General Sales and Use Tax Revenue, Fiscal Years 2005-2010
($ thousands)

| Revenue Source | FY 2005 actual | FY 2006 revised | FY 2007 original | FY 2008 projected | FY 2009 projected | FY 2010 projected |
|---|---|---|---|---|---|---|
| General Sales and Use | 768,308 | 792,549 | 844,366 | 886,730 | 932,913 | 982,340 |

amounted to $15.6 million, a 6.6 percent decrease from FY 2004. Recent legislation will also affect the impact of public space rental tax collections on total General Fund revenue beginning in FY 2006. The Highway Trust Fund and District Department of Transportation Emergency Amendment Act of 2005 requires that all revenue from the public space rentals be deposited annually into the District Department of Transportation Operating Fund beginning in FY 2006. Therefore, the deposited revenue will no longer be available to the General Fund but is to be used for local road construction and maintenance and related debt servicing.

## Sales and Excise Taxes

### General Sales and Use Tax

Revenue from the District's sales and use tax is collected using a five-tier structure. Sales of tangible personal property and certain specified services are taxed at 5.75 percent. Sales of alcoholic beverages for consumption outside the premises are taxed at 9 percent (increased January 1, 2003 from 8 percent). Sales of food and drink for immediate consumption, the rental or leasing of motor vehicles and sales of prepaid phone cards are taxed at 10 percent (with one percent supporting the Convention Center Authority). Parking and storing of vehicles are taxed at 12 percent. Transient accommodations are taxed at 14.5 percent (with 4.45 percent supporting the Convention Center Authority).

From a policy perspective, the multiplicity of

Figure 4-2
## District Sales Tax Revenue, Change Over Previous Year, FY 1996-FY 2005 and FY 2006-FY 2010 Projections

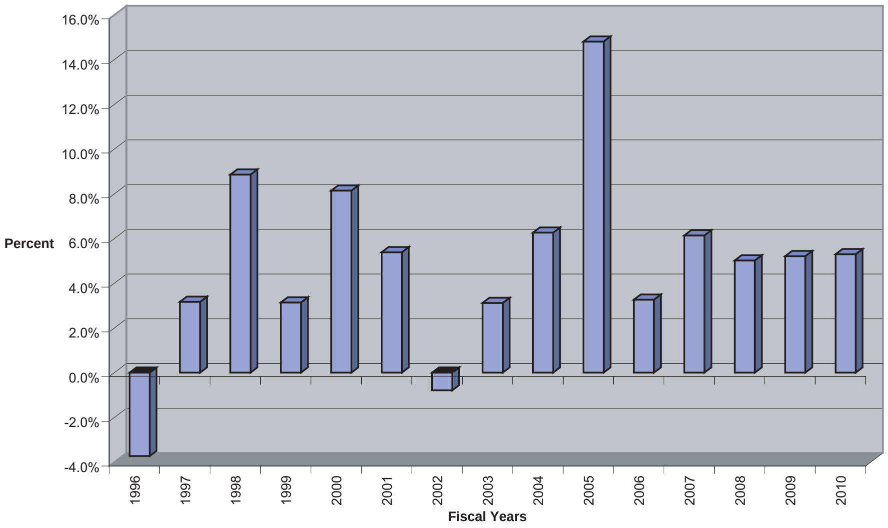


Table 4-22

## Sales Tax Forecast for the Convention Center Fund, Fiscal Years 2005-2010

($ thousands)

| | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY2010 |
|---|---|---|---|---|---|---|
| Restaurant Sales Tax | 24,597 | 23,463 | 23,475 | 24,694 | 25,976 | 27,327 |
| Hotel Sales Tax | 52,893 | 54,747 | 54,775 | 57,619 | 60,612 | 63,764 |
| **Total** | **77,490** | **78,210** | **78,250** | **82,313** | **86,588** | **91,091** |

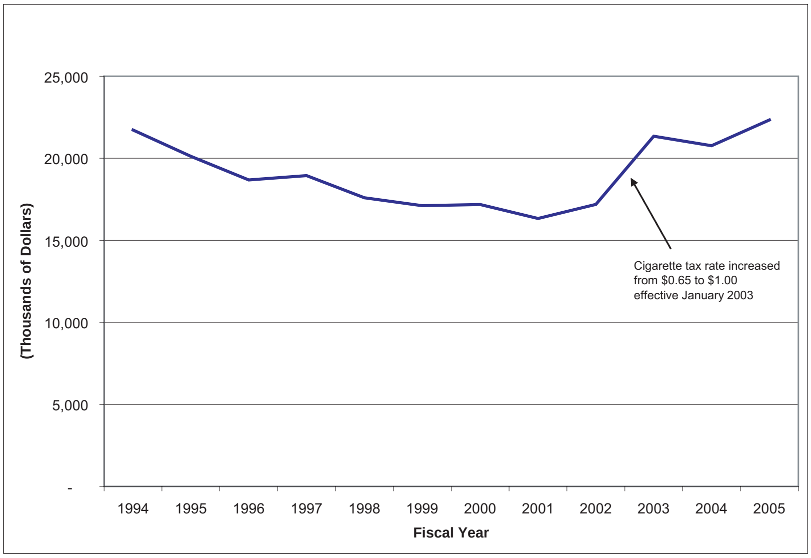
rates achieves many goals, including revenue generation from visitors to the District and support for the hospitality industry via the Convention Center transfer. Administratively, the multiplicity of rates, with special exemptions provided in each category, complicates the administration of the tax for the Office of Tax and Revenue and adds to compliance costs for businesses such as hotels and food stores, where transactions may involve several tax categories.

Revenue collected under the sales and use tax in FY 2005 was $768 million (see table 4-21), net of the convention center transfer of $77 million. For FY 2005, sales and use tax collections were the third largest source of District General Fund revenue, comprising 17.2 percent of total local-source revenue. The sales and use tax applies to businesses on their purchases of supplies and equipment as well as to a wide range of ordinary consumer purchases.

The average growth rate for FY 1998 through FY 2000 was above 5 percent. In FY 2001, growth slowed to about 3 percent, reflecting the general economic slowdown nationally and in the District. In FY 2002, sales tax revenue declined by 3 percent. The decline in FY 2002 was attributed to the District's hospitality industry suffering considerably because of the events of September 11. FY 2003 saw a modest recovery from the events of September 11; and this recovery continued in FY 2004 (annual sales and use tax revenue grew by 6.3 percent in FY 2004 from FY 2003). Collections from sales and use taxes grew 14.5 percent for FY 2005. This growth is likely due to: a) additional spending from the January 2005 presidential inauguration, b) the Convention Center being fully online, and c) the

Figure 4-3

## Cigarette Tax Revenue Was Declining Until 2003 Rate Increase



added spending from the ACC basketball tournament in March 2005.

The general U.S. economy grew at a rate of 7.6 percent in FY 2005 and a 6.1 percent rate is expected for FY 2006 (nominal GDP). U.S. personal income increased 7.2 percent in FY 2005 and is expected to increase 5.9 percent for FY 2006. When people have rising income they tend to spend a portion of this increase on vacation spending. Thus, the District is expected to see the tourism spending, which picked up in FY 2005, to continue growing but at a slower rate in FY 2006. This provides a basis for increased sales tax revenues for FY 2006. The growth rates in both sales tax revenue and personal income will slowly decline for the out years. We are expecting continuous positive growth from the hospitality industry, which will contribute to increases in the sales tax revenue for the District over the next five years. Figure 4-2 shows the annual change from the previous year in the District's sales tax revenue from FY 1996 to FY 2005 and projections for FY 2006 to FY 2010.

## Convention Center Transfer

After recovering from the FY 2002 drop, the Convention Center transfer grew by approximately 4.6 million or 8.5 percent in FY 2003 over FY 2002. The Convention Center transfer continued its growth in FY 2004, expanding 5.2 percent from FY 2003; and 25.0 percent increase for FY 2005 over FY 2004. This growth in the Convention Center transfer can be attributed to the facility coming completely online in FY 2005 and the center's target occupancy rate of 75 percent for FY 2004 through FY 2006. A 4 percent increase is expected for FY 2006 over FY 2005.

### Restaurant Sales Tax

FY 2006 restaurant sales tax is expected to be $23.5 million and FY 2007 is forecast to be $23.5 million.

### Hotel Sales Tax

The FY 2006 hotel sales tax revenues are estimated to be $54.7 million and FY 2007 is forecast at $54.8 million.

### Parking Tax Transfer

As part of the FY 2006 budget, the parking tax revenue stream was transferred out of the general fund to the Department of Transportation to fund capital expenditures. In FY 2007, the parking tax revenue is estimated to be $30.3 million.

## Selective Sales and Use Taxes

In addition to the multi-rate general sales and use tax, the District imposes excise taxes on alcoholic beverages, cigarettes, motor vehicles, and motor fuel. The motor fuel tax is deposited directly to a special account (the Highway Trust Fund) to match federal funds for the construction, repair and management of eligible District roadways. As a result, motor fuel tax revenue is not considered part of the general fund for budgetary purposes.

### Alcoholic Beverage Tax

The alcoholic beverage tax is levied on wholesale sales of beer, wine, and liquor in the District. The tax rates vary by type of product. Alcohol consumption has been declining in the United States since 1990, a trend reflected in the District's tax collections for alcoholic beverages. Alcohol tax collections are expected to be $5.0 million in FY 2007 (see table 4-23), a 1.5 percent decrease from FY 2005. Alcohol tax collections are expected to decrease moderately throughout the FY 2007 through FY 2010 projection period because alcohol consumption is expected to decrease moderately. After a peak in the first half of FY 2004, tax collected from alcoholic beverages declined and appears to be moderating since then. There has been no change in the tax rate since 1990, which suggests the change in tax collected is directly linked to consumption patterns.

### Cigarette Tax

The cigarette tax is levied on the sale or possession of all cigarettes in the District with the exception of sales to the military and Congress. Cigarette consumption has been declining in recent years due to several factors, including higher wholesale prices (related to the settlement between tobacco companies and the states), higher taxes, and a greater awareness of health

Table 4-23
## Selective Sales and Excise Tax Revenue, Fiscal Years 2005-2010
($ thousands)

| | FY2005 actual | FY2006 revised | FY 2007 original | FY 2008 projected | FY 2009 projected | FY 2010 projected |
|---|---|---|---|---|---|---|
| Alcoholic Beverages | 5,051 | 5,013 | 4,977 | 4,944 | 4,912 | 4,882 |
| Cigarette | 22,336 | 20,238 | 19,724 | 19,223 | 18,735 | 18,260 |
| Motor Vehicle Excise | 42,380 | 44,359 | 46,431 | 48,599 | 50,869 | 53,245 |
| **Total Selective Sales and Excise** | **69,767** | **69,610** | **71,132** | **72,766** | **74,516** | **76,387** |

risks. Effective January 2003, the cigarette tax rate increased to $1.00 per pack, up from the previous rate of $0.65 per pack. In FY 2003 the increase in the tax rate resulted in an increase in tax collected ($4.2 million compared to the previous fiscal year, see figure 4.3). FY 2004 revenues were $20.8 million, a decline of $0.6 million or 2.7 percent compared to FY 2003. Revenue collected in FY 2005 compared to FY 2004 grew by $1.6 million to $22.3 million. Revenues are estimated to be lower in FY 2007 at $19.7 million. We project revenue to decline 7.4 percent between FY 2007 and FY 2010 (see table 4-23). Cigarette consumption is expected to decline as a result of healthy life-style initiatives such as: increased anti-smoking advertising in the media, and legislated smoke-free bars and restaurants, to take effect in DC in 2007.

### Motor Vehicle Excise Tax

The motor vehicle excise tax is imposed on the issuance of every original and subsequent certificate of title on motor vehicles and trailers. The tax is 6 percent of fair market value for vehicles 3,499 pounds or less, 7 percent of fair market value for vehicles 3,500 pounds to 4,999 pounds, and 8 percent for vehicles weighing more than 5,000 pounds. The 8 percent rate was introduced in April 2005. Collections from motor vehicle excise taxes totaled $ 42.4 million in FY 2005, a 5 percent increase in collections from FY 2004. This tax is largely dependent on car purchases by District residents. Soaring car sales in the late 1990s and early 2000s gave way to the fall-out from a slow economy following September 11. Automakers attempted to curtail this decline starting in FY 2002 by incentives such as zero percent financing and cash rebates. During FY 2003, auto sales seemed to recover from September 11 levels.

The District's Department of Motor Vehicles (DMV) has reported that there have been improvements in the administration of imposing the excise tax on all newly titled vehicles. The Department has programmed computers to ensure the application of the correct excise tax rate on a more consistent method of Fair Market Valuation. This improvement may have contributed to the increase in collections in FY 2005. Collections are projected to increase by 15 percent

Table 4-24
## Income Tax Revenue, Fiscal Years 2005-2010
($ thousands)

| | FY2005 actual | FY2006 revised | FY 2007 original | FY 2008 projected | FY 2009 projected | FY 2010 projected |
|---|---|---|---|---|---|---|
| Individual Income | 1,160,074 | 1,135,146 | 1,144,252 | 1,207,798 | 1,280,652 | 1,352,874 |
| Corporate Franchise | 195,492 | 203,175 | 219,064 | 232,614 | 244,254 | 253,958 |
| U.B. Franchise | 116,866 | 126,999 | 138,264 | 151,915 | 166,561 | 182,511 |
| **Total Income Taxes** | **1,472,432** | **1,465,320** | **1,501,580** | **1,592,237** | **1,691,467** | **1,789,343** |

Table 4-25
## Individual Income Tax Filers
These returns represent 263,546 filers and an estimated 440,000 residents

| Type of Filer | Est. Size Filer Household | Ave. No. of Income Earners | Ave Household Income | Est. Ave. Inc Per Person | % Part-Year Residents | Total Number of Returns | % Returns less than $50,000 |
|---|---|---|---|---|---|---|---|
| All Filers | 1.5 | | $45,000 | $30,000 | 17% | 263,546 | 72% |
| Single | 1 | 1 | $37,500 | $37,500 | 23% | 146,564 | 75% |
| Single/Head of Household | 2.6 | 1 | $28,000 | $10,769 | 4% | 57,524 | 89% |
| Combined Separate | 2.4 | 2 | $127,000 | $52,917 | 8% | 14,992 | 19% |
| Married Joint | 2.4 | 2 | $86,000 | $35,833 | 13% | 27,940 | 47% |
| Married Separate | 1.2 | 1 | $48,000 | $40,000 | 15% | 7,834 | 70% |
| Dependent Returns | NA | 1 | | | | 7,452 | |

Source: DC AGI Category and Filer type, TY2003

between FY 2007 and FY 2010 (see table 4-23). The measured growth rate is a combination of continued moderate growth in a) numbers of cars sold, b) price of cars sold, and c) percentage of cars sold that are in the heavier category This has been the trend since about 2001.

## Income Taxes
The individual income, the corporate franchise and the unincorporated business franchise taxes are significant sources of District revenue. Collectively these taxes represent 32.4 percent of FY 2005 local source revenue. Revenue from these sources is summarized in Table 4-24.

### Individual Income Tax Base and Rate
The individual income tax base consists of the income of individuals who maintain a permanent residence in the District at any time during the tax year and individuals who maintain a residence for a total of 183 or more days during the

Figure 4-4
## Estimated Individual Income Tax Revenue Growth Rates (FY 2005-FY2010)

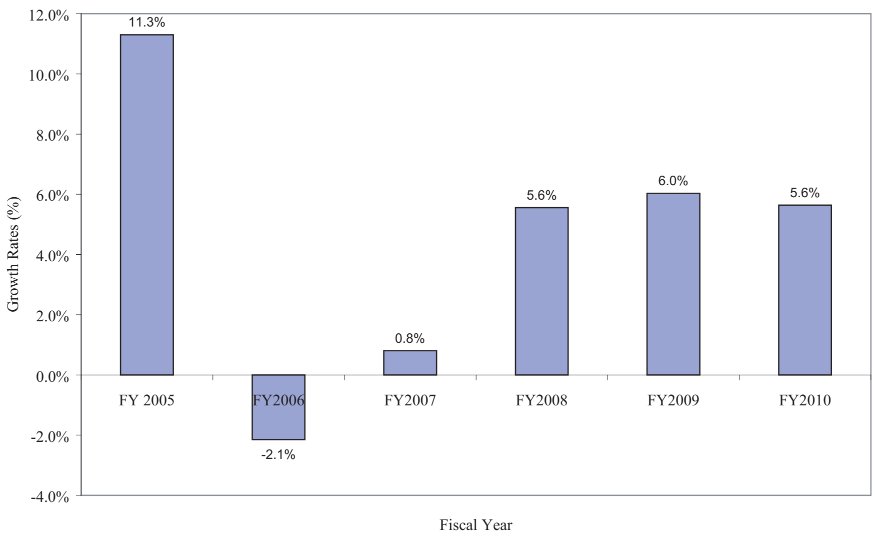


Table 4-26
## Aggregate Tax Return Data for 1999 to 2003

| Tax Year | Returns (IN) | Returns (OUT) | (-) net outflow (+) net inflow | AGI per Return (IN) | AGI per Return (OUT) | (-) net outflow (+) net inflow | Exemptions per Return (IN) | Exemptions per Return (Out) |
|---|---|---|---|---|---|---|---|---|
| 1999 | 23,954 | 23,831 | 123 | $37,007 | $44,478 | -$7,471 | 1.44 | 1.67 |
| 2000 | 23,881 | 24,353 | -472 | $45,331 | $50,460 | -$5,129 | 1.44 | 1.66 |
| 2001 | 25,243 | 23,754 | 1,489 | $47,604 | $51,653 | -$4,049 | 1.41 | 1.63 |
| 2002 | 23,484 | 24,648 | -1,164 | $44,395 | $51,832 | -$7,437 | 1.42 | 1.64 |
| 2003 | 23,914 | 24,074 | -160 | $42,989 | $51,906 | -$8,916 | 1.38 | 1.63 |

Source: IRS Statistics of Income, files submitted from Washington, D.C.

tax year. The District's tax base also includes the income of individuals that were members of the armed forces who listed the District as their home of record for either a part of or the full taxable year, as well as the spouse of an exempt military person or of any other exempt person such as a nonresident presidential appointee or an elected official. Those individuals that are exempt from income tax in the District (and as such whose income is not included in the tax base) include elected officials of the federal government, presidential appointees subject to confirmation by the U.S. Senate, United States Supreme Court justices that are not domiciled in the District, employees of legislative staffs who are residents of the state of their elected official, and all persons who are employed in the District but live outside of the District.

D.C.'s tax-filing population reflects the varied demographic and economic composition of our overall population. More than half of D.C.'s income tax filers (56 percent) are single with no dependents, about 22 percent are single heads-of-households who have dependents, and 19 percent are married (see table 4-25). Married filers include those filing jointly (usually one-earner households); those filing as-if separate but on one, combined return (usually two-earner households); and those filing separately. Dependents account for the remaining tax payers.

Income per person varies widely and by filer type, with the best-off generally found in two-earner married households and the least-well-off in the households of single people who have dependents. The latter category is also the most stable group, with only 4 percent of filers as part year residents, compared to 23 percent for singles and 17 percent over all. The group of single heads-of-household is most likely to receive certain income tax credits such as the earned income tax credit (EITC) and low income tax credit.

Not all D.C. residents are in income tax paying households. Some students, members of the military, the deeply poor, certain federal employees, successful tax evaders, and others are in non-filing households.

Migration of households affects the number of D.C. income tax filers and potential tax revenue. In- and out-migration, on net, produced a loss in gross income in each of the five years TY 1999-2003, when measured using IRS data based on federal filers from a D.C. address (See table 4-26). In each of these years D.C. appears also to have lost population, as the average number of exemptions per return was smaller for in-migrants than for out-migrants. In three years (TY 2000, TY 2002, and TY 2003) the District lost filer-households to net out-migration; in TY 1999 and TY 2001 we gained filers from net in-migration.

About 60 percent of D.C.'s out-migrants moved either to Maryland (41 percent) or Virginia (19 percent), while less than half of in-migrants came from these two states (Maryland 28 percent and Virginia 17 percent). Households moving-in to D.C. appear to be smaller than households moving-out to either state. But households moving-in are better-off in the sense that the income per person of in-migrants generally exceeds the

Table 4-27

## Income Tax Rates, Fiscal Years 2005-2010

| Net Taxable Income | FY2005 | FY2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|---|
| $0 - $10,000 | 5.0% | 4.5% | 4.0% | 4.0% | 4.0% | 4.0% |
| $10,001 - $30,000 | 7.5% | 7.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| $30,001 - $40,000 | 9.0% | 7.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| $40,001 and above | 9.0% | 8.7% | 8.5% | 8.5% | 8.5% | 8.5% |

income per person of out-migrants to either state. In total, net migration from each state reduced D.C.'s gross income in each of the five years.

The individual income tax, the District's largest single source of tax revenue, accounted for 26 percent of total local source revenue in FY 2005. Table 4-27 reports the tax rates and brackets scheduled to be applied to net taxable income across the planning period. Rates are decreasing, and the size of the middle bracket is growing, as a result of the Tax Parity Act passed in FY 1999. Because tax rates increase as income rises, Table 4-27 suggests that the District has a progressive tax system.

The Tax Parity Act of 1999 sought to reduce tax rates in the District of Columbia starting in FY 2000 and was to be fully implemented in FY 2004. However, it was temporarily suspended in FY 2003-2004 after the economic downturn that started in FY 2002. With the recovery of the District economy and revenues in FY 2004, the automatic triggers to restart were activated for FY 2005 at a cost of $24 million. It continues in FY 2006 with an additional cost of $53 million bringing the cumulative decline in revenue to $77 million. By 2007 it is fully implemented with revenue reduction of $141 million; an identical drop in revenue is expected by FY 2008.

One of three key triggers could prevent the FY 2007 phase from being implemented. The first trigger states that the accumulated general fund balance for the immediately preceding fiscal year must be 5 percent of the general fund operating budget for the current fiscal year. The second trigger is that the estimated national economic growth rates published in the CBO's January report must exceed 3.5 percent on a nominal basis and 1.7 percent on a real basis. The third trigger requires that the Mayor demonstrate, and the Chief Financial Officer certify, that a proposed budget will not be balanced over the four year planning horizon of the financial plan. For FY 2007, the first two Tax Parity triggers have not been activated. The third trigger awaits the FY 2007 Budget and Financial Plan.

A number of tax policy initiatives (enacted in June 2005) will reduce revenue beginning in FY 2006. One increases the standard deduction from $2,000 to $2,500 (from $1,000 to $1,250 for a married person filing separately) and reduces individual income tax revenue by roughly $3.4 million in FY 2006, by $4.6 million in FY 2007 and $4.8 million in FY 2008. Under the same initiatives, the increase in the personal exemption from $1,370 to $1,500 would reduce revenue by about $3.5 million in FY 2006, $4.8 million in FY 2007 and $5 million in FY 2008. Other FY 2006 policy initiatives include expanding the Earned Income Tax Credit (EITC) to 35 percent and extending the EITC to non-custodial parents. The expansion of the credit is expected to reduce revenue by about $7.1 million in FY 2006, by $9.5 million in FY 2007 and by $10.1 million in FY 2008; while the extension to non-custodial parents is expected to reduce tax revenue by $300,000 in FY 2006 and FY 2007, as well as in FY 2008.

### FY 2005

In FY 2005, individual income tax revenue grew by approximately 11 percent; a slightly smaller increase than the 12 percent growth that was experienced in FY 2004, and unlike the decline of 2 percent that was experienced in FY 2003. The FY

2004 recovery in the individual income tax reflects a combination of strong growth in earnings of District residents as well as the stock market rebounding in the second half of FY 2003. The earnings of District residents increased by slightly more than 8 percent in FY 2005, after experiencing a smaller increase (7.7 percent) in FY 2004. In FY 2004, as well as in FY 2005 the wages and salaries of the District's residents increased by approximately 7 percent. The withholding component of the individual income tax, which is tied directly to wages and salaries, grew by approximately 5 percent in FY 2005, which was down from the almost 7 percent increase that was experienced in FY 2004.

The declarations component (also called estimated payments) of total revenue from individual income increased by slightly more than 15 percent in FY 2005 as well as in FY 2004. A 4 percent increase in property income (interest, dividends and rents) was experienced in FY 2005 versus the almost 2 percent that was experienced in FY 2004. The stock market had a strong performance in FY 2005 and FY 2004 after a slow start in the first half of FY 2003. Also contributing to the growth in revenue was growth in payments accompanying returns in FY 2005 of 12 percent which was down from the increase of the 29 percent that was experienced in FY 2004. The capital gains from the strong stock market performance boosted revenue from the declarations (estimated payments) and final payments components of the individual income tax. Overall, the increase in revenue from the individual income tax increased by approximately 11 percent in FY 2005, which was slightly lower than the 12 percent increase in FY 2004, but an improvement over the 2 percent decline that was experienced in 2003.

### FY 2006-FY 2010

In FY 2006 the District anticipates $1,135 million in individual income tax revenue; with $1,144 million in FY 2007. For FY 2008-2010, revenue is projected to be $1,207 million, $1,280 million and $1,352 million respectively. The roughly 2 percent revenue drop in FY 2006 is expected to be reversed with the 1 percent increase in revenue in FY 2007—although both years are affected by the stages of Tax Parity. For FY 2008-2010, revenue grows by 5.6 percent, 6 percent and 5.6 percent respectively. Figure 4-4 shows the anticipated growth rates.

As the national and regional economies continue to strengthen and the District population becomes wealthier, as recent Census figures indicate, we expect continued strong revenue growth in the individual income tax. However, the individual income tax revenue will continue to be a major source of volatility in the District's revenue system because its growth is so closely tied to the stock market. As the District's population becomes wealthier we expect the volatility in this revenue source to increase, as a greater share of taxable income will be tied to capital gains.

## Corporate Franchise and Unincorporated Business Franchise Taxes

The District's franchise tax is imposed on all corporations and unincorporated businesses having nexus in the District of Columbia. The tax liability is determined by multiplying the rate of 9.975 percent (9.5 percent rate plus a surtax of 5 percent of the base rate) by the net taxable business income that is apportioned to the District of Columbia. Business income is apportioned to the District of Columbia based on a three-factor formula—sales, payroll, and property—with each factor weighted equally. When this apportionment formula does not fairly represent the extent of the taxpayer's business activities in the District, that taxpayer may petition for (or the Office of Tax and Revenue may require) consideration of a different formula.

Corporate franchise tax revenue as a share of total local fund revenues has declined as a percentage of total revenues from 5.4 percent in FY 1999 to 4.3 percent in FY 2005. Corporations have increasingly found methods to take deductions lowering their taxable income. As a result, many corporations, regardless of the amount of their gross profits, have only a minimum tax liability. This situation exists nationwide. Some state taxing authorities have attempted to disallow specific types of deductions through the courts (for example: Geoffrey, Inc. v. South Carolina Tax Commission). The District watches these cases with interest in order to benefit from legal events and interpretations that may help to improve corporate franchise tax collections.

Corporate franchise tax revenue is a small share of total revenues both because approximately 65 percent of the District's corporate franchise taxpayers pay the minimum tax liability and because the minimum tax liability is $100. The minimum amount is unchanged since 1983. If the minimum tax had grown with inflation since 1983, the minimum tax amount would be about $200. Growth rates of net incomes and taxes from them since 1983 are not reflected in minimum tax payments. Over the years, other categories of tax collections have therefore shown more growth when compared to the growth of corporate franchise tax collections.

Income from unincorporated businesses with annual gross receipts of $12,000 or less is excluded from the tax base. Also excluded from the tax base is income from nonresident-owned unincorporated businesses that provide professional services (e.g. law firms). For taxable unincorporated businesses, owners are allowed a 30 percent salary allowance along with a $5,000 exemption. When 80 percent or more of the entity's income is derived from personal services, the unincorporated business income is taxed under the individual income tax.

The Tax Parity Act enacted in 1999 was intended to reduce franchise tax rates from the current effective rate of 9.975 percent to 9.0 percent in FY 2003 and to 8.5 percent in FY 2004 and thereafter. These reductions were suspended in FY 2003 because of budget constraints. Franchise tax rates currently remain at 9.975 percent.

### Corporate Franchise

The District estimates approximately $219.1 million of corporate franchise tax revenue in FY 2007, a 7.8 percent increase over FY 2006, and revenue of $203.2 million in FY 2006. We project growth of approximately 15.9 percent from FY 2007 to FY 2010. Our estimate is based partly on recent record growth in productivity—corporations have been able to do more with fewer workers, and on the recovery of the stock market since the latter half of 2003. Franchise tax revenues lag the stock market by about a year. We expect the growth in revenue from the corporate franchise tax to be less than the stock market's growth because the relationship between the stock market and corporate franchise tax is not one to one. In FY 2002 and FY 2003, legal rulings and changes to the applicable tax code resulted in larger refunds than expected. As a result, actual collections were less than estimated collections.

### Unincorporated Business Franchise

The District estimates approximately $138.3 million in unincorporated business franchise tax revenue in FY 2007, an 8.9 percent increase over FY 2006. We project growth of approximately 32 percent between FY 2007 and FY 2010.

Many District unincorporated business tax filers who pay taxes on unincorporated business income are real estate investors. Collections from this revenue source, which are based on profits from unincorporated businesses located in the District, are linked to factors such as personal income growth, the local commercial real estate sector, and collections in the transfer and recordation taxes. In FY 2003 and FY 2004 the real estate market in the District saw real estate investors' profits substantially increase from sales and leases of commercial and residential property. As a result, the strong growth in unincorporated business collections in recent years is largely due to the strong growth in the real estate industry. Although the industry is expected to remain strong, the growth rate is expected to slow somewhat during the FY 2007 to FY 2010 period.

Private consultants also pay the unincorporated business tax. As a result of increased federal contracting because of Homeland Security projects, we anticipate growth from this sector of unincorporated business filers to be strong. In addition, with an expected rebound in the stock market, we forecast strong growth in collections from unincorporated business in FY 2007 and the following years.

## Gross Receipts Taxes

Taxes in this category include a tax of 10 percent on the gross receipts of public utilities and toll-telecommunications companies operating in the District, a tax of 1.7 percent on the gross receipts of insurance companies, and a tax of 6 percent on nursing home providers, and a sliding scale tax on D.C. gross receipts over $5,000,000 with this revenue dedicated to the Ballpark Fund. The rate on public utilities and toll telecommunication services changed effective January 2005 triggered by revenue estimates in the summer of FY 2004. Rates were reduced to 10 percent, the pre-January 2003 rate. Subsequent decisions supporting the Major League Baseball Ballpark have re-established 11 percent as the rate for non-residential users of public utilities and toll telecommunications services; revenue generated from this rate change will not be general fund revenue.

Companies that pay the gross receipts tax include heating oil companies, gas companies, electricity providers, subscription television, video and radio service providers, and telephone companies. The District taxes long distance and wireless telecommunications providers for the privilege of providing toll telecommunication service in the District. Collections from this category of taxes are included in the "Toll Telecommunications Tax." Table 4-28 shows actual revenue in FY 2005, estimates for FY 2006 and FY 2007 and projected revenue from public utilities, toll telecommunications and insurance premiums for fiscal years 2008 through 2010.

## Public Utility Taxes

The public utility tax is imposed on the gross receipts of gas, electric and local telephone companies. Washington Gas and Pepco are the leading suppliers of natural gas and electricity to customers in the Washington area. As a result of electricity deregulation, Pepco has lost some of its market share, but remains the dominant electricity distributor. Between September 2001 and September 2003, Pepco's market share declined from 97 percent to 88 percent. In buildings in the District, electricity is used more to cool and natural gas is used more to heat. Cold winters tend to result in an increase in collections from Washington Gas and hot, humid summers tend to result in higher collections from Pepco.

During FY 2003, as part of an effort to avert a potential budget shortfall, public utility tax rates were increased from 10 percent to 11 percent effective January 1, 2003. The legislation authorizing the rate increase included a trigger that restored the 10 percent rate "if the annual revenue estimate forecast in the fourth quarter of a fiscal year exceeds the annual revenue estimate incorporated in the approved financial and budget plan for that fiscal year by at least $105 million."

The conditions to restore the 10 percent

Table 4-28

### Gross Receipts Tax Revenue, Fiscal Years 2005-2010

($ thousands)

| Revenue Source | FY 2005 actual | FY 2006 revised | FY 2007 original | FY 2008 projected | FY 2009 projected | FY 2010 projected |
|---|---|---|---|---|---|---|
| Public Utility (gross) | 174,084 | 166,041 | 166,042 | 166,043 | 166,043 | 166,044 |
| *Baseball Gross Receipts Tax* | *(8,045)* | *(9,184)* | *(9,303)* | *(9,424)* | *(9,546)* | *(9,546)* |
| Public Utility (net) | 166,039 | 156,857 | 156,739 | 156,619 | 156,497 | 156,498 |
| Toll Telecommunication (gross) | 55,486 | 54,607 | 54,612 | 54,721 | 54,742 | 54,760 |
| *Baseball Gross Receipts Tax* | *(910)* | *(3,162)* | *(3,165)* | *(3,165)* | *(3,165)* | *(3,165)* |
| Toll Telecommunication (net) | 54,576 | 51,445 | 51,447 | 51,556 | 51,577 | 51,595 |
| Insurance Premiums | 48,888 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 |
| Healthcare Provider Tax | 0 | 8,000 | 11,000 | 11,000 | 11,000 | 11,000 |
| **Total Gross Receipts Taxes** | **269,503** | **264,302** | **267,186** | **267,175** | **267,074** | **267,093** |

rate were met and the tax was lowered effective January 1, 2005. However, a charge of 1 percent was placed on gross receipts from utilities of non-residential customers effective January 1, 2005. The proceeds from this new charge will be dedicated to the baseball stadium funding.

In FY 2000, as part of the process of deregulation of the electricity market and Pepco's transformation from an electric power producer to an electric power distribution company, the District replaced the gross receipts tax imposed on electric utilities with a unit tax on electricity distribution companies. This "distribution" tax revenue is included with the city's gross receipts tax collections. The tax is imposed on electricity distributors who operate in the District. The tax rate was $0.007 per kilowatt-hour. This rate was equivalent to the gross receipts tax at the time of conversion. Effective January 1, 2003, the rate was changed to $0.0077 per kilowatt-hour. Because of the current tax structure, the tax collected is closely related to energy use. Therefore tax collections from electricity are more closely linked to weather extremes rather than to the fuel cost of the electricity. During the forecast period, we assume average weather patterns.

Fuel costs play a larger role in gross receipts revenues from natural gas use. Fuel costs have been extremely volatile in recent years. Washington Gas attempts to reduce price fluctuations by storing fuel and purchasing financial contracts for future supply of fuel at a specified rate. For example, it was reported in the press that during the 2003/2004 winter, Washington Gas purchased and stored 35 percent of the natural gas the company expected to deliver during the winter. The company had also purchased an additional 12 percent of its normal winter supply through financial contracts.

We estimate revenue from public utilities taxes (net of the 1 percent charge to baseball stadium funding) to be $156.7 million in FY 2007. Revenue from public utility taxes is estimated to decline slightly at less than 1 percent from FY 2007 through FY 2010.

### Toll Telecommunication Taxes

The toll telecommunications tax is levied on long distance and wireless telecommunications companies for the privilege of providing toll telecommunication service in the District. In the first quarter of FY 2003, the tax rate was 10 percent. During FY 2003, as part of an effort to avert a potential budget shortfall, public utility tax rates increased from 10 percent to 11 percent effective January 1, 2003. The legislation authorizing the rate increase included a trigger that restores the 10 percent rate "if the annual revenue estimate forecast in the fourth quarter of a fiscal year exceeds the annual revenue estimate incorporated in the approved financial and budget plan for that fiscal year by at least $105 million."

The conditions to restore the 10 percent rate were met and the tax was lowered effective January 1, 2005. However, a charge of 1 percent was placed on gross receipts from toll telecommunications effective January 1, 2005. The proceeds from this new charge will be dedicated to the baseball stadium funding.

Effective August 2002, the District enacted legislation to conform to the federal Mobile Telecommunications Sourcing Act (MTSA). The legislation simplifies the billing process and ensures that calls from mobile phones are not subject to multiple taxation. The legislation defines and designates a user's place of primary use (PPU) as either the user's residence or business address. The District both lost and gained revenue as a result. Some cell phone users who use their cell phones in the District and thus used to pay D.C. taxes on their long distance calls, selected the District as their PPU and some cell phone users selected other jurisdictions.

The telecommunications industry has faced challenges in recent years. Changes in regulation, over capacity of lines, and stiff competition to long distance providers (such as AT&T, MCI, Sprint) by local telephone companies such as Verizon are among these challenges. Long distance providers are also suffering because of the growth of the wireless telephone industry. Most wireless telephone companies now include inexpensive long-distance calling plans as a standard feature.

A relatively new technology known as Voice Over Internet Protocol (VOIP), may reduce the toll telecommunications tax related to overseas calls in the coming years. We expect the capacity of lines locally to be reduced in the coming years. We also expect the telecommunications sector to recover at a moderate pace. We estimate revenue from the Toll Telecommunications tax (net of the 1 percent charge to baseball stadium funding) to be $51.4 million in FY 2007. We project revenue to grow very moderately (less than 1 percent) from FY 2008 through FY 2010.

### Insurance Premiums Tax

The District's insurance premiums tax rate is 1.7 percent of gross premium receipts. Annuities are tax-exempt. The insurance premiums tax is levied on insurance policies taken out by District residents as well as on property that is registered in the District, regardless of where the policies are written or initiated. Approximately 50 percent of the revenue from the insurance premiums tax comes from life insurance policies, with other premiums (including business, health, property and motor vehicle) making up the other half. Since September 11 insurance rates have risen nationally. Insurers had begun to either substantially increase the price for terrorism coverage or drop the coverage completely. However, District regulators reached an agreement that would cap premium increases for terrorism coverage at 24 percent.

Insurance costs rose in 2002 and 2003 with the declining stock market. Investments that had previously helped offset underwriting losses for many insurance companies have turned into losses themselves. As a result of the increased premium charges and the reduction in insurance investment income, premiums rose by $6.2 million or 15 percent in FY 2004. In FY 2005, growth moderated and collections were $1.4 million or 3 percent above tax collected from premiums in FY 2004. Collections from taxes on insurance premiums are estimated to remain stable at $48 million in FY 2007 to FY 2010, unless there is another external jolt to the insurance industry.

### Healthcare Provider Tax

The healthcare provider tax imposes a 6 percent tax on the District's nursing homes. The legislation was passed during 2004. The tax is estimated to generate $11 million in general fund revenue in FY 2007 through FY 2010.

## Other Taxes

### Deed Recordation and Deed Transfer Taxes

While the real property tax is an annual tax on all existing taxable properties in the District, deed taxes are levied only when taxable properties are sold. More specifically, the deed recordation tax is imposed on the recording of all deeds to real estate in the District, and the deed transfer tax is imposed on each transfer of real property at the time the deed is submitted for recordation. The deed recordation tax must also be paid on the increased value when commercial property is refinanced. Prior to FY 2003, deed recordation and deed transfer taxes were each calculated as 1.1 percent of the fair market value of every arms-length property sale. The Deed Recordation Tax Amendment Act of 2002 increased both the deed recordation and deed transfer tax rates from 1.1 percent to 1.5 percent, effective January 1, 2003. This measure was intended to be a short-term revenue enhancement as growth in the local economy slowed as a result of the national economic recession. However, the Fiscal Year 2005 Budget Support Act of 2004 decreased both the deed recordation and deed transfer tax rates from 1.5 percent back to 1.1 percent, effective October 1, 2004 as a result of the ending of the national economic recession.

Given the series of recent changes to the deed tax rates, the following analysis of deed tax revenue trends uses normalized deed tax collection data, which nullifies the effect of the rate changes so to better ascertain an understanding of the underlying economic activity that is represented by total deed tax collections.

There are three component sources of deed tax revenue: the commercial real estate sector, the housing sector and commercial refinancing. In FY 2005, it is estimated that the commercial real estate sector accounted for 55.3 percent of deed tax collections, the housing sector accounted for 32.0 percent, and the commercial refinancing sector accounted for 12.7 percent. Deed tax revenue from commercial property sales was 63.0 percent higher in 2005 than 2004, while deed tax revenue from residential property sales was 21.4 percent higher and commercial refinancing was 12.6 percent higher. Refinancing activity is measured by the difference between deed recordation and deed transfer taxes.

Deed recordation tax collections grew by 15.5 percent, and deed transfer tax collections grew by 20.7 percent in FY 2005 over FY 2004. However, with the recent developments in the commercial and residential sectors combined with the outlook for the next four years, it is expected that deed recordation tax collections will grow by 9.7 percent, and deed transfer tax collections will grow by 10.0 percent in FY 2006. It is expected that the deed recordation tax collections will grow by 9.6 percent, and deed transfer tax collections will grow by 9.8 percent in FY 2007. The annual growth rates are expected to gradually decrease on an annual basis in FY 2008 through 2010. This pattern of growth rates stems from the fact that job growth in the District will remain positive but will also gradually decrease on an annual basis. Also, despite the scarcity of land on which to add housing and new large commercial office buildings in the District, continuously escalating sales prices will become even more prohibitive for potential purchasers of District real estate in the coming years. The realization of escalating property sales prices, 11,000 new expected condominiums over three years, and nearly 8.0 million square feet of office space under construction is expected to significantly help to meet market demand for District real estate for the coming years. These factors will help slow the rate of price appreciation of residential and commercial property over the forecast period. This is expected to be the primary cause of slowing rates of growth for annual deed tax collections.

However, the overall strong demand for and limited supply of real estate in the District will continue to provide the key impetus for the growth in deed taxes from FY 2005 to FY 2010. This factor is reflected in the value of property sold as a percentage of total taxable property since 1997. In years 2003 to 2005, the percent of the District's property sold, in terms of value, was more than double that in 1997 (see table 4-19).

The Housing Production Trust Fund Second Amendment Act of 2002 requires that 15 percent of the District's deed recordation and transfer tax revenue be transferred to the Housing Production Trust Fund annually. The Housing Production Trust Fund provides funds for the acquisition, construction and rehabilitation of affordable multifamily housing projects. Funds newly dedicated to housing production will be $55.5 million in FY 2006 and $60.9 million in FY 2007 (see table 4-30). In FY 2006, $177.2 million is expected for net deed recordation collections to the general fund, and $137.4 million is expected for net deed transfer collections to the general fund (see table 4-29). In FY 2007, $194.3 million is expected for net deed recordation collections to the general fund, and $150.9 million is expected for net deed transfer collections to the general fund.

Table 4-29
## Other Tax Revenue, Fiscal Years 2005-2010
($ thousands)

| Revenue Source | FY 2005 actual | FY 2006 revised | FY 2007 original | FY 2008 projected | FY 2009 projected | FY 2010 projected |
|---|---|---|---|---|---|---|
| Estate | 29,257 | 21,420 | 20,072 | 19,352 | 18,657 | 18,652 |
| Deed Recordation (gross) | 190,048 | 208,516 | 228,555 | 250,427 | 274,343 | 300,543 |
| *Transfer to HPTF* | *(28,507)* | *(31,277)* | *(34,283)* | *(37,564)* | *(41,151)* | *(45,081)* |
| Deed Recordation (net) | 161,541 | 177,239 | 194,272 | 212,863 | 233,192 | 255,462 |
| Deed Transfer (gross) | 146,929 | 161,663 | 177,490 | 194,849 | 213,886 | 234,782 |
| *Transfer to HPTF* | *(22,039)* | *(24,250)* | *(26,624)* | *(29,227)* | *(32,083)* | *(35,217)* |
| Deed Transfer (net) | 124,890 | 137,413 | 150,866 | 165,622 | 181,803 | 199,565 |
| Economic Interests | 10,593 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| **Total Other Taxes** | **326,281** | **344,072** | **373,210** | **405,837** | **441,652** | **481,679** |

Table 4-30

## Estimated Deed Tax Receipts Transferred to the Housing Production Trust Fund, Fiscal Years 2005-2010

($ thousands)

| Revenue Source | FY 2005 actual | FY 2006 revised | FY 2007 original | FY 2008 projected | FY 2009 projected | FY 2010 projected |
|---|---|---|---|---|---|---|
| Deed Recordation Transfer to HPTF | 28,507 | 31,277 | 34,283 | 37,564 | 41,151 | 45,081 |
| Deed Transfer Transfer to HPTF | 22,039 | 24,250 | 26,624 | 29,227 | 32,083 | 35,217 |
| **Total** | **50,546** | **55,527** | **60,907** | **66,791** | **73,234** | **80,298** |

### Economic Interests Tax

The economic interest transfer tax is triggered by the sale of a controlling interest in a business entity that includes one or two of the following elements: 1) 80 percent or more of the assets of the entity consist of real property located in the District of Columbia; or 2) more than 50 percent of the gross receipts of the entity are derived from ownership or disposition of real property in the District. If either of these two elements is present, then the tax rate is 2.2 percent of the consideration. This tax is generally paid by real estate investment trusts and similar partnerships.

Economic interest transfers are normally very large and infrequent. There can be a long period of time leading up to the final payment of the economic interest tax, as corporate lawyers and the Recorder of Deeds determine exemptions and liabilities for the tax. The value of transactions subject to the economic interest tax reached record proportions and revenue amounting to $16.3 million in FY 2004. This appears to be related to the heightened level of activity in the District's real property market. Collections totaled $10.6 million in FY 2005 (see table 4-29) representing a 34.9 percent decline. This decline may be representative of fewer commercial real estate transactions in 2005. However, given the high degree of volatility and unpredictability in annual collections, it is expected that on average the District will receive $8.0 million annually from the economic interest tax for FYs 2006 through 2010.

### The Estate Tax

Prior to 2002, the District of Columbia piggybacked on the federal estate tax system, using the federal "state death tax credit" as the starting point for the District's estate tax computation. Under this system, District taxpayers received a dollar-for-dollar credit against their federal estate tax payments for any estate tax due to the District of Columbia. District estate taxes, therefore, imposed no additional burden on decedent estates and did not increase the total estate tax payment beyond what would have been paid under federal law. This revenue-sharing approach provided for a system of uniformity across all states and the District of Columbia in the collection of death taxes. It resulted in minimal estate tax administration on the part of the District and minimized the impacts of "death shopping" to reduce estate taxes at death.

The federal Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 changed this situation. This legislation gradually eliminates the federal estate tax over the next several years, with full repeal taking effect in year 2010. However, the estate tax elimination is only temporary with the full estate tax scheduled to return in 2011. The major aspects of the EGTRRA legislation:

- Lowers tax rates for the largest estates;
- Raises the current exemption level from $1.5 million to $2 million in 2006, and $3.5 million in 2009; and
- Eliminates the state credit.

District law, however, stipulates that existing District estate tax laws are automatically decoupled from the recent and forthcoming federal estate tax law changes. For example, while the federal threshold was $1.5 million in FY 2005, the Estate and Inheritance Tax Clarification Temporary Act of 2004 raised the estate tax filing threshold from $675,000 to $1 million to decedents whose death occurs on or after January 1, 2003. Hence, some District estate tax payers may have been and others may be required in the future to file and pay District estate taxes even when no federal filing or tax is due. The federal threshold becomes $2.0 million in January 2006. This increased divergence in thresholds for the District and federal estate taxes increases the complexity for applicable District tax payers and is more likely to adversely affect collections.

From the Government of the District of Columbia's perspective, it is important to note that the current estate tax is primarily a federal tax that is overwhelmingly governed by complex federal legislation. The federal estate tax return takes at least nine months to complete and practically compels affected decedent estates to hire lawyers to ensure compliance. Also, federal estate tax forms must be filled-out completely in order to calculate District estate tax liability, even when no federal estate tax is due but District estate tax is due. Essentially, the District does not have a stand-alone estate tax structure. District estate tax legislation is a diminutive appendage to a complicated set of unwieldy federal rules and regulations.

The District has attempted, however, on several occasions to minimize the impact of federal legislative changes that would adversely affect the level of estate tax revenues that are due to the District. But, the intent of the recent EGTRRA and the scope of legislation are designed to eliminate the federal estate tax (and consequently the District estate tax) by 2009. Therefore, no District legislative action, short of creating an entirely stand-alone estate tax system, will completely offset the effect of EGTRRA, which results in annually declining estate tax revenues at the federal and District levels.

There is evidence many wealthy District residents, potentially subject to the estate tax, have enhanced their wealth positions in recent years. And this is believed to have been a factor in $29.3 million being collected in FY 2005, a 10.5 percent increase over the prior year. However, given that national and local economic growth is due to slow in coming years beginning in FY 2006 and a strong recovery in the stock market does not appear to be on the horizon, estate tax collections are expected to gradually decline for FYs 2006 to 2010.

In FY 2006, $21.4 million is expected for estate tax collections, a 26.8 percent decline over 2005 revenue (see table 4-29). In FY 2007, $20.1 million is expected, representing a 6.3 percent further decline over 2006.

## Non-Tax Revenues

### General Purpose Non-Tax Revenues

Total general purpose non-tax collections are estimated to be $320 million in FY 2006. This is $32.6 million or 9.2 percent less than FY 2005 estimated non-tax revenue collections. Factors contributing to this decrease in general purpose non-tax revenue in FY 2006 include the following:

Collections from business licenses and permits are estimated to be 10.3 percent lower than FY 2005 estimated revenues. This is due to the fact that some insurance licenses are renewed every other year, creating a cyclical trend in annual collections.

Collections from fines and forfeitures are estimated to be 2.4 percent higher in FY 2006 than in FY 2005 due to a $5.9 million increase in other fines and forfeitures collections in FY 2005.

Collections from charges for services are estimated to be 1.6 percent lower in FY 2006 than in FY 2005 due to a $2.0 million decrease in corporate recordation, and a $10.1 million decrease in parking meter collections shifting to special purpose funds.

Collections from miscellaneous revenues are estimated to be 24.2 percent lower in FY 2006 than in FY 2005 due to a $23.0 million shift in U.S. Marshal's Service (USMS) reimbursements out of non-tax revenues to a special purpose revenue fund.

## Special Purpose

### Non-Tax Revenue

Special purpose non-tax revenues, often times referred to as O-Type or Other revenues, are funds generated from fees, fines, assessments, or reimbursements that are dedicated to the District agency that collects the revenues to cover the cost of performing the function. The "dedication" of the revenue to the collecting agency is what distinguishes this revenue from the general-purpose non-tax revenues. The legislation that creates the fee, fine or assessment must stipulate its purpose-designation and must also state whether

Table 4-31

## General Purpose Non-Tax Revenue, by Source, Fiscal Years 2005-2007

($ thousands)

| Comptroller Object Code | OBJECT TITLE | Actual FY 2005 | Estimate FY 2006 | Estimate FY 2007 |
|---|---|---|---|---|
| **BUSINESS LICENSES AND PERMITS** | | | | |
| 3001 | INSURANCE LICENSE | 12,509 | 9,500 | 12,634 |
| 3002 | ELECTRIC LICENSE | 3 | 2 | 0 |
| 3003 | NATURAL GAS LICENSE | 2 | 2 | 0 |
| 3006 | HACKERS LICENSE | 365 | 365 | 365 |
| 3007 | SECURITY BROKER DEALER LICENSE | 10,149 | 8,860 | 8,910 |
| 3009 | SELF(TRUCK) UNLOADING PERMIT | 750 | 750 | 750 |
| 3010 | OTHER BUSINESS LICENSE | 100 | 0 | 0 |
| 3010 | OTHER BUSINESS LICENSE | 99 | 83 | 83 |
| 3012 | BUILDING STRUCTURES & EQUIPMENT | 10,250 | 10,250 | 10,250 |
| 3013 | CERTIFICATE OF OCCUPANCY | 450 | 450 | 450 |
| 3014 | REFRIGERATION & PLUMBING PERMIT | 2,600 | 2,600 | 2,600 |
| 3015 | ELECTRICAL PERMIT | 2,250 | 2,250 | 2,250 |
| 3016 | PUBLIC SPACE EXCAVATION PERMIT | 600 | 600 | 600 |
| 3021 | VENDOR BONDS (NET OF REFUNDS) | 1,100 | 1,500 | 800 |
| 3023 | OTHER LICENSE FEES | 11 | 11 | 11 |
| 3024 | BANKING LICENSES AND FEES | 7 | 10 | 11 |
| **TOTAL** | **BUSINESS LICENSES AND PERMITS** | **41,496** | **37,233** | **39,714** |
| | | | | |
| **NONBUSINESS LICENSES & PERMITS** | | | | |
| 3100 | HACK & LIMO LICENSES & FEES | 55 | 55 | 55 |
| 3101 | DRIVERS LICENSE | 3,270 | 3,100 | 3,100 |
| 3106 | CHANGE OF ADDRESS FEE | 2 | 2 | 2 |
| 3120 | BOAT REGISTRATION | 184 | 165 | 165 |
| 3141 | RECIPROCITY PERMIT | 734 | 750 | 750 |
| 3145 | PERSONALIZED TAGS | 83 | 95 | 94 |
| 3147 | DCTC ISSUANCES | 172 | 180 | 180 |
| 3148 | TEMPORARY DEALER TAGS | 28 | 28 | 28 |
| 3149 | TRANSFER OF TAGS | 55 | 67 | 67 |
| 3150 | VEHICLE REGISTRATION | 27,931 | 26,733 | 26,690 |
| **TOTAL** | **NONBUSINESS LICENSES & PERMITS** | **32,514** | **31,175** | **31,131** |
| | | | | |
| **TOTAL** | **LICENSES & PERMITS** | **74,010** | **68,408** | **70,845** |

Table 4-31 (continued)

## General Purpose Non-Tax Revenue, by Source, Fiscal Years 2005-2007

($ thousands)

| Comptroller Object Code | OBJECT TITLE | Actual FY 2005 | Estimate FY 2006 | Estimate FY 2007 |
|---|---|---|---|---|
| **FINES & FORFEITURES** | | | | |
| 5010 | TRAFFIC FINES-RED LIGHT CAMERAS | 5,130 | 4,903 | 4,255 |
| 5010 | TRAFFIC FINES-1501 | 73,771 | 71,407 | 72,275 |
| 5011 | PHOTO RADAR ENFORCEMENT | 21,988 | 31,866 | 28,216 |
| 5020 | SALE OF ABANDONED PROPERTY | 1,200 | 900 | 911 |
| 5030 | BOOTING FEES | 640 | 510 | 546 |
| 5040 | TOWING FEES-RSC 1505 | 325 | 225 | 253 |
| 5050 | IMPOUNDMENT FEES-RSC 1506 | 458 | 360 | 405 |
| 5060 | FINES AND FORFEITURES-OTHER | 500 | 465 | 475 |
| **TOTAL FINES & FORFEITURES** | | **108,012** | **110,637** | **107,336** |
| **MISCELLANEOUS** | | | | |
| 5300 | WASA - P.I.L.O.T. | 11,207 | 10,035 | 11,109 |
| 5600 | INTEREST INCOME | 36,000 | 38,000 | 41,000 |
| 5700 | UNCLAIMED PROPERTY | 29,771 | 18,971 | 20,192 |
| 6100 | SALE OF SURPLUS PROP | 436 | 436 | 436437 |
| 6101 | BUS SHELTER ADVERTISEMENT | 1,700 | 0 | 0 |
| 6103 | REIMBURSEMENTS-USMS | 22,988 | 0 | 0 |
| 6106 | OTHER REVENUE | 1,695 | 2,511 | 1,216 |
| 6107 | CIVIL INFRACTIONS | 1,200 | 1,200 | 1,200 |
| 6108 | COCOT REGISTRATION | 2 | 2 | 0 |
| 6111 | OTHER REVENUE-OTHER | 7,173 | 10,350 | 6,831 |
| 6118 | PRIOR YEAR COST RECOVERY | 2,092 | 3,769 | 5,000 |
| 6129 | CONSUMER PROTECTION FUND | 2 | 2 | 0 |
| 6301 | SSI PAYBACK | 8 | 8 | 0 |
| 9205 | SODA COMMISSIONS | 3 | 4 | 5 |
| 9206 | PAY PHONE COMMISSIONS | 3 | 0 | 0 |
| | TOBACCO RESIDUALS | 4,781 | 3,664 | 3,949 |
| **TOTAL MISCELLANEOUS** | | **119,061** | **90,289** | **92,176** |

any unspent funds are to retain designation at the conclusion of the fiscal year or revert to general-purpose funds. Unspent revenue in certain funds cannot revert to general purpose funds. Dedicated revenues limit the use of the District's General Fund revenue by earmarking a portion of the revenue for special purposes. Prior to FY 2002 dedicated non-tax revenues were not considered local revenues and as such were reported differently in the Comprehensive Annual Financial Report (CAFR) and reported with the District's federal and private grants in the Financial Plan.

Table 4-31 (continued)

## General Purpose Non-Tax Revenue, by Source, Fiscal Years 2005-2007

($ thousands)

| Comptroller Object Code | OBJECT TITLE | Actual FY 2005 | Estimate FY 2006 | Estimate FY 2007 |
|---|---|---|---|---|
| **CHARGES FOR SERVICES** | | | | |
| 53200 | TELECO REGISTRATION | 11 | 11 | 1 |
| 3201 | HOME OCCUPATION LICENSE | 60 | 65 | 68 |
| 3202 | BOILER INSPECTION PERMITS | 119 | 50 | 52 |
| 3204 | ELEVATOR INSPECTION | 30 | 265 | 279 |
| 3206 | FINGERPRINTS, PHOTOS | 425 | 292 | 307 |
| 3207 | REINSTATEMENT INSURANCE FEES | 3,717 | 2,246 | 2,366 |
| 3207 | OTHER SERVICE CHARGES | 2,184 | 4,165 | 4,388 |
| 3208 | REPRODUCTION OF REPORTS | 2,371 | 2,421 | 2,550 |
| 3210 | TRANSCRIPT OF RECORDS | 336 | 363 | 382 |
| 3210 | TAX CERTIFICATES | 423 | 218 | 230 |
| 3211 | FIREARM USER FEE | 343 | 143 | 150 |
| 3214 | MOTOR VEHICLE INSPECTION FEE | 5,312 | 6,050 | 6,374 |
| 3215 | VEHICLE TITLES | 2,377 | 2,917 | 3,073 |
| 3216 | INSPECTION LATE FEE | 15 | 1 | 1 |
| 3217 | RE-INSPECTION FEES | 1 | 1 | 1 |
| 3219 | WHARVES AND MARKETS | 426 | 396 | 418 |
| 3220 | SURVEYOR FEES | 489 | 405 | 427 |
| 3221 | DEED RECORDATION FEES | 10,504 | 10,966 | 11,553 |
| 3222 | CORP RECORDATION | 8,984 | 7,023 | 9,334 |
| 3223 | PARKING FEES/PERMITS | 2,534 | 3,223 | 3,395 |
| 3228 | CONDO REGISTRATION | 179 | 22 | 23 |
| 3235 | SPECIAI PURPOSE REVENUES | 59 | 8,859 | 7,399 |
| 3236 | RE-INSPECTION FEES | 8 | 0 | 0 |
| 3310 | INVESTMENT ADVISORS ACT | 325 | 411 | 437 |
| 3400 | PARKING METERS-RSC 1256 | 10,112 | 0 | 0 |
| **CHARGES FOR SERVICES** | | **51,344** | **50,513** | **53,218** |
| | | | | |
| **TOTAL NON TAX REVENUE** | | **352,427** | **319,847** | **323,575** |
| | | | | |
| **OTHER FINANCING SOURCES** | | | | |
| 6104 | LOTTERY TRANSFER | 71,450 | 72,000 | 72,100 |
| | | | | |
| **TOTAL OTHER FINANCING SOURCES** | | **71,450** | **72,000** | **72,100** |
| | | | | |
| **TOTAL NON-TAX AND OTHER FINANCING SOURCES** | | **423,877** | **391,847** | **395,675** |

In FY 2007 the District is anticipating $372.8 million in revenue and use of fund balance of $106.4 million for a total of $479.2 million to cover the cost of performing the functions associated with these resources. The use of fund balance is a one-time revenue source and as such is not projected for future years. Table 4-40 (at the end of this chapter) shows the dedicated non-tax revenue by source.

## Special Funds

The District operates several special funds financed by tax revenues. These revenues are not available to the general fund and the Appropriated Budget.

**Convention Center Fund.** Beginning in FY 1999, the formula financing the Convention Center Fund includes only sales tax revenue from hotels, restaurants, rental vehicles, and sale of pre-paid phone cards. Prior to FY 1999, revenues from a 5 percent surtax on franchise taxes and a $1.50 tax on each hotel room-night were dedicated to the Convention Center Fund. These funding sources were eliminated and replaced by a larger share of the hotel sales tax dedicated to that purpose. The hotel tax rate is 14.5 percent—a 4.45 percent rate dedicated to the Convention Center Fund and a 10.05 percent rate to the District's general fund. The 10 percent restaurant sales tax is divided so that a 1 percent rate is dedicated to the Convention Center Fund and a 9 percent rate to the General Fund(see table 4-22 for more information).

**Highway Trust Fund.** The motor fuel tax is assessed at $0.20 per gallon. Motor vehicle fuel tax revenue is deposited directly into a special account, the Highway Trust Fund, and is not general fund revenue. The Highway Trust Fund uses both local-source and federal matching funds to construct, repair and manage eligible District roads and bridges. Approximately 400 of the 1,020 miles (or 39.2 percent) of streets and highways, as well as 229 bridges in the District, are eligible for federal aid.

The motor fuel tax is levied on fuel wholesalers, and yearly variations in tax collections are primarily a function of fuel consumption. District fuel tax revenue for FY 2005 was $25.9 million, 2.3 percent less than in FY 2004. This decline appears to be a reflection of changes to national motor fuel demand. Nationally, record high prices, hurricane-related disruptions, airline consolidations and a mild winter contributed to a contraction in motor fuel demand in 2005. However, the U.S. Energy Information Agency is forecasting a recovery in fuel demand in 2006 and 2007, averaging 1.7 percent per year, under assumptions of continued economic growth. District fuel demand, and consequently fuel tax revenue, is also expected to recover commensurately. With the forecast for the local economy remaining strong, revenues are projected to amount to $26.8 million in FY 2006 and $26.8 million in FY 2007 (see table 4-32). Based on a time series analysis of recent trends in relation to the local economy, fuel tax revenues are forecasted to grow approximately 0.4 percent per year beginning in FY 2007.

**Ballpark Fund.** The Ballpark Omnibus Financing and Revenue Act of 2004 (the "Ballpark Act") provides for the creation of a Ballpark Revenue Fund, into which the Chief Financial Officer of the District (the "CFO") is required to deposit "all receipts from those fees and taxes specifically identified by any provision of District of Columbia law to be paid into the fund and any rent paid pursuant to a lease of the ballpark." Those fees and taxes are described below (see table 4-34), and include the Ball park fee, utility taxes, stadium revenue and rent.The Ballpark Revenue Fund will be established within the District's General Fund, and will be pledged to pay debt service on the District's baseball stadium revenue bonds (the "Baseball Stadium Bonds").

The Ballpark Fee is a gross receipts fee that is levied on businesses within the District with over $5 million in gross receipts, (see table 4-33 for the fee schedule).

On or before December 1 of each year, the CFO is required to compute the amount of the

Table 4-32

## Highway Trust Fund, Fiscal Years 2005-2010

($ thousands)

| Revenue Source | FY 2005 (actual) | FY 2006 (revised) | FY 2007 (original) | FY 2008 (projected) | FY 2009 (projected) | FY 2010 (projected) |
|---|---|---|---|---|---|---|
| Motor Fuel Tax | 25,912 | 26,750 | 26,844 | 26,938 | 27,032 | 27,221 |

Ballpark Fee collected in the prior fiscal year and the amount estimated to be collected in the current fiscal year. If the estimate for the current fiscal year is less than $14 million, the CFO must calculate an adjustment of the schedule to provide for an estimated receipt of $14 million in the next fiscal year. This adjusted schedule will then take effect on the following October 1. The fees are due in a single payment on June 15th annually. The District expects to receive about $14 million annually from the Ballpark Fee.

The District collects a fee of 11 percent of the gross receipts from sales for nonresidential customers of telephone companies, heating oil companies, and gas companies. One-eleventh of this fee is deposited into the Ballpark Revenue Fund to be used for debt service on the Baseball Stadium Bonds. The District also collects a tax of $0.007 for each kilowatt-hour of electricity delivered to nonresidential end-users in the District of Columbia. $0.0007 out of every $0.007 is deposited into the Ballpark Revenue Fund to be used for debt service on the Baseball Stadium Bonds. Taxes are remitted to the District monthly. The District expects to receive about $12 million in 2006 from these utility taxes, increasing at approximately 1 percent per year.

The stadium-related sales tax streams include:

- Taxes on tickets sold. In addition to the 5.75

Table 4-33

## Ballpark Fee Schedule

| Gross Receipts | Fee | Approximate # of Feepayers |
|---|---|---|
| $5,000,000 - $8,000,000 | $5,500 | 486 |
| $8,000,001 - $12,000,000 | $10,800 | 300 |
| $12,000,001 - $16,000,000 | $14,000 | 155 |
| Greater than $16,000,001 | $16,500 | 359 |

Table 4-34

## Ballpark Fund Revenue, Fiscal Years 2005-2010

($ thousands)

| Revenue Source | FY 2005 (actual) | FY 2006 (revised) | FY 2007 (original) | FY 2008 (projected) | FY 2009 (projected) | FY 2010 (projected) |
|---|---|---|---|---|---|---|
| Ballpark Fee | 16,207 | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 |
| Utility Taxes Dedicated to Ballpark | 8,955* | 12,346 | 12,468 | 12,589 | 12,711 | 12,711 |
| Stadium Revenue | 8,547 | 11,348 | 12,500 | 19,808 | 18,596 | 18,301 |
| Rent Payment** | 0 | 0 | 0 | 3,500 | 3,750 | 4,000 |
| Total Ballpark Fund Revenue | 33,709 | 37,694 | 38,968 | 49,897 | 49,057 | 49,012 |

*NOTE: Utility tax collections for FY 2005 were for a nine-month period (January 2005 – September 2005).

**NOTE: Rent Payments paid by the team in FY 2005, FY 2006, and FY 2007 are not deposited into the Ballpark Revenue Fund. The rent payments are deposited with the District of Columbia Sports and Entertainment Commission for the operations at RFK Stadium.

Table 4-35
**Neighborhood Investment Fund, Fiscal Years 2005-2010**
($ thousands)

| Revenue Source | FY 2005 (actual) | FY 2006 (revised) | FY 2007 (original) | FY 2008 (projected) | FY 2009 (projected) | FY 2010 (projected) |
|---|---|---|---|---|---|---|
| Personal Property Tax | 10,000 | 9,626 | 9,735 | 9,875 | 10,000 | 10,000 |

percent generally applicable tax, there is an additional 4.25 percent Stadium-specific tax.

- Taxes on parking at the stadium for baseball games. This tax is a 12 percent generally applicable tax.
- Taxes on stadium concessions (excluding food and beverages). In addition to the 5.75 percent generally applicable tax, there is an additional 4.25 percent Stadium-specific tax.
- Taxes on food and beverages sold in the stadium. This tax is a 10 percent generally applicable tax, less one-tenth that must be transferred to the Washington Convention Center Authority Fund for payment of debt service on Washington Convention Center bonds.

The stadium rent payment amount is based on a schedule of payments agreed upon in the Baseball Stadium Agreement signed by the team, the Mayor, and the District of Columbia Sports and Entertainment Commission on September 29, 2004. The payments in FY 2005 through FY 2007 are not deposited in the Ballpark Revenue Fund. Those rent payments are deposited with the District of Columbia Sports and Entertainment Commission for the operations at RFK Stadium.

**Neighborhood Investment Fund.** In 2004 District legislation created a Neighborhood Investment Fund and a Neighborhood Investment Program which dedicates approximately $10 million annually from personal property tax revenue to pay for a variety of community revitalization development purposes, including commercial, residential, and civic uses for twelve priority neighborhoods (see Table 4-35).

**Housing Production Trust Fund**. The Housing Production Trust Fund Second Amendment Act of 2002 requires that 15 percent of the District's deed recordation and transfer tax revenue be transferred to the Housing Production Trust Fund annually. The Housing Production Trust Fund provides funds for the acquisition, construction and rehabilitation of affordable multifamily housing projects. Funds newly dedicated to housing production will be $55.5 million in FY 2006 and $60.9 million in FY 2007 (see table 4-30).

## Policy Proposals

The Fiscal Year 2007 Budget Support Act contains four policy proposals that affect District of Columbia revenues:

- Change the tax treatment of CareFirst,
- Increase the 911 fee to pay for 911 services.
- Increase residential deed taxes to fund housing initiatives,
- Increase compliance enforcement.

### Change the Tax Treatment of CareFirst

Under current law, the insurance premiums tax rate charged to CareFirst is 1.0 percent, instead of the full 1.7 percent insurance premiums tax rate. This lower rate was contingent upon CareFirst establishing an open enrollment program and depositing the revenue from the 1.0 percent tax into a Rate Stabilization Fund. However, the open enrollment program has not been established to the full satisfaction of the District. In fact, in FY 2004, at the request of the Department of Insurance, Securities and Banking, CareFirst returned $2.776 million in insurance premiums taxes to the District's General Fund.

The proposed change in law would increase the insurance premiums tax rate on CareFirst to the full 1.7 percent and deposit the entire amount into an

Affordable Health Coverage fund, which will be used by the Department of Health to fund health coverage programs for District residents. The estimated revenue in FY 2007 from imposing the full 1.7 percent rate on CareFirst is $5.5 million. However, the certified revenue estimate assumed that CareFirst would continue to return a minimum of $2 million to the General Fund in FY 2007 and beyond. As such, the net revenue increase from this proposed change in law is $3.5 million.

### Increase the 911 Fee to Pay for 911 Services

Currently, the 911 fee structure is $0.76 per month per phone line (both wireline and wireless). The rate on Centrex phone lines is $0.62 per month per phone line. This proposal would increase both monthly rates to $1.45 in order to generate $15 million. The funds would be added to the existing special revenue fund dedicated to 911 and 311 assessments and would ensure that the 911/311 special revenue fund would have adequate resources to fully fund 911/311 services. Currently, 911/311 services are supported by both the special revenue fund and general fund resources.

### Deed Tax Rate Increase

This proposal increases the deed recordation and transfer tax rates on residential sales from 1.1 percent to 1.5 percent. This proposal will generate gross revenue of $47.2 million in FY 2007 with $7.0 million (15% of the gross) transferred to the Housing Production Trust Fund and the remainder of $40.2 million dedicated to the Comprehensive Housing Strategy Fund.

### Increased Compliance Enforcement

This proposal comprises several initiatives by the Office of Tax and Revenue to increase compliance in the reporting and paying of District taxes. The initiatives include: full implementation of the Clean Hands by all DC agencies issuing licenses; reducing the rate of fraud associated with Schedule C filings, the earned income tax credit (EITC), and the sales and use tax; greater auditing of the District's Homestead program; and stepping up the identification and review of vacant properties to reduce the number of exceptions. The increased compliance enforcement efforts are estimated to generate $49.0 million in FY 2007.

## Procedures for Estimating Revenue

The process of estimating revenue begins a year in advance. The estimates for FY 2007, for instance, were begun in September 2005.

In September we issue a revenue call to all agencies requesting reports and projections on the amount of user fees, fines, and other types of non-tax income agencies expect to generate.

Economic forecasting assumptions for the District are received from two nationally known economic analysis and forecasting firms, Global Insight, Inc. (formerly DRI-WEFA) and Economy.com, in late summer or late fall. These assumptions help us build the base for growth over the forecast horizon.

During the late summer and throughout the fall, analysts maintain contact with people throughout the District government who are knowledgeable of the collection of all tax and non-tax revenues. This includes the Office of Tax and Revenue and agencies that have user fees or that impose fines. This gives us a good feel for progress in meeting the current year's goals and for understanding likely trends in the near future.

Analysts follow the year-end closing to be aware of accounting issues that might affect revenues – for instance, changes in accounts receivable or reserves that might impact revenue numbers.

Two advisory groups help us understand the economy:

- The first, a technical advisory group, meets in December and June and is composed of experts in revenue forecasting. Membership includes representatives from the Congressional Budget Office (CBO), the Richmond Federal Reserve, the Commonwealth of Virginia, the State

Table 4-36

## Percentage Changes in General Fund, Local Revenue by Source

(percentage changes from prior FY, except where noted)

| Revenue Source | FY 2004 (actual) ($ thousands) | FY 2005 (actual) | FY 2006 (rev.) | FY 2007 (orig.) | FY 2008 (proj.) | FY 2009 (proj.) | FY 2010 (proj.) |
|---|---|---|---|---|---|---|---|
| Real Property | 947,690 | 11.7% | 5.8% | 9.8% | 8.4% | 7.2% | 6.7% |
| Personal Property (net) | 63,558 | -2.3% | -12.1% | 1.1% | 1.4% | 1.8% | 1.2% |
| Public Space | 16,728 | -6.6% | -100.0% | NA | NA | NA | NA |
| **Total Property** | **1,027,976** | **10.5%** | **3.4%** | **9.4%** | **8.1%** | **6.9%** | **6.5%** |
| General Sales (gross) | 732,994 | 15.4% | 3.0% | 6.0% | 5.0% | 5.2% | 5.3% |
| *Convention Center Transfer* | *(61,977)* | *25.0%* | *0.9%* | *0.1%* | *5.2%* | *5.2%* | *5.2%* |
| General Sales (net) | 671,017 | 14.5% | 3.2% | 6.5% | 5.0% | 5.2% | 5.3% |
| Alcohol | 5,090 | -0.8% | -0.8% | -0.7% | -0.7% | -0.6% | -0.6% |
| Cigarette | 20,765 | 7.6% | -9.4% | -2.5% | -2.5% | -2.5% | -2.5% |
| Motor Vehicle | 40,437 | 4.8% | 4.7% | 4.7% | 4.7% | 4.7% | 4.7% |
| **Total Sales** | **737,309** | **13.7%** | **2.9%** | **6.2%** | **4.8%** | **5.0%** | **5.1%** |
| Individual Income | 1,042,309 | 11.3% | -2.1% | 0.8% | 5.6% | 6.0% | 5.6% |
| Corporation Franchise | 168,353 | 16.1% | 3.9% | 7.8% | 6.2% | 5.0% | 4.0% |
| U. B. Franchise | 88,347 | 32.3% | 8.7% | 8.9% | 9.9% | 9.6% | 9.6% |
| **Total Income** | **1,299,009** | **13.4%** | **-0.5%** | **2.5%** | **6.0%** | **6.2%** | **5.8%** |
| Public Utility (gross) | 169,494 | 2.7% | -4.6% | 0.0% | 0.0% | 0.0% | 0.0% |
| *Baseball Gross Receipts Tax* | *0* | *NA* | *14.2%* | *1.3%* | *1.3%* | *1.3%* | *0.0%* |
| Public Utility (net) | 169,494 | -2.0% | -5.5% | -0.1% | -0.1% | -0.1% | 0.0% |
| Toll Telecommunication (gross) | 54,951 | 1.0% | -1.6% | 0.0% | 0.2% | 0.0% | 0.0% |
| *Baseball Gross Receipts Tax* | *0* | *NA* | *247.5%* | *0.1%* | *0.0%* | *0.0%* | *0.0%* |
| Toll Telecommunication (net) | 54,951 | -0.7% | -5.7% | 0.0% | 0.2% | 0.0% | 0.0% |
| Insurance Premiums | 47,452 | 3.0% | -1.8% | 0.0% | 0.0% | 0.0% | 0.0% |
| Healthcare Provider Tax | 0 | NA | NA | 37.5% | 0.0% | 0.0% | 0.0% |
| **Total Gross Receipts** | **271,897** | **-0.9%** | **-1.9%** | **1.1%** | **0.0%** | **0.0%** | **0.0%** |
| Estate | 26,466 | 10.5% | -26.8% | -6.3% | -3.6% | -3.6% | 0.0% |
| Deed Recordation (gross) | 193,555 | -1.8% | 9.7% | 9.6% | 9.6% | 9.6% | 9.6% |
| *Transfer to HPTF* | *(29,033)* | *-1.8%* | *9.7%* | *9.6%* | *9.6%* | *9.5%* | *9.6%* |
| Deed Recordation (net) | 164,522 | -1.8% | 9.7% | 9.6% | 9.6% | 9.6% | 9.6% |
| Deed Transfer (gross) | 143,232 | 2.6% | 10.0% | 9.8% | 9.8% | 9.8% | 9.8% |
| *Transfer to HPTF* | *(21,485)* | *2.6%* | *10.0%* | *9.8%* | *9.8%* | *9.8%* | *9.8%* |
| Deed Transfer (net) | 121,747 | 2.6% | 10.0% | 9.8% | 9.8% | 9.8% | 9.8% |
| Economic Interests | 16,269 | -34.9% | -24.5% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Total Other Taxes** | **329,004** | **-0.8%** | **5.5%** | **8.5%** | **8.7%** | **8.8%** | **9.1%** |
| **TOTAL TAXES** | **3,665,195** | **10.3%** | **1.7%** | **5.6%** | **6.3%** | **6.1%** | **5.8%** |

Table 4-36 (continued)

## Percentage Changes in General Fund, Local Revenue by Source

(percentage changes from prior FY, except where noted)

| Revenue Source | FY 2004 (actual) ($ thousands) | FY 2005 (actual) | FY 2006 (rev.) | FY 2007 (orig.) | FY 2008 (proj.) | FY 2009 (proj.) | FY 2010 (proj.) |
|---|---|---|---|---|---|---|---|
| Licenses & Permits | 61,505 | 20.3% | -7.6% | 3.6% | -3.2% | 4.5% | -4.1% |
| Fines & Forfeits | 99,478 | 8.6% | 2.4% | -3.0% | -3.8% | -3.1% | -3.5% |
| Charges for Services | 53,705 | -4.4% | -1.6% | 5.4% | -1.4% | 3.2% | 0.0% |
| Miscellaneous Revenue | 109,011 | 9.2% | -24.2% | 2.1% | 1.8% | 1.4% | 3.1% |
| **TOTAL NON-TAX** | **323,699** | **8.9%** | **-9.2%** | **1.2%** | **-1.7%** | **0.9%** | **-1.1%** |
| Lottery/Interfund Transfer | 73,500 | -2.8% | 0.8% | 0.1% | 0.0% | 0.0% | 0.0% |
| **TOTAL LOCAL GENERAL FUND** | **4,062,394** | **9.9%** | **0.8%** | **5.2%** | **5.6%** | **5.6%** | **5.3%** |

of Maryland, and other jurisdictions and related organizations.

- The second advisory group, composed of knowledgeable local business representatives, advises us about current economic trends and helps us understand where the private sector thinks things are heading. This group meets with us in February and July. Members of this group represent the hotel and tourism industry, real estate and housing, banking and finance, neighborhood groups, downtown development interests, the education sector, and other interests.

Updated economic assumptions are received from forecasting firms in January. This allows us to fine-tune our projections based on the most recent data available before the final forecasts are released.

At the end of January, CBO releases its Winter Report. This provides recent and valuable guidance on where the national economy is expected to go over the next ten years. As the national economy has a great deal of impact on the D.C. economy, this report is a valuable tool in the final stages of the revenue estimation process.

Subsequent steps in revenue estimating are part technical and part investigative.

The technical part of revenue estimating involves using econometric methods to find statistically valid models that replicate past collections and project confidence intervals for future collections. The models use explanatory variables to account for revenue collections over time relying on relationships between (a) the money collected by the District in a given tax type, and (b) economic variables that track the underlying tax base. For example, in the unincorporated business tax, one model shows a strong lagged relationship between employment in construction and activity in the real estate market (as measured by collections in the transfer tax). This makes sense given that much of the activity that is taxed by the unincorporated business franchise tax is in the real estate and construction segments of the D.C. economy. The economic forecasting variables are used directly in these methodologies.

The rest of the process is where the investigating comes into play. The next step is to incorporate the revenue impact of legislation and additional factors that cannot be captured by econometric models. For instance, when we were developing revenue projections prior to the opening of the new convention center we knew there would be an impact in the amount of revenue generated by the sales tax, particularly at the restaurant and hotel sales tax rates. No econometric model can capture this impact. However, an estimate of the impact must be included in our revenue projections.

The final step is to run a reality check on the numbers produced. To do this, we compare the projected trends with those of the Congressional Budget Office and neighboring jurisdictions. If our projections are substantially different for individual income tax collections than what CBO is projecting, for example, we need to explain the difference. This helps ensure that our understanding and knowledge of the fundamentals of a tax type are consistent with those of other professionals in the field. The pattern of changes over the projection horizon is also scrutinized in this phase of the process. A dramatic jump or drop from one period to the next needs to be understood.

For the FY 2003 estimates, we contracted with KPMG to review our data and estimating methodologies, determine whether the methodologies are correctly implemented, and recommend changes where they find areas of weakness. Overall, they concluded that ORA uses sound methodologies and implements them competently. They also found that the greatest cause of uncertainty in the estimates is the quality of the data.

## Additional Information on D.C. Revenues

Table 4-36 through 4-40 provide additional detail on what the District taxes and collects, at what rates, and how much revenue these taxes and non-tax revenues yield. Table 4-41 identifies legislation that was a) enacted subject to appropriation, and b) enacted with a fiscal impact and not included in the FY 2006 baseline.

Table 4-37

## Changes in General Fund, Local Revenue by Source

($ thousands change from prior FY, except where noted)

| Revenue Source | FY 2004 actual level | FY 2005 actual | FY 2006 revised | FY2007 original | FY2008 projected | FY2009 projected | FY2010 projected |
|---|---|---|---|---|---|---|---|
| Real Property | 947,690 | 110,410 | 61,670 | 109,572 | 103,641 | 95,405 | 96,165 |
| Personal Property (net) | 63,558 | (1,490) | (7,519) | 616 | 795 | 1,014 | 670 |
| Public Space | 16,728 | (1,100) | (15,628) | NA | NA | NA | NA |
| **Total Property** | **1,027,976** | **107,820** | **38,523** | **110,188** | **104,436** | **96,419** | **96,835** |
| General Sales (gross) | 732,994 | 112,804 | 24,961 | 51,857 | 46,427 | 50,458 | 53,930 |
| *Convention Center Transfer* | *(61,977)* | *(15,513)* | *(720)* | *(40)* | *(4,063)* | *(4,275)* | *(4,503)* |
| General Sales (net) | 671,017 | 97,291 | 24,241 | 51,817 | 42,364 | 46,183 | 49,427 |
| Alcohol | 5,090 | (39) | (38) | (36) | (33) | (32) | (30) |
| Cigarette | 20,765 | 1,571 | (2,098) | (514) | (501) | (488) | (475) |
| Motor Vehicle | 40,437 | 1,943 | 1,979 | 2,072 | 2,168 | 2,270 | 2,376 |
| **Total Sales** | **737,309** | **100,766** | **24,084** | **53,339** | **43,998** | **47,933** | **51,298** |
| Individual Income | 1,042,309 | 117,765 | (24,928) | 9,106 | 63,546 | 72,854 | 72,222 |
| Corporation Franchise | 168,353 | 27,139 | 7,683 | 15,889 | 13,550 | 11,640 | 9,704 |
| U. B. Franchise | 88,347 | 28,519 | 10,133 | 11,265 | 13,651 | 14,646 | 15,950 |
| **Total Income** | **1,299,009** | **173,423** | **(7,112)** | **36,260** | **90,747** | **99,140** | **97,876** |
| Public Utility (gross) | 169,494 | 4,590 | (8,043) | 1 | 1 | 0 | 1 |
| *Baseball Gross Receipts Tax* | *0* | *(8,045)* | *(1,139)* | *(119)* | *(121)* | *(122)* | *0* |
| Public Utility (net) | 169,494 | (3,455) | (9,182) | (118) | (120) | (122) | 1 |
| Toll Telecommunication (gross) | 54,951 | 535 | (879) | 5 | 109 | 21 | 18 |
| *Baseball Gross Receipts Tax* | *0* | *(910)* | *(2,252)* | *(3)* | *0* | *0* | *0* |
| Toll Telecommunication (net) | 54,951 | (375) | (3,131) | 2 | 109 | 21 | 18 |
| Insurance Premiums | 47,452 | 1,436 | (888) | 0 | 0 | 0 | 0 |
| Healthcare Provider Tax | 0 | 0 | 8,000 | 3,000 | 0 | 0 | 0 |
| **Total Gross Receipts** | **271,897** | **(2,394)** | **(5,201)** | **2,884** | **(11)** | **(101)** | **19** |
| Estate | 26,466 | 2,791 | (7,837) | (1,348) | (720) | (695) | (5) |
| Deed Recordation (gross) | 193,555 | (3,507) | 18,468 | 20,039 | 21,872 | 23,916 | 26,200 |
| *Transfer to HPTF* | *(29,033)* | *526* | *(2,770)* | *(3,006)* | *(3,281)* | *(3,587)* | *(3,930)* |
| Deed Recordation (net) | 164,522 | (2,981) | 15,698 | 17,033 | 18,591 | 20,329 | 22,270 |
| Deed Transfer (gross) | 143,232 | 3,698 | 14,734 | 15,827 | 17,359 | 19,037 | 20,896 |
| *Transfer to HPTF* | *(21,485)* | *(555)* | *(2,211)* | *(2,374)* | *(2,603)* | *(2,856)* | *(3,134)* |
| Deed Transfer (net) | 121,747 | 3,143 | 12,523 | 13,453 | 14,756 | 16,181 | 17,762 |
| Economic Interests | 16,269 | (5,676) | (2,593) | 0 | 0 | 0 | 0 |
| **Total Other Taxes** | **329,004** | **(2,723)** | **17,791** | **29,138** | **32,627** | **35,815** | **40,027** |
| **TOTAL TAXES** | **3,665,195** | **376,892** | **68,085** | **231,809** | **271,797** | **279,206** | **286,055** |
| Licenses & Permits | 61,505 | 12,505 | (5,602) | 2,437 | (2,241) | 3,057 | (2,956) |
| Fines & Forfeits | 99,478 | 8,534 | 2,625 | (3,301) | (4,115) | (3,231) | (3,493) |
| Charges for Services | 53,705 | (2,361) | (831) | 2,705 | (758) | 1,701 | 14 |
| Miscellaneous Revenue | 109,011 | 10,050 | (28,772) | 1,887 | 1,616 | 1,354 | 2,995 |
| **TOTAL NON-TAX** | **323,699** | **28,728** | **(32,580)** | **3,728** | **(5,498)** | **2,881** | **(3,440)** |
| Lottery/Interfund Transfer | 73,500 | (2,050) | 550 | 100 | 0 | 0 | 0 |
| **TOTAL LOCAL GENERAL FUND** | **4,062,394** | **403,570** | **36,055** | **235,637** | **266,299** | **282,087** | **282,615** |

Table 4-38

# Summary of Major Taxes in the District of Columbia, Fiscal Year 2006

## PART A—GENERAL FUND TAXES

| TAX | DESCRIPTION OF WHAT IS TAXED | RATE | FY 2005 ACTUAL REVENUE ($ in thousands) |
|---|---|---|---|
| REAL PROPERTY TAX | All real property, unless expressly exempted, is subject to the real property tax and is assessed at 100% of market value. With the property tax year beginning October 1, 2002, the District of Columbia increased the number of property classes from two to the following three classifications of property: Class I—improved residential real property that is occupied and is used exclusively for nontransient residential dwelling purposes; Class II—commercial property; Class III—unimproved or abandoned property. The District's Real Property Tax Year is October 1 through September 30.<br><br>*D.C. Code Citation: Title 47, Chapter 7 - 14.* | The District's Real Property Tax Year is October 1 through September 30.<br><br>Property Class — Tax Per $100 of Value<br>Class I — $0.92/1<br>Class II — $1.85<br>Class III — $5.00<br><br>/1 For owner occupied residential real property, the first $60,000 of Assessed Value is exempt from the tax. | $1,058,100 |
| PERSONAL PROPERTY TAX | All tangible property, except inventories, used or available for use in a trade or business.<br>*D.C. Code Citation: Title 47, Chapter 15-17.*<br>. | $3.40 per $100 of assessed value<br><br>*Note: As of July 31, 2000, both an accelerated depreciation schedule for computer equipment; and a $50,000 taxable value threshold on personal property are adopted.* | $62,068 |
| PUBLIC SPACE RENTAL | Commercial use of publicly owned property between the property line and the street.<br>*D.C. Code Citation: Title 7, Chapter 10.* | Various rates for the following:<br>Vault, Sidewalk (Enclosed and Unenclosed cafes). Surface, and Fuel Oil Tank<br><br>*Note: All revenue will be dedicated to DOT as Special Purpose Revenue* | $15,628 |
| SALES AND USE TAX | All tangible personal property and certain selected services, sold or rented to businesses or individuals at retail in the District. Groceries, prescription and non-prescription drugs, and residential utility services are among those items exempt from the sales tax.<br><br>The use tax is imposed at the same rates sales tax rate on purchases made outside the District and then brought into the District to be used, stored or consumed, providing that the purchaser has not paid the sales tax on the purchases to another jurisdiction.<br>*D.C. Code Citation: Title 47, Chapters 20 and 22.* | A five-tier rate structure is presently in effect:<br>5.75% — General rate for tangible personal property and selected services,<br>9% — Liquor sold for off the premises consumption<br>10% — Restaurant meals, liquor for consumption on the premises,rental vehicles<br>12% — Parking motor vehicles in commercial lots<br>14.5% — Transient accommodations<br><br>*Note: The following portions of the sales tax go to the Convention Center Fund: 1% of sales tax from restaurant meal etc., and 4.45% of transient accommodations. Sales tax on internet access is eliminated. In addition, 50% of the 12% parking in commercial lots will be dedicated to DOT as Special Purpose Revenue.* | $768,308 (a) |

| | | | |
|---|---|---|---|
| ALCOHOLIC BEVERAGE TAX | Alcoholic beverages manufactured by a holder of a manufacturer's license and beverages brought into D.C. by the holder of a wholesaler's or a retailer's license.<br>*D.C. Code Citation: Title 25, Chapter* 1.<br>. | Beer --$2.79 per 31 gallon barrel<br>Light wine <14% alcohol – 30¢ per gal<br>Heavy wine >14% alcohol – 40¢ per gal<br>Champagne/sparkling wine- 45¢ per gal<br>Spirits -- $1.50 per gallon | $5,051 |
| CIGARETTE TAX | The sale or possession of cigarettes in the District. Cigarettes sold to the military and to Federal Government are exempt.<br>*D.C. Code Citation: Title 47, Chapter 24..* | $1.00 per package of twenty cigarettes | $22,336 |
| MOTOR VEHICLE EXCISE TAX | Issuance of every original and subsequent certificate of title on motor vehicles and trailers.<br>*D.C. Code Citation: Title 40, Chapter 7.* | Based on manufacturer's shipping weight<br>6% of fair market value-3, 499 lbs or less<br>7% of fair market value-3, 500 lbs to 4,999 lbs<br>8% of fair market value-over 5,000 lbs | $42,380 |
| INDIVIDUAL INCOME TAX | The taxable income of an individual who is domiciled in the District at any time during the tax year, or who maintains an abode in the District for 183 or more days during the year.<br>*D.C. Code Citation: Title 47, Chapter 18* | For Calendar Year 2004:<br>Taxable Income — Tax Rate<br>First $10,000 — 4.5%<br>Over $10,000, but Not over $40,000 — $450 + 7.0% of excess over $10,000<br>Over $40,000 — $2,100 + 8.7% of Excess over $40,000 | $1,160,074 |
| CORPORATE FRANCHISE TAX | Net income of corporations having nexus in the District. All corporations engaging in a trade, business or profession in the District of Columbia must register.<br>*D.C. Code Citation: Title 47, chapter 1*8. | The franchise tax rate is 9.975 percent of taxable income, a 9.5 percent rate plus a surtax equal to 5 percent of the base rate... | $195,492 |
| U. B. FRANCHISE TAX | Net income of unincorporated businesses with gross receipts over $12,000. A 30% salary allowance for owners and a $5,000 exemption are deductible from net income to arrive at taxable income. A business is exempt if more than 80% of gross income is derived from personal services rendered by the members of the entity and capital is not a material income-producing factor. A trade, business or professional organization which by law, customs or ethics cannot be incorporated is exempt.<br>*D.C. Code Citation: Title 47, chapter 18.* | The franchise tax rate is 9.975 percent of taxable income, a 9.5 percent rate plus a surtax equal to 5 percent of the base rate. | $ 116,866 |
| PUBLIC UTILITY TAX | Gross receipts of gas, electric and local telephone companies.<br>*D.C. Code Citation: Title 47, Chapter 25* | 10% of gross charges - residential<br>11% of gross charges – non-residential<br>*Note: 1% of non-residential is dedicated to financing construction of new baseball stadium.* | $166,039(b) |
| TOLL TELECOMMUNICATIONS TAX | Gross receipts of companies providing toll telecommunication service in the District.<br>*D.C. Code Citation: Title 47, Chapter 38..* | 10% of gross charges - residential<br>11% of gross charges – non-residential<br>*Note: 1% of non-residential is dedicated to financing construction of new baseball stadium.* | $54,576 (b) |
| INSURANCE PREMIUMS TAX | Gross insurance premiums received on risks in the District, less premiums received for reinsurance assumed, returned premiums and dividends paid to policyholders. The tax is in lieu of all other taxes except real estate taxes and fees provided for by the District's insurance law.<br>*D.C. Code Citation: Title 35; Title 47, Chapter 26.*<br>. | 1.7% on policy and membership fees and net premium receipts | $48,888 |

| | | | |
|---|---|---|---|
| ESTATE TAX | The estate of every decedent dying while a resident of the District, and on the estate of every nonresident decedent owning property and having a taxable situs in the district at the time of his or her death.<br>*D.C. Code Citation: Title 47, Chapter 19.* | Tax due is determined by using Form DC Estate Tax Computation Worksheet after computing the exempted amounts.. | $29,257 |
| DEED RECORDATION TAX | The recording of all deeds to real estate in the District. The basis of the tax is the value of consideration given for the property. Where there is no consideration or where the consideration is nominal, the tax is imposed on the basis of the fair market value of the property.<br>*D.C. Code Citation: Title 45, Chapter 9.*<br>. | 1.1% of consideration or fair market value<br>*Note: 15% of real estate transfer tax will be deposited into the Housing Production Trust Fund.* | $161,541 (c) |
| DEED TRANSFER TAX | Each transfer of real property at the time the deed is submitted for recordation. The tax is based upon the consideration paid for the transfer. Where there is no consideration or where the amount is nominal, the basis of the transfer tax is the fair market value of the property conveyed.<br>*D.C. Code Citation: Title 47, Chapter 9.* | 1.1% of consideration or fair market value<br>*Note: 15% of real estate transfer tax will be deposited into the Housing Production Trust Fund.* | $124,890 (c) |
| ECONOMIC INTEREST TAX | The economic interest transfer tax is triggered by either one of the following two (2) elements: 1) 80% or more of the assets of the entity consist of real property located in the District of Columbia; or 2) more than 50% of the controlling interest of the corporation is being transferred. The consideration is what is paid for the interest being transferred. If there is no tangible consideration, then the tax basis will be the assessed value of the property owned by the corporation.<br>*D.C. Code Citation: Title 42, Chapter 11.* | 2.2% of consideration or fair market value | $10,593 |
| TOTAL GENERAL FUND TAXES: | | | $4,042,087<br>(a) (b) (c) |

## PART B—OTHER SELECTED TAXES

| TAX | DESCRIPTION OF WHAT IS TAXED | RATE | FY 2005 REVENUE |
|---|---|---|---|
| MOTOR VEHICLE FUEL TAX | Every importer of motor fuels including gasoline, diesel fuel, benzol, benzene, naphtha, kerosene, heating oils, all liquefied petroleum gases and all combustible gases and liquids suitable for the generation of power for the propulsion of motor vehicles.<br>*D.C. Code Citation: Title 47, Chapter 23* | 20 cents per gallon (entire tax dedicated to Highway Trust Fund) | $25,912 |

Source of General Fund Revenue amounts: Government of the District of Columbia Comprehensive Annual Financial Report, Year Ended September 30, 2005.

Notes:

(a)Amount excludes transfers to the Convention Center Fund.

(b)Amount excludes portion of revenue dedicated to financing construction of a new baseball stadium.

(c)Amount excludes transfers to the Housing Production Trust Fund.

Table 4-39

## Local General Fund Revenues, FY1995-FY2005

($ thousands)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Real Property | 654,284 | 624,382 | 617,694 | 616,935 | 597,566 | 610,896 | 633,172 | 726,014 | 822,845 | 947,689 | 1,058,100 |
| Personal Prop. | 61,305 | 65,201 | 60,392 | 68,475 | 73,928 | 70,133 | 64,144 | 65,208 | 67,294 | 63,558 | 62,068 |
| Public Space | 14,754 | 12,052 | 9,513 | 10,030 | 8,056 | 11,752 | 10,107 | 12,167 | 11,749 | 16,728 | 15,628 |
| **Total Property** | **730,343** | **701,635** | **687,599** | **695,440** | **679,550** | **692,781** | **707,423** | **803,389** | **901,888** | **1,027,975** | **1,135,796** |
| | | | | | | | | | | | |
| **General Sales and Use (a)** | **485,651** | **467,527** | **482,354** | **525,087** | **541,573** | **585,688** | **617,217** | **612,354** | **631,465** | **671,017** | **768,308** |
| | | | | | | | | | | | |
| Alcohol | 4,930 | 5,100 | 5,460 | 4,702 | 4,821 | 4,779 | 4,743 | 4,721 | 4,619 | 5,090 | 5,051 |
| Cigarette | 20,117 | 18,676 | 18,946 | 17,592 | 17,107 | 17,177 | 16,329 | 17,189 | 21,344 | 20,765 | 22,336 |
| Motor Vehicle Fuel | 34,617 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Motor Vehicle Excise | 30,440 | 31,668 | 30,271 | 29,838 | 31,329 | 36,693 | 38,825 | 34,573 | 37,066 | 40,437 | 42,380 |
| Hotel Occupancy | 8,352 | 7,420 | 3,806 | 5,369 | (26) | 0 | 25 | 0 | 0 | 0 | 0 |
| **Total Selective Sales** | **98,456** | **39,088** | **58,483** | **57,501** | **53,231** | **58,649** | **59,922** | **56,483** | **63,029** | **66,292** | **69,767** |
| | | | | | | | | | | | |
| Ind. Income | 643,676 | 689,408 | 753,475 | 861,505 | 952,156 | 1,077,346 | 1,098,188 | 949,175 | 928,968 | 1,042,309 | 1,160,074 |
| Corp. Franchise | 121,407 | 123,114 | 144,563 | 170,029 | 163,699 | 190,594 | 233,237 | 142,647 | 156,777 | 168,353 | 195,493 |
| U.B. Franchise | 39,272 | 31,031 | 38,942 | 45,767 | 53,896 | 70,624 | 68,812 | 68,602 | 81,707 | 88,347 | 116,866 |
| **Total Income** | **804,355** | **843,553** | **936,980** | **1,077,301** | **1,169,751** | **1,338,564** | **1,400,237** | **1,160,424** | **1,167,452** | **1,299,009** | **1,472,432** |
| | | | | | | | | | | | |
| Insurance Premiums | 34,703 | 33,121 | 42,625 | 37,096 | 26,944 | 30,882 | 33,356 | 35,502 | 41,281 | 47,452 | 48,888 |
| Public Utility | 131,012 | 144,842 | 141,901 | 141,069 | 128,472 | 132,849 | 149,125 | 140,931 | 166,743 | 169,494 | 166,039(b) |
| Toll Tele. Tax | 44,554 | 45,464 | 52,994 | 56,732 | 51,874 | 48,280 | 51,259 | 55,353 | 53,324 | 54,951 | 54,576(b) |
| Health Care Prov. Fee | 175 | 11,530 | (8,278) | 1,740 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Safety Fee | 468 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Gross Receipts** | **210,912** | **234,957** | **229,242** | **236,637** | **207,290** | **212,011** | **233,740** | **231,786** | **261,348** | **271,897** | **269,503** |

Table 4-39 (continued)

## Local General Fund Revenues, FY1995-FY2005

($ thousands)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Estate | 16,807 | 32,175 | 27,314 | 32,256 | 26,247 | 35,992 | 51,072 | 125,889 | 29,944 | 26,466 | 29,257 |
| Deed Recordation | 2,691 | 33,099 | 30,821 | 53,863 | 70,398 | 60,418 | 75,936 | 89,951 | 134,262 | 164,522 (c) | 161, 541 (c) |
| Deed Transfer | 21,826 | 26,701 | 27,162 | 42,597 | 47,001 | 44,660 | 62,086 | 62,228 | 99,052 | 121,747 | 124,890 (c) |
| Economic Interests | 0 | 10 | 10,081 | 11,166 | 3,687 | 540 | 1,640 | 5,078 | 4,934 | 16,269 | 10,593 |
| **Total Other Taxes** | **61,324** | **91,985** | **95,378** | **139,882** | **147,333** | **141,610** | **190,734** | **283,146** | **268,192** | **329,004** | **326,281** |
| | | | | | | | | | | | |
| **TOTAL TAXES** | **2,391,041** | **2,402,521** | **2,490,036** | **2,731,848** | **2,798,728** | **3,029,303** | **3,209,273** | **3,147,582** | **3,293,374** | **3,665,194** | **4,042,087** |
| | | | | | | | | | | | |
| Business Licenses & Permits | 29,943 | 29,663 | 28,268 | 31,050 | 28,607 | 24,929 | 21,767 | 29,875 | 35,195 | 35,470 | 41,496 |
| Non-Business Licenses & Permits | 17,640 | 19,737 | 17,221 | 17,073 | 17,927 | 18,825* | 19,627 | 20,320 | 24,566 | 26,035 | 32,514 |
| **Total Licenses & Permits** | **47,583** | **49,400** | **45,489** | **48,123** | **46,534** | **43,754** | **41,394** | **50,195** | **59,761** | **61,505** | **74,010** |
| | | | | | | | | | | | |
| **Fines and Forfeitures** | **42,447** | **40,792** | **51,664** | **53,177** | **47,688** | **53,216** | **57,052** | **86,539** | **88,455** | **99,478** | **108,012** |
| Parking Meters | 12,889 | 9,681 | 5,766 | 7,082 | 12,784 | 11,721 | 11,721 | 14,031 | 14,019 | 13,715 | 10,112 |
| Other Charges | 39,798 | 36,353 | 38,044 | 27,670 | 18,271 | 25,536 | 52,229 | 41,441 | 51,717 | 39,990 | 41,232 |
| **Total Charges for Services** | **52,687** | **46,034** | **43,810** | **34,752** | **31,055** | **37,257** | **63,950** | **55,472** | **65,736** | **53,705** | **51,344** |

Table 4-39 (continued)

## Local General Fund Revenues, FY1994-FY2004

($ thousands)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Interest Income | 17,994 | 13,917 | 18,599 | 32,478 | 41,289 | 12,779 | 33,317 | 9,645 | 9,906 | 7,889 | 36,000 |
| Unclaimed Property | 13,856 | 16,230 | 17,688 | 25,908 | 31,511 | 28,042 | 19,006 | 16,148 | 20,308 | 25,626 | 29,771 |
| Other Revenues | 21,984 | 11,870 | 34,642 | 40,750 | 13,940 | 61,337 | 87,963 | 54,762 | 59,691 | 75,496 | 53,290 |
| **Total Misc. Revenues** | **53,834** | **42,017** | **70,929** | **99,136** | **86,740** | **102,158** | **140,286** | **80,555** | **89,905** | **109,011** | **119,061** |
| **TOTAL NON-TAX REVENUES** | **196,551** | **178,243** | **211,892** | **235,188** | **212,017** | **236,385** | **302,682** | **272,759** | **303,857** | **323,699** | **352,427** |
| | | | | | | | | | | | |
| **TOTAL TAX & NON-TAX REVENUES** | **2,587,592** | **2,580,764** | **2,701,928** | **2,967,036** | **3,010,745** | **3,265,688** | **3,511,955** | **3,420,341** | **3,597,231** | **3,988,893** | **4,394,514** |
| Tobacco Settlement | 0 | 0 | 0 | 0 | 0 | 16,049 | 13,289 | 0 | 0 | 0 | 0 |
| Lottery Transfer | 85,100 | 75,250 | 69,200 | 81,300 | 64,225 | 69,450 | 86,858 | 63,000 | 72,050 | 73,500 | 71,200 |
| Federal Payment/Contribution | 660,000 | 660,000 | 665,702 | 198,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal Project Funds | 0 | 0 | 0 | 0 | 157,968 | 23,576 | 43,295 | 43,295 | 33,000 | 0 | 0 |
| | | | | | | | | | | | |
| **TOTAL LOCAL GENERAL FUND REVENUE** | **3,332,692** | **3,316,014** | **3,436,830** | **3,246,336** | **3,232,938** | **3,374,763** | **3,655,399** | **3,526,636** | **3,702,281** | **4,062,393** | **4,465,714** |

Note: (a) Amounts exclude transfers to the Convention Center Fund.
(b) Amount excludes portion of revenue dedicated to financing construction of a new baseball stadium.
(c) Amount excludes transfers to the Housing Production Trust Fund.

## Table 4-40 Special Purpose (O-type) Revenue Funds, by Source: February 2006 Certifications

| | | FY 2005 End of Year Fund Balance | FY 2006 Certified Revenues 2/06 Cert. | FY 2006 Certified Fund Balance Use 2/06 Cert. | FY 2006 Certified Resources 2/06 Cert. | FY 2007 Certified Revenues 2/06 Cert. | FY 2007 Certified Fund Balance Use 2/06 Cert. | FY 2007 Certified Resources 2/06 Cert. | FY 2008 Certified Revenues 2/06 Cert. | FY 2009 Certified Revenues 2/06 Cert. | FY 2010 Certified Revenues 2/06 Cert. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **A. Government Direction and Support** | | | | | | | | | | | |
| **Office of the City Administrator (AE0)** | | **19,570,129** | **0** | **17,161,331** | **17,161,331** | **0** | **8,150,529** | **8,150,529** | **0** | **0** | **0** |
| 0620 | Crime Victim Assistance Fund | 19,570,129 | 0 | 17,161,331 | 17,161,331 | 0 | 8,150,529 | 8,150,529 | 0 | 0 | 0 |
| **Office of Property Management (AM0)** | | **0** | **2,946,918** | **0** | **2,946,918** | **4,433,745** | **0** | **4,433,745** | **4,522,420** | **4,612,869** | **4,705,125** |
| 1450 | Facility Operations: Parking Fees | 0 | 375,000 | 0 | 375,000 | 559,000 | 0 | 559,000 | 570,180 | 581,584 | 593,215 |
| 1459 | Asset Management/Lease Management: Rent | 0 | 2,571,918 | 0 | 2,571,918 | 3,874,745 | 0 | 3,874,745 | 3,952,240 | 4,031,285 | 4,111,910 |
| **Office of Finance and Resource Management (AS0)** | | **472,685** | **847,513** | **0** | **847,513** | **3,041,114** | **0** | **3,041,114** | **3,041,114** | **3,041,114** | **3,041,114** |
| 1150 | Utilities Payment for Non-DC Agencies | 472,685 | 847,513 | 0 | 847,513 | 3,041,114 | 0 | 3,041,114 | 3,041,114 | 3,041,114 | 3,041,114 |
| **Office of Chief Financial Officer (AT0)** | | **4,099,703** | **14,290,000** | **0** | **14,290,000** | **29,290,000** | **1,768,454** | **31,058,454** | **16,090,000** | **16,310,000** | **16,541,000** |
| 0602 | Payroll Service Fees | 0 | 350,000 | 0 | 350,000 | 350,000 | 0 | 350,000 | 350,000 | 350,000 | 350,000 |
| 0603 | Service Contracts | 0 | 300,000 | 0 | 300,000 | 300,000 | 0 | 300,000 | 300,000 | 300,000 | 300,000 |
| 0605 | Dishonored Check Fees | 0 | 650,000 | 0 | 650,000 | 650,000 | 0 | 650,000 | 650,000 | 650,000 | 650,000 |
| 0606 | Recorder of Deeds Surcharge | 4,019,703 | 900,000 | 0 | 900,000 | 900,000 | 1,768,454 | 2,668,454 | 1,000,000 | 1,000,000 | 1,000,000 |
| 0610 | Bank Fees | 0 | 3,600,000 | 0 | 3,600,000 | 3,600,000 | 0 | 3,600,000 | 4,600,000 | 4,600,000 | 4,600,000 |
| 0611 | Tax Collection Fees | 0 | 900,000 | 0 | 900,000 | 15,900,000 | 0 | 15,900,000 | 900,000 | 900,000 | 900,000 |
| 0613 | Unclaimed Property Contingency Fund | 0 | 3,500,000 | 0 | 3,500,000 | 3,500,000 | 0 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 |
| 0614 | Defined Contribution Plan Administration | 0 | 40,000 | 0 | 40,000 | 40,000 | 0 | 40,000 | 40,000 | 40,000 | 40,000 |
| 0615 | Federal Retirement Benefits Processing | 0 | 350,000 | 0 | 350,000 | 350,000 | 0 | 350,000 | 350,000 | 350,000 | 350,000 |
| 0617 | Baseball Financing Review Fund | 80,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0618 | Tax Compliance Fees | 0 | 3,700,000 | 0 | 3,700,000 | 3,700,000 | 0 | 3,700,000 | 4,400,000 | 4,620,000 | 4,851,000 |
| **Office of the Secretary (BA0)** | | **0** | **415,901** | **0** | **415,901** | **415,901** | **0** | **415,901** | **415,901** | **415,901** | **415,901** |
| 1243 | Distribution Fees | 0 | 415,901 | 0 | 415,901 | 415,901 | 0 | 415,901 | 415,901 | 415,901 | 415,901 |
| **D.C. Office of Personnel (BE0)** | | **0** | **542,858** | **0** | **542,858** | **577,085** | **0** | **577,085** | **590,358** | **603,936** | **617,827** |
| 0615 | Defined Benefits Retirement Program | 0 | 370,389 | 0 | 370,389 | 496,968 | 0 | 496,968 | 508,398 | 520,091 | 532,054 |
| 1555 | Reimbursables from Other Governments | 0 | 172,469 | 0 | 172,469 | 80,117 | 0 | 80,117 | 81,960 | 83,845 | 85,773 |
| **Office of the Attorney General (CB0)** | | **8,428,318** | **3,280,000** | **3,333,710** | **6,613,710** | **2,780,000** | **3,283,534** | **6,063,534** | **2,780,000** | **2,780,000** | **2,780,000** |
| 0601 | Driving Under the Influence (DUI) Fund | 0 | 100,000 | 0 | 100,000 | 100,000 | 0 | 100,000 | 100,000 | 100,000 | 100,000 |
| 0602 | Anti-Trust Fund | 749,666 | 600,000 | 0 | 600,000 | 200,000 | 267,606 | 467,606 | 200,000 | 200,000 | 200,000 |
| 0603 | Child Support - TANF/AFDC Collections | 5,485,101 | 2,100,000 | 2,904,902 | 5,004,902 | 2,100,000 | 2,303,870 | 4,403,870 | 2,100,000 | 2,100,000 | 2,100,000 |
| 0604 | Child Support - Reimbursements & Fees | 96,149 | 30,000 | 0 | 30,000 | 30,000 | 0 | 30,000 | 30,000 | 30,000 | 30,000 |
| 0611 | Consumer Protection Fund | 822,031 | 350,000 | 353,808 | 703,808 | 250,000 | 288,933 | 538,933 | 250,000 | 250,000 | 250,000 |
| 0612 | Anti-Fraud Fund | 1,275,371 | 100,000 | 75,000 | 175,000 | 100,000 | 423,125 | 523,125 | 100,000 | 100,000 | 100,000 |
| **Office of Contracting and Procurement (PO0)** | | **447,138** | **1,000,000** | **350,000** | **1,350,000** | **950,000** | **500,000** | **1,450,000** | **975,000** | **1,000,000** | **1,000,000** |
| 4010 | D.C. Surplus Personal Property Sales Fund | 56,286 | 600,000 | 50,000 | 650,000 | 500,000 | 100,000 | 600,000 | 500,000 | 500,000 | 500,000 |
| 6102 | D.C. Supply Schedule Sales Discount | 390,852 | 400,000 | 300,000 | 700,000 | 450,000 | 400,000 | 850,000 | 475,000 | 500,000 | 500,000 |

**Table 4-40 Special Purpose (O- type) Revenue Funds, by Source** (continued)

| | | FY 2005 End of Year Fund Balance | FY 2006 Certified Revenues 2/06 Cert. | FY 2006 Certified Fund Balance Use 2/06 Cert. | FY 2006 Certified Resources 2/06 Cert. | FY 2007 Certified Revenues 2/06 Cert. | FY 2007 Certified Fund Balance Use 2/06 Cert. | FY 2007 Certified Resources 2/06 Cert. | FY 2008 Certified Revenues 2/06 Cert. | FY 2009 Certified Revenues 2/06 Cert. | FY 2010 Certified Revenues 2/06 Cert. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **B. Economic Development and Regulation** | | | | | | | | | | | |
| **Office of Planning (BD0)** | | **0** | **15,000** | **0** | **15,000** | **15,000** | **0** | **15,000** | **15,000** | **15,000** | **15,000** |
| 2001 | Historic Landmark & District Application Fees | 0 | 15,000 | 0 | 15,000 | 15,000 | 0 | 15,000 | 15,000 | 15,000 | 15,000 |
| **Dept. of Employment Services (CF0)** | | **20,318,497** | **25,333,653** | **1,200,000** | **26,533,653** | **26,999,614** | **200,000** | **27,199,614** | **27,000,000** | **27,000,000** | **27,000,000** |
| 0610 | Workers' Compensation - Special Fund | 6,341,737 | 7,000,000 | 0 | 7,000,000 | 7,000,000 | 0 | 7,000,000 | 7,000,000 | 7,000,000 | 7,000,000 |
| 0611 | Workers' Compensation - Administration | 11,319,020 | 13,616,039 | 0 | 13,616,039 | 15,398,226 | 0 | 15,398,226 | 15,400,000 | 15,400,000 | 15,400,000 |
| 0612 | UI Interest/Penalties | 468,110 | 717,614 | 0 | 717,614 | 601,388 | 0 | 601,388 | 600,000 | 600,000 | 600,000 |
| 0614 | UI Surcharge Funds | 1,433,379 | 0 | 1,000,000 | 1,000,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0623 | DOES Relocation Fund | 756,251 | 0 | 200,000 | 200,000 | 0 | 200,000 | 200,000 | 0 | 0 | 0 |
| 0624 | UI Administrative Assessment Tax | 0 | 4,000,000 | 0 | 4,000,000 | 4,000,000 | 0 | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 |
| **Dept. of Consumer and Regulatory Affairs (CR0)** | | **17,727,080** | **13,563,533** | **10,681,283** | **24,244,816** | **9,091,898** | **4,205,672** | **13,297,570** | **13,879,416** | **8,966,435** | **13,879,416** |
| 6005 | Condo Conversion | 0 | 20,000 | 0 | 20,000 | 20,000 | 0 | 20,000 | 20,000 | 20,000 | 20,000 |
| 6006 | Nuisance Abatement | 7,478,924 | 5,320,965 | 5,997,351 | 11,318,316 | 2,367,975 | 1,500,000 | 3,867,975 | 5,230,426 | 2,367,975 | 5,230,426 |
| 6008 | Real Estate Guarantee and Education Fund | 2,235,794 | 600,000 | 0 | 600,000 | 1,029,481 | 0 | 1,029,481 | 600,000 | 1,000,000 | 600,000 |
| 6009 | Real Estate Appraisal Fund | 0 | 97,000 | 0 | 97,000 | 55,000 | 0 | 55,000 | 97,000 | 55,000 | 97,000 |
| 6010 | OPLA Special Fund | 980,239 | 1,983,794 | 0 | 1,983,794 | 1,635,264 | 0 | 1,635,264 | 1,983,794 | 1,635,264 | 1,983,794 |
| 6011 | Special Events Fund | 0 | 30,000 | 0 | 30,000 | 30,000 | 0 | 30,000 | 30,000 | 30,000 | 30,000 |
| 6012 | Boxing and Wrestling Fund | 0 | 70,000 | 0 | 70,000 | 60,000 | 0 | 60,000 | 70,000 | 60,000 | 70,000 |
| 6013 | Basic Business License Fund | 4,964,522 | 4,522,501 | 4,683,932 | 9,206,433 | 3,022,178 | 2,000,000 | 5,022,178 | 4,923,196 | 2,923,196 | 4,923,196 |
| 6014 | Fire Protection Fund | 0 | 100,000 | 0 | 100,000 | 100,000 | 0 | 100,000 | 100,000 | 100,000 | 100,000 |
| 6020 | Board of Engineers Fund | 771,437 | 225,000 | 0 | 225,000 | 172,000 | 0 | 172,000 | 225,000 | 175,000 | 225,000 |
| 6025 | Construction/Zoning Compliance Mgmt. Fund | 1,296,164 | 594,273 | 0 | 594,273 | 600,000 | 705,672 | 1,305,672 | 600,000 | 600,000 | 600,000 |
| **Office of Cable Television (CT0)** | | **4,637,811** | **5,121,475** | **0** | **5,121,475** | **5,503,000** | **65,000** | **5,568,000** | **5,000,000** | **5,000,000** | **5,000,000** |
| 0600 | Franchise Fees & Tape Sales | 4,637,811 | 5,121,475 | 0 | 5,121,475 | 5,503,000 | 65,000 | 5,568,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| **Dept. of Housing and Community Development (DB0)** | | **114,914,522** | **61,350,274** | **66,202,176** | **127,552,450** | **68,226,516** | **55,868,377** | **124,094,893** | **75,149,448** | **81,917,610** | **89,235,692** |
| 0602 | Home Purchase Assistance Program Repayment | 21,319,478 | 3,500,000 | 2,722,350 | 6,222,350 | 5,801,543 | 322,673 | 6,124,216 | 6,309,707 | 6,563,789 | 6,817,871 |
| 0603 | Land Acquisition for Housing Dev. Opportunities | 2,296,997 | 150,000 | 266,000 | 416,000 | 222,464 | 193,536 | 416,000 | 274,312 | 274,312 | 274,312 |
| 0605 | Multi-Family/ Rehabilitation Repayment | 3,458,617 | 200,000 | 200,000 | 400,000 | 400,000 | 0 | 400,000 | 378,920 | 450,000 | 450,000 |
| 0607 | Low Income Housing Tax Credit Program | 0 | 713,775 | 0 | 713,775 | 849,509 | 0 | 849,509 | 849,509 | 849,509 | 849,509 |
| 0623 | Home Again Revolving Fund | 671,784 | 1,213,499 | 0 | 1,213,499 | 0 | 671,784 | 671,784 | 500,000 | 500,000 | 500,000 |
| 1261 | Housing Production Trust Fund | 87,167,646 | 55,527,000 | 63,013,826 | 118,540,826 | 60,907,000 | 54,680,384 | 115,587,384 | 66,791,000 | 73,234,000 | 80,298,000 |
| 1980 | Portal Site | 0 | 46,000 | 0 | 46,000 | 46,000 | 0 | 46,000 | 46,000 | 46,000 | 46,000 |
| **Public Services Commission (DH0)** | | **488,714** | **7,726,547** | **0** | **7,726,547** | **7,726,547** | **0** | **7,726,547** | **7,726,547** | **7,726,547** | **7,726,547** |
| 0631 | Utilities Regulation | 372,670 | 7,726,547 | 0 | 7,726,547 | 7,726,547 | 0 | 7,726,547 | 7,726,547 | 7,726,547 | 7,726,547 |
| 0641 | Auditors Assessment Fund | 35,393 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0651 | Copy Fund | 80,651 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Office of People's Counsel (DJ0)** | | **198,080** | **4,306,461** | **0** | **4,306,461** | **4,596,020** | **0** | **4,596,020** | **4,596,020** | **4,596,020** | **4,596,020** |
| 0631 | Advocate for Consumers | 198,080 | 4,306,461 | 0 | 4,306,461 | 4,596,020 | 0 | 4,596,020 | 4,596,020 | 4,596,020 | 4,596,020 |

**Table 4-40 Special Purpose (O- type) Revenue Funds, by Source:** (continued)

## B. Economic Development and Regulation (continued)

| | | FY 2005 End of Year Fund Balance | FY 2006 Certified Revenues 2/06 Cert. | FY 2006 Certified Fund Balance Use 2/06 Cert. | FY 2006 Certified Resources 2/06 Cert. | FY 2007 Certified Revenues 2/06 Cert. | FY 2007 Certified Fund Balance Use 2/06 Cert. | FY 2007 Certified Resources 2/06 Cert. | FY 2008 Certified Revenues 2/06 Cert. | FY 2009 Certified Revenues 2/06 Cert. | FY 2010 Certified Revenues 2/06 Cert. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Office of the Deputy Mayor for Econ. Develop. (EB0)** | | **12,849,176** | **25,626,000** | **4,172,510** | **29,798,510** | **24,835,000** | **7,095,768** | **31,930,768** | **25,125,000** | **25,250,000** | **25,250,000** |
| 0609 | Industrial Revenue Bond Program | 1,341,871 | 2,000,000 | 128,510 | 2,128,510 | 2,100,000 | 487,268 | 2,587,268 | 2,250,000 | 2,250,000 | 2,250,000 |
| 0622 | Commercial Trust Fund | 1,505,245 | 1,000,000 | 500,000 | 1,500,000 | 0 | 1,343,500 | 1,343,500 | 0 | 0 | 0 |
| 1011 | Neighborhood Investment Fund | 10,000,000 | 9,626,000 | 3,544,000 | 13,170,000 | 9,735,000 | 5,265,000 | 15,000,000 | 9,875,000 | 10,000,000 | 10,000,000 |
| 2003 | Business Improvement Districts | 2,060 | 13,000,000 | 0 | 13,000,000 | 13,000,000 | 0 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 |
| **Alcoholic Beverage Regulation Admin. (LQ0)** | | **3,767,252** | **3,476,623** | **1,225,000** | **4,701,623** | **4,000,000** | **0** | **4,000,000** | **4,000,000** | **4,000,000** | **4,000,000** |
| 6017 | ABC Import and Class License Fees | 3,655,024 | 3,476,623 | 1,225,000 | 4,701,623 | 4,000,000 | 0 | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 |
| 6018 | ABC Keg Registration Fees | 112,228 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Dept. of Insurance, Securities and Banking (SR0)** | | **1,914,085** | **25,088,830** | **0** | **25,088,830** | **27,250,000** | **0** | **27,250,000** | **27,550,000** | **27,550,000** | **27,550,000** |
| 2100 | HMO Assessment Fee | 98,992 | 852,100 | 0 | 852,100 | 950,000 | 0 | 950,000 | 950,000 | 950,000 | 950,000 |
| 2200 | Insurance Assessment Fee | 1,815,092 | 7,836,730 | 0 | 7,836,730 | 9,000,000 | 0 | 9,000,000 | 9,000,000 | 9,000,000 | 9,000,000 |
| 2300 | Securities/ Broker Dealer Licenses Fees | 0 | 4,300,000 | 0 | 4,300,000 | 4,500,000 | 0 | 4,500,000 | 4,500,000 | 4,500,000 | 4,500,000 |
| 2500 | Investment Advisors Licenses Fees | 0 | 340,000 | 0 | 340,000 | 340,000 | 0 | 340,000 | 340,000 | 340,000 | 340,000 |
| 2600 | Securities Registration Fees | 0 | 7,760,000 | 0 | 7,760,000 | 7,760,000 | 0 | 7,760,000 | 7,760,000 | 7,760,000 | 7,760,000 |
| 2800 | Captive Insurance Premium | 0 | 1,500,000 | 0 | 1,500,000 | 2,200,000 | 0 | 2,200,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| 2900 | Banking Fees | 0 | 2,500,000 | 0 | 2,500,000 | 2,500,000 | 0 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |

**Table 4-40 Special Purpose (O- type) Revenue Funds, by Source:** (continued)

| | | FY 2005 End of Year Fund Balance | FY 2006 Certified Revenues 2/06 Cert. | FY 2006 Certified Fund Balance Use 2/06 Cert. | FY 2006 Certified Resources 2/06 Cert. | FY 2007 Certified Revenues 2/06 Cert. | FY 2007 Certified Fund Balance Use 2/06 Cert. | FY 2007 Certified Resources 2/06 Cert. | FY 2008 Certified Revenues 2/06 Cert. | FY 2009 Certified Revenues 2/06 Cert. | FY 2010 Certified Revenues 2/06 Cert. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **C. Public Safety and Justice** | | | | | | | | | | | |
| **Metropolitan Police Dept. (FA0)** | | **1,975,092** | **12,887,275** | **0** | **12,887,275** | **12,588,961** | **852,000** | **13,440,961** | **12,620,000** | **12,734,400** | **12,853,376** |
| 1431 | Data Processing | 0 | 130,804 | 0 | 130,804 | 150,000 | 0 | 150,000 | 150,000 | 150,000 | 150,000 |
| 1555 | Reimbursable From Other Governments | 0 | 650,000 | 0 | 650,000 | 650,000 | 0 | 650,000 | 676,000 | 703,040 | 731,162 |
| 1607 | Sale Of Unclaimed Property | 278,053 | 392,106 | 0 | 392,106 | 392,106 | 210,000 | 602,106 | 250,000 | 250,000 | 250,000 |
| 1614 | Miscellaneous Reimbursements | 0 | 2,100,000 | 0 | 2,100,000 | 2,100,000 | 0 | 2,100,000 | 2,184,000 | 2,271,360 | 2,362,214 |
| 1660 | Automated Traffic Enforcement | 0 | 7,941,509 | 0 | 7,941,509 | 7,941,509 | 0 | 7,941,509 | 8,000,000 | 8,000,000 | 8,000,000 |
| 2531 | Narcotics Proceeds | 703,719 | 792,266 | 0 | 792,266 | 595,346 | 0 | 595,346 | 600,000 | 600,000 | 600,000 |
| 2532 | Gambling Proceeds | 0 | 19,565 | 0 | 19,565 | 10,000 | 0 | 10,000 | 10,000 | 10,000 | 10,000 |
| 7278 | Asset Forfeiture | 993,319 | 861,025 | 0 | 861,025 | 750,000 | 642,000 | 1,392,000 | 750,000 | 750,000 | 750,000 |
| **Fire and Emergency Medical Services (FB0)** | | **0** | **2,000** | **0** | **2,000** | **20,000** | **0** | **20,000** | **20,000** | **20,000** | **20,000** |
| 1613 | Training Fund | 0 | 2,000 | 0 | 2,000 | 20,000 | 0 | 20,000 | 20,000 | 20,000 | 20,000 |
| **Dept. of Corrections (FL0)** | | **0** | **25,755,491** | **0** | **25,755,491** | **25,755,491** | **0** | **25,755,491** | **26,700,000** | **26,700,000** | **26,700,000** |
| 0600 | Inmate Federal Reimbursement Fund | 0 | 25,055,491 | 0 | 25,055,491 | 25,055,491 | 0 | 25,055,491 | 26,000,000 | 26,000,000 | 26,000,000 |
| 0601 | Concession Income | 0 | 700,000 | 0 | 700,000 | 700,000 | 0 | 700,000 | 700,000 | 700,000 | 700,000 |
| **Office of Administrative Hearings (FS0)** | | **0** | **193,443** | **0** | **193,443** | **195,000** | **0** | **195,000** | **195,000** | **195,000** | **195,000** |
| 0614 | Adjudication Fines and Fees | 0 | 183,443 | 0 | 183,443 | 185,000 | 0 | 185,000 | 185,000 | 185,000 | 185,000 |
| 0614 | Court Fines and Fees | 0 | 10,000 | 0 | 10,000 | 10,000 | 0 | 10,000 | 10,000 | 10,000 | 10,000 |
| **Office of the Chief Medical Examiner (FX0)** | | **0** | **135,390** | **0** | **135,390** | **142,890** | **0** | **142,890** | **150,035** | **157,536** | **165,413** |
| 0601 | Medical Examiner Fees | 0 | 135,390 | 0 | 135,390 | 142,890 | 0 | 142,890 | 150,035 | 157,536 | 165,413 |
| **Office of Unified Communications (UC0)** | | **9,582,937** | **13,680,179** | **6,110,045** | **19,790,224** | **13,994,407** | **3,343,267** | **17,337,674** | **17,337,674** | **14,308,634** | **14,308,634** |
| 1630 | 911 & 311 Assessments | 9,582,937 | 13,680,179 | 6,110,045 | 19,790,224 | 13,994,407 | 3,343,267 | 17,337,674 | 17,337,674 | 14,308,634 | 14,308,634 |

**Table 4-40 Special Purpose (O- type) Revenue Funds, by Source** (continued)

| | | FY 2005 End of Year Fund Balance | FY 2006 Certified Revenues 2/06 Cert. | FY 2006 Certified Fund Balance Use 2/06 Cert. | FY 2006 Certified Resources 2/06 Cert. | FY 2007 Certified Revenues 2/06 Cert. | FY 2007 Certified Fund Balance Use 2/06 Cert. | FY 2007 Certified Resources 2/06 Cert. | FY 2008 Certified Revenues 2/06 Cert. | FY 2009 Certified Revenues 2/06 Cert. | FY 2010 Certified Revenues 2/06 Cert. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **D. Public Education System** | | | | | | | | | | | |
| **Commission on Arts & Humanities (BX0)** | | **309,574** | **800,000** | **0** | **800,000** | **800,000** | **0** | **800,000** | **800,000** | **800,000** | **800,000** |
| 0600 | Special Purpose Revenue | 148,762 | 800,000 | 0 | 800,000 | 800,000 | 0 | 800,000 | 800,000 | 800,000 | 800,000 |
| 0610 | Party Animals Revenue | 140,541 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6010 | Arts and Technology Fund | 20,271 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **DC Public Library (CE0)** | | **1,131,018** | **271,000** | **359,815** | **630,815** | **273,000** | **252,815** | **525,815** | **275,000** | **277,000** | **277,000** |
| 0101 | Miscellaneous | 57,740 | 15,000 | 5,000 | 20,000 | 15,000 | 5,000 | 20,000 | 15,000 | 15,000 | 15,000 |
| 0102 | Bookstore | 45,749 | 70,000 | 20,815 | 90,815 | 72,000 | 18,815 | 90,815 | 74,000 | 76,000 | 76,000 |
| 0103 | Restricted Fines | 399,405 | 110,000 | 20,000 | 130,000 | 110,000 | 20,000 | 130,000 | 110,000 | 110,000 | 110,000 |
| 0108 | Copies and Printing | 45,172 | 76,000 | 9,000 | 85,000 | 76,000 | 9,000 | 85,000 | 76,000 | 76,000 | 76,000 |
| 0150 | SLD E-Rate Reimbursement | 582,953 | 0 | 305,000 | 305,000 | 0 | 200,000 | 200,000 | 0 | 0 | 0 |
| **District of Columbia Public Schools (GA0)** | | **1,098,219** | **6,780,000** | **0** | **6,780,000** | **10,034,494** | **0** | **10,034,494** | **10,034,494** | **10,034,494** | **10,034,494** |
| 0601 | Special Escrow | 7,643 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0602 | ROTC | 0 | 830,000 | 0 | 830,000 | 861,155 | 0 | 861,155 | 861,155 | 861,155 | 861,155 |
| 0603 | Lease Income | 153,290 | 2,700,000 | 0 | 2,700,000 | 5,565,028 | 0 | 5,565,028 | 5,565,028 | 5,565,028 | 5,565,028 |
| 0604 | Pepco | 0 | 143,000 | 0 | 143,000 | 215,610 | 0 | 215,610 | 215,610 | 215,610 | 215,610 |
| 0607 | Custodial | 0 | 250,000 | 0 | 250,000 | 271,780 | 0 | 271,780 | 271,780 | 271,780 | 271,780 |
| 0608 | Nonresident | 923,970 | 420,000 | 0 | 420,000 | 518,250 | 0 | 518,250 | 518,250 | 518,250 | 518,250 |
| 0609 | Security Deposits | 0 | 125,000 | 0 | 125,000 | 174,992 | 0 | 174,992 | 174,992 | 174,992 | 174,992 |
| 0611 | Cafeteria | 5,950 | 1,195,000 | 0 | 1,195,000 | 1,234,216 | 0 | 1,234,216 | 1,234,216 | 1,234,216 | 1,234,216 |
| 0613 | Vending Machine Sales | 145 | 475,000 | 0 | 475,000 | 379,438 | 0 | 379,438 | 379,438 | 379,438 | 379,438 |
| 0621 | Parking Fees | 0 | 92,000 | 0 | 92,000 | 99,025 | 0 | 99,025 | 99,025 | 99,025 | 99,025 |
| 0623 | Hoop Dreams Scholarship Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0627 | BOE - Real Property Improvement Fund | 7,222 | 400,000 | 0 | 400,000 | 400,000 | 0 | 400,000 | 400,000 | 400,000 | 400,000 |
| 0630 | Teacher Certification Fees | 0 | 150,000 | 0 | 150,000 | 315,000 | 0 | 315,000 | 315,000 | 315,000 | 315,000 |
| **State Education Office (GD0)** | | **10,042,409** | **37,000** | **10,003,539** | **10,040,539** | **37,000** | **9,751,961** | **9,788,961** | **40,000** | **40,000** | **45,000** |
| 0601 | Other Fund (Defaulted Student Loans) | 0 | 7,000 | 0 | 7,000 | 7,000 | 0 | 7,000 | 5,000 | 5,000 | 5,000 |
| 0610 | Charter School Credit Enhancement Fund | 10,003,539 | 0 | 10,003,539 | 10,003,539 | 0 | 9,751,961 | 9,751,961 | 0 | 0 | 0 |
| 6007 | Site Evaluation Visits | 0 | 30,000 | 0 | 30,000 | 30,000 | 0 | 30,000 | 35,000 | 35,000 | 40,000 |
| 6010 | Licensing Fees (OPLA - Special Account) | 38,871 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**Table 4-40 Special Purpose (O- type) Revenue Funds, by Source** (continued)

| | | FY 2005 End of Year Fund Balance | FY 2006 Certified Revenues 2/06 Cert. | FY 2006 Certified Fund Balance Use 2/06 Cert. | FY 2006 Certified Resources 2/06 Cert. | FY 2007 Certified Revenues 2/06 Cert. | FY 2007 Certified Fund Balance Use 2/06 Cert. | FY 2007 Certified Resources 2/06 Cert. | FY 2008 Certified Revenues 2/06 Cert. | FY 2009 Certified Revenues 2/06 Cert. | FY 2010 Certified Revenues 2/06 Cert. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **E. Human Support Services** | | | | | | | | | | | |
| **Dept. of Recreation and Parks (HA0)** | | **309,992** | **1,740,000** | **0** | **1,740,000** | **1,600,000** | **0** | **1,600,000** | **1,700,000** | **1,723,000** | **1,751,000** |
| 0602 | Enterprise Fund Account | 309,992 | 1,740,000 | 0 | 1,740,000 | 1,600,000 | 0 | 1,600,000 | 1,700,000 | 1,723,000 | 1,751,000 |
| **Dept. of Health (HC0)** | | **26,524,292** | **22,265,977** | **6,456,700** | **28,722,677** | **20,748,328** | **7,730,567** | **28,478,895** | **21,505,477** | **21,437,748** | **22,584,474** |
| 0602 | Air Quality Construction Permits | 376,284 | 260,000 | 10,000 | 270,000 | 263,000 | 25,000 | 288,000 | 270,890 | 279,017 | 287,387 |
| 0603 | Fishing License | 209,938 | 80,000 | 15,000 | 95,000 | 85,000 | 45,000 | 130,000 | 87,550 | 90,177 | 92,882 |
| 0605 | SHPDA Fees | 1,161,063 | 200,000 | 0 | 200,000 | 565,000 | 0 | 565,000 | 581,950 | 599,409 | 617,391 |
| 0606 | Vital Records Revenue | 2,369,768 | 3,585,000 | 0 | 3,585,000 | 3,750,000 | 471,000 | 4,221,000 | 3,862,500 | 3,978,375 | 4,097,726 |
| 0607 | Underground Storage Tank Fines and Fees | 1,141,955 | 430,000 | 250,000 | 680,000 | 475,000 | 200,000 | 675,000 | 489,250 | 503,928 | 519,045 |
| 0608 | Drug Interdiction Fund | 1,036,541 | 350,000 | 350,000 | 700,000 | 300,000 | 0 | 300,000 | 309,000 | 318,270 | 327,818 |
| 0609 | LUST Trust Fund | 120,694 | 25,000 | 80,000 | 105,000 | 25,000 | 80,000 | 105,000 | 25,750 | 26,523 | 27,318 |
| 0610 | Methadone Fees | 1,843 | 5,977 | 0 | 5,977 | 5,977 | 0 | 5,977 | 6,156 | 6,341 | 6,531 |
| 0611 | Radioactive Waste Fees | 113,182 | 30,000 | 0 | 30,000 | 51,575 | 0 | 51,575 | 53,122 | 54,716 | 56,357 |
| 0612 | Food Handlers Certification | 1,691,614 | 950,000 | 178,700 | 1,128,700 | 500,000 | 900,000 | 1,400,000 | 1,100,000 | 550,000 | 1,200,000 |
| 0613 | Adjudication Hearings (Community Hygiene) | 271,887 | 310,000 | 77,000 | 387,000 | 104,334 | 0 | 104,334 | 107,464 | 110,688 | 114,009 |
| 0617 | Office of Professional Licensing Fines | 93,658 | 10,000 | 85,000 | 95,000 | 10,000 | 0 | 10,000 | 10,300 | 10,609 | 10,927 |
| 0621 | University Health Clinic Reimbursement | 80,764 | 570,000 | 0 | 570,000 | 635,000 | 0 | 635,000 | 654,050 | 673,672 | 693,882 |
| 0625 | Medicaid Fraud Collections - Providers | 0 | 35,000 | 0 | 35,000 | 35,000 | 0 | 35,000 | 36,050 | 37,132 | 38,245 |
| 0630 | General Counsel-FICA | 4,070 | 0 | 0 | 0 | 3,705 | 0 | 3,705 | 3,816 | 3,931 | 4,049 |
| 0631 | Medicaid Collections - Other | 0 | 3,500,000 | 0 | 3,500,000 | 2,000,000 | 0 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| 0632 | Pharmacy Protection | 481,623 | 403,000 | 120,000 | 523,000 | 400,000 | 135,000 | 535,000 | 410,000 | 422,300 | 434,969 |
| 0633 | Radiation Protection | 239,219 | 33,000 | 0 | 33,000 | 33,000 | 0 | 33,000 | 33,990 | 35,010 | 36,060 |
| 0634 | Soil Erosion/Sediment Control | 1,454,596 | 730,000 | 0 | 730,000 | 650,000 | 0 | 650,000 | 669,500 | 689,585 | 710,273 |
| 0638 | Animal Control Dog License Fees and Fines | 111,565 | 98,000 | 0 | 98,000 | 80,000 | 35,000 | 115,000 | 82,400 | 84,872 | 87,418 |
| 0641 | Other Medical Licenses and Fees | 22,174 | 100,000 | 0 | 100,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0642 | Medicaid Reimbursement-APRA | 11,986 | 1,500,000 | 0 | 1,500,000 | 520,000 | 0 | 520,000 | 535,600 | 551,668 | 568,218 |
| 0643 | Board of Medicine | 1,623,912 | 2,629,000 | 1,000,000 | 3,629,000 | 3,900,000 | 0 | 3,900,000 | 4,017,000 | 4,137,510 | 4,261,635 |
| 0645 | Pesticide Product Registration | 1,490,851 | 775,000 | 0 | 775,000 | 800,000 | 600,000 | 1,400,000 | 824,000 | 848,720 | 874,182 |
| 0646 | Storm Water Fees | 48,526 | 22,000 | 0 | 22,000 | 15,000 | 0 | 15,000 | 15,450 | 15,914 | 16,391 |
| 0648 | Asbestos Certification and Abatement Fee | 156,614 | 200,000 | 100,000 | 300,000 | 205,000 | 46,000 | 251,000 | 211,150 | 217,485 | 224,009 |
| 0649 | Health Facility Fee | 45,933 | 36,000 | 8,000 | 44,000 | 38,737 | 8,000 | 46,737 | 39,899 | 41,096 | 42,329 |
| 0650 | Human Services Facility Fee | 264,813 | 77,000 | 58,000 | 135,000 | 77,000 | 58,000 | 135,000 | 79,310 | 81,689 | 84,140 |
| 0651 | Health Benefits Plans-Bill of Rights Act | 364,495 | 348,000 | 100,000 | 448,000 | 386,000 | 100,000 | 486,000 | 397,580 | 409,507 | 421,793 |
| 0652 | DC Superior Courts PHSA Agreement | 0 | 382,000 | 0 | 382,000 | 380,000 | 0 | 380,000 | 391,400 | 403,142 | 415,236 |
| 0653 | DC General Collections | 1,242,129 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0654 | Storm Water Permit Review | (66,742) | 2,300,000 | 0 | 2,300,000 | 2,300,000 | 0 | 2,300,000 | 2,300,000 | 2,300,000 | 2,300,000 |
| 0655 | SHPDA Admission Fee | 152,469 | 750,000 | 0 | 750,000 | 450,000 | 120,000 | 570,000 | 463,500 | 477,405 | 491,727 |
| 0656 | EMS Fees | (5,867) | 55,000 | 0 | 55,000 | 35,000 | 20,000 | 55,000 | 36,050 | 37,132 | 38,245 |
| 0658 | Public Health Laboratory Fees | 186,188 | 140,000 | 0 | 140,000 | 140,000 | 0 | 140,000 | 144,200 | 148,526 | 152,982 |

**Table 4-40 Special Purpose (O- type) Revenue Funds, by Source** (continued)

| | | FY 2005 End of Year Fund Balance | FY 2006 Certified Revenues 2/06 Cert. | FY 2006 Certified Fund Balance Use 2/06 Cert. | FY 2006 Certified Resources 2/06 Cert. | FY 2007 Certified Revenues 2/06 Cert. | FY 2007 Certified Fund Balance Use 2/06 Cert. | FY 2007 Certified Resources 2/06 Cert. | FY 2008 Certified Revenues 2/06 Cert. | FY 2009 Certified Revenues 2/06 Cert. | FY 2010 Certified Revenues 2/06 Cert. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **E. Human Support Services** (continued) | | | | | | | | | | | |
| 0661 | ICF/MR Fees and Fines | 72,736 | 102,000 | 0 | 102,000 | 30,000 | 0 | 30,000 | 30,900 | 31,827 | 32,782 |
| 0662 | Civil Monetary Penalties | 14,426 | 15,000 | 0 | 15,000 | 15,000 | 0 | 15,000 | 15,450 | 15,914 | 16,391 |
| 0663 | Brownfields Revitalization | 30,000 | 0 | 0 | 0 | 30,000 | 10,000 | 40,000 | 0 | 0 | 0 |
| 0664 | Adjudication Hearings (Air Quality) | 1,555 | 20,000 | 0 | 20,000 | 20,000 | 0 | 20,000 | 20,000 | 20,000 | 20,000 |
| 0665 | Adjudication Hearings (Water Quality) | 23,575 | 10,000 | 0 | 10,000 | 10,000 | 0 | 10,000 | 10,000 | 10,000 | 10,000 |
| 0669 | Lead Based Certification Fees | 45,403 | 200,000 | 25,000 | 225,000 | 175,000 | 0 | 175,000 | 180,250 | 185,658 | 191,227 |
| 0670 | HCSN Revolving Fund | 9,838,854 | 1,000,000 | 4,000,000 | 5,000,000 | 1,250,000 | 4,877,567 | 6,127,567 | 1,000,000 | 1,030,000 | 1,060,900 |
| **Dept. of Human Services (JA0)** | | **855,287** | **8,130,000** | **0** | **8,130,000** | **6,800,000** | **0** | **6,800,000** | **8,953,993** | **8,953,993** | **8,953,993** |
| 0602 | DC Village Maintenance Reimbursement | 0 | 400,000 | 0 | 400,000 | 400,000 | 0 | 400,000 | 433,993 | 433,993 | 433,993 |
| 0603 | SSI Payback | 0 | 800,000 | 0 | 800,000 | 900,000 | 0 | 900,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| 0610 | Vocational Rehab Services Reimbursement | 38,064 | 200,000 | 0 | 200,000 | 200,000 | 0 | 200,000 | 320,000 | 320,000 | 320,000 |
| 0611 | Cost of Care - Non Medicaid Clients | 0 | 1,400,000 | 0 | 1,400,000 | 1,500,000 | 0 | 1,500,000 | 1,900,000 | 1,900,000 | 1,900,000 |
| 0613 | Food Stamps Collections | 0 | 200,000 | 0 | 200,000 | 300,000 | 0 | 300,000 | 300,000 | 300,000 | 300,000 |
| 0616 | Randolph Shepherd Unassigned Facilities | 817,223 | 5,130,000 | 0 | 5,130,000 | 3,500,000 | 0 | 3,500,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| **DC Energy Office (JF0)** | | **2,761,244** | **11,953,696** | **2,703,886** | **14,657,582** | **8,867,030** | **0** | **8,867,030** | **3,053,696** | **3,053,696** | **3,053,696** |
| 0610 | Petroleum Violation Escrow Funds | 56,858 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0620 | Utility Discount Programs Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0661 | RETF - PEPCO | 2,194,877 | 11,000,000 | 2,194,377 | 13,194,377 | 7,913,334 | 0 | 7,913,334 | 2,100,000 | 2,100,000 | 2,100,000 |
| 6201 | Economy II (ECON2) | 349,047 | 48,000 | 349,047 | 397,047 | 48,000 | 0 | 48,000 | 48,000 | 48,000 | 48,000 |
| 6202 | Residential Aid Discount (RAD) | 0 | 51,465 | 0 | 51,465 | 51,465 | 0 | 51,465 | 51,465 | 51,465 | 51,465 |
| 6203 | Residential Essential Services (RES) | 0 | 43,372 | 0 | 43,372 | 43,372 | 0 | 43,372 | 43,372 | 43,372 | 43,372 |
| 6204 | WASA Utility Discount Program (UDP) | 0 | 70,523 | 0 | 70,523 | 70,523 | 0 | 70,523 | 70,523 | 70,523 | 70,523 |
| 6300 | Natural Gas Trust Fund | 160,462 | 740,336 | 160,462 | 900,798 | 740,336 | 0 | 740,336 | 740,336 | 740,336 | 740,336 |
| **Dept. of Child and Family Services (RL0)** | | **0** | **750,000** | **0** | **750,000** | **750,000** | **0** | **750,000** | **750,000** | **750,000** | **750,000** |
| 0601 | Other Revenue: SSI/SSA Reimbursement | 0 | 750,000 | 0 | 750,000 | 750,000 | 0 | 750,000 | 750,000 | 750,000 | 750,000 |
| **Dept. of Mental Health (RM0)** | | **0** | **4,808,120** | **0** | **4,808,120** | **3,808,120** | **0** | **3,808,120** | **3,608,120** | **3,608,120** | **3,608,120** |
| 0610 | Federal Beneficiary Reimbursement | 0 | 2,268,000 | 0 | 2,268,000 | 2,268,000 | 0 | 2,268,000 | 2,268,000 | 2,268,000 | 2,268,000 |
| 0640 | Medicare and Third Party Reimbursement | 0 | 2,540,120 | 0 | 2,540,120 | 1,540,120 | 0 | 1,540,120 | 1,340,120 | 1,340,120 | 1,340,120 |

**Table 4-40 Special Purpose (O- type) Revenue Funds, by Source** (continued)

| | | FY 2005 End of Year Fund Balance | FY 2006 Certified Revenues 2/06 Cert. | FY 2006 Certified Fund Balance Use 2/06 Cert. | FY 2006 Certified Resources 2/06 Cert. | FY 2007 Certified Revenues 2/06 Cert. | FY 2007 Certified Fund Balance Use 2/06 Cert. | FY 2007 Certified Resources 2/06 Cert. | FY 2008 Certified Revenues 2/06 Cert. | FY 2009 Certified Revenues 2/06 Cert. | FY 2010 Certified Revenues 2/06 Cert. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **F. Public Works** | | | | | | | | | | | |
| **Dept. of Transportation (KA0)** | | **0** | **30,431,109** | **0** | **30,431,109** | **35,382,831** | **0** | **35,382,831** | **35,382,831** | **35,382,831** | **35,382,831** |
| 6000 | Special Events | 0 | 84,000 | 0 | 84,000 | 84,000 | 0 | 84,000 | 84,000 | 84,000 | 84,000 |
| 6261 | Reimbursable Street Repairs | 0 | 235,366 | 0 | 235,366 | 235,366 | 0 | 235,366 | 235,366 | 235,366 | 235,366 |
| 6425 | Federal Transit Grant Match | 0 | 72,000 | 0 | 72,000 | 72,000 | 0 | 72,000 | 72,000 | 72,000 | 72,000 |
| 6452 | Child Safety Seat Program | 0 | 21,072 | 0 | 21,072 | 21,072 | 0 | 21,072 | 21,072 | 21,072 | 21,072 |
| 6462 | Restoration of Public Space Program | 0 | 239,094 | 0 | 239,094 | 239,094 | 0 | 239,094 | 239,094 | 239,094 | 239,094 |
| 6551 | Wilson Bridge | 0 | 102,000 | 0 | 102,000 | 102,000 | 0 | 102,000 | 102,000 | 102,000 | 102,000 |
| 6555 | Mall Tunnel Lighting | 0 | 282,552 | 0 | 282,552 | 282,552 | 0 | 282,552 | 282,552 | 282,552 | 282,552 |
| 6634 | Citizen Streetlight & Traffic Control Project | 0 | 55,000 | 0 | 55,000 | 55,000 | 0 | 55,000 | 55,000 | 55,000 | 55,000 |
| 6900 | DDOT Administrative Support Fund | 0 | 29,340,025 | 0 | 29,340,025 | 34,291,747 | 0 | 34,291,747 | 34,291,747 | 34,291,747 | 34,291,747 |
| **Dept. of Public Works (KT0)** | | **3,613,422** | **2,839,775** | **700,000** | **3,539,775** | **3,149,499** | **600,000** | **3,749,499** | **3,749,499** | **3,749,499** | **3,749,499** |
| 6000 | Fleet Services Reimbursements | 0 | 568,775 | 0 | 568,775 | 778,499 | 0 | 778,499 | 778,499 | 778,499 | 778,499 |
| 6010 | Super Cans | 0 | 24,000 | 0 | 24,000 | 24,000 | 0 | 24,000 | 24,000 | 24,000 | 24,000 |
| 6072 | District Recycling Program | 1,561,251 | 1,300,000 | 300,000 | 1,600,000 | 1,300,000 | 300,000 | 1,600,000 | 1,600,000 | 1,600,000 | 1,600,000 |
| 6564 | Lorton Landfill | 0 | 47,000 | 0 | 47,000 | 47,000 | 0 | 47,000 | 47,000 | 47,000 | 47,000 |
| 6591 | Nuisance Abatement (Clean City) | 1,414,236 | 900,000 | 400,000 | 1,300,000 | 1,000,000 | 300,000 | 1,300,000 | 1,300,000 | 1,300,000 | 1,300,000 |
| 6967 | Abandoned Vehicle Program | 637,934 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Dept. of Motor Vehicles (KV0)** | | **8,304,367** | **8,731,423** | **6,589,128** | **15,320,551** | **7,707,423** | **2,565,979** | **10,273,402** | **7,707,423** | **7,707,423** | **7,707,423** |
| 6000 | International Registration Program | 3,225,269 | 1,500,000 | 2,974,000 | 4,474,000 | 1,500,000 | 31,629 | 1,531,629 | 1,500,000 | 1,500,000 | 1,500,000 |
| 6221 | Drivers Education Program | 0 | 599,000 | 0 | 599,000 | 400,000 | 0 | 400,000 | 400,000 | 400,000 | 400,000 |
| 6258 | Motor Vehicle Inspection Fund | 5,079,099 | 6,425,000 | 3,615,128 | 10,040,128 | 5,600,000 | 2,534,350 | 8,134,350 | 5,600,000 | 5,600,000 | 5,600,000 |
| 6785 | Commercial Drivers License Program | 0 | 207,423 | 0 | 207,423 | 207,423 | 0 | 207,423 | 207,423 | 207,423 | 207,423 |
| **Taxi Cab Commission (TC0)** | | **572,688** | **415,000** | **124,590** | **539,590** | **455,000** | **163,428** | **618,428** | **495,000** | **535,000** | **535,000** |
| 2200 | Taxicab Driver Assessment Fund | 572,688 | 415,000 | 124,590 | 539,590 | 455,000 | 163,428 | 618,428 | 495,000 | 535,000 | 535,000 |
| **District-Wide Total** | | **276,913,733** | **347,538,464** | **137,373,713** | **484,912,177** | **372,840,914** | **106,397,351** | **479,238,265** | **373,534,466** | **372,953,806** | **386,828,595** |

Table 4-41
# Legislation that Shall Take Effect Subject to Inclusion of Its Fiscal Effect in an Approved Budget and Financial Plan as Analyzed through the CFO's Fiscal Impact Program

**Legislation that Shall Take Effect Subject to Inclusion of Its Fiscal Effect in an Approved Budget and Financial Plan as Analyzed through the CFO's Fiscal Impact Program**

| | Bill Number | Act Number | DC Act Date (Mayor) | DC Law Date (Congress) | Short Title | FY 2006 | FY 2007 | FY 2008 | FY 2009 | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Bills Passed Subject to Appropriations/Inclusion in Financial Plan*** | | | | | | | | | |
| 1 | B16-046 | A16-0229 | 22-Dec-2005 | TBD | Adult Protective Services Self Neglect Expansion Act of 2005 | $576,018 | $588,507 | $601,124 | $613,009 | **$2,378,658** |
| 2 | B16-103 | A16-0169 | 3-Aug-2005 | 22-Oct-2005 | District of Columbia Homeless Services Reform Act of 2005 | $5,680,000 | $5,662,300 | $5,951,200 | $6,431,100 | **$23,724,600** |
| 3 | B16-420 | A16-0233 | 22-Dec-2005 | TBD | District of Columbia Health Professional Recruitment Program Act of 2005 | NA | NA | NA | NA | **NA** |
| 4 | B16-170 | A16-0230 | 22-Dec-2005 | TBD | Stevie Sallows ICF-MR Quality Improvement Act of 2005 | NA | NA | NA | NA | **NA** |
| 5 | B16-180 | A16-231 | 22-Dec-2005 | 3/8/2006 (projected) | Grandparent Caregivers Pilot Program | $2,000,000 | $0 | $0 | $0 | **$2,000,000** |
| 6 | B16-23 | A16-131 | 14-Jul02005 | 18-Oct-2005 | Summer Youth Employment Act | $6,400,000 | $6,624,000 | $6,855,840 | $7,095,794 | **$26,975,634** |
| 7 | B16-409 | A16-0222 | 22-Dec-2005 | TBD | National Community Reinvestment Coalition Real Property Tax Exemption Act of 2005 | $617,204 | $226,451 | $254,788 | $286,636 | **$1,385,079** |
| 8 | B16-557 | passed on 7-Feb-2006 | TBD | TBD | Fiscal Year 2007 Budget Tax Relief Priorities Act of 2005 | $0 | $33,000,000 | $49,800,000 | $56,900,000 | **$139,700,000** |
| 9 | B16-461 | passed on 7-Feb-2006 | TBD | TBD | Residential Energy Conservation Tax Credit Act of 2005 | $3,670,000 | $3,670,000 | $3,670,000 | $3,670,000 | **$14,680,000** |
| 10 | B15-542 | A16-0243 | 22-Dec-2005 | TBD | New Columbia Community Land Trust 22nd and Channing Streets, N.E. Exemption Act of 2005 | $178,100 | $25,500 | $26,500 | $27,400 | **$257,500** |

* Bills passed after the submission of the FY 2006 Budget to Congress.

**Legislation that Shall Take Effect Subject to Inclusion of Its Fiscal Effect in an Approved Budget and Financial Plan as Analyzed through the CFO's Fiscal Impact Program**

| | Bill Number | Act Number | DC Act Date (Mayor) | DC Law Date (Congress) | Short Title | FY 2006 | FY 2007 | FY 2008 | FY 2009 | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Bills Passed With FY 2007 Fiscal Impact - Not in the FY 2006 Baseline** | | | | | | | | | |
| 1 | B16-0357 | A16-0184 | 10/4/2005 | 10-Dec-2005 | Income Withholding Transfer and Revision Amendment Act of 2005 | $2,000,000 | $2,060,000 | $2,121,800 | $2,185,454 | **$8,367,254** |
| 2 | B16-0129 | A16-0268 | 26-Jan-2006 | TBD | Health Care Benefits Expansion Amendment Act of 2005 | $231,000 | $508,200 | $559,020 | $614,922 | **$1,913,142** |
| 3 | B16-050 | A16-0089 | 26-May-2005 | 22-Jul-2005 | Rental Housing Conversion & Sale Amendment Act of 2005 | $637,000 | $621,000 | $643,000 | $665,000 | **$2,566,000** |

NR = Not Reporting

# Tax Expenditures

The District of Columbia Code requires the Chief Financial Officer to prepare a Tax Expenditure Budget for Fiscal Year 2003 and biennially afterwards. The FY 2007 Tax Expenditure Budget is in the process of being developed for inclusion in the FY 2007 Congressional Budget Submission. For informational purposes, this appendix contains the Fiscal Year 2005 Tax Expenditure Budget. The estimates are not expected to change significantly from FY 2005 to FY 2007.

## Background

Tax expenditures are revenue losses that arise from provisions of the District's tax laws intended to achieve public objectives by reducing the tax liabilities of particular groups of taxpayers, or even individual taxpayers. They are called expenditures because their public purposes also could possibly be achieved by D.C. Government outlays. Tax expenditures take the following forms:

- exclusions of particular kinds of income, property, sales, etc., from taxation;
- exemptions of particular classes of individuals or entities from taxation;
- deductions from income or property valuation;
- deferrals of taxation; and
- credits against tax liabilities.

Determining whether any particular exclusion, deduction, or credit constitutes a tax expenditure is a matter of judgment. There are several possible considerations such as:

- whether the particular provision is a departure from a "normal" tax structure;
- whether the provision reduces taxes for particular types of persons or entities; and
- whether there is a plausible public purpose for the provision.

In this tax expenditure budget, we rely on all of these considerations. Characterizing a provision as a tax expenditure does not indicate the desirability of the provision. That is a matter for the policy makers.

## Findings

The provisions of D.C. tax law identified as tax expenditures for this budget are shown in the table. They are grouped into major categories according to the broad policy objectives of the tax expenditures, and then grouped by the type of tax (income, real property, sales, etc.). Many of the income/franchise tax expenditures arise from federal income tax exclusions, deductions, etc. that are incorporated into D.C. law by general references to Federal law; these are identified by the square "bullet" between the item number and the description. The remaining tax expenditures are explicitly provided for in the D.C. Code.

The table identifies 157 separate tax expenditure items. For some items, separate estimates of the revenue losses could not be made. About half the listed tax expenditure items are reductions in D.C.

income/franchise tax revenue that result from federal preferences that "flow through" to D.C. tax returns. Approximately 80 percent of the sum of all D.C. tax expenditures estimated arises from items that derive from explicit provisions of D.C. law.

## Uses of the Estimates

Tax expenditures potentially support many kinds of analysis. For example, by comparing budget expenditures and tax expenditures we get a more complete picture of public resources devoted to achieving policy goals. The text accompanying the estimates in the 2003 budget volume illustrated such analysis in the areas of housing and education. For some tax expenditures, the policy objective is not apparent. In such cases, we have simply included the expenditures in an "other objectives" category. The discussion in the 2003 volume suggested that the purposes of some tax expenditure items do not fall into ordinary expenditure categories such as housing and education. Such alternative purposes would include, for example: tax simplification, reciprocity between the District and the States, and population policy (making the District an attractive domicile for mobile citizens who could reduce their tax obligations by moving elsewhere).

A special case of tax preferences with obscure objectives is quite prominent in this tax expenditure budget: tax exemptions for the Federal Government and for embassies, chanceries, and the like, of foreign governments. For these tax preferences, it is clearly fruitless to consider possible motivations of the Government of the District of Columbia, since the preferences arise not from actions of that government but from the United States Constitution and federal law elaborated in decisions of the federal courts. It could be argued that, since these preferences do not result from deliberate choice of the District, they should not be considered tax expenditures. This tax expenditure budget nevertheless includes them to facilitate comparison of the magnitudes of these preferences and of other tax expenditures.

Table 4-42
# Preliminary District of Columbia Tax Expenditure Estimates for Fiscal Years 2004-2007 by Objective Category and Type of Tax

| | Tax Expenditure | Estimates in thousands of dollars (rounded to nearest ten thousand) | | | |
|---|---|---|---|---|---|
| | | 2004 | 2005 | 2006 | 2007 |
| **Housing** | | | | | |
| | Income/Franchise Tax | | | | |
| | exclusion of interest on state and local "private activity" bonds issued to support: | | | | |
| 1 ■ | rental housing | 340 | 390 | 410 | 420 |
| 2 ■ | owner-occupied housing mortgage subsidy | 1,090 | 1,200 | 1,280 | 1,340 |
| 3 ■ | veterans' housing | 70 | 70 | 70 | 90 |
| 4 ■ | exclusion of capital gains income on sale of principal residence | 14,660 | 15,100 | 15,560 | 16,020 |
| 5 ■ | accelerated depreciation on rental housing | 600 | -150 | -1,040 | -2,200 |
| 6 ■ | deferral of income from post 1987 installment sales | 780 | 790 | 800 | 820 |
| 7 ■ | itemized deduction for mortgage interest on owner-occupied dwellings | 31,930 | 35,580 | 38,160 | 40,010 |
| 8 ■ | itemized deduction for state and local property tax on owner-occupied dwellings | 11,090 | 9,900 | 8,220 | 7,440 |
| 9 | D.C. credit for rehabilitation of a dwelling in a Historic Preservation District | 1,250 | 1,250 | 1,250 | 1,250 |
| 10 | D.C. credit for certain low income homeowner for increase in real property tax | 1,400 | 1,400 | 1,400 | 1,400 |
| 11 | D.C. credits and deductions for employer-assisted home purchases | 2,240 | 2,240 | 2,240 | 2,240 |
| | Real Property Tax | | | | |
| 12 | homestead exemption | 31,880 | 31,880 | 31,880 | 31,880 |
| 13 | abatement and credits for rehabilitation of single family residential property located in an enterprise zone | 1,110 | 1,110 | 1,110 | 1,110 |
| 14 | 50 percent abatement for properties whose owner engaged in a Housing Assistance Payment Contract | 1,000 | 1,000 | 1,000 | 1,000 |
| 15 | property tax abatements for new residential developments | 1,000 | 1,000 | 1,000 | 1,000 |
| **Education** | | | | | |
| | Income/Franchise Tax | | | | |
| | exclusion of interest on state and local "private activity" bonds issued to support: | | | | |
| 16 ■ | student-loans | 310 | 340 | 360 | 380 |
| 17 ■ | private nonprofit educational facilities | 810 | 900 | 960 | 1,000 |
| | exclusion of: | | | | |
| 18 ■ | interest on savings bonds redeemed to finance educational expenses | 20 | 20 | 20 | 40 |
| 19 ■ | scholarship and fellowship income | 1,060 | 1,120 | 1,170 | 1,180 |
| 20 ■ | employer-provided educational assistance | 440 | 470 | 490 | 520 |
| | deferral for contributions to: | | | | |
| 21 ■ | state prepaid tuition plans | 270 | 570 | 770 | 910 |
| 22 ■ | education Individual Retirement Accounts | 200 | 250 | 340 | 430 |
| 23 ■ | deduction for student-loan interest | 1,420 | 1,450 | 1,490 | 1,530 |
| 24 ■ | parental personal exemption for students age 19 or over | 2,030 | 1,650 | 1,300 | 1,140 |
| 25 ■ | itemized deduction for charitable contributions to educational entities | 4,310 | 4,660 | 5,110 | 5,400 |
| 26 | D.C. 529 college saving program | 550 | 620 | 620 | 620 |

Table 4-42, continued

| | Estimates in thousands of dollars (rounded to nearest ten thousand) | | | | |
|---|---|---|---|---|---|
| | Tax Expenditure | 2004 | 2005 | 2006 | 2007 |
| | Real Property Tax | | | | |
| 27 | exemptions for property of educational institutions | 39,820 | 42,410 | 45,170 | 48,100 |
| | Deed Recordation and Transfer Taxes | | | | |
| 28 | for property purchased by educational institutions | 490 | 490 | 490 | 490 |
| **Health and Healthcare** | | | | | |
| | Income/Franchise Tax | | | | |
| 29 | exclusion of interest on state and local "private activity" bonds issued to support hospital construction | 3,420 | 3,710 | 4,080 | 4,320 |
| 30 | exclusion of employer contributions for medical insurance premiums and medical care | 118,750 | 125,720 | 134,570 | 144,450 |
| 31 | deduction for medical insurance premiums of self-employed | 2,510 | 2,540 | 2,750 | 2,930 |
| 32 | deduction for contributions to medical Savings Accounts | 7,660 | 8,790 | 9,440 | 10,210 |
| 33 | itemized deduction for charitable contributions to health related entities | 110 | 120 | 120 | 130 |
| 34 | itemized decuction for medical expenses | 3,160 | 3,470 | 3,710 | 3,910 |
| | Insurance Premium Tax | | | | |
| 35 | exemption for health insurance companies that provide subsidized open enrollment coverage | 4,570 | 5,840 | 7,480 | 9,580 |
| | Real Property Tax | | | | |
| 36 | exemption for hospitals | 11,830 | 12,520 | 13,240 | 14,010 |
| **Economic Development** | | | | | |
| | Income/Franchise Tax | | | | |
| | exclusion of interest on state and local "private activity" bonds issued to support: | | | | |
| 37 | energy facilities | 110 | 120 | 120 | 130 |
| 38 | airport, dock, and similar facilities | 800 | 870 | 940 | 990 |
| 39 | small manufacturing facilities | 300 | 330 | 340 | 360 |
| 40 | expensing of certain small investments | 1,240 | 1,210 | 1,320 | 1,530 |
| 41 | accelerated depreciation of buildings other than rental housing | -2,460 | -3,130 | -3,630 | -5,290 |
| 42 | accelerated depreciation of machinery and equipment | 29,090 | 29,570 | 30,380 | 32,260 |
| 43 | amortization of start-up costs | 90 | 100 | 120 | 120 |
| 44 | deduction of loss from sale of small business corporation stock | 50 | 50 | 50 | 50 |
| 45 | exception from passive loss rules for $25,000 of rental real estate loss | 4,380 | 4,210 | 4,040 | 3,860 |
| 46 | excess bad debt reserves of financial institutions | 20 | 20 | 20 | 10 |
| 47 | incentives for businesses in empowerment zones, enterprise communities, and renewal communities | 980 | 1,010 | 1,100 | 1,200 |
| 48 | D.C.economic development zone credits | 220 | 230 | 240 | 240 |
| | Real Property Tax | | | | |
| 49 | exemption for properties owned by D,C, Redevelopment Authority | 7,840 | 7,850 | 7,860 | 7,880 |
| 50 | deferral of tax for the Bureau of National Affairs | 1,220 | 1,340 | 1,470 | 1,620 |
| 51 | exemption for properties oof the Washington Metropolitan Transportatiion uthority | 9,140 | 9,270 | 9,410 | 9,540 |

Table 4-42, continued

| | | Estimates in thousands of dollars (rounded to nearest ten thousand) | | | |
|---|---|---|---|---|---|
| | Tax Expenditure | 2004 | 2005 | 2006 | 2007 |
| | Sales Tax (included in Sales Tax under other purposes) | | | | |
| 52 | exclusion of energy products used in manufacturing | | | | |
| 53 | exclusion of materials used in war memorials | | | | |
| 54 | exclusion of materials used in supermarkets | | | | |
| 55 | Various Taxes | | | | |
| 56 | incentives for qualified high technology companies | 2,300 | 1,600 | 900 | 900 |
| 57 | construction period deferral s for Mandarin Hotel development | 1,000 | 0 | 0 | 0 |
| 58 | construction period exemptions for Gallery Place evelopment | 3,000 | 0 | 0 | 0 |
| **Income Security and Social Services** | | | | | |
| | Income/Franchise Tax | | | | |
| | exclusion of: | | | | |
| 59 | ▪ interest on life insurance savings | 14,160 | 15,280 | 16,580 | 17,990 |
| 60 | ▪ certain foster care payments | 360 | 370 | 380 | 390 |
| 61 | ▪ workers' compensation benefits | 7,190 | 7,620 | 8,090 | 8,580 |
| 62 | ▪ special benefits for disabled coal miners | 50 | 40 | 40 | 40 |
| 63 | ▪ public assistance benefits | 340 | 360 | 380 | 390 |
| 64 | ▪ railroad retirement system benefits | 710 | 710 | 710 | 710 |
| 65 | ▪ Social Security benefits for retired workers | 34,760 | 33,740 | 34,320 | 36,130 |
| 66 | ▪ Social Security benefits for disabled | 6,330 | 6,590 | 6,800 | 7,230 |
| 67 | ▪ Social Security benefits for dependents and survivors | 7,760 | 7,640 | 7,370 | 7,420 |
| 68 | ▪ veterans pensions | 80 | 80 | 90 | 90 |
| 69 | ▪ GI Bill education benefits | 100 | 110 | 110 | 130 |
| 70 | ▪ assistance for adopted foster children | 240 | 280 | 320 | 360 |
| 71 | ▪ military disability pensions | 190 | 190 | 190 | 190 |
| 72 | ▪ income of trusts to finance supplementary unemployment benefits | 30 | 30 | 30 | 30 |
| 73 | ▪ veterans death benefits and disability compensation | 2,730 | 2,950 | 3,220 | 3,420 |
| 74 | ▪ employer contributions for premiums on group term life insurance | 1,380 | 1,400 | 1,420 | 1,450 |
| 75 | ▪ employer contributions for premiums on accident and disability insurance | 270 | 280 | 290 | 300 |
| 76 | ▪ workers' compensation insurance premiums | -160 | -630 | -1,070 | -1,540 |
| 77 | ▪ employer provided child care | 690 | 860 | 970 | 1,020 |
| 78 | ▪ employer sponsored adoption assistance | 380 | 420 | 450 | 470 |
| 79 | ▪ employer contributions to Employer pension plans | 66,070 | 68,700 | 73,820 | 69,710 |
| 80 | ▪ contributions to Keogh plans | 5,490 | 5,830 | 6,210 | 6,630 |
| 81 | ▪ employee contributions to Individual Retirement Accounts | 10,650 | 10,800 | 11,080 | 10,830 |
| 82 | ▪ itemized deduction for casualty losses | 820 | 800 | 810 | 760 |
| 83 | D.C. exclusion of up to $3000 of federal and D.C. pensiion income | 8,710 | 8,710 | 8,710 | 8,710 |
| 84 | D.C. child and dependent care credit (32 percent of federal credit) | 2,260 | 2,060 | 1,690 | 1,550 |
| 85 | D.C. earned income credit (25 percent of federal credit) * | 21,460 | 21,860 | 22,310 | 22,250 |
| 87 | D.C. exclusion of Social Security income included on Federal return | 8,800 | 9,050 | 9,310 | 9,580 |
| 88 | D.C. additional exemption for blind | 20 | 20 | 20 | 20 |
| 89 | D.C. additional exemption for elderly | 2,500 | 2,500 | 2,500 | 2,500 |
| 90 | D.C. low-income credit | 2,400 | 2,400 | 2,400 | 2,400 |
| 91 | D.C. credit for property tax * | 2,500 | 2,500 | 2,500 | 2,500 |

Table 4-42, continued

| | | Estimates in thousands of dollars (rounded to nearest ten thousand) | | | |
|---|---|---|---|---|---|
| | Tax Expenditure | 2004 | 2005 | 2006 | 2007 |
| | Real Property Tax | | | | |
| 92 | low income exemption | 9,670 | 9,670 | 9,670 | 9,670 |
| 93 | senior citizen exemption | 24,590 | 27,290 | 30,160 | 32,780 |
| 94 | 12 percent limit on annual real property tax increase | 85,000 | 85,000 | 80,000 | 75,000 |
| 95 | exemption for properties of charitable organizations | 10,980 | 11,490 | 12,020 | 12,580 |
| | Sales Tax (estimates included under other objectives) | | | | |
| 96 | groceries | | | | |
| 97 | medicines, drugs, medical devices | | | | |
| 98 | sales by 501(c)(4) organizations | | | | |
| 99 | sale of food at cost by non-profit organizations | | | | |
| 100 | sale of food and beverages by senior centers to residents | | | | |
| 101 | sale of food purchased with food stamps | | | | |
| | Deed Recordation and Transfer Taxes | | | | |
| 102 | exemption of property puchased by a qualifying lower income household | 2,000 | 2,000 | 2,000 | 2,000 |
| 103 | exemption of property puchased by charitable entities | 190 | 190 | 190 | 190 |
| **Cultural Enrichment** | | | | | |
| | Income/Franchise Tax | | | | |
| 104 | ■ exclusion of parsonage allowances | 310 | 330 | 350 | 370 |
| 105 | ■ deduction for charitable contributions, other than education and health | 36,560 | 39,660 | 43,540 | 46,160 |
| | Real Property Tax | | | | |
| 106 | exemption for libraries | 260 | 280 | 300 | 320 |
| 107 | exemption for churches, synagogues, and mosques | 31,820 | 32,800 | 33,820 | 34,870 |
| 108 | exemption for cemeteries | 3,380 | 3,490 | 3,590 | 3,710 |
| | Deed Recordation and Transfer Taxes | | | | |
| 109 | exemption for property purchased by churches synagogues, and mosques | 100 | 100 | 100 | 100 |
| **Public Safety** | | | | | |
| | Income/Franchise Tax | | | | |
| 110 | D.C. police officer first-time homebuyer income tax credit | 220 | 220 | 220 | 220 |
| | Real Property Tax | | | | |
| 111 | D.C. five-year police officer first-time homebuyer credit | 10 | 10 | 10 | 10 |
| **Environmental Protection** | | | | | |
| | Income/Franchise Tax | | | | |
| 112 | ■ exclusion of interest on state and local "private activity" bonds issued to support water, sewage, and hazardous waste facilities | 540 | 590 | 630 | 630 |
| 113 | ■ exclusion of conservation subsidies provided by public utilities | 70 | 70 | 70 | 70 |
| 114 | ■ expensing of environmental remediation costs | 20 | -10 | -10 | -10 |
| 115 | ■ deduction for part of cost of clean-fuel burning vehicles | 20 | 0 | -10 | -20 |
| | Real Property Tax | | | | |
| 116 | condominium trash credit | 1,790 | 1,830 | 1,870 | 1,920 |
| **Other Objectives** | | | | | |
| | Income/Franchise Tax | | | | |
| | exclusion of : | | | | |
| 117 | ■ interest on public purpose State and local bonds | 8,170 | 8,260 | 8,210 | 8,020 |
| 118 | ■ benefits, allowances, and certain pay to armed forces personnel | 2,490 | 2,510 | 2,550 | 2,570 |
| 119 | ■ income earned abroad by U.S. citizens | 2,380 | 2,440 | 2,500 | 2,610 |
| 120 | ■ certain allowances for Federal employees abroad | 31,000 | 32,550 | 34,100 | 35,650 |
| 122 | ■ step-up basis of capital gains at death | 22,550 | 25,270 | 28,040 | 30,810 |
| 123 | ■ employer paid meals and lodging (other than military) | 900 | 950 | 990 | 1,030 |

Table 4-42, continued

| | | Estimates in thousands of dollars (rounded to nearest ten thousand) | | | |
|---|---|---|---|---|---|
| | Tax Expenditure | 2004 | 2005 | 2006 | 2007 |
| 124 | ■ extraterritorial income | 4,150 | 4,440 | 4,740 | 5,070 |
| 125 | ■ cancellation of indebtedness | 30 | 30 | 30 | 40 |
| 127 | ■ reimbursed employee parking expenses | 2,490 | 2,630 | 2,770 | 2,900 |
| 128 | ■ employer-provided transit passes | 420 | 500 | 580 | 660 |
| 129 | ■ inventory property sales source rules exception | 1,220 | 1,280 | 1,350 | 1,420 |
| 130 | ■ credit union income | 1,030 | 1,080 | 1,130 | 1,180 |
| | expensing of: | | | | |
| 131 | ■ research and experimentation expenditures | -1,780 | 3,410 | 6,280 | 5,390 |
| 132 | ■ exploration and development costs, fuels | 200 | 120 | 60 | 50 |
| 133 | ■ multiperiod timber growing costs | 180 | 190 | 190 | 200 |
| 134 | ■ exploration and development costs, nonfuel minerals | 10 | 10 | 10 | 10 |
| 136 | ■ certain agricultural capital outlays | 10 | 10 | 10 | 10 |
| | deferral of tax on | | | | |
| 137 | ■ interest on U.S. savings bonds | 30 | 30 | 30 | 30 |
| 138 | ■ income from controlled foreign corporations | 5,960 | 6,330 | 6,730 | 7,200 |
| 139 | ■ capital construction funds of shipping companies | 20 | 20 | 20 | 20 |
| 140 | ■ gain on sale of farm refiners | 0 | 0 | 0 | 0 |
| 141 | ■ percentage depletion, fuels | 440 | 410 | 420 | 430 |
| 142 | ■ depletion, nonfuel minerals | 180 | 190 | 190 | 200 |
| 143 | ■ itemized deduction for state and local taxes paid, other than real estate and income taxes | 1,300 | 1,210 | 1,030 | 940 |
| 144 | ■ exception from passive loss rules for working interest in oil and gas wells | 10 | 10 | 10 | 10 |
| 145 | D.C. exclusion of interest on U.S obligations or securities | 4,000 | 4,000 | 4,000 | 4,000 |
| | Real Property Tax | | | | |
| 146 | exemption for embassies,chanceries, and associated properties of foreign governments | 34,580 | 36,880 | 39,340 | 41,960 |
| 147 | proerties exempt by act of Congress; or multi-purpose exemptions | 67,400 | 76,230 | 86,220 | 97,510 |
| 148 | exemption for property of the Federal Government | 494,340 | 501,520 | 508,820 | 516,210 |
| | Sales Tax | | | | |
| | exemption of sales: | 839,330 | 871,230 | 905,870 | 905,870 |
| 149 | to the Federal Governement | | | | |
| 150 | to state and local governments | | | | |
| 151 | to semi-public institutions | | | | |
| 152 | to public utility companies | | | | |
| 153 | other exemptions | | | | |
| 154 | exemption of sales of professional and personal services | 220,620 | 229,790 | 239,950 | 239,950 |
| | Deed Recordation and Transfer Taxes | | | | |
| | exemption of transfers: | | | | |
| 155 | of properties purchased by foreign governments for embassies and related uses | 160 | 160 | 160 | 120 |
| 156 | of properties puchased by entities established by acts of Congress | 290 | 290 | 290 | 210 |
| 157 | of properties puchased by miscellaneous exempt entities | 60 | 60 | 60 | 40 |

■ Items that "flow through" to the D.C. income tax rules from federal income tax rules.
* Figures include estimated outlays for refundable part of the credit.

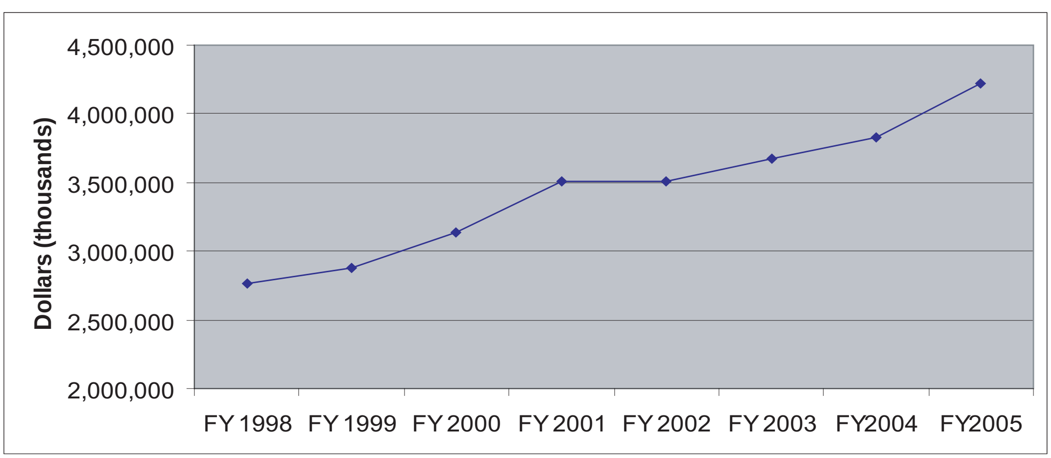
# Operating Expenditures

## In FY 2005, the District's Local fund expenditures increased by 10.3 percent. After a slight decrease in FY 2002, expenditures resumed growth and averaged 6.2 percent annually in recent years (Figure 5-1).

The $394 million increase in FY 2005 was a result of, among other factors, an increase in public safety spending, including an increase in the police and fire retirement contribution, an increase in public education spending, including an increase in the teachers' retirement contribution, and an increase in health and human services spending.

During the past 6 years, annual local expenditure growth has averaged 6.2 percent Districtwide. After a decrease in Local funds expenditures in FY 2004, Health and Human Services has again become one of the fastest-growing appropriation titles, averaging growth of 7.2 percent during the past 7 years. Public Education has continued to increase for the second year in a row, averaging 9.1 percent growth annually.

Figure 5-1
**Local Fund Expenditures, FY 1998 - FY 2005**



Public Safety and Justice expenditures grew at 5.9 percent, which, for the first time in 3 years, is a rate lower than District expenditures as a whole.

This chapter examines operating expenditures by the District and analyzes where expenditure growth pressures are likely to slow, continue, or expand to. Specifically, the chapter:

- Examines the growth in expenditures from FY 1998 to 2005 by area of spending (agency and function);
- Examines the growth by such categories as personnel, contractual services, and subsidies and transfers; and
- Discusses projections of expenditure growth from FY 2008 to 2010, starting from the FY 2007 proposed budget.

This chapter focuses primarily on the District's Local funds expenditures. A change in how certain expenditures were classified beginning in FY 2002 introduced a discontinuity in the Local funds expenditure data. Federal payments[1], which had been classified as local funds in prior years despite their federal source, were moved into the new Federal and Private Resources category for FY 2002. Thus, expenditures from Federal Payments are included in Local funds expenditures through FY 2001 but not in FY 2002 through FY 2005. Because expenditures from Federal Payments were not separately classified before FY 2002, they cannot be differentiated from prior year data to provide a consistent time series. For more details, see the Operating Expenditures chapter of the FY 2003 Proposed Budget and Financial Plan.

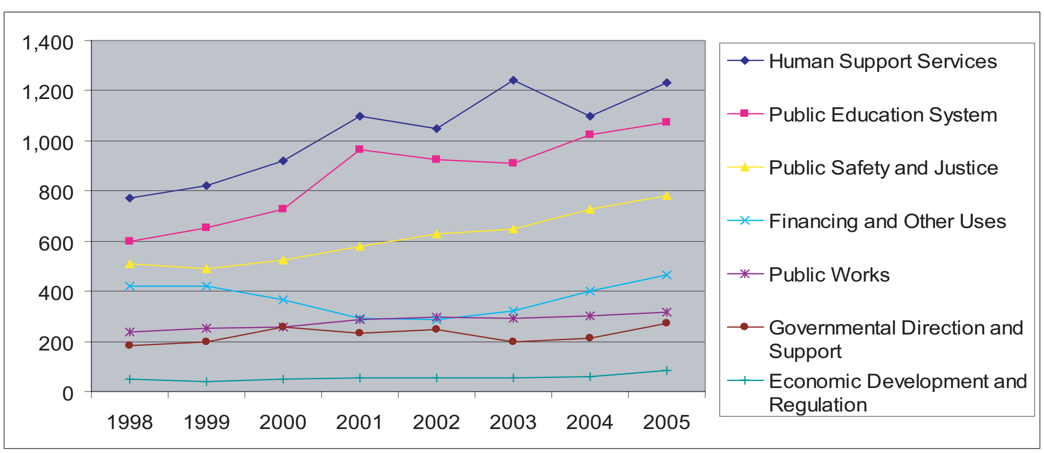
This chapter does not discuss capital expenditures, which are described in the Capital Appendices volume. Furthermore, it does not include agencies whose operations are captured in other funds, such as proprietary funds and component units of the District. For more information on these, see the fund structure discussion in the Financial Plan chapter of this volume.

## Expenditure Growth by Agency and Function, FY 1998 to FY 2005

As detailed in the Operating Expenditures chapter of the FY 2003 Proposed Budget and Financial Plan, the Revitalization Act[2] created a break in expenditure patterns between FY 1997 and 1998. For this reason, this chapter reviews-

Figure 5-2

**Local Fund Expenditures by Appropriation Title, FY 1998 - FY 2005**




[1] Federal Payments are provided directly by the District's Appropriation Act to District agencies for specified purposes. They are different from federal grants, which include entitlements and formula-based and competitive grants the District receives.

[2] Title IX, National Capital Revitalization and Self-Government Improvement Act of 1997, of the Balanced Budget Act of 1997 (P.L. 105-33).

expenditures from 1998 onward. Tables 5A-2 and 5A-3, in appendix I to this chapter, provide additional detail on local and gross expenditures in the largest District agencies from FY 1998 through 2005.

### Human Support Services

Local funds expenditures for 4 major agencies in the Human Support Services appropriation title have grown at an annual average of 7.2 percent since FY 1998, after experiencing a slight decrease in FY 2004. Expenditures in the title have been driven heavily in recent years by Medicaid payments. In FY 2003 the District incurred a $99 million Medicaid recievables write-off. To avoid recurrence, a Medicaid Reserve fund of approximately $44 million was created in FY 2004. In FY 2005, agency budgets were adjusted to reflect the necessary dollars to account for Medicaid.

Some of the major trends in this appropriation title are:

- **Department of Human Services (DHS).** DHS operates a number of federal entitlement programs, such as Temporary Assistance for Needy Families and homeless programs. Its Local funds expenditures have risen 6.1 percent annually between FY 1999 and 2005, and its gross funds expenditures, including the federal funds it administers, have increased by 5.5 percent annually. Data prior to FY 1999 are not comparable, because in earlier years DHS also performed functions now performed by the Child and Family Services Agency (CFSA) and the Department of Mental Health (DMH).
- **Department of Health (DOH).** In FY 2002 and FY 2003, DOH paid most of the expenses formerly incurred by the Public Benefit Corporation (PBC). The PBC had been established in 1996 to operate D.C. General Hospital and associated health care clinics in the District. In FY 2002, DOH established the Health Care Safety Net to assume prior PBC functions through a contract with Greater Southeast Community Hospital. Expenditures for the contract were highest in FY 2003 at approximately $101 million, and decreased to $74 million in FY 2004 while rising to $84 million in FY 2005. When compared to PBC expenditures of more than $135 million in FY 2000 and 2001, the Health Care Safety Net shows a decrease in the cost of providing these services.
- **Child and Family Services Agency and Department of Mental Health.** The functions performed by these agencies were removed from DHS and placed into receivership by court order in 1999, and both returned to District control in FY 2002. FY 2001 DMH and FY 2002 CFSA expenditures were unusually high due to the write off of several years of uncollectible Medicaid receivables. In FY 2003, DMH incurred another write off for uncollectible Medicaid receivables of $99 million. In FY 2004, the Medicaid Reserve fund was created to budget separately for these receivables.

### Public Education System

Local funds expenditures by the District of Columbia Public Schools (DCPS) are higher than for any other District agency. The public education system has experienced one of the highest growth rates in the District, averaging 9.1 percent annually for the past 7 years. DCPS employs about a third of all District employees, and its expenditures are driven heavily by personnel costs. Public Charter Schools (PCS) expenditures increased in FY 2005, mostly because of increased enrollments. Both agencies are budgeted using a formula that accounts for inflation and for student enrollment growth or decline.

- **District of Columbia Public Schools.** Expenditures at DCPS have increased at approximately 6 percent annually since FY 1998. Enrollment decreased during the 2005 school year, but the funding formula was increased to adjust for inflation. As a result, expenditures per enrolled student increased.
- **Public Charter Schools.** FY 2005 expenditures increased at PCS relative to FY 2004. Enrollments continue to increase, after experiencing remarkable growth the preceding 3 years, and 7 new charter schools are expected to open in FY 2007.

- **University of the District of Columbia (UDC).** Expenditures at UDC continue to increase slightly, after experiencing an approximately $6 million decrease in FY 2004.
- **Teachers' Retirement System.** Under the 1997 Revitalization Act the Federal Government assumed the District's pre-June 1997 unfunded pension liability. Consequently, an actuarial study as certified by the D.C. Retirement Board indicated no District contribution to the Teachers' Retirement System was required from FY 2002 - 2004. Subsequently, as certified by DCRB, the FY 2005 contribution was approximately $9 million, and the contribution is budgeted at $15.5 million in FY 2006 and $14.6 million in FY 2007. The FY 2007 decrease is an effect of the expiration of the Teachers' Collective Bargaining agreement. When the new agreement is ratified the contribution will adjust the following year to reflect salary adjustments

Table 5-1 shows enrollment and expenditure trends for DCPS and PCS. Enrollment in the 2 systems combined has been increasing for the past two years. Per-student spending increased rapidly between 1997 and 2001 and after 2 years of a slight decline, expenditures have continued to increase.

DCPS and PCS expenditures showed a one-time increase in FY 2001 because of a change in the way they received their funding. In most cases, the District's expenditures in a fiscal year are from funds appropriated for that year. However, beginning in FY 2001, DCPS and PCS were given authority to spend a portion of their upcoming appropriation--10 percent and 25 percent, respectively--during the fourth quarter of their current fiscal year. This authority was granted so the school systems could better match their expenditures to the school calendar. For example, in the fourth quarter of FY 2001 (July, August, and September 2001), DCPS had appropriation authority to spend up to 10 percent of its pending FY 2002 appropriation, or about $71 million, in addition to completing its spending of its 2001 appropriation. The 2 systems similarly had authority to spend against their pending FY 2003 appropriations at the end of FY 2002. Along with DCPS and PCS, UDC was granted this authority in FY 2003.

Table 5-1
### Enrollments and Expenditures in Two Schools Systems (Local Funds Only)

| | DC Public Schools | | Public Charter Schools | | Combined Systems | | |
|---|---|---|---|---|---|---|---|
| | Enrollment | Expenditures (dollars in thousands) | Enrollment | Expenditures (dollars in thousands) | Enrollment | Expenditures (dollars in thousands) | Expenditure per enrolled student* |
| 1996 | 79,802 | 498,067 | - | - | 79,802 | 498,067 | 6,241 |
| 1997 | 78,648 | 481,547 | - | - | 78,648 | 481,547 | 6,123 |
| 1998 | 77,111 | 520,097 | - | 3,195 | 77,111 | 523,292 | 6,786 |
| 1999 | 71,889 | 550,812 | 3,594 | 11,113 | 75,483 | 561,925 | 7,444 |
| 2000 | 70,677 | 604,098 | 6,980 | 46,480 | 77,657 | 650,578 | 8,378 |
| 2001 | 68,978 | 737,128 | 9,555 | 136,876 | 78,533 | 874,004 | 11,129 |
| 2002 | 68,015 | 740,706 | 10,651 | 97,625 | 78,666 | 838,331 | 10,657 |
| 2003 | 67,004 | 711,890 | 12,239 | 114,283 | 79,234 | 826,173 | 10,427 |
| 2004 | 61,653 | 769,385 | 13,575 | 161,969 | 75,228 | 931,354 | 12,380 |
| 2005 | 61,137 | 781,377 | 15,163 | 188,324 | 76,300 | 969,701 | 12,709 |

Note: *per enrolled student (whole dollars, not thousands)

Table 5-2:
## Expenditures by Appropriation Year and Fiscal Year, Two School Systems and University (Local Funds Only)

(Dollars in thousands)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|
| **D.C. Public Schools** | | | | | | |
| Expenditures, current AY and FY | 604,098 | 727,360 | 739,179 | 711,890 | 762,723 | 776,578 |
| PLUS: AY expenditures in prior FY | | | +9,768 | +1,527 | | 6,662 |
| EQUALS: Total AY expenditures | 604,098 | 727,360 | 748,947 | 713,417 | 762,723 | 783,240 |
| LESS: AY expenditures in prior FY | | | -9,768 | -1,527 | | -6,662 |
| PLUS: FY expenditures from following AY | | +9,768 | +1,527 | 0 | 6,662 | 4,799 |
| EQUALS: Total FY expenditures (as shown in CAFR and table 5-1 above) | 604,098 | 737,128 | 740,706 | 711,890 | 769,385 | 781,377 |
| **Public Charter Schools** | | | | | | |
| Expenditures, current AY and FY | 46,480 | 104,992 | 67,213 | 79,884 | 115,513 | 129,905 |
| PLUS: AY expenditures in prior FY | | | +31,884 | +30,412 | +34,399 | 46,465 |
| EQUALS: Total AY expenditures | 46,480 | 104,992 | 99,097 | 110,296 | 149,912 | 176,361 |
| LESS: AY expenditures in prior FY | | | -31,884 | -30,412 | -34,399 | -46,456 |
| PLUS: FY expenditures from following AY | | +31,884 | +30,412 | +34,399 | +46,456 | 58,419 |
| EQUALS: Total FY expenditures (as shown in CAFR and table 5-1 above) | 46,480 | 136,876 | 97,625 | 114,283 | 161,969 | 188,324 |
| **University of the District of Columbia** | | | | | | |
| Expenditures, current AY and FY | 40,491 | 46,933 | 56,068 | 49,978 | 50,781 | 51,581 |
| PLUS: AY expenditures in prior FY | | 0 | 0 | 0 | +566 | 80 |
| EQUALS: Total AY expenditures | 40,491 | 46,933 | 56,068 | 49,978 | 51,347 | 51,661 |
| LESS: AY expenditures in prior FY | 0 | 0 | 0 | 0- | +566 | -80 |
| PLUS: FY expenditures from following AY | 0 | 0 | 0 | +566 | +80 | |
| EQUALS: Total FY expenditures | 40,491 | 46,933 | 56,068 | 50,544 | 50,861 | 51,581 |

Until FY 2004, the District's Comprehensive Annual Financial Report (CAFR) for a given fiscal year includes funds spent in that fiscal year, regardless of the appropriation year. Thus, until this year, the CAFR includes funds each school system spent during the fiscal year. This is the sum of:

- Appropriation year (AY) 2005 expenditures,
- Less AY 2005 funds spent during FY 2004,
- Plus AY 2006 funds spent in FY 2005.

Table 5-2 provides a crosswalk between the AY and FY expenditures for the 2 systems, which allows for comparison for years prior to FY 2004. The FY data are used throughout this chapter, although the AY data reflect more comparable data over time

### Public Safety and Justice

Expenditures in the public safety area experienced an increase in growth rate in FY 2005. The 2 largest agencies in this appropriations title--the Metropolitan Police Department (MPD) and the Fire and Emergency Medical Services Department (FEMS)--have shown steady growth, while the Police and Fire Retirement System has become a major cost driver for the District.

- **Metropolitan Police Department and Fire and Emergency Medical Services Department.** Expenditures at MPD have increased steadily, averaging 5.4 percent per year since 1998. This growth rate can be attributed to the elevation of public safety as a District-wide priority. New crime-fighting initiatives and the impact from federal warning levels from enhanced Homeland Security contributed to the increased expenditures. The agency also experienced increased personal services costs. Growth has been increasing at FEMS, averaging 4.6 percent since 1998.

- **Police and Fire Retirement System.** The District's contributions to the system have increased in recent years and will continue to increase in 2007. Under the 1997 Revitalization Act, the Federal Government assumed the District's pre-June 1997 unfunded pension liability. In subsequent years as salaries have increased, adjustments were legislated for pension benefits, and the size of the FEMS and MPD workforce have increased, the pension contribution has increased significantly.
- **Department of Corrections.** Under the 1997 Revitalization Act the Federal Bureau of Prisons assumed responsibility for the District's felonious population and the District prison in Lorton, Virginia was closed, reducing Department of Corrections (DOC) expenditures. Also, prior to FY 2002, the Medical Unit of DOC was under a court ordered receivership, with separately budgeted costs.

Since FY 2002, DOC costs have increased as the receivership ended and DOC reabsorbed medical costs, the population increased, and certain staffing changes were made to end a long standing court order that capped the jail's population.

## Financing and Other

Agencies in the Financing and Other appropriation title include various debt service functions as well as the District's reserve funds. After experiencing a decrease in expenditures, the appropriation title has resumed steady growth.

- **Debt Service.** The primary debt service function is Repayment of Loans and Interest, in which expenditures have decreased at an average annual rate of 0.2 percent since FY 1998. The low expenditure level in FY 2001 was maintained in FY 2002, but has to increase since FY 2003. The District has been able to take advantage of lower interest rates in recent years to refinance some of its debt. However, expenditures are projected to increase.
- **Budgeted Reserve.** Beginning in FY 2000, the District was required to budget for a $150 million reserve fund. The District could allocate the funds thus budgeted under certain conditions after congressional notification; expenditures from these allocations are then reflected in the agencies that receive them. The District allocated $26.6 million of the FY 2000 Reserve, and in FY 2001 it allocated $104.5 million of that year's reserve on Public Benefit Corporation costs. The District allocated almost the entire $150 million of Reserve and Reserve Relief in FY 2002, with $90 million of that going to DCPS. In FY 2003, the Reserve was budgeted at $70 million and was again nearly fully allocated. In FY 2004, a new Cash Reserve of $50 million replaced the Budgeted Reserve. Expenditures in the Financing and Other title do not reflect the Budgeted Reserve; instead, those expenditures are reflected in the agencies that receive budget allocations and spend against them.
- **Emergency and Contingency (Cash) Reserve Funds.** In FY 2001, Congress required the District to establish 2 cash reserve funds, to be filled at the rate of one percent of projected local fund expenditures per year until they reached 7 percent by FY 2007. In FY 2002, the District fully funded the 2 cash reserves at their combined seven percent target, or $248.7 million. In FYs 2003 and 2004, the cash reserve target of 7 percent was maintained, with $253.4 million in the combined funds at the end of FY 2005. The reserve requirement was changed for FY 2005; for more details, see the Financial Plan chapter of the FY 2006 Proposed Budget and Financial Plan.

## Other Appropriations Titles

Expenditures in other appropriations titles are as follows.

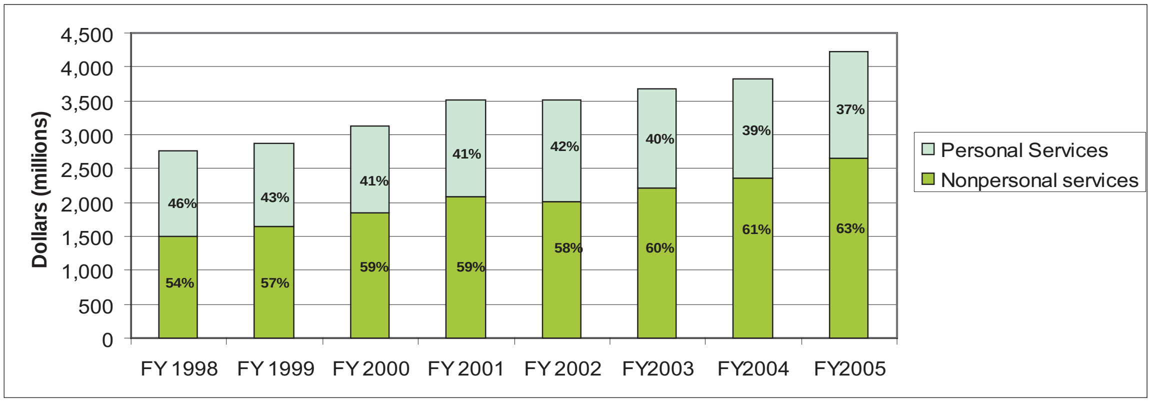
- **Governmental Direction and Support.** This appropriation title funds agencies that manage overall government operations, including the Office of the Mayor, the Council of the District of Columbia, and the Offices of Personnel, Office of the Attorney General, and the Chief Financial Officer. Expenditures in this appropriation title have shown an increase in growth at 7.6 percent annually since 1999. In FY 2005, expenditures for both the Office of the Chief Financial Officer and the Office of the Chief Technology Officer increased significantly due to the conversion of capital projects to the operating budget.

- **Economic Development and Regulation.** This is the smallest of the appropriations titles, but expenditures showed a marked increase from FY 2004 to FY 2005, mainly due to increases at the Department of Housing and Community Development (DHCD) and the Department of Employment Services (DOES). DHCD's increased expenditures were driven by a supplement to the Housing Voucher Program, as well as a payment to the U.S. Department of Housing and Community Development for disallowance costs. DOES received additional funding for the Mayor's Summer Youth Program, as well as the Youth Opportunity Grant.
- **Public Works.** The Public Works appropriation title is dominated by 2 agencies: the Department of Public Works (DPW) and subsidies to the Washington Metropolitan Area Transit Authority (WMATA). Expenditures on the functions provided by DPW decreased slightly in FY 2005. The Department of Transportation was split out from DPW in FY 2003, but the 2 agencies' combined expenditures in FY 2005 were lower than were DPW's expenditures in FY 2002. Subsidies to WMATA, on the other hand, have risen by an annual average of 4 percent over 7 years.

Table 5-3
## Federal Grant Expenditures, FY 2001 - FY 2005
(Dollars in thousands)

| | 2001 | 2002 | 2003 | 2004 | 2005 | Annual Growth Rate 2001-2004 |
|---|---|---|---|---|---|---|
| Department of Health | 744,491 | 780,370 | 846,423 | 1,063,370 | 1,052,137 | 9.0% |
| Department of Human Services | 193,024 | 219,898 | 189,421 | 188,315 | 187,593 | -0.7% |
| DC Public Schools | 82,498 | 107,175 | 115,039 | 117,638 | 116,983 | 9.1% |
| Child and Family Services | 79,757 | 51,069 | 65,595 | 44,190 | 33,462 | -19.5% |
| Department of Employment Services | 33,737 | 47,679 | 44,274 | 42,627 | 34,259 | 0.4% |
| Department of Housing and Community Development | 45,751 | 57,903 | 42,520 | 41,412 | 56,159 | 5.3% |
| Department of Mental Health | 46,506 | 32,066 | 38,882 | 5,993 | 2,874 | -50.1% |
| **Subtotal, selected agencies** | **1,225,764** | **1,296,160** | **1,342,152** | **1,503,545** | **1,483,468** | **4.9%** |
| All other agencies | 92,692 | 86,678 | 112,856 | 110,945 | 155,240 | 13.8% |
| **Total - District of Columbia** | **1,318,456** | **1,382,838** | **1,455,010** | **1,614,490** | **1,638,708** | **5.6%** |

Figure 5-3
## Personal Services and Nonpersonal Services Expenditures, FY 1998 – FY 2004




### Summary of Local Funds Expenditure Growth by Agency and Function

All of the appropriation titles experienced increases in expenditures from FY 2004. Public Safety, Public Education, and Health and Human Services continued to grow at a steady rate, and for the first time Governmental Direction and Economic Development grew at a much higher rate than previous years.

During the past 5 years, expenditures for MPD have increased at a steady rate, comparable to the rest of the Public Safety and Justice appropriation title. In FY 2005, local fund expenditures increased by $26 million, mainly due to a new labor contract for police officers that led to the implementation of 2 years' of pay raises in one fiscal year. Personal services costs are expected to increase in FY 2006 as well, when the last year of negotiated increases is implemented.

Public Education remains the second largest appropriation title, and expenditures continued to increase in FY 2005. The per-pupil expenditure formula was adjusted last year to account for inflation, which led to an increase even though DCPS enrollment actually decreased. Public Charter School enrollment continued its steady increase in enrollment, as well as expenditures.

### Federal Funds Expenditures

During FY 2003, the District received a $10.6 million Federal Payment for reimbursement of incurred emergency planning and security costs. The payment was divided among D.C. MPD (approximately $6.2 million), Emergency Management Agency (about $0.1 million), and FEMS (approximately $3.7 million). The District's emergency and security services not only serve District residents, but also any person within the District. The District's status as the nation's capital brings many events requiring security services and also requires a greater level of emergency planning. The Federal Payment helps offset costs that are, in part, influenced by the presence of the federal government within the District.

Federal grant expenditures are increasing for the District as a whole, and, since 2001, have grown at 5.6 percent per year (see table 5.3). The Department of Health receives and spends the greatest amount of federal grants, with Medicaid making up most of the grant dollars. Four of the other 6 agencies with the greatest grant expenditures also spend Medicaid funds.

Table 5-4

## Overtime Expenditures from Local Funds

(Dollars in thousands)

| Agency Name | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|
| Metropolitan Police Department | 20,175 | 22,211 | 24,221 | 11,096 | 11,469 | 22,813 |
| Fire and Emergency Medical Services | 13,293 | 12,185 | 15,758 | 8,255 | 12,191 | 8,052 |
| District of Columbia Public Schools | 5,310 | 8,535 | 4,678 | 6,208 | 6,705 | 5,777 |
| Department of Corrections | 4,713 | 4,006 | 2,824 | 4,389 | 2,884 | 1,301 |
| Department of Human Services | 2,874 | 2,858 | 2,794 | 2,914 | 3,497 | 4,894 |
| Department of Transportation | 3,190 | 3,329 | 2,484 | 413 | 400 | 109 |
| Child and Family Services | 695 | 1,880 | 1,965 | 1,838 | 2,640 | 787 |
| Department of Mental Health | 2,490 | 2,054 | 1,701 | 803 | 2,767 | 4,600 |
| Department of Public Works | 0 | 0 | 0 | 2,603 | 2,453 | 3,512 |
| All other Agencies | 3,216 | 4,365 | 3,671 | 2,806 | 3,048 | 3,453 |
| **Total** | **55,956** | **61,424** | **60,096** | **41,325** | **48,054** | **55,298** |

### Expenditure Growth by Object Class, FY 1998 to FY 2004

This section examines expenditures by object class--that is, by the type of services paid for, such as personnel, supplies, or fixed costs for rent or utilities from FY 1998 through FY 2005. Since 1998, expenditures on nonpersonal services (NPS), such as rent and utilities, equipment, subsidies and transfers, and debt service, have risen faster than those on personal services (PS), which include regular salaries and wages, overtime and other additional costs (Figure 5-3). Table 5A-4, in the appendix to this chapter, provides further details.

PS expenditures, which make up about 37 percent of all expenditures, rose at an average annual rate of 3.2 percent between FY 1998 and 2005. Fringe benefits expenditures have increased at a 7.9 percent annual rate since FY 1998, mostly because of increasing costs of providing health insurance for District employees.

Local funds overtime expenditures increased in FY 2005 (see table 5-4), with MPD experiencing the greatest increase. In FY 2004, federal emergency funds covered $7 million in expenditures to defray costs associated with emergency planning and security, including overtime costs for officers. This decrease was a one-time event. Eight agencies, or 9 in FY 2003 after the creation of the Department of Transportation, have consistently spent 93 to 94 percent of the District's entire expenditures on overtime.

NPS expenditures increased at an 8.4 percent average annual rate between FY 1998 and 2005. Within NPS categories, debt service expenditures fell by an average 0.7 percent annually, a figure that combines a decrease through 2001 with steady increases thereafter. Subsidies and transfers, the largest NPS component, increased by 13 percent annually--from $607 million to approximately $1.5 billion in 7 years. The subsidies and transfers category includes the District's contributions to Medicaid provides and other entitlement programs, as well as to Public Charter Schools, whose growth has been described previously. The other driver of growth has been the contractual services category, in which expenditures rose by 14 percent annually, although the category showed a decrease in FY 2004, it has resumed increasing. Contractual services have increased from less than 10 percent of NPS expenditures in FY 1998 to more than 14 percent in FY 2005.

### Summary of Projections for Expenditures for FYs 2007, 2008, and 2009

This section explains the expenditures forecast for the District's financial plan (see the Financial

Plan chapter). The forecast begins with the FY 2007 proposed budget, and expenditures are projected for the next 3 years. In most agencies, growth is projected by object class using general factors for PS and NPS growth, as described. In some agencies, the forecast uses more specific growth factors; these are detailed below the discussion of growth by object class.

The FY 2007 revenue forecast shows healthy growth (see the Revenues chapter). Actual expenditure growth into the future will always be limited by actual revenue growth. The expenditures forecast cannot predict actual expenditures, because those will always be constrained by realized revenues in a given year. However, the expenditures forecast can indicate where pressure for growth is likely to occur, and it can provide a warning if expenditures are on track to outpace revenue growth absent corrective action.

## Growth by Object Class

### Personal Services

- The general growth rate for salaries and wages is assumed to be 0.8 percentage points above the Washington area Consumer Price Index (CPI) forecast for each of the next 3 years. Salaries have historically grown at a slightly greater rate than inflation, and similar growth is built into the forecast for the next three years. An underlying assumption is that the District's future work force remains the same size as today's--that is, there are no significant increases or decreases in the number of District employees. Thus, annual salary increases will translate directly to increases in overall PS costs.
- Extra pay, the category including overtime, differential pay (for night or weekend work, for example), and bonuses, is projected to grow at the same rate. As salaries increase, the cost of extra pay that is tied to salaries increases proportionally.
- Fringe benefits are assumed to grow faster than other PS expenditures. Health insurance costs for District employees increased slightly in March 2005, after 2 consecutive years of increases of nearly 15 percent. About half of the District's fringe benefit expenditures have been for health insurance in recent years, and this proportion has been increasing. The projections assume health insurance costs will rise 11 percent in FY 2007 and at slightly lower rates in FYs 2008 and 2009. Other fringe benefits are assumed to grow at the general PS rate, because the cost of most other fringe benefits, most notably District employees' retirement plans, are tied to salaries. The fringe benefits category as a whole is assumed to grow at an average of the rate for health insurance and the general PS growth rate.

### Nonpersonal Services

- The general growth rate for NPS expenditures is assumed to be at the Washington area CPI forecast.
- One exception is for the category of contractual services, in which expenditures have been rising much faster than general NPS expenditure growth. Growth in this category is forecasted to match the PS growth rate, because a great deal of contractual services

Table 5-5

### Summary of Growth Assumptions by Object Class

(Percent, over previous year)

| | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|
| Washington area Consumer Price Index forecast | 2.3 | 2.2 | 2.2 |
| Growth assumption for: | | | |
| Regular salaries and wages and extra pay | 3.1 | 3.0 | 3.0 |
| Fringe benefits | 6.05 | 6.0 | 6.0 |
| Contractual services | 3.1 | 3.0 | 3.0 |
| All NPS categories other than contractual services | 2.3 | 2.2 | 2.2 |

Table 5-6

## Projected Payment Schedules for Debt Service Agencies

(Dollars in thousands)

| | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|
| Repayment of Loans and Interest | 404,323 | 471,565 | 512,635 | 555,181 |
| Certificate of Participation | 33,225 | 33,469 | 33,724 | 33,972 |
| Short-Term Borrowings | 8,000 | 8,000 | 8,000 | 8,000 |

spending is for salaries (of contractors) rather than for purchases of goods.

- Two other NPS categories should be mentioned--debt service and subsidies and transfers. While their general growth is predicted to be that of the Washington area CPI forecast, most growth in these two categories appears in agency-specific or program-specific forecasts below. For example, most debt service expenditures are in one of several debt service agencies detailed below. Only a small portion is in operating agencies, through the master lease program. Similarly, much of the District's subsidy and transfer expenditures are in Medicaid and several retirement funds, which are detailed below Table 5-5 summarizes growth assumptions by object class.

### Growth by Agency or Program

Expenditures in the following agencies or programs are assumed to grow at rates that differ from the general assumptions for each object class.

### D.C. Public Schools and Public Charter Schools

Expenditures in the Local Education Agency (LEA) portion of the DCPS budget are assumed to grow at the Washington area CPI forecast rate. This is the rate that would be used in the legislated formula that funds the LEA portion of the DCPS budget, which covers much of the PS and NPS costs in the DCPS budget. Using this rate for the projections assumes that:

- Enrollments will remain constant over the next 3 years, and
- Growth according to the legislated funding formula will be sufficient to meet DCPS needs in the coming years.

Since the District's expenditures for PCS is considered a subsidy, it also grows at the rate of CPI growth. If students transfer from one system to the other in future years, expenditures increase due to increase facility costs for PCS. Additionally, if students leave the 2 systems to attend private schools as the new voucher program, funded with federal funds is introduced, expenditures in the two systems should decline relative to the projections. The projections do not account for this possible enrollment decline.

### Medicaid and Health Care Safety Net

Both Medicaid expenditures and the contract costs for the Health Care Safety Net Administration are projected to grow at 8.9 percent in FYs 2008 through 2010, reflecting increases in health care costs that are likely to exceed the general rate of inflation.

### Workforce Investments

The projections include pay raises for nonunion employees, above the general PS growth rate, to gradually close the pay gap between nonunion and union employees.

### Debt Service

Long-term debt service and Certificate of Participation (COP) expenditures are projected to increase over the projection period. A constant small amount of short-term borrowing is anticipated each year. Projected debt service payment schedules are shown in table 5-6.

## Washington Metropolitan Area Transit Authority (WMATA) Subsidy

Over the next 3 years the District's subsidy to WMATA is forecast to increase at a 5 percent annual rate.

## Subsidies and Transfers Related to PS Expenditures

Expenditures in 2 agencies are classified as transfers that are, in fact, related to PS costs. They are:

- Unemployment Compensation Fund
- Disability Compensation Fund

Expenditures in these 2 agencies are projected to grow at the PS growth rate each year.

Expenditures in the 2 pension agencies are projected at specific levels in FYs 2008 through 2010:

- Police and Fire Retirement System
- Teachers' Retirement System

The amounts are based on estimates made from information obtained from the D.C. Retirement Board and on assumptions about annual contributions as a percent of covered salaries in the respective agencies.

## Appendix I: Data Tables for Operating Expenditures

Table 5A-1:

### Federal Payments Awarded to the District in its Appropriation Act, FY 1999 - 2005

(Dollars in thousands)

| Agency | FY 1999 | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|---|---|---|---|---|---|---|---|
| Banking and Financial Institutions | | | | | | 5,965 | |
| Business Services and Economic Development/Planning | | | 1,297 | | | | |
| Child and Family Services Agency | | | | 500 | | 8,947 | 3,224 |
| Citizen's Complaint Review Board* | | 498 | | | | | |
| Commission on Arts and Humanities | | | | | | | 397 |
| D.C. Office of Personnel | | | 249 | | | | |
| D.C. Public Charter Schools | 15,622 | | | | 16,890 | 1,988 | |
| D.C. Public Library | | | | | | 199 | |
| D.C. Public Schools | 30,000 | | 499 | 2,500 | 2,981 | 17,397 | 19,146 |
| Department of Mental Health | | | | | | 3,877 | 1,240 |
| Department of Health | | | 2,145 | | | | |
| Department of Housing and Community Development | 3,000 | | | | 2,782 | | |
| Department of Human Services | | 249 | | | | | |
| Department of Transportation | | | | | 994 | 3,479 | |
| Emergency Management Agency (and others) | | | | 16,058 | | 497 | |
| Emergency Planning and Security Costs | | | | | 14,903 | 10,935 | 14,880 |
| Fire and Emergency Medical Services Department | 3,240 | | | 500 | | | |
| Inaugural Expenses | | | 5,948 | | 3,974 | 12,923 | |
| Incentives for the Adoption of Children | | 4,981 | | | | | |
| Metropolitan Police Department | 1,200 | 996 | 100 | 100 | 497 | | |
| Metropolitan Police Department — Capital | 18,778 | | | | | | |
| Office of the Chief Financial Officer | | | 1,247 | 50 | | 1199 | 99 |
| Office of the Chief Medical Examiner | | | | 585 | | | |
| Office of the Chief Technology Officer | 20,000 | | | 400 | | | |
| Office of the City Administrator / Criminal Justice Coordinating Council | | | | 300 | 298 | 1,293 | 1,290 |
| Resident Tuition Assistance / State Education Office | | 16,935 | 16,963 | 17,000 | 16,890 | 16,893 | 25.395 |
| State Education Office, Other | | | | | 3,974 | 6,959 | 13,888 |
| Various | 25,000 | | | | | | |
| Various - Capital | 50,000 | | | | 66,714 | 47,370 | 24,112 |
| Washington Council of Government | | | | | | 1,491 | |
| Washington Metropolitan Transit Authority | | | | | | | 2,480 |
| **Total** | **166,840** | **23,659** | **29,945** | **38,193** | **126,923** | **127,494** | **106,150** |

Notes:
Details may not sum to totals because of rounding.
FY 2000, 2001, and 2003 figures reflect rescissions made by the federal government.
Another $74.8 million was added in FY 1999 and $30.4 million in FY 2000 for the Office of the Chief Technology Officer for Y2K expenses.
Another $155.9 million was added in FY 2002 for emergency preparedness expenses, much of it going to public safety agencies, and another $17 million was added in FY 2002 for the Office of the City Administrator ($16 million) and the Office of the Chief Technology Officer ($1 million).
Various - Capital includes the Combined Sewer Overflow payment to WASA.
*Now called the Office of Police Complaints

Table 5A-2

## Local Funds Expenditures by Fiscal Year for Selected Large Agencies

(Dollars in thousands, excluding enterprise agencies)

| | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 | Annual Growth Rate, 1998-2005 |
|---|---|---|---|---|---|---|---|---|---|
| Metropolitan Police Department | 257,962 | 276,338 | 297,327 | 309,820 | 315,155 | 327,688 | 345,028 | 371,494 | |
| Fire and Emergency Services Department | 108,961 | 102,482 | 112,749 | 129,197 | 129,729 | 135,693 | 148,503 | 149,226 | |
| Police and Fire Fighters' Retirement System | 47,700 | 35,100 | 39,900 | 49,000 | 74,600 | 68,900 | 96,700 | 112,100 | |
| Department of Corrections | 93,045 | 71,589 | 70,484 | 80,325 | 97,679 | 102,335 | 116,895 | 123,091 | |
| Corrections Medical Receiver | - | 8,499 | 13,300 | 10,820 | - | - | - | - | |
| **Subtotal, selected public safety** | **507,669** | **494,007** | **533,759** | **579,162** | **617,163** | **634,616** | **707,126** | **755,910** | **5.9%** |
| D.C. Public Schools | 520,097 | 550,812 | 604,098 | 737,128 | 740,706 | 711,890 | 769,385 | 781,377 | |
| Teacher's Retirement System | 8,900 | 18,600 | 10,700 | 200 | - | - | - | 9,147 | |
| Public Charter Schools | 3,195 | 11,113 | 46,480 | 136,876 | 97,625 | 114,283 | 161,969 | 188,324 | |
| **Subtotal, selected public education** | **532,192** | **580,525** | **661,278** | **874,204** | **838,330** | **826,173** | **931,354** | **978,848** | **9.1%** |
| Department of Human Services | 359,808 | 188,684 | 197,109 | 194,168 | 205,286 | 218,885 | 238,564 | 268,940 | |
| Child and Family Services Agency | - | 97,217 | 74,836 | 96,069 | 152,504 | 140,431 | 126,402 | 158,577 | |
| Department of Mental Health[a] | - | 105,369 | 129,177 | 217,704 | 178,195 | 138,142 | 137,771 | 189,341 | |
| Department of Mental Health Medicaid Write-off | - | - | - | - | - | 99,075 | - | - | |
| Medicaid Reserve | - | - | - | - | - | - | 44,096 | - | |
| Department of Health | 294,040 | 310,781 | 325,339 | 356,499 | 422,735 | 479,853 | 459,436 | 516,778 | |
| Public Benefit Corporation Subsidy | 42,873 | 46,835 | 138,161 | 136,912[b] | 17,312[b] | - | - | - | |
| **Subtotal, selected health and human services** | **696,721** | **748,886** | **864,622** | **1,001,352** | **976,033** | **1,076,386** | **1,006,269** | **1,133,637** | **7.2%** |
| Department of Public Works | 110,366 | 106,748 | 99,624 | 96,950 | 117,021 | 82,133 | 91,730 | 88,869 | |
| Department of Transportation | - | - | - | - | - | 22,890 | 20,293 | 26,989 | |
| WMATA Subsidy | 126,746 | 131,604 | 135,531 | 163,073 | 148,493 | 154,531 | 159,122 | 165,303 | |
| Repayment of Loans and Interest | 347,358 | 363,194 | 315,656 | 228,364 | 233,251 | 250,649 | 303,397 | 342,683 | |
| Grant Disallowance | - | - | - | - | - | - | 65,896 | - | |
| **Subtotal, selected public works, financing, and other** | **584,470** | **601,546** | **550,811** | **488,387** | **498,765** | **510,203** | **640,438** | **623,844** | **0.9%** |
| All other agencies | 446,697 | 451,887 | 523,389 | 569,765 | 579,185 | 623,648 | 544,808 | 731,804 | 7.3% |
| **District total** | **2,767,748** | **2,876,850** | **3,133,859** | **3,512,869**[c] | **3,509,476** | **3,671,026** | **3,829,995** | **4,224,042** | **6.2%** |

NOTES:

Details may not sum to totals because of rounding.

FY 2002 expenditures do not include federal payment, while expenditures for FY 2001 and prior years include them for certain agencies.

Table 5A-3

## Gross Funds Expenditures by Fiscal Year for Selected Large Agencies

(Dollars in thousands, excluding enterprise agencies)

| | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 | Annual Growth Rate, 1998-2005 |
|---|---|---|---|---|---|---|---|---|---|
| Metropolitan Police Department | 269,092 | 283,131 | 306,281 | 319,501 | 338,324 | 355,283 | 375,707 | 385,969 | |
| Fire and Emergency Services Department | 109,317 | 102,891 | 112,855 | 129,216 | 134,530 | 145,868 | 149,058 | 149,226 | |
| Police and Fire Fighters' Retirement System | 47,700 | 35,100 | 39,900 | 49,000 | 74,600 | 68,900 | 96,700 | 112,100 | |
| Department of Corrections | 258,574 | 240,680 | 248,526 | 212,495 | 124,686 | 101,269 | 117,671 | 123,376 | |
| Corrections Medical Receiver | - | 12,605 | 13,300 | 10,820 | - | - | - | | |
| **Subtotal, selected public safety** | **684,683** | **674,407** | **720,862** | **721,031** | **672,140** | **671,320** | **739,136** | **770,671** | **1.7%** |
| D.C. Public Schools | 634,240 | 666,007 | 771,759 | 826,995 | 862,747 | 838,187 | 904,455 | 931,684 | 5.7 |
| Teacher's Retirement System | 8,900 | 18,600 | 10,700 | 200 | - | - | - | 9,147 | |
| Public Charter Schools | 3,195 | 25,239 | 49,936 | 136,867 | 97,625 | 118,257 | 163,957 | 188,324 | |
| **Subtotal, selected public education** | **646,335** | **709,846** | **832,394** | **964,061** | **960,372** | **956,422** | **1,068,412** | **1,129,155** | **8.3%** |
| Department of Human Services | 629,842 | 335,401 | 359,650 | 387,919 | 431,279 | 410,278 | 429,102 | 462,808 | |
| Child and Family Services Agency | - | 146,232 | 138,740 | 177,243 | 204,015 | 207,221 | 172,792 | 198,023 | |
| Department of Mental Health[a] | - | 196,543 | 206,713 | 287,335 | 221,151 | 181,443 | 148,079 | 197,951 | |
| Department of Mental Health Medicaid Write- off | - | - | - | - | - | 99,075 | - | - | |
| Department of Health | 906,431 | 974,492 | 1,006,824 | 1,110,207 | 1,215,461 | 1,373,438 | 1,554,710 | 1,582,669 | |
| Public Benefit Corporation Subsidy | 42,873 | 46,835 | 138,161 | 136,912[b] | 17,312[b] | - | - | - | |
| **Subtotal, selected health and human services** | **1,579,146** | **1,699,503** | **1,850,088** | **2,099,616** | **2,089,217** | **2,271,455** | **2,304,683** | **2,441,451** | **6.4%** |
| Department of Public Works | 119,322 | 116,933 | 107,450 | 104,352 | 122,879 | 89,401 | 98,280 | 92,175 | |
| Department of Transportation | - | - | - | - | - | 35,997 | 26,005 | 39,015 | |
| WMATA Subsidy | 126,746 | 131,604 | 135,531 | 163,073 | 148,493 | 154,530 | 162,602 | 167,783 | |
| Repayment of Loans and Interest | 347,358 | 363,194 | 315,656 | 228,364 | 233,251 | 250,649 | 303,397 | 342,683 | |
| Grant Disallowance | - | - | - | - | - | - | 65,896 | - | |
| **Subtotal, selected public works, financing, and other** | **593,426** | **611,731** | **558,637** | **495,788** | **504,623** | **530,577** | **656,180** | **641,656** | **1.1%** |
| All other agencies | 559,972 | 806,983 | 859,694 | 814,684 | 877,841 | 1,009,318 | 968,664 | 1,212,469 | 11.7 |
| **District total** | **4,063,562** | **4,502,470** | **4,821,675** | **5,095,180** [c] | **5,104,193** | **5,439,144** | **5,737,075** | **6,195,402** | **6.2%** |

NOTES:

Details may not sum to totals because of rounding.

[a]Formerly known as the Commission on Mental Health Services.

[b]Includes PBC transition costs.

[c]Total excludes 617,230 spent on refunded bonds in FY 2001.

Table 5A-4

## Local Funds Expenditures by Fiscal Year for Selected Object Classes

(Dollars in thousands, excluding enterprise agencies)

| | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 | Annual Growth Rate, 1998-2005 |
|---|---|---|---|---|---|---|---|---|---|
| Regular salaries and wages[a] | 993,128 | 965,659 | 1,010,397 | 1,126,640 | 1,160,133 | 1,154,576 | 1,211,657 | 1,295,217 | 3.9% |
| Extra pay[b] | 89,303 | 83,883 | 100,496 | 108,028 | 94,888 | 78,418 | 96,235 | 93,693 | 0.7% |
| Fringe benefits[c] | 179,454 | 173,555 | 177,624 | 190,523 | 233,502 | 225,847 | 266,359 | 304,989 | 7.9% |
| **Subtotal, PS** | **1,261,885** | **1,223,098** | **1,288,516** | **1,425,192** | **1,488,523** | **1,458,841** | **1,574,250** | **1,572,653** | **3.2%** |
| Fixed costs[d] | 129,352 | 122,517 | 144,689 | 149,507 | 156,534 | 169,394 | 191,822 | 209,423 | 7.1% |
| Subsidies and transfers[e] | 606,756 | 727,034 | 894,276 | 1,013,138 | 1,001,800 | 1,042,173 | 1,181,033 | 1,450,576 | 13.3% |
| Debt service | 405,918 | 412,005 | 361,704 | 279,530 | 293,380 | 313,661 | 324,690 | 385,246 | -0.7% |
| Contractual services | 149,932 | 235,392 | 270,707 | 366,317 | 350,120 | 405,251 | 371,721 | 379,037 | 14.2 |
| Other NPS | 213,905 | 156,805 | 173,967 | 279,185 | 219,119 | 281,707 | 186,479 | 227,108 | 0.9% |
| **Subtotal, NPS** | **1,505,864** | **1,653,752** | **1,845,343** | **2,087,677** | **2,020,953** | **2,212,186** | **2,255,745** | **2,651,389** | **8.4%** |
| **Total** | **2,767,748** | **2,876,850** | **3,133,859** | **3,512,869** | **3,509,476** | **3,671,026** | **3,829,995** | **4,224,042** | **6.2%** |

Notes:

Details may not sum to totals because of rounding. FY 2002 expenditures do not include federal payments, while expenditures for FY 2001 and prior years include them for certain agencies.

[a]Full- and part-time, continuing and term, and unknown payroll postings.

[b]Includes overtime, bonuses, and differentials for nights, weekends, and holidays.

[c]Includes contributions to Police and Fighters' Retirement System and Teachers' Retirement System.

[d]Utilities, telecommunications, and rent.

[e] Excludes contributions to Police and Fighters' Retirement System and Teachers' Retirement System