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Letter Report: Comparative Analysis of Actual Cash Collections to the Revised Revenue Estimate Through the 1st Quarter of Fiscal Year 2010

November 15, 2010

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The Honorable Vincent C. Gray
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

Letter Report: Comparative Analysis of Actual Cash Collections to the Revised Revenue Estimate Through the 1st Quarter of Fiscal Year 2010

Dear Chairman Gray and Members of the Council of the District of Columbia:

This letter report presents the Office of the District of Columbia Auditor's (ODCA) comparison of the District of Columbia's (District) actual cash collections through the 1st quarter of fiscal year (FY) 2010 to the revised FY 2010 revenue estimate for the 1st quarter.

BACKGROUND

In September 2009, pursuant to the Home Rule Act, as amended by Public Law 104-8,[1] and Public Law 106-522, the District of Columbia Appropriations Act for Fiscal Year 2001,[2] the District's Chief Financial Officer (CFO) issued a certified FY 2010 original revenue estimate of \$4.879 billion.[3] The \$4.879 billion non-dedicated Local Fund revenue estimate was used as the baseline for the FY 2010 budget.

In December 2009, the CFO revised the FY 2010 revenue estimate upward to \$5.182 billion which was a net increase of \$303 million from the \$4.879 billion FY 2010 original revenue estimate.[4]

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[1] *See* Pub. L. 104-8, (109 Stat; D.C. Code Section 1-204.24c(5) (A) and (B)).

[2] *See* Pub. L. No. 106-522, 114 Stat. 2440

[3] *See* FY 2010 Proposed Budget and Financial Plan, Volume 1, Executive Summary, dated September 28, 2009, page 4-18, "Operating Revenue by Source, Fiscal Years 2008 - 2013." The FY 2010 revenue estimate presented in this report represents the non-dedicated local fund revenue estimate and does not include the FY 2010 special purpose revenue fund (O-type) estimate of \$454.38 million. However, an overall discussion of special purpose revenue fund (O-type) is included in a later section of this report.

[4] The CFO's certified FY 2010 original revenue estimate was \$4.879 billion. In December 2009, the CFO reduced the \$4.879 billion estimate by \$17.1 million. Additionally, the FY 2010 Budget and Financial Plan, dated September 28, 2009, included \$319.95 million in policy changes. The revenue reduction of \$17.1 million and the impact of the policy changes of \$319.95 million resulted in a net increase of \$303 million over the \$4.879 billion FY 2010 original estimate.

METHODOLOGY

In conducting the comparative analysis, the Auditor reviewed: (1) the $5.182 billion estimate; (2) the FY 2010 1st quarter Comparative Report of Cash Collections by Funds prepared by the Chief Financial Officer's Office of Revenue Analysis (ORA); and (3) other relevant information. Additional information reviewed by the Auditor included economic data from several sources, including George Mason University's Center for Regional Analysis, Eagle Eye Inc., the Federal Reserve Beige Book, the District's Department of Employment Services (DOES), the Greater Capital Area Association of Realtors (GCAAR), United States Department of Labor, Bureau of Labor Statistics (BLS), the Office of the Chief Financial Officer's, Office of Finance and Treasury (OFT), the District of Columbia Lottery and Charitable Games Board (D.C. Lottery), and Destination D.C.[5]

The Auditor interviewed ORA officials regarding cash collections through the 1st quarter of FY 2010 and representatives from other governmental organizations regarding their knowledge of overall economic conditions that affect the District.

This analysis was conducted at the discretion of the D.C. Auditor for legislative oversight purposes.[6] The scope of the work performed for this purpose does not constitute an audit under government auditing standards (GAGAS.)[7]

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[5] Formerly called the Washington D.C. Convention and Tourism Corporation.
[6] *See* GAGAS A3.02 which states: "Audit organizations in government entities frequently provide nonaudit services that differ from the traditional professional services provided by an accounting or consulting firm to or for the audited entity. These types of nonaudit services are often performed in response to a statutory requirement, at the discretion of the authority of the audit organization or for a legislative oversight body or an independent external organization and do not impair auditor independence. (See paragraphs 3.20 through 3.30 for the requirements for evaluating whether nonaudit services impair auditor independence)."
[7] *See* GAGAS 1.33.

RESULTS OF ANALYSIS

Actual cash collections from: (1) tax, (2) non-tax, and (3) other financing sources through the 1st quarter of FY 2010 totaled $744.83 million, which were $51.64 million, or 6.5%, below the $796.47 million revised estimate through the 1st quarter.[8] The $744.83 million in actual cash collections represented 14.37% of the $5.182 billion FY 2010 revised revenue estimate.[9] Collections through the 1st quarter from tax, non-tax, and other financing sources are presented below.

- **Tax** - total tax collections were $679.72 million, which were $15.27 million, or 2.2%, below the revised tax estimate of $694.99 million through December 2009.

- **Non-tax** - total non-tax collections were $47.61 million, which were $37.17 million, or 43.8%, below the revised non-tax estimate of $84.78 million through December 2009.

- **Other financing sources** - collections from other financing sources, which consisted of legalized gambling, totaled $17.5 million. These collections were $800,000, or 4.8%, above the revised other financing sources estimate of $16.7 million through December 2009.

Table I compares actual cash collections to the revised estimate through the 1st quarter of FY 2010 for tax, non-tax, and other financing sources. Appendix I presents a graphical depiction of the information in Table I as well as other tables presented in this report.

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[8] Rounding may affect some calculations presented in this report.

[9] The $796.47 million revised revenue estimate and $744.83 million in collections through the 1st quarter of FY 2010 are presented net of funds transferred to dedicated purposes including the Washington Convention Center Authority. The estimate and transfer also does not include special purpose revenue fund (O-type).

TABLE I
Cash Collections Summary
Through the 1st Quarter of Fiscal Year 2010
($000)

Collections Category	Actual Collections Through the 1st Quarter FY 2010	Revised Estimate Through the 1st Quarter FY 2010	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Tax	$679,719	$694,992	($15,273)	(2.2%)
Non-Tax	47,610	84,778	(37,168)	(43.8%)
Other Financing Sources	17,500	16,700	800	4.8%
Total Collections	**$744,829**	**$796,470**	**($51,641)**	**(6.5%)**

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2010, Monthly OCFO Cash Report December 2009, prepared by ORA.

In conducting the analysis of cash collections through the 1st quarter of FY 2010, the Auditor compared the 1st quarter collection trends for the five prior fiscal years from FY 2006 through the 1st quarter of FY 2010. These comparisons are presented in Appendix II. During the five-fiscal year period, collections in each revenue category fluctuated from year to year. However, the Auditor notes that 1st quarter collections in general sales and use taxes increased from FY 2006 through FY 2009 but decreased in FY 2010. Further, 1st quarter collections in income taxes increased from FY 2006 through FY 2008 but decreased in FYs 2009 and 2010. A discussion of the fluctuation in each of the tax and non-tax revenue categories is presented later in this report.

Appendix III presents a comparison of collections through the 1st quarter of FY 2010 to 1st quarter collections for FY 2009 in each tax and non-tax category.

GENERAL PROPERTY TAXES

General property taxes include: (A) real property taxes, (B) personal property taxes, and (C) public space rental. The FY 2010 revised estimate for general property taxes is $1.827 billion. Collections of general property taxes through the 1st quarter of FY 2010 totaled $35.74 million, which were:

- $10.89 million, or 43.8%, above the $24.85 million 1st quarter FY 2010 revised estimate; and

- $18.37 million, or 105.7%, above collections for the same period in FY 2009.

Collections of general property taxes through the 1st quarter represented 1.96% of the annual total revised revenue estimate for this category. Table II compares actual collections of general property taxes to the revised estimate through the 1st quarter of FY 2010.

TABLE II
General Property Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2010
($000)

General Property Taxes	Actual Collections Through the 1st Quarter FY 2010	Revised Estimate Through the 1st Quarter FY 2010	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Real Property	$35,227	$23,543	$11,684	49.6%
Personal Property	510	1,308	(798)	(61%)
Public Space Rental[10]	4	0	4	0.0%
Total General Property Taxes	**$35,741**	**$24,851**	**$10,890**	**43.8%**

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2010, Monthly OCFO Cash Report December 2009, prepared by ORA.

A. Real Property Tax Collections

Real property tax collections through the 1st quarter of FY 2010 totaled $35.23 million. These collections were $11.69 million, or 49.6%, above the $23.54 million revised estimate. The real property tax category is the largest component of general property taxes.

ORA officials could not explain why collections were above the estimate through the 1st quarter. However, they noted that real property taxes are due March 31st and September 15th of each year. Any collections between these dates may represent individuals paying overdue taxes. Therefore, collections in the 1st quarter do not appear to be an accurate indicator of collections for the entire year.

The Auditor notes that although real property tax collections were above the estimate through the 1st quarter, real property tax refunds through the 1st quarter totaled $7.46 million, which were $1.83 million, or 32.5%, above the $5.63 million estimate. Refunds through the 1st quarter of FY 2010 were also $3.22 million, or 75.9%, above refunds through the 1st quarter of fiscal year 2009.

[10] Public space rental collections are not used for general fund purposes but are dedicated to the District Department of Transportation.

B. Personal Property Tax Collections

Personal property tax collections through the 1st quarter of FY 2010 totaled $510,000. These collections were $798,000, or 61%, below the $1.308 million revised estimate. The annual due date for personal property tax returns is July 31st. Therefore, according to ORA officials, the 1st quarter collections of personal property taxes usually are not an indicator of a collection trend for the entire fiscal year.

GENERAL SALES AND USE TAXES

The FY 2010 revised estimate for general sales and use taxes is $837.11 million.[11] Collections of general sales and use taxes through the 1st quarter totaled $203.85 million, which were:

- $18.84 million, or 8.5%, below the $222.69 million 1st quarter revised FY 2010 estimate; and

- $11.72 million, or 5.4%, below collections for the same period in FY 2009.

General sales and use tax collections through the 1st quarter represented 24.35% of the total FY 2010 revised estimate for this category. Table III compares actual collections to the revised estimate through the 1st quarter of FY 2010.

TABLE III
General Sales and Use Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2010
($000)

General Sales and Use Taxes	Actual Collections Through the 1st Quarter FY 2010	Revised Estimate Through the 1st Quarter FY 2010	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
General Sales and Use Taxes	$203,852	$222,688	($18,836)	(8.5%)

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2010, Monthly OCFO Cash Report December 2009, prepared by ORA.

[11] Presented net of dedicated general sales and use taxes transferred to other dedicated purposes including the Washington Convention and Sports Authority.

General sales and use tax collections may be weaker than the estimate due to a decline in consumer spending in the District. According to ORA officials, retail sales were down on "Black Friday", the day after Thanksgiving.

Additionally, according to information obtained from Destination DC, hotel occupancy rates for the 1st quarter of FY 2010 declined 1.1% as compared with the same period in FY 2009. Also, total room revenue generated during the 1st quarter of FY 2010 declined 3.4% as compared to the same period in FY 2009.

SELECTIVE SALES AND USE TAXES

Selective sales and use taxes include: (A) alcoholic beverage, (B) cigarette, and (C) motor vehicle excise taxes. The FY 2010 revised estimate for selective sales and use taxes is \$87.68 million. Collections through the 1st quarter of FY 2010 totaled \$14.48 million, which were:

- \$5.42 million, or 27.2%, below the \$19.9 million 1st quarter FY 2010 revised estimate; and
- \$2.9 million, or 16.5%, below collections for the same period in FY 2009.

Selective sales and use tax collections through the 1st quarter represented 16.5% of the total FY 2010 revised estimate for this category. Table IV compares actual collections to the revised estimate through the 1st quarter of FY 2010.

TABLE IV
Selective Sales and Use Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2010
(\$000)

Selective Sales and Use Taxes	Actual Collections Through the 1st Quarter FY 2010	Revised Estimate Through the 1st Quarter FY 2010	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Alcoholic Beverage	\$1,485	\$1,301	\$184	14.1%
Cigarette	6,052	10,750	(4,698)	(43.7%)
Motor Vehicle Excise	6,945	7,845	(900)	(11.5%)
Total Selective Sales and Use Taxes	**\$14,482**	**\$19,896**	**(\$5,414)**	**(27.2%)**

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2010, Monthly OCFO Cash Report December 2009, prepared by ORA.

A. Alcoholic Beverage Tax

Alcoholic beverage tax collections through the 1st quarter totaled $1.485 million. These collections were $184,000, or 14.1%, above the $1.301 million revised estimate.

B. Cigarette Tax

Cigarette tax collections through the 1st quarter totaled $6.05 million. These collections were $4.7 million, or 43.7%, below the $10.75 million revised estimate. The fact that collections are below the estimate may be due, in part, to the fact that both the federal excise tax and the District tax on cigarettes increased in FY 2009. The tax increase may have caused some consumers to purchase their cigarettes in other jurisdictions, where the cost of cigarettes are lower or to quit smoking. ORA officials indicated that the ban on smoking in restaurants and bars may also have negatively affected cigarettes sales.

C. Motor Vehicle Excise Tax

Motor vehicle excise tax collections through the 1st quarter totaled $6.9 million. These collections were $900,000, or 11.5%, below the $7.8 million revised estimate.

INCOME TAXES

Income taxes include: (A) individual income tax, (B) corporate franchise tax, and (C) unincorporated business franchise tax. The FY 2010 revised estimate for the income taxes category is $1.533 billion. Collections through the 1st quarter of FY 2010 totaled $342.24 million, which were:

- $10.65 million, or 3.2 %, above the $331.59 million 1st quarter FY 2010 revised estimate; and

- $796,000, or .2%, below collections for the same period in FY 2009.

Income taxes collected through the 1st quarter represented approximately 22.3% of the total FY 2010 revised revenue estimate for this category. Table V compares actual collections to the revised estimate through the 1st quarter of FY 2010.

TABLE V
Income Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2010
($000)

Income Taxes	Actual Collections Through the 1st Quarter FY 2010	Revised Estimate Through the 1st Quarter FY 2010	Difference: Actual Over/Under Revised Estimate	Percentage Difference
Individual Income Tax	$259,896	$256,748	$3,148	1.2%
Corporate Franchise Tax	51,837	54,830	(2,993)	(5.5%)
Unincorporated Business Franchise Tax	30,509	20,015	10,494	52.4%
Total Income Taxes	**$ 342,242**	**$ 331,593**	**$ 10,649**	**3.2%**

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2010, Monthly OCFO Cash Report December 2009, prepared by ORA.

A. Individual Income Tax

Individual income tax collections through the 1st quarter totaled $259.9 million. This tax is the largest in the income taxes category. These collections were $3.15 million, or 1.2%, above the $256.75 million revised estimate.

The fact that collections of individual income taxes are higher than expected may be due, in part, to the fact that individual income tax withholdings were $12.99 million, or 5.4%, higher than the estimate through December 2009.

B. Corporate Franchise Tax

Corporate franchise tax collections through the 1st quarter totaled $51.84 million. The collections were $2.99 million, or 5.5%, below the $54.83 million revised estimate. The fact that collections were below the estimate may be due, in part, to the fact that corporate franchise tax declarations were $12.04 million, or 36.4%, lower than the estimate.

C. Unincorporated Business Franchise Tax

Unincorporated business franchise tax collections through the 1st quarter totaled $30.51 million. The collections were $10.49 million, or 52.4%, above the $20.02 million revised estimate. According to ORA representatives, many unincorporated business franchise taxpayers are partnerships associated with the real estate management industry. The unincorporated business franchise tax revenue is closely tied to the performance of the real estate market. Therefore, the fact that collections are above the estimate may be due, in part, to the fact that the commercial real estate market in the District was not as weak as expected.

GROSS RECEIPTS TAXES

Gross receipts taxes include: (A) public utilities tax, (B) toll telecommunications tax, and (C) insurance premium tax. The total FY 2010 revised estimate for the gross receipts taxes category is $265.87 million. Collections of gross receipts taxes through the 1st quarter of FY 2010 totaled $45.52 million, which were:

- $62,000, or .1%, above the $45.46 million 1st quarter FY 2010 revised estimate; and
- $3.43 million, or 7%, below collections for the same period in FY 2009.

Gross receipts taxes collected through the 1st quarter represent 17.1% of the total FY 2010 revised estimate for this category. Table VI compares actual collections to the revised estimate through the 1st quarter of FY 2010.

TABLE VI
Gross Receipts Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2010
($000)

Gross Receipts Taxes	Actual Collections Through the 1st Quarter FY 2010	Revised Estimate Through the 1st Quarter FY 2010	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Public Utilities Tax	$30,107	$29,641	$466	1.6%
Toll Telecommunications Tax	15,360	15,697	(337)	(2.1%)
Insurance Premium Tax	53	120	(67)	(55.8%)
Total Gross Receipts Taxes	**$45,520**	**$45,458**	**$62**	**.1%**

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2010, Monthly OCFO Cash Report December 2009, prepared by ORA.

A. Public Utilities Tax[12]

Public utilities tax collections through the 1st quarter totaled $30.11 million. The collections were $466,000, or 1.6%, above the $29.64 million revised estimate.

[12] The public utility tax is imposed on the gross receipts of television, radio and telephone companies; the usage per gallon for heating oil; per therm for natural gas; and per kilowatt hour for electric distribution.

B. Toll Telecommunications Tax

Toll telecommunications tax collections through the 1st quarter totaled $15.36 million. The collections were $337,000, or 2.1%, below the $15.7 million revised estimate.

C. Insurance Premium Tax

Insurance premium tax collections through the 1st quarter totaled $53,000. The collections were $67,000, or 55.8%, below the $120,000 revised estimate. Collections are below the estimate through the 1st quarter primarily because this tax is due by March 1st and June 1st of each year and most of the collections are expected in those months.

OTHER TAXES

Other taxes include: (A) estate tax, (B) deed recordation tax, (C) deed transfer tax, and (D) economic interest transfer tax. The total FY 2010 revised estimate for the other taxes category is $188.57 million. Collections of other taxes through the 1st quarter of FY 2010 totaled $37.9 million, which were:

- $12.6 million, or 25%, below the $50.5 million 1st quarter FY 2010 revised estimate; and
- $74 million, or 66.1%, below collections for the same period in FY 2009.

Collections of other taxes through the 1st quarter represented 20.1% of the total FY 2010 revised estimate for this category. Table VII compares actual collections to the revised estimate through the 1st quarter of FY 2010 for other taxes.

TABLE VII
Other Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2010
($000)

Other Taxes	Actual Collections Through the 1st Quarter FY 2010	Revised Estimate Through the 1st Quarter FY 2010	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Estate Tax	$7,458	$13,751	($6,293)	(45.8%)
Deed Recordation Tax	16,155	15,472	683	4.4%
Deed Transfer Tax	14,269	13,423	846	6.3%
Economic Interest Tax	0	7,860	(7,860)	100.0%
Total Other Taxes	**$37,882**	**$50,506**	**($12,624)**	**(25%)**

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2010, Monthly OCFO Cash Report, December 2009 prepared by ORA.

A. Estate Tax

Estate tax collections through the 1st quarter totaled $7.46 million. The collections were $6.29 million, or 45.8%, below the $13.75 million revised estimate. Although collections through the 1st quarter were below the estimate, this tax is largely unpredictable in that there is no reliable basis upon which to project the amount of revenue that may be generated during the fiscal year. Further, the District settled a large estate during the 1st quarter of FY 2009 resulting in increased collections during that period and the same did not occur in the 1st quarter of FY 2010.

B. Combined Deed Recordation and Transfer Tax

Combined deed recordation and transfer tax collections through the 1st quarter totaled $30.42 million. The recordation tax is imposed on the recording of real estate deeds in the District while the transfer tax is imposed on each transfer of real property at the time the deed is submitted for recordation. These combined collections were $1.53 million, or 5.3%, above the $28.89 million revised estimates.

According to ORA officials, the excess collections may represent "leftover transactions from the Housing Tax credit just now being reported this quarter." The Auditor notes that the real estate market in the District continued to experience softening through the 1st quarter.

C. Economic Interest Tax

There were no collections of economic interest tax through the 1st quarter of FY 2010. As a result, the estimate of $7.9 million was not achieved.

According to an ORA representative, this tax is difficult to forecast because of the infrequent transfer of corporate ownership interests in the District of Columbia. As a result, ORA does not attempt to estimate this tax using any economic factors. Also, the economic interest tax rate was reduced in FY 2009. According to ORA officials, equalizing the rate with the deed recordation and transfer taxes reduced the incentive for entities to structure sales through limited liability companies.

NON-TAX REVENUE

Non-tax revenue includes: (A) licenses and permit fees, (B) fines and forfeitures, (C) charges for services, and (D) miscellaneous revenue. The total FY 2010 revised estimate for the non-tax revenue category is $376.2 million. Collections through the 1st quarter totaled $47.61 million, which were:

- ✦ $37.17 million, or 43.8%, below the $84.78 million 1st quarter FY 2010 revised estimate; and
- ✦ $40.34 million, or 45.9%, below collections for the same period in FY 2009.

Non-tax revenue collections through the 1st quarter represented 12.7% of the total FY 2010 revised estimate for this category. Table VIII compares non-tax revenue collections to the revised estimate through the 1st quarter of FY 2010 for non-tax revenue.

TABLE VIII
Non-Tax Revenue:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2010
($000)

Non-Tax Revenue	Actual Collections Through the 1st Quarter FY 2010	Revised Estimate Through the 1st Quarter FY 2010	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Licenses and Permits	$11,406	$12,974	($1,568)	(12.1%)
Fines and Forfeitures	22,988	34,358	(11,370)	(33.1%)
Charges for Services	10,990	7,628	3,362	44.1%
Miscellaneous Revenue	2,226	29,818	(27,592)	(92.5%)
Total Non-Tax Revenue	**$47,610**	**$84,778**	**($37,168)**	**(43.8%)**

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2010, Monthly OCFO Cash Report December 2009 prepared by ORA

A. Licenses and Permit Fees

Licenses and permit fees collected through the 1st quarter totaled $11.41 million. Collections were $1.56 million, or 12.1%, below the $12.97 million revised estimate. ORA attributed the variance to a decline in the number of applications for construction related permits.

B. Fines and Forfeitures

Fines and forfeitures collected through the 1st quarter totaled $22.99 million. The collections were $11.37 million, or 33.1%, below the $34.36 million revised estimate. Revenue of approximately $20 million was estimated from the expansion of automated enforcement of traffic violations program. According to ORA officials, this program will not be implemented until the second quarter of FY 2010; however the $20 million estimate was spread over the entire fiscal year resulting in collections which were below the revised estimate through the 1st quarter of FY 2010.

C. Charges for Services

Charges for services collected through the 1st quarter totaled $10.99 million. The collections were $3.36 million, or 44.1%, above the $7.63 million revised estimate.

D. Miscellaneous Revenue

Miscellaneous revenue includes: (1) interest income, (2) unclaimed property, (3) sale of surplus property, (4) other transfers,[13] and (5) other revenue.[14] Miscellaneous revenue collected through the 1st quarter totaled $2.23 million. The collections were $27.59 million, or 92.5%, below the $29.82 million revised estimate through the 1st quarter.

Collections for miscellaneous revenue were below the estimate, in part, because of lower than expected collections from interest income earned on investments. According to data obtained from OFT, the average interest rate earned during the 1st quarter of FY 2009 was 1.136% while the average rate earned during the 1st quarter of FY 2010 was .105%, or a decrease of 1.031% over the same period in FY 2009. Collections of interest income through the 1st quarter were also 94.3% lower than collections through the same period in FY 2009.

Additionally, collections for unclaimed property were below the estimate. In discussions with representatives of unclaimed property, the Auditor was informed that postings may have been delayed due to timing issues and that they expect collections in the 2nd quarter to improve.

[13] Includes the WASA Pilot (payment in lieu of taxes) transfer.
[14] Includes revenue from dishonored checks, payroll service fees, or other revenue from agencies.

OTHER FINANCING SOURCES

Other financing sources consist of legalized gambling transfers to the General Fund from the D.C. Lottery. The total FY 2010 revised estimate for the other financing sources category is $65.78 million. Collections through the 1st quarter totaled $17.5 million which were:

- $800,000, or 4.8%, above the $16.7 million 1st quarter FY 2010 revised estimate; and
- $675,000, or 3.7%, below collections for the same period in FY 2009.

Collections from other financing sources through the 1st quarter represented 26.6% of the total FY 2010 revised estimate for this category. Table IX compares actual collections to the estimate through the 1st quarter of FY 2010.

TABLE IX
Other Financing Sources:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2010
($000)

Other Financing Sources	Actual Collections Through the 1st Quarter FY 2010	Revised Estimate Through the 1st Quarter FY 2010	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Legalized Gambling	$17,500	$16,700	$800	4.8%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2010, Monthly OCFO Cash Report December 2009 prepared by ORA.

Legalized gambling (transfers to the General Fund from the D.C. Lottery) through the 1st quarter totaled $17.5 million. The transfers were $800,000, or 4.8%, above the $16.7 million revised 1st quarter estimate.

SPECIAL PURPOSE REVENUE FUND (O-TYPE)

The special purpose revenue fund (O-type) estimate for FY 2010 is $454.38 million. Collection of special purpose revenue funds (O-type) through the 1st quarter of FY 2010 totaled $100.93 million. These collections were $3.37 million, or 3.5%, above the $97.56 million 1st quarter revised estimate. Collections through the 1st quarter of FY 2010 were $437,000, or .4%, above the $100.49 million in collections for the same period in FY 2009.

ORA officials stated there were numerous funds which comprise special purpose revenue funds (O-type) and that the collection pattern varied for each fund.

CONCLUSION

The Auditor's analysis indicated that, overall, actual cash collections were below the revised estimate through the 1st quarter of FY 2010. The District's cash collections through December 2009 (excluding special purpose revenue fund (O-type)) totaled $744.83 million, which were $51.64 million, or 6.5%, below the $796.47 million revised estimate through the 1st quarter. The $744.83 million in actual cash collections represented 14.37% of the total $5.182 billion revised FY 2010 revenue estimate.

Specifically, collections were above the estimate through the 1st quarter in the following categories: 1) general property taxes; 2) income taxes; 3) gross receipts taxes; 4) charges for services; and 5) legalized gambling (transfers to the General Fund from the D.C. Lottery). Collections were also above the estimate for the special purpose revenue fund (O-type). On the other hand, collections were below the estimate in the following categories: 1) general sales and use taxes; 2) selective sales and use taxes; 3) other taxes; 4) licenses and permits; 5) fines and forfeitures; and 6) miscellaneous revenue.

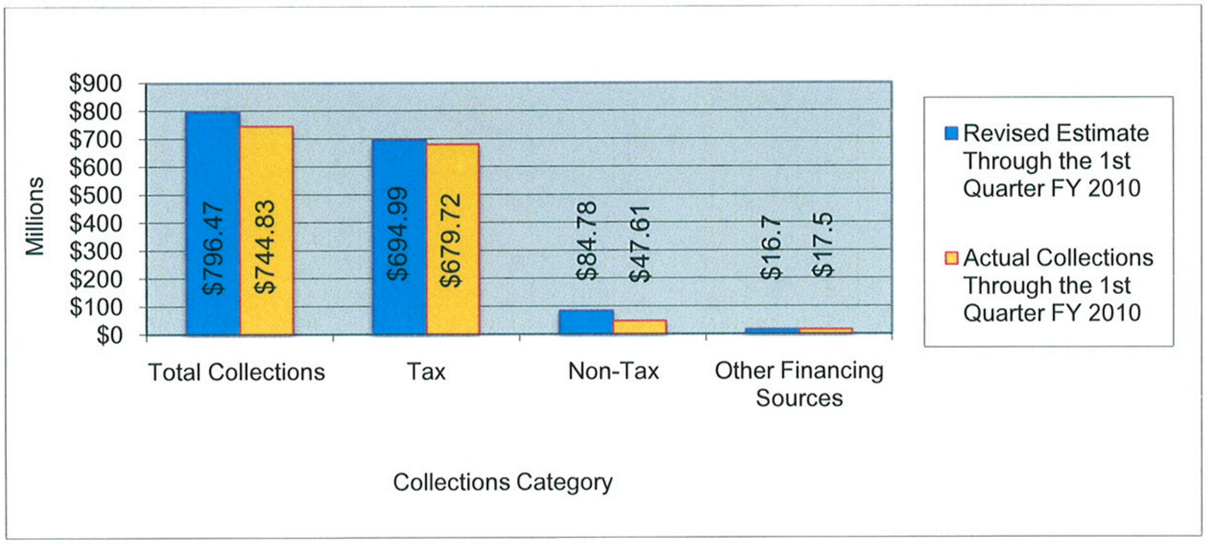
Respectfully submitted,

Deborah K. Nichols
District of Columbia Auditor

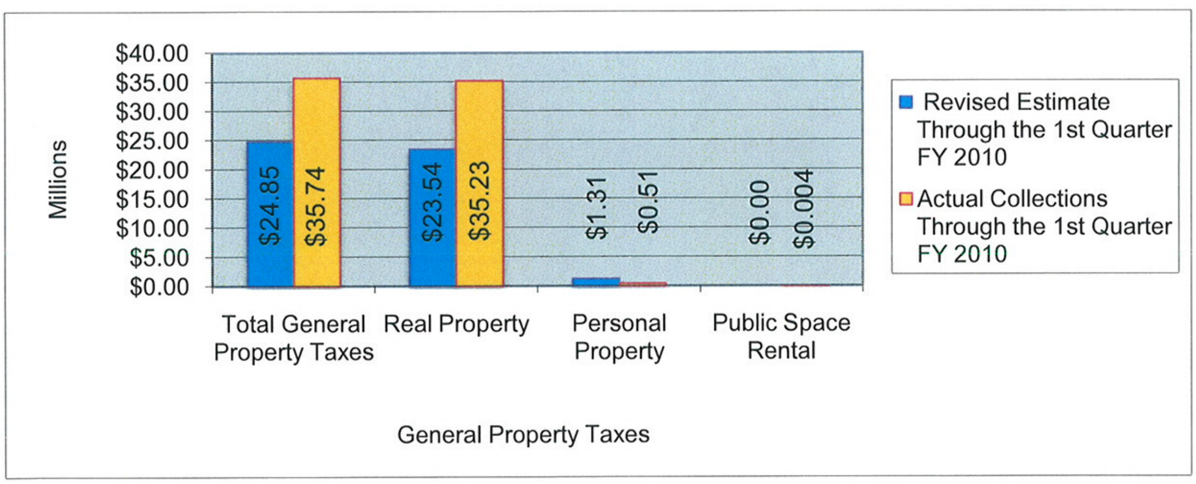
APPENDICES

APPENDIX I

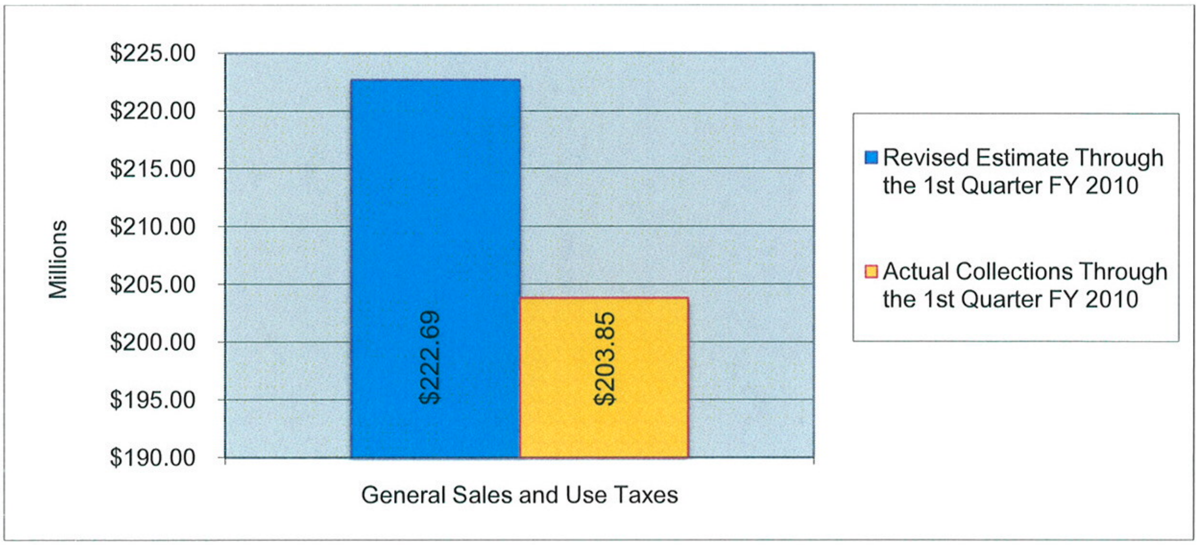
GRAPH I
Summary of the Revised Revenue Estimate
Through the 1st Quarter FY 2010 to Actual Cash Collections



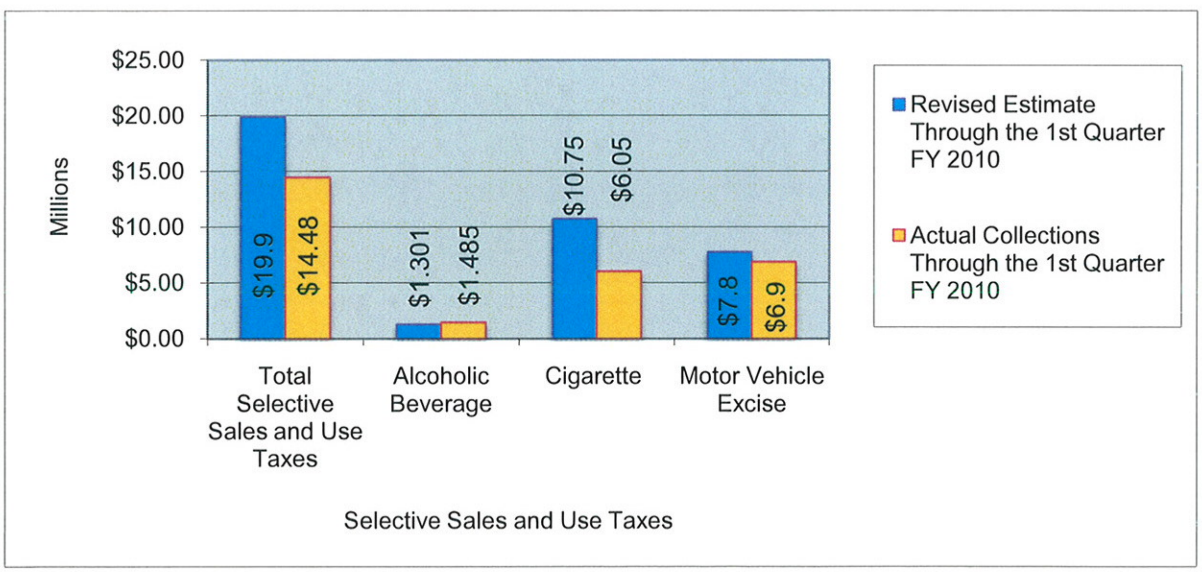
GRAPH II
General Property Taxes:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2010 to Actual Cash Collections



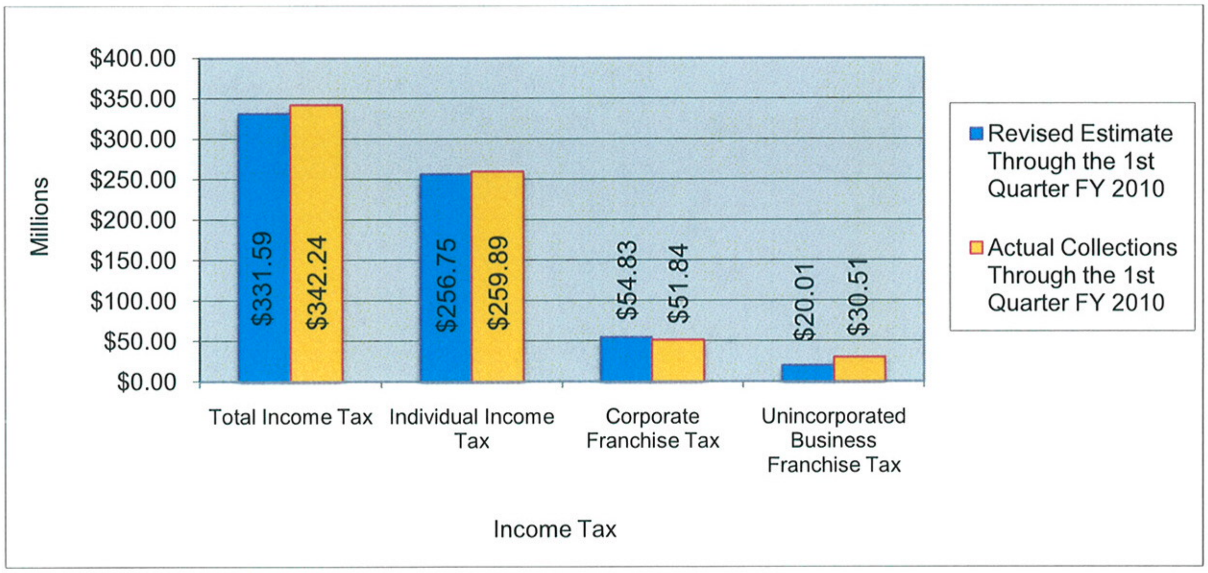
GRAPH III
General Sales and Use Taxes:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2010 to Actual Cash Collections



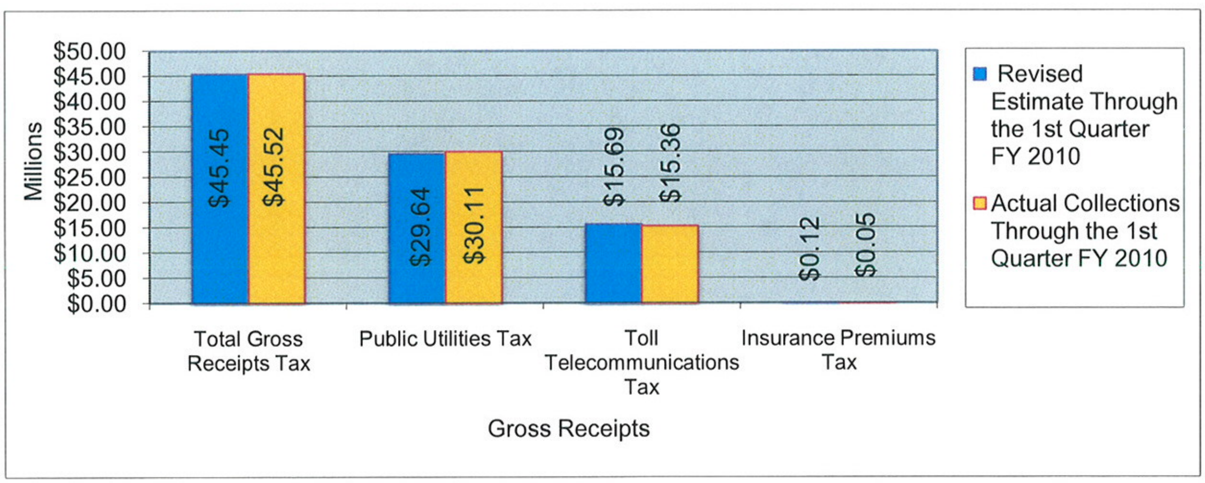
GRAPH IV
Selective Sales and Use Taxes:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2010 to Actual Cash Collections



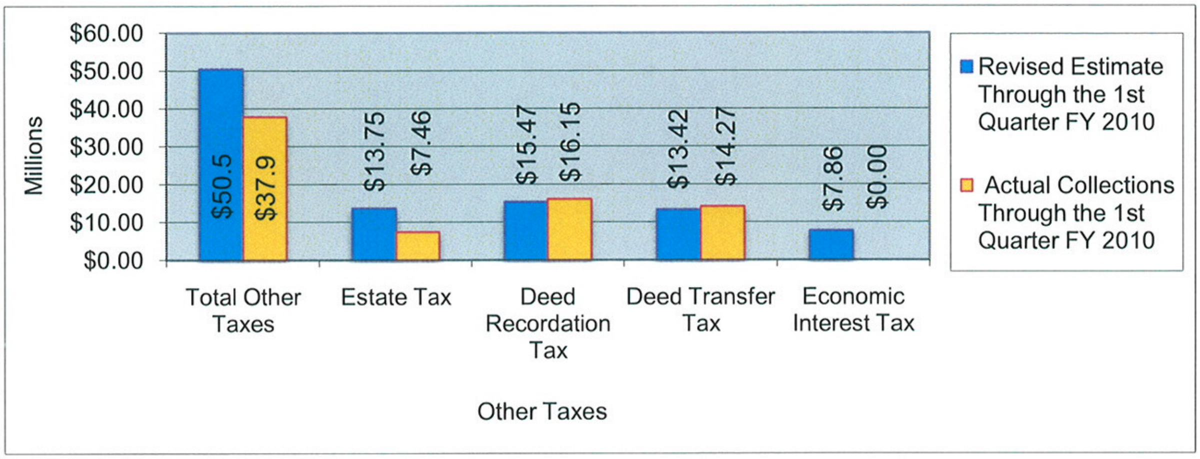
GRAPH V
Income Tax:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2010 to Actual Cash Collections



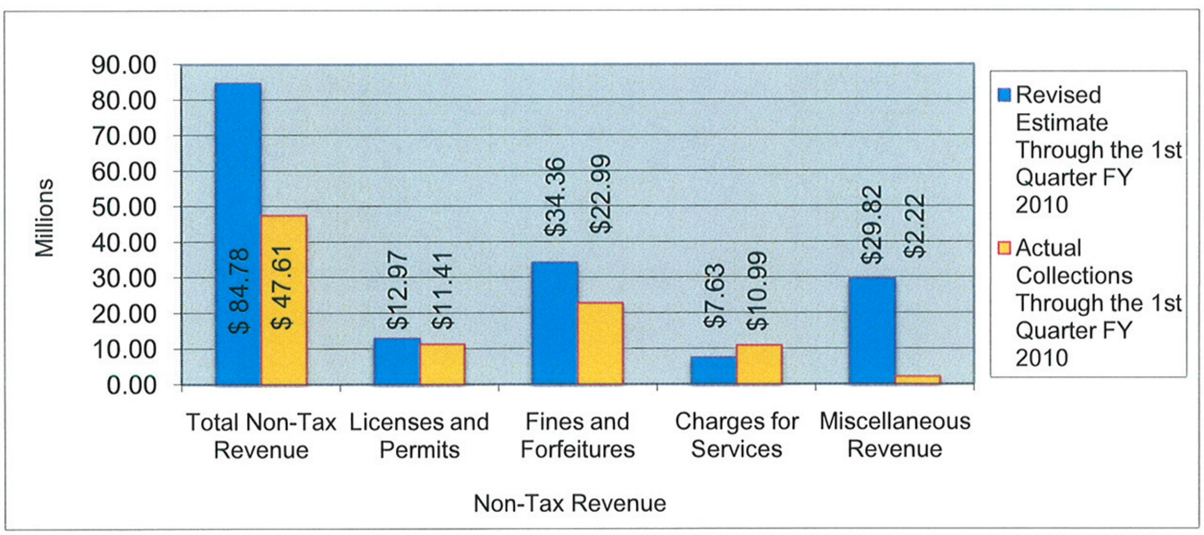
GRAPH VI
Gross Receipts Tax:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2010 to Actual Cash Collections



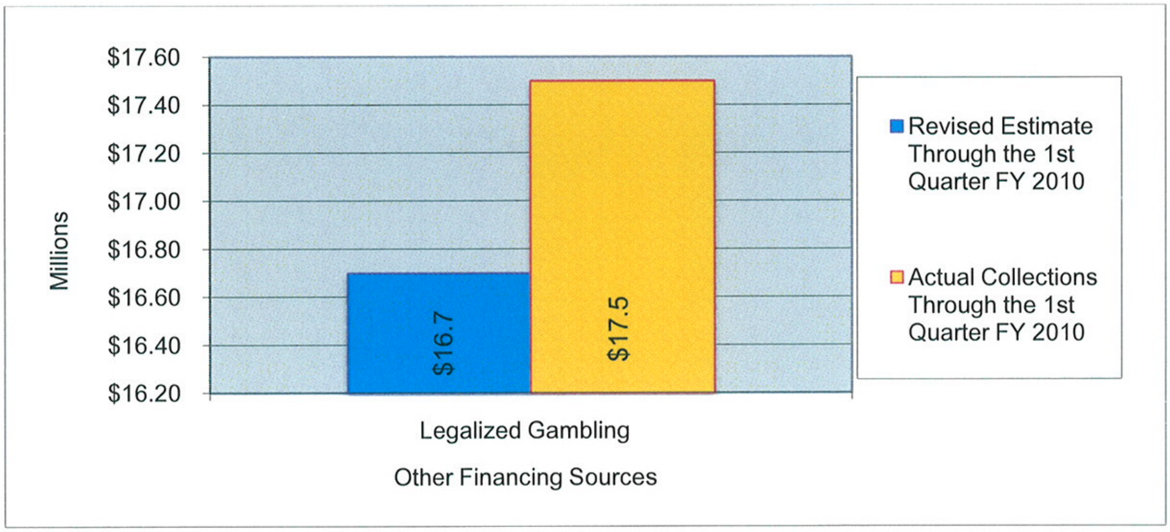
GRAPH VII
Other Taxes:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2010 to Actual Cash Collections



GRAPH VIII
Non-Tax Revenue:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2010 to Actual Cash Collections



GRAPH IX
Other Financing Sources:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2010 to Actual Cash Collections



Comparison of Cash Collections Through the 1st Quarter Fiscal Years 2006 - 2010[15] ($000)

Collections Categories	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010[16]
General Property Taxes	$11,317	$11,731	$29,686	$17,374	$35,741
General Sales and Use Taxes*	193,707	208,454	214,811	215,573	203,852
Selective Sales and Use Taxes	17,466	17,162	17,225	17,341	14,482
Income Tax	312,064	322,552	348,053	343,038	342,242
Gross Receipts Tax	50,386	46,952	49,242	48,952	45,520
Other Taxes	98,557	105,060	125,043	111,881	37,882
Non-Tax Revenue	82,021	91,403	76,919	87,948	47,610
Other Financing Sources	17,425	17,350	18,300	18,175	17,500
Total Cash Collections Financing the Appropriation	**$782,943**	**$820,664**	**$879,279**	**$860,282**	**$744,829**

Source: OCFO ORA

*Collections of general sales and use taxes are reported on a net basis after the transfer of tax revenue to dedicated purposes including the Washington Convention Center Authority

[15] Differences in totals presented in this table are due to rounding.
[16] Total collections presented in this Appendix does not include special purpose revenue fund (O-type) and are presented net of dedicated taxes transferred to dedicated purposes.

APPENDIX III

Comparison of Collections through the 1st Quarter of FY 2010 to Collections through the 1st Quarter of FY 2009[17] ($000)

Collections Category[18]	Collections Through the 1st Quarter Fiscal Year 2010	Collections Through the 1st Quarter Fiscal Year 2009	Difference 1st Quarter FY 2010 Over/(Under) 1st Quarter FY 2009	Percentage Difference
General Property Taxes:				
Real Property	$35,227	$16,702	$18,525	110.9%
Personal Property	510	671	(161)	(24%)
Public Space Rental	4	1	3	300%
Total general Property Taxes	**$35,741**	**$17,374**	**$18,367**	**105.7%**
General Sales and Use Taxes	**$203,852**	**$215,573**	**($11,721)**	**(5.4%)**
Selective Sales and use Taxes:				
Alcoholic Beverage	1,485	1,332	153	11.5%
Cigarette	6,052	9,368	(3,316)	(35.4%)
Motor Vehicle Excise	6,945	6,641	304	4.6%
Total Selective Sales and Use Taxes	**$14,482**	**$17,341**	**($2,859)**	**(16.5%)**
Income Taxes:				
Individual Income Tax	259,896	257,693	2,203	.85%
Corporate Franchise	51,837	57,506	(5,669)	(9.9%)
Unincorporated Business Franchise	30,509	27,839	2,670	9.6%
Total Income Taxes	**$342,242**	**$343,038**	**($796)**	**(.2%)**
Gross Receipts Taxes:				
Public Utilities	30,107	31,996	(1,889)	(5.9%)
Toll telecommunications	15,360	16,797	(1,437)	(8.6%)
Insurance Premiums	53	159	(106)	(66.7%)
Healthcare Provider Tax	0	0	0	0.0%
Total Gross Receipts Taxes	**$45,520**	**$48,952**	**($3,432)**	**(7%)**
Estate Tax	7,458	55,440	(47,982)	(86.5%)
Deed Recordation	16,155	28,589	(12,434)	(43.5%)
Deed Transfer	14,269	19,706	(5,437)	(27.6%)
Economic Interests	0	8,146	(8,146)	(100%)
Total Other Taxes	**$ 37,882**	**$111,881**	**($73,999)**	**(66.1%)**
Total Tax Collections	**$679,719**	**$754,159**	**($74,440)**	**(9.9%)**
Non-Tax Revenue:				
License and Permits	11,406	13,738	(2,332)	(17%)
Fines and Forfeitures	22,988	26,414	(3,426)	(13%)
Charges for Services	10,990	8,734	2,256	25.8%
Miscellaneous Revenue	2,226	39,062	(36,836)	(94.3%)
Total Non-Tax Revenue	**$ 47,610**	**$87,948**	**($40,338)**	**(45.9%)**
Other Financing Sources	**$ 17,500**	**$18,175**	**($675)**	**(3.7%)**
Total Revenues	**$744,829**	**$860,282**	**($115,453)**	**(13.4%)**

[17] Rounding may affect some calculations presented in this table.

[18] Total collections presented in this Appendix does not include special purpose revenue fund (O-type). General sales and use taxes are presented net of dedicated general sales and use taxes transferred to other dedicated purposes including the Washington Convention Center Authority.