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Letter Report: Comparative Analysis of Actual Cash Collections
to the Revised Revenue Estimate Through the
1st Quarter of Fiscal Year 2006

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The Honorable Linda W. Cropp
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW, 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 2006

Dear Chairman Cropp 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) 2006 to the revised FY 2006 revenue estimate for the 1st quarter.

BACKGROUND

In February 2005, the District's Chief Financial Officer (CFO) issued a certified FY 2006 original revenue estimate¹ of \$4.515 billion.² The \$4.515 billion non-dedicated General Fund revenue estimate was used in building the FY 2006 budget. The CFO revised the FY 2006 revenue estimate in June 2005 from \$4.515 billion to \$4.436 billion, a decrease of \$79 million. In September 2005, the CFO revised the estimate upward to \$4.487 billion, which was a \$51 million increase over the \$4.436 billion June 2005 estimate and \$28 million below the original \$4.515 billion FY 2006 estimate.³

¹The FY 2006 revenue estimate presented in this report represents the general purpose general fund revenue estimate and does not include the FY 2006 dedicated non-tax "O" type revenue estimate of \$264.3 million. However, an overall discussion of dedicated non-tax "O" type revenue is included in a later section of this report.

²See FY 2006 Proposed Budget and Financial Plan, Volume 1, Executive Summary, page 4-14, "General Fund Revenue by Source, Fiscal Year 2004 Actual, Fiscal Years 2005 - 2009 Estimates and Projections."

³On December 16, 2005, the District's CFO submitted to the Mayor and Council a revised FY 2006 revenue estimate of \$4.519 billion. The \$4.519 billion excludes any adjustments for tax policy changes. However, ORA used the September 2005 estimate in the cash collections report for the 1st quarter. Therefore, for consistency, the Auditor used the September revised revenue estimate in this analysis.

METHODOLOGY

In conducting the comparative analysis, the Auditor reviewed: (1) the \$4.487 billion estimate; (2) the FY 2006 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 the National Oceanic and Atmospheric Administration (NOAA), the Federal Reserve Board Beige Book (Federal Beige Book), the District's Department of Employment Services (DOES), the Greater Capital Area Association of Realtors (GCAAR), Smith Travel Research, Washington, D.C. Convention and Tourism Corporation, the Consumer Price Index (CPI), and CB Richard Ellis a real estate services company.

The Auditor interviewed ORA officials regarding cash collections through the 1st quarter of FY 2006 and representatives from private as well as governmental organizations regarding their knowledge of overall economic conditions that affect the District.

RESULTS OF ANALYSIS

Actual cash collections from: (1) tax, (2) non-tax, and (3) other financing sources through the 1st quarter of FY 2006 totaled \$782.9 million, which were \$29.2 million, or 3.9%, above the \$753.7 million revised estimate through the 1st quarter.⁴ The \$782.9 million in actual cash collections represented 17% of the \$4.487 billion revised FY 2006 revenue estimate.⁵ Collections through the 1st quarter from tax, non-tax, and other financing sources are presented below.

- ◆ **Tax** - total tax collections were \$683.5 million, which were \$23.8 million, or 3.6%, above the revised tax estimate of \$659.7 million through December 2005.
- ◆ **Non-tax** - total non-tax collections were \$82 million, which were \$7.3 million, or 9.8%, above the revised non-tax estimate of \$74.7 million through December 2005.
- ◆ **Other financing sources** - collections from other financing sources, which consisted of legalized gambling, totaled \$17.4 million. These collections were \$1.9 million, or 9.9%, below the revised other financing sources estimate of \$19.3 million through December 2005.

Table I compares actual cash collections to the revised estimate through the 1st quarter of FY 2006 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.

⁴Rounding may affect some calculations presented in this report.

⁵The \$753.7 million revised revenue estimate and \$782.9 million in collections through the 1st quarter of FY 2006 are presented net of the Washington Convention Center Authority estimate and transfer and also do not include the estimate and collections for dedicated non-tax "O" type revenue.

TABLE I
Cash Collections Summary
Through the 1st Quarter of Fiscal Year 2006
(\$000)

Collections Category	Actual Collections Through the 1st Quarter FY 2006	Revised Estimate Through the 1st Quarter FY 2006	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Tax	\$683,497	\$659,655	\$23,842	3.6%
Non-Tax	82,021	74,710	7,311	9.8%
Other Financing Sources	17,425	19,348	(1,923)	(9.9%)
Total Revenue Collections	\$782,943	\$753,713	\$29,230	3.9%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2006, December 2005, prepared by ORA

In conducting the analysis of cash collections through the 1st quarter of FY 2006, the Auditor compared the 1st quarter collection trends for the five prior fiscal years from 2002 through the 1st quarter of 2006. 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 the general sales and use taxes category steadily increased over the five-fiscal year period. On the other hand, 1st quarter collections in the income tax category decreased in FY 2003 but increased in FYs 2004 through the 1st quarter of 2006. Additionally, 1st quarter collections in the general property taxes category increased in FYs 2003 and 2005 but decreased in FYs 2004 and 2006. A discussion of the fluctuation in each of the tax and non-tax revenue categories is presented later in this analysis.

Appendix III presents a comparison of collections through the 1st quarter of FY 2006 to 1st quarter collections for FY 2005 in each tax category.

GENERAL PROPERTY TAXES

General property taxes include: (A) real property taxes, (B) personal property taxes, and (C) revenue from public space rentals. The FY 2006 revised estimate for general property taxes is \$1.225 billion. Collections of general property taxes through the 1st quarter of FY 2006 totaled \$11.3 million, which were:

- ◆ \$6 million, or 34.6%, below the \$17.3 million 1st quarter FY 2006 revised estimate; and

- ◆ \$2.7 million, or 19.2%, below collections for the same period in FY 2005.

Collections of general property taxes through the 1st quarter represented .9% 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 2006.

TABLE II
General Property Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2006
(\$000)

General Property Taxes	Actual Collections Through the 1 st Quarter FY 2006	Revised Estimate Through the 1 st Quarter FY 2006	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Real Property	\$9,953	\$16,014	(\$6,061)	(37.8%)
Personal Property	1,089	1,297	(208)	(16%)
Public Space Rental	275	0	275	0%
Total General Property Taxes	\$11,317	\$17,311	(\$5,994)	(34.6%)

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2006, December 2005, prepared by ORA

A. Real Property Tax Collections

Real property tax collections through the 1st quarter totaled \$9.95 million. These collections were \$6.06 million, or 37.8%, below the \$16 million revised estimate. The real property tax category is the largest component of general property taxes.

According to ORA officials, although 1st quarter collections of real property taxes were lower than the estimate, collections in the 1st quarter are not an accurate indicator of collections for the entire fiscal year. Collections in the 1st quarter historically represent late payments of the previous year's real property tax bills. Real property taxes are due March 31st and September 15th of each year. Therefore, collections of real property taxes are expected to increase in the third and fourth quarters of the fiscal year.

The Auditor notes that real property tax refunds through the 1st quarter totaled \$6.6 million and were \$808,000, or 13.8%, higher than the CFO's \$5.8 million estimate. Also, refunds through the 1st quarter of FY 2006 were \$408,000, or 6.5%, higher than refunds through the 1st quarter of FY 2005. Because real property tax collections are presented net of refunds, and refunds through the 1st quarter of FY 2006 were slightly higher than estimated, the slight increase in refunds may also have contributed to the decrease in collections in the real property tax category.

B. Personal Property Tax Collections

Personal property tax collections through the 1st quarter totaled \$1.1 million. These collections were \$208,000, or 16%, below the \$1.3 million estimate. The annual due date for personal property tax returns is July 31st. Therefore, according to ORA officials, collections in the 1st quarter may represent 2005 late payments rather than overall economic activity that may impact personal property tax payments.

C. Public Space Rental Fees

Public space rental fees collected through the 1st quarter of FY 2006 totaled \$275,000. ORA officials did not present a 1st quarter estimate for public space rental fees. Pursuant to D.C. Act 16-206, effective November 17, 2005,⁶ all revenue derived from the collection of public rights-of-way user fees, charges and penalties will be deposited into the Local Roads Construction and Maintenance Fund, which shall be separate from the General Fund. Therefore, according to ORA officials, future revenue from public space rental fees will be reported as dedicated non-tax "O" type revenue.⁷

Since general property tax collections were below the estimate through the 1st quarter, District finance officials should monitor this tax category closely for the remainder of FY 2006.

⁶See the "Highway Trust Fund and District Department of Transportation Emergency Amendment Act of 2005, effective November 17, 2005, which amended the Highway Trust Establishment Act of 1996, effective October 3, 2001, (D.C. Law 14-28; D.C. Code §9-111.01a(a).

⁷According to an OTR Financial Reporting Manager, the \$275,000 will be transferred to the Local Roads Construction and Maintenance Fund.

GENERAL SALES AND USE TAXES

The FY 2006 revised estimate for general sales and use taxes is \$795.5 million.⁸ Collections of general sales and use taxes through the 1st quarter totaled \$193.7 million, which were:

- ◆ \$2 million, or 1.1%, above the \$191.7 million 1st quarter revised FY 2006 estimate; and
- ◆ \$964,000, or .5%, above collections for the same period in FY 2005.

General sales and use tax collections through the 1st quarter represented 24% of the total FY 2006 revised estimate for this category. Table III compares actual collections to the revised estimate through the 1st quarter of FY 2006.

TABLE III
General Sales and Use Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2006
(\$000)

General Sales and Use Taxes	Actual Collections Through the 1st Quarter FY 2006	Revised Estimate Through the 1st Quarter FY 2006	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
General Sales and Use Taxes	\$193,707	\$191,673	\$2,034	1.1%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2006, December 2005, prepared by ORA

Collections of general sales and use taxes through the 1st quarter totaled \$193.7 million. Actual collections through the 1st quarter were \$2 million, or 1.1%, higher than the 1st quarter estimate. According to ORA officials, collections of general sales and use taxes depends not only on how well the local economy performs but also on the strength of the national economy. Also, according to the Federal Beige Book, tourism remained strong due, in part, to warmer than normal weather in late December 2005.

Based on collections patterns and emerging trends through the 1st quarter, it appears that the District is on course to achieve the FY 2006 revenue estimate in the general sales and use taxes category.

⁸Presented net of dedicated tax revenue transferred to the Washington Convention Center Authority.

SELECTIVE SALES AND USE TAXES

Selective sales and use taxes include: (A) alcoholic beverage, (B) cigarette, and (C) motor vehicle excise taxes. The FY 2006 revised estimate for selective sales and use taxes is \$67 million. Collections through the 1st quarter of FY 2006 totaled \$17.5 million which were:

- ◆ \$1.55 million, or 9.7%, above the \$15.9 million 1st quarter FY 2006 revised estimate; and
- ◆ \$1.5 million, or 9.2%, above collections for the same period in FY 2005.

Selective sales and use tax collections through the 1st quarter represented 26% of the total FY 2006 revised estimate for this category. Table IV compares actual collections to the revised estimate through the 1st quarter of FY 2006.

TABLE IV
Selective Sales and Use Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2006
(\$000)

Selective Sales and Use Taxes	Actual Collections Through the 1 st Quarter FY 2006	Revised Estimate Through the 1 st Quarter FY 2006	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Alcoholic Beverage	\$1,304	\$1,198	\$106	8.8%
Cigarette	5,843	5,039	804	16%
Motor Vehicle Excise	10,319	9,678	641	6.6%
Total Selective Sales and Use Taxes	\$17,466	\$15,915	\$1,551	9.7%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2006, December 2005, prepared by ORA

A. Alcoholic Beverage Tax

Alcoholic beverage tax collections through the 1st quarter totaled \$1.3 million. The collections were \$106,000, or 8.8%, above the \$1.2 million 1st quarter revised estimate.

B. Cigarette Tax

Cigarette tax collections through the 1st quarter totaled \$5.8 million. These collections were \$804,000, or 16%, above the \$5 million revised estimate.

C. Motor Vehicle Excise Tax

Motor vehicle excise tax collections through the 1st quarter totaled \$10.3 million. These collections were \$641,000, or 6.6%, above the \$9.7 million revised estimate.

Based on collections through the 1st quarter, it appears that the District is on course to achieve the revenue estimate in the selective sales and use taxes category in FY 2006.

INCOME TAX

Income tax includes: (A) individual income tax, (B) corporate franchise tax, and (C) unincorporated business franchise tax. The FY 2006 revised estimate for the income tax category is \$1.435 billion. Collections through the 1st quarter of FY 2006 totaled \$312 million which were:

- ◆ \$13.7 million, or 4.6%, above the \$298.4 million 1st quarter revised estimate; and
- ◆ \$18 million, or 6.1%, above collections for the same period in FY 2005.

Income tax collections through the 1st quarter represented 22% of the total FY 2006 revised revenue estimate for this category. Table V compares actual collections to the revised estimate through the 1st quarter of FY 2006.

TABLE V
Income Tax:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2006
(\$000)

Income Tax	Actual Collections Through the 1 st Quarter FY 2006	Revised Estimate Through the 1 st Quarter FY 2006	Difference: Actual Over/Under Revised Estimate	Percentage Difference
Individual Income Tax	\$245,745	\$240,135	\$5,610	2.3%
Corporate Franchise Tax	43,920	35,471	8,449	23.8%
Unincorporated Business Franchise Tax	22,399	22,801	(402)	(1.8%)
Total Income Tax	\$312,064	\$298,407	\$13,657	4.6%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2006, December 2005, prepared by ORA

A. Individual Income Tax

Individual income tax collections through the 1st quarter totaled \$245.7 million. This tax is the largest in the income tax category. These collections were \$5.6 million, or 2.3%, above the \$240.1 million revised estimate. The increase in individual income tax may be due, in part, to the fact that the District's unemployment rate decreased in October and December 2005. Also, per capita personal income increased. The seasonally adjusted unemployment rate was: (1) 6.1% in October 2005, down .1% from the revised September 2005 rate; (2) 6.1% in November 2005, which was unchanged from October 2005; and (3) 6% in December 2005, which was down .1 % from the November 2005 rate. District per capita personal income increased 7.5% to \$54,985 in 2005 as compared to \$51,155 in 2004.

Additionally, individual income tax refunds through the 1st quarter were \$18.2 million. These refunds were \$424,000, or 2.3%, below the \$18.6 million estimate for the 1st quarter.

B. Corporate Franchise Tax

Corporate franchise tax collections through the 1st quarter totaled \$43.9 million. The collections were \$8.4 million, or 23.8%, above the \$35.5 million revised estimate. According to DOES, the number of District jobs increased by 5,600 during the 1st quarter of FY 2006. Further, according to DOES, the District gained a total of 11,700 jobs during the 12 months ending December 2005. The increased job growth in the District may indicate corporate profits are beginning to increase. Additionally, according to a local economist, there has been increased federal procurement spending in the Washington metropolitan area. Federal contracting is the principal driver behind the areas's strong job growth. In 2004, the Washington metropolitan area added 64,200 new jobs. Federal procurement spending continues to increase with a resultant increase in job growth. The growth in jobs and increased spending may account, in part, for the increase in corporate franchise tax collections.

C. Unincorporated Business Franchise Tax

Unincorporated business franchise tax collections through the 1st quarter totaled \$22.4 million. The collections were \$402,000, or 1.8%, below the \$22.8 million revised estimate. According to ORA representatives, many unincorporated business franchise taxpayers are partnerships associated with the real estate management industry. The fact that collections are below the estimate through the 1st quarter of FY 2006 may reflect a moderation in the real estate market.

Additionally, the first payment of this tax is due in January 2006, which should be reflected in 2nd quarter collections. The 1st quarter collections do not reflect the total economic activity related to this tax for FY 2006.

Based on collections through the 1st quarter, it appears that the District is on course to achieve the revised revenue estimate in the income tax category in FY 2006.

GROSS RECEIPTS TAXES

Gross receipts taxes include: (A) public utilities tax, (B) toll telecommunications tax, (C) a tax on insurance premiums, and (D) a healthcare provider tax. The revised estimate for gross receipts taxes is \$249.7 million. Collections of gross receipts taxes through the 1st quarter of FY 2006 totaled \$50.4 million, which were:

- ◆ \$1.3 million, or 2.7%, above the \$49.1 million 1st quarter revised estimate; and
- ◆ \$1.1 million, or 2.1%, below collections for the same period in FY 2005.

Gross receipts tax collections through the 1st quarter represented 20.2% of the total FY 2006 revised estimate for this category. Table VI compares actual collections to the revised estimate through the 1st quarter of FY 2006.

TABLE VI
Gross Receipts Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2006
(\$000)

Gross Receipts Taxes	Actual Collections Through the 1st Quarter FY 2006	Revised Estimate Through the 1st Quarter FY 2006	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Public Utilities	\$36,739	\$36,437	\$302	.8%
Toll Telecommunications	13,605	12,578	1,027	8.2%
Insurance Premiums	42	50	(8)	(16%)
Healthcare Provider Tax	0	0	0	0
Total Gross Receipts Taxes	\$50,386	\$49,065	\$1,321	2.7%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2006, December 2005, prepared by ORA

A. Public Utilities Tax

Public utilities tax collections through the 1st quarter totaled \$36.7 million. The collections were \$302,000, or .8%, above the \$36.4 million revised estimate. The strength in these collections through the 1st quarter may be due, in part, to increased profits collected by utility companies. According to the Consumer Price Index for the Washington/Baltimore area, utility gas service prices increased in October and November 2005. In December 2005, electricity prices increased as compared to November 2005 but decreased in both October and November 2005 as compared to previous months. This may account for the modest .8% increase over the estimate. Additionally, electricity and utility gas service prices for October, November, and December 2005 were all higher than 2004 service prices. The public utility tax is imposed on the gross receipts of utility companies. Therefore, increased revenue to these companies may result in increased gross receipts tax payments to the District.

B. Toll Telecommunications Tax

Toll telecommunications tax collections through the 1st quarter totaled \$13.6 million. The collections were \$1 million, or 8.2%, above the \$12.6 million revised estimate. One reason revenue is above the estimate in this tax category is that companies are offering a variety of new products and services for Blackberry and mobile telephone users leading to an increase in sales for telephone companies. The toll telecommunications tax is imposed on the gross receipts of telephone companies. Increased revenue to these companies may have resulted in increased toll telecommunications tax revenue to the District.

C. Insurance Premium Tax

Insurance premium tax collections through the 1st quarter totaled \$42,000. The collections were \$8,000, or 15.7%, below the \$50,000 revised estimate. Collections for the 1st quarter of FY 2006 were 950% higher than collections during the same period in FY 2005. This tax is due in March of each year, therefore collections through the 1st quarter do not fully reflect the economic activity for this tax.

D. Healthcare Provider Tax

ORA did not report the estimate nor any collections for the healthcare provider tax in the cash collections report for the 1st quarter of FY 2006. Also, ORA officials have not yet decided if future collections of this tax will be reported as non-dedicated "O" type revenue or as general purpose, general fund revenue.

Based on collections through the 1st quarter, it appears that the District is on course to achieve the revenue estimate in the gross receipts taxes category in FY 2006.

OTHER TAXES

Other Taxes include: (A) estate, (B) deed recordation, (C) deed transfer, and (D) economic interest transfer taxes. The FY 2006 revised estimate for other taxes is \$328 million. Collections of Other Taxes through the 1st quarter of FY 2006 totaled \$98.6 million, which were:

- ◆ \$11.3 million, or 12.9%, above the \$87.3 million 1st quarter revised estimate; and
- ◆ \$16.6 million, or 20.3%, above collections for the same period in FY 2005.

Collections of other taxes through the 1st quarter represented 30% of the total FY 2006 revised revenue estimate for this category. Table VII compares actual collections to the revised estimate through the 1st quarter of FY 2006 for Other Taxes.

TABLE VII
Other Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2006
(\$000)

Other Taxes	Actual Collections Through the 1st Quarter FY 2006	Revised Estimate Through the 1st Quarter FY 2006	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Estate Tax	\$10,735	\$8,018	\$2,717	33.9%
Deed Recordation	53,675	45,383	8,292	18.3%
Deed Transfer	31,860	33,100	(1,240)	(3.7%)
Economic Interest	2,287	783	1,504	192.1%
Total Other Taxes	\$98,557	\$87,284	\$11,273	12.9%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2006, December 2005, prepared by ORA

A. Estate Tax

Estate tax collections through the 1st quarter totaled \$10.7 million. The collections were \$2.7 million, or 33.9%, above the \$8 million revised estimate. Collections from this revenue source are difficult to estimate due to the unpredictable event that triggers the tax.

B. Combined Deed Recordation and Transfer Taxes

Combined deed recordation and transfer tax collections through the 1st quarter totaled \$85.5 million. These combined collections were \$7.05 million, or 9%, above the \$78.5 million revised estimate. Increased collections of these taxes may be due, in part, to the fact that transfers of District commercial property may have been higher than estimated.

C. Economic Interest Tax

Economic interest tax collections through the 1st quarter totaled \$2.3 million. The collections were \$1.5 million, or 192.1%, above the \$783,000 revised estimate. This tax is imposed on the amount paid for the transfer of ownership interest in a corporation. According to ORA representatives, this tax is difficult to forecast because of its unpredictable nature or the infrequent transfer of corporate ownership interests in the District of Columbia.

Based on collections through the 1st quarter, it appears that the District is on course to achieve the revenue estimate in the Other Taxes category in FY 2006.

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 FY 2006 revised estimate for non-tax revenue is \$313.7 million. Collections through the 1st quarter totaled \$82 million, which were:

- ◆ \$7.3 million, or 9.8%, above the \$74.7 million 1st quarter revised estimate; and
- ◆ \$17.1 million, or 26.4%, above collections for the same period in FY 2005.

Non-tax revenue collections through the 1st quarter represented 26% of the total FY 2006 revised estimate for this category. Table VIII compares non-tax revenue collections to the revised estimate through the 1st quarter of FY 2006.

TABLE VIII
Non-Tax Revenue:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2006
(\$000)

Non-Tax Revenue	Actual Collections Through the 1 st Quarter FY 2006	Revised Estimate Through the 1 st Quarter FY 2006	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Licenses and Permits	\$12,114	\$12,752	(\$638)	(5%)
Fines and Forfeitures	29,591	26,465	3,126	11.8%
Charges for Services	7,509	9,539	(2,030)	(21.3%)
Miscellaneous Revenue	32,807	25,954	6,853	26.4%
Total Non-Tax Revenue	\$82,021	\$74,710	\$7,311	9.8%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2006, December 2005, prepared by ORA

A. Licenses and Permit Fees

Licenses and permit fees collected through the 1st quarter totaled \$12.1 million. Collections were \$638,000, or 5%, below the \$12.8 million revised estimate. As discussed below, the estimate for licenses and permit fees is developed by agencies administering the related program, not ORA. Therefore, the Auditor recommends that ORA review these agencies' methodology for developing the revenue estimate in this category to ensure that it is reasonable, reliable, and achievable.

B. Fines and Forfeitures

Fines and forfeitures collected through the 1st quarter totaled \$29.6 million. The collections were \$3.1 million, or 11.8%, above the \$26.5 million revised estimate. Collections were above the revenue estimate primarily because of increased traffic fine collections.

C. Charges for Services

Charges for services collected through the 1st quarter totaled \$7.51 million. The collections were \$2 million, or 21.3%, below the \$9.54 million revised estimate. Collections were below the estimate, in part, because of the slowdown in the real estate market. The number of property sales has decreased which has resulted in a decrease in deed and corporate recordation fees. For example, according to GCAAR, settlements of single family homes in October, November, and December 2005 were all below the same period in 2004.

D. Miscellaneous Revenue

Miscellaneous revenue includes: (1) interest income, (2) unclaimed property, (3) sale of surplus property, (4) other transfer,⁹ and (5) other revenue.¹⁰ Miscellaneous revenue collected through the 1st quarter totaled \$32.8 million. The collections were \$6.9 million, or 26.4%, above the \$25.9 million revised estimate. Collections were higher than the estimate, in part, because of higher than expected collections of unclaimed property. Collections in the miscellaneous revenue category through the 1st quarter of FY 2006 were 29.4% higher than collections for the same period in FY 2005.

Based on collections through the 1st quarter, it appears that the District is on course to achieve the revenue estimate in the non-tax revenue category in FY 2006.

OTHER FINANCING SOURCES

Other financing sources consist of legalized gambling transfers to the General Fund from the D.C. Lottery. The FY 2006 revised estimate for other financing sources is \$73.1 million. Collections through the 1st quarter totaled \$17.4 million which were:

- ◆ \$1.9 million, or 9.9%, below the \$19.3 million 1st quarter revised estimate; and
- ◆ \$1.9 million, or 11.9%, above collections for the same period in FY 2005.

Collections from other financing sources through the 1st quarter represented 24% of the total FY 2006 revised estimate for this category. Table IX compares actual collections to the estimate through the 1st quarter of FY 2006.

⁹Includes the WASA Pilot Transfer.

¹⁰Includes revenue such as dishonored checks, payroll service fees, or other revenue from agencies.

TABLE IX
Other Financing Sources:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2006
(\$000)

Other Financing Sources	Actual Collections Through the 1 st Quarter FY 2006	Revised Estimate Through the 1 st Quarter FY 2006	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Legalized Gambling	\$17,425	\$19,348	(\$1,923)	(9.9%)

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2006, December 2005, prepared by ORA

A. Legalized Gambling

Legalized gambling transfers to the General Fund from the D.C. Lottery through the 1st quarter totaled \$17.4 million. The transfers were \$1.9 million, or 9.9%, below the \$19.3 million revised estimate. According to the D.C. Lottery's Fiscal Officer and a review of D.C. Lottery reports, collections were below the estimate, in part, because of prize payouts related to the D.C. Four game. Lottery officials budgeted approximately 49% for prize payouts on the D.C. Four game, however, actual prize payouts through the 1st quarter were approximately 74%.

DEDICATED NON-TAX "O" TYPE REVENUE

The dedicated non-tax "O" type revenue estimate for FY 2006 is \$264.3 million. Collection of dedicated non-tax "O" type revenue through the 1st quarter of FY 2006 totaled \$44.5 million. These collections were \$275,000, or .6%, below the \$44.8 million 1st quarter revised estimate. Collections through the 1st quarter of FY 2006 were \$5.7 million, or 14.8%, above the \$38.8 million in collections for the same period in FY 2005.

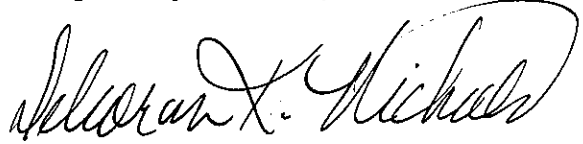
Based on collections through the 1st quarter, it appears that the District is on course to achieve the revenue estimate in the dedicated non-tax "O" type revenue category in FY 2006.

CONCLUSION

Overall, the Auditor's analysis indicated that actual cash collections were above the revised estimate through the 1st quarter of FY 2006. The District's cash collections through December 2005 (excluding dedicated non-tax "O" type revenue) totaled \$782.9 million, which were \$29.2 million, or 3.9%, above the \$753.7 million revised estimate through the 1st quarter. The \$782.9 million in actual cash collections represented 17% of the total \$4.487 billion revised FY 2006 revenue estimate.

Based on our review and analysis of economic data from various sources as well as revenue collection patterns through the 1st quarter, it appears that the District is on course to achieve the \$4.487 billion FY 2006 revised revenue estimate.

Respectfully submitted,

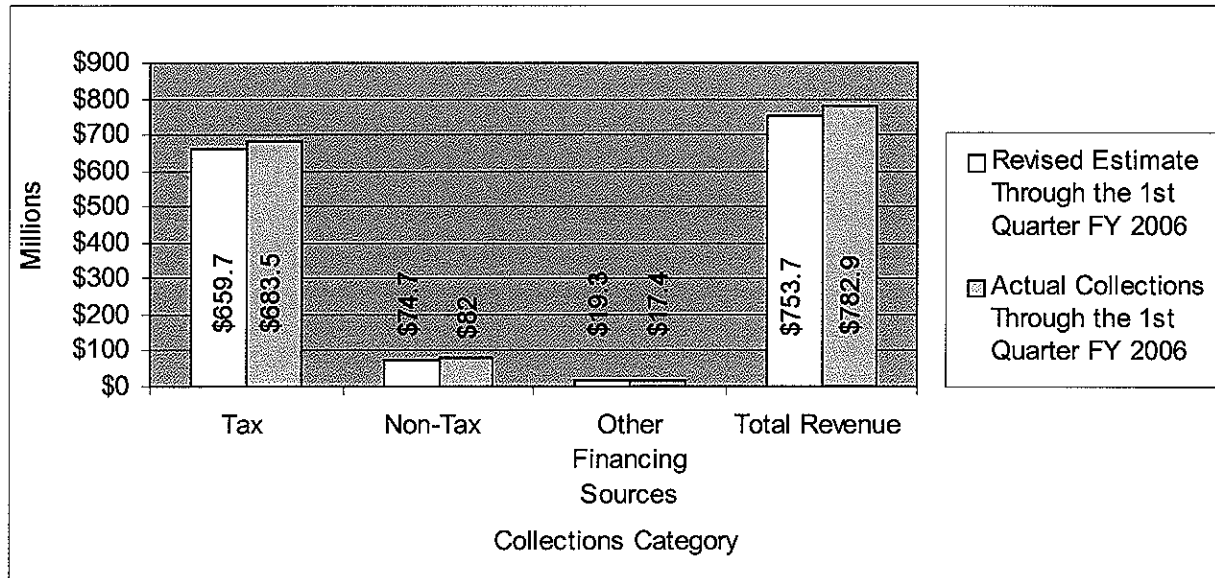
A handwritten signature in black ink, appearing to read "Deborah K. Nichols". The signature is fluid and cursive, with a large loop at the end of the last name.

Deborah K. Nichols
District of Columbia Auditor

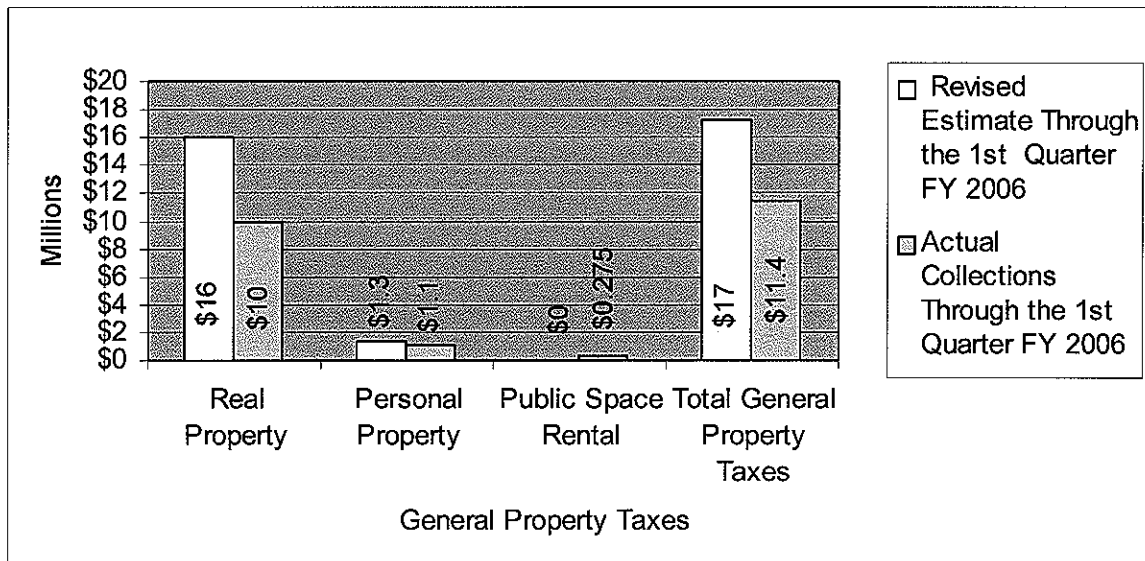
APPENDICES

APPENDIX I

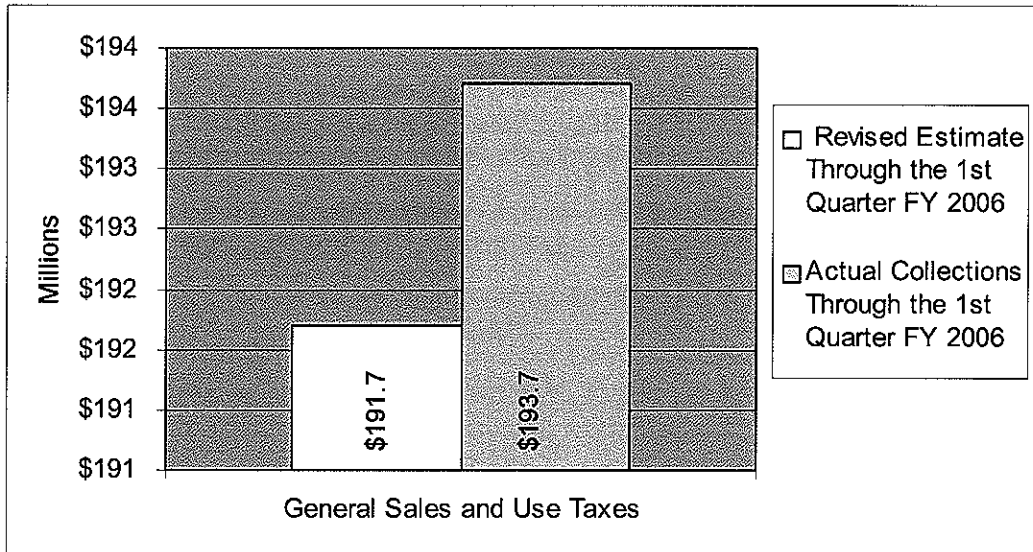
GRAPH I
Summary of Revised Revenue Estimate
Through the 1st Quarter FY 2006 to Actual Cash Collections



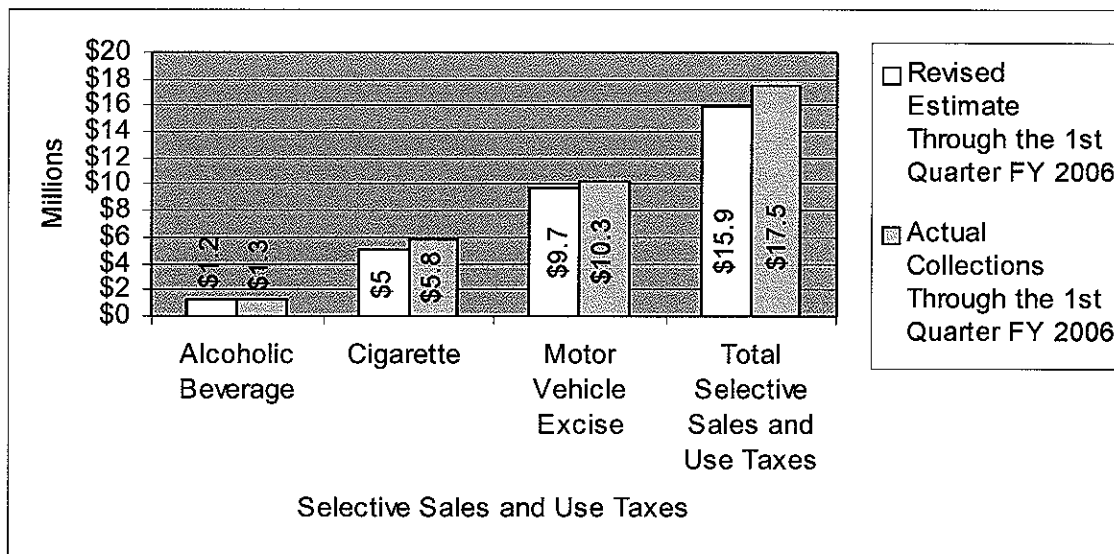
GRAPH II
General Property Taxes:
Comparison of Revised Revenue Estimate
Through the 1st Quarter FY 2006 to Actual Cash Collections



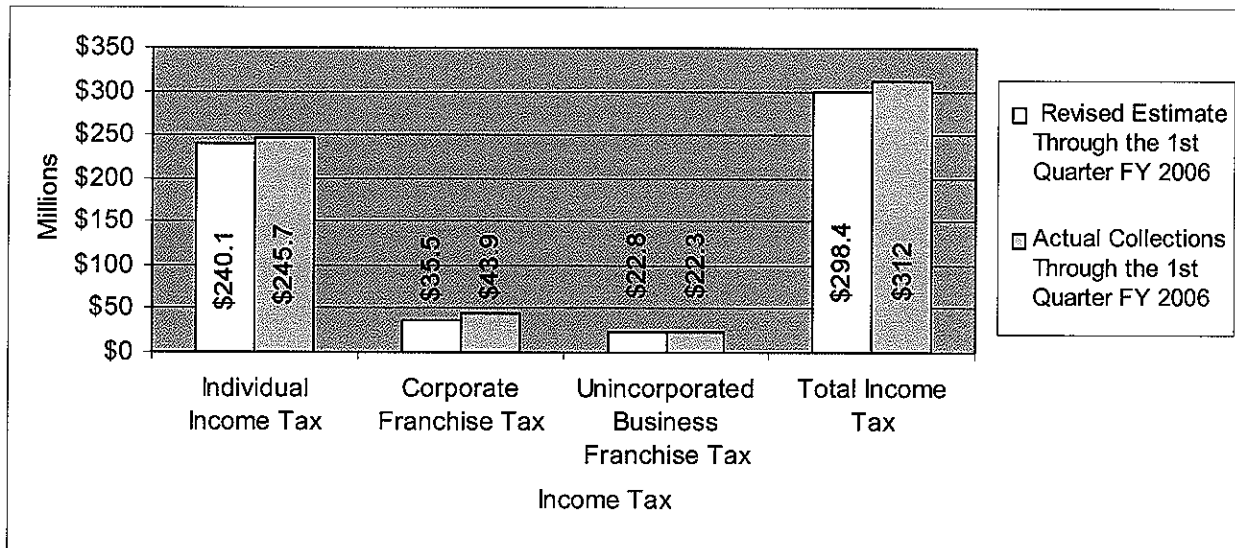
GRAPH III
General Sales and Use Taxes:
Comparison of Revised Revenue Estimate
Through the 1st Quarter FY 2006 to Actual Cash Collections



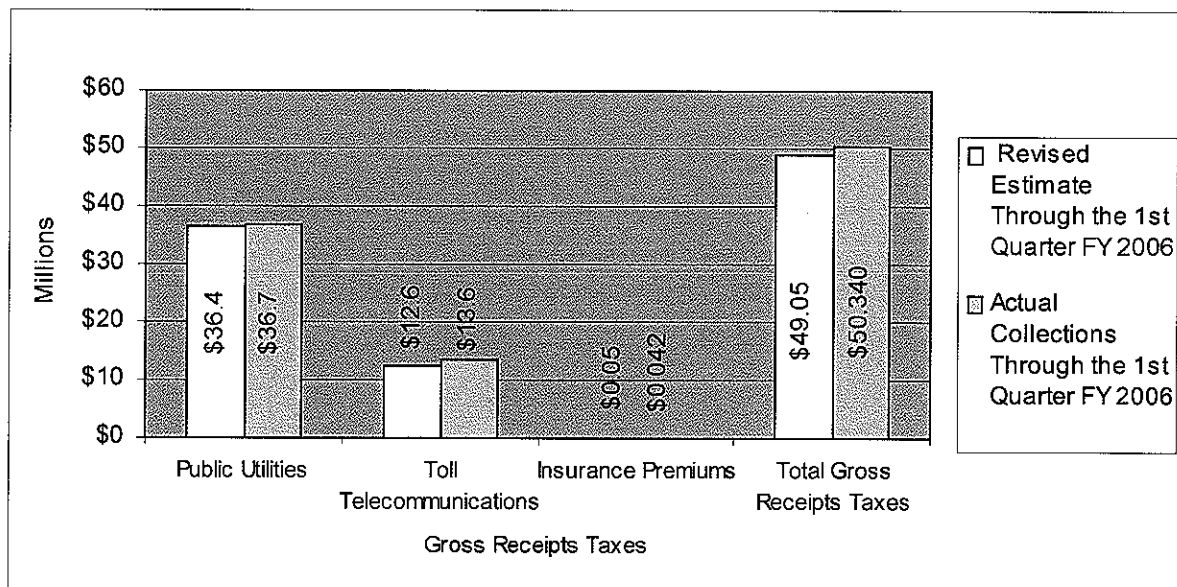
GRAPH IV
Selective Sales and Use Taxes:
Comparison of Revised Revenue Estimate
Through the 1st Quarter FY 2006 to Actual Cash Collections



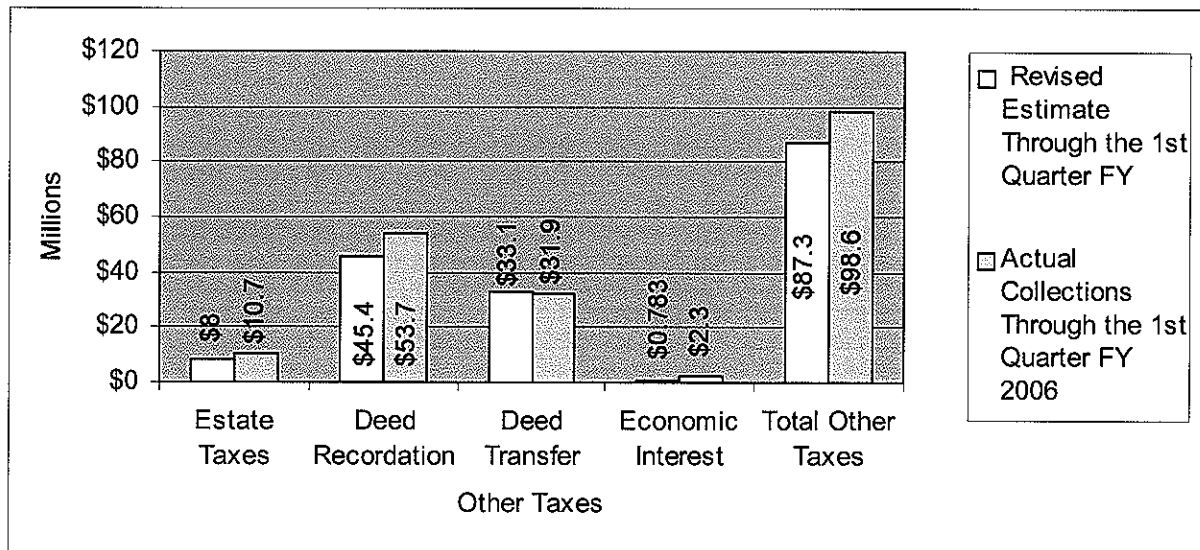
GRAPH V
Income Tax:
Comparison of Revised Revenue Estimate
Through the 1st Quarter FY 2006 to Actual Cash Collections



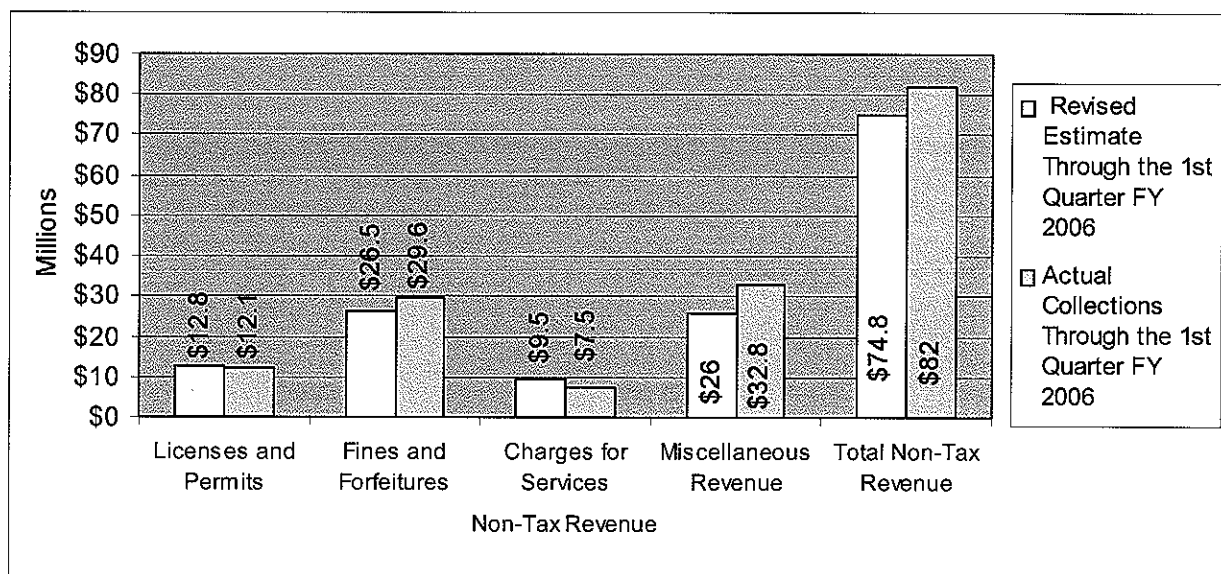
GRAPH VI
Gross Receipts Taxes:
Comparison of Revised Revenue Estimates
Through the 1st Quarter FY 2006 to Actual Cash Collections



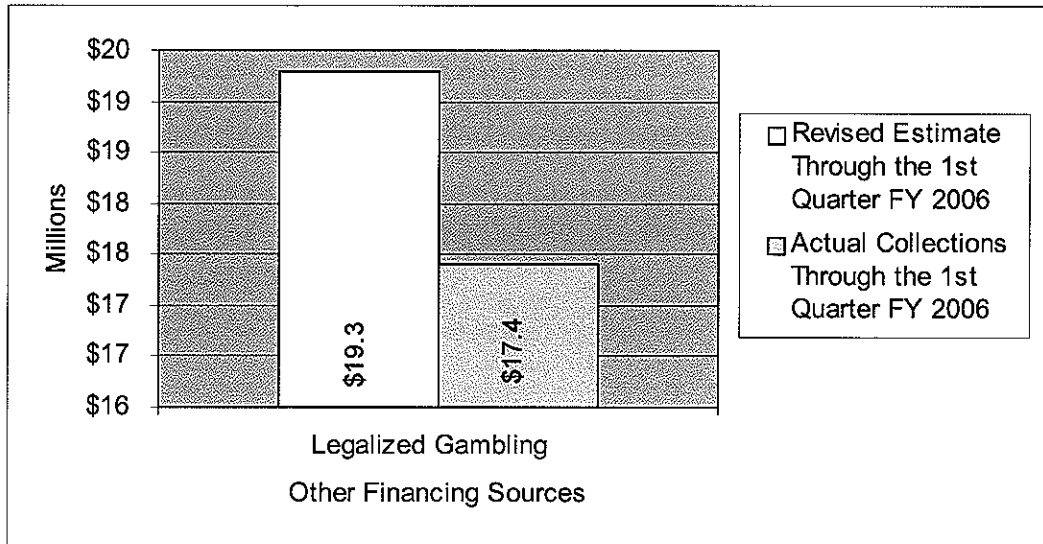
GRAPH VII
Other Taxes:
Comparison of Revised Revenue Estimate
Through the 1st Quarter FY 2006 to Actual Cash Collections



GRAPH VIII
Non-Tax Revenue:
Comparison of Revised Revenue Estimate
Through the 1st Quarter FY 2006 to Actual Cash Collections



GRAPH IX
 Other Financing Sources:
 Comparison of Revised Revenue Estimate
 Through the 1st Quarter FY 2006 to Actual Cash Collections



APPENDIX II

Comparison of Cash Collections Through the 1st Quarter Fiscal Years 2002 - 2006¹¹ (\$000)

Collections Category ¹²	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
General Property Taxes	\$14,225	\$26,501	\$5,036	\$14,005	\$11,317
General Sales and Use Taxes*	140,556	153,262	166,824	192,743	193,707
Selective Sales and Use Taxes	13,501	12,340	17,297	15,997	17,466
Income Tax	261,089	238,149	267,190	293,995	312,064
Gross Receipts Taxes	42,567	47,142	52,312	51,476	50,386
Other Taxes	33,448	75,994	103,646	81,919	98,557
Non-Tax Revenue	48,624	67,604	88,343	64,880	82,021
Other Financing Sources	22,681	22,850	23,425	15,575	17,425
Total Cash Collections Financing the Appropriation	\$621,646	\$643,742	\$724,073	\$730,590	\$782,943

Source: ORA

*General sales and use tax collections are reported on a net basis after the transfer of dedicated tax revenue to the Washington Convention Center Authority.

¹¹Differences in totals presented in this table are due to rounding.

¹²Dedicated non-tax "O" type revenue collections are not presented in this Appendix.

**Comparison of Collections Through the 1st Quarter
of FY 2006 to Collections Through the 1st Quarter of FY 2005¹³
(\$000)**

Collections Category ¹⁴	Collections Through the 1 st Quarter Fiscal Year 2006	Collections Through the 1 st Quarter Fiscal Year 2005	Difference 1 st Quarter FY 2006 Over/(Under) 1 st Quarter FY 2005	Percentage Difference
General Property Taxes:				
Real Property	\$9,953	\$14,088	(\$4,135)	(29.4%)
Personal Property	1,089	(387)	1,476	381.4%
Public Space Rental	275	305	(30)	(9.8%)
Total General Property Taxes	\$11,317	\$14,006	(\$2,689)	(19.2%)
General Sales and Use Taxes	\$193,707	\$192,743	\$964	0.5%
Selective Sales and Use Taxes:				
Alcoholic Beverage	\$1,304	\$1,277	\$27	2.1%
Cigarette	5,843	5,657	186	3.3%
Motor Vehicle Excise	10,319	9,064	1,255	13.8%
Selective Sales and Use Taxes	\$17,466	\$15,998	\$1,468	9.2%
Income Tax:				
Individual Income Tax	\$245,745	\$235,085	\$10,661	4.5%
Corporate Franchise	43,920	38,910	5,010	12.9%
Unincorporated Business	22,399	20,000	2,399	12%
Total Income Tax	\$312,064	\$293,995	\$18,069	6.1%
Gross Receipts Taxes:				
Public Utilities	\$36,739	\$36,820	(\$81)	(0.2%)
Toll Telecommunications	13,605	14,651	(1,046)	(7.1%)
Insurance Premiums	42	4	38	950%
Healthcare Provider Tax	0	0	0	0
Total Gross Receipts	\$50,386	\$51,475	(\$1,089)	(2.1%)
Other Taxes:				
Estate Tax	\$10,735	\$7,746	\$2,989	38.6%
Deed Recordation	53,675	44,381	9,294	20.9%
Deed Transfer	31,860	29,171	2,689	9.2%
Economic Interests	2,287	621	1,666	268.3%
Total Other Taxes	\$98,557	\$81,919	\$16,638	20.3%
Total Tax Collections	\$683,497	\$650,136	\$33,361	5.1%
Non-Tax Revenue:				
Licenses and Permits	\$12,114	\$10,908	\$1,206	11.1%
Fines and Forfeitures	29,591	25,036	4,555	18.2%
Charges for Services	7,509	3,590	3,918	109.2%
Miscellaneous Revenue	32,807	25,345	7,462	29.4%
Total Non-Tax Revenue	\$82,021	64,879	\$17,142	26.4%
Other Financing Sources	\$17,425	\$15,575	\$1,850	11.9%
Total Revenues	\$782,943	\$730,590	\$52,353	7.2%

Source: ORA

¹³Rounding may affect some calculations presented in this table.

¹⁴Total revenue presented in this Appendix does not include dedicated non-tax "O" type revenue. General sales and use taxes are presented net of dedicated tax revenue transferred to the Washington Convention Center Authority.