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**Letter Report: Comparative Analysis of Actual
Cash Collections to the Revised Revenue Estimate
Through the 1st Quarter of Fiscal Year 2011**

June 3, 2011



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The Honorable Kwame R. Brown
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 2011

Dear Chairman Brown 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) 2011 to the revised FY 2011 revenue estimate for the 1st quarter.

BACKGROUND

In July 2010, 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 2011 original revenue estimate of \$5.029 billion.³ The \$5.029 billion non-dedicated Local Fund revenue estimate was used as the baseline for the FY 2011 budget. Revisions to the \$5.029 billion estimate are presented below:

Revision #1 In September 2010, the CFO revised the estimate upward to \$5.031 billion, which was a net increase of \$2 million from the \$5.029 billion FY 2011 original revenue estimate.⁴

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 2011 Proposed Budget and Financial Plan, Volume 1, Executive Summary, dated July 1, 2010, page 4-17, "Operating Revenue by Source, Fiscal Years 2009-2014." The FY 2011 revenue estimate presented in this report represents the non-dedicated local fund revenue estimate and does not include the FY 2011 special purpose revenue fund (O-type) estimate of \$445.5 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 2011 original estimate was \$5.029 billion. In September 2010, the CFO reduced the \$5.029 billion estimate by \$99.8 million. Additionally, the FY 2011 Budget and Financial Plan dated July 1, 2010, included \$101.4 million in policy changes. The revenue reduction of \$99.8 million and the impact of the policy changes of \$101.4 million resulted in a net increase of \$2 million from the \$5.029 billion FY 2011 original revenue estimate.

Revision #2 In December 2010, the CFO's FY 2011 revenue estimate remained unchanged from the September 2010 revised revenue estimate of \$5.031 billion.

METHODOLOGY

In conducting the comparative analysis, the Auditor reviewed: (1) the \$5.031 billion revised estimate; (2) the FY 2011 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 George Mason University Center for Regional Analysis, 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), Bureau of Economic Analysis (BEA), the Conference Board, the Office of the Chief Financial Officer's Office of Finance and Treasury (OFT), National Oceanic and Atmospheric Administration (NOAA), National Association of Home Builders (NAHB), Bloomberg News and Mark Data Report, the District of Columbia Lottery and Charitable Games Control Board (D.C. Lottery), and Destination DC.

The Auditor interviewed ORA officials regarding cash collections through the 1st quarter of FY 2011 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 and financial oversight purposes.⁵ The scope of the work performed for this purpose does not constitute an audit under government auditing standards (GAGAS).⁶

⁵ 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)."

⁶ 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 2011 totaled \$825.51 million, which were \$14.64 million, or 1.8%, above the \$810.87 million revised estimate through the 1st quarter.⁷ The \$825.51 million in actual cash collections represented 16% of the \$5.031 billion FY 2011 revised revenue estimate.⁸ Collections through the 1st quarter from tax, non-tax, and other financing sources are presented below.

- **Tax** - total tax collections were \$730.76 million, which were \$38.95 million, or 5.6%, above the revised tax estimate of \$691.81 million through December 2010.
- **Non-tax** - total non-tax collections were \$80.25 million, which were \$21.27 million, or 21%, below the revised non-tax estimate of \$101.52 million through December 2010.
- **Other financing sources** - collections from other financing sources, which consisted of legalized gambling, totaled \$14.5 million. These collections were \$3.04 million, or 17.3%, below the revised other financing sources estimate of \$17.54 million through December 2010.

Table I compares actual cash collections to the revised estimate through the 1st quarter of FY 2011 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.

⁷ Rounding may affect some calculations presented in this report.

⁸ The \$810.87 million revised revenue estimate and \$825.51 million in collections through the 1st quarter of FY 2011 are presented net of funds transferred to dedicated purposes including the Washington Convention and Sports Authority, formerly called 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 2011
(\$000)

Collections Category	Actual Collections Through the 1 st Quarter FY 2011	Revised Estimate Through the 1 st Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Tax	\$730,761	\$691,806	\$38,954	5.6%
Non-Tax	80,250	101,524	(21,274)	(21%)
Other Financing Sources	14,500	17,537	(3,037)	(17.3%)
Total Collections	\$825,511	\$810,867	\$14,643	1.8%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2011, Monthly OCFO Cash Report December 2010, prepared by ORA.

In conducting the analysis of cash collections through the 1st quarter of FY 2011, the Auditor compared the 1st quarter collection trends for the five prior fiscal years from FY 2007 through the 1st quarter of FY 2011. These comparisons are presented in Appendix II. During the five-fiscal year period, collections in each revenue category fluctuated from year to year. A discussion of the fluctuations 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 2011 to collections through the 1st quarter of FY 2010 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 2011 revised estimate for general property taxes is \$1.62 billion. Collections of general property taxes through the 1st quarter of FY 2011 totaled \$41.4 million, which were:

- \$16.64 million, or 67.2%, above the \$24.75 million 1st quarter FY 2011 revised estimate; and
- \$5.66 million, or 15.8%, above collections for the same period in FY 2010.

Collections of general property taxes through the 1st quarter represented 3% 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 2011.

TABLE II
General Property Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2011
(\$000)

General Property Taxes	Actual Collections Through the 1 st Quarter FY 2011	Revised Estimate Through the 1 st Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Real Property	\$40,953	\$23,944	\$17,009	71%
Personal Property	445	810	(365)	(45%)
Public Space Rental ⁹	0	0	0	0%
Total General Property Taxes	\$41,398	\$24,754	\$16,644	67.2%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2011, Monthly OCFO Cash Report December 2010, prepared by ORA.

A. Real Property Tax Collections

Real property tax collections through the 1st quarter of FY 2011 totaled \$40.95 million. These collections were \$17 million, or 71%, above the \$23.94 million revised estimate. The real property tax category is the largest component of general property taxes.

Collections were above the estimate due, in part, to the fact that refunds through the 1st quarter totaled \$5.42 million, which were \$2.56 million, or 32.1%, below the \$7.98 million estimate. Moreover, the refunds through the 1st quarter of FY 2011 were \$2.05 million, or 27.4%, below refunds through the 1st quarter of FY 2010.

In addition, strong collections for the 1st quarter may represent some residual collections for the prior year's tax. According to an ORA official, the 1st quarter collections of the real property tax only represent about 3% of the annual collections in this tax category, so the 1st quarter collections do not reveal a trend. Therefore, ORA is waiting to see the 2nd quarter's collections to determine a trend for the remaining FY 2011 real property tax collections.

B. Personal Property Tax Collections

Personal property tax collections through the 1st quarter of FY 2011 totaled \$445,000. These collections were \$365,000, or 45%, below the \$810,000 revised estimate. The annual due date for personal property tax returns is July 31st. Therefore, according to ORA officials, personal property tax collections that were collected in the first quarter of FY 2011 may represent late payments of FY 2010 personal property taxes rather than overall economic activity related to FY 2011.

⁹ Public space rental collections are not used for general fund purposes but are dedicated to the District Department of Transportation.

Overall, it appears that the District is on course to achieve the FY 2011 \$1.62 billion revised revenue estimate in the general property taxes category.

GENERAL SALES AND USE TAXES

The FY 2011 revised estimate for general sales and use taxes is \$831.79 million.¹⁰ Collections of general sales and use taxes through the 1st quarter totaled \$224.77 million, which were:

- \$6.73 million, or 3.1%, above the \$218.04 million 1st quarter FY 2011 revised estimate; and
- \$20.92 million, or 10.3%, above collections for the same period in FY 2010.

General sales and use tax collections through the 1st quarter represented 27% of the total FY 2011 revised estimate for this category. Table III compares actual collections to the revised estimate through the 1st quarter of FY 2011.

TABLE III
General Sales and Use Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2011
(\$000)

General Sales and Use Taxes	Actual Collections Through the 1st Quarter FY 2011	Revised Estimate Through the 1st Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
General Sales and Use Taxes	\$224,770	\$218,038	\$6,732	3.1%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2011, Monthly OCFO Cash Report December 2010, prepared by ORA.

The fact that general sales and use tax collections are above the estimate may be due, in part, to increased consumer prices for goods and services. According to the Bureau of Labor Statistics, the consumer price index, before seasonal adjustment, increased 1.1% for all urban consumers (CPI-U) over the last 12 months before seasonal adjustment. In addition, according to a report from Destination DC, the average hotel occupancy rate increased 2% and revenue increased 7% for October, November and December 2010 when compared with the same period in 2009.

¹⁰ Presented net of dedicated general sales and use taxes transferred to other dedicated purposes including the Washington Convention and Sports Authority.

Overall, it appears that the District is on course to achieve the FY 2011 \$831.79 million revised revenue estimate in the general sales and use taxes category.

SELECTIVE SALES AND USE TAXES

Selective sales and use taxes include: (A) alcoholic beverage, (B) cigarette, and (C) motor vehicle excise. The FY 2011 revised estimate for selective sales and use taxes is \$63.66 million. Collections through the 1st quarter of FY 2011 totaled \$8.45 million, which were:

- \$5.97 million, or 41.4%, below the \$14.42 million 1st quarter FY 2011 revised estimate; and
- \$6.03 million, or 41.7%, below collections for the same period in FY 2010.

Selective sales and use tax collections through the 1st quarter represented 13% of the total FY 2011 revised estimate for this category. Table IV compares actual collections to the revised estimate through the 1st quarter of FY 2011.

TABLE IV
Selective Sales and Use Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2011
(\$000)

Selective Sales and Use Taxes	Actual Collections Through the 1 st Quarter FY 2011	Revised Estimate Through the 1 st Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Alcoholic Beverage	\$1,403	\$1,396	\$7	.5%
Cigarette	5,012	6,329	(1,317)	(20.8%)
Motor Vehicle Excise	2,034	6,695	(4,661)	(69.6%)
Motor Vehicle Fuel Tax	1	0	1	0%
Total Selective Sales and Use Taxes¹¹	\$8,450	\$14,420	(\$5,970)	(41.4%)

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2011, Monthly OCFO Cash Report December 2010, prepared by ORA.

¹¹ According to an ORA official, motor vehicle fuel tax is only a temporary posting, which will later be transferred to the Highway Trust Fund; these funds will not be added to the General Fund.

A. Alcoholic Beverage Tax

Alcoholic beverage tax collections through the 1st quarter totaled \$1.403 million. These collections were \$7,000, or .5%, above the \$1.396 million revised estimate.

B. Cigarette Tax

Cigarette tax collections through the 1st quarter totaled \$5.01 million. These collections were \$1.32 million, or 20.8%, below the \$6.33 million revised estimate. ORA could not identify any particular reasons for the lower 1st quarter collections other than a general slowdown in overall economic conditions. However, ORA officials noted that cigarette tax collections fluctuated from quarter to quarter, and the first quarter collections are not necessarily an indicator of future collections for FY 2011 in this tax category.

C. Motor Vehicle Excise Tax

Motor vehicle excise tax collections through the 1st quarter totaled \$2.03 million. These collections were \$4.66 million, or 69.6%, below the \$6.69 million revised estimate. According to an ORA official, collections were lower than the estimate due, in part, to the push to meet the Comprehensive Annual Financial Report (CAFR) deadline for FY 2010 which created a backlog in processing FY 2011 data.

Overall, it appears that the District may not achieve the FY 2011 \$63.66 million revised revenue estimate in the selective sales and use taxes category.

INCOME TAXES

Income taxes include: (A) individual income tax, (B) corporate franchise tax, and (C) unincorporated business franchise tax. The FY 2011 revised estimate for the income taxes category is \$1.56 billion. Collections through the 1st quarter of FY 2011 totaled \$352.76 million, which were:

- \$18.27 million, or 5.5%, above the \$334.49 million 1st quarter FY 2011 revised estimate; and
- \$10.52 million, or 3.1%, above collections for the same period in FY 2010.

Income taxes collected through the 1st quarter represented approximately 23% of the total FY 2011 revised revenue estimate for this category. Table V compares actual collections to the revised estimate through the 1st quarter of FY 2011.

TABLE V
Income Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2011
(\$000)

Income Taxes	Actual Collections Through the 1st Quarter FY 2011	Revised Estimate Through the 1st Quarter FY 2011	Difference: Actual Over/Under Revised Estimate	Percentage Difference
Individual Income Tax	\$281,869	\$261,957	\$19,912	7.6%
Corporate Franchise Tax	48,421	49,331	(910)	(1.8%)
Unincorporated Business Franchise Tax	22,471	23,202	(731)	(3.2%)
Total Income Taxes	\$352,761	\$334,490	\$18,271	5.5%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2011, Monthly OCFO Cash Report December 2010, prepared by ORA.

A. Individual Income Tax

Individual income tax collections through the 1st quarter totaled \$281.87 million. This tax is the largest in the income taxes category. These collections were \$19.91 million, or 7.6%, above the \$261.96 million 1st quarter FY 2011 revised estimate.

The fact that collections of the individual income tax are higher than estimated may be due, in part, to the fact that individual income tax withholdings were \$25.63 million, or 10.1%, higher than the estimate.

B. Corporate Franchise Tax

Corporate franchise tax collections through the 1st quarter totaled \$48.42 million. The collections were \$910,000, or 1.8%, below the \$49.33 million 1st quarter FY 2011 revised estimate. The collections were below the estimate, in part, due to the fact that refunds for corporate franchise taxes were higher than anticipated. Refunds were \$15.31 million, or 294.6%, above the estimate, and \$15.51 million, or 310.8%, higher than the same period in FY 2010.

According to an ORA official, refunds exceeded the estimate, in part, because businesses much like individual taxpayers, are likely to file early returns when they are entitled to a refund.

C. Unincorporated Business Franchise Tax

Unincorporated business franchise tax collections through the 1st quarter totaled \$22.47 million. The collections were \$731,000, or 3.2%, below the \$23.2 million 1st quarter FY 2011 revised estimate. The collections were below the estimate, in part, due to the higher than anticipated refunds for unincorporated business franchise tax. Refunds were \$1.64 million, or

37.1%, above the 1st quarter FY 2011 revised revenue estimate, and \$4.49 million, or 289.3%, above refunds for the same period in FY 2010. Refunds of unincorporated business franchise taxes are higher than the estimate based on the same reasons as mentioned in corporate franchise taxes.

Overall, it appears that the District is on course to achieve the FY 2011 \$1.56 billion revised revenue estimate in the income taxes category. However, since refunds of franchise taxes were above the estimate through the 1st quarter, District officials should monitor this closely for the remainder of the fiscal year.

GROSS RECEIPTS TAXES

Gross receipts taxes include: (A) public utilities tax, (B) toll telecommunications tax, and (C) insurance premiums tax. The total FY 2011 revised estimate for the gross receipts taxes category is \$254.81 million. Collections of gross receipts taxes through the 1st quarter of FY 2011 totaled \$46.13 million, which were:

- \$1 million, or 2.2%, above the \$45.13 million 1st quarter FY 2011 revised revenue estimate; and
- \$611,000, or 1.3%, above collections for the same period in FY 2010.

Gross receipts taxes collected through the 1st quarter represent 18% of the total FY 2011 revised estimate for this category. Table VI compares actual collections to the revised estimate through the 1st quarter of FY 2011.

TABLE VI
Gross Receipts Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2011
(\$000)

Gross Receipts Taxes	Actual Collections Through the 1st Quarter FY 2011	Revised Estimate Through the 1st Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Public Utilities Tax	\$31,460	\$30,831	\$629	2%
Toll Telecommunications Tax	14,638	14,118	520	3.7%
Insurance Premiums Tax	33	178	(145)	(81.3%)
Total Gross Receipts Taxes	\$46,131	\$45,127	\$1,004	2.2%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2011, Monthly OCFO Cash Report December 2010, prepared by ORA.

A. Public Utilities Tax¹²

Public utilities tax collections through the 1st quarter totaled \$31.46 million. The collections were \$629,000, or 2%, above the \$30.83 million 1st quarter FY 2011 revised revenue estimate, and \$1.35 million, or 4.5%, more than the collections for the same period in FY 2010.

B. Toll Telecommunications Tax

Toll telecommunications tax collections through the 1st quarter totaled \$14.64 million. The collections were \$520,000, or 3.7%, above the FY 2011 \$14.12 million revised revenue estimate.

C. Insurance Premiums Tax

Insurance premiums tax collections through the 1st quarter totaled \$33,000. The collections were \$145,000, or 81.3%, below the \$178,000 FY 2011 revised revenue estimate. According to an ORA official, the insurance premiums tax is mostly collected in March and June.

Overall, it appears that the District is on course to achieve the FY 2011 \$254.81 million revised revenue estimate in the gross receipts taxes category.

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 2011 revised estimate for the other taxes category is \$205.11 million. Collections of other taxes through the 1st quarter of FY 2011 totaled \$57.25 million, which were:

- \$2.28 million, or 4.1%, above the \$54.98 million 1st quarter FY 2011 revised estimate; and
- \$19.37 million, or 51.1%, above collections for the same period in FY 2010.

Collections of other taxes through the 1st quarter represented 28% of the total FY 2011 revised estimate for this category. Table VII compares actual collections to the revised estimate through the 1st quarter of FY 2011 for other taxes.

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.

TABLE VII
Other Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2011
(\$000)

Other Taxes	Actual Collections Through the 1 st Quarter FY 2011	Revised Estimate Through the 1 st Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Estate Tax	\$18,226	\$5,520	\$12,706	230.2%
Deed Recordation Tax	20,910	24,064	(3,154)	(13.1%)
Deed Transfer Tax	17,591	21,095	(3,504)	(16.6%)
Economic Interest Tax	524	4,297	(3,773)	(87.8%)
Total Other Taxes	\$57,251	\$54,976	\$2,275	4.1%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2011, Monthly OCFO Cash Report, December 2010 prepared by ORA.

A. Estate Tax

Estate tax collections through the 1st quarter totaled \$18.23 million. The collections were \$12.71 million, or 230.2%, above the \$5.52 million revised estimate. According to an ORA representative, estate tax revenue is dependent on two variables that are inherently difficult to predict: the number of deaths in any given year and the total value of a decedent's estate which, in turn, depends on the performance of financial and real estate markets.

B. Deed Recordation and Transfer Tax

Combined deed recordation and transfer tax collections through the 1st quarter totaled \$38.5 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 \$6.66 million, or 14.7%, below the \$45.16 million revised estimates. According to an ORA official, these estimates were based on high value sales of commercial property in the last quarter of FY 2010 which increased the collections for FY 2010 significantly above the February estimates. Based upon the collections in the last quarter of FY 2010, ORA increased the FY 2011 estimate for this category. It is too early to tell if the shortfall should be a concern although, based upon a published report from GCAAR, the number of settlements for single family homes and condominiums and co-ops for the 1st quarter of FY 2011 are 294, or 17.8%, below the number of settlements for the same period in FY 2010.

C. Economic Interest Tax

Economic interest tax collections through the 1st quarter totaled \$524,000. The collections were \$3.77 million, or 87.8%, below the \$4.3 million revised estimate.

According to an ORA official, 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.

Overall, it appears that the District is on course to achieve the FY 2011 \$205.11 million revised revenue estimate in the other taxes category.

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 2011 revised estimate for the non-tax revenue category is \$423.94 million. Collections through the 1st quarter totaled \$80.25 million, which were:

- \$21.27 million, or 21%, below the \$101.52 million 1st quarter FY 2011 revised estimate; and
- \$32.64 million, or 68.6%, above collections for the same period in FY 2010.

Non-tax revenue collections through the 1st quarter represented 19% of the total FY 2011 revised estimate for this category. Table VIII compares non-tax revenue collections to the revised estimate through the 1st quarter of FY 2011 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 2011
(\$000)

Non-Tax Revenue	Actual Collections Through the 1 st Quarter FY 2011	Revised Estimate Through the 1 st Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Licenses and Permits	\$5,823	\$11,787	(\$5,964)	(50.6%)
Fines and Forfeitures	38,105	39,112	(1,007)	(2.6%)
Charges for Services	7,737	8,224	(487)	(5.9%)
Miscellaneous Revenue	28,585	42,401	(13,816)	(32.6%)
Total Non-Tax Revenue	\$80,250	\$101,524	(\$21,274)	(21%)

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2011, Monthly OCFO Cash Report December 2010, prepared by ORA.

A. Licenses and Permit Fees

Licenses and permit fees collected through the 1st quarter totaled \$5.82 million. Collections were \$5.96 million, or 50.6%, below the \$11.79 million revised estimate. According to an ORA official, licenses and permits were below the estimate due to continued weakness in demand for construction business permits, driver's licenses, motor vehicle registrations, and non-business permits.

B. Fines and Forfeitures

Fines and forfeitures collected through the 1st quarter totaled \$38.11 million. The collections were \$1.01 million, or 2.6%, below the \$39.11 million revised estimate. The fact that fines and forfeitures are below the estimate may be due, in part, to the increase in automated enforcement contract expense which is reflected in the traffic fines estimate.

C. Charges for Services

Charges for services collected through the 1st quarter totaled \$7.74 million. The collections were \$487,000, or 5.9%, below the \$8.22 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 \$28.59 million. The collections were \$13.82 million, or 32.6%, below the \$42.4 million revised estimate through the 1st quarter.

According to an ORA official, the collection of miscellaneous other revenue, which is comprised of revenue from various sources from several agencies, is very volatile. Since the revenue comes in primarily at the end of the fiscal year, the 1st quarter collections may not be indicative of future collections for FY 2011. The Auditor recommends ORA officials closely monitor collections of miscellaneous other revenue throughout the fiscal year.

Collections were also below the estimate, in part, due to the lower than anticipated interest income earned on investments. According to data obtained from OFT, the average interest rate earned during the 1st quarter of FY 2010 was 1.136% while the average rate earned during the 1st quarter of FY 2011 was 0.125%, a decrease of 89% as compared to the same period in FY 2010.

¹³ Includes the DC Water Pilot (payment in lieu of taxes) transfer.

¹⁴ Includes revenue from dishonored checks, payroll service fees, or other revenue from agencies.

Since collections of non-tax revenues were below the estimate through the 1st quarter, District finance officials should monitor this tax category closely for the remainder of FY 2011, particularly collections of licenses and permits fees and miscellaneous revenue.

OTHER FINANCING SOURCES

Other financing sources consist of legalized gambling transfers to the General Fund from the D.C. Lottery. The total FY 2011 revised estimate for the other financing sources category is \$68.5 million. Collections through the 1st quarter totaled \$14.5 million which were:

- \$3.04 million, or 17.3%, below the \$17.54 million 1st quarter FY 2011 revised estimate; and
- \$3 million, or 17.1%, below collections for the same period in FY 2010.

Collections from other financing sources through the 1st quarter represented 21% of the total FY 2011 revised estimate for this category. Table IX compares actual collections to the estimate through the 1st quarter of FY 2011.

TABLE IX
Other Financing Sources:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2011
(\$000)

Other Financing Sources	Actual Collections Through the 1 st Quarter FY 2011	Revised Estimate Through the 1 st Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Legalized Gambling	\$14,500	\$17,537	(\$3,037)	(17.3%)

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2011, Monthly OCFO Cash Report December 2010, prepared by ORA.

According to a representative of the D.C. Lottery, collections were below the estimate, in part, because overall ticket sales in the District of Columbia are down. According to the representative, this could be attributed to the shared sales of the Powerball game with Virginia and Maryland. When Virginia and Maryland started selling the Powerball last year, D.C. Lottery estimates it lost approximately \$10 million in revenue. Sales from the Mega Million game did not make up for lost sales from the Powerball game.

SPECIAL PURPOSE REVENUE FUND (O-TYPE)

The special purpose revenue fund (O-type) estimate for FY 2011 is \$445.5 million. Collection of special purpose revenue funds (O-type) through the 1st quarter of FY 2011 totaled \$93.92 million. These collections were \$21.46 million, or 29.6%, above the \$72.46 million 1st quarter revised estimate. Collections through the 1st quarter of FY 2011 were \$7.01 million, or 6.9%, below the \$100.93 million in collections for the same period in FY 2010.

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

Overall, it appears that the District is on course to achieve the FY 2011 \$445.5 million revenue estimate in the special purpose revenue fund (O-type) category.

CONCLUSION

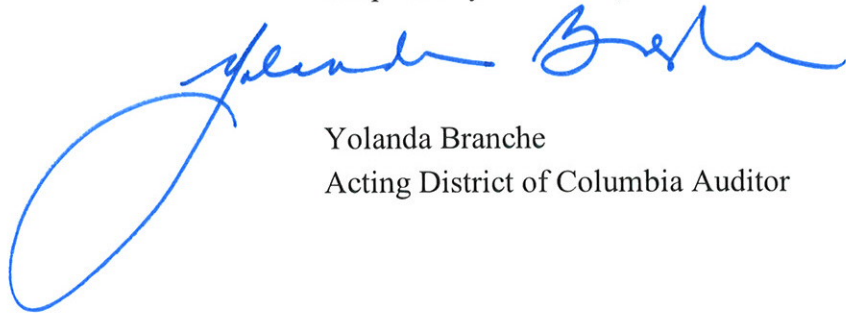
The Auditor's analysis indicated that, overall, actual cash collections were above the revised estimate through the 1st quarter of FY 2011. The District's cash collections through December 2010 (excluding the special purpose revenue fund (O-type)) totaled \$825.51 million, which were \$14.64 million, or 1.8%, above the \$810.87 million revised estimate through the 1st quarter of FY 2011. The \$825.51 million in actual cash collections represented 16% of the total \$5.031 billion revised FY 2011 revenue estimate.

Specifically, collections were above the estimate through the 1st quarter in the following categories: 1) general property taxes; 2) general sales and use taxes; 3) income taxes; 4) gross receipts taxes, and 5) other taxes.

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

Based on our review and analysis of economic data from various sources, as well as collection patterns through the 1st quarter, it appears, overall, that the District is on course to achieve the \$5.031 billion FY 2011 revised revenue estimate.

Respectfully submitted,

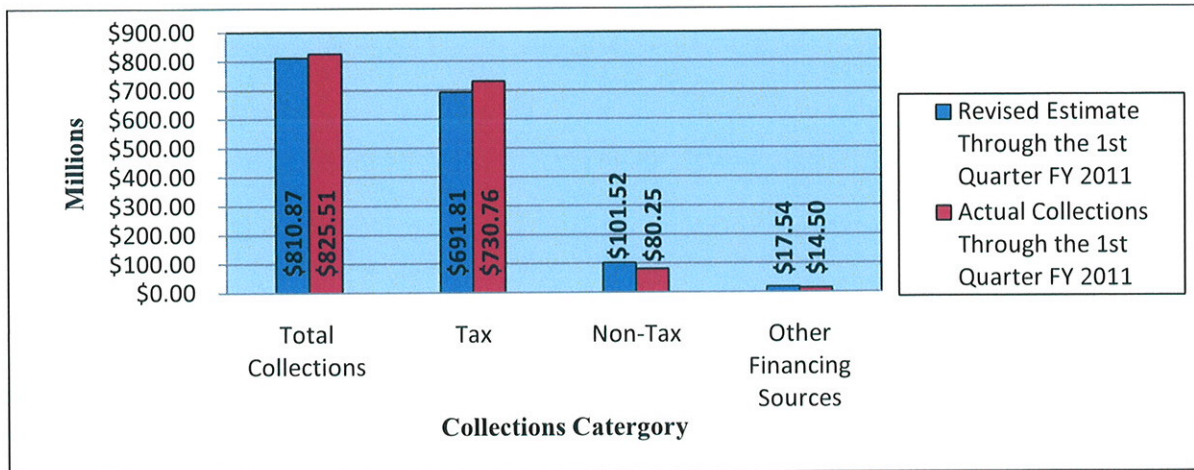
A handwritten signature in blue ink, appearing to read 'Yolanda Branche', with a large, stylized loop at the end.

Yolanda Branche
Acting District of Columbia Auditor

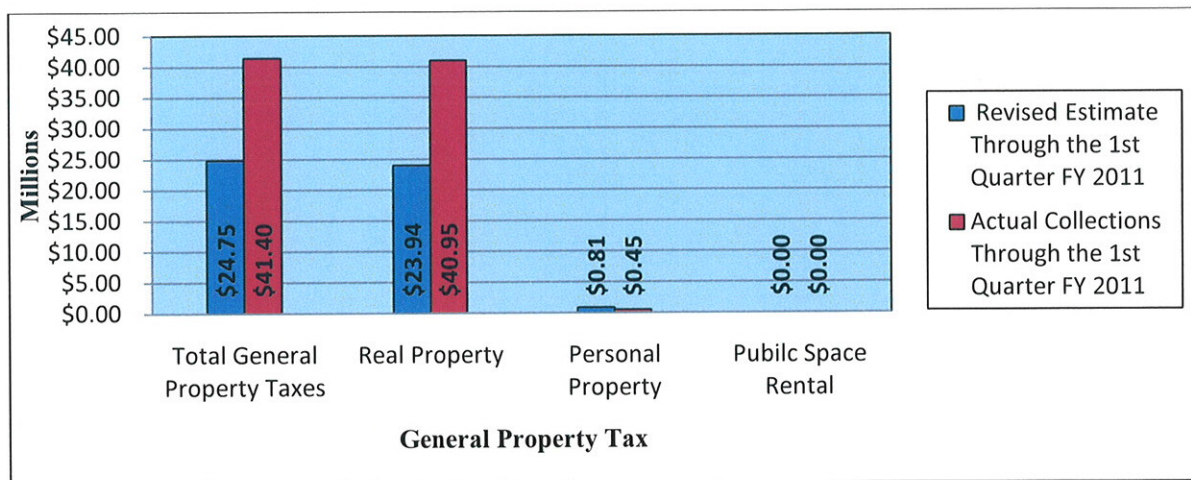
APPENDICES

APPENDIX I

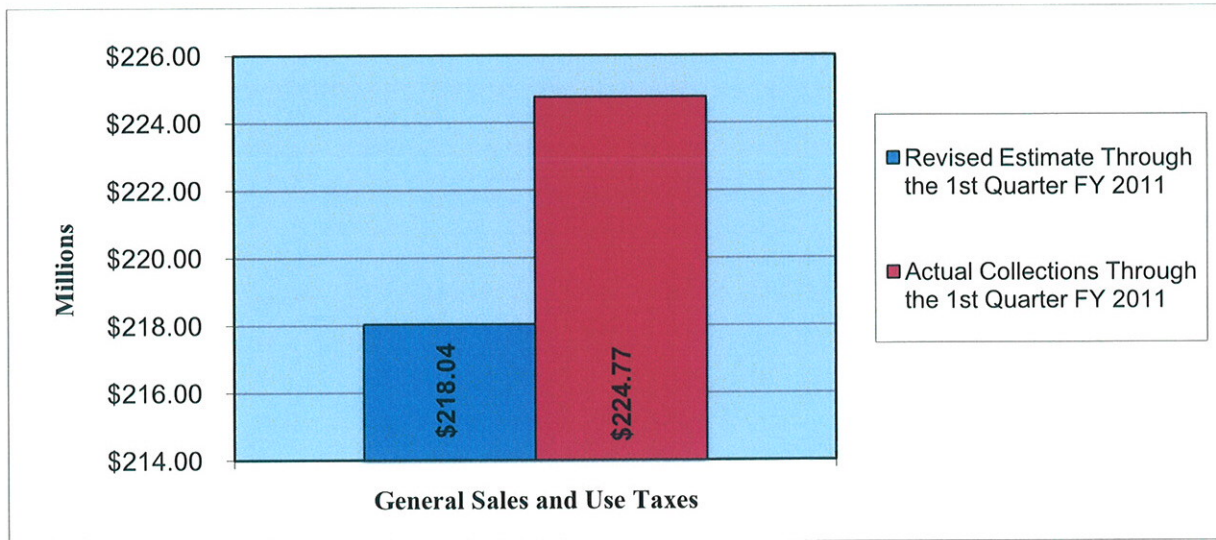
GRAPH I
Summary of the Revised Revenue Estimate
Through the 1st Quarter FY 2011 to Actual Cash Collections



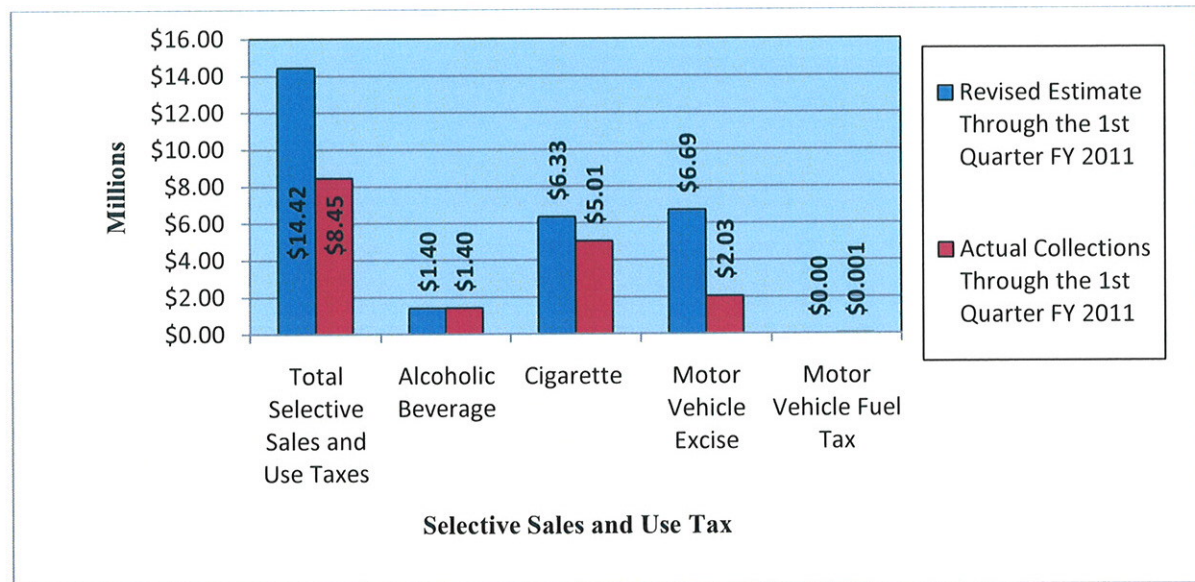
GRAPH II
General Property Taxes:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2011 to Actual Cash Collections



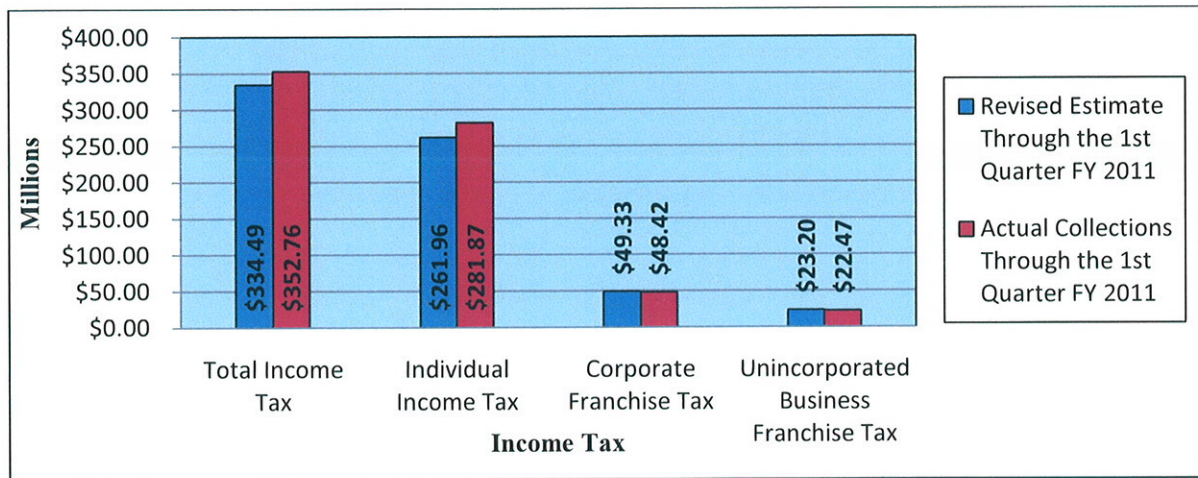
GRAPH III
General Sales and Use Taxes:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2011 to Actual Cash Collections



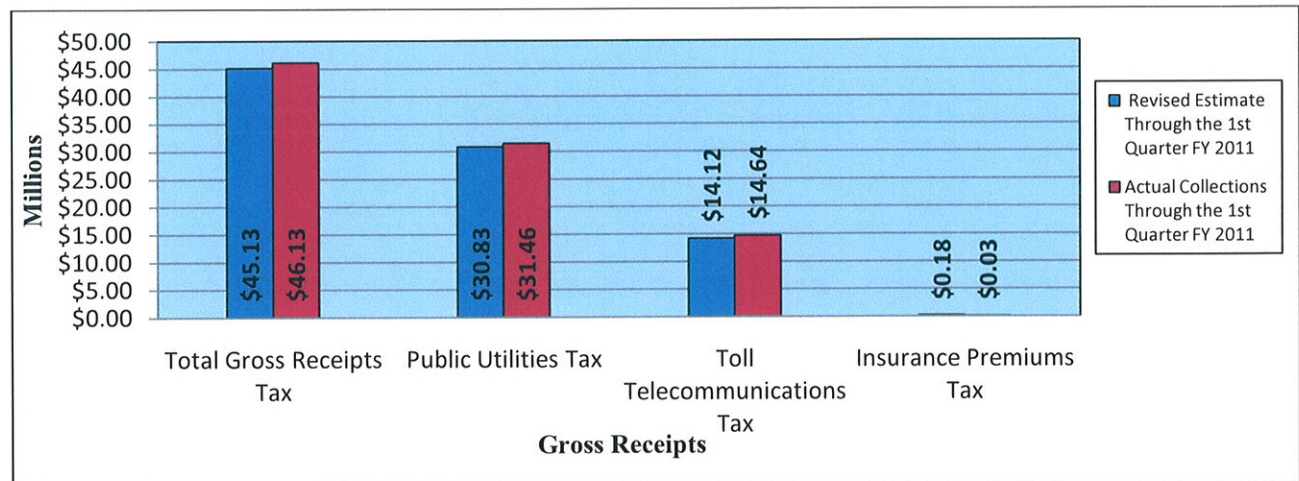
GRAPH IV
Selective Sales and Use Taxes:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2011 to Actual Cash Collections



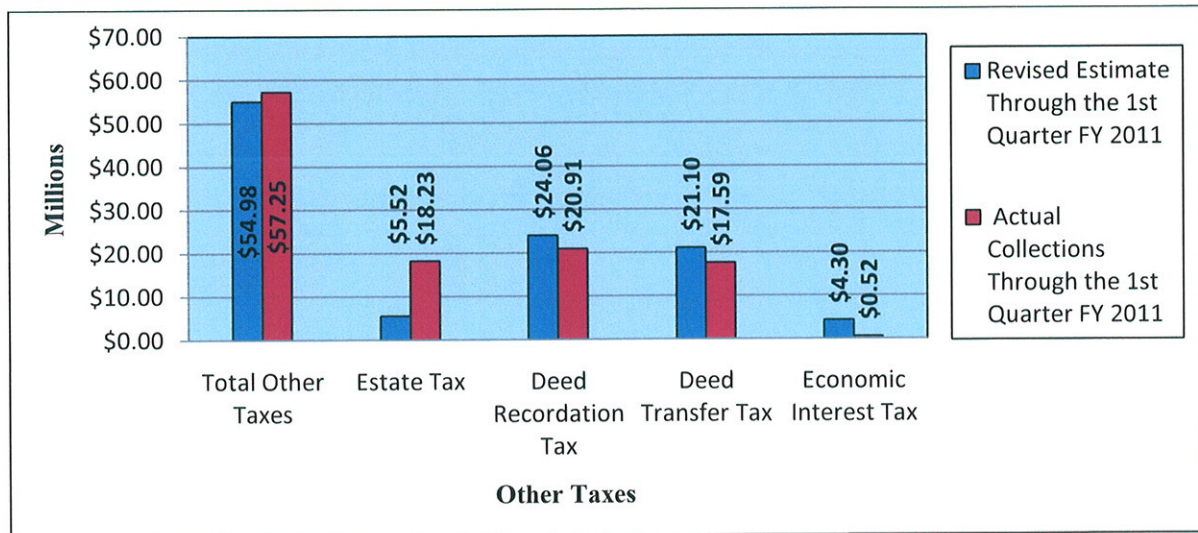
GRAPH V
Income Taxes:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2011 to Actual Cash Collections



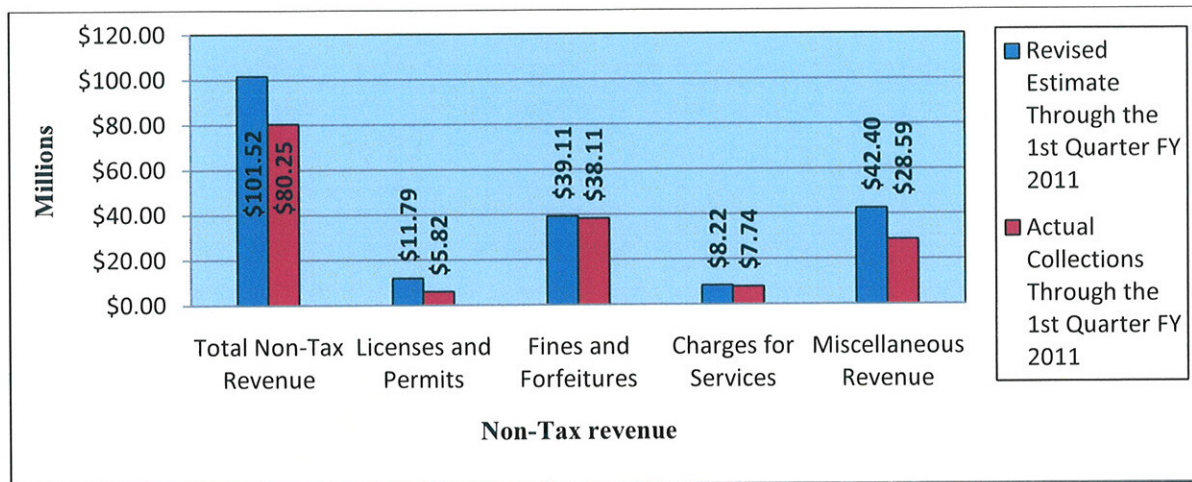
GRAPH VI
Gross Receipts Tax:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2011 to Actual Cash Collections



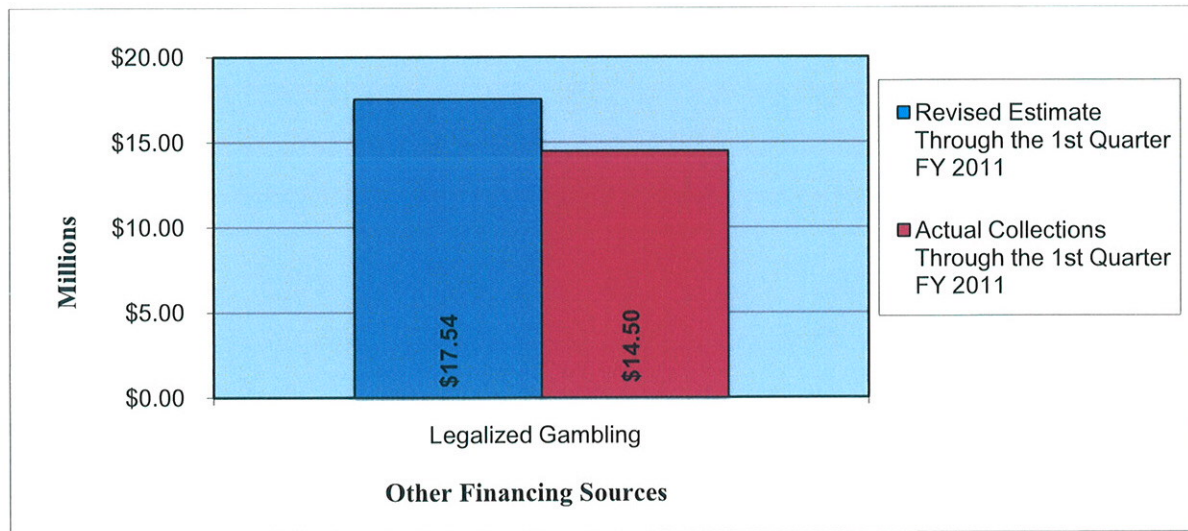
GRAPH VII
Other Taxes:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2011 to Actual Cash Collections



GRAPH VIII
Non-Tax Revenues:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2011 to Actual Cash Collections



GRAPH IV
Other Financing Sources:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2011 to Actual Cash Collections



APPENDIX II

Comparison of Cash Collections Through the 1st Quarter Fiscal Years 2007 - 2011¹ (\$000)

Collections Categories ²	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
General Property Taxes	\$11,731	\$29,686	\$17,374	\$35,741	\$41,398
General Sales and Use Taxes*	208,454	214,811	215,573	203,852	224,770
Selective Sales and Use Taxes	17,162	17,225	17,341	14,482	8,450
Income Tax	322,552	348,053	343,038	342,242	352,761
Gross Receipts Tax	46,952	49,242	48,952	45,520	46,131
Other Taxes	105,060	125,043	111,882	37,882	57,251
Non-Tax Revenue	91,403	76,919	87,948	47,610	80,250
Other Financing Sources	17,350	18,300	18,175	17,500	14,500
Total Cash Collections Financing the Appropriation	\$820,664	\$879,279	\$860,283	\$744,829	\$825,511

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 and Sports Authority.

¹ Differences in total presented in this table are due to rounding.

² Total collections presented in this Appendix does not include the 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 2011³ (\$000)

Collections Category ⁴	Collections Through the 1 st Quarter Fiscal Year 2011	Collections Through the 1 st Quarter Fiscal Year 2010	Difference 1 st Quarter FY 2011 Over/(Under) 1 st Quarter FY 2010	Percentage Difference
General Property Taxes:				
Real Property	40,953	35,227	5,726	16.3%
Personal Property	445	510	(65)	(12.7%)
Public Space Rental	0	4	(4)	(100%)
Total general Property Taxes	\$41,398	\$ 35,741	\$ 5,657	15.8%
General Sales and Use Taxes	\$224,770	\$203,852	\$20,918	10.3%
Selective Sales and use Taxes:				
Alcoholic Beverage	1,403	1,485	(82)	(5.5%)
Cigarette	5,012	6,052	(1,040)	(17.2%)
Motor Vehicle Excise	2,034	6,945	(4,911)	(70.7%)
Motor Vehicle Fuel Tax	1	0	1	0%
Total Selective Sales and Use Taxes	\$8,450	\$ 14,482	(\$ 6,032)	(41.7%)
Income Taxes:				
Individual Income Tax	281,869	259,896	21,973	8.5%
Corporate Franchise	48,421	51,837	(3,416)	(6.6%)
Unincorporated Business Franchise	22,471	30,509	(8,038)	(26.3%)
Total Income Taxes	\$352,761	\$ 342,242	\$10,519	3.1%
Gross Receipts Taxes:				
Public Utilities	31,460	30,107	1,353	4.5%
Toll telecommunications	14,638	15,360	(722)	(4.7%)
Insurance Premiums	33	53	(20)	(37.7%)
Total Gross Receipts Taxes	\$46,131	\$ 45,520	\$611	1.3%
Estate Tax	18,226	7,458	10,768	144.4%
Deed Recordation	20,910	16,155	4,755	29.4%
Deed Transfer	17,591	14,269	3,322	23.3%
Economic Interests	524	0	524	0%
Total Other Taxes	\$57,251	\$ 37,882	\$19,369	51.1%
Total Tax Collections	\$730,761	\$ 679,719	\$51,041	7.5%
Non-Tax Revenue:				
License and Permits	5,823	11,406	(5,583)	(48.9%)
Fines and Forfeitures	38,105	22,988	15,117	65.8%
Charges for Services	7,737	10,990	(3,253)	(29.6%)
Miscellaneous Revenue	28,585	2,226	26,359	1184.1%
Total Non-Tax Revenue	\$80,250	\$ 47,610	\$32,640	68.6%
Other Financing Sources	\$14,500	\$ 17,500	(\$3,000)	(17.1%)
Total Revenues	\$825,511	\$ 744,829	\$80,682	10.8%

³ Rounding may affect some calculations presented in this table.

⁴ Total collections presented in this Appendix does not include the 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 purpose including the Washington Convention and Sports Authority.