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**Letter Report: Comparative Analysis of
Actual Cash Collections to the Revised Revenue
Estimate Through the 2nd Quarter of
Fiscal Year 2011**

September 20, 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 2nd 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 2nd quarter of fiscal year (FY) 2011 to the revised FY 2011 revenue estimate for the 2nd quarter.

BACKGROUND

In February 2010, the District of Columbia Chief Financial Officer (CFO) issued a letter certifying that the FY 2011 total non-dedicated Local Fund revenues were estimated to be \$5,029.1 million. The \$5,029.1 million estimate was included in the July 1, 2010, FY 2011 Proposed Budget and Financial Plan submitted to the Congress. Revisions to the \$5,029.1 million estimate are presented below:

- Revision #1 In September 2010, the CFO certified the FY 2011 revenue estimate to be \$5,030.7 million, \$99.8 million less than the estimate that was certified in February 2010, after adjusting for legislative and administrative changes of \$101.4 million.
- Revision #2 In February 2011, the CFO certified the FY 2011 revenue estimate to be \$5,069.4 million, \$3.5 million more than the estimate that was certified in September 2010, after adjusting for policy changes totaling \$35.3 million that were enacted in December 2010.

METHODOLOGY

In conducting the comparative analysis, the Auditor reviewed: (1) the \$5,069.4 million estimate; (2) the FY 2011 2nd 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, Office of Finance and Treasury (OFT), National Oceanic and Atmospheric Administration (NOAA), National Association of Home Builders (NAHB), Bloomberg News and Market Data Report, Board of Real Property Assessments and Appeals (BRPPA), 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 2nd 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 oversight purposes. The scope of the work performed for this purpose does not constitute an audit under government auditing standards (GAGAS).

RESULTS OF ANALYSIS¹

Actual cash collections from: (1) tax, (2) non-tax, and (3) other financing sources through the 2nd quarter of FY 2011 totaled \$2,165.4 million, which were \$131.87 million, or 6.5%, above the \$2,033.6 million revised estimate through the 2nd quarter. The \$2,033.6 million revised revenue estimate and \$2,165.4 million in collections through the 2nd quarter of FY 2011 are presented net of funds transferred to dedicated purposes including EventsDC and do not include special purpose revenue fund (O-type). The \$2,165.4 million in actual cash collections represented approximately 43% of the \$5,069.4 million FY 2011 revised revenue estimate. Collections through the 2nd quarter from tax, non-tax, and other financing sources are presented below.

- **Tax** - total tax collections were \$1,982.7 million, which were \$180 million, or 10%, above the revised tax estimate of \$1,802.7 million through March 2011.
- **Non-tax** - total non-tax collections were \$151.09 million, which were \$47.57 million, or 23.9%, below the revised non-tax estimate of \$198.66 million through March 2011.
- **Other financing sources** - collections from other financing sources, which consisted of legalized gambling, transfers to the General Fund from the D.C. Lottery, totaled \$31.65 million. These collections were \$559,000, or 1.7%, below the revised other financing sources estimate of \$32.21 million through March 2011.

Table I compares actual cash collections to the revised estimate through the 2nd 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.

¹ Rounding may affect some calculations presented in this report.

TABLE I
Cash Collections Summary
Through the 2nd Quarter of Fiscal Year 2011
(\$000)

Collections Category	Actual Collections Through the 2nd Quarter FY 2011	Revised Estimate Through the 2nd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Tax	\$1,982,710	\$1,802,704	\$180,006	10%
Non-Tax	151,086	198,664	(47,578)	(23.9%)
Other Financing Sources	31,650	32,209	(559)	(1.7%)
Total Collections	\$2,165,446	\$2,033,577	\$131,869	6.5%

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

In conducting the analysis of cash collections through the 2nd quarter of FY 2011, the Auditor compared the 2nd quarter collection trends for the five prior fiscal years from FY 2007 through the 2nd 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 2nd quarter of FY 2011 to collections through the 2nd quarter of FY 2010 in each tax and non-tax category.

GENERAL PROPERTY TAXES

General property taxes include: (A) real property taxes and (B) personal property taxes. The total FY 2011 revised estimate for general property taxes is \$1,630.0 million. Collections of general property taxes through the 2nd quarter of FY 2011 totaled \$567.29 million, which were:

- \$122.73 million, or 27.6%, above the \$444.56 million 2nd quarter FY 2011 revised estimate; and
- \$21.97 million, or 4%, above collections for the same period in FY 2010.

Collections of general property taxes through the 2nd quarter represented approximately 35% of the total revised revenue estimate for this category. Table II compares actual collections of general property taxes to the revised estimate through the 2nd quarter of FY 2011.

TABLE II
General Property Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 2nd Quarter of Fiscal Year 2011
(\$000)

General Property Taxes	Actual Collections Through the 2 nd Quarter FY 2011	Revised Estimate Through the 2 nd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Real Property	\$566,703	\$443,036	\$123,667	27.9%
Personal Property	585	1,525	(940)	(61.6%)
Total General Property Taxes	\$567,288	\$444,561	\$122,727	27.6%

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

A. Real Property Tax Collections

Real property tax collections through the 2nd quarter of FY 2011 totaled \$566.7 million. These collections were \$123.67 million, or 27.9%, above the \$443.04 million revised estimate. The real property tax category is the largest component of general property taxes.

Collections of real property taxes were above the estimate because real property tax refunds through the 2nd quarter of fiscal year 2011 totaled \$10.16 million, which were \$5.19 million, or 33.8%, below the \$15.34 million estimate. Furthermore, the refunds through the 2nd quarter of FY 2011 were \$2.5 million, or 20.4%, below refunds for the same period in FY 2010.

According to ORA officials, the decrease in refunds of real property taxes may have been the result of fewer appeals being submitted to BRPAA. According to ORA, OTR changed the capitalization rate used by OTR to assess commercial properties which resulted in fewer property owners appealing the assessment.

B. Personal Property Tax Collections

Personal property tax collections through the 2nd quarter of FY 2011 totaled \$585,000. These collections were \$940,000, or 61.6%, below the \$1.53 million revised estimate. The annual due date for personal property tax returns is July 31st, therefore collections were expected to increase during July, August and September 2011. According to an ORA representative, funds collected during the first half of FY 2011 do not reveal a trend but could represent early payments for FY 2011.

Overall, it appears that the District is on course to achieve the total FY 2011 \$1,630.0 million revised revenue estimate in the general property taxes category.

GENERAL SALES AND USE TAXES

The total FY 2011 revised estimate for general sales and use taxes is \$844.36 million.² Collections of general sales and use taxes through the 2nd quarter totaled \$421.56 million, which were:

- \$10.04 million, or 2.3%, below the \$431.6 million 2nd quarter FY 2011 revised estimate; but
- \$42.92 million, or 11.3%, above collections for the same period in FY 2010.

General sales and use tax collections through the 2nd quarter represented approximately 50% of the total FY 2011 revised estimate for this category. Table III compares actual collections to the revised estimate through the 2nd quarter of FY 2011.

TABLE III
General Sales and Use Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 2nd Quarter of Fiscal Year 2011
(\$000)

General Sales and Use Taxes	Actual Collections Through the 2 nd Quarter FY 2011	Revised Estimate Through the 2 nd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
General Sales and Use Taxes	\$421,558	\$431,596	(\$10,038)	(2.3%)

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

Collections of general sales and use taxes through the 2nd quarter totaled \$421.56 million. Actual collections through the 2nd quarter were \$10.04 million, or 2.3%, below the \$431.6 million revised 2nd quarter estimate.

The fact that general sales and use tax collections were below the estimate may be due, in part, to continued weaknesses in the economy. According to a report from The Conference Board, consumer confidence declined sharply in March amid consumers concerns about gasoline and food prices which continued to rise during the 2nd quarter as did some energy costs.

Based upon the fact that collections of general sales and use tax revenues were 2.3% below the estimate through the 2nd quarter, District officials should closely monitor this tax category for the remainder of the FY 2011.

² Presented net of dedicated general sales and use taxes transferred to other dedicated purposes including EventsDC.

SELECTIVE SALES AND USE TAXES

Selective sales and use taxes include: (A) alcoholic beverage, (B) cigarette, and (C) motor vehicle excise. The total FY 2011 revised estimate for selective sales and use taxes is \$77.37 million. Collections through the 2nd quarter of FY 2011 totaled \$25.36 million, which were:

- \$8.54 million, or 25.2%, below the \$33.9 million 2nd quarter FY 2011 revised estimate; and
- \$3 million, or 10.6%, below collections for the same period in FY 2010.

Selective sales and use tax collections through the 2nd quarter represented approximately 33% of the total FY 2011 revised estimate for this category. Table IV compares actual collections to the revised estimate through the 2nd quarter of FY 2011.

TABLE IV
Selective Sales and Use Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 2nd Quarter of Fiscal Year 2011
(\$000)

Selective Sales and Use Taxes	Actual Collections Through the 2 nd Quarter FY 2011	Revised Estimate Through the 2 nd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Alcoholic Beverage	\$2,702	\$2,780	(\$78)	(2.8%)
Cigarette	13,717	13,823	(107)	(0.8%)
Motor Vehicle Excise	8,939	17,297	(8,357)	(48.3%)
Total Selective Sales and Use Taxes	\$25,358	\$33,900	(\$8,542)	(25.2%)

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

A. Alcoholic Beverage Tax

Alcoholic beverage tax collections through the 2nd quarter totaled \$2.7 million. These collections were \$78,000, or .2.8%, below the \$2.78 million revised estimate. An ORA official indicated they plan to watch this revenue closely.

B. Cigarette Tax

Cigarette tax collections through the 2nd quarter totaled \$13.72 million. These collections were \$107,000, or 0.8%, below the \$13.82 million revised estimate.

C. Motor Vehicle Excise Tax

Motor vehicle excise tax collections through the 2nd quarter totaled \$8.94 million. These collections were \$8.36 million, or 48.3%, below the \$17.3 million revised estimate. According to an ORA official, collections were lower than the estimate due, in part, to processing problems at the District's Department of Motor Vehicles (DMV) that may have caused a backlog in the posting of revenues in the District's System of Accounting and Reporting (SOAR). In discussions with DMV's Agency Fiscal Officer (AFO), the processing problems occurred when duties previously handled by the District's Office of Finance and Treasury (OFT) were transferred to DMV midyear FY 2010. According to DMV's AFO, DMV is working towards resolving the processing problems.

Based upon the fact that collections of selective sales and use tax revenues were 25.2% below the estimate through the 2nd quarter, District officials should closely monitor this tax category closely for the remainder of the FY 2011.

INCOME TAXES

Income taxes include: (A) individual income tax, (B) corporate franchise tax, and (C) unincorporated business franchise tax. The total FY 2011 revised estimate for the income taxes category is \$1,529.4 million. Collections through the 2nd quarter of FY 2011 totaled \$688.66 million, which were:

- \$26.96 million, or 4.1%, above the \$661.7 million 2nd quarter FY 2011 revised estimate; and
- \$28.5 million, or 4.3%, above collections for the same period in FY 2010.

Income taxes collected through the 2nd quarter represented approximately 45% of the total FY 2011 revised revenue estimate for this category. Table V compares actual collections to the revised estimate through the 2nd quarter of FY 2011.

TABLE V
Income Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 2nd Quarter of Fiscal Year 2011
(\$000)

Income Taxes	Actual Collections Through the 2 nd Quarter FY 2011	Revised Estimate Through the 2 nd Quarter FY 2011	Difference: Actual Over/Under Revised Estimate	Percentage Difference
Individual Income Tax	\$546,104	\$475,064	\$71,040	15%
Corporate Franchise Tax	107,317	128,887	(21,570)	(16.7%)
Unincorporated Business Franchise Tax	35,237	57,751	(22,514)	(39%)
Total Income Taxes	\$688,658	\$661,702	\$26,956	4.1%

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

A. Individual Income Tax

Individual income tax collections through the 2nd quarter totaled \$546.1 million. This tax is the largest in the income taxes category. These collections were \$71.04 million, or 15%, above the \$475.06 million 2nd quarter FY 2011 revised estimate.

The fact that collections of the individual income tax were higher than estimated may be due, in part, to the fact that individual income tax withholdings were \$23.6 million, or 4.1%, higher than the estimate. According to an ORA official, withholdings have remained strong throughout the year. Withholdings totaled \$593.7 million and were \$23.6 million, or 4.1%, higher than the estimate and \$59.1 million, or 11%, higher than the same period of FY 2010. Further, according to information published by the Department of Employment Services, jobs in the District were up 6,100, or .9%, through March as compared to one year ago.

Additionally, declarations (estimated payments) of individual income tax through the 2nd quarter were \$72.1 million. These declarations were \$28.1 million, or 63.8% above the estimate, and \$6.03 million or 9.1% more than the same period in FY 2010.

B. Corporate Franchise Tax

Corporate franchise tax collections through the 2nd quarter totaled \$107.32 million. The collections were \$21.57 million, or 16.7%, below the \$128.89 million 2nd 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 \$24.1 million, or 227.7%, above the estimate, and \$24.7 million, or 248.2%, higher than the same period of FY 2010. According to an ORA official, the increase in refund payments may reflect the effect of net operating losses which are being carried forward by corporations resulting in refunds.

C. Unincorporated Business Franchise Tax

Unincorporated business franchise tax collections through the 2nd quarter totaled \$35.24 million. The collections were \$22.51 million, or 39%, below the \$57.75 million 2nd quarter FY 2011 revised estimate. The collections were below the estimate, in part, due to the lower than anticipated payments and higher than anticipated refunds for unincorporated business franchise tax.

Unincorporated franchise tax payments were \$17.39 million or 38.2% less than the 2nd quarter FY 2011 revised revenue estimate. Refunds were \$3.6 million, or 36.91%, above the 2nd quarter FY 2011 revised revenue estimate, and \$9.19 million, or 221.2%, above refunds for the same period in FY 2010.

Overall, it appears that the District may be on course to achieve the total FY 2011 \$1,529.4 million revised revenue estimate in the income taxes category.

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 \$247.34 million. Collections of gross receipts taxes through the 2nd quarter of FY 2011 totaled \$135.88 million, which were:

- \$16.89 million, or 14.2%, above the \$118.99 million 2nd quarter FY 2011 revised revenue estimate; and
- \$21.06 million, or 18.3%, above collections for the same period in FY 2010.

Gross receipts taxes collected through the 2nd quarter represent approximately 55% of the total FY 2011 revised estimate for this category. Table VI compares actual collections to the revised estimate through the 2nd quarter of FY 2011.

TABLE VI
Gross Receipts Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 2nd Quarter of Fiscal Year 2011
(\$000)

Gross Receipts Taxes	Actual Collections Through the 2 nd Quarter FY 2011	Revised Estimate Through the 2 nd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Public Utilities Tax	\$72,380	\$69,607	\$2,773	4%
Toll Telecommunications Tax	29,264	28,628	636	2.2%
Insurance Premiums Tax	34,231	20,750	13,481	65%
Total Gross Receipts Taxes	\$135,875	\$118,985	\$16,890	14.2%

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

A. Public Utilities Tax

Public utilities tax collections through the 2nd quarter totaled \$72.38 million. The collections were \$2.77 million, or 4%, above the \$69.61 million 2nd quarter FY 2011 revised revenue estimate. The fact that collections were above the estimate may result, in part, from increased energy costs. Based on data obtained from the BLS, energy prices rose 3.4% and 3.5% respectively in February and March 2011. As a result, consumers may have paid more to utility companies which in turn resulted in increased taxes.

B. Toll Telecommunications Tax

Toll telecommunications tax collections through the 2nd quarter totaled \$29.26 million. The collections were \$636,000, or 2.2%, above the \$28.63 million FY 2011 revised revenue estimate.

C. Insurance Premiums Tax

Insurance premiums tax collections through the 2nd quarter totaled \$34.23 million. The collections were \$13.48 million, or 65%, above the \$20.75 million FY 2011 revised revenue estimate.

Overall, it appears that the District is on course to achieve the total FY 2011 \$247.34 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 \$253.96 million. Collections of other taxes through the 2nd quarter of FY 2011 totaled \$143.97 million, which were:

- \$32.01 million, or 28.6%, above the \$111.96 million 2nd quarter FY 2011 revised estimate; and
- \$45.45 million, or 46.1%, above collections for the same period in FY 2010.

Collections of other taxes through the 2nd quarter represented approximately 57% of the total FY 2011 revised estimate for this category. Table VII compares actual collections to the revised estimate through the 2nd quarter of FY 2011 for other taxes.

TABLE VII
Other Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 2nd Quarter of Fiscal Year 2011
(\$000)

Other Taxes	Actual Collections Through the 2 nd Quarter FY 2011	Revised Estimate Through the 2 nd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Estate Tax	\$34,966	\$13,502	\$21,464	159%
Deed Recordation Tax	57,163	51,863	5,300	10.2%
Deed Transfer Tax	48,710	40,050	8,660	21.6%
Economic Interest Tax	3,134	6,545	(3,411)	(52.1%)
Total Other Taxes	\$143,973	\$111,960	\$32,013	28.6%

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

A. Estate Tax

Estate tax collections through the 2nd quarter totaled \$34.97 million. The collections were \$21.46 million, or 159%, above the \$13.5 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 2nd quarter totaled \$105.87 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 \$13.97 million, or 15%, above the \$91.91 million revised estimates.

According to an ORA official, commercial property transactions continue to drive the deed recordation taxes. The official further indicated that although the number of sales of commercial properties is lower than the same period last year, the value of properties sold year-to-date has been significantly higher. Additionally, the official indicated that 42% of the top 20 properties sold (which make up over three quarters of the sales value year- to-date) were all cash transactions. According to information obtained from the GCAAR, there was an increase in the number of settlements in the 2nd quarter as compared to the same period in FY 2010.

C. Economic Interest Tax

Economic interest tax collections through the 2nd quarter totaled \$3.13 million. The collections were \$3.41 million, or 52.1%, below the \$6.55 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 total FY 2011 \$253.96 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 was \$403.11 million. Collections through the 2nd quarter totaled \$151.09 million, which were:

- \$47.58 million, or 23.9%, below the \$198.66 million 2nd quarter FY 2011 revised estimate; and
- \$22.29 million, or 17.3%, above collections for the same period in FY 2010.

Non-tax revenue collections through the 2nd quarter represented approximately 37% of the total FY 2011 revised estimate for this category. Table VIII compares non-tax revenue collections to the revised estimate through the 2nd quarter of FY 2011 for non-tax revenue.

TABLE VIII
Non-Tax Revenue:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 2nd Quarter of Fiscal Year 2011
(\$000)

Non-Tax Revenue	Actual Collections Through the 2 nd Quarter FY 2011	Revised Estimate Through the 2 nd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Licenses and Permits	\$20,718	\$28,616	(\$7,898)	(27.6%)
Fines and Forfeitures	72,342	76,659	(4,317)	(5.6%)
Charges for Services	21,557	19,681	1,876	9.5%
Miscellaneous Revenue	36,469	73,708	(37,239)	(50.5%)
Total Non-Tax Revenue	\$151,085	\$198,664	(\$47,579)	(23.9%)

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

A. Licenses and Permit Fees

Licenses and permit fees collected through the 2nd quarter totaled \$20.72 million. Collections were \$7.9 million, or 27.6%, below the \$28.62 million revised estimate. According to the Agency Fiscal Officer for DMV, the department has a backlog posting revenues to the District's SOAR. The AFO noted that the revenue data is manually input into SOAR but further stated that DMV is working to improve this through automation and indicated that processing improvements should result in a showing of stronger collections for the remaining quarters of FY 2011.

B. Fines and Forfeitures

Fines and forfeitures collected through the 2nd quarter totaled \$72.34 million. The collections were \$4.32 million, or 5.6%, below the \$76.66 million revised estimate. According to an ORA official, traffic fine revenue can be volatile from month to month.

C. Charges for Services

Charges for services collected through the 2nd quarter totaled \$21.56 million. The collections were \$1.88 million, or 9.5%, above the \$19.68 million revised estimate. ORA officials indicated that collections are above the estimate, in part, because collections of emergency ambulance fees were strong.

D. Miscellaneous Revenue

Miscellaneous revenue includes: (1) interest income, (2) unclaimed property, (3) sale of surplus property, (4) other transfers (includes the DC Water Pilot (payment in lieu of taxes) transfer), and (5) other revenue which includes revenue from dishonored checks, payroll service fees, or other revenue from agencies. Miscellaneous revenue collected through the 1st quarter totaled \$28.59 million. The collections were \$36.47 million, or 50.5%, below the \$73.71 million revised estimate through the 2nd quarter.

Collections were below the estimate, in part, because of lower than expected collections from interest income earned on investments. According to an ORA representative, the interest the District received on its fund balance “continue to be near zero.” Collections of interest income through the 2nd quarter were also 17.8% below the same period in FY 2010.

Collections of revenue from unclaimed property were also below the estimate. ORA officials indicated that the unclaimed property category tends to be very volatile due to the unpredictability of the factors which make up this category.

Since collections of non-tax revenues were below the estimate through the 2nd quarter, District finance officials should monitor this tax category closely for the remainder of FY 2011.

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 was \$68.5 million. Collections through the 2nd quarter totaled \$31.65 million which were:

- \$559,000, or 1.7%, below the \$32.21 million 2nd quarter FY 2011 revised estimate; and
- \$1.96 million, or 5.9%, below collections for the same period in FY 2010.

Collections from other financing sources through the 2nd quarter represented 46% of the total FY 2011 revised estimate for this category. Table IX compares actual collections to the estimate through the 2nd quarter of FY 2011.

TABLE IX
Other Financing Sources:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 2nd Quarter of Fiscal Year 2011
(\$000)

Other Financing Sources	Actual Collections Through the 2 nd Quarter FY 2011	Revised Estimate Through the 2 nd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Legalized Gambling	\$31,650	\$32,209	(\$559)	(1.7%)

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

Legalized gambling (transfers to the General Fund from the D.C. Lottery) through the 2nd quarter totaled \$31.65 million. The transfers were \$559,000, or 1.7%, below the \$32.21 million revised 2nd quarter estimate. 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 were down. According to the representative, this could be attributed to the shared sales of the Powerball game with Virginia and Maryland. Also, prize payouts were slightly higher than estimated for several games which in turn increased expenses.

SPECIAL PURPOSE REVENUE FUND (O-TYPE)

The special purpose revenue fund (O-type) estimate for the FY 2011 was \$445.495 million. Collection of special purpose revenue funds (O-type) through the 2nd quarter of FY 2011 totaled \$221.81 million. These collections were \$26.33 million, or 13.5%, above the \$195.49 million 2nd quarter revised estimate. Collections through the 2nd quarter of FY 2011 were also \$32.62 million, or 17.2%, above the \$189.2 million in collections for the same period in FY 2010.

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

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

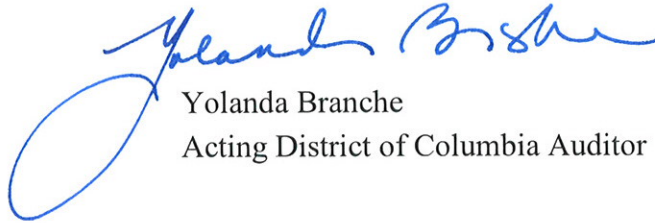
CONCLUSION

The Auditor's analysis indicated that, overall, actual cash collections were above the revised estimate through the 2nd quarter of FY 2011. The District's cash collections through March 2011 (excluding special purpose revenue funds (O-type)) totaled \$2,165.4 million, which were \$131.87 million, or 6.5%, above the \$2,033.6 million revised estimate through the 2nd quarter of FY 2011. The \$2,165.4 million in actual cash collections represented 43% of the total \$5,069.4 million revised FY 2011 revenue estimate.

Specifically, collections were above the estimate through the 2nd quarter in the following categories: 1) general property taxes; 2) income taxes; 4) gross receipts tax; 5) charges for services; and 6) other taxes. 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) licenses and permits; 4) fines and forfeitures; 5) miscellaneous revenue; and 6) other financing sources (transfers to the General Fund from the D.C. Lottery). Collections were also above the estimate in the special purpose revenue fund (O-Type).

Based on our review and analysis of economic data from various sources, as well as collection patterns through the 2nd quarter, it appears, overall, that after transfers of revenues to dedicated sources, the District is on course to achieve the total \$5,069.4 million FY 2011 revised revenue estimate.

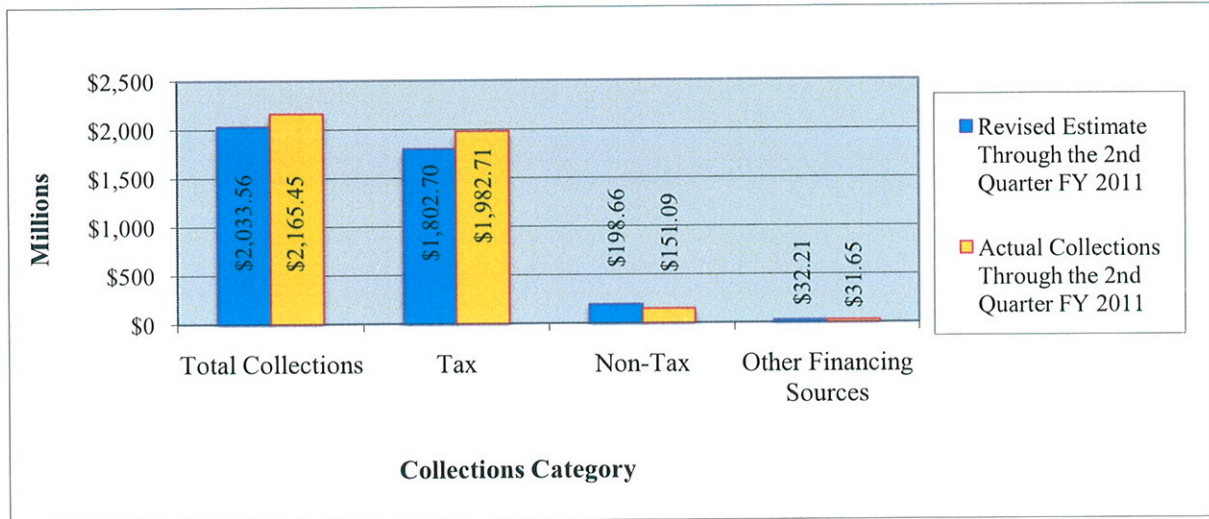
Sincerely,



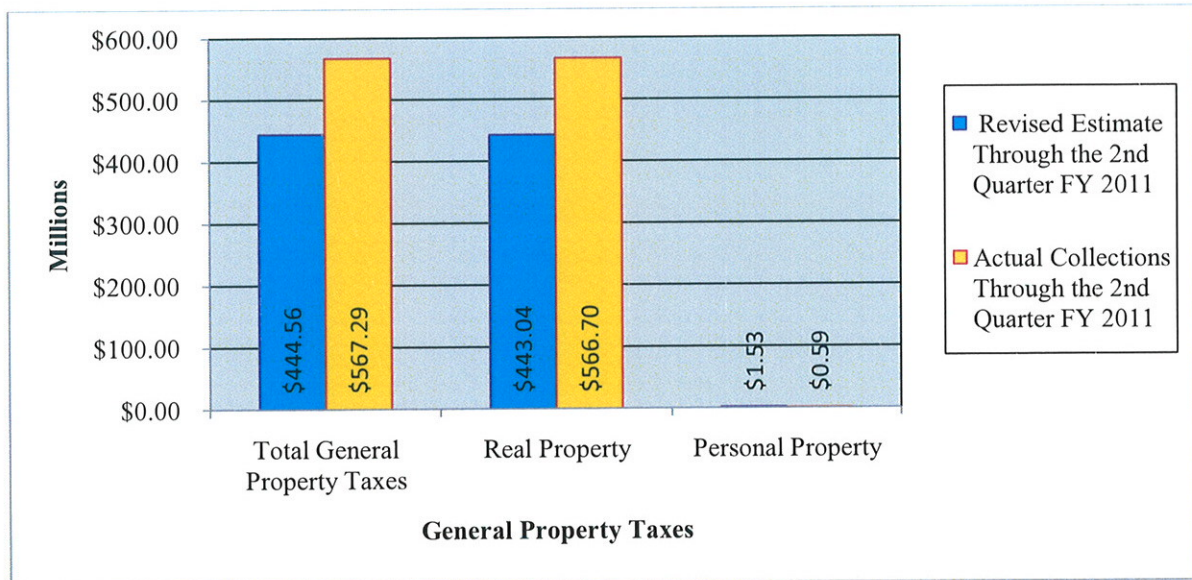
Yolanda Branche
Acting District of Columbia Auditor

APPENDICES

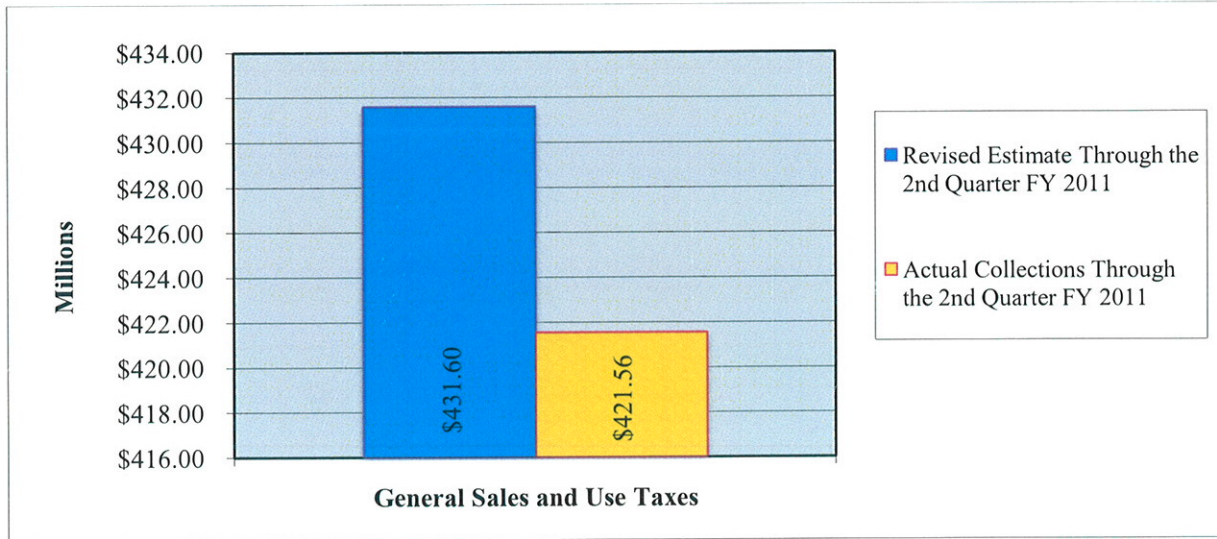
GRAPH I
Summary of the Revised Revenue Estimate
Through the 2nd Quarter FY 2011 to Actual Cash Collections



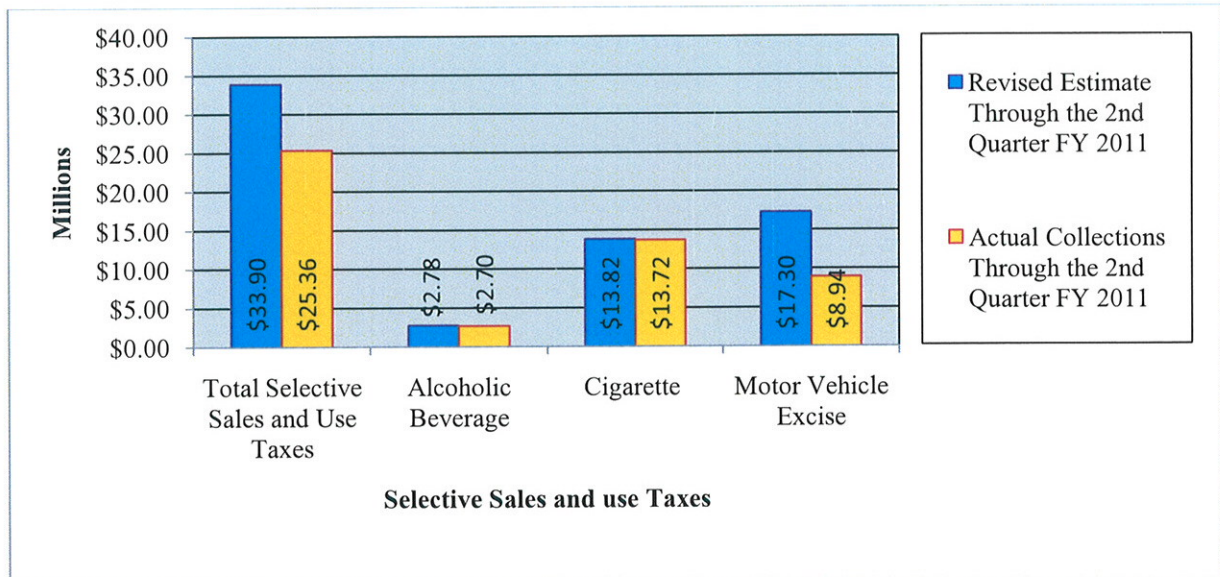
GRAPH II
General Property Taxes:
Comparison of the Revised Revenue Estimate
Through the 2nd Quarter FY 2011 to Actual Cash Collections



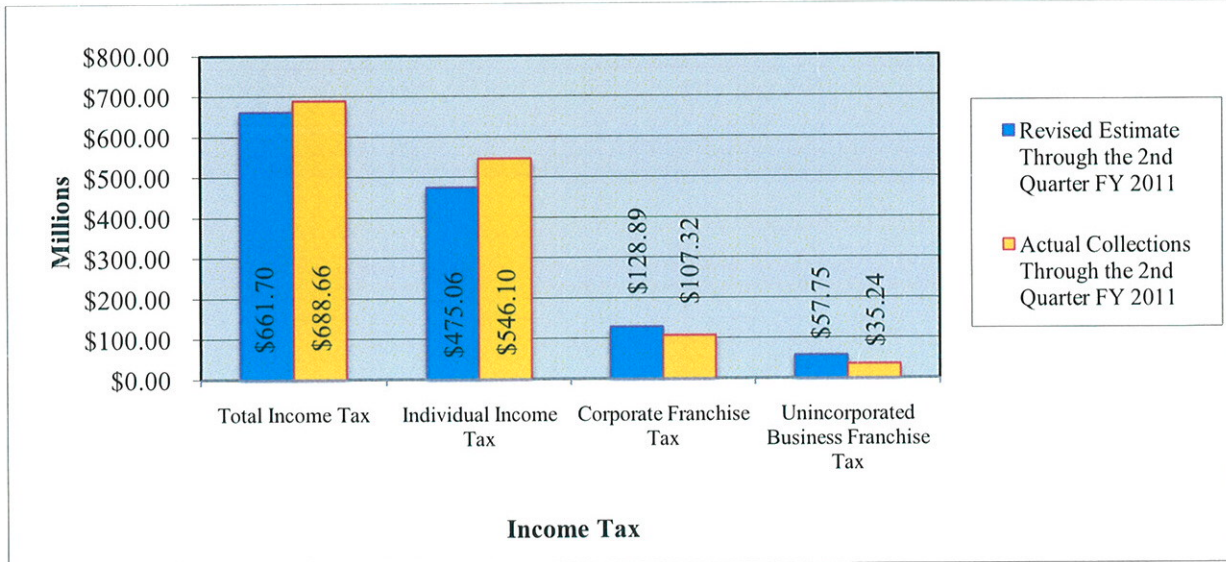
GRAPH III
General Sales and Use Taxes:
Comparison of the Revised Revenue Estimate
Through the 2nd Quarter FY 2011 to Actual Cash Collections



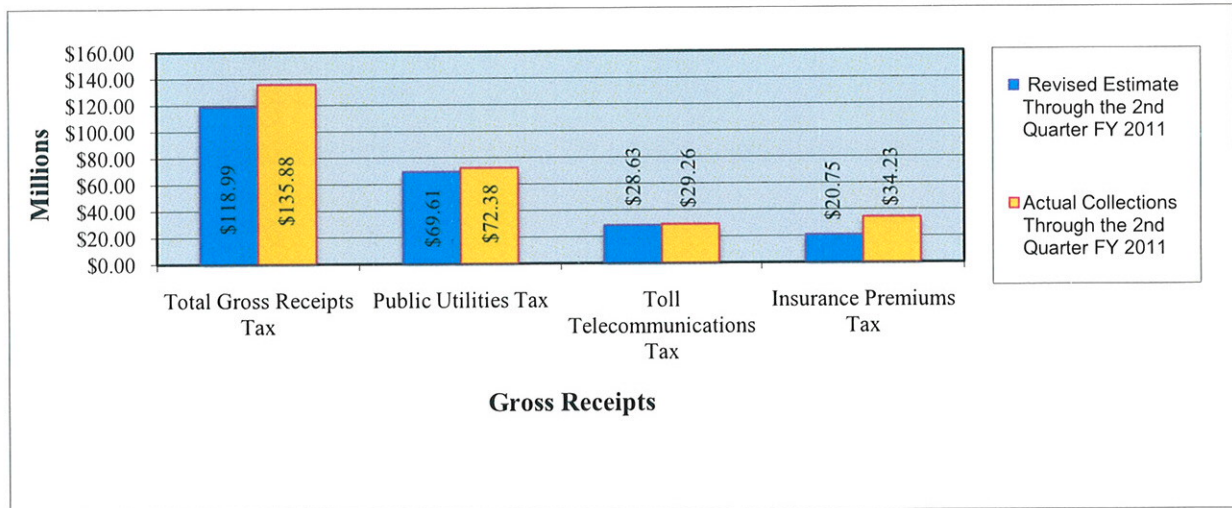
GRAPH IV
Selective Sales and Use Taxes:
Comparison of the Revised Revenue Estimate
Through the 2nd Quarter FY 2011 to Actual Cash Collections



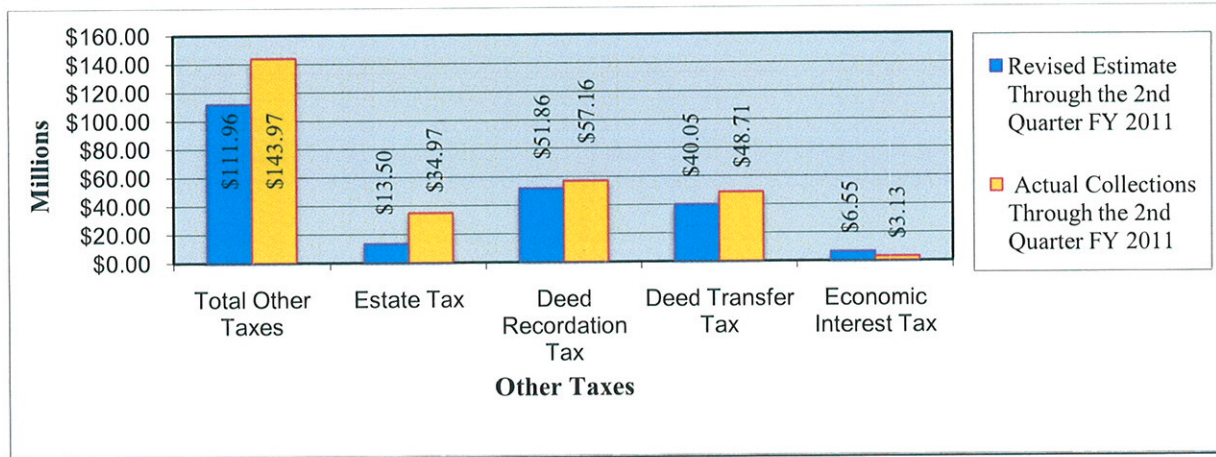
GRAPH V
Income Taxes:
 Comparison of the Revised Revenue Estimate
 Through the 2nd Quarter FY 2011 to Actual Cash Collections



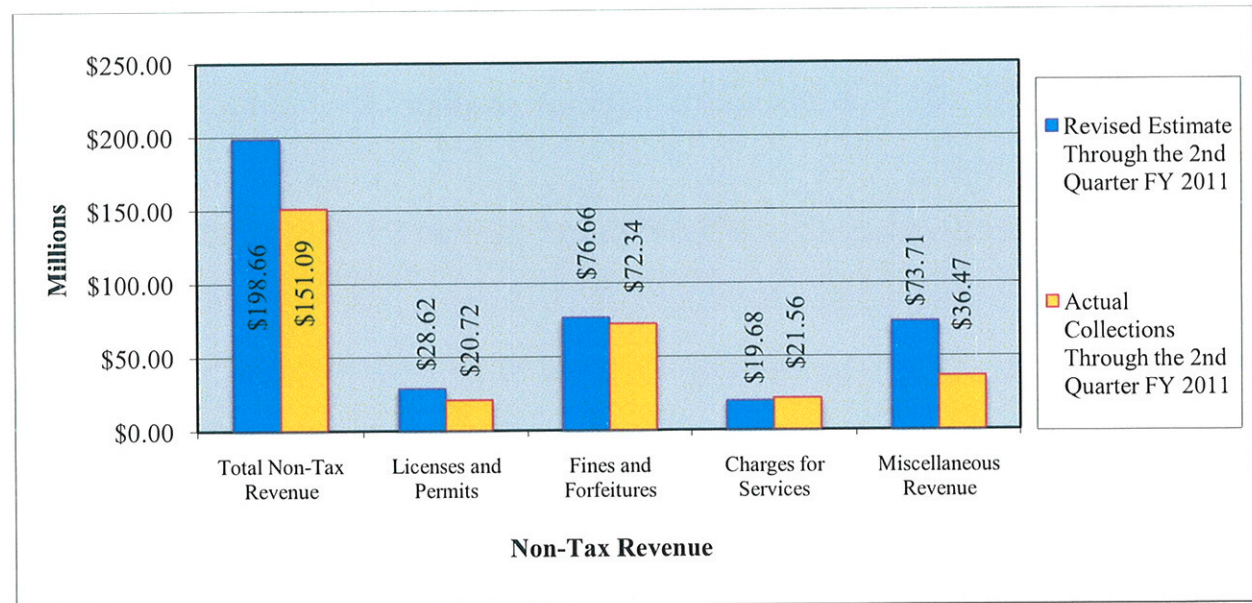
GRAPH VI
Gross Receipts Tax:
 Comparison of the Revised Revenue Estimate
 Through the 2nd Quarter FY 2011 to Actual Cash Collections



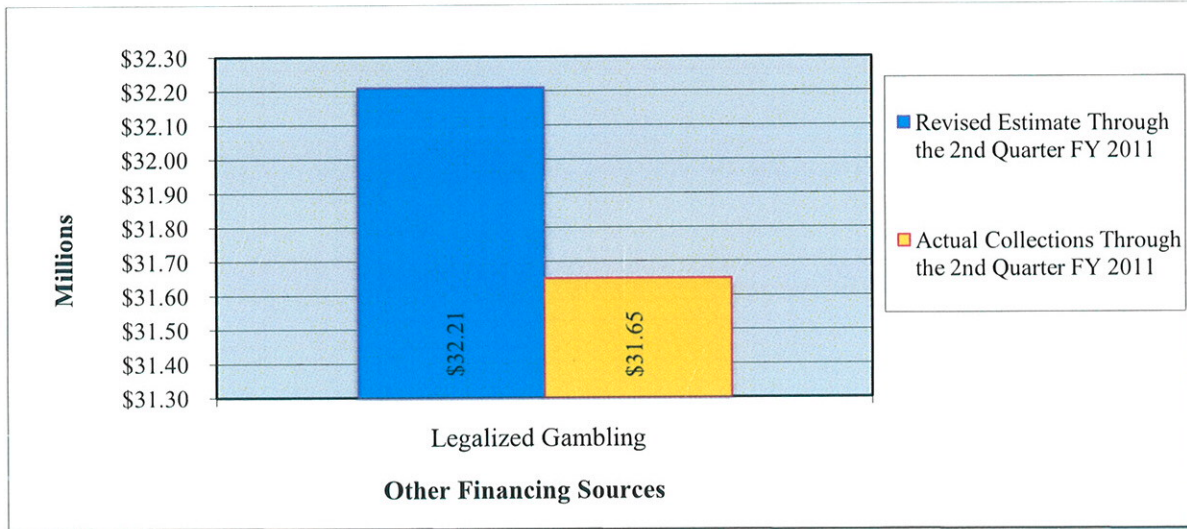
GRAPH VII
Other Taxes:
Comparison of the Revised Revenue Estimate
Through the 2nd Quarter FY 2011 to Actual Cash Collections



GRAPH VIII
Non-Tax Revenues:
Comparison of the Revised Revenue Estimate
Through the 2nd Quarter FY 2011 to Actual Cash Collections



GRAPH IX
Other Financing Sources:
Comparison of the Revised Revenue Estimate
Through the 2nd Quarter FY 2011 to Actual Cash Collections



APPENDIX II

Comparison of Cash Collections through the 2nd Quarter Fiscal Years 2007 - 2011¹ (\$000)

Collections Categories ²	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
General Property Taxes	\$368,207	\$489,883	\$423,876	\$545,317	\$567,288
General Sales and Use Taxes*	419,469	422,081	415,435	378,634	421,558
Selective Sales and Use Taxes	33,506	33,360	35,569	28,354	25,358
Income Tax	718,104	741,249	669,918	660,157	688,658
Gross Receipts Tax	136,548	134,763	135,283	114,816	135,875
Other Taxes	233,866	220,477	148,756	98,521	143,973
Non-Tax Revenue	179,200	143,955	156,161	128,795	151,086
Other Financing Sources	29,600	34,075	35,675	33,625	31,650
Total Cash Collections Financing the Appropriation	\$2,118,500	\$2,219,843	\$2,020,673	\$1,988,219	\$2,165,446

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 Events DC.

¹ Rounding may affect some calculations presented in this table.

² Total collections presented in this Appendix do 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 2nd Quarter of FY 2010 to Collections through the 2nd Quarter of FY 2011³ (\$000)

Collections Category ⁴	Collections Through the 2 nd Quarter Fiscal Year 2011	Collections Through the 2 nd Quarter Fiscal Year 2010	Difference 2 nd Quarter FY 2011 Over/(Under) 2 nd Quarter FY 2010	Percentage Difference
General Property Taxes:				
Real Property	\$566,703	\$544,381	\$22,322	4.1%
Personal Property	585	936	(351)	(37.5%)
Public Space Rental	0	0	0	0%
Total General Property Taxes	\$567,288	\$545,317	\$21,971	4%
General Sales and Use Taxes	\$421,558	\$378,633	\$42,924	11.3%
Selective Sales and use Taxes:				
Alcoholic Beverage	2,702	3,274	(571)	(17.5%)
Cigarette	13,717	12,761	955	7.5%
Motor Vehicle Excise	8,939	12,319	(3,380)	(27.4%)
Total Selective Sales and Use Taxes	\$25,358	\$28,354	(\$2,996)	(10.6%)
Income Taxes:				
Individual Income Tax	546,104	496,926	49,178	9.9%
Corporate Franchise	107,317	116,150	(8,833)	(7.6%)
Unincorporated Business Franchise	35,237	47,081	(11,844)	(25.2%)
Total Income Taxes	\$688,658	\$660,157	\$28,501	4.3%
Gross Receipts Taxes:				
Public Utilities	72,380	70,020	2,361	3.4%
Toll telecommunications	29,264	29,581	(318)	(1.1%)
Insurance Premiums	34,231	15,215	19,016	125%
Total Gross Receipts Taxes	\$135,875	\$114,816	\$21,059	18.3%
Estate Tax	34,966	16,830	18,136	107.8%
Deed Recordation	57,163	39,939	17,224	43.1%
Deed Transfer	48,710	31,655	17,055	53.9%
Economic Interests	3,134	10,097	(6,963)	(69%)
Total Other Taxes	\$143,973	\$98,521	\$45,452	46.1%
Total Tax Collections	\$1,982,710	\$1,825,799	\$156,911	8.6%
Non-Tax Collections:				
License and Permits	20,718	23,200	(2,482)	(10.7%)
Fines and Forfeitures	72,342	57,386	14,956	26.1%
Charges for Services	21,557	21,709	(152)	(0.7%)
Miscellaneous Revenue	36,469	26,500	9,969	37.6%
Total Non-Tax Collections	\$151,086	\$128,795	\$22,291	17.3%
Other Financing Sources	\$31,650	\$33,625	(\$1,975)	(5.9%)
Total Tax and Non-Tax Collections	\$2,165,446	\$1,988,219	\$177,227	8.9%

³ Rounding may affect some calculations presented in this table.

⁴ Total collections presented in this Appendix do 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 purposes including Events DC.