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**Letter Report: Comparative Analysis of
Actual Cash Collections to the Revised Revenue
Estimate Through the 3rd Quarter of
Fiscal Year 2011**

September 29, 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 3rd 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 3rd quarter of fiscal year (FY) 2011 to the revised FY 2011 revenue estimate for the 3rd 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.

Revision #3 In June 2011, the CFO certified the FY 2011 revenue estimate to be \$5,176.5 million, \$107.1 million more than the estimate that was certified in February 2011.

Revision #4 In September 2011, the CFO certified the FY 2011 revenue estimate to be \$5,264.4 million, \$89 million more than the estimate that was certified in June 2011, after adjusting for legislative adjustments.

We note that this report presents a comparison of actual cash collections to the estimate through June 30, 2011. Therefore, we did not include the \$5,264.4 million September 2011 revised estimate in our analysis. The September 2011 estimate is presented for informational purposes only.

METHODOLOGY

In conducting the comparative analysis, the Auditor reviewed: (1) the June \$5,176.5 million estimate; (2) the FY 2011 3rd 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, 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 3rd 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 ANALYSIS

Actual cash collections from: (1) tax, (2) non-tax, and (3) other financing sources through the 3rd quarter of FY 2011 totaled \$3,542.2 million which were \$134.33 million, or 3.9%, above the \$3,407.9 million revised estimate through the 3rd quarter.¹ The \$3,407.9 million revised revenue estimate and \$3,542.2 million in collections through the 3rd quarter of FY 2011 are presented net of funds transferred to dedicated purposes, including Events DC and do not include special purpose revenue funds (O-type). The \$3,542.2 million in actual cash collections represented approximately 68% of the total \$5,176.5 million FY 2011 revised revenue estimate. Collections through the 3rd quarter from tax, non-tax, and other financing sources are presented below.

- **Tax** - total tax collections were \$3,249.6 million, which were \$174.11 million, or 5.7%, above the revised tax estimate of \$3,075.5 million through June 2011.
- **Non-tax** - total non-tax collections were \$244.74 million, which were \$38.74 million, or 13.7%, below the revised non-tax estimate of \$283.47 million through June 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 \$47.8 million. These collections were \$1.04 million, or 2.1%, below the revised other financing sources estimate of \$48.84 million through June 2011.

Table I compares actual cash collections to the revised estimate through the 3rd 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 3rd Quarter of Fiscal Year 2011
(\$000)

Collections Category	Actual Collections Through the 3rd Quarter FY 2011	Revised Estimate Through the 3rd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Tax	\$3,249,648	\$3,075,540	\$174,108	5.7%
Non-Tax	244,737	283,473	(38,736)	(13.7%)
Other Financing Sources	47,800	48,843	(1,043)	(2.1%)
Total Collections	\$3,542,185	\$3,407,856	\$134,329	3.9%

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

In conducting the analysis of cash collections through the 3rd quarter of FY 2011, the Auditor compared the 3rd quarter collection trends for the five prior fiscal years from FY 2007 through the 3rd 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 3rd quarter of FY 2011 to collections through the 3rd 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 was \$1,705.7 million. Collections of general property taxes through the 3rd quarter of FY 2011 totaled \$867.67 million, which were:

- \$22.87 million, or 2.7%, above the \$844.8 million 3rd quarter FY 2011 revised estimate; and
- \$56.5 million, or 6.1%, below collections for the same period in FY 2010.

Collections of general property taxes through the 3rd quarter represented approximately 51% 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 3rd quarter of FY 2011.

TABLE II
General Property Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 3rd Quarter of Fiscal Year 2011
(\$000)

General Property Taxes	Actual Collections Through the 3 rd Quarter FY 2011	Revised Estimate Through the 3 rd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Real Property	\$866,575	\$842,578	\$23,997	2.8%
Personal Property	1,099	2,224	(1,125)	(50.6%)
Total General Property Taxes	\$867,673	\$844,802	\$22,871	2.7%

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

A. Real Property Tax Collections

Real property tax collections through the 3rd quarter of FY 2011 totaled \$866.58 million. These collections were \$24 million, or 2.8%, above the \$842.58 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 real property tax refunds, which totaled \$13.29 million through the 3rd quarter, were \$12.49 million, or 48.5%, below the \$25.78 million estimate. Moreover, the refunds through the 3rd quarter of FY 2011 were \$9.64 million, or 42%, below refunds for the same period in FY 2010.

We note that in September 2011, the CFO revised the overall total FY 2011 revenue estimate upward by \$89 million. As a part of the overall 2011 revision, the CFO increased the total FY 2011 real property tax revenue estimate to \$1,707.4 million from the June 2011 total FY 2011 estimate of \$1,656.7 million. According to the CFO's September 16, 2011 letter, the stronger-than-expected collections in real property taxes for FY 2011 were the basis for increasing the real property tax estimate in FY 2011. Given that our analysis presents information through the 3rd quarter of FY 2011, the September 2011 revision was not included in this 3rd quarter comparative analysis report. The September 2011 estimate is presented for informational purposes.

B. Personal Property Tax Collections

Personal property tax collections through the 3rd quarter of FY 2011 totaled \$1.1 million. These collections were \$1.13 million, or 50.6%, below the \$2.22 million revised estimate. The annual due date for personal property tax returns is July 31st. Therefore, according to an ORA official, funds that were collected before July 31st of FY 2011 do not reveal a trend but may represent early payments for FY 2011.

Overall, it appears that the District is on course to achieve the total FY 2011 \$1,705.7 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 was \$840.88 million.² Collections of general sales and use taxes through the 3rd quarter totaled \$593.36 million, which were:

- \$58.65 million, or 9%, below the \$652.01 million 3rd quarter FY 2011 revised estimate; and
- \$3.79 million, or .6%, above collections for the same period in FY 2010.

General sales and use tax collections through the 3rd quarter represented roughly 71% of the total FY 2011 revised estimate for this category. Table III compares actual collections to the revised estimate through the 3rd quarter of FY 2011.

TABLE III
General Sales and Use Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 3rd Quarter of Fiscal Year 2011
(\$000)

General Sales and Use Taxes	Actual Collections Through the 3rd Quarter FY 2011	Revised Estimate Through the 3rd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
General Sales and Use Taxes	\$593,359	\$652,012	(\$58,653)	(9%)

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

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

The fact that general sales and use tax collections were below the estimate may be due, in part, to lower than anticipated consumer spending. According to the Conference Board, the Consumer Confidence Index decreased in April, May and June 2011 to 66.0, 61.7 and 58.5 respectively. According to data obtained from the Conference Board, the decline in the Consumer Confidence Index in the month of June was driven by a less favorable assessment of current business and labor market conditions and continued pessimism about the short-term outlook. Consumers were uneasy about the economic outlook and concerns about income prospects also increased. We note that the decline in consumer confidence may cause consumers to spend less, resulting in a reduction in the amount of general sales and use taxes collected.

Since collections of general sales and use tax revenues were 9% below the estimate through the 3rd quarter, District finance officials should monitor this tax category closely for the remainder of FY 2011.

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 was \$73.72 million. Collections through the 3rd quarter of FY 2011 totaled \$54.86 million, which were:

- \$523,000, or 1%, above the \$54.34 million 3rd quarter FY 2011 revised estimate; and
- \$7.4 million, or 15.6%, above collections for the same period in FY 2010.

Selective sales and use tax collections through the 3rd quarter represented roughly 74% of the total FY 2011 revised estimate for this category. Table IV compares actual collections to the revised estimate through the 3rd quarter of FY 2011.

TABLE IV
Selective Sales and Use Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 3rd Quarter of Fiscal Year 2011
(\$000)

Selective Sales and Use Taxes	Actual Collections Through the 3 rd Quarter FY 2011	Revised Estimate Through the 3 rd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Alcoholic Beverage	\$4,233	\$4,275	(\$42)	(1%)
Cigarette	25,531	22,801	2,731	12%
Motor Vehicle Excise	25,100	27,265	(2,164)	(7.9%)
Total Selective Sales and Use Taxes	\$54,864	\$54,341	\$523	1%

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

A. Alcoholic Beverage Tax

Alcoholic beverage tax collections through the 3rd quarter totaled \$4.23 million. These collections were \$42,000, or 1%, below the \$4.28 million revised estimate.

B. Cigarette Tax

Cigarette tax collections through the 3rd quarter totaled \$25.53 million. These collections were \$2.73 million, or 12%, above the \$22.8 million revised estimate. According to an ORA official, the increase in collections may be due, in part, to increased smoking or fewer people purchasing tobacco products from out of state vendors.

C. Motor Vehicle Excise Tax

Motor vehicle excise tax collections through the 3rd quarter totaled \$25.1 million. These collections were \$2.16 million, or 7.9%, below the \$27.27 million revised estimate. An ORA official indicated that collections were below the estimate, in part, because of processing problems at the Department of Motor Vehicles (DMV) that have caused a backlog in the posting of revenues in SOAR. According to a representative of DMV, the processing problems occurred when OFT transferred some of their duties to the DMV in the middle of FY 2010. According to the representative, the processing problems consisted of a largely manual process that DMV struggled to adapt to during implementation. The ORA official indicated that DMV devoted resources to this problem which has resulted in improvements.

Overall, it appears that the District is on course to achieve the total FY 2011 \$73.72 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 total FY 2011 revised estimate for the income taxes category was \$1,559.2 million. Collections through the 3rd quarter of FY 2011 totaled \$1,241.8 million, which were:

- \$112.9 million, or 10%, above the \$1,128.9 million 3rd quarter FY 2011 revised estimate; and
- \$144.24 million, or 13.1%, above collections for the same period in FY 2010.

Income taxes collected through the 3rd quarter represented approximately 79.5% of the total FY 2011 revised revenue estimate for this category. Table V compares actual collections to the revised estimate through the 3rd quarter of FY 2011.

TABLE V
Income Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 3rd Quarter of Fiscal Year 2011
(\$000)

Income Taxes	Actual Collections Through the 3 rd Quarter FY 2011	Revised Estimate Through the 3 rd Quarter FY 2011	Difference: Actual Over/Under Revised Estimate	Percentage Difference
Individual Income Tax	\$958,322	\$846,751	\$111,571	13.2%
Corporate Franchise Tax	173,966	178,579	(4,613)	(2.6%)
Unincorporated Business Franchise Tax	109,514	103,576	5,938	5.7%
Total Income Taxes	\$1,241,802	\$1,128,906	\$112,896	10%

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

A. Individual Income Tax

Individual income tax collections through the 3rd quarter totaled \$958.32 million. This tax is the largest in the income taxes category. These collections were \$111.57 million, or 13.2%, above the \$846.75 million 3rd 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 continued to be strong during the year. Withholdings totaled \$890.96 million and were \$36.05 million, or 4.2%, higher than the estimate, and \$92.6 million, or 11.6%, higher than the same period in FY 2010. In addition, declarations totaled \$139.23 million and were \$18.84 million, or 15.6%, above the \$120.39 million estimate, and \$18.2 million, or 15%, more than collections in the same period of FY 2010.

B. Corporate Franchise Tax

Corporate franchise tax collections through the 3rd quarter totaled \$173.97 million. The collections were \$4.61 million, or 2.6%, below the \$178.58 million 3rd quarter FY 2011 revised estimate. The fact that collections were below the estimate may be due, in part, to higher than estimated corporate tax refunds. **Refunds totaled \$46.12 million and were \$29.05 million, or 170.1%, above the \$17.07 million estimate, and \$31.01 million, or 205.3%, higher than the same period of FY 2010.** An ORA representative indicated that refunds may be higher because corporate losses from prior years, which were carried forward to the current year, may have resulted in refunds.

C. Unincorporated Business Franchise Tax

Unincorporated business franchise tax collections through the 3rd quarter totaled \$109.51 million. The collections were \$5.94 million, or 5.7%, above the \$103.58 million 3rd quarter FY 2011 revised estimate. According to an ORA official, the increase in collections may be due, in part, to the relatively strong rental property market in the District. According to an economist at the National Association of Realtors (NAR), more young people entered the rental market as new households, in stronger numbers this year. As a result, apartment vacancy rates are declining and rents are rising at faster rates.

Overall, it appears that the District is on course to achieve the total FY 2011 \$1,559.2 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 gross receipts taxes was \$247.71 million. Collections of gross receipts taxes through the 3rd quarter of FY 2011 totaled \$217.95 million, which were:

- \$33.98 million, or 18.5%, above the \$183.97 million 3rd quarter FY 2011 revised revenue estimate; and
- \$495,000, or .2%, below collections for the same period in FY 2010.

Gross receipts taxes collected through the 3rd quarter represent roughly 88% of the total FY 2011 revised estimate for this category. Table VI compares actual collections to the revised estimate through the 3rd quarter of FY 2011.

TABLE VI
Gross Receipts Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 3rd Quarter of Fiscal Year 2011
(\$000)

Gross Receipts Taxes	Actual Collections Through the 3rd Quarter FY 2011	Revised Estimate Through the 3rd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Public Utilities Tax	\$105,421	\$105,038	\$383	.4%
Toll Telecommunications Tax	44,215	44,075	140	.3%
Insurance Premiums Tax	68,312	34,859	33,453	96%
Total Gross Receipts Taxes	\$217,948	\$183,972	\$33,976	18.5%

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

A. Public Utilities Tax

Public utilities tax collections through the 3rd quarter totaled \$105.42 million. The collections were \$383,000, or .4%, above the \$105.04 million 3rd quarter FY 2011 revised revenue estimate and \$1.5 million, or 1.4%, more than the collections for the same period in FY 2010.

B. Toll Telecommunications Tax

Toll telecommunications tax collections through the 3rd quarter totaled \$44.22 million. The collections were \$140,000, or .3%, above the FY 2011 \$44.08 million revised revenue estimate.

C. Insurance Premiums Tax

Insurance premiums tax collections through the 3rd quarter totaled \$68.31 million. The collections were \$33.45 million, or 96%, above the \$34.86 million FY 2011 revised revenue estimate. According to an ORA official, collections for insurance premiums tax depend on the processing and the timing of payments. According to the official, the estimate assumed more collections in the final months of the year but last year almost all of the collections were posted by June. This year may be similar and collections in the remaining months of the fiscal year will likely be smaller than in earlier months.

Overall, it appears that the District is on course to achieve the total FY 2011 \$247.71 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 was \$298.69 million. Collections of other taxes through the 3rd quarter of FY 2011 totaled \$274 million, which were:

- \$62.5 million, or 29.5%, above the \$211.51 million 3rd quarter FY 2011 revised estimate; and
- \$141.26 million, or 106.4%, above collections for the same period in FY 2010.

Collections of other taxes through the 3rd quarter represented approximately 91.7% of the total FY 2011 revised estimate for this category. Table VII compares actual collections to the revised estimate through the 3rd quarter of FY 2011 for other taxes.

TABLE VII
Other Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 3rd Quarter of Fiscal Year 2011
(\$000)

Other Taxes	Actual Collections Through the 3 rd Quarter FY 2011	Revised Estimate Through the 3 rd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Estate Tax	\$50,327	\$38,273	\$12,054	31.5%
Deed Recordation Tax	115,812	88,132	27,680	31.4%
Deed Transfer Tax	99,002	77,206	21,796	28.2%
Economic Interest Tax	8,861	7,896	965	12.2%
Total Other Taxes	\$274,002	\$211,507	\$62,495	29.5%

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

A. Estate Tax

Estate tax collections through the 3rd quarter totaled \$50.33 million. The collections were \$12.05 million, or 31.5%, above the \$38.27 million revised estimate. This tax is imposed on the estate of every decedent who died while still a resident of the District, and on the estate of every non-resident decedent who owned property having a taxable status in the District at the time of his or her death.

B. Deed Recordation and Transfer Tax

Combined deed recordation and transfer tax collections through the 3rd quarter totaled \$214.81 million. The combined collections were \$49.47 million, or 29.9%, above the \$165.34 million revised estimates. 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.

According to an ORA official, the estimate for deed recordation was increased by \$20 million in June 2011, but the increase was not reflected in the June 2011 revised estimate. When the \$20 million revision is reflected, the variance between collections and actual will be lower.

C. Economic Interest Tax

Economic interest tax collections through the 3rd quarter totaled \$8.86 million. The collections were \$965,000, or 12.2%, above the \$7.89 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 \$298.69 million revised revenue estimate in the other taxes category.

NON-TAX REVENUE

Non-tax revenue includes: (A) licenses and permits 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 \$366.44 million. Collections through the 3rd quarter totaled \$244.74 million, which were:

- \$38.74 million, or 13.7%, below the \$283.47 million 3rd quarter FY 2011 revised estimate; and
- \$39.05 million, or 19%, above collections for the same period in FY 2010.

Non-tax revenue collections through the 3rd quarter represented approximately 66.8% of the total FY 2011 revised estimate for this category. Table VIII compares non-tax revenue collections to the revised estimate through the 3rd quarter of FY 2011 for non-tax revenue.

TABLE VIII
Non-Tax Revenue:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 3rd Quarter of Fiscal Year 2011
(\$000)

Non-Tax Revenue	Actual Collections Through the 3 rd Quarter FY 2011	Revised Estimate Through the 3 rd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Licenses and Permits	\$51,029	\$46,643	\$4,386	9.4%
Fines and Forfeitures	104,818	110,107	(5,289)	(4.8%)
Charges for Services	41,042	35,210	5,832	16.6%
Miscellaneous Revenue	47,847	91,514	(43,667)	(47.7%)
Total Non-Tax Revenue	\$244,736	\$283,474	(\$38,738)	(13.7%)

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

A. Licenses and Permits Fees

Licenses and permit fees collections through the 3rd quarter totaled \$51.03 million. The collections were \$4.39 million, or 9.4%, above the \$46.64 million revised estimate. According to ORA officials, business license revenue was strengthened by construction activity that increased building structure permits.

B. Fines and Forfeitures

Fines and forfeitures collections through the 3rd quarter totaled \$104.82 million. The collections were \$5.29 million, or 4.8%, below the \$110.11 million revised estimate. According to an ORA official, the estimate for traffic fines was revised down in June and the revision was weighted to the final months of the year which makes the June estimate appear higher than it is. Overall, ORA was concerned that total revenues from fine and forfeitures may come in slightly below the estimate.

C. Charges for Services

Charges for services collections through the 3rd quarter totaled \$41.04 million. The collections were \$5.83 million, or 16.6%, above the \$35.21 million revised estimate. According to ORA officials, part of the issue is that the monthly revenue pattern varies from year to year. The cash collection report spreads the total amount of estimated revenue, which is based on the collections from prior years, over a twelve-month period with equal payments and does not take into account the monthly variations.

D. Miscellaneous Revenue

Miscellaneous revenue includes: (1) interest income, (2) unclaimed property, (3) sale of surplus property, (4) other transfer,³ and (5) other revenue.⁴ Miscellaneous revenue collected through the 3rd quarter totaled \$47.85 million. The collections were \$43.67 million, or 47.7%, below the \$91.51 million revised estimate through the 3rd quarter.

Collections of miscellaneous revenue were below the estimate, in part, because of lower than expected collections from interest income. According to data obtained from ORA, the average interest rate earned during the 3rd quarter of FY 2010 was .107% while the average interest rate earned during the 3rd quarter of FY 2011 was .067%, a reduction of .04%. Collections of interest income through the 3rd quarter were also 91.4% below collections through the same period in FY 2010.

³ Includes the DC Water Pilot (payment in lieu of taxes) transfer.

⁴ Includes revenue from dishonored checks, payroll service fees, and other revenue from agencies.

Since collections of non-tax revenues were below the estimate through the 3rd 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 \$63.26 million. Collections through the 3rd quarter totaled \$47.8 million which were:

- \$1.04 million, or 2.1%, below the \$48.84 million 3rd quarter FY 2011 revised estimate; and
- \$2.5 million, or 5%, below collections for the same period in FY 2010.

Collections from other financing sources through the 3rd quarter represented roughly 75.6% of the total FY 2011 revised estimate for this category. Table IX compares actual collections to the estimate through the 3rd quarter of FY 2011.

TABLE IX
Other Financing Sources:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 3rd Quarter of Fiscal Year 2011
(\$000)

Other Financing Sources	Actual Collections Through the 3 rd Quarter FY 2011	Revised Estimate Through the 3 rd Quarter FY 2011	Difference: Actual Over/(Under) Revised Estimate	Percentage Difference
Legalized Gambling	\$47,800	\$48,843	(\$1,043)	(2.1%)

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

According to a representative of the D.C. Lottery, collections were below the estimate, in part, because of increased prize payouts that increased expenses.

SPECIAL PURPOSE REVENUE FUND (O-TYPE)

The special purpose revenue fund (O-type) estimate for the FY 2011 is \$445.5 million. Collection of special purpose revenue funds (O-type) through the 3rd quarter of FY 2011 totaled \$359.64 million. These collections were \$50.04 million, or 16.2%, above the \$309.61 million 3rd quarter revised estimate.

ORA officials stated there were numerous funds which comprise special purpose revenue funds (O-type) and that 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.

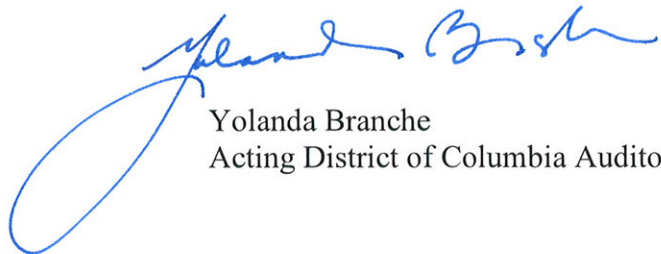
CONCLUSION

The Auditor's analysis indicated that, overall, actual cash collections were above the revised estimate through the 3rd quarter of FY 2011. The District's cash collections through June 2011 (excluding special purpose revenue fund (O-type)) totaled \$3,542.2 million, which were \$134.33 million, or 3.9%, above the \$3,407.9 million revised estimate through the 3rd quarter of FY 2011. The \$3,542.2 million in actual cash collections represented 68% of the total \$5,176.5 million revised FY 2011 revenue estimate.

Specifically, collections were above the estimate through the 3rd quarter in the following categories: 1) general property taxes; 2) selective sales and use taxes; 3) income taxes; 4) gross receipts tax; 5) other taxes; 6) licenses and permits; and 7) charges for services. 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) general sales and use taxes; 2) fines and forfeitures; 3) miscellaneous revenue; and 4) other financing sources (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 3rd quarter, it appears, overall, that after transfers of revenues to dedicated sources, the District is on course to achieve the \$5,176.5 million FY 2011 revised revenue estimate.

Sincerely,

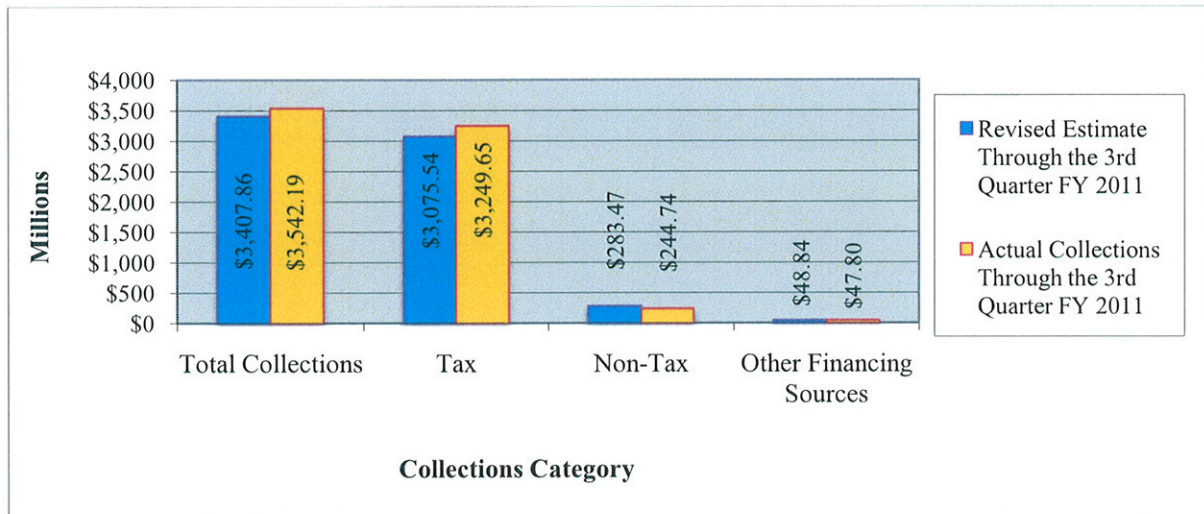


Yolanda Branche
Acting District of Columbia Auditor

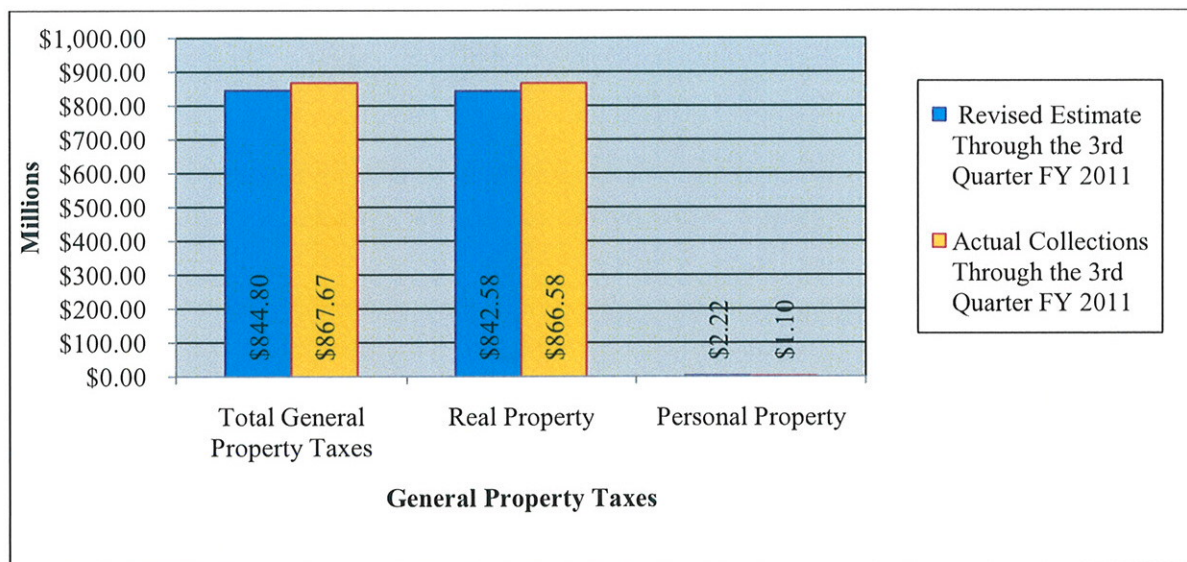
APPENDICES

APPENDIX I

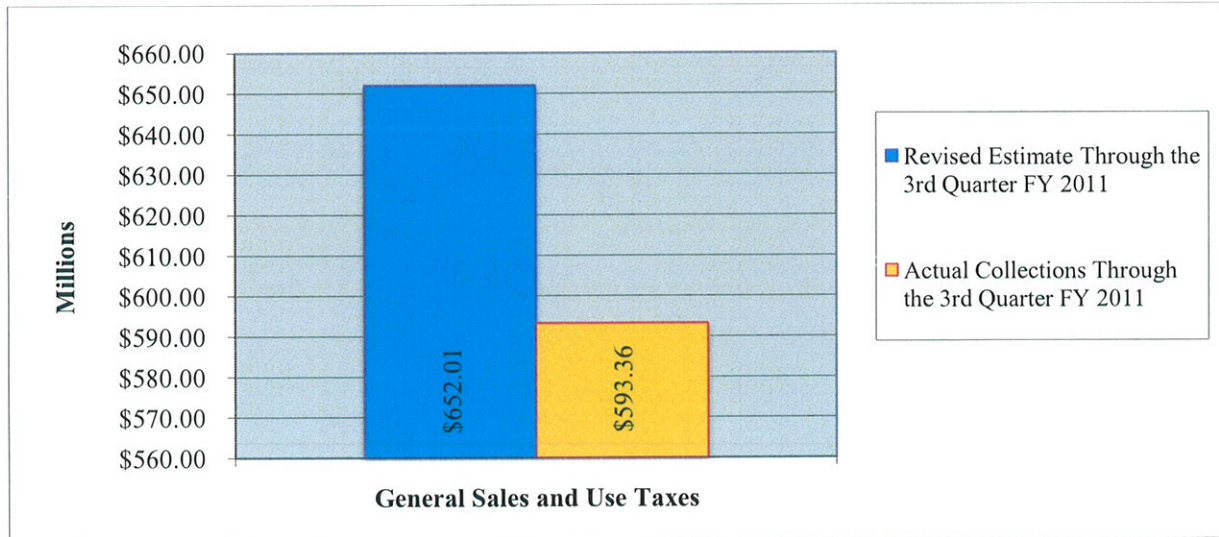
GRAPH I
Summary of the Revised Revenue Estimate
Through the 3rd Quarter FY 2011 to Actual Cash Collections



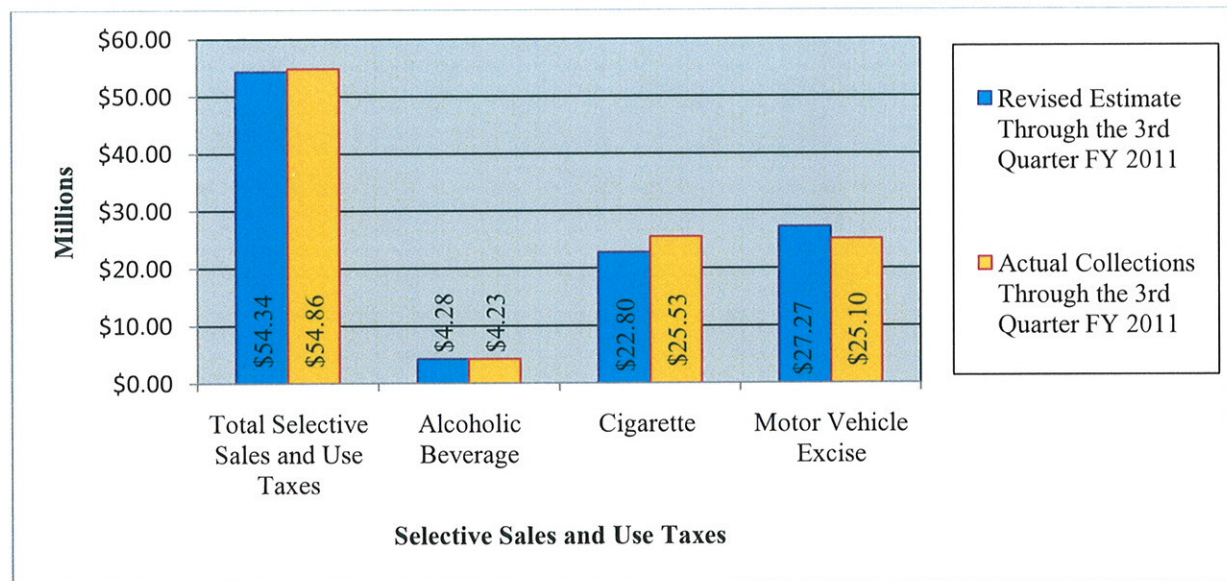
GRAPH II
General Property Taxes:
Comparison of the Revised Revenue Estimate
Through the 3rd Quarter FY 2011 to Actual Cash Collections



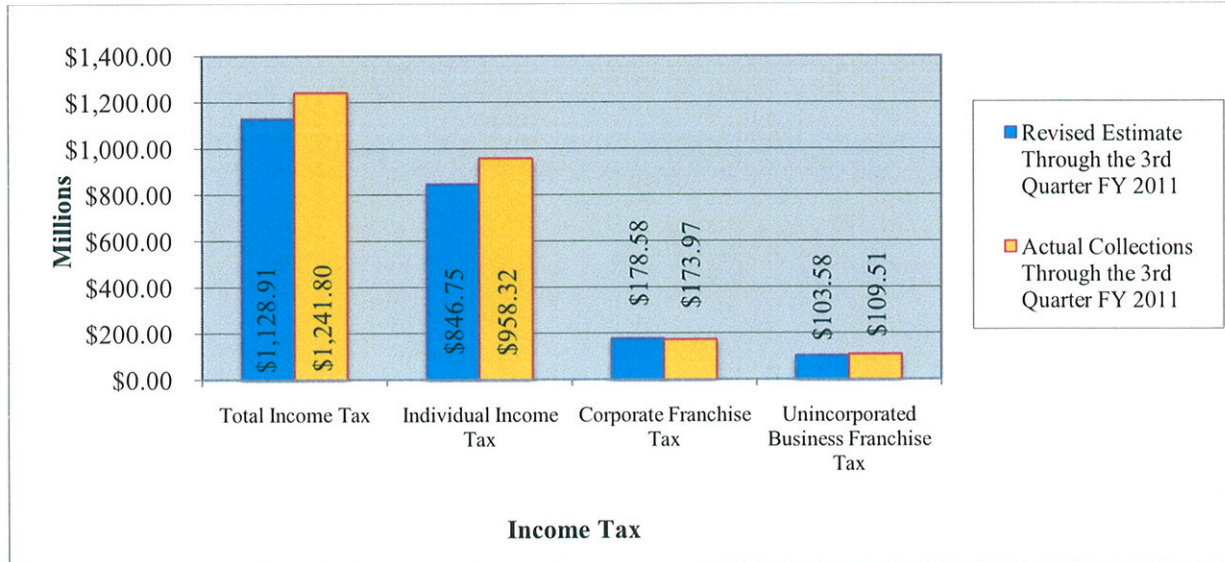
GRAPH III
General Sales and Use Taxes:
Comparison of the Revised Revenue Estimate
Through the 3rd Quarter FY 2011 to Actual Cash Collections



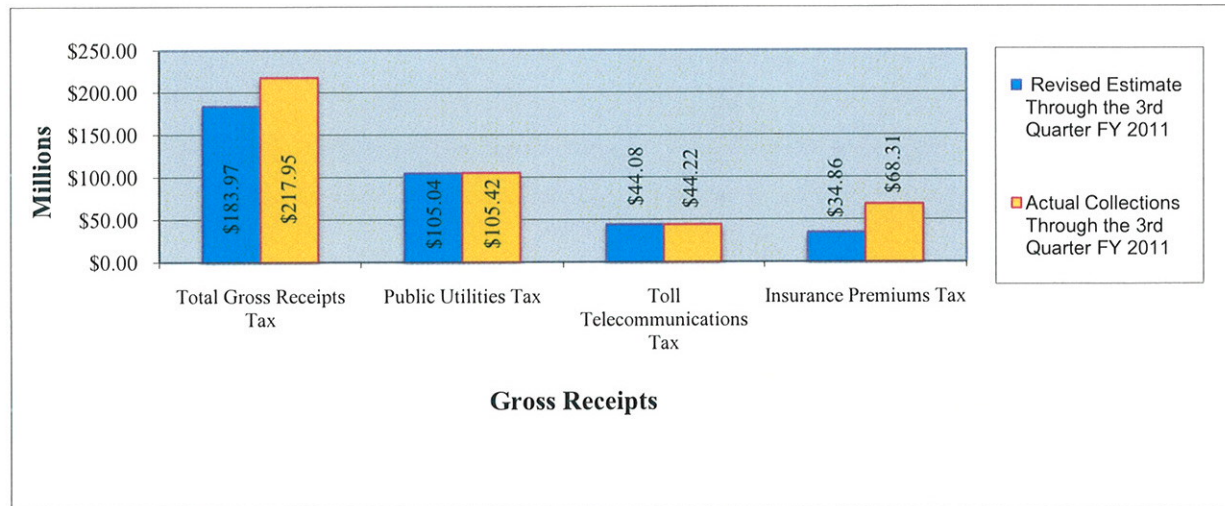
GRAPH IV
Selective Sales and Use Taxes:
Comparison of the Revised Revenue Estimate
Through the 3rd Quarter FY 2011 to Actual Cash Collections



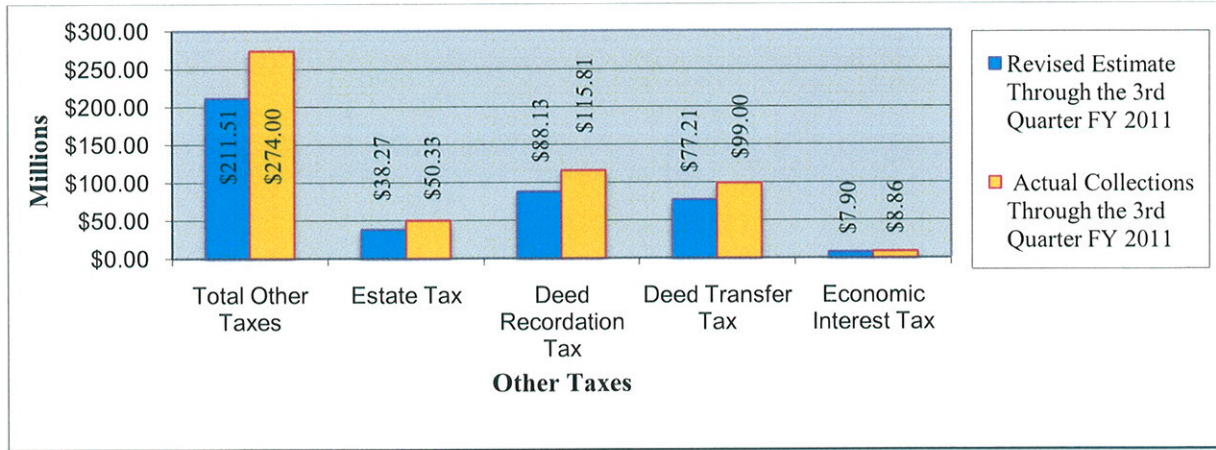
GRAPH V
Income Taxes:
 Comparison of the Revised Revenue Estimate
 Through the 3rd Quarter FY 2011 to Actual Cash Collections



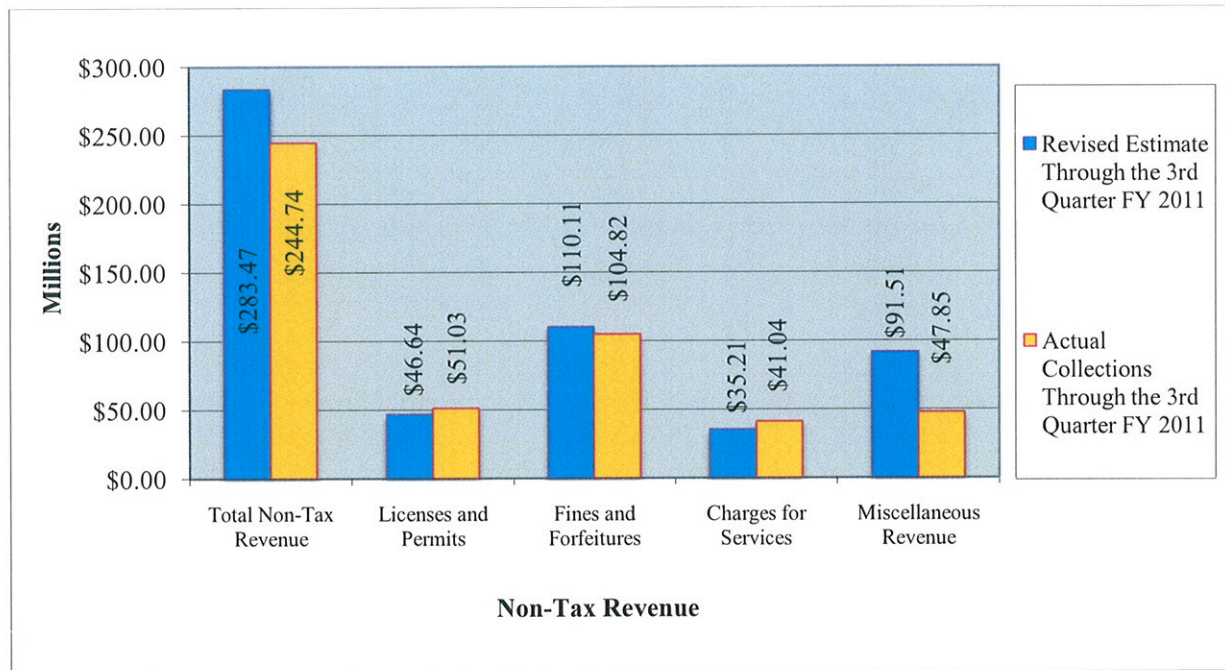
GRAPH VI
Gross Receipts Tax:
 Comparison of the Revised Revenue Estimate
 Through the 3rd Quarter FY 2011 to Actual Cash Collections



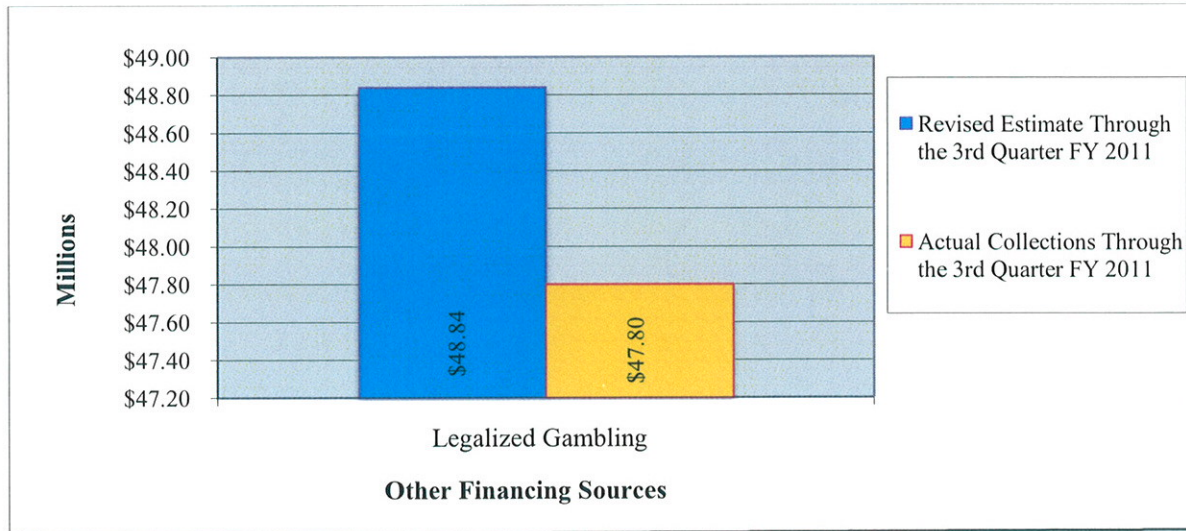
GRAPH VII
Other Taxes:
 Comparison of the Revised Revenue Estimate
 Through the 3rd Quarter FY 2011 to Actual Cash Collections



GRAPH VIII
Non-Tax Revenues:
 Comparison of the Revised Revenue Estimate
 Through the 3rd Quarter FY 2011 to Actual Cash Collections



GRAPH IV
Other Financing Sources:
Comparison of the Revised Revenue Estimate
Through the 3rd Quarter FY 2011 to Actual Cash Collections



APPENDIX II

Comparison of Cash Collections Through the 3rd Quarter Fiscal Years 2007 - 2011¹ (\$000)

Collections Categories ²	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
General Property Taxes	\$717,568	\$855,556	\$907,940	\$924,172	\$867,674
General Sales and Use Taxes*	521,815	657,333	622,610	589,568	593,359
Selective Sales and Use Taxes	51,375	50,509	53,315	47,462	54,864
Income Tax	1,329,931	1,330,958	1,121,769	1,097,567	1,241,802
Gross Receipts Tax	190,870	196,773	213,147	218,443	217,948
Other Taxes	380,088	279,838	178,230	132,740	274,002
Non-Tax Revenue	256,885	223,578	232,161	205,688	244,736
Other Financing Sources	47,850	50,875	49,475	50,295	47,800
Total Cash Collections Financing the Appropriation	\$3,496,382	\$3,645,420	\$3,378,647	\$3,265,935	\$3,542,185

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 tax revenue transferred to dedicated purposes.

APPENDIX III

Comparison of Collections through the 3rd Quarter of FY 2010 to Collections through the 3rd Quarter of FY 2011 (\$000)

Collections Category ³	Collections Through the 3 rd Quarter Fiscal Year 2011	Collections Through the 3 rd Quarter Fiscal Year 2010	Difference 3 rd Quarter FY 2011 Over/(Under) 3 rd Quarter FY 2010	Percentage Difference
General Property Taxes:				
Real Property	\$866,575	\$922,770	(\$56,195)	(6.1%)
Personal Property	1,099	1,402	(303)	(21.6%)
Total General Property Taxes	\$867,674	\$924,172	(\$56,498)	(6.1%)
General Sales and Use Taxes	\$593,359	\$589,568	\$3,791	.6%
Selective Sales and use Taxes:				
Alcoholic Beverage	4,233	4,511	(278)	(6.2%)
Cigarette	25,531	21,494	4,037	18.8%
Motor Vehicle Excise	25,100	21,457	3,643	17%
Total Selective Sales and Use Taxes	\$54,864	\$47,462	7,402	15.6%
Income Taxes:				
Individual Income Tax	958,322	819,954	138,368	16.9%
Corporate Franchise	173,966	174,246	(280)	(.2%)
Unincorporated Business Franchise	109,514	103,367	6,147	5.9%
Total Income Taxes	\$1,241,802	\$1,097,567	\$144,235	13.1%
Gross Receipts Taxes:				
Public Utilities	105,421	103,921	1,500	1.4%
Toll telecommunications	44,215	46,256	(2,041)	(4.4%)
Insurance Premiums	68,312	68,266	46	.07%
Total Gross Receipts Taxes	\$217,948	\$218,443	(\$495)	(.2%)
Estate Tax	50,327	24,280	26,047	107.3%
Deed Recordation	115,812	53,658	62,154	115.8%
Deed Transfer	99,002	42,202	56,800	134.6%
Economic Interests	8,861	12,600	(3,739)	(29.7%)
Total Other Taxes	\$274,002	\$132,740	\$141,262	106.4%
Total Tax Collections	\$3,249,649	\$3,009,952	\$239,697	8%
Non-Tax Revenue:				
License and Permits	51,029	40,206	10,823	26.9%
Fines and Forfeitures	104,818	93,131	11,687	12.5%
Charges for Services	41,042	32,860	8,182	24.9%
Miscellaneous Revenue	47,847	39,491	8,356	21.2%
Total Non-Tax Collections	\$244,736	\$205,688	\$39,048	19%
Other Financing Sources	\$47,800	\$50,295	(\$2,495)	(5%)
Total Collections	\$3,542,185	\$3,265,935	\$276,250	8.5%

³ 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.