Office of the District of Columbia Auditor

For immediate release
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2026 Revenue Decline Forecast by Consulting Firm

Report cites federal tax changes plus weaker employment & commercial real estate market

August 31, 2026 (WASHINGTON) An independent economic forecast published by the Office of the D.C. Auditor (ODCA) projects lower revenues for the District this year than were forecast in March based on weakened employment and commercial real estate values as well as action taken by Congress and overall economic uncertainty.

The August 2026 forecast by EY/Quantitative Economics and Statistics estimates gross revenue of $11.8 billion for the fiscal year that ends September 30, 2026, down from the $12.2 billion the firm estimated in March, but still slightly higher than the official February 2026 forecast of $11.7 billion by D.C.'s Office of the Chief Financial Officer (OCFO).

D.C. Auditor Kathy Patterson said she asked the consulting firm to update its forecast after Chief Financial Officer Glen Lee decided not to produce a new revenue estimate in July, issuing a "no-change" letter rather than the "quarterly re-estimate" required by D.C. Code. "It's obviously concerning that the revenue projection is revised downward, and something D.C. policymakers should take into account in any tax or spending decisions made in the coming months," Patterson said.

The forecast reflects federal tax code changes in the 2025 One Big Beautiful Bill Act, local tax revisions in the District's FY 2027 budget, and lower individual and business income tax revenue. Other factors cited in the revenue projection: employment, wage and salary income, and a commercial real estate market weaker than in March – "which weigh on income tax, property tax, and other revenue."

The report concludes, "Additional risks include geopolitical uncertainty related to the Iran conflict, which could affect District individual income, business income, and sales tax revenue as well as other potential policy changes including federal expenditures, legislation and coupling impact, and interest rates."

The Council is expected to hold hearings on new revenue proposals this fall. A recent review of state budgets for the fiscal year starting July 1 by the National Association of State Budget Officers found spending growth essentially flat in states across the country. NASBO found governors were employing "strategies such as targeted spending cuts, eliminating vacant positions, revenue increases and other measures…signaling a constrained budget environment." Thirteen states projected budget gaps totaling $26.3 billion.

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