Comparative Analysis of Actual Cash Collections
to Revised Revenue Estimates Through the
3rd Quarter of Fiscal Year 2003

September 29, 2003
The Honorable Linda W. Cropp  
Chairman  
Council of the District of Columbia  
1350 Pennsylvania Avenue, NW, Suite 504  
Washington, D.C. 20004

**Letter Report:** Comparative Analysis of Actual Cash Collections to Revised Revenue Estimates Through the 3rd Quarter of Fiscal Year 2003

Dear Chairman Cropp and Members of the Council of the District of Columbia:

This letter report presents the Office of the District of Columbia Auditor’s comparison of the District’s actual cash collections through the 3rd quarter of fiscal year (FY) 2003 to the revised FY 2003 revenue estimates for the 3rd quarter.

**BACKGROUND**

The original FY 2003 revenue estimate was $3.596 billion, however, the Office of the Chief Financial Officer’s Office of Research and Analysis (ORA) revised the FY 2003 estimate in September 2002 to $3.626 billion, an increase of $30 million above the original estimate. On February 20, 2003, the District’s Chief Financial Officer (CFO) submitted to the Mayor and Council of the District of Columbia (Council) a second FY 2003 revised revenue estimate of $3.573 billion, which was a decrease of $52.459 million from the September 2002 revised revenue estimate of $3.626 billion, and a $23 million decrease from the original $3.596 billion estimate. The FY 2003 revenue estimate as of the 3rd quarter is $3.715 billion and represents a net increase of $142 million over the February 2003 revised estimate, which is a $119 million increase over the original $3.596 billion estimate.

The $3.715 billion estimate does not represent a revision in any of the tax categories presented in the 3rd quarter cash collections report. Rather, the $3.715 billion estimate prepared by ORA now includes a new category entitled “dedicated non-tax O-type revenue” which totaled $174.6 million and excludes the “federal project funds” category of $33 million. The net effect of these two changes results in an overall revised estimate of $3.715 billion.
METHODOLOGY

To conduct this comparative analysis, the Office of the District of Columbia Auditor used: (1) the $3.715 billion estimate; (2) the Office of the Chief Financial Officer's June 2003 Comparative Report of Cash Collections by Funds; and (3) other relevant information. Although the revised FY 2003 revenue estimate was modified to reflect the changes discussed above, ORA did not include the estimate and collections data for dedicated non-tax O-type revenue in the June 2003 Comparative Report of Cash Collections. However, the Office of the D.C. Auditor includes an analysis of dedicated non-tax O-type revenue in this comparative analysis.
RESULTS OF ANALYSIS

Actual cash collections from: (1) tax, (2) non-tax, and (3) other financing sources through the 3rd quarter of FY 2003 totaled $2.518 billion, which was $98.5 million, or 4.1%, above the $2.419 billion revised estimate through the 3rd quarter.1 The $2.518 billion in actual cash collections represented 68% of the total $3.715 billion revised revenue estimate. Collections through the 3rd quarter from all revenue sources are presented below.

- **Tax** - total tax collections were $2.251 billion, which were $73 million, or 3.4%, above the revised tax estimate of $2.178 billion through June 2003.
- **Non-tax** - total non-tax collections were $212 million, which were $22.6 million, or 11.9%, above the revised non-tax estimate of $189 million through June 2003.
- **Other financing sources** - collections from other financing sources, which consisted of legalized gambling, totaled $55.2 million, which were $2.7 million, or 5.1%, above the revised other financing sources estimate of $52.6 million through June 2003.

Table I compares actual cash collections to revised estimates through the 3rd quarter of FY 2003 for tax, non-tax, and other financing sources. Appendix I presents a graphic depiction of the information in Table I as well as other tables presented in this report.

### TABLE I

**Cash Collections Summary**

**Through the 3rd Quarter of Fiscal Year 2003**

($000)

<table>
<thead>
<tr>
<th>Tax Category</th>
<th>Actual Collections Through the 3rd Quarter FY 2003</th>
<th>Revised Estimates Through the 3rd Quarter FY 2003</th>
<th>Difference: Actual Over/(Under) Revised Estimates</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Collections</td>
<td>$2,250,738</td>
<td>$2,177,515</td>
<td>$73,224</td>
<td>3.4%</td>
</tr>
<tr>
<td>Non-Tax Collections</td>
<td>211,966</td>
<td>189,397</td>
<td>22,569</td>
<td>11.9%</td>
</tr>
<tr>
<td>Other Financing Sources</td>
<td>55,225</td>
<td>52,566</td>
<td>2,659</td>
<td>5.1%</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$2,517,929</td>
<td>$2,419,478</td>
<td>$98,452</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2003, June 2003, prepared by the Office of Research and Analysis

1 Rounding may affect some calculations presented in this report.
In conducting the analysis of cash collections through the 3rd quarter of FY 2003, the Auditor also compared the 3rd quarter collection trends for the five-fiscal years of 1999 through the 3rd quarter of 2003. These comparisons are presented in Appendix II. During the five-fiscal year period, collections in each revenue category fluctuated from year to year. However, the Auditor notes that 3rd quarter collections in the general property taxes and gross receipts taxes categories have steadily increased over the five-fiscal year period. On the other hand, 3rd quarter collections in the income taxes category increased in fiscal years 2000 and 2001 but declined in fiscal years 2002 and 2003.

Appendix III presents a comparison of collections through the 3rd quarter of FY 2003 to 3rd quarter collections for FY 2002 in each tax category.

GENERAL PROPERTY TAXES

General property taxes include: (A) real property taxes, (B) personal property taxes, and (C) revenue from public space rentals. The revised FY 2003 revenue estimate for general property taxes is $897.07 million. Collections of general property taxes through the 3rd quarter of FY 2003 totaled $446 million, which were:

♦ $26.6 million, or 6.3%, above the $419.4 million 3rd quarter FY 2003 revised estimate; and
♦ $77.2 million, or 20.9%, above collections for the same period in FY 2002.

Collection of general property taxes through the 3rd quarter represented 50% of the total revised revenue estimate for this category. Table II compares actual collections of general property taxes to the revised estimates through the 3rd quarter of FY 2003.
TABLE II
General Property Taxes:
Comparison of Actual Cash Collections to Revised Estimates
Through the 3rd Quarter of Fiscal Year 2003
($000)

<table>
<thead>
<tr>
<th>General Property Taxes</th>
<th>Actual Collections Through the 3rd Quarter FY 2003</th>
<th>Revised Estimates Through the 3rd Quarter FY 2003</th>
<th>Difference: Actual Over/(Under) Revised Estimates</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Property</td>
<td>$432,162</td>
<td>$408,907</td>
<td>$23,254</td>
<td>5.7%</td>
</tr>
<tr>
<td>Personal Property</td>
<td>6,517</td>
<td>4,320</td>
<td>2,197</td>
<td>50.8%</td>
</tr>
<tr>
<td>Public Space Rental</td>
<td>7,279</td>
<td>6,165</td>
<td>1,114</td>
<td>18.1%</td>
</tr>
<tr>
<td><strong>Total General Property Taxes</strong></td>
<td><strong>$445,957</strong></td>
<td><strong>$419,392</strong></td>
<td><strong>$26,565</strong></td>
<td><strong>6.3%</strong></td>
</tr>
</tbody>
</table>

Source: Office of the Chief Financial Officer, Office of Research and Analysis

A. **Real Property Tax Collections**

Real property taxes collected through the 3rd quarter totaled $432.2 million. These collections were $23.3 million, or 5.7%, above the $409 million estimate. The real property tax category is the largest component of general property taxes. Real property taxes are due on March 31st and September 15th of each year. Therefore, collections through the 3rd quarter reflect receipts for real property taxes due for the first half of FY 2003. Collections for real property taxes should increase in the fourth quarter of the fiscal year when the second half of real property tax payments are due.

Collections of real property taxes were higher than the estimate, in part, because of the strong real estate market and higher property tax assessments as well as the phase-out of triennial assessments for tri-group 2. With the phase-out of the triennial assessment system, homeowners in tri-group 2 will have their property assessed annually and pay real property taxes on the assessed value of their property annually. However, legislation was enacted to limit the increase in property taxes from higher assessments on a taxpayer’s principal residence to 25%. Prior to the phase-out of triennial assessments, increased property taxes were phased in over three years.

Based on collections through the 3rd quarter, and the fact that the second half of real property taxes are due in September 2003, it appears that collections in this tax category will be achieved for FY 2003.
B. Personal Property Tax Collections

Personal property taxes collected through the 3rd quarter totaled $6.5 million. These collections, through the 3rd quarter, were $2.2 million, or 50.8%, above the $4.3 million estimate. According to an ORA official, the bulk of personal property tax collections occurs in the 4th quarter of the fiscal year. Therefore, collections are expected to increase during July, August, and September 2003.

C. Public Space Rental Fees

Public space rental fees collected through the 3rd quarter totaled $7.3 million. Actual collections through the 3rd quarter were $1.1 million, or 18.1%, above the $6.2 million estimate. According to ORA officials, public space rental fees are due July 31st. Most of the revenue for this tax category is collected in the 4th quarter of the fiscal year. Thus, increased collections should be reflected in the 4th quarter cash collections report.

Based on collections through the 3rd quarter, it appears that the District should achieve the FY 2003 revenue estimate in the General Property Taxes category.

GENERAL SALES AND USE TAXES

The FY 2003 revised estimate for general sales and use taxes is $648 million\(^2\). Collections of general sales and use taxes through the 3rd quarter of FY 2003 totaled $504.8 million, which were:

- $24.1 million, or 4.6%, below the $528.9 million 3rd quarter revised FY 2003 estimate; and
- $14.4 million, or 2.9%, above collections for the same period in FY 2002.

General sales and use tax collections through the 3rd quarter represented 78% of the total FY 2003 revenue estimate for this category. Table III compares actual collections to the revised estimate through the 3rd quarter of FY 2003 for general sales and use taxes.

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\(^2\)Presented net of dedicated tax revenue transferred to the Washington Convention Center Authority.
TABLE III
General Sales and Use Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 3rd Quarter of Fiscal Year 2003

<table>
<thead>
<tr>
<th>General Sales and Use Taxes</th>
<th>Actual Collections Through the 3rd Quarter FY 2003</th>
<th>Revised Estimate Through the 3rd Quarter FY 2003</th>
<th>Difference: Actual Over/(Under) Revised Estimate</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Sales and Use Taxes</td>
<td>$504,783</td>
<td>$528,865</td>
<td>($24,082)</td>
<td>(4.6%)</td>
</tr>
</tbody>
</table>

Source: Office of the Chief Financial Officer, Office of Research and Analysis

According to ORA officials, general sales and use taxes are below the estimate through the 3rd quarter, in part, because revenue from activities related to the Cherry Blossom Festival was lower than estimated. The District usually collects a significant part of its annual general sales tax revenue from events and tourism related to the Cherry Blossom Festival. According to ORA officials, it is difficult for the District to recover, later in the fiscal year, from the loss of revenue from this annual event.

Other causes of reduced collections included: (1) the outbreak of Severe Acute Respiratory Syndrome (SARS) which could have affected tourism and other travel to the District; and (2) the start of the war in Iraq which could have reduced consumer confidence and consumer spending.

The factors discussed above may impact general sales and use tax collections, therefore, the Office of Research and Analysis should monitor this tax category very closely.

SELECTIVE SALES AND USE TAXES

Selective sales and use taxes include: (A) alcoholic beverage, (B) cigarette, and (C) motor vehicle excise taxes. The FY 2003 revised estimate for selective sales and use taxes is $60.6 million. Collections through the 3rd quarter of FY 2003 totaled $44.8 million which were:

- $2.9 million, or 6.8%, above the $42 million 3rd quarter revised FY 2003 estimate; and
- $5.4 million, or 13.8%, above collections for the same period in FY 2002.

Selective sales and use tax collections through the 3rd quarter represented 74% of the total FY 2003 revised revenue estimate for this category. Table IV compares actual collections to the revised estimate through the 3rd quarter of FY 2003 for selective sales and use taxes.
TABLE IV  
Selective Sales and Use Taxes:  
Comparison of Actual Cash Collections to Revised Estimates  
Through the 3rd Quarter of Fiscal Year 2003  
($000)

<table>
<thead>
<tr>
<th>Selective Sales and Use Taxes</th>
<th>Actual Collections Through the 3rd Quarter FY 2003</th>
<th>Revised Estimates Through the 3rd Quarter FY 2003</th>
<th>Difference: Actual Over/(Under) Revised Estimates</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcoholic Beverage</td>
<td>$3,566</td>
<td>$3,437</td>
<td>$129</td>
<td>3.8%</td>
</tr>
<tr>
<td>Cigarette</td>
<td>15,152</td>
<td>14,790</td>
<td>362</td>
<td>2.4%</td>
</tr>
<tr>
<td>Motor Vehicle Excise Taxes</td>
<td>26,095</td>
<td>23,714</td>
<td>2,380</td>
<td>10.0%</td>
</tr>
<tr>
<td>Total Selective Sales and Use Taxes</td>
<td>$44,813</td>
<td>$41,941</td>
<td>$2,871</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

Source: Office of the Chief Financial Officer, Office of Research and Analysis

A. **Alcoholic Beverage Tax**

Alcoholic beverage taxes collected through the 3rd quarter totaled $3.6 million. These collections were $129,000, or 3.8%, above the $3.4 million revised estimate.

B. **Cigarette Taxes**

Cigarette taxes collected through the 3rd quarter totaled $15.2 million. These collections were $362,000, or 2.4%, above the $14.8 million revised estimate. The tax on cigarettes was increased from 65¢ to $1.00 per pack, effective January 1, 2003.

C. **Motor Vehicle Excise Taxes**

Motor vehicle excise taxes collected through the 3rd quarter totaled $26.1 million. These collections were $2.4 million, or 10%, above the $23.7 million revised estimate.

Based on collections through the 3rd quarter and the seasonal collection pattern for Selective Sales and Use taxes, the District should achieve the revised FY 2003 revenue estimate for this category.
INCOME TAXES

Income taxes include: (A) individual income taxes, (B) corporate franchise taxes, and (C) unincorporated business franchise taxes. The FY 2003 revised estimate for the income tax category is $1.125 billion. Collections through the 3rd quarter of FY 2003 totaled $868.1 million which were:

- $26.4 million, or 2.9%, below the $894.5 million 3rd quarter revised estimate; and
- $25.8 million, or 2.9%, below collections for the same period in FY 2002.

Income tax collections through the 3rd quarter represented 77% of the total FY 2003 revised revenue estimate for this category. Table V compares actual collections to revised estimates through the 3rd quarter of FY 2003 for income taxes.

**TABLE V**  
**Income Taxes:**  
**Comparison of Actual Cash Collections to Revised Estimates**  
**Through the 3rd Quarter of Fiscal Year 2003**

<table>
<thead>
<tr>
<th>Income Taxes</th>
<th>Actual Collections Through the 3rd Quarter FY 2003</th>
<th>Revised Estimates Through the 3rd Quarter FY 2003</th>
<th>Difference: Actual Over/Under Revised Estimates</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Income Taxes</td>
<td>$708,104</td>
<td>$732,995</td>
<td>($24,891)</td>
<td>(3.4%)</td>
</tr>
<tr>
<td>Corporate Franchise Taxes</td>
<td>96,615</td>
<td>109,018</td>
<td>(12,403)</td>
<td>(11.4%)</td>
</tr>
<tr>
<td>Unincorporated Business Franchise Taxes</td>
<td>63,400</td>
<td>52,479</td>
<td>10,921</td>
<td>20.8%</td>
</tr>
<tr>
<td>Total Income Taxes</td>
<td>$868,119</td>
<td>$894,492</td>
<td>($26,373)</td>
<td>(2.9%)</td>
</tr>
</tbody>
</table>

Source: Office of the Chief Financial Officer, Office of Research and Analysis

A. Individual Income Taxes

Individual income taxes collected through the 3rd quarter totaled $708.1 million. This tax is the largest in the income taxes category. These collections were $24.9 million, or 3.4%, below the $733 million revised estimate.

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2 The Auditor notes that fiscal year 2002 collections of income tax revenues were well below the fiscal year 2002 revenue estimate which contributed, in part, to the fiscal year 2002 deficit.
Individual income tax collections are lower than the estimate, in part, because of an increase in individual tax refunds and a decrease in individual income declarations (estimated payments) through the 3rd quarter. Individual income tax refunds through the 3rd quarter were 44.8% higher than estimated and declarations were 12.2% lower than estimated.

The Auditor also notes that, according to the Department of Employment Services, the District’s unemployment rate (not seasonally adjusted) increased during the 3rd quarter of FY 2003. In April 2003, the revised unemployment rate was 6.5%. However, in June 2003 the rate had increased by .7% to 7.2%. The June 2003 rate is also .3% higher than the 6.9% unemployment rate in June 2002.

The individual income tax category should be closely monitored by ORA officials because collections through the 3rd quarter are 3.4% below the estimate for the 3rd quarter. Collections are also 7.3% below collections through the same period in FY 2002.

B. Corporate Franchise Taxes

Corporate franchise taxes collected through the 3rd quarter totaled $96.6 million. These collections were $12.4 million, or 11.4%, below the $109 million revised estimate. Corporate franchise tax refunds were 49.7% higher than the estimate for the 3rd quarter while declarations (estimated tax payments) were 4.3% lower than the estimate. Corporate profits are below the estimate, in part, due to the overall sluggish economy. One indicator of the effect that the economy has on corporations is that total business bankruptcy filings in the District of Columbia through the 2nd quarter of 2003 totaled 34, an increase of nine, or 36%, over 25 bankruptcy filings through the 2nd quarter of 2002.

In an analysis of FY 2002 revenues, the Auditor raised concerns regarding whether the FY 2002 corporate franchise tax revenue estimate could be achieved. The Auditor notes that the estimate was not achieved. Therefore, based on the current economic climate and collections through the 3rd quarter, the Auditor again strongly cautions that this estimate may be overly optimistic and may not be achieved in FY 2003.
C. Unincorporated Business Franchise Taxes

Unincorporated business franchise tax collections through the 3rd quarter totaled $63.4 million. These collections were $10.9 million, or 20.8%, above the $52.5 million revised estimate. Refunds of unincorporated business franchise taxes were approximately $4.5 million, or 134.9%, higher than estimated for the 3rd quarter and declarations (estimated tax payments) were $6.9 million, or 24%, higher than estimated.

Based on current economic factors discussed above and collections through the 3rd quarter, the District may not achieve the FY 2003 estimate in the income taxes category.

GROSS RECEIPTS TAXES

Gross receipts taxes include: (A) public utilities taxes, (B) toll telecommunications taxes, and (C) tax on insurance premiums. The revised estimate for gross receipts taxes is $250.7 million. Collections of gross receipts taxes through the 3rd quarter of FY 2003 totaled $201.5 million, which were:

- $36.1 million, or 21.9%, above the $165.4 million 3rd quarter revised estimate; and
- $22.5 million, or 12.5%, above collections for the same period in FY 2002.

Gross receipts tax collections through the 3rd quarter represented 80% of the FY 2003 revised estimate for this category. Table VI compares actual collections to the revised estimates through the 3rd quarter of FY 2003 for gross receipts taxes.

### TABLE VI

**Gross Receipts Taxes: Comparison of Actual Cash Collections to Revised Estimates Through the 3rd Quarter of Fiscal Year 2003**

<table>
<thead>
<tr>
<th>Gross Receipts Taxes</th>
<th>Actual Collections Through the 3rd Quarter FY 2003</th>
<th>Revised Estimates Through the 3rd Quarter FY 2003</th>
<th>Difference: Actual Over/(Under) Revisied Estimates</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Utilities</td>
<td>$123,677</td>
<td>$98,324</td>
<td>$25,353</td>
<td>25.8%</td>
</tr>
<tr>
<td>Toll Telecommunications</td>
<td>37,225</td>
<td>45,725</td>
<td>(8,500)</td>
<td>(18.6%)</td>
</tr>
<tr>
<td>Insurance Premiums</td>
<td>40,618</td>
<td>21,322</td>
<td>19,296</td>
<td>90.5%</td>
</tr>
<tr>
<td><strong>Total Gross Receipts</strong></td>
<td><strong>$201,520</strong></td>
<td><strong>$165,371</strong></td>
<td><strong>$36,149</strong></td>
<td><strong>21.9%</strong></td>
</tr>
</tbody>
</table>

Source: Office of the Chief Financial Officer, Office of Research and Analysis
A. **Public Utilities Taxes**

Public utilities taxes collected through the 3rd quarter totaled $123.7 million. These collections were $25.4 million, or 25.8%, above the $98.3 million revised estimate. The strength in these collections through the 3rd quarter may be due, in part, to increased profits collected by utility companies and the results of an increase in the public utilities tax rate from 10% to 11%, which became effective January 2003. According to data obtained from NOAA (the National Oceanic and Atmospheric Administration), the average temperature in Washington, D.C. for the months of April, May, and June was, on average, 3.1 degrees colder than the average temperature for the same period in 2002. Because of the cold weather, utility customers may have incurred higher utility bills resulting in increased revenue to utility companies. The public utility tax is imposed on the gross receipts of utility companies. Therefore, increased revenue to these companies may result in increased gross receipts tax payments to the District.

B. **Toll Telecommunications Taxes**

Toll telecommunications taxes collected through the 3rd quarter totaled $37.2 million. These collections were $8.5 million, or 18.6%, below the $45.7 million revised estimate. Also, these collections were 10.6% below collections for the same period in FY 2002. One reason revenue from this tax source is below the estimate could be that consumers are now using more economically priced calling cards or cell phone service to make long distance calls, rather than toll telecommunications services.

C. **Insurance Premium Taxes**

Insurance premium taxes collected through the 3rd quarter totaled $40.6 million. These collections were $19.3 million, or 90.5%, above the $21.3 million revised estimate. Also, collections for the 3rd quarter of FY 2003 were 16.5% more than collections during the same period in FY 2002.

Based on collections through the 3rd quarter, it appears that the District should achieve the FY 2003 revenue estimate in the Gross Receipts Taxes category.
OTHER TAXES

Other Taxes include: (A) estate, (B) deed recordation, (C) deed transfer, and (D) economic interest transfer taxes. The FY 2003 revised estimate for other taxes is $204.9 million. Collections of other taxes through the 3\textsuperscript{rd} quarter of FY 2003 totaled $185.5 million, which were:

- $58 million, or 45.6\%, above the $127.5 million 3\textsuperscript{rd} quarter revised estimate; and
- $36.4 million, or 16.4\%, below collections for the same period in FY 2002.

Collections of other taxes through the 3\textsuperscript{rd} quarter represented 90.5\% of the total FY 2003 revised revenue estimate. Table VII compares actual collections to the revised estimates through the 3\textsuperscript{rd} quarter of FY 2003 for other taxes.

### TABLE VII
Other Taxes:  
Comparison of Actual Cash Collections to Revised Estimates  
Through the 3\textsuperscript{rd} Quarter of Fiscal Year 2003  
($000)

<table>
<thead>
<tr>
<th>Other Taxes</th>
<th>Actual Collections Through the 3\textsuperscript{rd} Quarter FY 2003</th>
<th>Revised Estimates Through the 3\textsuperscript{rd} Quarter FY 2003</th>
<th>Difference: Actual Over/(Under) Revised Estimates</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estate Taxes</td>
<td>$22,441</td>
<td>$22,899</td>
<td>($457)</td>
<td>(2.0%)</td>
</tr>
<tr>
<td>Deed Recordation</td>
<td>95,116</td>
<td>57,135</td>
<td>37,981</td>
<td>66.5%</td>
</tr>
<tr>
<td>Deed Transfer</td>
<td>66,608</td>
<td>46,845</td>
<td>19,763</td>
<td>42.2%</td>
</tr>
<tr>
<td>Economic Interests</td>
<td>1,383</td>
<td>575</td>
<td>808</td>
<td>140.6%</td>
</tr>
<tr>
<td><strong>Total Other Taxes</strong></td>
<td><strong>$185,547</strong></td>
<td><strong>$127,453</strong></td>
<td><strong>$58,094</strong></td>
<td><strong>45.6%</strong></td>
</tr>
</tbody>
</table>

Source: Office of the Chief Financial Officer, Office of Research and Analysis

A. **Estate Taxes**

Estate taxes collected through the 3\textsuperscript{rd} quarter totaled $22.4 million. These collections were $457,000, or 2\%, below the $22.9 million revised estimate. Although collections through the 3\textsuperscript{rd} quarter were below the estimate, collections from this revenue source are difficult to estimate due to the unpredictable event that triggers the tax.
B. **Combined Deed Recordation and Transfer Taxes**

Combined deed recordation and transfer taxes through the 3rd quarter totaled $161.7 million. These combined collections were $57.7 million, or 56%, above the $104 million revised estimate. Collections from these sources were also strong during FY 2002. The continued strength of these collections reflects the resilience of the real estate market. For example, according to the July 2003 edition of "DC Economic Indicators," published by ORA, completed contracts for the sale of single family homes in the 2nd quarter of 2003 increased by 8.6% and condo/co-ops increased 22.6% from one year ago. Further, rates for both of these tax categories (deed recordation and transfer taxes) were increased in the revenue enhancements that became effective January 2003.

C. **Economic Interest Taxes**

Economic interest taxes collected through the 3rd quarter totaled $1.4 million. These collections were $808,000, or 141%, above the $575,000 revised estimate.

Based on collections through the 3rd quarter of FY 2003, it appears that the District should achieve the FY 2003 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 FY 2003 revised estimate for non-tax revenue is $285.3 million. Collections through the 3rd quarter totaled $212 million, which were:

- $22.6 million, or 11.9%, above the $189.4 million 3rd quarter revised estimate; and
- $38.8 million, or 22.4%, above collections for the same period in fiscal year 2002.

Non-tax revenue collections through the 3rd quarter represented 74% of the FY 2003 revised estimate for this category. Table VIII compares actual collections to the revised estimate through the 3rd quarter of fiscal year 2003 for non-tax revenue.
TABLE VIII  
Non-Tax Revenue:  
Comparison of Actual Cash Collections to the Revised Estimates  
Through the 3rd Quarter of Fiscal Year 2003  
($000)  

<table>
<thead>
<tr>
<th>Non-Tax Revenues</th>
<th>Actual Collections Through the 3rd Quarter FY 2003</th>
<th>Revised Estimates Through the 3rd Quarter FY 2003</th>
<th>Difference: Actual Over/(Under) Revised Estimates</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licenses and Permits</td>
<td>$37,412</td>
<td>$36,968</td>
<td>$444</td>
<td>1.2%</td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>64,409</td>
<td>75,548</td>
<td>(11,139)</td>
<td>(14.7%)</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>29,882</td>
<td>29,757</td>
<td>125</td>
<td>0.4%</td>
</tr>
<tr>
<td>Miscellaneous Revenue</td>
<td>80,263</td>
<td>47,124</td>
<td>33,139</td>
<td>70.3%</td>
</tr>
<tr>
<td>Total Non-Tax Revenue</td>
<td>$211,966</td>
<td>$189,397</td>
<td>$22,569</td>
<td>11.9%</td>
</tr>
</tbody>
</table>

Source: Office of the Chief Financial Officer, Office of Research and Analysis

A. **Licenses and Permit Fees**

Licenses and permit fees collected through the 3rd quarter totaled $37.4 million. Collections were $444,000, or 1.2%, above the $37 million revised estimate.

B. **Fines and Forfeitures**

Fines and forfeitures collected through the 3rd quarter totaled $64.4 million. These collections were $11.1 million, or 14.7%, below the $75.5 million revised estimate. According to ORA officials, the decrease in this estimate was due, in part, to a reduction in collections from traffic fines.

C. **Charges for Services**

Charges for services collected through the 3rd quarter totaled $29.88 million. These collections were $125,000, or .4%, above the $29.76 million revised estimate.
D. **Miscellaneous Revenue**

Miscellaneous revenue includes: (1) interest income, (2) unclaimed property, (3) sale of surplus property, (4) other transfer,\(^4\) and (5) other revenue.\(^5\) Miscellaneous revenue collected through the 3\(^{rd}\) quarter totaled $80.3 million. These collections were $33.1 million, or 70.3%, above the $47.1 million revised estimate.

Although overall collections were above the estimate for miscellaneous revenue, one area of concern in this tax category is interest income. Interest income is generated from the investment of the District’s excess cash balances. According to information obtained from the Office of Finance and Treasury, interest rates on investments have steadily declined during FY 2003. In October 2002 cash invested earned 1.82%. The rate declined each month during FY 2003. As of June 30, 2003, the rate was 1.23%. Further, the average balance invested during the 3\(^{rd}\) quarter of FY 2003 declined as compared with the average balance invested during the 2\(^{nd}\) quarter of FY 2003.

Overall collections in the non-tax revenue category for the 3\(^{rd}\) quarter of fiscal year 2003 were higher than overall collections for the same period in FY 2002.

Based on collections through the 3\(^{rd}\) quarter, it appears that the District should achieve the FY 2003 estimate in the Non-Tax Revenue category.

**OTHER FINANCING SOURCES**

Other Financing Sources consisted of gambling. The FY 2003 revised estimate for Other Financing Sources is $68.6 million. Collections through the 3\(^{rd}\) quarter totaled $55.2 million, which were:

- $2.7 million, or 5.1%, above the $52.6 million 3\(^{rd}\) quarter revised estimate; and
- $6.7 million, or 13.9%, above collections for the same period in FY 2002.

Collections from Other Financing Sources through the 3\(^{rd}\) quarter represented 80% of the FY 2003 revised estimate for this category. Table IX compares actual collections to the estimate through the 3\(^{rd}\) quarter of FY 2003 for Other Financing Sources.

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\(^4\)Includes the WASA Pilot Transfer.

\(^5\)Includes revenue such as dishonored checks, payroll service fees, or other revenue from agencies.
TABLE IX
Other Financing Sources: Comparison of Actual Cash Collections to the Revised Estimate Through the 3rd Quarter of Fiscal Year 2003 ($000)

<table>
<thead>
<tr>
<th>Other Financing Sources</th>
<th>Actual Collections Through the 3rd Quarter FY 2003</th>
<th>Revised Estimate Through the 3rd Quarter FY 2003</th>
<th>Difference: Actual Over/(Under) Revised Estimate</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legalized Gambling</td>
<td>$55,225</td>
<td>$52,566</td>
<td>$2,659</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Source: Office of the Chief Financial Officer, Office of Research and Analysis

Legalized gambling (transfers from the D.C. Lottery) through the 3rd quarter totaled $55.2 million. These transfers were $2.7 million, or 5.1%, above the $52.6 million revised estimate. According to Lottery officials, collections were above the estimate as a result of an overall increase in sales attributed, in part, to a large powerball jackpot in June 2003 as well as the introduction of a new lottery game, Keno, in May 2003.

DEDICATED NON-TAX “O” TYPE REVENUE

The fiscal year 2003 estimate for dedicated non-tax “O” type revenue totals $174.6 million. Actual cash collections from this revenue stream through June 13, 2003, totaled $100 million.

Although the District now includes in the revenue estimate dedicated non-tax “O” type revenue along with other revenues which finance the appropriation, there was limited information upon which the Auditor could conduct a detailed analysis. For example, there was no monthly or quarterly estimate against which the Auditor could compare actual collections for this revenue stream. Additionally, ORA officials indicated that they do not capture collections data at specified intervals for each revenue source that comprises the non-tax “O” type category. As a consequence, the Auditor could not conduct a comparison of collections in fiscal year 2003 to the prior year.

CONCLUSION

Overall, the Auditor’s analysis indicated that cash collections remain above the revised estimate through the 3rd quarter of fiscal year 2003. The District’s cash collections through June 2003 totaled $2.518 billion, which were $98.5 million, or 4.1%, above the $2.419 billion revised estimate through the 3rd quarter. The $2.518 billion in actual cash collections represented 68% of the total $3.715 billion revised revenue estimate.
Based on the review and analysis of economic data from various sources as well as collection patterns through the 3rd quarter, the Auditor suggests that the Office of Research and Analysis closely monitor revenue collections from the following tax categories: 1) General Sales and Use Taxes; and 2) Income Taxes. If the downward collections trend continues for these tax categories and collections in the remaining tax categories are not sufficient to have an off-setting effect, the Office of Research and Analysis may need to reduce the overall FY 2003 revised revenue estimate and re-evaluate the FY 2004 revenue estimates for these revenue sources. Also, because of a lack of historical data pertaining to dedicated non-tax O-type revenue, ORA must closely monitor collections from this revenue source and make adjustments as necessary.

Respectfully submitted,

[Signature]

Deborah K. Nichols
District of Columbia Auditor
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Through the 3rd Quarter FY 2003 to Actual Cash Collections

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Comparison of Revised Revenue Estimate
Through the 3rd Quarter FY 2003 to Actual Cash Collections
APPENDIX II

Comparison of Cash Collections Through the 3rd Quarter
Fiscal Years 1999 - 2003
($000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Property Taxes</td>
<td>$308,489</td>
<td>$325,990</td>
<td>$336,152</td>
<td>$368,760</td>
<td>$445,957</td>
</tr>
<tr>
<td>General Sales and Use Taxes*</td>
<td>447,801</td>
<td>472,990</td>
<td>520,021</td>
<td>490,413</td>
<td>504,783</td>
</tr>
<tr>
<td>Selective Sales and Use Taxes</td>
<td>37,752</td>
<td>40,609</td>
<td>44,015</td>
<td>39,387</td>
<td>44,813</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>898,385</td>
<td>1,038,612</td>
<td>1,138,642</td>
<td>893,965</td>
<td>868,119</td>
</tr>
<tr>
<td>Gross Receipts Taxes</td>
<td>145,903</td>
<td>148,773</td>
<td>164,630</td>
<td>179,053</td>
<td>201,520</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>113,998</td>
<td>106,331</td>
<td>137,544</td>
<td>221,985</td>
<td>185,547</td>
</tr>
<tr>
<td>Non-Tax Revenue</td>
<td>145,357</td>
<td>133,382</td>
<td>166,609</td>
<td>154,385</td>
<td>211,966</td>
</tr>
<tr>
<td>Other Financing Sources</td>
<td>47,986</td>
<td>55,531</td>
<td>63,508</td>
<td>67,235</td>
<td>55,225</td>
</tr>
<tr>
<td>Total Cash Collections Financing the Appropriation</td>
<td>$2,145,672</td>
<td>$2,322,217</td>
<td>$2,571,121</td>
<td>$2,415,185</td>
<td>$2,517,929</td>
</tr>
</tbody>
</table>

Source: Office of the Chief Financial Officer, Office of Research and Analysis

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

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

7 Dedicated non-tax "O" type revenue collections of $100 million through June 13, 2003 are not presented in this Appendix.
### Comparison of Collections Through the 3rd Quarter of FY 2003 to Collections Through the 3rd Quarter of FY 2002 (\$000)

<table>
<thead>
<tr>
<th>Tax Category</th>
<th>Collections Through the 3rd Quarter Fiscal Year 2003</th>
<th>Collections Through the 3rd Quarter Fiscal Year 2002</th>
<th>Difference Quarter FY 2003 Over/Under 3rd Quarter FY 2002</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Property Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Property</td>
<td>$432,162</td>
<td>$360,503</td>
<td>$71,659</td>
<td>19.9%</td>
</tr>
<tr>
<td>Personal Property</td>
<td>6,517</td>
<td>3,553</td>
<td>2,964</td>
<td>83.4%</td>
</tr>
<tr>
<td>Public Space Rental</td>
<td>7,279</td>
<td>4,705</td>
<td>2,574</td>
<td>54.7%</td>
</tr>
<tr>
<td><strong>Total Property Taxes</strong></td>
<td>$445,957</td>
<td>$368,769</td>
<td>$77,197</td>
<td>20.9%</td>
</tr>
<tr>
<td><strong>General Sales and Use Taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Selective Sales and Use Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alcoholic Beverage</td>
<td>3,566</td>
<td>3,548</td>
<td>19</td>
<td>0.5%</td>
</tr>
<tr>
<td>Cigarette</td>
<td>15,152</td>
<td>11,821</td>
<td>3,331</td>
<td>28.2%</td>
</tr>
<tr>
<td>Motor Vehicle Excise</td>
<td>26,095</td>
<td>24,019</td>
<td>2,076</td>
<td>8.6%</td>
</tr>
<tr>
<td><strong>Selective Sales and Use Taxes</strong></td>
<td>$44,813</td>
<td>$39,387</td>
<td>$5,425</td>
<td>13.8%</td>
</tr>
<tr>
<td><strong>Income Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual Income Taxes</td>
<td>$708,104</td>
<td>$763,784</td>
<td>($55,680)</td>
<td>(7.3%)</td>
</tr>
<tr>
<td>Corporate Franchise</td>
<td>96,615</td>
<td>85,954</td>
<td>10,661</td>
<td>12.4%</td>
</tr>
<tr>
<td>Unincorporated Business</td>
<td>63,400</td>
<td>44,227</td>
<td>19,172</td>
<td>43.3%</td>
</tr>
<tr>
<td><strong>Total Income Taxes</strong></td>
<td>$868,119</td>
<td>$893,965</td>
<td>($25,847)</td>
<td>(2.9%)</td>
</tr>
<tr>
<td><strong>Gross Receipts Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Utilities</td>
<td>$123,677</td>
<td>$102,545</td>
<td>$21,132</td>
<td>20.6%</td>
</tr>
<tr>
<td>Toll Telecommunications</td>
<td>37,225</td>
<td>41,637</td>
<td>(4,412)</td>
<td>(10.6%)</td>
</tr>
<tr>
<td>Insurance Premiums</td>
<td>40,618</td>
<td>34,871</td>
<td>5,747</td>
<td>16.5%</td>
</tr>
<tr>
<td><strong>Total Gross Receipts</strong></td>
<td>$201,520</td>
<td>$179,053</td>
<td>$22,466</td>
<td>12.5%</td>
</tr>
<tr>
<td><strong>Other Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estate Taxes</td>
<td>$22,441</td>
<td>$109,021</td>
<td>($86,580)</td>
<td>(79.4%)</td>
</tr>
<tr>
<td>Deed Recordation</td>
<td>95,116</td>
<td>64,155</td>
<td>30,960</td>
<td>48.3%</td>
</tr>
<tr>
<td>Deed Transfer</td>
<td>66,608</td>
<td>44,913</td>
<td>21,695</td>
<td>48.3%</td>
</tr>
<tr>
<td>Economic Interests</td>
<td>1,283</td>
<td>3,896</td>
<td>(2,513)</td>
<td>(64.5%)</td>
</tr>
<tr>
<td><strong>Total Other Taxes</strong></td>
<td>$185,547</td>
<td>$221,985</td>
<td>($36,438)</td>
<td>(16.4%)</td>
</tr>
<tr>
<td><strong>Total Tax Collections</strong></td>
<td>$2,250,738</td>
<td>$2,193,565</td>
<td>$57,174</td>
<td>2.6%</td>
</tr>
<tr>
<td><strong>Non-Tax Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>$37,412</td>
<td>$27,295</td>
<td>$10,117</td>
<td>37.1%</td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>64,409</td>
<td>64,089</td>
<td>320</td>
<td>0.5%</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>29,882</td>
<td>22,074</td>
<td>7,808</td>
<td>35.4%</td>
</tr>
<tr>
<td>Miscellaneous Revenue</td>
<td>80,263</td>
<td>59,663</td>
<td>20,600</td>
<td>34.5%</td>
</tr>
<tr>
<td><strong>Total Non-Tax Revenue</strong></td>
<td>$211,966</td>
<td>$173,120</td>
<td>$38,846</td>
<td>22.4%</td>
</tr>
<tr>
<td><strong>Other Financing Sources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$2,517,929</td>
<td>$2,415,186</td>
<td>$102,743</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

Source: Office of the Chief Financial Officer, Office of Research and Analysis

---

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

9 Dedicated non-tax "O" type revenue collections of $100 million through June 13, 2003 are not presented in this Appendix.