



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

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**Comparative Analysis of Actual Cash Collections
to Revised Revenue Estimates Through
the 1st Quarter of Fiscal Year 2004**

July 16, 2004



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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 1st Quarter of Fiscal Year 2004

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 1st quarter of fiscal year (FY) 2004 to the revised FY 2004 revenue estimates for the 1st quarter.

BACKGROUND

The FY 2004 revenue estimate certified by the District's Chief Financial Officer (CFO) in February 2003 was \$3.930 billion. The \$3.930 billion included an estimate of \$191.9 million for dedicated non-tax "O" type revenue.¹ Excluding the \$191.9 million, the estimate was \$3.738 billion. The Office of the Chief Financial Officer's Office of Research and Analysis (ORA) revised the FY 2004 estimate in September 2003 to \$3.950 billion, an increase of \$20 million above the \$3.930 February 2003 estimate.² Excluding the \$191.9 million, the September 2003 estimate is \$3.758 billion.

¹In correspondence received by the Office of the D.C. Auditor from the District's Office of the Chief Financial Office, dedicated non-tax "O" type revenue is referred to as "Special Purpose Funds." In the FY 2005 Proposed Budget and Financial Plan, dedicated non-tax "O" type revenue is referred to as Special Purpose Revenue Funds. In this analysis, the Auditor will use the term *dedicated non-tax "O" type revenue*.

²On January 13, 2004, the CFO submitted to the Mayor and Council of the District of Columbia (Council) a FY 2004 revised revenue estimate of \$4.028 billion, which represented an increase of \$78 million over the September 2003 estimate of \$3.950 billion and an increase of \$98 million over the February 2003 estimate of \$3.930 billion. The \$4.028 billion estimate was developed after the 1st quarter cash collections report was prepared, and is not discussed in this comparative analysis but will be discussed in the Auditor's 2nd quarter comparative analysis.

METHODOLOGY

To conduct this comparative analysis, the Office of the District of Columbia Auditor used: (1) the \$3.758 billion revenue estimate; (2) the Office of the Chief Financial Officer's FY 2004 1st quarter Comparative Report of Cash Collections by Funds; and (3) other relevant information.

The Auditor interviewed ORA representatives regarding cash collections through the 1st quarter of FY 2004. We interviewed representatives from private as well as government entities regarding their knowledge of overall economic conditions that affected the District of Columbia. We reviewed the economic data from several sources, including the National Oceanic and Atmospheric Administration (NOAA), District's Department of Employment Services (DOES), the Real Estate Association of the Washington Metropolitan Area, Metropolitan Council of Governments, and the "D.C. Economic Indicators" published by ORA.

RESULTS OF ANALYSIS

Actual cash collections from: (1) tax, (2) non-tax, and (3) other financing sources through the 1st quarter of FY 2004 totaled \$724.1 million, which were \$68.5 million, or 10.4%, above the \$655.6 million revised estimate through the 1st quarter.³ The \$724.1 million in actual cash collections represented 19.3% of the total \$3.758 billion revised revenue estimate.⁴ Collections through the 1st quarter from tax and non-tax revenues and other financing sources are presented below.

- ◆ **Tax** - total tax collections were \$612.3 million, which were \$40.1 million, or 7%, above the revised tax estimate of \$572.2 million through December 2003.

- ◆ **Non-tax** - total non-tax collections were \$88.3 million, which were \$22.7 million, or 34.6%, above the revised non-tax estimate of \$65.6 million through December 2003.

- ◆ **Other financing sources** - collections from other financing sources, which consisted of legalized gambling (transfers from the D.C. Lottery), totaled \$23.4 million, which were \$5.7 million, or 31.9%, above the revised other financing sources estimate of \$17.8 million through December 2003.

Table I compares actual cash collections to revised estimates through the 1st quarter of FY 2004 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.

³Rounding may affect some calculations presented in this report.

⁴The \$655.6 million revenue estimate and \$724.1 million in collections through the 1st quarter of FY 2004 are presented net of the Convention Center estimate and transfer and also do not include the estimate and collections for dedicated non-tax "O" type revenue.

TABLE I
Cash Collections Summary
Through the 1st Quarter of Fiscal Year 2004
(\$000)

Tax Category	Actual Collections Through the 1st Quarter FY 2004	Revised Estimates Through the 1st Quarter FY 2004	Difference: Actual Over/(Under) Revised Estimates	Percent Difference
Tax Collections	\$612,306	\$572,234	\$40,072	7.0%
Non-Tax Collections	88,343	65,631	22,712	34.6%
Other Financing Sources	23,425	17,755	5,670	31.9%
Total Revenues	\$724,074	\$655,620	\$68,454	10.4%

Source: Comparative Report of Cash Collections by Funds, Revenues Financing the Appropriation: Fiscal Year 2004, December 2003 prepared by the Office of Research and Analysis

In conducting the analysis of cash collections through the 1st quarter of FY 2004, the Auditor also compared the 1st quarter collection trends for the five-fiscal years of 2000 through the 1st quarter of 2004. 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 1st quarter collections in the general property taxes categories for FY 2004 were substantially lower than the 1st quarter collections in the other fiscal years. A discussion of the fluctuation in the general property taxes categories is presented later in this analysis.

Appendix III presents a comparison of collections through the 1st quarter of FY 2004 to 1st quarter collections for FY 2003 in each tax category.

GENERAL PROPERTY TAXES

General property taxes include: (A) real property tax, (B) personal property tax, and (C) revenue from public space rentals. The FY 2004 revised estimate for general property taxes is \$1 billion. Collections of general property taxes through the 1st quarter of FY 2004 totaled \$5 million, which were:

- ◆ \$22.7 million, or 81.9%, below the \$27.7 million 1st quarter FY 2004 revised estimate; and
- ◆ \$21.5 million, or 81%, below collections for the same period in FY 2003.

Collection of general property taxes through the 1st quarter represented .5% of the total revised revenue estimate for this category. Table II compares actual collections of general property taxes to the revised estimates through the 1st quarter of FY 2004.

TABLE II
General Property Taxes:
Comparison of Actual Cash Collections to Revised Estimates
Through the 1st Quarter of Fiscal Year 2004
(\$000)

General Property Taxes	Actual Collections Through the 1 st Quarter FY 2004	Revised Estimates Through the 1 st Quarter FY 2004	Difference: Actual Over/(Under) Revised Estimates	Percent Difference
Real Property	\$4,113	\$26,003	(\$21,890)	(84.2%)
Personal Property	432	1,634	(1,202)	(73.6%)
Public Space Rental	491	110	381	346.4%
Total General Property Taxes	\$5,036	\$27,747	(\$22,711)	(81.9%)

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

A. Real Property Tax Collections

Real property tax collected through the 1st quarter totaled \$4.1 million. These collections were \$21.9 million, or 84.2%, below the \$26 million estimate. The real property tax category is the largest component of general property taxes.

The Auditor notes that real property tax refunds through the 1st quarter totaled \$5.7 million and were \$1.1 million, or 25.2%, higher than the CFO's \$4.5 million estimate. By comparison, refunds through the 1st quarter of FY 2004 were \$2.54 million, or 81.2%, higher than refunds through the 1st quarter of FY 2003.

Real property tax collections are presented less refunds, therefore, the increase in refunds through the 1st quarter of FY 2004 may have contributed, in part, to the overall decrease in collections in the real property tax category. ORA representatives could not explain why collections were so low in the 1st quarter of FY 2004. They did indicate that collections of real property tax in the 1st quarter historically represent late payments of the previous year's real property tax and are not a true indicator of collections for the current fiscal year. Real property tax is due on March 31st and September 15th of each year. Therefore, collections of real property tax should increase in the third and fourth quarters of the fiscal year.

B. Personal Property Tax Collections

Personal property tax collected through the 1st quarter totaled \$432,000. These collections through the 1st quarter were \$1.2 million, or 73.6%, below the \$1.6 million estimate. The annual due date for personal property tax is July 31st. Personal property tax refunds totaled \$1.3 million through the 1st quarter and were \$990,000, or 331.2%, higher than the \$299,000 estimate. Also, refunds through the 1st quarter of FY 2004 were \$1.1 million, or 457.7%, higher than refunds through the 1st quarter of the previous fiscal year. Collections are presented net of refunds, therefore, the decrease in collections in this tax category may be due, in part, to the increase in refunds.

C. Public Space Rental Fees

Public space rental fees collected through the 1st quarter totaled \$491,000. Actual collections through the 1st quarter were \$381,000, or 346.7%, above the \$110,000 estimate. The Auditor notes that collections in this tax category were below the estimate in FY 2003. The increase in collections for the 1st quarter of FY 2004 may represent collections from late payments of FY 2003 fees. Public space rental fees are due July 31st of each fiscal year.

GENERAL SALES AND USE TAXES

The FY 2004 revised estimate for general sales and use taxes is \$671.9 million.⁵ Collections of general sales and use taxes through the 1st quarter of FY 2004 totaled \$166.8 million, which were:

- ◆ \$1.2 million, or .7%, above the \$165.6 million 1st quarter revised FY 2004 estimate; and
- ◆ \$13.6 million, or 8.8%, above collections for the same period in FY 2003.

General sales and use tax collections through the 1st quarter represented 25% of the total FY 2004 revenue estimate for this category. Table III compares actual collections to the revised estimate through the 1st quarter of FY 2004 for general sales and use taxes.

⁵Presented 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 1st Quarter of Fiscal Year 2004
(\$000)

General Sales and Use Taxes	Actual Collections Through the 1 st Quarter FY 2004	Revised Estimate Through the 1 st Quarter FY 2004	Difference: Actual Over/(Under) Revised Estimate	Percent Difference
General Sales and Use Taxes	\$166,824	\$165,611	\$1,213	.7%

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

General sales and use taxes through the 1st quarter totaled \$166.8 million. Actual collections through the 1st quarter were \$1.2 million, or .7%, higher than the 1st quarter estimate. According to data obtained from the Washington, D.C. Convention & Tourism Corporation and Smith Travel Research, the hotel occupancy rate in December 2003 increased from a year ago in December 2002. The increased hotel occupancy rate may indicate an increase in the number of tourist and other visitors to the District. Additionally, according to information obtained from the Metropolitan Washington Airports Authority and the Baltimore Washington International Airport (BWI), the number of airline passengers traveling to the Washington, D.C./metropolitan area increased overall in December 2003 by 5% from a year ago. These positive increases could have contributed to the modest increase in revenue from general sales and use taxes.

Based on collections through the 1st quarter and the expected increase in tourism, it appears that the District is on course to achieve the FY 2004 revenue estimate in the general sales and use taxes category.

SELECTIVE SALES AND USE TAXES

Selective sales and use taxes include: (A) alcoholic beverage, (B) cigarette, and (C) motor vehicle excise tax. The FY 2004 revised estimate for selective sales and use taxes is \$62.7 million. Collections through the 1st quarter of FY 2004 totaled \$17.3 million which were:

- ◆ \$3.9 million, or 29.5%, above the \$13.4 million 1st quarter revised FY 2004 estimate; and
- ◆ \$5 million, or 40.2%, above collections for the same period in FY 2003.

Selective sales and use tax collections through the 1st quarter represented 27.6% of the total FY 2004 revised revenue estimate for this category. Table IV compares actual collections to the revised estimates through the 1st quarter of FY 2004 for selective sales and use taxes.

TABLE IV
Selective Sales and Use Taxes:
Comparison of Actual Cash Collections to Revised Estimates
Through the 1st Quarter of Fiscal Year 2004
(\$000)

Selective Sales and Use Taxes	Actual Collections Through the 1 st Quarter FY 2004	Revised Estimates Through the 1 st Quarter FY 2004	Difference: Actual Over/(Under) Revised Estimates	Percent Difference
Alcoholic Beverage	\$1,413	\$1,088	\$325	29.9%
Cigarette	5,042	4,923	119	2.4%
Motor Vehicle Excise	10,842	7,347	3,495	47.6%
Total Selective Sales and Use Taxes	\$17,297	\$13,358	\$3,939	29.5%

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

A. Alcoholic Beverage Tax

Alcoholic beverage tax collected through the 1st quarter totaled \$1.4 million. These collections were \$325,000, or 29.9%, above the \$1.01 million revised estimate.

B. Cigarette Tax

Cigarette tax collected through the 1st quarter totaled \$5.04 million. These collections were \$119,000, or 2.4%, above the \$4.92 million revised estimate. Cigarette tax collections were also 11.8% above collections for the same period in FY 2003. The increase in collections is attributed primarily to the fact that the increased cigarette tax rate, which took effect in January 2003, was in effect in the 1st quarter of FY 2004.

C. Motor Vehicle Excise Tax

Motor vehicle excise tax collected through the 1st quarter totaled \$10.8 million. These collections were \$3.5 million, or 47.6%, above the \$7.3 million revised estimate. The increase in this tax category may be due in part to improvements in the procedures used to determine the appropriate excise tax on vehicles titled in the District of Columbia. According to the FY 2005 Proposed Budget and Financial Plan, the District's Department of Motor Vehicles has programmed computers to ensure the application of the correct excise tax rate on a vehicle's Fair Market Value on a more consistent basis. Additionally, car sales have been increasing. These factors are expected to result in a 5% increase in excise tax collections for FY 2004.

Based on collections through the 1st quarter it appears that the District is on course to achieve the FY 2004 revenue estimate in the selective sales and use taxes category.

INCOME TAXES

Income taxes include: (A) individual income tax, (B) corporate franchise tax, and (C) unincorporated business franchise tax. The FY 2004 revised estimate for the income taxes category is \$1.2 billion. Collections through the 1st quarter of FY 2004 totaled \$267.2 million which were:

- ◆ \$3.2 million, or 1.2%, below the \$270.4 million 1st quarter revised FY 2004 estimate; and
- ◆ \$29 million, or 12.2%, above collections for the same period in FY 2003.

Income taxes collected through the 1st quarter represented 22% of the total FY 2004 revised revenue estimate for this category. Table V compares actual collections to revised estimates through the 1st quarter of FY 2004 for income taxes.

TABLE V
Income Taxes:
Comparison of Actual Cash Collections to Revised Estimates
Through the 1st Quarter of Fiscal Year 2004
(\$000)

Income Taxes	Actual Collections Through the 1st Quarter FY 2004	Revised Estimates Through the 1st Quarter FY 2004	Difference: Actual Over/Under Revised Estimates	Percent Difference
Individual Income Tax	\$221,869	\$221,525	\$344	0.2%
Corporate Franchise Tax	23,997	36,496	(12,499)	(34.2%)
Unincorporated Business Franchise Tax	21,325	12,330	8,995	73.0%
Total Income Taxes	\$267,191	\$270,351	(\$3,160)	(1.2%)

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

A. Individual Income Tax

Individual income tax collected through the 1st quarter totaled \$221.9 million. This tax is the largest in the income taxes category. These collections were \$344,000, or .2%, above the \$221.5 million revised estimate. Individual income tax collections were just slightly above the estimate for the 1st quarter primarily due to individual tax withholdings which were .2% above the estimate. Additionally, according to statistics obtained from the District's Department of Employment

Services, the seasonally adjusted unemployment rate for November 2003 was 6.6% which was .2% lower than the 6.8% rate in October 2003. This modest decrease in the unemployment rate may have contributed to the increase in individual income tax collections.

B. Corporate Franchise Tax

Corporate franchise tax collections through the 1st quarter totaled \$24 million. These collections were \$12.5 million, or 34.2%, below the \$36.5 million revised estimate. According to ORA representatives, this tax category is difficult to forecast. The corporate franchise tax is a tax on corporate profits and corporations are finding ways to shift their earnings so that they are not taxed in the District of Columbia. However, according to the FY 2005 Proposed Budget and Financial Plan, District officials are considering a proposal to close various loopholes, but not until FY 2005. The Auditor notes that this category was under the estimate in both FY 2002 and FY 2003.

C. Unincorporated Business Franchise Tax

Unincorporated business franchise tax collections through the 1st quarter totaled \$21.3 million. These collections were \$9 million, or 73%, above the \$12.3 million revised estimate. According to ORA representatives, many of the unincorporated business franchise taxpayers are partnerships associated with the real estate management industry. The overall strength in the real estate market has contributed to increased collections in unincorporated business franchise taxes.

Based on overall collections through the 1st quarter, it appears that the District is on course to achieve the FY 2004 revenue estimate in this tax category.

GROSS RECEIPTS TAXES

Gross receipts taxes include: (A) public utilities taxes, (B) toll telecommunications tax, and (C) a tax on insurance premiums. The revised estimate for gross receipts taxes is \$265.5 million. Collections of gross receipts taxes through the 1st quarter of FY 2004 totaled \$52.3 million, which were:

- ◆ \$4.7 million, or 9.8%, above the \$47.7 million 1st quarter revised FY 2004 estimate; and
- ◆ \$5.2 million, or 11%, above collections for the same period in FY 2003.

Gross receipts taxes collected through the 1st quarter represented 20% of the FY 2004 revised estimate for this category. Table VI compares actual collections to revised estimates through the 1st quarter of FY 2004 for gross receipts taxes.

TABLE VI
Gross Receipts Taxes:
Comparison of Actual Cash Collections to Revised Estimates
Through the 1st Quarter of Fiscal Year 2004
(\$000)

Gross Receipts Taxes	Actual Collections Through the 1st Quarter FY 2004	Revised Estimates Through the 1st Quarter FY 2004	Difference: Actual Over/(Under) Revised Estimates	Percent Difference
Public Utilities	\$36,687	\$31,242	\$5,445	17.4%
Toll Telecommunications	15,523	16,262	(739)	(4.5%)
Insurance Premiums	102	156	(54)	(34.6%)
Total Gross Receipts	\$52,312	\$47,660	\$4,652	9.8%

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

A. Public Utilities Taxes

Public utilities taxes collected through the 1st quarter totaled \$36.7 million. These collections were \$5.4 million, or 17.4%, above the \$31.2 million revised estimate.

B. Toll Telecommunications Tax

Toll telecommunications tax collected through the 1st quarter totaled \$15.5 million. These collections were \$739,000, or 4.5%, below the \$16.3 million revised estimate. These collections were 28.6% above collections for the same period in FY 2003. One reason for the lower than estimated collections from this tax source may be that consumers are continuing to use more economically priced calling cards or cell phone service to make long distance telephone calls, and are therefore paying less for toll telecommunications services. Additionally, cell phone companies are experiencing lower gross receipts because of competition in the cell phone market. As a result, these companies are paying less taxes to the District.

C. Insurance Premiums Tax

Insurance premiums tax collected through the 1st quarter totaled \$102,000. These collections were \$54,000, or 34.6%, below the \$156,000 1st quarter estimate. Collections for the 1st quarter of FY 2004 were 51.1% above collections during the same period in FY 2003. The bulk of insurance premium payments is due in March and June, therefore, collections are expected to increase later in the fiscal year.

OTHER TAXES

Other taxes include: (A) estate, (B) deed recordation, (C) deed transfer, and (D) economic interest transfer taxes. The FY 2004 revised estimate for other taxes is \$221.1 million. Collections of other taxes through the 1st quarter of FY 2004 totaled \$103.6 million, which were:

- ◆ \$56.1 million, or 118.2%, above the \$47.5 million 1st quarter revised FY 2004 estimate; and
- ◆ \$27.7 million, or 36.4%, above collections for the same period in FY 2003.

Collections of other taxes through the 1st quarter represented 47% of the total FY 2004 revised revenue estimate. Table VII compares actual collections to revised estimates through the 1st quarter of FY 2004 for other taxes.

TABLE VII
Other Taxes:
Comparison of Actual Cash Collections to Revised Estimates
Through the 1st Quarter of Fiscal Year 2004
(\$000)

Other Taxes	Actual Collections Through the 1 st Quarter FY 2004	Revised Estimates Through the 1 st Quarter FY 2004	Difference: Actual Over/(Under) Revised Estimates	Percent Difference
Estate Tax	\$12,928	\$9,796	\$3,132	32.0%
Deed Recordation	47,775	20,917	26,858	128.4%
Deed Transfer	36,821	16,700	20,121	120.5%
Economic Interests	6,122	94	6,028	6,412.8%
Total Other Taxes	\$103,646	\$47,507	\$56,139	118.2%

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

A. Estate Tax

Estate tax collected through the 1st quarter totaled \$12.9 million. These collections were \$3.1 million, or 32%, above the \$9.8 million 1st quarter 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 collected through the 1st quarter of FY 2004 totaled \$84.6 million. These combined collections were \$47 million, or 125%, above the \$37.6

million 1st quarter estimate. The continued strength of these collections reflects the District's robust real estate market.

C. Economic Interest Tax

Economic interest tax⁶ collected through the 1st quarter totaled \$6.1 million. These collections were \$6 million, or 6,412.6%, above the \$94,000 estimate. This tax is imposed on the amount paid for the transfer of ownership interest in a corporation. According to ORA representatives, the increase in collections for the 1st quarter results, in part, from an increase in the transfer of ownership related to real estate trusts.

Based on collections through the 1st quarter, it appears that the District is on course to achieve the estimate in this tax 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 2004 revised estimate for non-tax revenue is \$294.5 million. Collections through the 1st quarter totaled \$88.3 million, which were:

- ◆ \$22.7 million, or 34.6%, above the \$65.6 million 1st quarter revised FY 2004 estimate; and
- ◆ \$20.8 million, or 30.9%, above collections for the same period in fiscal year 2003.

Non-tax revenue collections through the 1st quarter represented 30% of the FY 2004 revised estimate for this category. Table VIII compares actual collections to the revised estimates through the 1st quarter of FY 2004 for non-tax revenue.

⁶ According to the D.C. tax facts published by the District's CFO, the economic interest transfer tax is triggered by two elements: 1) 80% of the assets of a corporation consist of real property located in the District of Columbia; and 2) more than 50% of the controlling interest of the corporation is being transferred. If these two elements are met then the tax rate is 3% of the consideration paid for the interest transferred. If there is no tangible consideration, then the tax basis will be the assessed value of the property owned by the corporation.

TABLE VIII
Non-Tax Revenues:
Comparison of Actual Cash Collections to the Revised Estimates
Through the 1st Quarter of Fiscal Year 2004
(\$000)

Non-Tax Revenues	Actual Collections Through the 1st Quarter FY 2004	Revised Estimates Through the 1st Quarter FY 2004	Difference: Actual Over/(Under) Revised Estimates	Percent Difference
Licenses and Permits	\$10,254	\$13,090	(\$2,836)	(21.7%)
Fines and Forfeitures	26,651	22,349	4,302	19.2%
Charges for Services	11,430	9,595	1,835	19.1%
Miscellaneous Revenue	40,008	20,597	19,411	94.2%
Total Non-Tax Revenues	\$88,343	\$65,631	\$22,712	34.6%

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

A. Licenses and Permit Fees

Licenses and permit fees collected through the 1st quarter totaled \$10.3 million. Collections were \$2.8 million, or 21.7%, below the \$13.1 million revised estimate.

B. Fines and Forfeitures

Fines and forfeitures collected through the 1st quarter totaled \$26.7 million. These collections were \$4.3 million, or 19.2%, above the \$22.3 million estimate. The increase in collections in this category may be due, in part, to an increase in collections for traffic fines.

C. Charges for Services

Charges for services collected through the 1st quarter totaled \$11.4 million. These collections were \$1.8 million, or 19.1%, above the \$9.6 million estimate for the 1st quarter. Collections are strong in this tax category, in part, because of deed recordation fees, which have continued to grow as a result of the strong District real estate market. The deed recordation fee is a charge for documents recorded at the Recorder of Deeds and is separate from the deed recordation tax.

D. Miscellaneous Revenue

Miscellaneous revenue includes: (1) interest income, (2) unclaimed property, (3) sale of surplus property, (4) other transfer,⁷ and (5) other revenue.⁸ Miscellaneous revenue collected through the 1st quarter totaled \$40 million. These collections were \$19.4 million, or 94.2%, above the \$20.6 million estimate. Collections in the miscellaneous revenue category through the 1st quarter of fiscal year 2004 exceeded the estimate primarily because of higher reported collections of interest income rather than actual collections. Only approximately \$2 million of the reported \$3.8 million in collections of interest income represented actual collections. The remaining \$1.8 million reported as interest income collections resulted from errors generated by a computer program used by the Office of Finance and Treasury (OFT) to calculate interest earned on investments. According to an OFT representative, the errors included duplicate calculations as well as the use of an incorrect rate. The errors were discovered by OFT representatives and corrections were made after the 1st quarter ended.

Unclaimed property collections were 85.1% higher than the estimate, in part, because claims have not yet been paid. However, unclaimed property claims of approximately \$8.5 million are expected to be paid in FY 2004.

Based on collections through the 1st quarter, it appears that the District is on course to achieve the FY 2004 estimate in the non-tax revenue category.

OTHER FINANCING SOURCES

Other Financing Sources consists of legalized gambling. The FY 2004 revised estimate for Other Financing Sources is \$70.2 million. Collections through the 1st quarter totaled \$23.4 million, which were:

- ◆ \$5.7 million, or 31.9%, above the \$17.8 million 1st quarter revised FY 2004 estimate; and
- ◆ \$575,000, or 2.5%, above collections for the same period in FY 2003.

Collections from Other Financing Sources through the 1st quarter represented 33% of the FY 2004 revised estimate for this category. Table IX compares actual collections to the estimate through the 1st quarter of FY 2004 for Other Financing Sources.

⁷Includes the WASA Pilot Transfer.

⁸Includes 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 1st Quarter of Fiscal Year 2004
(\$000)

Other Financing Sources	Actual Collections Through the 1 st Quarter FY 2004	Revised Estimate Through the 1 st Quarter FY 2004	Difference: Actual Over/(Under) Revised Estimate	Percent Difference
Legalized Gambling	\$23,425	\$17,755	\$5,670	31.9%

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

A. Legalized Gambling

Legalized gambling (transfers from the D.C. Lottery) through the 1st quarter totaled \$23.4 million. These transfers were \$5.7 million, or 31.9%, above the \$17.8 million revised estimate. According to D.C. Lottery representatives, collections were above the estimate, in part, because of a large PowerBall game in the 1st quarter which resulted in increased ticket sales. Also, according to a D.C. Lottery representative, the prize payout was lower than the estimate for the D.C. Four and Lucky Numbers games.

Based on collections through the 1st quarter, it appears that the District is on course to achieve the FY 2004 revenue estimate in this tax category.

DEDICATED NON-TAX “O” TYPE REVENUE

The dedicated non-tax “O” type revenue estimate for FY 2004 is \$191.9 million.⁹

Collection of dedicated non-tax “O”-type revenue through the 1st quarter of FY 2004 totaled \$50.6 million. These collections were \$8.3 million, or 19.6%, above the \$42.3 million estimate through the 1st quarter. Collections through the 1st quarter of FY 2004 were also \$3.9 million, or 8.4%, above the \$46.7 million in collections for the same period in FY 2003.

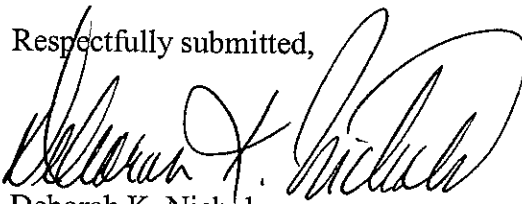
Based on collections through the 1st quarter, it appears that the District is on course to achieve the estimate in the dedicated “O” type revenue category.

⁹In addition to the \$191.9 million expected to be collected in FY 2004, there are \$52.6 million in carryover non-tax “O” type revenue from the previous fiscal year. Therefore, a total of \$244.5 million is estimated to be available for FY 2004. According to ORA and Office of Budget and Planning (OBP) representatives, certain District agencies are authorized to spend from their designated fund balance (revenues carried forward from the previous fiscal year that remain unspent and did not lapse at the end of the fiscal year).

CONCLUSION

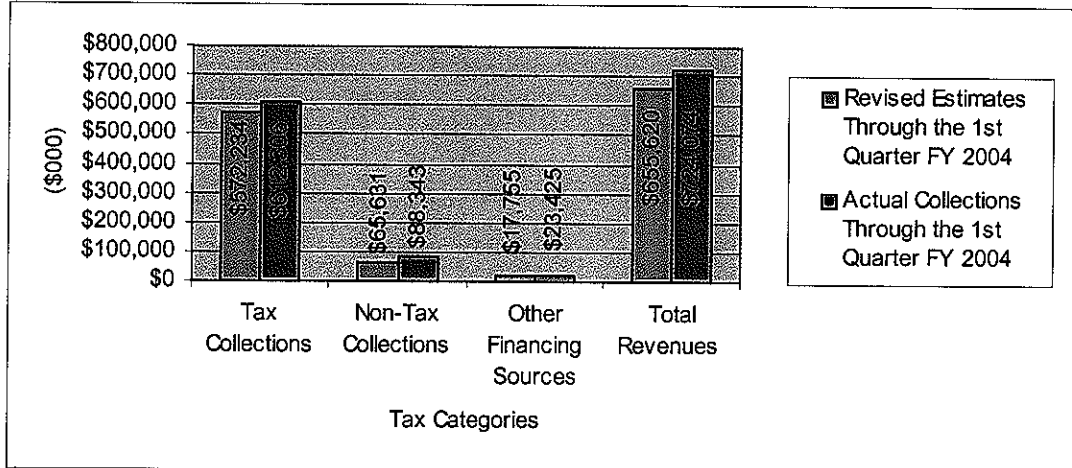
Overall, the Auditor's analysis indicated that cash collections were above the revised estimate through the 1st quarter of FY 2004. The District's cash collections through December 2003 (excluding dedicated non-tax "O" type revenue) totaled \$724.1 million, which were \$68.5 million, or 10.4%, above the \$655.6 million revised estimate through the 1st quarter. The \$724.1 million in actual cash collections represented 19.3% of the total \$3.758 billion revised revenue estimate.

Based on a review and analysis of economic data from various sources as well as collection patterns through the 1st quarter, it appears that the District is on course to achieve the FY 2004 revenue estimate.

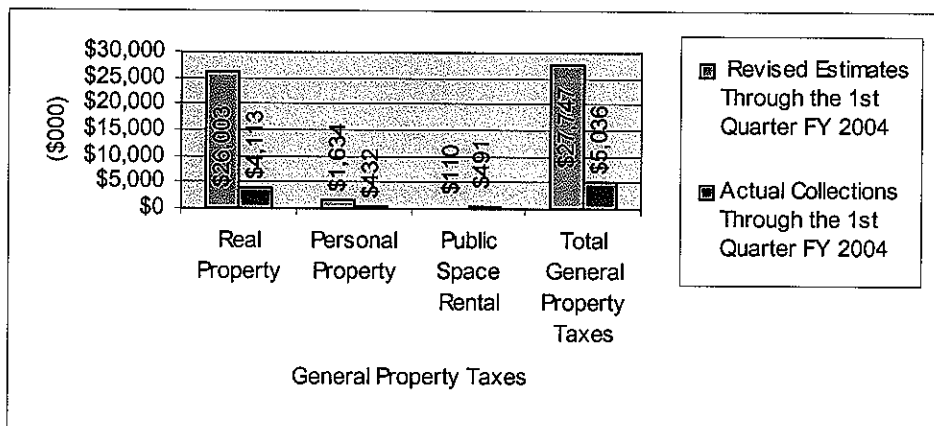
Respectfully submitted,

Deborah K. Nichols
District of Columbia Auditor

APPENDICES

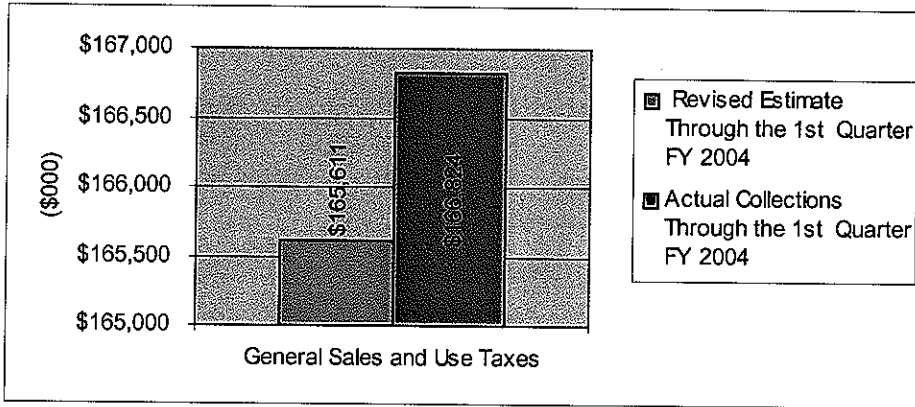
GRAPH I
 Summary of Revised Revenue Estimates
 Through the 1st quarter FY 2004 to Actual Cash Collections



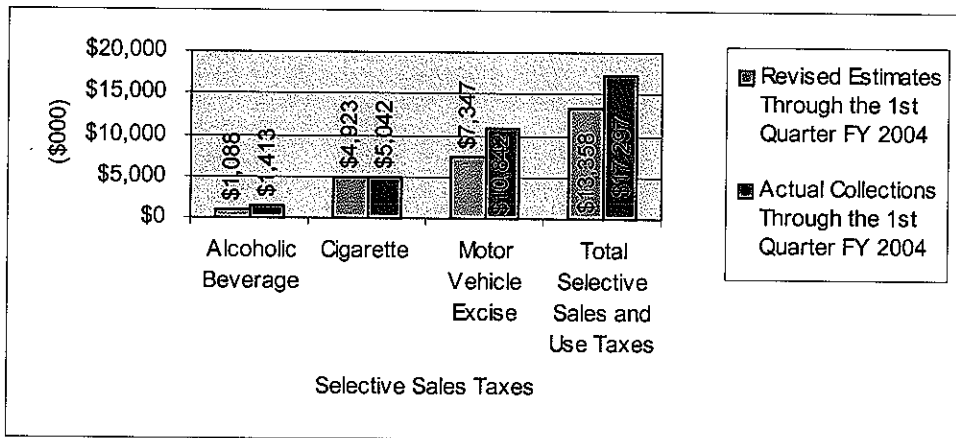
GRAPH II
 General Property Taxes:
 Comparison of Revised Revenue Estimates
 Through the 1st Quarter FY 2004 to Actual Cash Collections



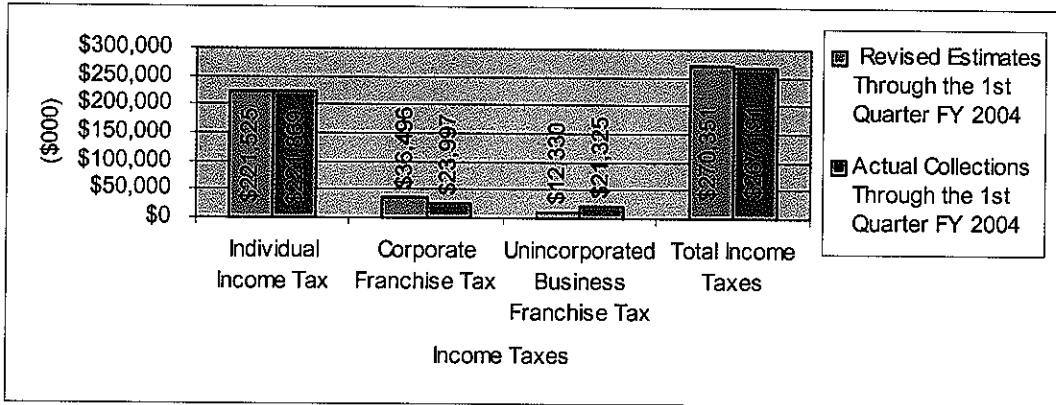
GRAPH III
General Sales and Use Taxes:
Comparison of Revised Revenue Estimate
Through the 1st Quarter FY 2004 to Actual Cash Collections



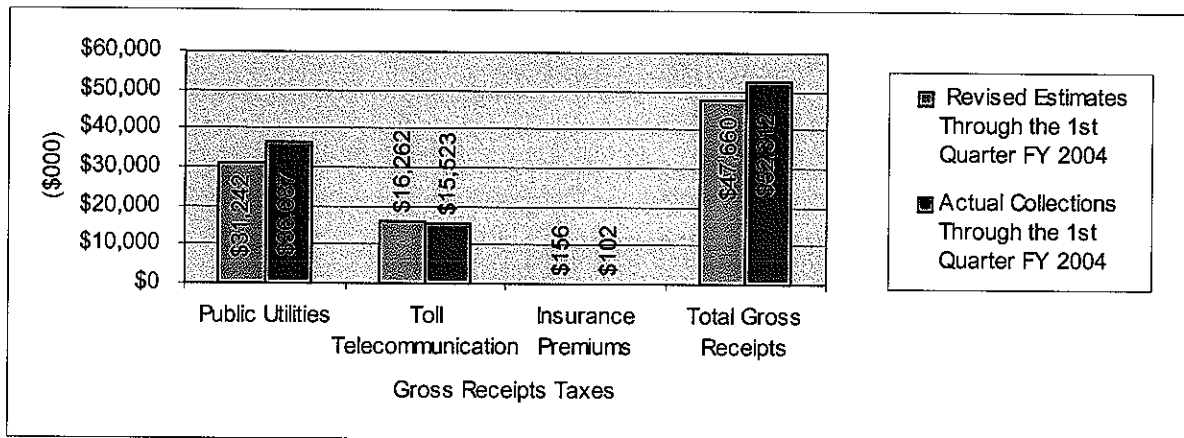
GRAPH IV
Selective Sales and Use Taxes:
Comparison of Revised Revenue Estimates
Through the 1st Quarter FY 2004 to Actual Cash Collections



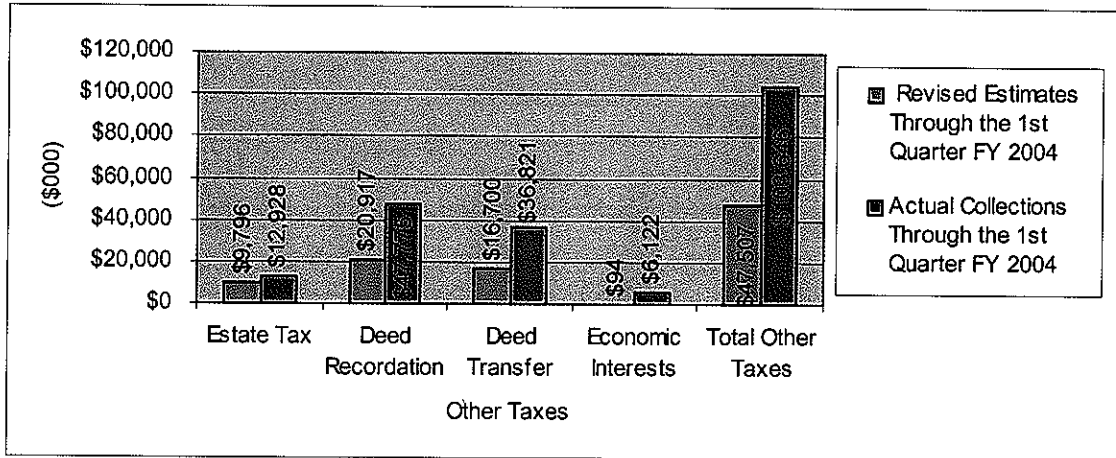
GRAPH V
Income Taxes:
Comparison of Revised Revenue Estimates
Through the 1st Quarter FY 2004 to Actual Cash Collections



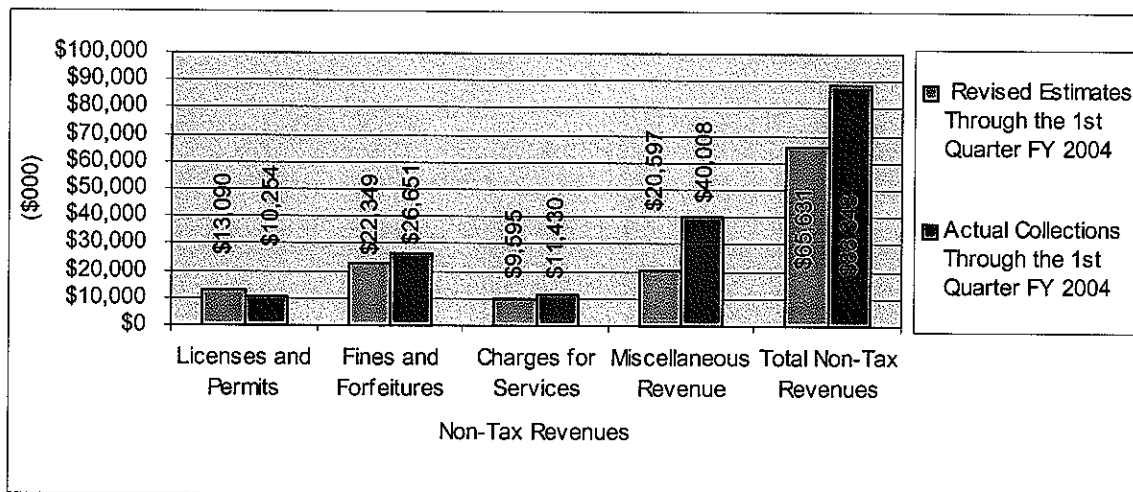
GRAPH VI
Gross Receipts:
Comparison of Revised Revenue Estimates
Through the 1st Quarter FY 2004 to Actual Cash Collections



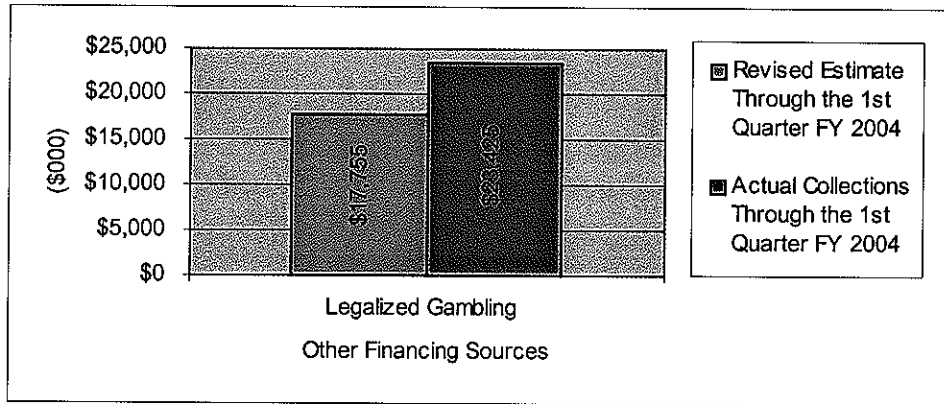
GRAPH VII
Other Taxes:
Comparison of Revised Revenue Estimates
Through the 1st Quarter FY 2004 to Actual Cash Collections



GRAPH VIII
Non-Tax Revenues:
Comparison of Revised Revenue Estimates
Through the 1st Quarter FY 2004 to Actual Cash Collections



GRAPH IX
Other Financing Sources:
Comparison of Revised Revenue Estimate
Through the 1st Quarter FY 2004 to Actual Cash Collections



APPENDIX II

**Comparison of Cash Collections Through the 1st Quarter
Fiscal Years 2000 - 2004¹⁰
(\$000)**

Tax Categories	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004 ¹¹
General Property Taxes	\$35,127	\$25,881	\$14,225	\$26,501	\$5,036
General Sales and Use Taxes*	156,414	157,646	140,556	153,262	166,824
Selective Sales and Use Taxes	13,922	11,191	13,501	12,340	17,297
Income Taxes	271,979	278,230	261,089	238,149	267,190
Gross Receipts Taxes	40,182	43,945	42,567	47,142	52,312
Other Taxes	35,807	33,448	63,080	75,994	103,646
Non-Tax Revenue	58,631	48,624	49,388	67,504	88,343
Other Financing Sources	21,359	22,681	17,806	22,850	23,425
Total Cash Collections Financing the Appropriation	\$633,421	\$621,646	\$602,212	\$643,742	\$724,073

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.

¹⁰ Differences in totals presented in this table are due to rounding.

¹¹ Dedicated non-tax "O" type revenue collections of \$50.6 million through December 30, 2003 are not presented in this Appendix.

APPENDIX III

Comparison of Collections Through the 1st Quarter
of FY 2004 to Collections Through the 1st Quarter of FY 2003¹²
(\$000)

Tax Category	Collections Through the 1 st Quarter Fiscal Year 2004 ¹³	Collections Through the 1 st Quarter Fiscal Year 2003	Difference 1 st Quarter FY 2004 Over/(Under) 1 st Quarter FY 2003	Percent Difference
General Property Taxes:				
Real Property	\$4,113	\$24,319	(\$20,207)	(83.1%)
Personal Property	432	2,172	(1,740)	(80.1%)
Public Space Rental	491	10	481	4,592.0%
Total Property Taxes	\$5,036	\$26,501	(\$21,465)	(81.0%)
General Sales and Use Taxes	\$166,824	\$153,262	\$13,562	8.8%
Selective Sales and Use Taxes:				
Alcoholic Beverage	\$1,413	\$1,208	\$205	16.9%
Cigarette	5,042	4,510	532	11.8%
Motor Vehicle Excise	10,842	6,622	4,220	63.7%
Selective Sales and Use Taxes	\$17,297	\$12,340	\$4,957	40.2%
Income Taxes:				
Individual Income Tax	\$221,869	\$199,920	\$21,949	11.0%
Corporate Franchise	23,997	25,266	(1,269)	(5.0%)
Unincorporated Business	21,325	12,964	8,361	64.5%
Total Income Taxes	\$267,191	\$238,149	\$29,041	12.2%
Gross Receipts Taxes:				
Public Utilities	\$36,687	\$35,004	\$1,682	4.8%
Toll Telecommunications	15,523	12,070	3,453	28.6%
Insurance Premiums	102	68	35	51.1%
Total Gross Receipts	\$52,312	\$47,142	\$5,170	11.0%
Other Taxes:				
Estate Tax	\$12,928	\$11,047	\$1,881	17.0%
Deed Recordation	47,775	39,611	8,164	20.6%
Deed Transfer	36,821	24,907	11,914	47.8%
Economic Interests	6,122	429	5,693	1,327.0%
Total Other Taxes	\$103,646	\$75,994	\$27,652	36.4%
Total Tax Collections	\$612,306	\$553,390	\$58,916	10.6%
Non-Tax Revenue:				

¹² Rounding may affect some calculations presented in this table.

¹³ Total revenue presented in this appendix does not include dedicated non-tax "O" type revenue collections of \$50.6 million through the 1st quarter of FY 2004. General sales and use taxes are presented net of dedicated tax revenue transferred to the Washington Convention Center Authority.

Licenses and Permits	\$10,254	\$9,091	\$1,164	12.8%
Fines and Forfeitures	26,651	19,301	7,350	38.1%
Charges for Services	11,430	7,069	4,361	61.7%
Miscellaneous Revenue	40,008	32,044	7,964	24.9%
Total Non-Tax Revenue	\$88,343	\$67,504	\$20,839	30.9%
Other Financing Sources	\$23,425	\$22,850	\$575	2.5%
Total Revenues	\$724,074	\$643,743	\$80,331	12.5%

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