



District of Columbia

Revised Revenue Estimate February 2013

March 7, 2013



District of Columbia

Current State of the District's Economy

OVERVIEW: The District's economy is experiencing strong growth in population, resident employment, and housing sales, but employment growth has slowed.

Labor Markets and Personal Income

- The District's unemployment rate fell to 8.5% in December from 10.1% a year earlier. Resident employment grew by a remarkable 8.3%.
- In the December quarter, job growth was just 0.2% above last year; federal sector loss was just barely offset by the private sector's gain.
- FY 2012 Personal Income was up 3.7% from FY 2011.

Housing

- The housing market has been strong in recent months.
- Single family sales for the 3-month period ending December 2012 were up 15.7% from a year ago, and the average selling price was 18.5% higher.
- Condominium sales were up 33.5%, and average prices were 2.4% higher.

Commercial Office Market

- In the quarter ending December 2012, occupied office space fell by 0.4% from the prior year. The commercial office vacancy rate stood at 9.3% (including sublet), well below the metropolitan area average of 13.4%.

Hospitality Industry

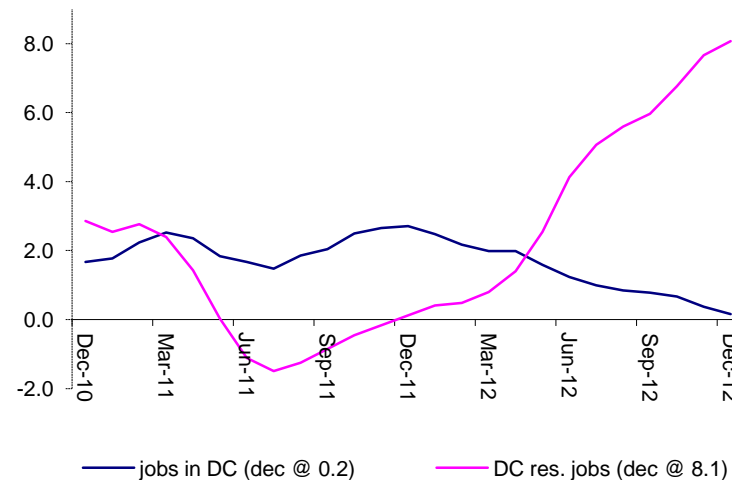
- The hospitality sector has slowed in recent months.
- For the 3-month period ending December, the average room rate for hotels was 0.5% lower than for the same period a year earlier.
- The number of hotel room-days sold was down 3.6% from a year earlier, and room sale revenues were down 4.0%. Total revenues over the past 12-month period were down 1.7%.



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Resident Employment Continues to Grow Strongly

Jobs located in DC and DC resident employment
December 2010 to December 2012
(% change from prior year in 3-mo. moving average)



- In December DC resident employment rose 24,904 (8.1%) from a year earlier (3-month moving average).
- In December the unemployment rate (seasonally adjusted) rose to 8.5% and seasonally adjusted resident employment rose 0.9% from November, the 17th monthly increase in a row.
- In December initial unemployment insurance claims were down 0.2% from a year earlier (3-month moving average).



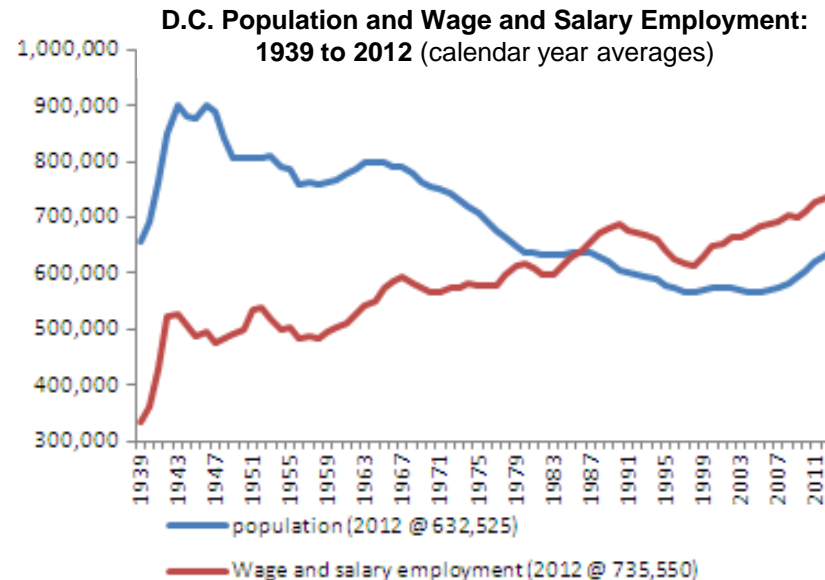
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After several decades of decline the District is experiencing significant population growth

- According to the US Census Bureau, D.C.'s population on July 1, 2012 was 632,323--13,303 (2.2%) more than a year earlier.
- D.C.'s population declined steadily from the end of World War II to 1998 (except for a brief period in the early 1960s). Since then, the population has grown by 67,093 (11.9%) over the last 14 years.
- 2012 was the fourth year in a row in which annual population growth exceeded 2%, with an average annual gain of 13,022.
- Compared to all 50 states, D.C. had the highest population growth rate from 2010 to 2012. The rate, 5.1%, was much higher than the next highest states (North Dakota at 4.0% and Texas, at 3.6%), and the US average of 1.7%.

D.C. Population: 2007 to 2012			
year	number	change from prior year	
		number	%
2007	574,404	3,723	0.7
2008	580,236	5,832	1.0
2009	592,228	11,992	2.1
2010	604,989	12,761	2.2
2011	619,020	14,031	2.3
2012	632,323	13,303	2.2

Source: U.S. Bureau of the Census





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Federal Sequestration

- Sequestration, required by last year's Budget Control Act, was triggered by the inability of the congressional Joint Select Committee on Deficit Reduction (the "supercommittee") to reach agreement on what would have been more targeted budget cuts and revenue increases. Sequestration would:
 - Slash federal spending with an across-the-board cut of \$1.2 trillion over the next 10 years, should the President and Congress fail to reach agreement to prevent the budget cuts.
 - Reduce federal activity in the city and region – effect on the District's Local revenues.
 - Reduce the level of economic activity in the US economy as a whole due to sudden increase in federal taxes—perhaps to the point of recession--which indirectly reduces level of economic activity in the District (less tourism, depressed commercial property market, etc.).
 - Reduce grantmaking by federal agencies – effects on the District's Federal Grant revenues and District agency spending.



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Federal Government is a Key Driver of the D.C. Economy

- There are about 210,000 federal civilian employees in D.C., accounting for about 28% of all wage and salary employment in D.C. and 34% of the wages and salaries paid in the city.
- An estimated 75,000 D.C. residents are employed by the federal government, representing about 25% of all employed D.C. residents.
- In FY 2010 the Federal government spent a total of \$62 billion in D.C. in salaries and wages, procurement, grants, retirement and other benefits, and other direct payments, about 60% of D.C.'s gross state product. In comparison, federal spending is about 33% of gross state product in MD and 32% in VA.
- Given the District's exposure to federal spending and employment, its economy and revenue will be seriously impacted by federal sequestration



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Sequestration's Effects on the District Fully Integrated in Revenue Estimates

- At this moment, we do not know the actual effect of sequestration on the District in FY 2013, but revenue estimates reflect full impact of sequestration.
- Even if we avoid sequestration itself on March 1st, there's a strong likelihood of reduced federal spending going forward.
- Reduction might be less than under sequestration, but if defense takes less than 50 percent of the reduction, or if some currently exempted programs take some reduction, the effect on the District might be proportionally more. Effects would depend on:
 - Total amount of reduction
 - Defense/non-defense mix
 - Exempted programs and grants
 - Timing of outlay reductions



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Summary of February 2013 Revenue Estimate

February 2013 Revenue Estimate Compared to Previous Estimate

Local Source, General Fund Revenue Estimate (\$ millions)	Actual		Estimate			Projected	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Previous Estimate		5,865.1	5,957.0	6,095.2	6,250.6	-	
Revisions to Estimate		190.0	177.8	178.2	198.8	-	
February 2013 Revenue Estimate	5,963.3	6,055.1	6,134.8	6,273.4	6,449.4	6,574.0	
<i>Percent change from previous year</i>	<i>10.6%</i>	<i>1.5%</i>	<i>1.3%</i>	<i>2.3%</i>	<i>2.8%</i>	<i>1.9%</i>	