

FY 2008 Budget Context

Revenue Outlook

Communications Sales and Use Tax

- FY 2007 potential loss (\$8.9 m)
- FY 2008 potential loss (\$19.2 m)

Based on first monthly distribution, a significant revenue shortfall is projected. Statewide shortfall could be approximately \$110 million. Fairfax County has largest share of statewide communications tax (18.93%) so our loss will be largest. May be offset by higher than anticipated revenue in other categories including BPOL and Interest on Investment with net impact on FY 2007 revenues of \$0 and FY 2008 revenues of (\$9 million)

FY 2009 Revenues

- FY 2009 Forecast as included in Advertised:
 - Reflected (1.5)% in residential equalization
 - Overall revenue growth of 1.86%
 - FY 2008 growing at 2.86%
- Current Forecast worsening
 - Residential equalization may be down based on 1st Q 2007 (-4 % to -6 %)
 - Overall revenue growth could be negative! (May be down 1%)

Expenditure Challenges

CCAR requirements.

With no additional funding, the loss of \$6.0 million from the FY 2007 Revised Budget Plan equates to the loss of 960 child care slots.

Comprehensive Services Act

New definition of “mandated” services to include Mental Health Services. Potential Fairfax County requirement of 46% of the total cost of the new services. At this point the cost is unclear. The impact of this policy clarification could be significant. (preliminary estimates are as much as \$9.6 million)

Any expenditure that is recurring will make situation worse. The Board of Supervisors must be very cautious due to the current rebalancing of the real estate market. Least we not forget, the last time we had a market correction, it lasted for nine years. While we anticipate this adjustment will be of a shorter duration, the County must not build the base budget beyond a level that can be sustained by the current declining market.

Restraint today is prudent and will result in dividends in future budget years.