General Fund Revenue Overview

This section includes:

SUMMARY OF GENERAL FUND REVENUE

SUMMARY OF GENERAL FUND REVENUE AND TRANSFERS IN

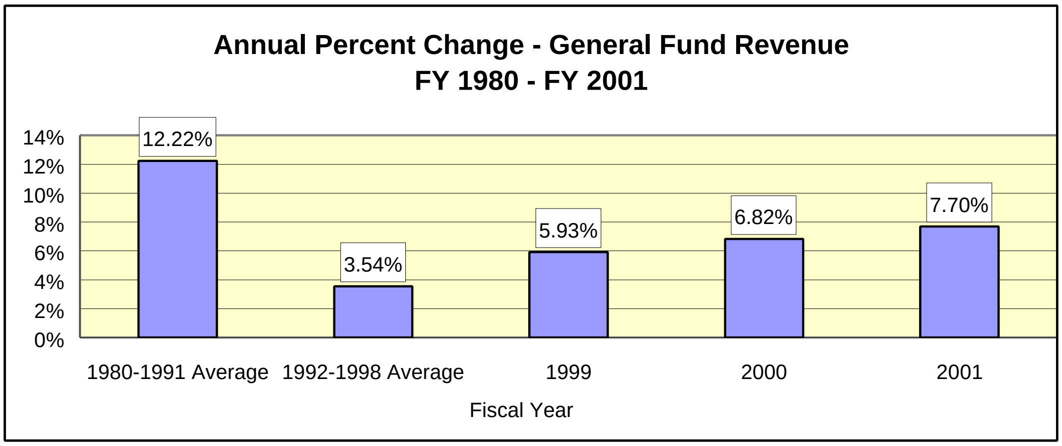
Category	FY 1999 Actual	FY 2000 Revised Budget Plan	FY 2001 Advertised Budget Plan	FY 2001 Adopted Budget Plan	Over the FY 2001 Advertised Budget Plan: Increase/ (Decrease)	Over the FY 2001 Advertised Budget Plan: Percent Change
Real Estate Taxes	$943,374,446	$998,624,189	$1,084,001,493	$1,082,151,493	($1,850,000)	-0.17%
Personal Property Taxes[1]	367,914,532	393,280,011	417,618,828	417,618,828	0	0.00%
Other Local Taxes	317,892,559	342,768,266	360,943,366	356,920,431	(4,022,935)	-1.11%
Permits, Fees and Regulatory Licenses	32,873,856	33,468,051	33,076,597	34,124,718	1,048,121	3.17%
Fines and Forfeitures	7,139,633	7,647,456	10,669,251	11,243,340	574,089	5.38%
Revenue from Use of Money/Property	48,008,060	50,915,813	55,660,663	63,208,651	7,547,988	13.56%
Charges for Services	30,792,411	30,569,539	31,888,318	32,150,968	262,650	0.82%
Revenue from the Commonwealth and Federal Governments[1]	103,448,542	120,251,724	112,441,462	126,361,713	13,920,251	12.38%
Recovered Costs/ Other Revenue	4,671,091	5,180,890	5,649,640	11,585,244	5,935,604	105.06%
Total Revenue	**$1,856,115,130**	**$1,982,705,939**	**$2,111,949,618**	**$2,135,365,386**	**$23,415,768**	**1.11%**
Transfers In	4,205,764	1,520,280	1,683,800	1,683,800	0	0.00%
Total Receipts	**$1,860,320,894**	**$1,984,226,219**	**$2,113,633,418**	**$2,137,049,186**	**$23,415,768**	**1.11%**

[1]The portion of the the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

As reflected in the table above, FY 2001 General Fund revenues are projected to be $2,135,365,386, an increase of $23,415,768, or 1.11 percent, over the FY 2001 Advertised Budget Plan. This increase is due in part to increases in Department of Family Services Intergovernmental revenue, totaling $12.9 million that will be offset by an increase in expenditures. Interest on Investments is increased $7.5 million due to rising interest rates. In addition, an increase of $5.9 million in Recovered Costs / Other Revenue is anticipated. Of this increase, $3.9 million is the result of one-time revenues associated with the final accounting of the County's contract with a former life insurance vendor, while $2.0 million is due to a settlement of a 1985 court case. Offsetting this increase is a net reduction of $4.0 million in Other Local Taxes. The FY 2001 General Fund revenue estimate results in a 7.7 percent growth rate over the *FY 2000 Revised Budget Plan*. The level of revenue growth over FY 2000 is primarily attributable to an 8.5 percent increase in Real Estate Tax revenues coupled with a 6.3 percent increase in Personal Property Taxes and a 24.3 percent gain in Interest on Investment. Offsetting these increases is a reduction in General Fund revenue of $11.0 million associated the movement of E-911 fees and Commonwealth reimbursement for wireless E-911 expenses to Fund 120, E-911. Fund 120 will combine all revenues and expenditures directly associated with the Public Safety Communications Center.

Incorporating Transfers In, which total $1.7 million, FY 2001 General Fund receipts exceed that of FY 2000 by 7.7 percent. These transfers reflect funds from Cable Communications to the General Fund for use of County rights of way and indirect support provided by General Fund agencies.

Although the pace of the County's revenue growth has steadily accelerated in the last few years, it has not reached the double-digit levels experienced during the 1980's (see the following chart).



Once again, the economy performed well on all levels in 1999, but some components did exhibit moderation. The current expansion, which officially began in April 1991, is the longest in U.S. history. On the national level, real economic growth, as measured by the Gross Domestic Product (GDP) increased 4.0 percent in 1999, slightly below the 4.3 percent registered in 1998 and the 4.5 percent established in 1997. According to the analysts surveyed in the March 10, 2000 issue of the *Blue Chip Economic Indicators*, a similar 4.1 percent increase in GDP is anticipated in 2000 and a moderation in economic expansion to 3.1 percent in 2001. The national unemployment rate was 4.1 percent in 1999 down from 4.4 percent in 1998, indicating a tighter labor market. Interest rates, which had fallen to historical lows in 1998, steadily rose in 1999 on the heels of three rate increases by the Federal Reserve. Another three increases have occurred in 2000, the most recent of which was a 50 basis point increase on May 16, 2000. These interest rate increases have been implemented in an effort to prevent the economy from growing too fast and exerting inflationary pressures on prices. Inflation did inch up to 2.2 percent in 1999, compared to 1.6 percent in 1998, but even this accelerated pace is considered low by historical standards. By all accounts, the economy fared well in 1999, albeit a more moderate course than 1998. Further economic expansion is expected in 2000, but the trend towards moderation is anticipated to continue as consumers grow more cautious and higher interest rates limit the spending of businesses and individuals.

The local economy also expanded in 1999. Most indicators point toward additional, but more restrained gains in 2000. Employment and existing home sales posted notable advances during 1999. Despite an increase in mortgage interest rates, home sale activity in the County continues to be strong in the existing single family market, but the new home market has suffered losses in volume compared to 1998. While the Consumer Confidence Index fluctuated somewhat on a monthly basis in 1999, it reached its all time high in December. Additionally, the County's Coincident Index, a measure of the County's current economic situation, has registered steady advances during the past year. The County's unemployment rate, for example, registered below 2.0 percent every month in

1999, and now stands at 1.5 percent. Employment gains and stock market advances have fueled consumer spending, causing the County's Sales Tax receipts to accelerate to a double-digit pace. Further evidence of the strength of the local economy is found in the County's low office vacancy rate of 4.8 percent at yearend 1999, according to the Fairfax County Economic Development Authority. This is up from the 4.1 percent registered at the end of 1998. The primary driver of this increase is an increase in speculative building. Demand is strong for new space as companies expand operations. The Fairfax County Leading Index, developed by Stephen Fuller, has exhibited some weakness in the last several months. Through March 2000, the Index is just 0.1 percent higher than March 1999. The Leading Index is pointing to slower future growth later in 2000. The aforementioned State and local factors indicate further, although more temperate, economic expansion in 2000 and 2001.

Although economic growth has been strong, the vitality of the economy has not translated into significant revenue growth for the County. Significant budget surpluses are being reported on the national and State levels due to higher than anticipated growth in income tax revenues. However, the immediate impact of economic growth on Real Estate Tax revenues has not been as striking, since housing decisions are not based on changes in annual income, but rather on longer-term economic prospects. The personal income tax is much more responsive to economic fluctuations than are property taxes. As a result, the personal income tax yields greater amounts of revenue as the economy grows. Property taxes are generally income inelastic, which means that its revenue yield does not keep pace with economic growth. For example, the State's FY 1999 General Fund revenues increased 10.6 percent, due in part to 12.6 percent growth in personal income taxes. In comparison, Fairfax County's General Fund revenues in FY 1999 surpassed the prior year by a much lower 5.9 percent, including an increase in Current Real Estate Tax revenues of 4.1 percent.

Real Estate Tax revenues in Fairfax County comprise 50.7 percent of General Fund Revenue and are the major driver of overall revenue changes. FY 2001 Real Estate property values were established as of January 1, 2000 and reflect market activity through calendar year 1999. The Real Estate Tax base is projected to increase 8.94 percent in FY 2001, and is comprised of a 5.13 percent rise in total equalization (reassessment of existing residential and non-residential properties), and new growth of 3.81 percent. Both residential and nonresidential properties increased in value due to equalization, gaining 5.13 percent and 5.15 percent, respectively. This increase is notable for residential properties given the trend that has dominated since FY 1992 whereby existing residential properties have declined in value, or registered only slight gains. The strength of the local economy, particularly the employment situation, can be credited with this change. The nonresidential property base, however, did experience more rapid growth due to new construction, advancing 7.22 percent, whereas the residential base grew a much more moderate 2.46 percent as a result of new construction. The total value of nonresidential property increased 12.4 percent in FY 2001, while the value of residential property representing 70.8 percent of the County's FY 2001 Real Estate Tax base, increased 7.6 percent.

The Fairfax County residential real estate market continues to face increasing competition from the surrounding localities. Over the years, Fairfax County has evolved from a "bedroom community" to an "employment center," thereby extending the reasonable commuting area to the outer suburbs of Loudoun and Prince William Counties where homes are less expensive. During the 1990s, for example, more than 140,000 jobs were added by Fairfax County businesses. In addition, Fairfax County's older housing stock competes with new homes on the County's borders. As a result, residential property values are anticipated to continue to experience modest increases over the next few years.

The FY 2001 General Fund revenue estimates discussed in this section are based on a review of all relevant indicators, including the Fairfax County Economic Index, consultations with the County's economic advisor, Stephen Fuller, actual FY 1999 collections and FY 2000 year-to-date trends.

MAJOR REVENUE SOURCES

The following major revenue categories comprise 98.5 percent of total FY 2001 General Fund revenue and are discussed in this section. Unless otherwise indicated, comparative data are presented relative to the FY 2001 Advertised Budget Plan. The revenue estimates for all General Fund Revenue categories are shown in the Summary Schedule of General Fund Revenues in the section of this volume entitled Financial, Statistical and Summary Tables.

Category	FY 1999 Actual	FY 2000 Revised Budget Plan	FY 2001 Advertised Budget Plan	FY 2001 Adopted Budget Plan	Over the FY 2001 Advertised Budget Plan: Increase/ (Decrease)	Over the FY 2001 Advertised Budget Plan: Percent Change
Real Estate Tax-Current	$933,542,541	$991,269,950	$1,077,122,255	$1,075,272,255	($1,850,000)	-0.17%
Personal Property Tax-Current	359,957,520	385,079,452	409,418,269	409,418,269	0	0.00%
Paid Locally	359,957,520	323,019,148	285,070,778	285,070,778	0	0.00%
Reimbursed by Commonwealth	-	62,060,304	124,347,491	124,347,491	0	0.00%
Local Sales Tax	115,728,083	128,458,172	140,019,583	142,588,571	2,568,988	1.83%
Recordation/Deed of Conveyance Taxes	14,212,252	12,184,260	12,140,568	12,140,568	0	0.00%
Automobile License Tax	16,817,908	17,460,472	17,600,429	17,600,429	0	0.00%
Consumer Utility Tax	75,565,353	81,050,000	82,373,596	84,292,000	1,918,404	2.33%
E-911 Fees	7,115,636	9,086,151	9,713,728	0	(9,713,728)	-100.00%
Business, Professional and Occupational License Tax-Current	75,017,144	80,143,430	84,450,786	85,654,187	1,203,401	1.42%
Permits, Fees and Regulatory Licenses	32,873,856	33,468,051	33,076,597	34,124,718	1,048,121	3.17%
Fines and Forfeitures	7,139,633	7,647,456	10,669,251	11,243,340	574,089	5.38%
Interest on Investments	45,626,292	48,725,710	53,040,665	60,588,653	7,547,988	14.23%
Charges for Services	30,792,411	30,569,539	31,888,318	32,150,968	262,650	0.82%
State/Federal Public Assistance	59,649,186	65,602,019	59,716,129	72,656,516	12,940,387	21.67%
Other Revenue from the Commonwealth and Federal Government[1]	43,799,356	54,649,705	52,725,333	53,705,197	979,864	1.86%
Recovered Costs/ Other Revenue	4,671,091	5,180,890	5,649,640	11,585,244	5,935,604	105.06%
Total Major Revenue Sources	**$1,822,508,262**	**$1,950,575,257**	**$2,079,605,147**	**$2,103,020,915**	**$23,415,768**	**1.13%**

[1] Excludes Personal Property Taxes that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998.

REAL ESTATE TAX-CURRENT

FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$933,542,541	$991,269,950	$1,077,122,255	$1,075,272,255	($1,850,000)	-0.17%

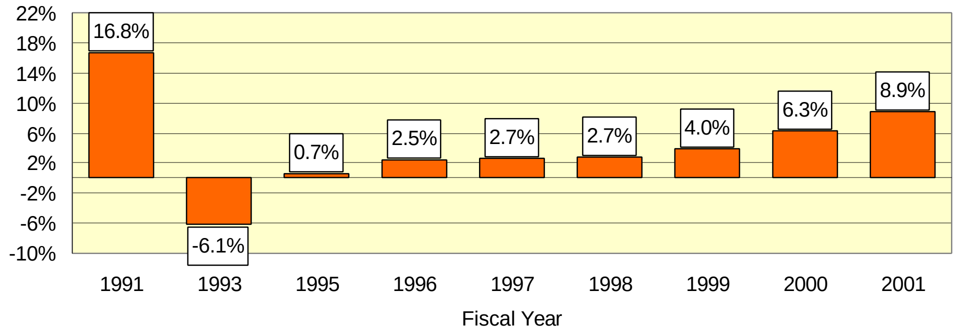
The FY 2001 estimate of $1,075,272,255 reflects a decrease of $1,850,000 from the FY 2001 Advertised Budget Plan as a result of a change in the eligibility requirements for the Real Estate Tax Relief Program for the Elderly and Disabled. As part of the FY 2001 Budget, the Board of Supervisors approved a two-year plan to expand the income limits associated with the program. In FY 2001, the allowable cap on gross household income in order to qualify for tax relief is increased from $40,000 to $46,000. The FY 2001 program provides 100 percent exemption for elderly and disabled taxpayers with gross income of $35,000 and below. Eligible applicants with incomes between $35,001 and $40,000 are provided with 50 percent exemption and those with incomes of $40,001 to $46,000 are provided with 25 percent exemption. The allowable asset limit of $150,000 for all ranges of tax relief was not changed. The Tax Relief Program is projected to reduce Real Estate revenue in FY 2001 by $1,850,000. In FY 2002, the planned income thresholds to qualify for Real Estate Tax relief are: less than $40,000, 100 percent exemption; 40,001 to 46,000, 50 percent exemption; and, $46,001 to $52,000, 25 percent exemption. Once fully implemented in FY 2002, the total revenue loss is estimated to be $3.7 million. The table below presents income thresholds for the Tax Relief Program for the Elderly and Disabled.

Tax Relief for the Elderly and Disabled

	Income Limit	Percent Relief
Current Program	Up to $30,000	100%
	Over $30,000 to $35,000	50%
	Over $35,000 to $40,000	25%
FY 2001	Up to $35,000	100%
	Over $35,000 to $40,000	50%
	Over $40,000 to $46,000	25%
FY 2002	Up to $40,000	100%
	Over $40,000 to $46,000	50%
	Over $46,000 to $52,000	25%

The FY 2001 estimate includes an 8.94 percent increase in the FY 2001 valuation of real property, as compared to the FY 2000 Real Estate Land Book. The FY 2001 estimate is comprised of an increase in equalization of 5.13 percent and in normal growth of 3.81 percent, and an estimated total collection rate of 99.50 percent. Real Estate Tax revenue in FY 2001 is projected to increase 8.5 percent after taking into account increased tax abatements as a result of the County's revitalization effort and changes in the Tax Relief Program discussed above. The following chart shows changes in the County's assessed value base in FY 1991 and FY 1993 and from FY 1995 to FY 2001. The FY 2001 figures reflected herein are based on the final assessments for Tax Year 2000 (FY 2001) which were established as of January 1, 2000. Real Estate Tax revenues will be adjusted, as necessary to reflect changes in exonerations, tax abatements, and supplemental assessments that occur throughout FY 2001, as well as any differences in the collection rate.

Percentage Change in Real Estate Assessed Value
FY 1991 - FY 2001



Equalization	11.5%	-6.48%	(1.29)%	0.36%	0.57%	0.80%	1.77%	2.96%	5.13%
Growth	5.3	0.40	1.97	2.16	2.13	1.93	2.19	3.37	3.81
Total	16.8%	-6.08%	0.68%	2.52%	2.70%	2.73%	3.96%	6.33%	8.94%

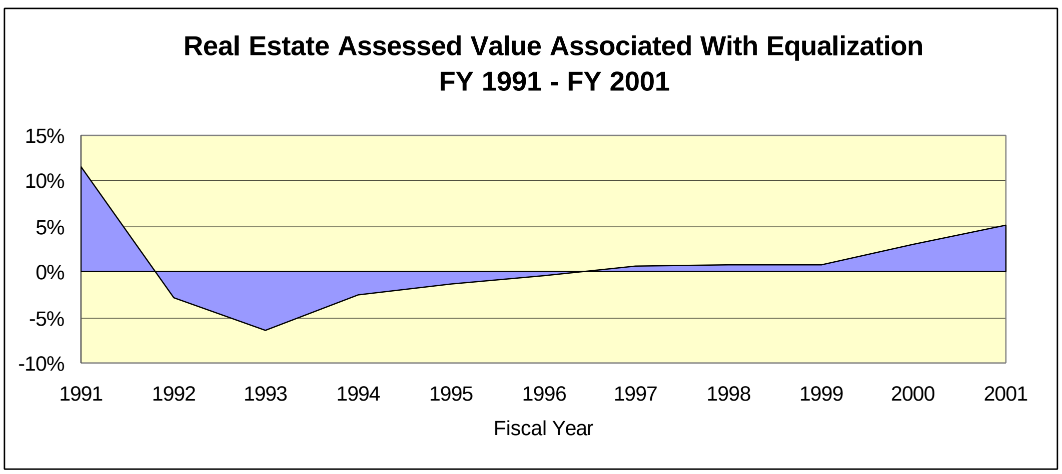
The FY 2001 **Main Assessment Book Value** is $87,814,139,795 and represents an increase of $7,207,175,525, or 8.94 percent, over the FY 2000 main assessment book of $80,606,964,270. This is the largest increase since FY 1991 when the total assessment book increased 16.8 percent. From FY 1992 to FY 1994, the assessment base declined, on average, 2.8 percent. After the recession, the value of real property increased at an average annual rate of 2.5 percent from FY 1995 through FY 1999. As a result of increases of 6.3 percent in FY 2000 and 8.9 percent in FY 2001, the assessment base is now $87.8 billion, or 20.3 percent higher than its FY 1991 level.

The overall increase in the assessment base includes **equalization,** reassessment of existing properties, and **normal growth** associated with construction of new properties in Fairfax County. The FY 2001 assessment base reflects increases in the values of both residential and nonresidential properties as a result of equalization. However, nonresidential properties experienced more rapid growth due to new construction than the residential portion of the assessment base. Residential property increased a moderate 2.46 percent due to new construction in FY 2001, while the nonresidential property base increased 7.22 percent. Thus, the residential portion of the total assessment base was reduced from 71.7 percent in FY 2000 to 70.8 percent in FY 2001. The table below reflects changes in the Real Estate Tax assessment base from FY 1995 through FY 2001.

Main Real Estate Assessment Book Base Changes
(in millions)

Assessed Base Change Due To:	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Equalization	($861.6)	$241.7	$392.6	$567.7	$1,289.6	$2,241.4	$4,139.5
% Change	-1.29%	0.36%	0.57%	0.80%	1.77%	2.96%	5.13%
Residential	0.01%	0.49%	-0.23%	-0.50%	0.04%	0.77%	5.13%
Nonresidential	-5.28%	-0.09%	3.27%	5.05%	7.12%	9.24%	5.15%
Normal Growth	$1,320.2	$1,454.1	$1,472.6	$1,369.7	$1,598.0	$2,556.9	$3,067.6
% Change	1.97%	2.16%	2.13%	1.93%	2.19%	3.37%	3.81%
Total % Change	0.68%	2.52%	2.70%	2.73%	3.96%	6.33%	8.94%

Equalization, or reassessment of existing residential and nonresidential property, represents an increase in value of $4,139,549,295 in FY 2001, or 5.13 percent. The increase in total equalization is due to a significant recovery in residential property values and a moderate increase in nonresidential property values. This is the sixth consecutive year that total equalization has been positive. However, this growth rate remains significantly below that achieved in the 1980s (see following chart). The increase in the tax levy associated with the overall 5.13 percent increase in equalization is $50,916,456 based on a tax rate of $1.23 per $100 of assessed value.



Due to the recession, **residential** equalization declined notably from FY 1992 through FY 1994 and remained essentially flat in FY 1995. While there was a slight rebound in FY 1996, residential equalization lost ground in FY 1997 and FY 1998, slipping 0.23 percent and 0.50 percent, respectively. FY 1999 was the first time in three years that residential properties experienced positive growth, albeit a slight 0.04 percent. In FY 2000, residential equalization increased a modest 0.77 percent. Overall residential equalization in FY 2001 increased 5.13 percent, the largest increase since the recession. Prior to FY 2001, increases in the volume of home sales and some uneven selling price improvement had not been significant enough to translate into value adjustments in the residential assessment base based on the acceptable range of assessed value to sales price. As a result of the sustained increases in both sales volume and sales price, a large portion of residential properties in the County will receive some valuation increase. It should be noted that the County's median assessment to sales ratio is in the low 90 percent range, well within professional assessing standards of 90 percent to 110 percent.

All types of residential property experienced increases in value in FY 2001 with single family home assessments driving the increase. Townhouse and condominium properties increased modestly in FY 2001. Changes in residential equalization by housing type since FY 1997 are shown in the following table. It should be noted that changes represented in this chart are for the category as a whole. Individual neighborhoods and properties may have increased or decreased in value based on neighborhood selling prices.

Residential Equalization Changes

Housing Type/ (Percent of Base)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Single Family Homogeneous (57.5%)	-0.13%	-0.34%	0.09%	1.32%	6.56%
Single Family Heterogeneous (17.0%)	0.37%	-0.04%	0.52%	1.07%	5.97%
Townhouse/Duplex (17.5%)	-0.72%	-1.13%	-0.21%	-0.16%	2.22%
Condominiums (5.7%)	-1.90%	-2.12%	-1.02%	-1.96%	1.17%
Vacant Land (1.6%)	1.70%	1.74%	0.56%	1.24%	9.84%
Other (0.7%)[1]	3.10%	0.72%	0.98%	0.49%	1.38%
Total Residential Equalization (100%)	-0.23%	-0.50%	0.04%	0.77%	5.13%

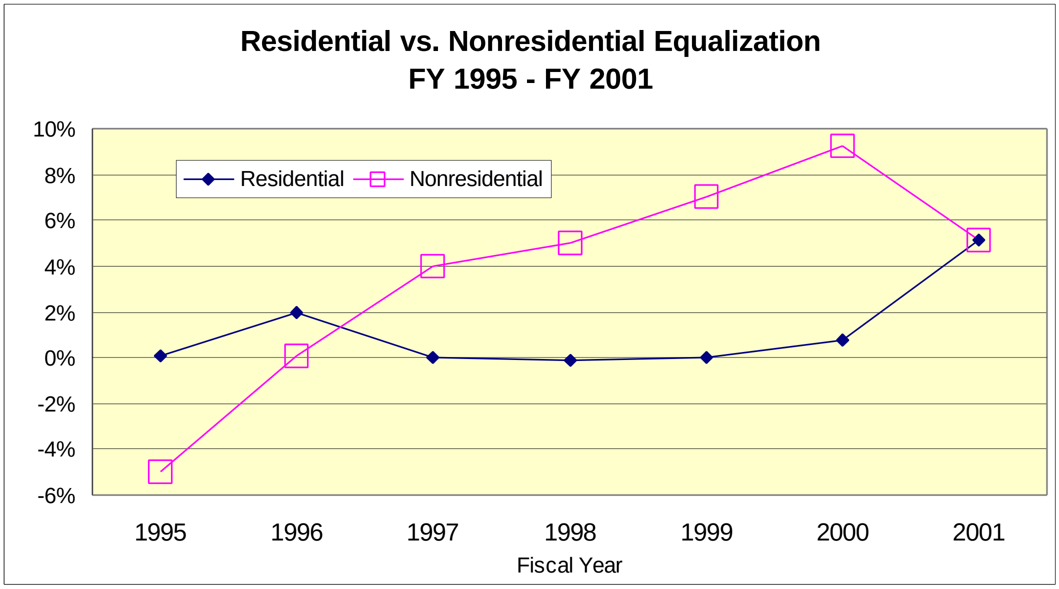
[1] Includes, for example, affordable dwelling units, recreational use properties, and agricultural and forestal land use properties.

Based on the increase in residential equalization, the mean assessed value of all residential property in the County is $205,753. This is an increase of $10,040 over the FY 2000 value of $195,713. Compared to FY 2000, the typical residential annual tax bill will increase $123.49 in FY 2001, on average, based on a tax rate of $1.23 per $100 of assessed value.

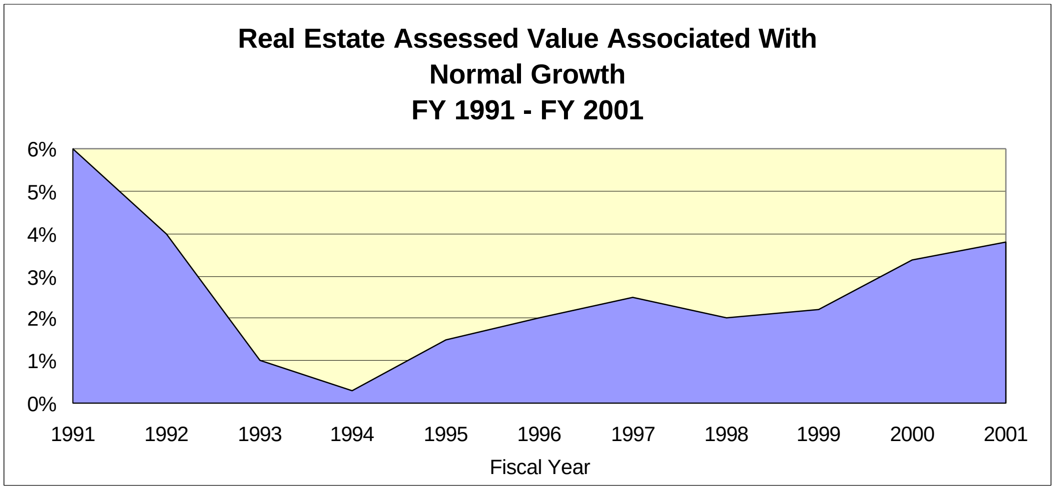
Nonresidential equalization experienced continued growth of 5.15 percent in FY 2001 following the significant gain of 9.24 percent achieved in FY 2000. All categories of nonresidential property experienced equalization increases. As a result of continued low office vacancy rates, higher rents and recent sales activity, the values of elevator offices (mid and high rises) and low-rise offices, which together comprise over 40 percent of the nonresidential tax base, rose 6.74 and 6.05 percent, respectively. The Economic Development Authority recently reported that the office vacancy rate was 4.8 percent at yearend 1999, up from the 4.1 percent at yearend 1998. This slight increase reflects construction of additional space in 1999. The value of hotels rose 7.16 percent as a result of higher room rates. Due to an ample supply of retail space, retail properties increased 2.73 percent and regional malls increased a slight 0.87 percent in FY 2001. Nonresidential equalization changes by category since FY 1997 are in the following table.

Nonresidential Equalization Changes

Category	Percent of the Base	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Apartments	16.12%	2.63%	1.22%	2.23%	3.43%	3.54%
Office Condominiums	2.37%	0.03%	-0.69%	-0.32%	0.48%	2.08%
Industrial	7.96%	2.12%	3.41%	2.54%	10.55%	7.46%
Retail	13.48%	3.29%	-0.61%	2.33%	4.49%	2.73%
Regional Malls	3.62%	3.25%	3.12%	2.51%	3.08%	0.87%
Office Elevator	36.61%	5.86%	14.65%	15.59%	16.20%	6.74%
Office - Low Rise	4.08%	1.92%	6.37%	14.31%	10.95%	6.05%
Vacant Land	5.77%	-1.04%	1.14%	3.59%	19.86%	5.96%
Hotels	4.69%	17.28%	12.51%	11.22%	24.40%	7.16%
Other	5.30%	1.37%	1.57%	2.83%	4.88%	2.62%
Nonresidential Equalization	100.00%	3.27%	5.05%	7.12%	9.24%	5.15%



Normal Growth of $3,067,626,230, or 3.81 percent, over the FY 2000 assessment book value results from new construction, new subdivisions and rezoning. This level of growth is similar to the 3.37 percent increase realized in FY 2000 (see following chart). Normal growth in FY 2001 is still well below the 6.9 percent average growth experienced during the 1980s. In FY 2001, the nonresidential sector contributed slightly more than residential properties to the increase in assessed value associated with new construction. This rate of growth due to new construction is consistent with activity in the housing and commercial building industry throughout the Washington metropolitan area.



In addition to the final equalization and normal growth adjustments in the Main Book, the following projected adjustments were made to the FY 2001 Real Estate Tax revenue estimate:

Additional Assessments expected to be included in the new real estate base are prorated assessments under the Norfolk Plan of $315.0 million and additional supplemental assessments of $35.0 million. The Norfolk Plan assessments are supplemental assessments, which are made during the year for new construction that is completed subsequent to finalizing the original assessment book. Supplemental assessments may also result due to changes in ownership or tax exempt status. The total value of the supplemental assessments will be closely monitored based on new construction and building permit activity.

Exonerations, Certificates and Tax Abatements are anticipated to reduce the Real Estate assessment base by $390.6 million in FY 2001, an additional $90.6 million over FY 2000. This increase is primarily due to an increase in tax abatements associated with the County's revitalization effort. Each $100.0 million change in the level of exonerations, certificates and tax abatements is equivalent to a change of $1.2 million in tax levy.

Tax Relief for the Elderly and Disabled is projected to reduce the Real Estate assessment base in FY 2001 by $750,761,931. As approved by the Board of Supervisors, household income eligibility has been expanded for the tax relief program in FY 2001 and FY 2002. The FY 2001 program provides 100 percent exemption for elderly and disabled taxpayers with incomes up to $35,000; 50 percent exemption for eligible applicants with income between $35,001 and $40,000; and 25 percent exemption if income is between $40,001 and $46,000. The allowable asset limit of $150,000 for all ranges of tax relief was not changed. In FY 2002, the planned income thresholds to qualify for Real Estate Tax relief are: up to $40,000, 100 percent exemption; $40,001 to $46,000, 50 percent exemption; and, $46,001 to $52,000, 25 percent exemption.

The FY 2001 local assessment base of $87,022,777,864 is based on the main book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of $1,070,380,168 is calculated based on a tax rate of $1.23 per $100 of assessed value. Based on an expected local collection rate of 99.50 percent, revenue from local assessments is estimated to be $1,065,028,267. In FY 2001, every 0.1 percentage point change in the collection rate on the locally assessed Real Estate Tax levy yields a revenue change of $1.1 million, while every penny on the tax rate yields $8.9 million in revenue.

Added to the local assessment base is an estimated $832,844,577 in assessed value for Public Service Corporations (PSC) property. Based on a $1.23 per $100 assessed value tax rate, the tax levy on PSC property is $10,243,988. The collection rate on PSC property is expected to be 100.0 percent.

The total assessment base, including Public Service Corporations, is $87,855,622,441 with a total tax levy of $1,080,624,156 at the $1.23 per $100 assessed value tax rate. Estimated FY 2001 revenue from the Real Estate Tax, including receipts from Public Service Corporations, totals $1,075,272,255 at the $1.23 per $100 assessed value tax rate, and reflects an overall collection rate of 99.50 percent. The total collection rates experienced in this category since FY 1986 are shown in the following table.

Real Estate Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1986	99.48%	**1994**	99.15%
1987	99.43%	**1995**	99.32%
1988	99.58%	**1996**	99.47%
1989	99.59%	**1997**	99.56%
1990	99.49%	**1998**	99.54%
1991	98.96%	**1999**	99.50%
1992	98.87%	**2000 (estimated)**	99.50%
1993	99.03%	**2001 (estimated)[1]**	99.50%

[1] In FY 2001, every 0.1 percentage point change in the collection rate yields a revenue change of $1,080,624.

The Commercial/Industrial percentage of the County's Real Estate Tax base is 25.37 percent, an increase of 1.05 percentage points over the FY 2000 level of 24.32 percent. FY 2001 marks the fifth consecutive increase in the County's Commercial/Industrial percentage. The Commercial/Industrial percentage is based on Virginia land use codes and excludes multi-family rental apartments, which comprises 3.79 percent of the County's Real Estate Tax base. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

Commercial/Industrial Percentages

Fiscal Year	Percentage	Fiscal Year	Percentage
1986	20.77%	**1994**	20.94%
1987	24.09%	**1995**	19.59%
1988	25.49%	**1996**	19.04%
1989	26.73%	**1997**	19.56%
1990	26.76%	**1998**	20.47%
1991	26.25%	**1999**	21.84%
1992	25.66%	**2000**	24.32%
1993	22.82%	**2001**	25.37%

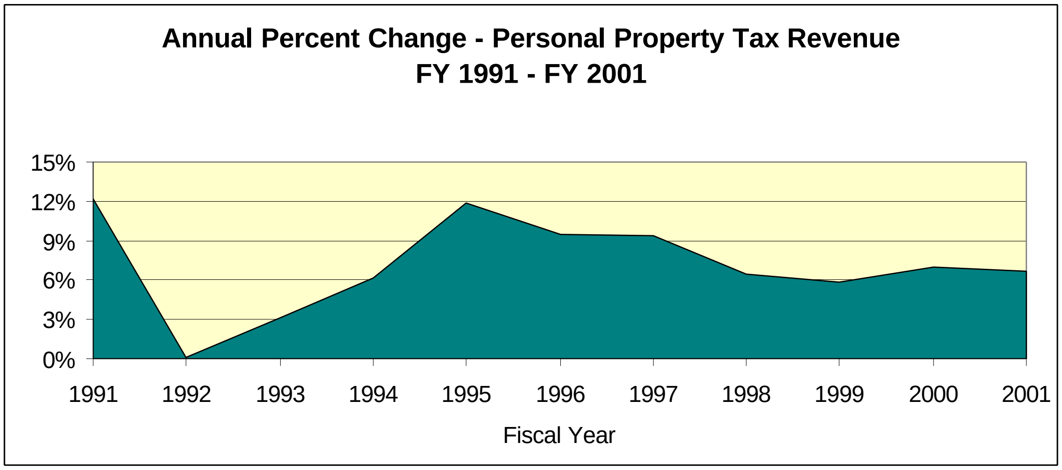
PERSONAL PROPERTY TAX-CURRENT

	FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
Paid Locally	$359,957,520	$323,019,148	$285,070,778	$285,070,778	$0	0.00%
Reimbursed by State	0	62,060,304	124,347,491	124,347,491	0	0.00%
Total	$359,957,520	$385,079,452	$409,418,269	$409,418,269	$0	0.00%

Total Personal Property Tax revenue is projected to be $409,418,269 in FY 2001, an increase of $24,338,817, or 6.3 percent, over the *FY 2000 Revised Budget Plan.* This estimate reflects no change from the FY 2001 Advertised Budget Plan estimate. As shown above, the Personal Property Tax estimate is comprised of two components, that which is paid by citizens locally and that which is reimbursed by the Commonwealth of Virginia to the County as a result of the Personal Property Tax Relief Act (PPTRA) of 1998. The PPTRA phases out, over a five-year period, the Personal Property Tax on the first $20,000 of the value for vehicles owned by individuals. In FY 1999, the first year of implementation, taxpayers were billed for the entire amount of tax levy and received a refund of 12.5 percent of the tax on the first $20,000 of the value of their personal vehicle from the Commonwealth of Virginia. Vehicles valued less than $1,000 were refunded 100 percent. In FY 2000, the PPTRA reduces the Personal Property Taxes paid by citizens by 27.5 percent with an offsetting reimbursement paid to the County by the Commonwealth. In FY 2001, the percentage reduction in taxes paid by citizens to be reimbursed by the Commonwealth is 47.5 percent. The plan will reduce taxes paid by individuals by 70.0 percent in FY 2002 and 100 percent in FY 2003. The PPTRA has no impact on the assessment or projection of Personal Property Tax revenues; therefore, for purposes of this narrative, aspects of the total Personal Property Tax will be discussed.

Absent the FY 2001 revised Computer Depreciation Schedule, discussed later in this section, which is projected to decrease revenues by $1.6 million, the growth in FY 2001 Personal Property Tax revenues would be 6.7 percent over the *FY 2000 Revised Budget Plan* estimate.

The Personal Property tax consists of two major components, vehicles and business personal property. As shown in the following chart, Personal Property Tax receipts are sensitive to changes in the national and local economies. During the mid-1990s, strong market conditions resulted in lower depreciation rates for certain model vehicles. Total Personal Property Tax revenues experienced average annual growth of 10.2 percent from FY 1994 through FY 1997 fueled by strong “buy-up” activity, whereby existing vehicles were replaced by more expensive models, and an active used vehicle market which kept vehicle values high. Vehicle depreciation rates began to normalize in FY 1998, resulting in a more moderate gain of 6.4 percent. In FY 1999, the Personal Property Tax revenue growth rate of 5.9 percent reflects a moderate gain in the vehicle component and strong purchases of office furniture and computer equipment by businesses. The impact of the growth in the business component, however, was tempered by an adjustment in the computer depreciation schedule. The FY 2000 estimate represents growth of 7.0 percent over FY 1999 and represents moderate growth in both the business and vehicle components.



The FY 2001 estimate incorporates an increase of 6.0 percent in the average vehicle levy from $335 to $355. This increase is supported by discussions with analysts from NADA concerning the new and used vehicle markets. The volume of vehicles in FY 2001 is expected to increase at a rate of 2.6 percent. This rate of growth is slightly below the 3.3 percent expected in FY 2000 and reflects the anticipation of somewhat slower County job growth, as projected by Dr. Stephen Fuller and other analysts, as well as higher interest rates in FY 2001.

Due to a significant increase in the purchases of computers, furniture and fixtures by businesses, the FY 1999 business component increased 8.6 percent. In FY 2000 and FY 2001, the business component of Personal Property is anticipated to experience moderate growth as a result of property purchased in FY 1999 that remains in the assessment base and estimates of new purchases in FY 2000 and FY 2001 based on historical trends. Adjusting for revisions in the computer depreciation schedule, the business component is expected to grow 5.0 and 3.1 percent in FY 2000 and FY 2001, respectively. As a result of projected increases in the vehicle and business components, base level Personal Property Tax collections are projected to increase 6.7 percent in FY 2001.

Computer Depreciation Schedules
FY 1998 - FY 2001
Percent of Original Purchase Price Taxed

Year of Acquisition	FY 1998	FY 1999	FY 2000	FY 2001
1	80%	65%	60%	60%
2	55%	45%	40%	40%
3	35%	30%	30%	25%
4	10%	10%	10%	10%
5 or more	10%	2%	2%	2%

In 1997, as directed by the Board of Supervisors, the Department of Tax Administration (DTA) undertook a review of the current depreciation rate schedule for computer hardware due to the rapidity with which computer values change. In support of this effort, DTA retained the services of the National Computer Exchange (NACOMEX USA) which specialized in the secondary computer market, and solicited input from the local business community. Reflecting market trends, the computer depreciation schedule was changed in FY 1999. The schedule was adjusted further in FY 2000 to accelerate the depreciation of computer equipment in the first and second years. In FY 2001, computer equipment that was purchased 3 years prior will be valued at 25 percent of its original purchase price, down from 30 percent in FY 2000. It is estimated that this change in the computer depreciation schedule will reduce Personal Property Tax revenue by approximately $1.6 million in FY 2001. The current and previous computer depreciation schedules are shown in the above table. The percentages from the depreciation schedule are applied to the original purchase price of the computer equipment to determine its fair market value. Personal Property Taxes are then levied on this value. Fairfax County's FY 2001 computer depreciation schedule reduces the value upon which the tax is levied more rapidly than any other Northern Virginia locality.

The levy on Public Service Corporations is estimated to be $24,106,838 in FY 2001, a level consistent with the *FY 2000 Revised Budget Plan* estimate. Personal Property Tax revenue estimates are based on a tax rate of $4.57 per $100 of valuation for vehicles and business property, and $1.23 per $100 of valuation for mobile homes and non-vehicle Public Service Corporations properties. The following table details the estimated assessed value and associated levy for components of the Personal Property Tax.

FY 2001 Estimated Personal Property Assessments and Tax Levy

Category	FY 2001 Assessed Value	Tax Rate (per $100)	FY 2001 Tax Levy	Percent of Total Levy
Vehicles				
Privately Owned	$6,808,030,141	$4.57	$248,984,154	59.2%
Business Owned	430,488,169	4.57	14,676,378	3.5%
Leased	780,965,071	4.57	25,111,063	6.0%
Subtotal	$8,019,483,381		$288,771,595	68.6%
Business Personal Property				
Furniture and Fixtures	$1,190,053,671	$4.57	$54,337,077	12.9%
Computer Equipment	925,249,598	4.57	42,283,907	10.0%
Machinery and Tools	166,170,975	4.57	7,594,014	1.8%
Research and Development	6,416,369	4.57	293,228	0.1%
Subtotal	$2,287,890,613		$104,508,226	24.8%
Public Service Corporations				
Equalized	$1,922,124,390	$1.23	$23,642,130	5.6%
Vehicles	10,168,665	4.57	464,708	0.1%
Subtotal	$1,932,293,055		$24,106,838	5.7%
Other				
Mobile Homes	$18,420,441	$1.23	$221,356	0.1%
Other (Boats, Trailers, Misc.)	8,810,559	4.57	307,594	0.1%
Subtotal	$27,231,000		$528,950	0.1%
Penalty for Late Filing			$2,887,854	0.7%
TOTAL	$12,266,898,049		$420,803,463	100.0%

A collection rate of 97.13 percent is applied to the total local tax levy for FY 2001, a rate that is consistent with that realized in FY 1999 and that which is projected for FY 2000. The application of the projected collection rate to the local levy estimate for FY 2001 results in projected tax revenue of $385,311,431. In addition, it is projected that a 100.0 percent collection rate will be achieved on the Public Service Corporations tax levy of $24,106,838. The resulting collection rate for all categories of personal property is estimated to be 97.30 percent and is shown in the following table with historical collection rates.

Total Personal Property Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1986	97.2%	**1994**	95.6%
1987	96.5%	**1995**	96.8%
1988	95.5%	**1996**	97.2%
1989	96.3%	**1997**	97.3%
1990	96.2%	**1998**	97.3%
1991	95.5%	**1999**	97.3%
1992	94.4%	**2000 (estimated)**	97.3%
1993	96.0%	**2001 (estimated)**	97.3%[1]

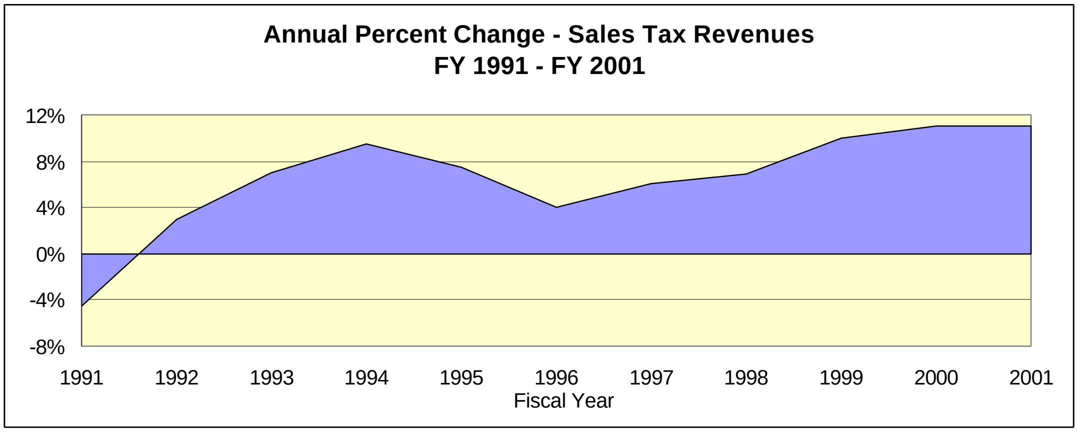
[1]Each 0.1 percentage point change in the collection rate on the local tax levy will impact revenues by approximately $0.4 million, and each penny on the tax rate yields a revenue change of $0.8 million.

LOCAL SALES TAX

FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$115,728,083	$128,458,172	$140,019,583	$142,588,571	$2,568,988	1.83%

The FY 2001 estimate for Sales Tax receipts is $142,588,571, an increase of $2,568,988, or 1.8 percent, over the FY 2001 Advertised Budget Plan estimate. The FY 2001 estimate represents an increase of 11.0 percent over the FY 2000 estimate, which is consistent with the rate of growth projected for FY 2000 receipts. This growth rate reflects an anticipated stable local economy fueled by continued, although more moderate, job growth and positive consumer confidence. Several econometric models are used in projecting Sales Tax receipts. One model uses the Fairfax County Leading Index, developed by Dr. Stephen Fuller, as a predictor. With this model, two different economic scenarios are considered: one for a growing economy and one for a flat economy. This method allows staff to evaluate a potential range of Sales Tax revenue growth. Staff also analyzes a statistical model, which relies on the historical trends and seasonal patterns of Sales Tax revenues.

Sales Tax receipts are extremely sensitive to economic conditions (see chart). During the last recession, for example, Sales Tax revenues fell 4.5 percent in FY 1991 and grew a marginal 2.2 percent in FY 1992. Rebounding from the recession, average annual growth of 8.2 percent was experienced from FY 1993 to FY 1995. Growth in Sales Tax receipts slowed in FY 1996 to 3.9 percent, due to concerns about Federal downsizing, the Federal budget impasse and severe winter weather. Moderate growth of 5.6 percent and 6.9 percent was experienced in FY 1997 and FY 1998, respectively. In FY 1999, Sales Tax receipts increased a more robust 9.6 percent, reflecting the strong local economy. Sales Tax receipts are anticipated to increase at a rate of 11.0 percent in FY 2000 and FY 2001 as a result of continued job growth, positive consumer confidence, and low inflation.



It should be noted that, FY 2000 retail performance in Fairfax County, as indicated by Sales Tax receipts, has exceeded expectations during the last several months. Through May, representing retail purchases through March, Sales Tax receipts are up a robust 12.0 percent over the same period in FY 1999. Economic analysts attribute some of the increase in consumer spending to the "wealth effect" as a result of the appreciation of stock prices. As noted in the FY 2001 Advertised Budget Plan, Sales Tax receipts through February 2000 were up 11.5 percent. During the Third Quarter Review, the FY 2000 estimate for Sales Tax receipts was increased to incorporate a somewhat smaller growth rate of 11.0 percent over FY 1999. It is anticipated that the significant gains experienced in Sales Tax receipts during the last five months of FY 1999 will constrain further FY 2000 growth.

RECORDATION/DEED OF CONVEYANCE TAXES

FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$14,212,252	$12,184,260	$12,140,568	$12,140,568	$0	0.00%

The FY 2001 estimate of $12,140,568 reflects no change from the FY 2001 Advertised Budget Plan estimate and represents a decline of $43,692, or 0.4 percent, from the *FY 2000 Revised Budget Plan*. The decrease is based on an econometric model that uses interest rates as a predictor. The FY 2001 estimate of $12,140,568 is comprised of $8,498,272 in Recordation Tax revenues and $3,642,296 in Deed of Conveyance Tax revenues. Recordation and Deed of Conveyance Taxes are levied in association with the sale or transfer of real property located in the County. Recordation Taxes are also levied when mortgages on property located in the County are refinanced, making Recordation Tax revenues more sensitive to interest rate fluctuations than Deed of Conveyance Tax revenues.

Following five 25 basis point increases since June 1999, the Federal Reserve increased its federal funds rate by 50 basis points on May 16, 2000. Mortgage interest rates have steadily risen as a result of these increases from the historical low of 6.71 percent registered in October 1998 to 8.15 percent in April 2000. These increases, coupled with the satisfaction of pent-up demand for housing, have caused an anticipated moderation in collections. Recordation Tax revenues, for example, have been down relative to the same period one year ago in seven out of the last ten months. As a result, receipts through April are trailing that of FY 1999 by 19.3 percent. Deed of Conveyance Tax collections have fallen short of the prior year in five out of the last ten months and on a cumulative basis are down a slight 0.2 percent margin from FY 1999. This downward trend is anticipated to continue as interest rates rise and consumers begin to exhibit more caution regarding their economic prospects.

VEHICLE LICENSE TAX

FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$16,817,908	$17,460,472	$17,600,429	$17,600,429	$0	0.00%

The FY 2001 estimate for Vehicle License Tax of $17,600,429 remains at the level projected in the FY 2001 Advertised Budget Plan and represents growth of 0.8 percent over the *FY 2000 Revised Budget Plan* estimate.

Vehicle License Tax rates remain unchanged in FY 2001 at $25 for passenger vehicles; $18 for motorcycles; and $23 for certain passenger vehicles used for compensation, e.g., taxis. The renewal date for vehicle licenses is October 5, which links the purchase of vehicle decals with the payment due date for Personal Property Taxes.

CONSUMER UTILITY TAX

FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$75,565,353	$81,050,000	$82,373,596	$84,292,000	$1,918,404	2.33%

The FY 2001 estimate for Consumer Utility Taxes is $84,292, 000, an increase of $1,918,404 or 2.3 percent over the FY 2001 Advertised Budget Plan. This increase is consistent with adjustments made during the FY 2000 Third Quarter Review process to reflect higher than anticipated collections. The FY 2001 estimate reflects 4.0 percent growth over the FY 2000 estimate, the same rate of growth anticipated in the FY 2001 Advertised Budget Plan estimate. This growth rate is consistent with recent historical trends.

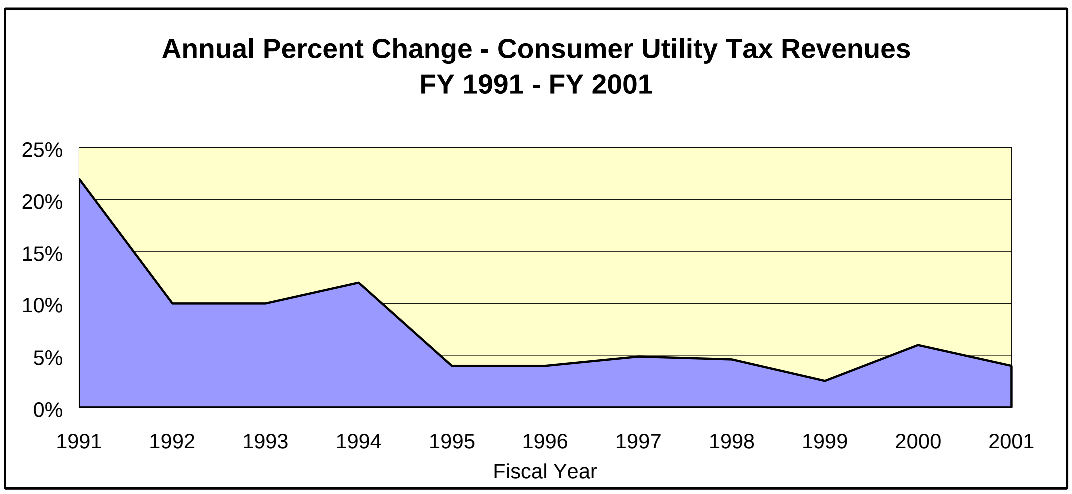
County residents and businesses are subject to Consumer Utility Taxes based on their consumption of electricity, gas, and telephone services. The FY 2001 estimate is comprised of revenue from taxes on electric service, $32,007,695; telephone service, $43,218,584; and, gas service, $9,065,721. The tax rates and monthly service base subject to taxation in Fairfax County are shown in the following table along with the State maximums.

Consumer Utility Tax Rates and Ceilings

	Electricity		Gas		Telephone	
	Tax Rate	Ceiling	Tax Rate	Ceiling	Tax Rate	Ceiling
Residential						
Fairfax County	8.0%	$50	8.0%	$50	22.2%	$50
State	2.0%	$15	20.0%	$15	20.0%	$15
Commercial						
Fairfax County	10.0%	$10,000	10.0%	$3,000	22.2%	$1,600
State	20.0%	None	20.0%	None	20.0%	None

Predicting Utility Tax revenues is difficult due to the immense variability of commercial usage, and the resulting impact of the taxable ceiling. Consumer Utility Tax revenues are monitored on a monthly basis. An annual econometric model, which examines the trend over time in Consumer Utility Tax revenues, and several monthly statistical models, which take into account seasonal fluctuations and historical trends in Consumer Utility Tax revenues are used.

It should be noted that the General Assembly approved legislation to address the deregulation of the electric utility industry. This legislation will not, however, affect FY 2001 Consumer Utility Taxes. Under competition, users will be able to purchase their electricity from a vendor other than Virginia Power or the Northern Virginia Electric Cooperative. The aforementioned companies would still be responsible for distribution of the electricity. The legislation levies the Consumer Utility Tax on the kilowatt-hours (kWh) used, rather than the dollar amount of the bill currently used, with the rate to be determined by each locality such that the resulting taxes are consistent with the level prior to the basis change. It should be noted that the County ordinance amendment that will be needed for the kWh consumption tax will depend upon information that must be provided to the County by the electric utility companies no later than August 1, 2000. Consequently, the Board of Supervisors can anticipate a proposed ordinance amendment by October 2000. Staff will continue to monitor this issue as well as similar developments in the taxation of natural gas consumption.



E-911 EMERGENCY TELEPHONE SERVICE FEES

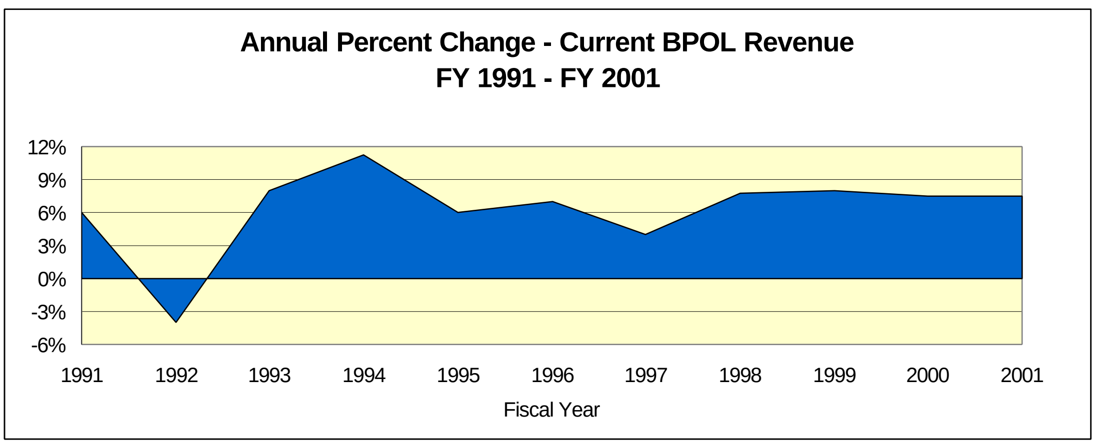
FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$7,115,636	$9,086,151	$9,713,728	$0	($9,713,728)	-100.00%

Revenue from the E-911 tax has been moved from the General Fund to Fund 120, E-911. During the 2000 General Assembly session, legislation was enacted that requires localities to report all E-911 related revenues and expenditures in a special fund or cost center, thus Fund 120 was established. Fund 120 will combine all revenues and expenditures directly associated with the Public Safety Communications Center (PSCC). E-911 Fee revenue and Commonwealth reimbursement associated with Wireless E-911, which are currently recorded in the General Fund will now be shown in Fund 120. Personnel Services and Operating Expenses associated with the PSCC will continue to be reflected in the Police Department's budget but will be billed to the new fund. Information Technology (IT) projects previously budgeted in Fund 104, Information Technology, will now be shown in Fund 120. Since no revenue from the E-911 fee will be recorded in the General Fund, the FY 2001 General Fund estimate for E-911 fees is $0. Information concerning Fund 120, E-911 can be found in Volume II of the FY 2001 Adopted Budget Plan.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$75,017,144	$80,143,430	$84,450,786	$85,654,187	$1,203,401	1.42%

The FY 2001 estimate for Business, Professional and Occupational License Taxes (BPOL) of $85,654,187 reflects an increase of $1,203,401, or 1.4 percent, over the FY 2001 Advertised Budget Plan estimate. The FY 2001 estimate represents a base growth rate of 7.5 percent over the *FY 2000 Revised Budget Plan* estimate compared to 7.0 percent incorporated in the FY 2001 Advertised Budget Plan estimate. In addition, the estimate includes an adjustment of $0.5 million for the third and final phase of the BPOL Tax elimination on the gross receipts of software development companies as approved by the Board of Supervisors on November 24, 1997. Net of the software developer exemption, BPOL Tax revenues are projected to grow 6.9 percent in FY 2001. Growth rates for FY 1991 through FY 2001 are shown in the following chart.



Revenues from BPOL Taxes are a function of business activity in the County during the previous calendar year. Businesses file and pay their BPOL Taxes simultaneously on March 15 each year; therefore, there is little actual data available to refine estimates for FY 2000 and develop projections for FY 2001. Two econometric models are used to predict BPOL revenues; one, which uses Dr. Stephen Fuller's forecast of Gross County Product, predicts growth of 7.0 percent in FY 2001. The other model, which uses calendar year Sales Tax receipts as a predictor estimates stronger BPOL Tax growth of slightly over 8.0 percent in FY 2001 reflecting the continued strength of the local business sector as evidenced by growth in Sales Tax receipts which was discussed earlier in this section.

It should be noted that the 1999 session of the Virginia General Assembly enacted legislation that deregulates the sale of electricity. The 2000 General Assembly enacted amendments to this legislation that will impact local taxation. Based on the legislation, the County can expect to change its Business Professional and Occupational License (BPOL) tax rate levied on electric companies from 24 cents to 50 cents per $100 of gross receipts in order to permit the County to achieve the full revenue benefit of Statewide deregulation. Without this rate adjustment, effective January 1, 2001, the difference between the County's 24-cent rate and the 50-cent rate would be remitted to the Commonwealth of Virginia. It should be noted that consumers and electric utility companies will not pay higher taxes due to this change because the 50-cent rate is incorporated in electric utility rates already being charged. In addition, the amendments eliminate the Business Professional and Occupational License (BPOL) tax on the gross receipts of electric companies and replace it with a consumer consumption tax based on kilowatt-hour (kWh) usage.

INTEREST ON INVESTMENTS

FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$45,626,292	$48,725,710	$53,040,665	$60,588,653	$7,547,988	14.23%

The FY 2001 estimate for Interest on Investments of $60,588,653 represents an increase of $7,547,988 or 14.2 percent over the FY 2001 Advertised Budget Plan estimate. Rising yield on County investments is responsible for this increase. The projected average yield is increased from the 5.32 percent incorporated in the FY 2001 Advertised Budget Plan estimate to 6.08 percent. The projected FY 2001 average portfolio size of $1.54 billion and General Fund percentage of 64.5 percent have not changed. Revenue from this category is a function of the amount invested, the prevailing interest rates earned on investments, and the percentage of the total pooled investment portfolio attributable to the General Fund.

The projected investment portfolio reflects its current rate of increase, growth in revenues and anticipated bond sales in FY 2001. The average yield of 6.08 percent is projected using the mid-range forecast from the *Blue Chip Financial Forecast* of three and six month T-Bills, and adjusted to account for the County's ability to secure slightly higher interest rates as a result of its AAA bond rating. Total Interest on Investments is projected to be $93,935,896. The General Fund percentage is projected to be 64.5 percent, which is the average of the past three years.

All available resources are pooled for investment purposes and the interest earned is distributed among the various County funds based on the average dollars invested from each fund as a percentage of the total pooled investment. It is important to note that the interest rate realized on County investments is impacted significantly by actions taken by the Federal Reserve and changes in the economic climate, as well as the availability of suitable investment instruments.

CHARGES FOR SERVICES

FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$30,792,411	$30,569,539	$31,888,318	$32,150,968	$262,650	0.82%

The FY 2001 estimate of $32,150,968 for Charges for Services reflects an increase of $262,650, or 0.8 percent over the FY 2001 Advertised Budget Plan estimate. This increase is primarily due to an increase of $184,687 in Recreation revenue associated with a registration fee increase for the Summer Recreation Program. Total Recreation Fee revenue is anticipated to be $3,381,564 in FY 2001.

FY 2001 School Age Child Care (SACC) fee revenue is increased $77,963 over the FY 2001 Advertised Budget Plan as a result of the establishment of a pilot Middle School SACC program. SACC revenues are projected to total $15.9 million in FY 2001, an increase of 4.7 percent over the *FY 2000 Revised Budget Plan* estimate. This increase includes a 2.0 percent base fee adjustment to address salary increases, the opening of one additional SACC center at Crestwood Elementary Schools, and the expansion of two existing centers at Braddock and Hybla Valley Elementary Schools.

PERMITS, FEES AND REGULATORY LICENSES

FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$32,873,856	$33,468,051	$33,076,597	$34,124,718	$1,048,121	3.17%

The FY 2001 estimate for Permits, Fees and Regulatory Licenses of $34,124,718 represents an increase of $1,048,121, or 3.2 percent over the FY 2001 Advertised Budget Plan estimate. The increase in this category is due to several revenue changes. An increase of $506,817 in Fire Marshal Fees is projected as a result of increased construction activity. This increase will be offset by higher expenditures associated with the addition of five Senior Building Inspector positions in the Fire Prevention Unit needed to manage the level of required inspections. Revenue of $59,130 is anticipated associated with issuing permits for establishments providing massage therapy and service as a result of amendments to the Massage Ordinance by the Board of Supervisors on February 7, 2000. This revenue will be offset with expenditures associated with administering the provisions of the revised ordinance.

The FY 2001 estimate also includes additional revenue of $482,174 for fees charged by the Department of Public Works and Environmental Services (DPWES) associated with code enforcement of erosion and sediment control regulations. Fees charged by DPWES for planning, building and site permits are a major component of the Permit, Fees, and Regulatory Licenses category. These fees are anticipated to be $26,591,629 in FY 2001, a decrease of $1,320,627, or 4.7 percent from the *FY 2000 Revised Budget Plan* estimate based on the expectation that building activity will slow slightly due to rising interest rates. It should be noted that this level of collections is still high by historical comparison and is consistent with those achieved during periods of similar economic conditions. Through April, DPWES Fee revenue is outpacing that of last year by a slim 0.9 percent margin. While the number of new residential building permits issued by the County through April 2000 is trailing the same period in FY 1999 by a 43.4 percent margin, residential repairs and alternations permits are double that of the last fiscal year. Despite the strength of the local economy, and the County's low office vacancy rate, the number of nonresidential building permits issued by the County through April is down from 114 in FY 1999 to 79 in FY 2000. It should be noted that the County's office vacancy rate rose during 1999, from 4.1 percent at yearend 1998 to 4.8 percent at yearend 1999. The steady rise in interest rates, coupled with the increased construction activity in FY 1999, is responsible for much of this moderation. This category will continue to be closely monitored as economic conditions change.

Twenty-two individual fee categories comprise DPWES Fee revenue. Changes in DPWES revenue are a reflection of the housing market and construction industry, as well as the size and complexity of projects submitted to DPWES for review. Two of the most important indicators of workload, and consequently revenue, are the number of building permits issued, and the number of new site, subdivision and public improvement plans submitted to DPWES for review.

FINES AND FORFEITURES

FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$7,139,633	$7,647,456	$10,669,251	$11,243,340	$574,089	5.38%

The FY 2001 estimate for Fines and Forfeitures is $11,243,340, an increase of $574,089 or 5.4 percent over the FY 2001 Advertised Budget Plan estimate. This increase is entirely due to an increase in anticipated revenue associated with false alarm violations as a result of the implementation of an annual alarm system registration fee and a gradually escalating fee schedule for establishments with more than two police responses to false alarms per year. The total FY 2001 estimate for Alarm Ordinance Violations is $951,904.

Other major components of the FY 2001 Fines and Forfeitures revenue estimate are General District Court fines for traffic infractions and misdemeanors ($5.6 million), Photo Red Light Violations ($2.2 million), and Parking Violations ($1.6 million). These estimates remain unchanged from the FY 2001 Advertised Budget Plan.

STATE AND FEDERAL SHARED PUBLIC ASSISTANCE

FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$59,649,186	$65,602,019	$59,716,129	$72,656,516	$12,940,387	21.67%

The FY 2001 estimate for State and Federal Shared Public Assistance is $72,656,516, an increase of $12,940,387, or 21.7 percent, over the FY 2001 Advertised Budget Plan estimate. Adjustments to particular Department of Family Services (DFS) programs are consistent with adjustments made during the FY 2000 Third Quarter Review. The increase is primarily due to increases in the Child Care Assistance, Comprehensive Services Act (CSA), and Foster care and Adoption program areas. Revenue for the Child Care Assistance Program (CCAP) is expected to increase $5.2 million based on notification of a supplemental State/Federal allocation to purchase child care services for eligible families. In addition, $0.6 million in CCAP funding is anticipated based on a 50/50 match with the Commonwealth in order to reduce the waiting list by 250 children. CSA funding is increased $3.7 million as a result of projected caseload growth. The Foster Care and Adoption Program is increased $0.7 million due to increases in caseloads and the severity of client need. Each of these DFS revenue adjustments has a corresponding expenditure adjustment in the respective program. In addition, the overall increase in the FY 2001 estimate includes an increase of $2.5 million associated with the Local Cost Allocation Plan. These payments represent Federal government reimbursement for administrative costs incurred in support of required Human Services activities.

The State allocation for public assistance to localities is calculated as follows: eligible local expenditures for Personnel Services, Operating Expenses, Capital Equipment, as well as most welfare payments budgeted within the agency, are based upon funding allocations which are developed by the Virginia Department of Social Services (DSS). The DSS reviews proposed expenditure funding levels for reimbursement of eligible programs in each local agency's budget, calculates the amount of estimated federal pass-through funding to be received, and then develops an allocation for each local agency. This allocation represents the State approved expenditure level upon which local revenue projections are based. The total FY 2001 revenue amount includes $39,370,692 in anticipated pass-through revenue from the Federal Government and $33,285,824 in revenue from the Commonwealth, based upon the current allocation.

OTHER REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT[1]

FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$43,799,356	$54,649,705	$52,725,333	$53,705,197	$979,864	1.86%

[1] Excludes Personal Property Taxes that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998. See the Personal Property Tax heading in this section.

The FY 2001 estimate of $53,705,197 represents a net increase of $979,864, or 1.9 percent over the FY 2001 Advertised Budget Plan estimate and is the result of Virginia General Assembly actions. The Commonwealth's FY 2001 budget included additional law enforcement funding commonly referred to as HB 599 funding of $1.9 million for Fairfax County based on anticipated State revenue growth. State Shared expenses are increased $0.2 million as a result of a 3.25 percent cost of living increase in Compensation Board reimbursable salaries and Library Aid is increased $125,546. These increases are offset by a reduction in General Fund revenue of $1.3 million associated with reimbursement of expenses related to providing wireless E-911 service. These funds have been moved from the General Fund to Fund 120, E-911 as a result of legislation enacted during the 2000 General Assembly session that requires localities to report E-911 related revenues and expenditures in a separate fund.

RECOVERED COSTS / OTHER REVENUE

FY 1999 Actual	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Increase/ (Decrease)	Percent Change
$4,671,091	$5,180,890	$5,649,640	$11,585,244	$5,935,604	105.06%

The FY 2001 estimate for Recovered Costs and Other Revenue is increased $5,935,604, or 105.1 percent, over the FY 2001 Advertised Budget Plan estimate. Litigation Proceeds are increased $2.0 million as a result of an unexpected settlement of a 1985 lawsuit involving property damage due to asbestos. In addition, one-time revenues of $3.9 million are anticipated associated with the final accounting of the County's contract with the former life insurance vendor. A reconciliation of the contingency reserve for the County's group policy determined that the County was due a refund of residual monies paid into a contingency reserve over the term of the contract.