

Trends

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TRENDS

HOUSEHOLD TAX ANALYSES

The following analyses illustrate the impact of selected County taxes on the "typical" household from FY 1997 to FY 2003. This period provides five years of actual data, estimates for FY 2002 based on year-to-date experience, and projections for FY 2003. Historical dollar amounts are converted to FY 2003 dollar equivalents for comparison purposes using the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Baltimore area. The Washington metropolitan area has experienced average annual inflation of 2.3 percent from FY 1997 to FY 2001. Projections for inflation in FY 2002 and FY 2003 are based on the consensus forecast of 2.2 percent in the Blue Chip Economic Indicators, which is consistent with recent experience in the area.

HOUSEHOLD TAXATION TRENDS: SELECTED CATEGORIES FY 1997 - FY 2003

The charts on the following pages show the trends in selected taxes (Real Estate Taxes, Personal Property Taxes, Sales Taxes, and Consumer Utility Taxes) paid by the "typical" household in Fairfax County. It is important to note that the following data are not intended to depict a comprehensive picture of a household's total tax burden in Fairfax County.

The "typical" household in Fairfax County is projected to pay \$4,030.22 in selected County taxes in FY 2003, \$334.22 more than FY 2002 after adjusting for inflation. From FY 1997 to FY 2003, the inflation adjusted increase in selected County taxes for the "typical" household is \$194.23, or an average annual increase of 0.8 percent. Please note that taxes paid in FY 1999 through FY 2003 reflect the Personal Property Tax Relief Act of 1998 (PPTRA), which reduced an individual's Personal Property Tax liability by 12.5 percent in FY 1999, 27.5 percent in FY 2000, 47.5 percent in FY 2001, and 70.0 percent in FY 2002 and FY 2003. The PPTRA applies to vehicles valued up to \$20,000 owned by individuals.

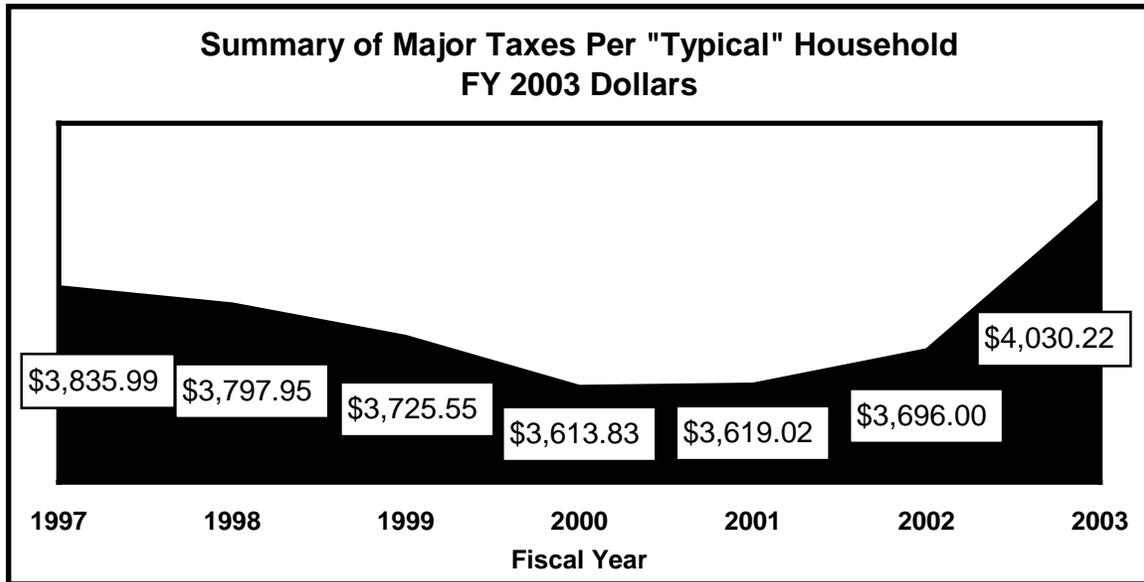
Summary of Major Taxes Per "Typical" Household

	Number of Households	Real Estate Tax in FY 2003 Dollars	Personal Property Tax in FY 2003 Dollars ¹	Sales Tax in FY 2003 Dollars	Consumer Utility Tax in FY 2003 Dollars	Total Taxes in FY 2003 Dollars ¹
FY 1997	328,131	\$2,690.56	\$641.17	\$343.61	\$160.65	\$3,835.99
FY 1998	338,045	\$2,646.83	\$638.61	\$350.80	\$161.71	\$3,797.95
FY 1999	344,563	\$2,621.94	\$569.92	\$371.60	\$162.09	\$3,725.55
FY 2000	353,136	\$2,570.02	\$492.57	\$389.35	\$161.89	\$3,613.83
FY 2001	358,549	\$2,673.83	\$389.73	\$388.88	\$166.58	\$3,619.02
FY 2002²	364,082	\$2,950.94	\$228.52	\$351.06	\$165.48	\$3,696.00
FY 2003²	369,701	\$3,302.61	\$221.49	\$343.25	\$162.87	\$4,030.22

¹ FY 1999 reflects a refund of 12.5 percent paid to citizens by the Commonwealth, FY 2000 incorporates a 27.5 percent reduction, FY 2001 incorporates a 47.5 percent reduction, and FY 2002-2003 incorporates a 70.0 percent reduction in Personal Property Tax bills sent to citizens. The difference in revenue will be paid to the County by the Commonwealth.

² Estimated.

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Real Estate Tax Per "Typical" Household

	Mean Assessed Value of Residential Property	Tax Rate per \$100	Tax per Household	Tax per Household in FY 2003 Dollars
FY 1991	\$196,514	\$1.11	\$2,181.31	\$2,886.80
FY 1997	\$191,094	\$1.23	\$2,350.46	\$2,690.56
FY 1998	\$191,149	\$1.23	\$2,351.13	\$2,646.83
FY 1999	\$192,667	\$1.23	\$2,369.80	\$2,621.94
FY 2000	\$195,713	\$1.23	\$2,407.27	\$2,570.02
FY 2001	\$208,126	\$1.23	\$2,559.95	\$2,673.83
FY 2002	\$234,749	\$1.23	\$2,887.41	\$2,950.94
FY 2003¹	\$272,943	\$1.21	\$3,302.61	\$3,302.61

¹ Estimated

As shown in the preceding table, Real Estate Taxes per "typical" household are expected to increase \$415.20 between FY 2002 and FY 2003 to \$3,302.61, not adjusting for inflation. This increase is primarily due to higher residential property assessments, which result from a strong demand for homes coupled with a short supply in Fairfax County. Since FY 1997, Real Estate Taxes have increased \$952.15, or an average of 5.8 percent per year, not adjusting for inflation. Adjusted for inflation, however, Real Estate Taxes per "typical" household are \$612.05 higher than FY 1997—an average increase of 3.5 percent per year. Since FY 1991, Real Estate Taxes have increased an average of 1.1 percent per year after adjusting for inflation. The Real Estate Tax rate of \$1.23 per \$100 of assessed value was decreased to \$1.21 per \$100 of assessed value in FY 2003.

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Personal Property Tax Per "Typical" Household

	Total Personal Property Taxes Attributed to Individuals	Number of Households	Tax per Household	After PPTRA		
				Tax per Household in FY 2003 Dollars	Tax per Household ¹	Tax per Household in FY 2003 Dollars ¹
FY 1997	\$183,794,285	328,131	\$560.12	\$641.17	\$560.12	\$641.17
FY 1998	\$191,762,598	338,045	\$567.27	\$638.61	\$567.27	\$638.61
FY 1999	\$202,845,636	344,563	\$588.70	\$651.34	\$515.12	\$569.92
FY 2000	\$224,727,900	353,136	\$636.38	\$679.40	\$461.37	\$492.57
FY 2001	\$254,831,615	358,549	\$710.73	\$742.35	\$373.13	\$389.73
FY 2002²	\$271,363,640	364,082	\$745.34	\$761.73	\$223.60	\$228.52
FY 2003²	\$272,949,612	369,701	\$738.30	\$738.30	\$221.49	\$221.49

¹ FY 1999 reflects a refund of 12.5 percent paid to citizens by the Commonwealth, FY 2000 incorporates a 27.5 percent reduction, FY 2001 incorporates a 47.5 percent reduction, and FY 2002 and FY 2003 incorporate a 70.0 percent reduction in Personal Property Tax bills sent to citizens. The difference in revenue will be paid to the County by the Commonwealth.

² Estimated.

Personal Property Taxes paid by the "typical" household are shown in the preceding chart. Taxes paid in FY 1999 through FY 2003 reflect the Commonwealth of Virginia's Personal Property Tax Relief Act (PPTRA), which reduced an individual's Personal Property Tax payment by 12.5 percent in FY 1999, 27.5 percent in FY 2000, 47.5 percent in FY 2001, and 70.0 percent in FY 2002 and FY 2003. This analysis assumes that the "typical" household's vehicle(s) are valued at \$20,000 or less in order to qualify for a reduction under the PPTRA. In FY 2003, the "typical" household is estimated to pay \$221.49 in Personal Property Taxes, or \$338.63 less than was paid in FY 1997, not adjusting for inflation. If adjustments are made for inflation, the "typical" household is projected to pay \$419.68 less in FY 2003 than FY 1997. There have been no changes to the Personal Property Tax rate of \$4.57 per \$100 of assessed value during the FY 1997 to FY 2003 period.

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Sales Tax Per "Typical" Household

	Total Sales Tax	Number of Households	Tax per Household	Tax per Household in FY 2003 Dollars
FY 1997	\$98,497,233	328,131	\$300.18	\$343.61
FY 1998	\$105,338,868	338,045	\$311.61	\$350.80
FY 1999	\$115,728,083	344,563	\$335.87	\$371.60
FY 2000	\$128,787,605	353,136	\$364.70	\$389.35
FY 2001	\$133,492,619	358,549	\$372.31	\$388.88
FY 2002¹	\$125,063,140	364,082	\$343.50	\$351.06
FY 2003¹	\$126,898,084	369,701	\$343.25	\$343.25

¹ Estimated

As shown in the table above, FY 2003 Sales Tax per household is estimated to be \$343.25, or \$43.07 more than FY 1997, not adjusting for inflation. Taking inflation into account, Sales Tax per household has remained relatively flat, falling \$0.36 over the same period. This revenue category had grown significantly in recent years due to the strength of the local economy and solid consumer confidence. However, due to the downturn in the economy in CY 2001, Sales Tax receipts are expected to fall in FY 2002 and 2003.

Because this analysis assumes all Sales Taxes are paid by individuals living in Fairfax County, the impact on the typical household is somewhat overstated. A portion of the County's Sales Tax revenues are paid by businesses and non-residents who either work in the County or are visiting. As the County becomes more of a major employment center in the region, the contribution of non-residents to the County's Sales Tax revenues will grow in significance.

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Consumer Utility Taxes Per "Typical" Household

	Total Consumer Utility Taxes Paid by Residential Consumers	Number of Households	Tax per Household	Tax per Household in FY 2003 Dollars
FY 1997	\$46,049,973	328,131	\$140.34	\$160.65
FY 1998	\$48,559,574	338,045	\$143.65	\$161.71
FY 1999	\$50,478,700	344,563	\$146.50	\$162.09
FY 2000	\$53,549,107	353,136	\$151.64	\$161.89
FY 2001	\$57,182,210	358,549	\$159.48	\$166.58
FY 2002¹	\$58,952,291	364,082	\$161.92	\$165.48
FY 2003¹	\$60,214,133	369,701	\$162.87	\$162.87

¹ Estimated

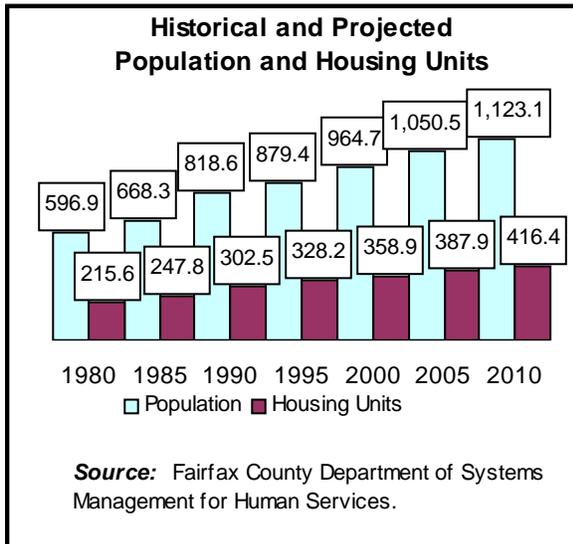
Based on data from the utility companies, it is estimated that residential consumers pay approximately 43.0 percent of the Electric Taxes, 73.0 percent of the Gas Taxes, and 84.0 percent of the Telephone Taxes received by the County. In FY 2003, the "typical" household will pay an estimated \$162.87 in Consumer Utility Taxes, \$22.53 more than in FY 1997 without adjusting for inflation. From FY 1997 to FY 2003, the "typical" household has experienced average annual increases of 0.2 percent, or \$2.22 over the period, adjusted for inflation.

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DEMOGRAPHIC TRENDS

Demographic trends strongly influence Fairfax County's budget. Changing demographics or population characteristics affect both the costs of government services provided as well as tax revenues. The descriptions and charts contained in this section provide some examples of how various demographic trends affect the Fairfax County budget. Although these trends are discussed separately, the interactions between these demographic trends ultimately influence the direction of expenditures and revenues. While certain demographic trends may suggest reduced expenditures in a program area, other demographic trends may increase program expenditures at the same time. The following information is based on the most recent data available at the time of publication. Calendar years 2000 and 2001 have been updated to include the 2000 Census where data are available.

Population and Housing



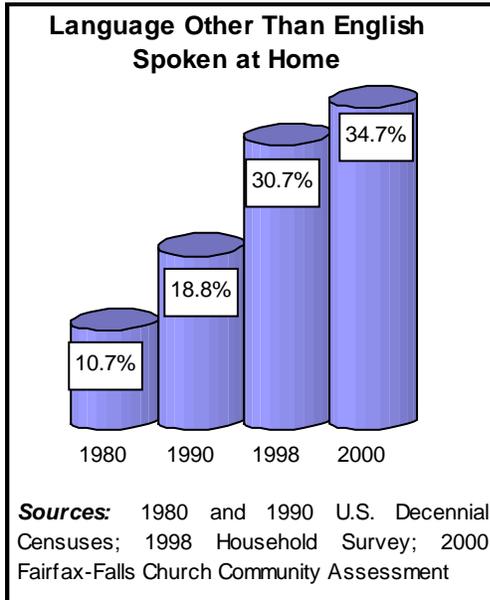
Some of the strongest demographic influences on Fairfax County expenditures and revenues are those associated with the growth in total population and housing units. Fairfax County experienced dramatic population growth during the 1980s, adding an average of more than 22,000 residents per year. This growth has moderated to the addition of an average of just over 14,000 residents per year during the 1990s. Although population growth in the 1990s was slower than that of the 1980s, the increase in Fairfax County's population between 1990 and 2000 is comparable to adding more than the entire population of the City of Alexandria to the County.

In 2001, Fairfax County is projected to have 981,290 residents. The population is expected to grow to 998,153 in 2002 and exceed one million persons by

2003. From 1980 to 1999, the number of housing units in Fairfax County increased more rapidly (64 percent) than population (59 percent). This phenomenon was due to a shrinking average household size from 2.91 persons in 1980 to 2.74 persons in 1999. Between 1999 and 2010, the average household size is expected to stay flat at approximately 2.74 persons and the population is expected to grow at the same rate as the number of housing units. For some program areas such as fire prevention, transportation, water and sewer, and real estate assessments, the growth in the number of housing units has a larger impact on workloads and expenditures than population growth. For other program areas such as libraries, recreation, and schools, the growth in population is a more important determining factor.

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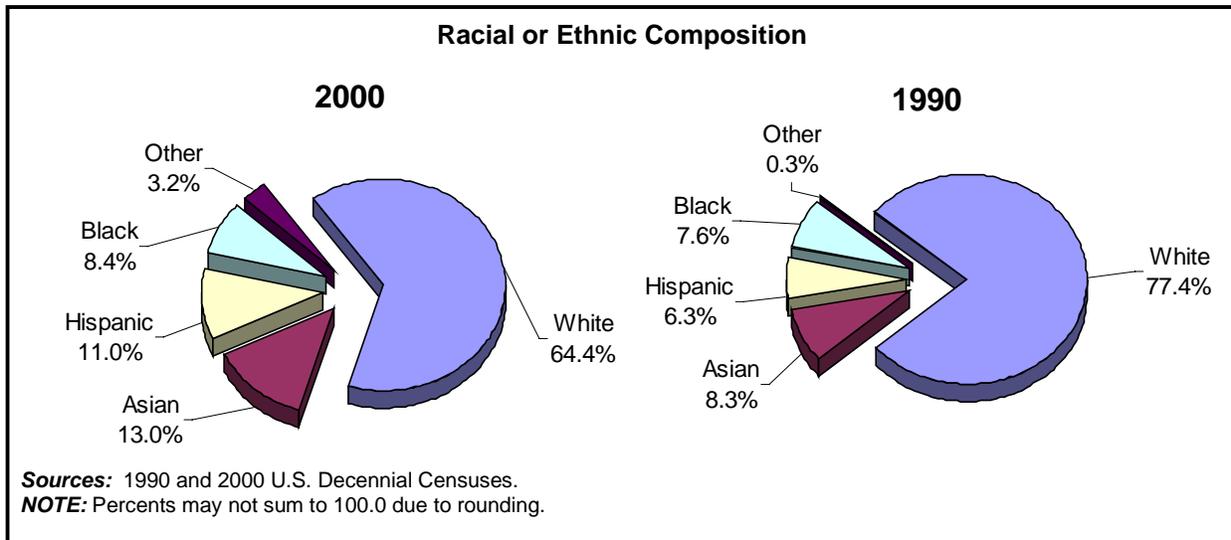
Cultural Diversity



Fairfax County is a very diverse jurisdiction. The number of persons, age 5 years and older, speaking a language other than English at home has increased dramatically since 1980 to over 250,000 residents in 2000. In 1980, only 10.7 percent of residents age 5 years or older spoke a language other than English at home. By 1990, this percentage had risen to 18.8 percent. In 2000, over a third of the County's residents, age 5 years or older, spoke a language other than English at home. The most frequently spoken languages other than English include Spanish, Korean, Vietnamese, and Chinese.

These language trends affect many County programs. The Fairfax County Public Schools have experienced rapid growth in English for Speakers of Other Languages (ESOL) programs. Between FY 1990 and FY 2000 total public school membership increased 20 percent while ESOL enrollment increased 122 percent. Many general government programs also are affected by the County's cultural and language diversity. As with the public schools,

the courts, police, fire, and emergency medical services, programs dealing with taxes and licenses, and human service programs must devise ways to effectively communicate with these citizens for whom English is a second language.



In 1990, racial and ethnic minorities comprised less than a quarter of Fairfax County's population. In 2000, these groups comprised over one-third of the County's residents. Hispanics have been the most rapidly growing group, followed by Asians and Pacific Islanders. These two minority groups are expected to be the County's fastest growing racial or ethnic groups during the next five years. Among Asian and Hispanic residents almost 90 percent speak a language other than English at home. Therefore, the percentage of persons speaking a language other than English at home will continue to increase over the next five years.

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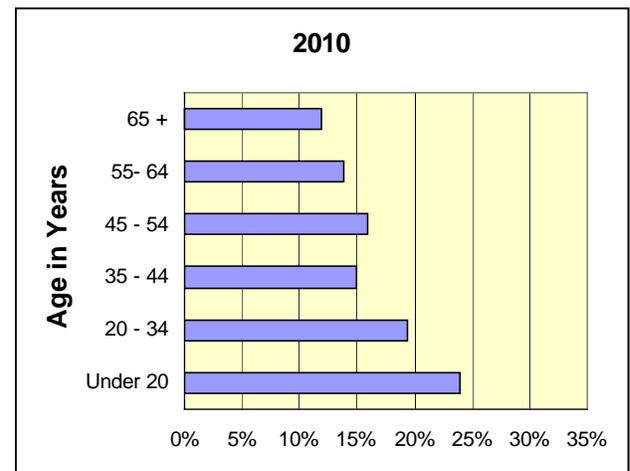
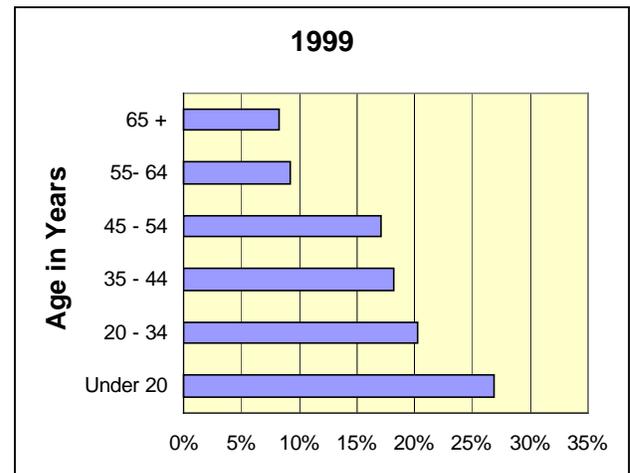
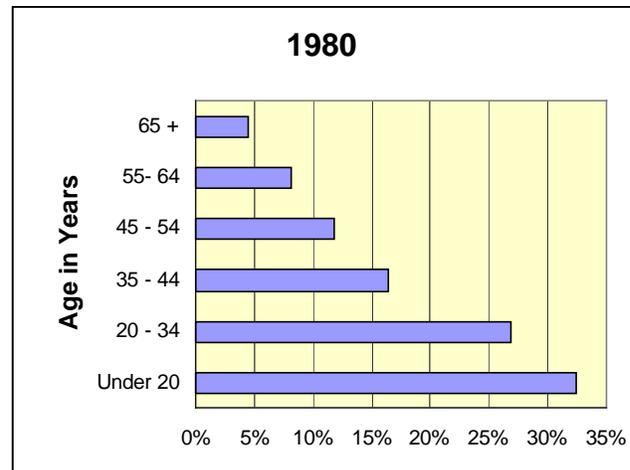
Population Age Distribution

Fairfax County's population has grown steadily older since 1980. This trend is projected to continue through 2010. Although children age 19 years and younger grew in number between 1980 and 1999, they became a smaller proportion of total population. This trend is also expected to continue through 2010. The "baby boomlet" (children of baby boomers) will expand the number of persons age 20 to 34 years by 2010, but adults age 35 to 44 years will shrink in number by 2010.

Adults age 45 to 54 years expanded rapidly in number between 1980 and 1999 as the first "baby boomers" reached their fifties. However between 1999 and 2010, persons age 45 to 54 will not grow as rapidly in number as the last of the "baby boom" generation enters this age group and the oldest "baby boomers" leave the group. Persons age 55 to 64 years increased in number but remained a fairly constant percentage of total population between 1980 and 1999. By 2010 the older "baby boomers" will significantly increase the size of this age group. The most rapidly growing group between 1980 and 1999 was seniors age 65 years and older. Seniors are expected to continue to be one of the most rapidly expanding groups through 2010.

The age distribution of Fairfax County's population strongly influences the demand and, therefore, the costs of providing many local government services. For example, the number, location, and size of school and day care facilities are directly affected by the number and proportion of children. Transportation expenditures for both street maintenance and public transportation are influenced by the number and proportion of driving age adults and their work locations. The number and percentage of persons age 65 years and older will affect expenditures for programs for seniors such as health care. Public safety programs also are affected by age demographics. Crime rates, for example, are highest among persons age 15 to 34. In addition, the youngest and the oldest drivers have the greatest probabilities of being involved in traffic accidents.

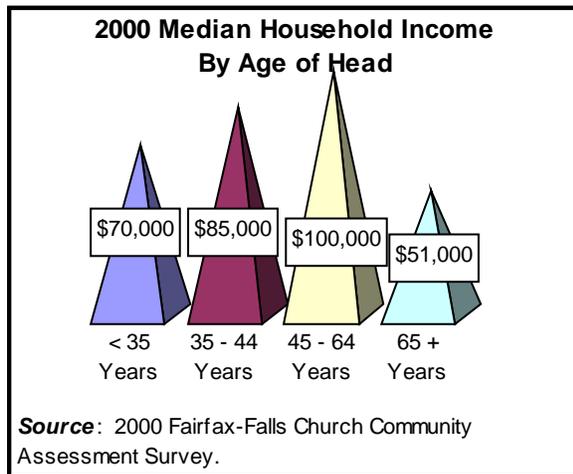
Population Age Distribution



Sources: 1980 U.S. Decennial Census; 1999 and 2010 Fairfax County Department of Systems Management for Human Services.

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Household Income

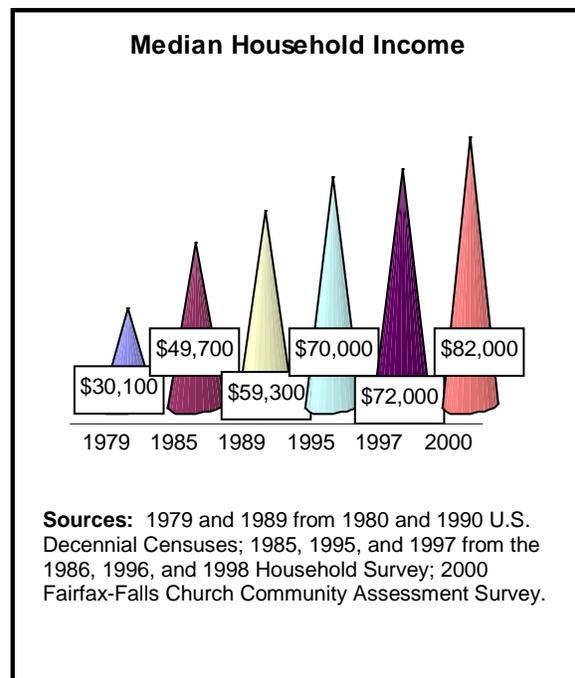


Fairfax County tax revenues also are affected by population age distributions. Income peaks among householders age 45 to 64 years, who are in their prime earning years. As the number of households headed by this age group expands during the next 15 to 20 years, some tax revenues will be stimulated. These householders, who are part of the “baby boom” generation, will fuel demand for trade-up housing. With their higher incomes, they also have greater discretionary income for spending on goods and services, thereby increasing revenue from sales taxes.

However, the median household income of households headed by a person age 65 or older is much less than that of a household headed by a person age 45 to 64 years. Therefore, a population containing a larger number of seniors, age 65 and older, will put downward pressure on tax revenues. These senior households have less discretionary income to spend (taxable sales); on average, own fewer motor vehicles; and are more likely to qualify for tax relief or discounted fees.

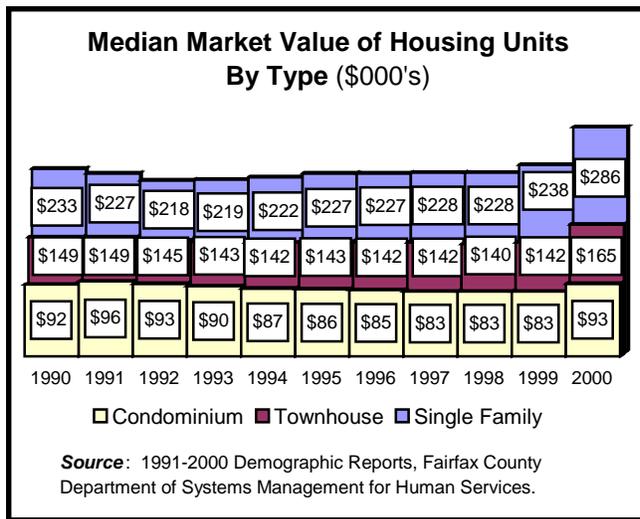
From 1979 through 1989, the growth in Fairfax County’s median household income exceeded inflation, increasing 13.9 percent, adjusted for inflation. As a result, households in Fairfax County had more discretionary income to spend or save. Since 1989, however, the growth in Fairfax County’s median income has just kept pace with inflation, as measured by the Washington Area Consumer Price Index. Inflation adjusted median household income increased only 1.2 percent between 1989 and 2000.

Income growth affects Fairfax County tax revenues indirectly in that it impacts the County’s economic health. Tax categories affected by income include Sales Tax, Residential Real Estate Taxes, and Personal Property Taxes. In addition, income levels directly affect the County’s expenditures for labor.



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Median Market Value of Housing

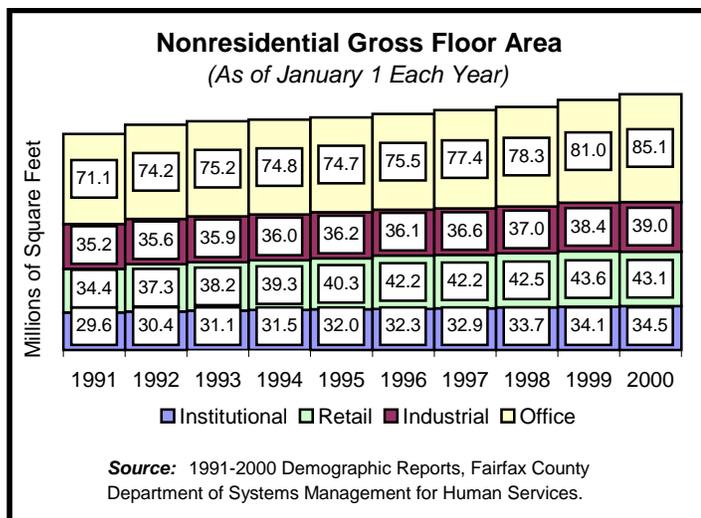


The median market values of single family, townhouse, and apartment condominium housing increased dramatically through the 1980s. In 1990, median housing values peaked at \$232,700 for single family homes and \$149,000 for townhouses. The condominium median market value peaked one year later in 1991 at \$95,500. The market value of housing units waned throughout the 1990s, but prices started to rebound in 1999. By 2000, the median market value of single family homes, which comprise more than half of the County's housing stock, rose dramatically to \$285,577, an increase of \$47,000 in one year. The median market value of townhouses also increased considerably to \$164,972 and apartment style condominium values increased to \$92,723.

Real Estate Tax revenues provide more than half of all General Fund Revenues and residential properties comprise the majority of the value of the Real Estate Tax base. Thus, the market values of homes exert a very strong influence on Fairfax County's revenues. In 1979, the median market value of housing was 2.5 times greater than median household income. During the 1980s the median market value of housing grew much more rapidly than median household income. By 1990, the median market value of housing was more than three times the median household income. This trend has continued into 2000, as median market values have increased significantly over the past year.

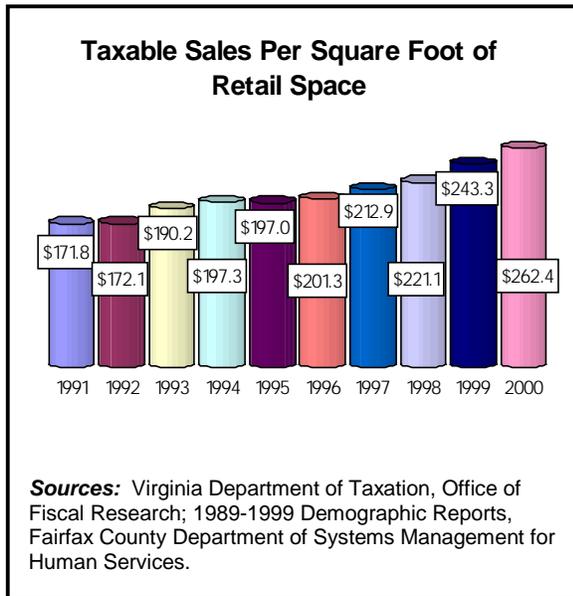
Nonresidential Space

The amount and value of nonresidential space in Fairfax County has a major impact on revenues and expenditures. Business activity affects Real Estate Tax revenues; business Personal Property Tax revenues; Business, Professional and Occupational License Tax revenues; Sales Tax revenues; and Consumer Utility Tax revenues. Business expansion also affects expenditures for water and sewer services, transportation improvements and services, police and fire services, and refuse disposal. Since 1991, the total nonresidential gross floor area in Fairfax County has increased by 31 million square feet. Retail and office space have comprised most of this growth. Retail space increased by almost 9 million square feet and office space increased by 14 million square feet. Typically, increases in the amount of nonresidential space in the County would indicate increases in the County's business base and, thus, increases in Real Estate Tax revenues. However, the growth in nonresidential space does not necessarily translate directly into Real Estate Tax revenue increases because the income generating ability of nonresidential space also is a factor.



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Taxable Sales Per Square Foot of Retail Space

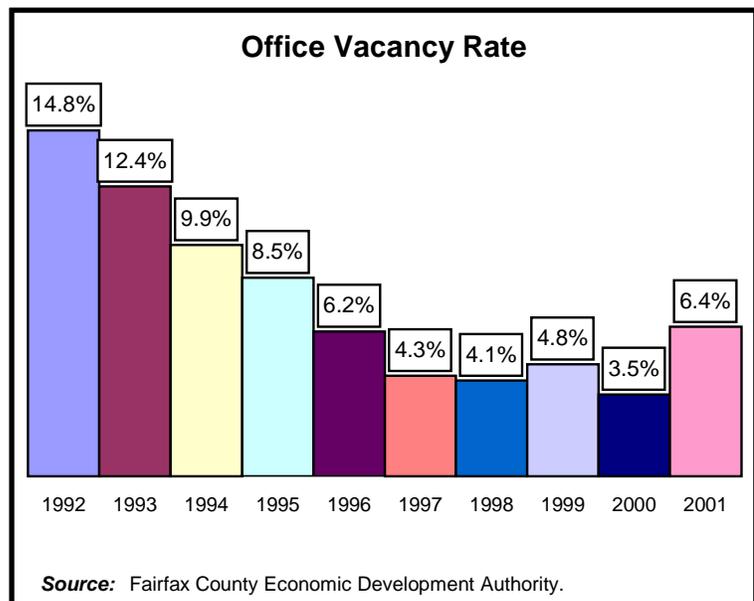


Taxable sales per square foot of retail space are an indicator of the health of the retail sales market in Fairfax County and a gauge of the income generating potential of retail space. Although retail square footage grew each year during the 1990s, taxable sales per square foot of retail space decreased dramatically in calendar year 1991, falling 9.1 percent. This decrease in taxable sales per square foot of retail space was due to the increase in retail space, which out-paced the increase in taxable sales during the 1991-1992 recession. In calendar year 1994, taxable sales per square foot of retail space rebounded and returned to levels experienced in the late 1980s. In calendar year 1995, total taxable sales increased 2.2 percent but taxable sales per square foot of retail space exhibited no growth, remaining at \$197 per square foot. Thus, the amount of available retail space in Fairfax County grew faster than taxable sales.

Between 1995 and 2000, taxable sales per square foot of retail space increased to \$262.40, or 33.2 percent. When adjusted for inflation, taxable sales per square foot of retail space has increased faster than inflation since 1997. Real growth in taxable sales per square foot of retail space generally indicates a profitable retail sales market and encourages retail expansion. A healthy retail sales market generates increasing tax revenues for the County.

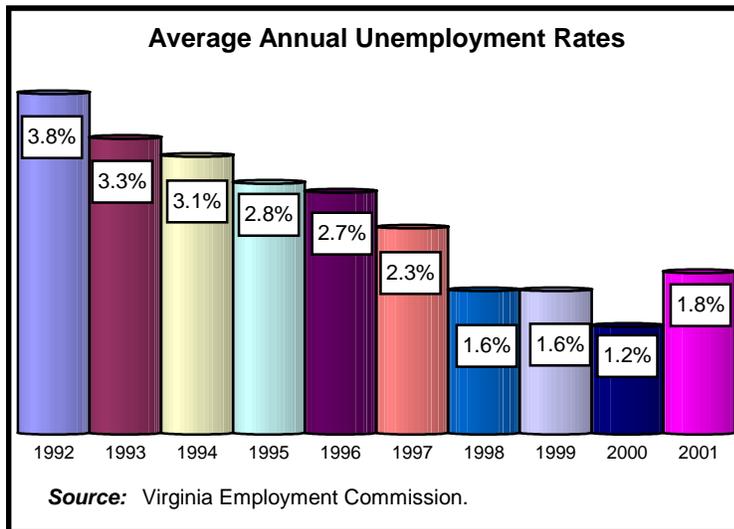
Office Vacancy Rates

During the late 1980s and early 1990s, Fairfax County experienced a glut of office space. According to the Fairfax County Economic Development Authority, office vacancy rates peaked at 18.3 percent in 1990 and steadily declined through 2000 when the rate fell to 3.5 percent—the lowest office vacancy rate in more than 15 years. The vacancy rate dropped despite an increase in office inventory of more than 5.2 million square feet over the year. In 2001, however, the overall vacancy rate increased to 6.4 percent due to the slowing economy. Various sub-markets in the County may have higher or lower vacancy rates. The amount of sublet space on the market increased dramatically as firms that had anticipated growth downsized in 2001. Including sublet space, the office vacancy rate for 2001 increases to 12.5 percent. These trends impact tax revenues from office properties, which comprise over 44 percent of all nonresidential properties in FY 2003.



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Employment



Unemployment rates and at place employment (the number of persons employed in Fairfax County) are indicators of the health of the Fairfax County economy. Unemployment rates provide an indication of how many Fairfax County residents who desire to work cannot find employment. Residents of Fairfax County have experienced very low unemployment rates even during the business cycle recession that occurred during 1991 and 1992. The annual unemployment rate for 2000 was 1.2 percent—the lowest rate in over a decade. Unemployment increased in FY 2001, however, to the highest levels since 1997 as a result of layoffs in the information technology sector and the events of September 11, 2001.

At place employment provides an indication of the number of jobs generated by businesses in Fairfax County. As discussed above, business and employment growth generate additional tax revenues and additional expenditures for Fairfax County. According to data from the Virginia Employment Commission, the number of jobs in Fairfax County has expanded by more than 176,000 positions since 1992 and unemployment rates have fallen dramatically. From FY 2000 to mid-year FY 2001, the Fairfax County economy created 22,311 new jobs.

