

Trends and Demographics

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Trends and Demographics

HOUSEHOLD TAX ANALYSES

The following analyses illustrate the impact of selected County taxes on the "typical" household from FY 2000 to FY 2006. This period provides five years of actual data, estimates for FY 2005 based on year-to-date experience, and projections for FY 2006. Historical dollar amounts are converted to FY 2006 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 2.8 percent from FY 2000 to FY 2004. Preliminary projections for inflation in FY 2005 and FY 2006 are based on a forecast of 3.0 percent using the April 2005 issue of the Blue Chip Economic Indicators, and adjusting for the relatively higher rate of inflation that has occurred in the Washington area, compared nationally.

HOUSEHOLD TAXATION TRENDS: SELECTED CATEGORIES FY 2000 - FY 2006

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 \$5,186.80 in selected County taxes in FY 2006, \$240.03 more than FY 2005 after adjusting for inflation. From FY 2000 to FY 2006, the inflation adjusted increase in selected County taxes for the "typical" household is \$1,283.46, or an average annual increase of 4.9 percent. Note that taxes paid in FY 2000 through FY 2006 reflect the Personal Property Tax Relief Act of 1998 (PPTRA), which reduced an individual's Personal Property Tax liability by 27.5 percent in FY 2000, 47.5 percent in FY 2001, and 70.0 percent in FY 2002 through FY 2006. The PPTRA applies to vehicles valued up to \$20,000 owned by individuals.

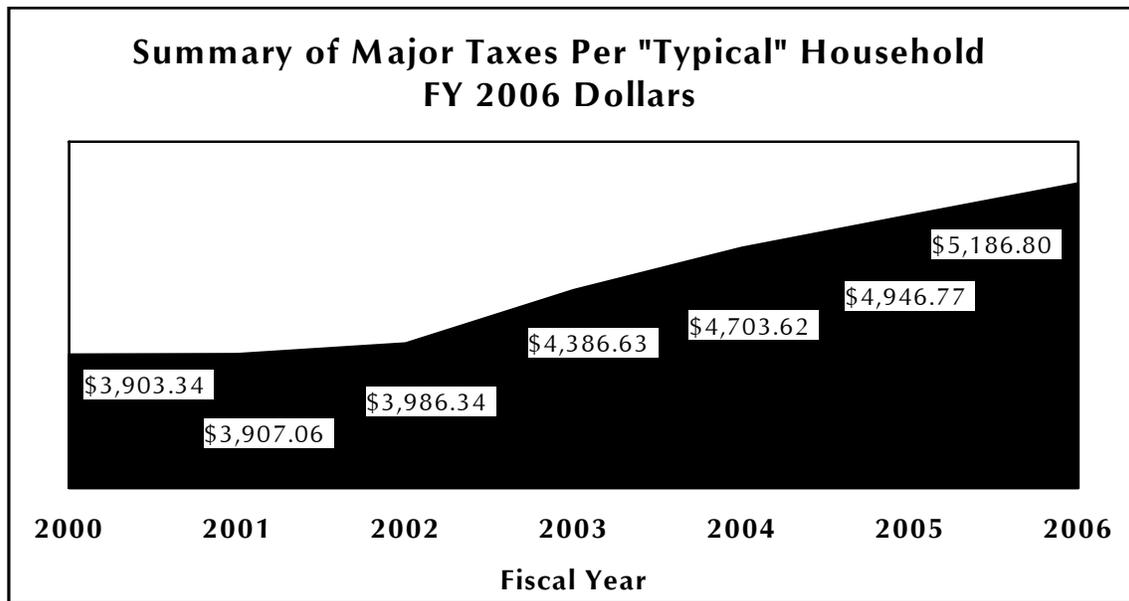
Summary of Major Taxes Per "Typical" Household

	Number of Households	Real Estate Tax in FY 2006 Dollars	Personal Property Tax in FY 2006 Dollars ¹	Sales Tax in FY 2006 Dollars	Consumer Utility Tax in FY 2006 Dollars	Total Taxes in FY 2006 Dollars ¹
FY 2000	353,136	\$2,831.88	\$542.75	\$429.02	\$99.69	\$3,903.34
FY 2001	358,149	\$2,946.26	\$429.92	\$428.98	\$101.90	\$3,907.06
FY 2002	363,677	\$3,246.94	\$253.61	\$388.29	\$97.50	\$3,986.34
FY 2003	366,585	\$3,658.60	\$255.28	\$377.60	\$95.15	\$4,386.63
FY 2004	370,322	\$3,953.30	\$258.42	\$401.27	\$90.63	\$4,703.62
FY 2005²	377,600	\$4,205.57	\$241.81	\$411.04	\$88.35	\$4,946.77
FY 2006²	384,149	\$4,447.66	\$242.94	\$411.88	\$84.32	\$5,186.80

¹ Personal Property Taxes paid incorporate reductions in Personal Property Tax bills sent to citizens under the State's Personal Property Tax Relief program. FY 2000 and FY 2001 include reductions of 27.5 percent and 47.5 percent, respectively; and, FY 2002 through FY 2006 include a 70.0 percent reduction. 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 2006 Dollars
FY 1991	\$196,514	\$1.11	\$2,181.31	\$3,180.93
FY 2000	\$195,713	\$1.23	\$2,407.27	\$2,831.88
FY 2001	\$208,126	\$1.23	\$2,559.95	\$2,946.26
FY 2002	\$234,749	\$1.23	\$2,887.41	\$3,246.94
FY 2003	\$276,945	\$1.21	\$3,351.03	\$3,658.60
FY 2004	\$321,238	\$1.16	\$3,726.36	\$3,953.30
FY 2005¹	\$361,334	\$1.13	\$4,083.07	\$4,205.57
FY 2006¹	\$444,766	\$1.00	\$4,447.66	\$4,447.66

¹ Estimated.

As shown in the preceding table, Real Estate Taxes per "typical" household are expected to increase \$364.59 between FY 2005 and FY 2006 to \$4,447.66, not adjusting for inflation. This increase is result of higher residential property assessments offset with a 13 cent reduction in the Real Estate Tax rate.

Since FY 2000, Real Estate Taxes have increased \$2,040.39 or an average annual increase of 10.8 percent per year, not adjusting for inflation. Adjusted for inflation, Real Estate Taxes per "typical" household are \$1,615.78 higher than FY 2000, an average annual increase of 7.8 percent. Since FY 1991, Real Estate Taxes have increased an average of 2.3 percent per year after adjusting for inflation. The Real Estate Tax rate is decreased from \$1.13 per \$100 of assessed value to \$1.00 per \$100 of assessed value in FY 2006. This tax decrease represents a savings of \$578.20 per "typical" household as compared to the rate of \$1.13 per \$100 of assessed value. Cumulatively since FY 2002, the Board of Supervisors have approved tax rate reductions of 23 cents which equates to \$1,665 less than what the typical residential taxpayer would have paid each year under the \$1.23 rate.

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Personal Property Tax Per "Typical" Household

	Personal Property Taxes Attributed to Individuals	Number of Households	Tax per Household	Tax per Household in FY 2006 Dollars	After PPTRA	
					Adjusted Tax per Household ¹	Adjusted Tax per Household in FY 2006 Dollars ¹
FY 2000	\$224,727,900	353,136	\$636.38	\$748.63	\$461.37	\$542.75
FY 2001	\$254,831,615	358,149	\$711.52	\$818.90	\$373.55	\$429.92
FY 2002	\$273,395,166	363,677	\$751.75	\$845.36	\$225.53	\$253.61
FY 2003	\$285,711,943	366,585	\$779.39	\$850.92	\$233.82	\$255.28
FY 2004	\$300,683,961	370,322	\$811.95	\$861.40	\$243.59	\$258.42
FY 2005²	\$295,489,522	377,600	\$782.55	\$806.02	\$234.76	\$241.81
FY 2006²	\$311,085,190	384,149	\$809.80	\$809.80	\$242.94	\$242.94

¹ Personal Property Taxes paid incorporate reductions in Personal Property Tax bills sent to citizens under the State's Personal Property Tax Relief program. FY 2000 and FY 2001 include reductions of 27.5 percent and 47.5 percent, respectively; and, FY 2002 through FY 2006 include a 70.0 percent reduction. 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 2000 through FY 2006 reflect the Commonwealth of Virginia's Personal Property Tax Relief Act (PPTRA), which reduced an individual's Personal Property Tax payment by 27.5 percent in FY 2000, 47.5 percent in FY 2001, and 70.0 percent in FY 2002 through FY 2006. 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 2006, the "typical" household is estimated to pay \$242.94 in Personal Property Taxes, or \$218.43 less than was paid in FY 2000, not adjusting for inflation. When adjustments are made for inflation, the "typical" household is projected to pay \$299.81 less in FY 2006 than FY 2000. There have been no changes to the Personal Property Tax rate of \$4.57 per \$100 of assessed value for individuals during the FY 2000 to FY 2006 period, except for mobile homes and boats which are taxed at the prevailing Real Estate Tax rate each fiscal year.

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Sales Tax Per "Typical" Household

	Total Sales Tax	Number of Households	Tax per Household	Tax per Household in FY 2006 Dollars
FY 2000	\$128,787,605	353,136	\$364.70	\$429.02
FY 2001	\$133,492,619	358,149	\$372.73	\$428.98
FY 2002	\$125,577,043	363,677	\$345.30	\$388.29
FY 2003	\$126,785,250	366,585	\$345.85	\$377.60
FY 2004	\$140,070,124	370,322	\$378.24	\$401.27
FY 2005¹	\$150,687,742	377,600	\$399.07	\$411.04
FY 2006¹	\$158,222,129	384,149	\$411.88	\$411.88

¹ Estimated.

As shown in the table above, FY 2006 Sales Tax paid per household is estimated to be \$411.88 or \$12.81 more than FY 2000, not adjusting for inflation. This represents an average annual increase of just 2.0 percent since FY 2000. Taking inflation into account, Sales Tax paid per household has dropped \$17.14 over the same period.

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.

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 2006 Dollars
FY 2000	\$29,926,432	353,136	\$84.74	\$99.69
FY 2001	\$31,711,021	358,149	\$88.54	\$101.90
FY 2002	\$31,530,699	363,677	\$86.70	\$97.50
FY 2003	\$31,949,053	366,585	\$87.15	\$95.15
FY 2004	\$31,637,279	370,322	\$85.43	\$90.63
FY 2005¹	\$32,389,825	377,600	\$85.78	\$88.35
FY 2006¹	\$32,389,825	384,149	\$84.32	\$84.32

¹ Estimated.

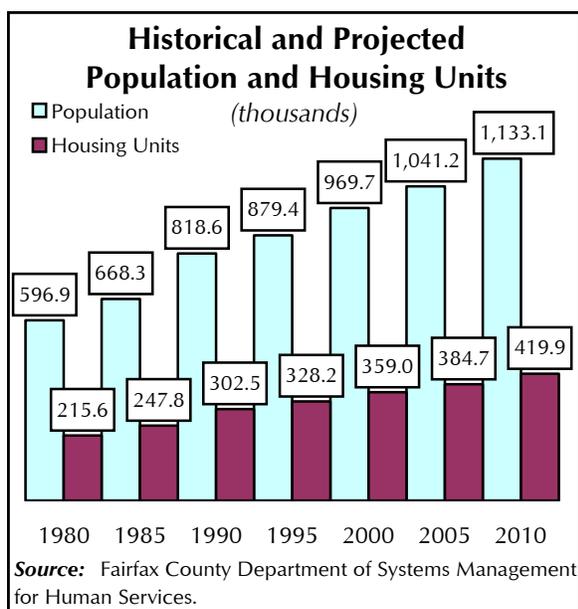
Based on data from the utility companies, it is estimated that residential consumers pay approximately 43.0 percent of the Electric Taxes, 73.0 percent of the Gas Taxes, and 25.0 percent of the Telephone Taxes received by the County. In FY 2006, the "typical" household will pay an estimated \$84.32 in Consumer Utility Taxes, \$0.42 less than in FY 2000 without adjusting for inflation. From FY 2000 to FY 2006, the "typical" household has experienced an average annual decrease of 2.8 percent, or \$15.37 over the period, adjusted for inflation.

Trends and Demographics

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 year 2003 has been updated to include the 2003 American Community Survey where data are available.

Population and Housing



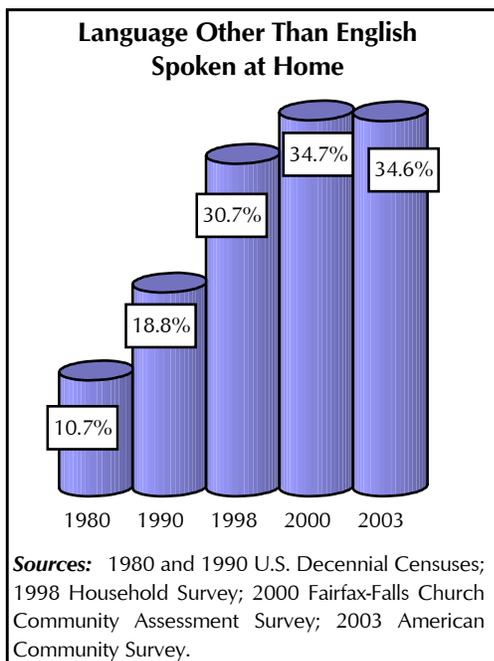
Some of the strongest demographic influences on Fairfax County expenditures and revenues are those associated with the growth in total population and housing units. Fairfax County experienced dramatic population growth during the 1980s, adding an average of more than 22,000 residents per year. This growth moderated during the 1990s to average growth just over 15,000 residents per year. 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 2004, Fairfax County had an estimated population of 1,022,298 residents. The population is expected to grow to 1,041,200 in 2005 and 1,133,000 in 2010. From 1980 to 1990, the number of housing units in Fairfax County increased more rapidly (40 percent) than population (37 percent). This was due to the construction boom of the 1980s. Between 1990 and

2000, housing units grew at 18.7 percent, just slightly above population growth of 18.5 percent. From 2000 to 2005; however, population growth at 7.4 percent is expected to exceed housing unit growth of 7.2 percent. This trend reversal has contributed to the tight supply of available housing and is a factor in rising real estate assessments. Many County programs, such as fire prevention, transit, water and sewer, are impacted by the number of housing units. Other program areas such as libraries, recreation, and schools, are impacted more by the growth in population.

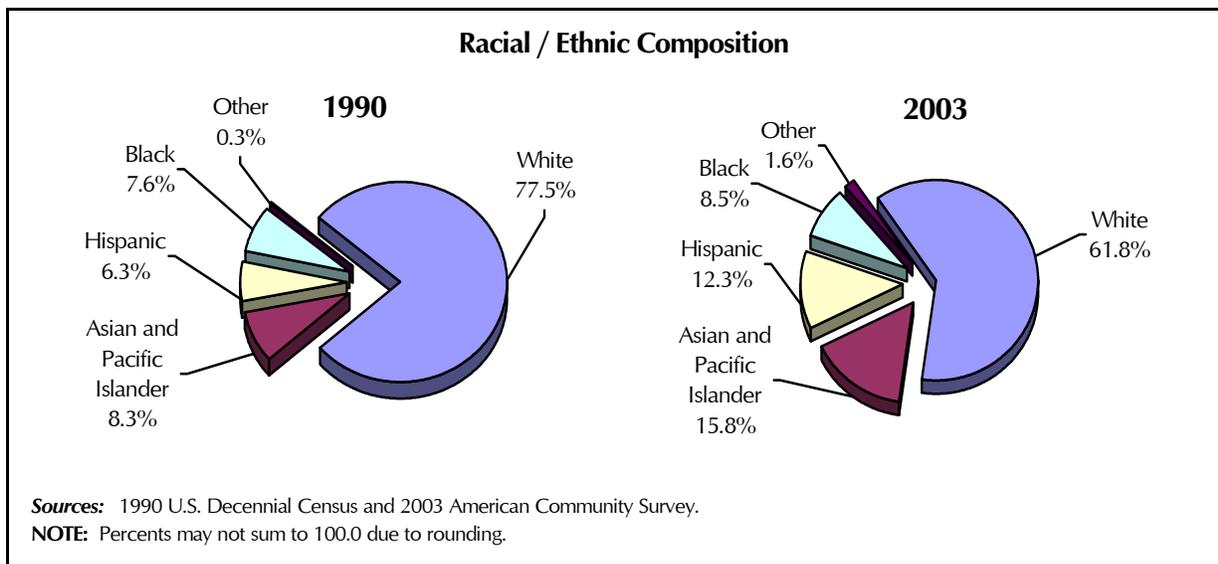
Trends and Demographics

Cultural Diversity



Fairfax County is a very diverse jurisdiction. As of 2003, the number of persons, age 5 years and older, speaking a language other than English at home has increased dramatically since 1980 to over 320,000 residents. 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 2003, 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 1994 and FY 2004 total public school membership increased 19 percent while ESOL enrollment increased 175 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 2003, 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. The percentage of persons speaking a language other than English at home will continue to increase over the next five years.

Trends and Demographics

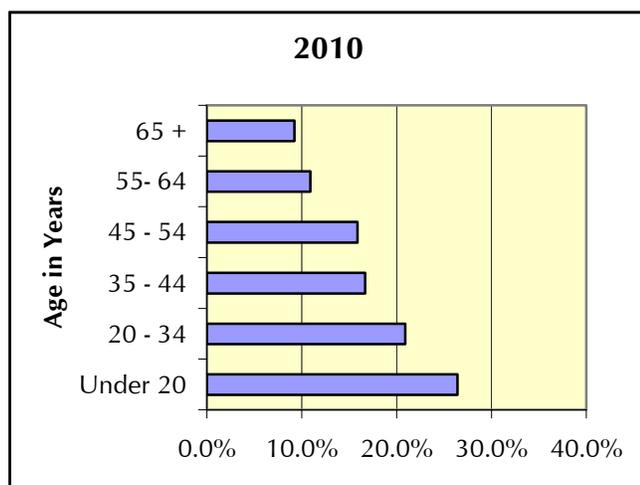
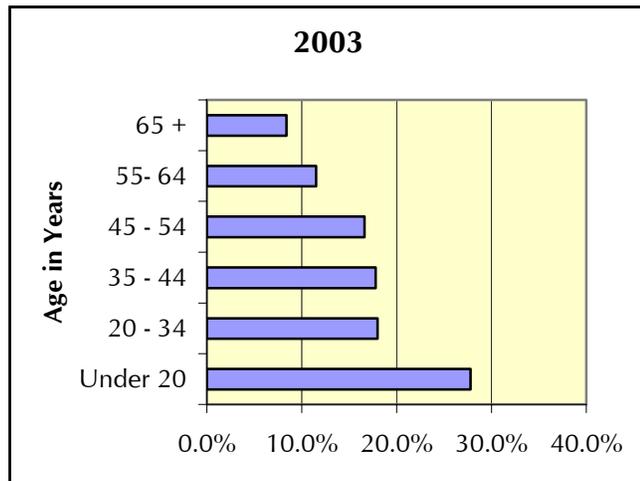
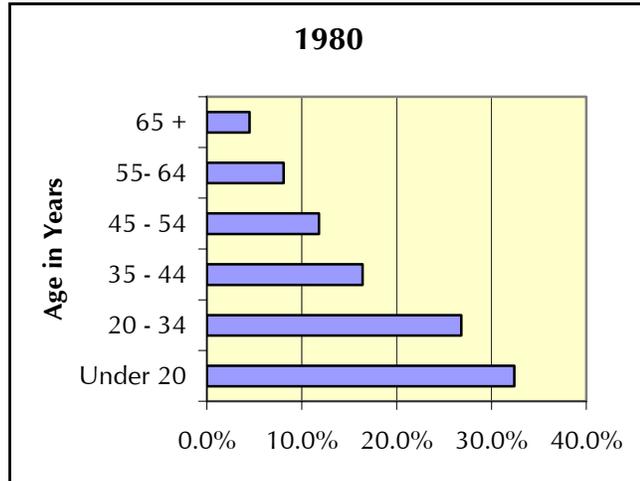
Population Age Distribution

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 2003, they became a smaller proportion of total population. This trend is expected to continue through 2010. The "baby boomlet" (children of baby boomers), will expand the percentage of the population between the ages of 20 and 34 years by 2010, but adults age 35 to 44 years will shrink in number and percentage by 2010.

Adults, age 45 to 54 years expanded rapidly in number between 1980 and 2003 as the first "baby boomers" reached their fifties. However, between 2003 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" move to the next age group. The most rapidly growing group between 1980 and 2003 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 probability of being involved in traffic accidents.

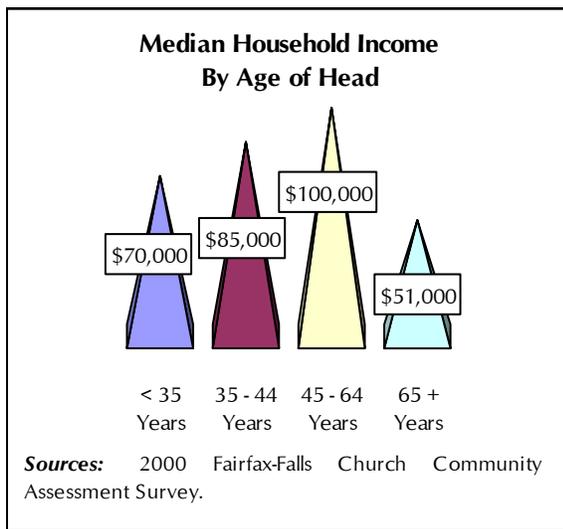
Population Age Distribution



Sources: 1980 U.S. Decennial Census; 2003 American Community Survey; 2010 Fairfax County Department of Systems Management for Human Services.

Trends and Demographics

Household Income

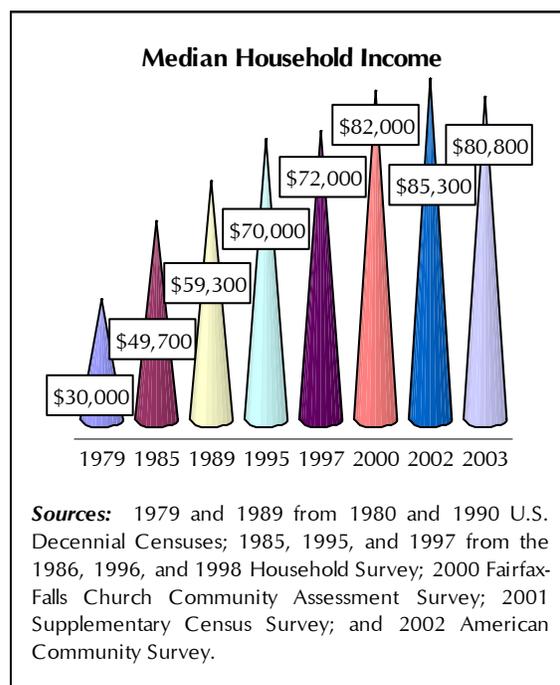


Fairfax County tax revenues also are affected by population age distributions. Income peaks among householders age 45 to 64 years, who are in their prime earning years. As the number of households headed by this age group expands during the next 15 to 20 years, some tax revenues will be stimulated. These 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.

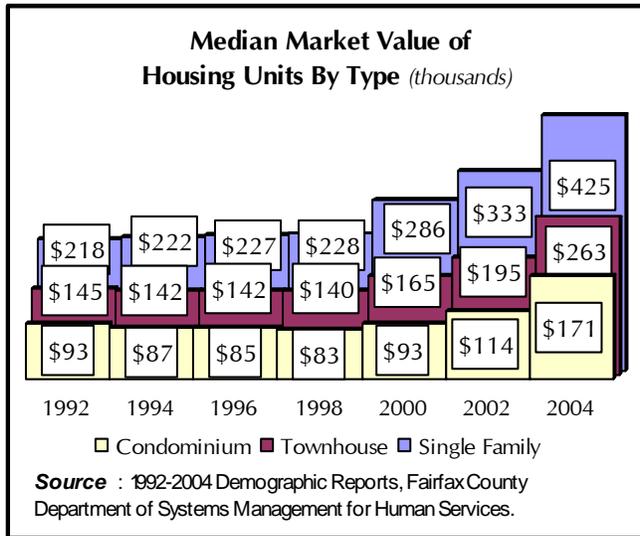
The median household income of households headed by a person age 65 or older falls to \$51,000. A population containing a larger number of seniors, age 65 and older, will put downward pressure on tax revenues. These senior households have less discretionary income to spend, on average, own fewer motor 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 7.1 percent, adjusted for inflation. As a result, households in Fairfax County had more discretionary income to spend or save. Between 1989 and 1997, however, the growth in Fairfax County’s median income just kept pace with inflation, as measured by the Washington Area Consumer Price Index. Inflation adjusted median household income increased only 2.5 percent between 1989 and 1997. This trend continued between 1997 and 2003 as inflation adjusted median household income increased 1.9 percent.

Income growth does not affect Fairfax County tax revenues directly because localities in Virginia do not tax income; however, revenues are indirectly affected because impacts the County’s economic health. Tax categories affected by income include Sales Tax receipts, Residential Real Estate Taxes and Personal Property Taxes.



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Median Market Value of Housing

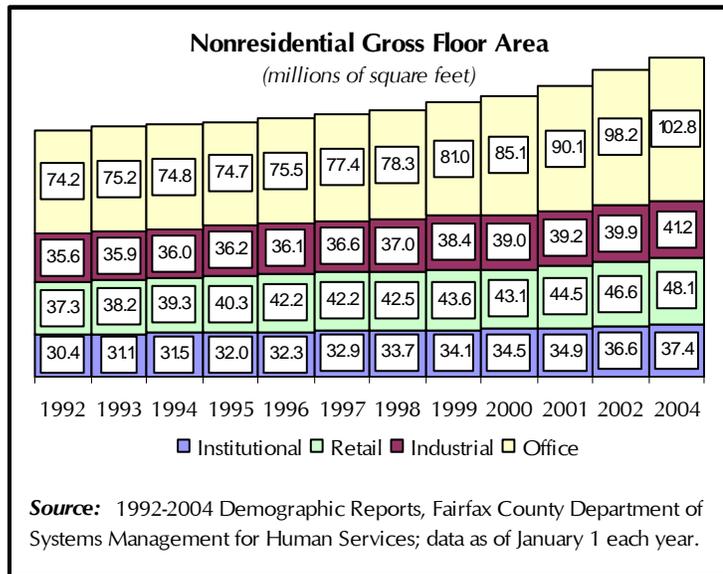
The median market values of single family, townhouse, and apartment condominium housing increased dramatically through the 1980s but waned throughout the 1990s. Prices started to rebound in 1999. By 2004, the median market value of single family homes, which comprise nearly 50 percent of the County's total housing units, rose dramatically to \$424,945, an increase of \$92,000 in two years. The median market value of townhouses also increased considerably to \$263,340 and apartment style condominium values increased to \$171,363. The 2004 average rental complex rent was \$1,157.

In FY 2006, Real Estate Tax revenue makes up nearly 60 percent of all General Fund Revenues

and residential properties comprise the majority of the value of the Real Estate Tax base. Thus, the residential housing market has a very strong impact 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 2004, as the median market value of all housing units is \$349,000 or 4.3 times the median household income of \$80,800.

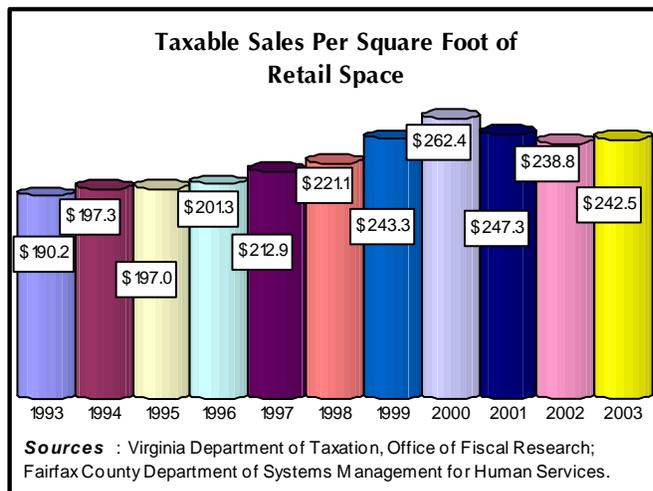
Nonresidential Space

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 1992, the total nonresidential gross floor area in Fairfax County has increased by 51.9 million square feet. Retail and office space have comprised most of this growth. Specifically, retail space increased by 10.8 million square feet and office space increased by 28.6 million square feet. Growth in the amount of nonresidential space in the County generally indicates an increase in the County's business base and thus, an increase in Real Estate Tax revenues. The impact on County revenues will also be influenced by factors such as vacancy rates and the income generating ability of the nonresidential space.



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Taxable Sales Per Square Foot of Retail Space



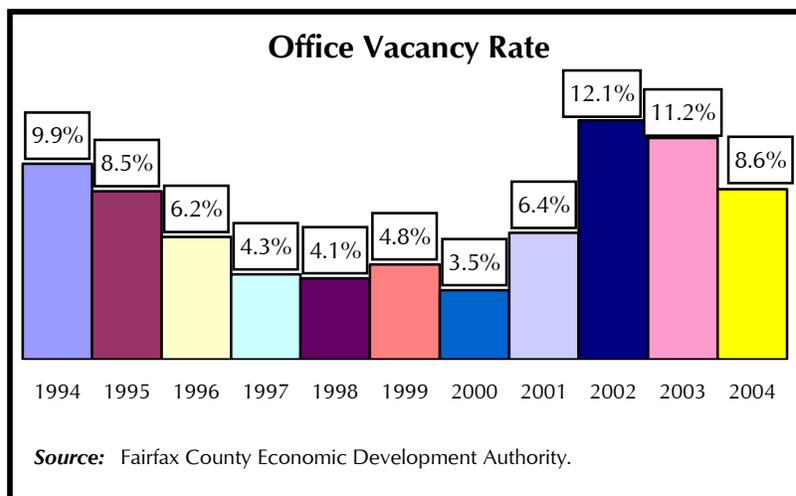
Taxable sales per square foot of retail space are an indicator of the health of the retail sales market in Fairfax County and a gauge of the income generating potential of retail space. After decreasing during the 1991-1992 recession, 1994 retail square footage returned to a level experienced in the late 1980s. In calendar year 1995, total taxable sales increased 2.2 percent but taxable sales per square foot of retail space exhibited a slight drop to \$197.0 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 \$262.4, or 33.2 percent. When adjusted for inflation, taxable sales per square foot of retail space

increased faster than inflation from 1997 to 2000. 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. After declining for two consecutive years in 2001 and 2002, taxable sales per square foot of retail space increased in 2003 to \$242.5. However, the 2003 level remains below the levels reached between 1999 and 2001.

Office Vacancy Rates

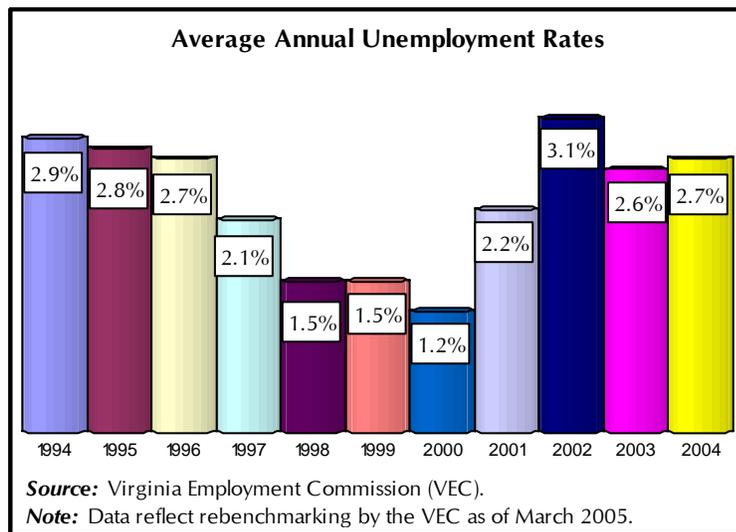
Due to overbuilding, Fairfax County had a glut of office space in the late 1980s and early 1990s. According to the Fairfax County Economic Development Authority, office vacancy rates peaked at 18.3 percent in 1990 and steadily declined through 2000 when the rate fell to 3.5 percent—the lowest office vacancy rate in more than 15 years. The low office vacancy rate was attributable to high demand for space especially by technology related firms during the “tech boom” of the late 1990s. The vacancy rate dropped in 2000 despite an increase in office



inventory of more than 5.2 million square feet over the year. By 2002, however, the office vacancy rate experienced more than a three-fold increase as a result of the economic slow-down, particularly in the technology sector. The vacancy rate improved in 2003, and again in 2004, declining to 8.6 percent – the first time in three years the office vacancy rate has dropped below double digits. The improved office vacancy rate is attributable to the growth in the defense contracting and government services industries. Various sub-markets in the County may have higher or lower vacancy rates. Including sublet space, the office vacancy rate for year-end 2004 is 11.6 percent, down from 15.6 percent at year-end 2003. These trends impact tax revenues from office properties, which comprised 44.8 percent of the gross floor area of all nonresidential property.

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Employment



Unemployment rates indicate the health of the Fairfax County economy by showing how many Fairfax County residents who desire to work cannot find employment. Residents of Fairfax County have experienced relatively low unemployment rates even during business cycle recessions. The annual unemployment rate in 2000 was 1.2 percent—the lowest rate in over a decade. Unemployment increased in 2002 to the highest level since 1994 due to the effects of September 11 and a decline in the technology sector. As the availability of jobs grew and employment increased due to a rebound in economic activity, primarily spurred by an increase in federal spending for contract services, the unemployment rate fell to 2.6 percent in 2003 and remained fairly stable at 2.7 percent in 2004.

At place employment provides an indication of the number of jobs generated by businesses in Fairfax County. 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 expanded by approximately 167,000 positions from 1993 to 2001 and unemployment rates fell dramatically. From 2001 to 2003, however, Fairfax County employment dropped 16,900. The declining trend in employment began to rebound in 2004, with the number of jobs increasing to approximately 533,600 as of March 2004. By the end of 2004, an estimated 25,000 jobs were created in Fairfax County.

