



Response to Questions on the 2016 LOBs

Request By: Supervisor Foust

Relevant LOB(s): N/A

Question: How is the Communications Sales and Use Tax distributed between the General Fund and other various funds? Are there restrictions on the distribution of the tax?

Response:

The Communications Sales and Use Tax is a 5 percent state tax instituted in FY 2007 that replaced local telephone and E-911 taxes and cable franchise fees. Of the total tax, the portion attributable to cable television service is directed to Fund 40030, Cable Communications. Prior to FY 2015, the remaining revenue was directed to Fund 40090, E-911 and the General Fund based on their relative share of the tax in FY 2006. However, to cover all the expenses in the E-911 Fund, a transfer from the General Fund was still required. To eliminate the need for a General Fund transfer, beginning in FY 2015, more Communications Sales and Use Tax revenue was directed to Fund 40090, E-911.

The Cable Communications Fund was established to provide accurate and auditable accounting of all cable revenues and cable-related expenses. While there is no legal requirement that Communications Sales and Use Tax revenues attributable to cable television service be segregated from other County funds, there are benefits to doing so. Segregating the Communications Sales and Use Tax revenue and Public, Educational, and Governmental capital access grants into a separate fund allows the County to audit and track those funds, matching them to expenses to demonstrate compliance with limitations on local franchising authority. The ability to match cable revenues and expenses shows a clear accounting of these funds and is also important as the County approaches franchise renewal negotiations in 2017-2020, when cable operators may seek to reduce their financial commitments to the County.

The Cable Communications Fund offsets General Fund expenses by providing annual funding for the Fairfax County Park Authority Showmobile program, Department of Human Resources Employee Lending Library for Video Instructional Services (ELLVIS), Fairfax County Police Department Assistant Producer position, Office of Public Affairs personnel and operating expenses, and Facilities Management Department maintenance of the cable production facility. The Cable Communications Fund also provides annual funding to the County Technology Infrastructure Services Fund (Fund 60030) to support staff and equipment costs related to construction of the I-Net, County Information Technology Fund (Fund 10040) to support multiple IT project requirements, County General Fund for compensation for staff and services provided by the County primarily for cable-related activities, and Fairfax County Public Schools for staff, services, and operating expenses.



As included in the FY 2017 Advertised Budget Plan, total Communications Sales and Use Taxes are projected to be \$76.3 million in FY 2017. Of the total tax, Cable Franchise Fees of \$18.3 million will be directed to the Cable Communications Fund. Of the remaining tax, \$42.0 million will be posted in the E-911 Fund and \$16.0 million will be posted to the General Fund in FY 2017. The distribution of the tax since FY 2015 is shown below.

Communications Sales Tax Revenue

Fund	FY 2015	FY 2016 Revised Budget Estimate	FY 2017 Advertised Budget Estimate
Fund 40030, Cable Communications	\$18,125,762	\$17,800,000	\$18,300,000
Fund 40090, E-911	40,294,990	41,320,122	42,012,354
General Fund	20,816,708	16,705,277	16,005,070
Total	\$79,237,460	\$75,825,399	\$76,317,424