

FY 2008 Third Quarter Review

Attachment II – General Fund Receipts / Transfers In

**SUMMARY OF GENERAL FUND REVENUE
AND TRANSFERS IN**

Category	FY 2007 Actual	FY 2008 Revised Budget Plan as of Carryover	FY 2008 Fall Estimate ¹	Increase/ (Decrease) Over the Revised	FY 2008 Third Quarter Budget Plan	Over the FY 2008 Fall Estimate	
						Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current and Delinquent	\$1,896,010,205	\$1,968,516,222	\$1,968,586,616	\$70,394	\$1,971,563,147	\$2,976,531	0.15%
Personal Property Taxes - Current and Delinquent ²	522,348,807	514,506,078	515,075,089	569,011	518,229,349	3,154,260	0.61%
Other Local Taxes	480,451,990	483,128,815	484,656,558	1,527,743	481,297,375	(3,359,183)	(0.69%)
Permits, Fees and Regulatory Licenses	30,778,483	33,530,341	27,412,072	(6,118,269)	27,412,072	0	0.00%
Fines and Forfeitures	14,834,607	15,221,557	15,943,295	721,738	14,629,327	(1,313,968)	(8.24%)
Revenue from Use of Money/Property	95,618,646	92,018,072	85,465,436	(6,552,636)	85,465,436	0	0.00%
Charges for Services	58,088,619	57,326,303	58,000,761	674,458	57,186,196	(814,565)	(1.40%)
Revenue from the Commonwealth and Federal Governments ²	131,022,823	118,804,705	119,210,000	405,295	129,193,752	9,983,752	8.37%
Recovered Costs/ Other Revenue	7,450,514	7,612,840	7,909,194	296,354	7,909,194	0	0.00%
Total Revenue	\$3,236,604,694	\$3,290,664,933	\$3,282,259,021	(\$8,405,912)	\$3,292,885,848	\$10,626,827	0.32%
Transfers In	2,408,050	2,530,299	2,530,299	0	2,530,299	0	0.00%
Total Receipts	\$3,239,012,744	\$3,293,195,232	\$3,284,789,320	(\$8,405,912)	\$3,295,416,147	\$10,626,827	0.32%

¹FY 2008 revenue estimates were revised as part of a fall 2007 review of revenues. Explanation of these changes can be found in the following narrative. These figures are included in the [FY 2009 Advertised Budget Plan](#).

²The portion of 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.

Total receipts, including Transfers In, are \$3,295,416,147 and reflect an increase of \$10,626,827 or 0.3 percent, over the FY 2008 Fall Estimate. FY 2008 Transfers In totaling \$2.5 million remain unchanged from the FY 2008 Fall Estimate.

As noted in the FY 2009 Advertised Budget Plan, a net decrease of \$8.4 million in revenue adjustments were made prior to Third Quarter during development of the FY 2009 Budget. These adjustments are reflected in the FY 2008 Fall Estimate discussed throughout this Attachment. The net decrease of \$8.4 million in adjustments includes \$9.4 million in additional revenue, more than offset by reductions totaling \$17.8 million. Increases include \$3.9 million in Personal Property Taxes as a result of a higher projected collection rate based on FY 2007 experience; \$2.9 million in Communication Sales and Use Taxes based on total receipts through the fall; \$0.9 million in Business, Professional and Occupational License (BPOL) tax revenues based on FY 2007 receipts and business trends expected in FY 2008; and a net increase of \$1.8 million in various categories based on higher than anticipated collections occurring during the first five months of FY 2008. The offsetting decrease includes a reduction of \$6.7 in Investment Interest due to a decline in projected yield; \$4.8 million in net delinquent collections based on trends and a large refund to be paid; \$5.5 million from Building Permits and Inspection Fees due to a decline in construction activity; \$0.6 million due to lower Cigarette Tax collections and \$0.3 million in Revenue from the Commonwealth based on locality funding cuts by the Governor. These adjustments are discussed in more detail in the following narrative. Any impact to FY 2009 revenue estimates from these FY 2008 adjustments is already included in the FY 2009 Advertised Budget Plan.

General Fund revenue included in the *FY 2008 Third Quarter Review* is increased a net \$10.6 million over the FY 2008 Fall Estimate. This increase is due to \$3.0 million in current Real Estate Taxes due to year-to-date supplemental assessments and exonerations; \$3.2 million in additional Personal Property tax collections; and \$9.9 million in Revenue from the Commonwealth / Federal Government which is primarily associated with expenditure requirements. These increases are partially offset by reductions of \$2.7 million in Recordation and Deed of Conveyance Tax receipts and \$0.8 million in County Clerk Fees due to the continued slowdown in the real estate market; a decrease of \$0.7 million in Cigarette Taxes; and a reduction of \$1.3 million in General District Court Fines. Overall, since FY 2007 Carryover, the FY 2008 estimate of revenues has increased a net \$2.2 million.

While revenue at year-end is not expected to differ significantly from the *FY 2008 Third Quarter Review* estimates, uncertainties do exist. For example, little information is available concerning BPOL as filings and payments are not due until March 1 with additional time required to process returns. Collections in categories such as Deed of Conveyance and Recordation Taxes, Clerk Fees and building and inspection have fallen during the fiscal year and could experience further weakening by year-end. These and all other revenue categories are closely monitored with respect to revenue collections and the effects of changes in economic activity. Any necessary FY 2009 revenue adjustments will be included in the Add-On Review.

REAL ESTATE TAX - CURRENT

FY 2007 Actual	FY 2008 Revised as of Carryover	FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
\$1,884,685,393	\$1,956,800,766	\$1,956,688,592	\$1,959,665,123	\$2,976,531	0.15%

The *FY 2008 Third Quarter Review* estimate for Current Real Estate Tax revenue of \$1,959,665,123 represents an increase of \$2,976,531 over the Fall Estimate. This increase is due to adjustments in supplemental assessments and exonerations.

During the fall 2007 revenue review, the estimate for Real Estate Taxes was reduced \$0.1 million due to increased participation in the Tax Relief Program for the Elderly and Disabled partially offset with

increases to supplemental assessments and Public Service Corporation (PSC) assessments. The estimate for Tax Relief was increased from \$27.6 million to \$28.4 million, representing a revenue reduction of \$0.8 million. Supplement assessments were higher than initially forecasted resulting in additional revenue of \$0.6 million. PSC revenue was increased \$0.1 million based on final information from the Commonwealth of Virginia.

The \$3.0 million increase in the *FY 2008 Third Quarter Review* estimate for Real Estate is due to FY 2008 exonerations being lower than forecasted resulting in an additional \$2.6 million in revenue. In addition, a \$0.4 million increase is associated with year-to-date supplemental assessments.

REAL ESTATE TAX - DELINQUENT

FY 2007 Actual	FY 2008 Revised as of Carryover	FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
\$11,324,812	\$11,715,456	\$11,898,024	\$11,898,024	\$0	0.00%

The *FY 2008 Third Quarter Review* estimate for Delinquent Real Estate Taxes of \$11,898,024 represents no change from the FY 2008 Fall Estimate. During the fall revenue review, the FY 2008 estimate for Delinquent Real Estate Taxes was increased \$182,568 based on collections-to-date and the current level of outstanding delinquent accounts.

PERSONAL PROPERTY TAX - CURRENT

	FY 2007 Actual	FY 2008 Revised as of Carryover	FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
Paid Locally	\$297,001,245	\$290,988,258	\$294,906,956	\$298,061,216	\$3,154,260	1.07%
Reimbursed by State	211,313,944	211,313,944	211,313,944	211,313,944	0	0.00%
Total	\$508,315,189	\$502,302,202	\$506,220,900	\$509,375,160	\$3,154,260	0.62%

The *FY 2008 Third Quarter Review* estimate for Current Personal Property Taxes of \$509,375,160 represents an increase of \$3,154,260 over the FY 2008 Fall Estimate. This increase is primarily due to a reduction in anticipated exonerations and an increase in the collection rate.

During the fall revenue review, the FY 2008 estimate for Personal Property Taxes was raised \$3.9 million primarily due to an increase in the projected taxpayer's collection rate from 97.3 percent to 98.0 percent based on FY 2007 experience. This increase was partially offset by a drop in vehicle levy as a result of fewer new vehicle purchases. Vehicle levy has continued to drop but has been more than offset by a decrease in exonerations and an increase in the collection rate based on year-to-date experience. An exoneration can occur when an individual has not notified the County that the vehicle has been sold or traded-in. Fewer vehicle sales has meant lower than projected exonerations during FY 2008. The collection rate has been impacted by the manner in which the County receives the State's share of the Personal Property Tax. One hundred percent of State funds are received in scheduled installments and reimbursement is no longer linked to the payment by the individual taxpayer. Overall, the FY 2008 Personal Property Tax is projected to increase 0.2 percent over FY 2007 receipts.

PERSONAL PROPERTY TAX - DELINQUENTS

FY 2007 Actual	FY 2008 Revised as of Carryover	FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
\$14,033,618	\$12,203,876	\$8,854,189	\$8,854,189	\$0	0.00%

The *FY 2008 Third Quarter Review* estimate for Delinquent Personal Property Taxes of \$8,854,189 represents no change from the FY 2008 Fall Estimate. As part of the fall revenue review, the FY 2008 estimate for Delinquent Personal Property Taxes was lowered \$3.3 million based on the high collection rate achieved in FY 2007 thereby reducing the amount of delinquent taxes owed to the County in the current fiscal year. In addition, due to the state capping Personal Property Tax reimbursements to localities in FY 2007 and beyond, no portion of the delinquent tax will be paid by the State to the County.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX - CURRENT

FY 2007 Actual	FY 2008 Revised as of Carryover	FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
\$132,541,948	\$137,999,352	\$138,903,962	\$138,903,962	\$0	0.00%

The *FY 2008 Third Quarter Review* estimate for Business, Professional and Occupational License (BPOL) Taxes of \$138,903,962 represents no change from the FY 2008 Fall Estimate. During the fall revenue review, the estimate for BPOL revenue was increased \$0.9 million based on an econometric model using calendar year Sales Tax receipts as a predictor. In FY 2007, BPOL receipts rose a moderate 5.9 percent. The majority of this increase was due to growth of 11.0 percent in the Consultant category, which represents over a quarter of total BPOL receipts. The Retail category, which makes up approximately 20 percent of total BPOL receipts, increased a slight 1.5 percent in FY 2007. The contraction of the real estate market took a toll on real estate related business. BPOL receipts from the combined Real Estate Broker and Money Lender categories fell 17 percent while the Builder and Developer component registered a steep decline of 38.1 percent in FY 2007. In FY 2008, BPOL receipts are projected to grow 4.8 percent due to moderating federal procurement spending and a continued decline in real estate related businesses.

Since businesses file and pay their BPOL Taxes simultaneously on March 1, there is little information about current collections. However, actual BPOL billing data for FY 2008 may be available in time to make any necessary adjustments to the FY 2009 estimate during the Add-on Review Process.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX - DELINQUENTS

FY 2007 Actual	FY 2008 Revised as of Carryover	FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
\$3,931,528	\$2,009,588	\$421,618	\$421,618	\$0	0.00%

The *FY 2008 Third Quarter Review* estimate for Delinquent BPOL revenue of \$421,618 represents no change from the FY 2008 Fall estimate. During the fall 2007 revenue review, the estimate for Delinquent BPOL revenue was lowered \$1.6 million as a result of a refund paid from delinquent collections for a settled court case.

RECORDATION/DEED OF CONVEYANCE TAXES

FY 2007 Actual	FY 2008 Revised as of Carryover	FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
\$41,658,070	\$33,304,953	\$33,304,953	\$30,636,192	(\$2,668,761)	(8.01%)

The *FY 2008 Third Quarter Review* estimate for Deed of Conveyance and Recordation Taxes of \$30,636,192 reflects a decrease of \$2.7 million from the FY 2008 Fall Estimate. Deed of Conveyance Taxes are projected to be \$6,631,078 and Recordation Taxes are projected to be \$24,005,114.

The FY 2008 combined estimate for Deed of Conveyance and Recordation Taxes represents a decrease of 26.5 percent from FY 2007 receipts. The estimate was not revised during the fall 2007 review of revenue because combined collections were down 18.2 percent through November. Since the fall review, the rate of decline for Recordation and Deed of Conveyance Tax receipts has steadily weakened. Through the first seven months of FY 2008, Recordation and Deed of Conveyance Tax receipts are down a combined 23.8 percent. Collections for Recordation Taxes receipts have posted sharp declines in each of the last three months falling in excess of 36 percent due to a significant drop in mortgage refinancing activity. As a result, the estimate for Deed of Conveyance and Recordation Taxes has been reduced \$2.7 million as part of the *FY 2008 Third Quarter Review*.

CIGARETTE TAX

FY 2007 Actual	FY 2008 Revised as of Carryover	FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
\$9,818,764	\$10,381,450	\$9,818,764	\$9,128,342	(\$690,422)	(7.03%)

The *FY 2008 Third Quarter Review* estimate for Cigarette Tax Revenue of \$9,128,342 represents a decrease of \$0.7 million, or 7.0 percent from the FY 2008 Fall Estimate. Since FY 2005 when Fairfax County raised the Cigarette Tax rate to 30 cents per pack, receipts have declined. In FY 2007, Cigarette Tax collections fell 5.4 percent and during the fall review, the estimate for Cigarette Taxes was reduced \$0.6 million to the FY 2007 level. Collections have declined further and through February 2008 are down 7.0 percent compared to the corresponding period of FY 2007. Therefore, the estimate for Cigarette Tax revenue has been lowered an additional \$690,422 as part of the *FY 2008 Third Quarter Review*.

COMMUNICATIONS TAX

	FY 2008		FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
	FY 2007 Actual	Revised as of Carryover				
Telephone Utility Tax	\$7,348,570	\$0	\$0	\$0	\$0	-
Mobile Telephone Tax	20,454,258	\$0	0	0	0	-
Communications Tax	20,847,380	53,949,026	56,872,048	56,872,048	0	0.00%
Total	\$48,650,208	\$53,949,026	\$56,872,048	\$56,872,048	\$0	0.00%

The *FY 2008 Third Quarter Review* estimate the Communications Tax is \$56,872,048, and represents no change from the FY 2008 Fall Estimate based on current year-to-date collections. This statewide tax was first implemented in January 2007 after the 2006 Virginia General Assembly session approved legislation that changed the way in which taxes are levied on communications services. Based on this legislation, local taxes on land line and wireless telephone services were replaced with a 5 percent Statewide Communication Sales and Use Tax. In addition to the communications services previously taxed, the 5 percent Communication Sales and Use Tax applies to satellite television and radio services, internet calling and long-distance telephone charges. As part of this legislation, local E-911 fees were repealed and replaced with a statewide \$0.75 per line fee. These rates were meant to provide revenue neutrality with FY 2006 receipts. All communications taxes are remitted to the State for distribution to localities based on the locality's share of total statewide FY 2006 collections of these taxes. Fairfax County's share has been set at 18.93 percent.

During the 2007 fall review, the FY 2008 estimate was increased \$2.9 million due to back taxes paid by communication providers. In the fall of 2007, the Virginia Department of Taxation learned that errors in reporting the tax by two large communications providers had resulted in an under-collection of the statewide tax during FY 2007 and part of FY 2008. These providers remitted back taxes and have rectified the problem going forward. From this correction alone, Fairfax County received \$1.4 million in back taxes. In addition, audits conducted by the state have resulted in additional statewide and County revenue.

PERMITS, FEES AND REGULATORY LICENSES

FY 2007 Actual	FY 2008		FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
	Revised as of Carryover	FY 2008 Fall Estimate			
\$30,778,483	\$33,530,341	\$27,412,072	\$27,412,072	\$0	0.00%

The *FY 2008 Third Quarter Review* estimate for Permits, Fees and Regulatory Licenses is \$27,412,072, and represents no change from the FY 2008 Fall Estimate. During the fall 2007 revenue review, the FY 2008 estimate for Permits, Fee and Regulatory Licenses was reduced \$6.1 million due to a decline in construction activity in the County. During the first half of FY 2008, the number of new residential building permits issued declined over 25 percent and the number of nonresidential permit issuances fell by nearly two-thirds. At the fall review, Land Development Building and Inspection fees were lowered \$5.5 million, while Fire Marshal and Zoning Fees were decreased \$0.6 million and \$0.2 million, respectively.

FINES AND FORFEITURES

FY 2007 Actual	FY 2008 Revised as of Carryover	FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
\$14,834,607	\$15,221,557	\$15,943,295	\$14,629,327	(\$1,313,968)	(8.24%)

The *FY 2008 Third Quarter Review* estimate for Fines and Forfeitures of \$14,629,327 represents a decrease of \$1.3 million from the FY 2008 Fall Estimate. The decrease is attributable to lower than anticipated General District Court Fines. Through the first eight months of FY 2008, receipts from General District Court Fines are down nearly 15 percent compared to the same period of FY 2007.

During the fall 2007 revenue review, the FY 2008 estimate for Fines and Forfeitures was raised a net \$0.7 million primarily due to an increase of \$0.5 million in administrative fees charged for collection of delinquent taxes based on collections trends and the level attained in FY 2007.

INTEREST ON INVESTMENTS

FY 2007 Actual	FY 2008 Revised as of Carryover	FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
\$92,075,833	\$88,777,592	\$82,086,892	\$82,086,892	\$0	0.00%

The *FY 2008 Third Quarter Review* estimate for Interest on Investments of \$82,086,892 reflects no change from the FY 2008 Fall Estimate. During the fall revenue review, the FY 2008 estimate for Interest on Investment was reduced \$6.7 million based on a projected lower yield as a result of Federal Reserve action during the fall of 2007. In September and October 2007, the Fed dropped the federal funds rate from the 5.25 percent set in June 2006 by 50 basis points and 25 basis points, respectively. Thus, the projected average yield earned on County investments was lowered from 5.10 percent to 4.53 percent during the fall revenue review. Although the Federal Reserve reduced the federal funds rate further to 3.0 percent in January 2008, no change to the Investment Interest estimate is being made as part of the *FY 2008 Third Quarter Review* due to higher interest bearing instruments purchased prior to the January rate cut that will mature in the latter part of FY 2008.

CHARGES FOR SERVICES

FY 2007 Actual	FY 2008 Revised as of Carryover	FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
\$58,088,619	\$57,326,303	\$58,000,761	\$57,186,196	(\$814,565)	(1.40%)

The *FY 2008 Third Quarter Review* estimate for Charges for Services of \$57,186,196 represents a decrease of \$0.8 million from the FY 2008 Fall Estimate due to a reduction in estimated County Clerk Fees based lower than expected receipts as a result of the declining real estate market.

During the fall 2007 revenue review, the FY 2008 Charges for Service estimate was raised a net \$0.7 million primarily due to increases of \$0.9 million in EMS Transport fees and \$0.1 million in Employee Child Care Center fees based on year-end FY 2007 receipts and collection trends. These increases were partially offset with a reduction of \$0.4 million in Police Reimbursement fees mainly due to a decline in service requests from the Virginia Department of Transportation.

RECOVERED COSTS / OTHER REVENUE

FY 2007 Actual	FY 2008 Revised as of Carryover	FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
\$7,450,514	\$7,612,840	\$7,909,194	\$7,909,194	\$0	0.00%

The *FY 2008 Third Quarter Review* estimate for Recovered Costs/Other Revenue of \$7,909,194 represents no change from the FY 2008 Fall Estimate. During the fall revenue review, the estimate for Recovered Cost/Other Revenue was raised a net \$0.3 million primarily due to an increase of \$666,185 in reimbursements for the deployment of Fire and Rescue personnel to the Gulf Region for hurricane disaster relief as part of an Emergency Management Assistance Compact mission. Partially offsetting this increase was a decrease of \$273,156 in Inmate Room and Board reimbursements based on prior year actual receipts and year-to-date collections.

REVENUE FROM THE COMMONWEALTH / FEDERAL GOVERNMENT¹

FY 2007 Actual	FY 2008 Revised as of Carryover	FY 2008 Fall Estimate	FY 2008 Third Quarter	Increase/ (Decrease)	Percent Change
\$131,022,823	\$118,804,705	\$119,210,000	\$129,193,752	\$9,983,752	8.37%

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 - Current" heading in this section.

The *FY 2008 Third Quarter Review* estimate for Revenue from the Commonwealth and Federal Government represents an increase of \$9,983,752, or 8.4 percent, over the FY 2008 Fall Estimate. Of this increase, \$3.0 million is associated with additional state revenue for the Comprehensive Services Act due increases in the number and cost of youth served; \$2.8 million is for Foster Care and Adoption services; and federal revenue of \$2.2 million is for the Child Care Assistance and Referral program. Also, \$0.6 million in additional state and federal funding is for various programs including auxiliary grants, Brain Injury Services, Language Translation Services and the Healthy Families Fairfax program. More information regarding these changes can be found in the Administrative Adjustment section. The \$8.6 million in additional revenue listed above will be fully offset with increased expenditure requirements. In addition, an increase of \$1.4 million is associated with federal reimbursement for holding illegal criminal aliens in the County under the State Criminal Alien Assistance Program (SCAAP). This revenue will be offset with an expenditure increase of \$175,000 in consultant fees for procuring the County's share of funds.

As part of the fall 2007 revenue review, the FY 2008 estimate for revenue from the Commonwealth and Federal Government was increased a net \$0.4 million primarily due to additional funding of \$0.5 million for the reimbursement from the Commonwealth for Health Department expenses based on the first

quarterly payment received by the County. In addition, the revenue estimate for State Share of Adult Detention Center costs was raised \$0.2 million based on current reimbursement trends. Partially offsetting these positive revenue adjustments were decreases totaling \$0.3 million as a result of funding reductions from the Commonwealth due to an estimated state revenue shortfall in FY 2008. The FY 2008 revenue estimates for Law Enforcement funding (HB 599) and Library State Aid were reduced 5.0 percent, or \$0.2 million and \$22,915, respectively. Also, funding for juvenile justice services was reduced 2.5 percent, or \$90,964 for Fairfax County.