

FY 2010 Third Quarter Review

Attachment II – General Fund Receipts

SUMMARY OF GENERAL FUND REVENUE

Category	FY 2009 Actual	FY 2010 Revised Budget Plan as of FY 2009 Carryover	FY 2010 Fall Estimate ¹	Increase/ (Decrease)	FY 2010 Third Quarter Budget Estimate	Over the FY 2010 Fall Estimate	
						Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current and Delinquent	\$2,047,846,868	\$2,113,946,342	\$2,113,946,342	\$0	\$2,113,946,342	\$0	0.00%
Personal Property Taxes - Current and Delinquent ²	527,727,380	493,345,053	494,370,727	1,025,674	498,011,842	3,641,115	0.74%
Other Local Taxes	460,416,709	449,147,701	447,117,254	(2,030,447)	444,517,254	(2,600,000)	-0.58%
Permits, Fees and Regulatory Licenses	24,494,049	32,575,391	27,676,152	(4,899,239)	27,676,152	0	0.00%
Fines and Forfeitures	16,444,077	17,426,083	16,770,919	(655,164)	16,770,919	0	0.00%
Revenue from Use of Money/Property	40,013,890	14,162,838	23,696,206	9,533,368	23,696,206	0	0.00%
Charges for Services	61,862,075	62,150,200	62,871,212	721,012	62,871,212	0	0.00%
Revenue from the Commonwealth and Federal Governments ²	144,409,928	126,389,280	122,557,754	(3,831,526)	124,734,609	2,176,855	1.78%
Recovered Costs/ Other Revenue	8,449,508	7,522,999	7,659,321	136,322	7,659,321	0	0.00%
Total Revenue	\$3,331,664,484	\$3,316,665,887	\$3,316,665,887	\$0	\$3,319,883,857	\$3,217,970	0.10%
Transfers In	44,984,635	12,122,151	12,122,151	0	12,122,151	0	0.00%
Total Receipts	\$3,376,649,119	\$3,328,788,038	\$3,328,788,038	\$0	\$3,332,006,008	\$3,217,970	0.10%

¹ The FY 2010 revenue estimates were revised as part of a fall 2009 review of revenues. Explanations of these changes can be found in the following narrative.

² The 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 FY 2010 Third Quarter revenues are estimated at \$3,319,883,857 and reflect an increase of \$3,217,970, or 0.10 percent, over the FY 2010 Fall Estimate and the *FY 2009 Carryover Review* estimate.

As noted in the FY 2011 Advertised Budget Plan, revenue adjustments were made in some revenue categories prior to Third Quarter during the development of the FY 2011 budget, with no net change to total revenues. In the fall, estimates for categories affected by the economic downturn were reduced. Downward adjustments were made for categories such as Sales Taxes, Transient Occupancy and Land Development Services' building permits and inspection fees. Revenue from the Commonwealth and Federal Government was decreased primarily as a result of state funding reductions. Other categories were adjusted upward including Interest on Investments as a result of higher than anticipated annual yield and Recordation and Deed of Conveyance Taxes due to an increase in mortgage activity attributable to the homebuyer tax credit program. These and other adjustments are reflected in the FY 2010 Fall Estimate discussed throughout this Attachment. Any impact to FY 2011 revenue estimates from these FY 2010 adjustments is already included in the FY 2011 Advertised Budget Plan.

General Fund revenue estimates included in the *FY 2010 Third Quarter Review* are increased \$3.2 million over the FY 2010 Fall Estimate. This increase is the net result of a \$3.6 million increase in Personal Property Tax due to lower exonerations and higher Public Service Corporations (PSC) levy and an increase in reimbursement from the Commonwealth and Federal Governments associated with increased expenditure requirements. These increases are partially offset by a decrease of \$2.6 million in BPOL Delinquent taxes due to refunds in the current fiscal year.

Current economic conditions make revenue forecasting challenging. Although the economy expanded in the third and fourth quarters of 2009 after declining in the previous four quarters, the strength and sustainability of the recovery is not certain and is unlikely to yield significant expansion in the near term.

Little information is available concerning Business, Professional, and Occupational Licenses (BPOL), since filings and payments are not due until March 1, with additional time required to process returns. Staff has remained cautious that economic conditions may not improve in the remainder of the year. All revenue categories are closely monitored with respect to revenue collections and the effects of changes in economic activity. Any necessary FY 2011 revenue adjustments will be included in the Add-On Review.

PERSONAL PROPERTY TAX-CURRENT

FY 2009 Actual	FY 2010 Revised as of FY 2009 Carryover	FY 2010 Fall Estimate	FY 2010 Third Quarter	Increase/ (Decrease)	Percent Change
\$516,476,095	\$484,051,465	\$485,077,139	\$488,718,254	\$3,641,115	0.75%

The *FY 2010 Third Quarter Review* estimate for Current Personal Property Taxes of \$488,718,254 represents an increase of \$3.6 million over the FY 2010 Fall Estimate due to lower exonerations and higher Public Service Corporation levy. As part of the fall 2009 revenue review, the FY 2010 estimate for Current Personal Property Taxes was increased \$1.0 million primarily due to higher business levy. Despite these increases, the overall projection for FY 2010 Personal Property Taxes remains below the FY 2009 level by 5.4 percent.

LOCAL SALES TAX

FY 2009 Actual	FY 2010 Revised as of FY 2009 Carryover	FY 2010 Fall Estimate	FY 2010 Third Quarter	Increase/ (Decrease)	Percent Change
\$153,852,596	\$152,245,787	\$145,763,329	\$145,763,329	\$0	0.00%

The *FY 2010 Third Quarter Review* estimate for Sales Tax of \$145,763,329 represents no change from the FY 2010 Fall Estimate. As part of the fall 2009 revenue review, the FY 2010 estimate for Sales Tax receipts was lowered \$6.5 million based on collection trends and signs of continued weakness in consumer spending. The FY 2010 estimate represents a projected drop of 5.3 percent from the FY 2009 level. Year-to-date collections through February 2010 are down 5.1 percent. However, holiday spending was especially weak, with collections from December 2009 retail sales down 7.4 percent.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2009 Actual	FY 2010 Revised as of FY 2009 Carryover	FY 2010 Fall Estimate	FY 2010 Third Quarter	Increase/ (Decrease)	Percent Change
\$139,987,138	\$130,134,489	\$136,431,465	\$136,431,465	\$0	0.00%

The *FY 2010 Third Quarter Review* estimate for Business, Professional and Occupational License (BPOL) Taxes of \$136,431,465 represents no change from the FY 2010 Fall Estimate. Since County businesses file and pay their BPOL taxes simultaneously on March 1 each year based on their gross receipts during the previous calendar year, little actual data is available at this time to help estimate FY 2010 receipts; therefore, the County relies on econometric models in order to project BPOL revenue. During the fall 2009 revenue review, the FY 2010 estimate for BPOL was increased \$6.3 million, which reflects a decrease of 2.5 percent from the FY 2009 level. This estimate is based on an econometric model that uses calendar year Sales Tax receipts and professional employment as predictors. In FY 2009, BPOL receipts, which were based on the gross receipts of businesses in calendar year 2008, were up just 1.2 percent over FY 2008. This modest rate of growth reflects the downturn in the local economy late in calendar year 2008. The estimated reduction of 2.5 percent in FY 2010 reflects the steeper decline in economic activity during calendar year 2009.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-DELINQUENT

FY 2009 Actual	FY 2010 Revised as of FY 2009 Carryover	FY 2010 Fall Estimate	FY 2010 Third Quarter	Increase/ (Decrease)	Percent Change
\$2,560,310	\$3,040,375	\$2,041,264	(\$558,736)	(\$2,600,000)	-127.37%

The *FY 2010 Third Quarter Review* estimate for Delinquent BPOL revenue of negative \$558,736 represents a decrease of \$2.6 million from the FY 2010 Fall Estimate. This negative estimate means that refunds will exceed the amount of delinquent taxes collected. The \$2.6 million decrease is the result of refunds that have been processed in the current fiscal year primarily associated with business reclassifications from the Consultant category to the Business Services category. During the fall 2009 revenue review, the estimate for Delinquent BPOL revenue was lowered \$1.0 million based on tax receivables and historical collection trends.

RECORDATION/DEED OF CONVEYANCE TAXES

FY 2009 Actual	FY 2010 Revised as of FY 2009 Carryover	FY 2010 Fall Estimate	FY 2010 Third Quarter	Increase/ (Decrease)	Percent Change
\$25,035,225	\$20,767,592	\$24,714,902	\$24,714,902	\$0	0.00%

The *FY 2010 Third Quarter Review* estimate for Deed of Conveyance and Recordation Taxes of \$24,714,902 reflects no change from the FY 2010 Fall Estimate. Deed of Conveyance Taxes are projected to be \$4,569,418 and Recordation Taxes are projected to be \$20,145,484.

As part of the fall 2009 revenue review, the FY 2010 estimate for Deed of Conveyance and Recordation Taxes was revised upward \$3.9 million based on higher collections due to increased home sales attributable to federal tax credits for homebuyers and favorable mortgage interest rates which has increased mortgage refinancing. The FY 2010 combined estimate for Deed of Conveyance and Recordation Taxes represents a slight decrease of 1.3 percent from FY 2009 receipts. While current collections are up 7.0 percent, the expiration of the federal homebuyer tax credit program as of April 1, 2010 is expected to reduce receipts during the remainder of the fiscal year.

TRANSIENT OCCUPANCY TAX

FY 2009 Actual	FY 2010 Revised as of FY 2009 Carryover	FY 2010 Fall Estimate	FY 2010 Third Quarter	Increase/ (Decrease)	Percent Change
\$18,097,701	\$19,499,206	\$18,097,701	\$18,097,701	\$0	0.00%

The *FY 2010 Third Quarter Review* estimate for Transient Occupancy Tax of \$18,097,701 reflects no change from the FY 2010 Fall Estimate. During the fall 2009 revenue review, the estimate for Transient Occupancy Taxes was reduced \$1.4 million to the same level of receipts as FY 2009 based on collections through December 2009. Transient Occupancy Taxes are paid quarterly by hotels.

CIGARETTE TAX

FY 2009 Actual	FY 2010 Revised as of FY 2009 Carryover	FY 2010 Fall Estimate	FY 2010 Third Quarter	Increase/ (Decrease)	Percent Change
\$9,463,536	\$9,498,075	\$9,051,472	\$9,051,472	\$0	0.00%

The *FY 2010 Third Quarter Review* estimate for Cigarette Tax revenue of \$9,051,472 represents no change from the FY 2010 Fall Estimate. During the fall 2009 revenue review, the estimate for Cigarette Tax receipts was reduced \$0.4 million based on historical collection trends reflecting declining receipts. Cigarette Tax revenue fell 3.3 percent in FY 2008, and another 0.4 percent in FY 2009. Cigarette tax collections have continued to decline in the current fiscal year and are down 4.3 percent through February 2010, the same rate of decrease assumed in the *FY 2010 Third Quarter Review* estimate.

COMMUNICATIONS SALES AND USE TAX

FY 2009 Actual	FY 2010 Revised as of FY 2009 Carryover	FY 2010 Fall Estimate	FY 2010 Third Quarter	Increase/ (Decrease)	Percent Change
\$53,805,974	\$55,847,373	\$52,690,102	\$52,690,102	\$0	0.00%

The *FY 2010 Third Quarter Review* estimate for the Communications Tax is \$52,690,102, and represents no change from the FY 2010 Fall Estimate. This is a statewide tax of 5.0 percent on communication services, such as land line and wireless telephone services. The tax also includes a statewide \$0.75 per line E-911 fee. 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.

In FY 2009, the Virginia Department of Taxation determined that taxes totaling \$21.3 million statewide should be refunded because taxes had been collected by service providers from entities that should have been tax exempt. These refunds were made over four months spanning FY 2009 and FY 2010. Fairfax County's share of the refunds was approximately \$4.0 million. During the 2009 fall revenue review, the FY 2010 estimate was reduced \$2.9 million to account for refunds that occurred in FY 2010 and lower monthly receipts resulting from the correction of the previous over-collection of taxes.

PERMITS, FEES AND REGULATORY LICENSES

FY 2009 Actual	FY 2010 Revised as of FY 2009 Carryover	FY 2010 Fall Estimate	FY 2010 Third Quarter	Increase/ (Decrease)	Percent Change
\$24,494,049	\$32,575,391	\$27,676,152	\$27,676,152	\$0	0.00%

The *FY 2010 Third Quarter Review* estimate for Permits, Fees and Regulatory Licenses is \$27,676,152, and represents no change from the FY 2010 Fall Estimate. During the fall 2009 revenue review, the FY 2010 estimate for Permits, Fees and Regulatory Licenses estimate was lowered \$4.9 million primarily due to a decrease in the estimate for Land Development Services (LDS) fees based on declining construction activity in the County. Revenue from LDS fees, which were raised as of July 1, 2009, has not increased to the level expected due to the continued weakness in the real estate market and the construction industry. Fees were expected to generate an increase of nearly 31 percent. However, permits for new nonresidential construction are down 34 percent and new residential permits are down 18 percent.

Fiscal year-to-date through January 2010, LDS fee revenue is up 5.3 percent, the same rate assumed in the *FY 2010 Third Quarter Review* estimate.

FINES AND FORFEITURES

FY 2009 Actual	FY 2010 Revised as of FY 2009 Carryover	FY 2010 Fall Estimate	FY 2010 Third Quarter	Increase/ (Decrease)	Percent Change
\$16,444,077	\$17,426,083	\$16,770,919	\$16,770,919	\$0	0.00%

The *FY 2010 Third Quarter Review* estimate for Fines and Forfeitures of \$16,770,919 represents no change from the FY 2010 Fall Estimate. As part of the fall 2009 revenue review, the FY 2010 estimate for Fines and Forfeitures was reduced a net \$0.7 million primarily due to a decrease of \$0.2 million in Parking Violations revenue based on current collection trends. A decrease of \$0.5 million in False Security Alarm Violations was based on a lower than projected number of false alarms due in part to implementation of a new graduated fee schedule which increased fines especially for more than nine false alarms per year.

INVESTMENT INTEREST

FY 2009 Actual	FY 2010 Revised as of FY 2009 Carryover	FY 2010 Fall Estimate	FY 2010 Third Quarter	Increase/ (Decrease)	Percent Change
\$36,460,012	\$10,432,972	\$19,994,610	\$19,994,610	\$0	0.00%

The *FY 2010 Third Quarter Review* estimate for revenue from Investment Interest of \$19,994,610 reflects no change from the FY 2010 Fall Estimate. During the fall 2009 revenue review, the FY 2010 estimate for Investment Interest was increased \$9.6 million based on higher than projected annual yield. The estimated annual yield was raised from 0.50 percent to 0.94 percent due to investments that matured early in the fiscal year at rates higher than what are currently available.

CHARGES FOR SERVICES

FY 2009 Actual	FY 2010 Revised as of FY 2009 Carryover	FY 2010 Fall Estimate	FY 2010 Third Quarter	Increase/ (Decrease)	Percent Change
\$61,862,075	\$62,150,200	\$62,871,212	\$62,871,212	\$0	0.00%

The *FY 2010 Third Quarter Review* estimate for Charges for Services of \$62,871,212 reflects no change from the FY 2010 Fall Estimate. During the fall 2009 revenue review, the FY 2010 Charges for Services estimate was increased a net \$0.7 million. The FY 2010 estimate for County Clerk Fees was increased \$1.9 million, which reflects the increase in home purchases and mortgage refinancing. Offsetting this increase was a decrease in Emergency Medical Transports fee revenue of \$1.0 million based on FY 2010 receipts. A net decrease of \$0.2 million was the result of adjustments in various categories to reflect FY 2009 actual receipts and FY 2010 collection trends.

REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT¹

FY 2009 Actual	FY 2010 Revised as of FY 2009 Carryover	FY 2010 Fall Estimate	FY 2010 Third Quarter	Increase/ (Decrease)	Percent Change
\$144,409,928	\$126,389,280	\$122,557,754	\$124,734,609	\$2,176,855	1.78%

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 2010 Third Quarter Review* estimate for Revenue from the Commonwealth and Federal Government of \$124,734,609 reflects an increase of \$2,176,855, or 1.8 percent, over the FY 2010 Fall Estimate. This increase is associated with additional reimbursement for the Comprehensive Services Act Program and the Child Care and Assistance Program, which will be entirely offset with increased expenditures.

During the fall 2009 revenue review, Revenue from the Commonwealth and Federal Government was reduced a net \$3.8 million. The economic downturn has negatively impacted state revenue and state budget proposals significantly reduce aid to localities. Reductions proposed for FY 2010 include state aid to localities with Police Departments (HB 599) and reductions in state supported salaries from the Compensation Board. Due to the uncertainty of state funding for the remainder of the fiscal year, the reserve for state reductions was increased an additional \$3.2 million to \$8.4 million. During the fall revenue review, revenue was also decreased \$0.6 million for the elimination of FASTRAN services for some Medicaid reimbursed riders as approved in the FY 2010 Adopted Budget Plan.