

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

Category	FY 2001 Actual	FY 2002 Adopted Budget Plan	FY 2002 Revised Budget Plan <sup>1</sup>	FY 2002 Third Quarter Review	Over the FY 2002 Revised Budget Plan	
					Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current and Delinquent	\$1,085,995,525	\$1,226,142,926	\$1,228,741,132	\$1,229,727,617	\$986,485	0.08%
Personal Property Taxes - Current and Delinquent <sup>2</sup>	437,316,910	446,181,232	465,524,351	467,940,919	2,416,568	0.52%
Other Local Taxes	360,365,264	372,204,163	361,055,120	353,859,015	(7,196,105)	-1.99%
Permits, Fees and Regulatory Licenses	31,908,008	33,892,369	29,577,912	28,990,840	(587,072)	-1.98%
Fines and Forfeitures	9,116,533	11,595,781	10,128,862	10,024,451	(104,411)	-1.03%
Revenue from Use of Money/Property	58,939,714	44,674,492	26,105,350	27,838,356	1,733,006	6.64%
Charges for Services	32,751,935	33,000,331	33,901,792	34,109,394	207,602	0.61%
Revenue from the Commonwealth and Federal Government <sup>2</sup>	119,545,408	132,191,413	132,263,939	128,085,410	(4,178,529)	-3.16%
Recovered Costs/ Other Revenue	5,434,555	5,778,390	5,582,309	5,582,309	0	0.00%
<b>Total Revenue</b>	<b>\$2,141,373,852</b>	<b>\$2,305,661,097</b>	<b>\$2,292,880,767</b>	<b>\$2,286,158,311</b>	<b>(\$6,722,456)</b>	<b>-0.29%</b>
Transfers In	1,683,800	2,914,594	2,914,594	4,614,594	1,700,000	58.33%
<b>Total Receipts</b>	<b>\$2,143,057,652</b>	<b>\$2,308,575,691</b>	<b>\$2,295,795,361</b>	<b>\$2,290,772,905</b>	<b>(\$5,022,456)</b>	<b>-0.22%</b>

<sup>1</sup>The *FY 2002 Revised Budget Plan* reflects a Carryover increase of \$0.1 million and a net reduction of \$12.9 million made prior to Third Quarter as part of the FY 2003 Advertised Budget Plan process.

<sup>2</sup> 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 receipts, including Transfers In, are \$2,290,772,905 and reflect a decrease of \$5,022,456 or 0.2 percent from the *FY 2002 Revised Budget Plan*. FY 2002 Transfers In total \$4.6 million. The increase in Transfers In represents an additional transfer of \$1.7 million from the Department of Vehicle Services' Vehicle Replacement Reserve based on actual replacement requirements. As noted in the FY 2003 Advertised Budget Plan, \$12.9 million in revenue adjustments were made prior to Third Quarter during development of the FY 2003 Advertised Budget Plan. FY 2002 revenue estimates were refined during the fall in order to develop FY 2003 revenue estimates. These adjustments are reflected in the *FY 2002 Revised Budget Plan* estimates discussed throughout this Attachment. The net decrease of \$12.9 million in adjustments made prior to Third Quarter was primarily due to a projected reduction in Interest on Investments of \$18.6 million, decreased Sales

Tax receipts of \$14.6 million, and a decrease of \$4.3 million in Permits, Fees, and Regulatory Licenses. These decreases were offset by increases in Personal Property Tax revenues of \$19.3 million, an increase in Real Estate Taxes of \$2.6 million, and a \$4.3 million increase in Deed of Conveyance and Recordation Taxes. The changes made prior to Third Quarter are discussed in this Attachment along with the *FY 2002 Third Quarter Review* adjustments.

The net *FY 2002 Third Quarter Review* decrease in total General Fund revenue of \$6.7 million is due primarily to lower projections for Sales Tax receipts and Revenue from the Commonwealth as a result of the State's budget shortfall. In addition, Revenue from the Commonwealth and Federal Government associated with Public Assistance programs is reduced and will be met with reduced expenditures. These decreases are partially offset by an increase of \$2.6 million in Revenue from the Federal Government and in various other revenue categories. In total, the FY 2002 revenue estimates reflect a net decrease of \$19.5 million or 0.8 percent from the FY 2002 Adopted Budget Plan.

A number of revenue categories are extremely sensitive to economic conditions and there is the potential that actual receipts may deviate from the revenue estimates included in this Attachment. For example, Sales Tax receipts have declined in 11 out of the last 12 months when compared to the same month the prior year. Any worsening in the rate of decrease would further reduce revenue. In addition, it is uncertain how the 3.0 percent expenditure reductions across State agencies will impact revenue from the State during the remainder of the fiscal year. These and all other revenue categories are closely monitored with respect to revenue collections and economic activity impacts. Any necessary FY 2003 revenue adjustments will be included in the Add-on Review.

<b>REAL ESTATE TAX REVENUES</b>
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**REAL ESTATE TAX-CURRENT**

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Third Quarter	Increase/ (Decrease)	Percent Change
\$1,079,282,128	\$1,219,263,688	\$1,221,861,894	\$1,222,848,379	\$986,485	0.08%

The *FY 2002 Third Quarter Review* estimate of \$1,222,848,379 for Current Real Estate Tax revenue represents an increase of \$986,485, or 0.1 percent, over the *FY 2002 Revised Budget Plan* estimate and is the result of an increase in anticipated supplemental assessments from \$469.6 million to \$550.2 million. The estimate for Real Estate Taxes was increased a net \$2.6 million as part of the fall revenue review due to refinements to estimates of exonerations, supplemental assessments, and tax relief based on the number of applicants. No change has been made to the anticipated Real Estate collection rate of 99.50 percent, the same rate incorporated in the FY 2003 Advertised Budget Plan estimate.

**PERSONAL PROPERTY TAXES – CURRENT AND DELINQUENT**

The *FY 2002 Third Quarter Review* estimate for Personal Property Taxes represents an increase of \$2,416,568 over the *FY 2002 Revised Budget Plan* and is due to increases in both Current and Delinquent Personal Property Taxes.

**PERSONAL PROPERTY TAX-CURRENT**

	<b>FY 2001 Actual</b>	<b>FY 2002 Adopted</b>	<b>FY 2002 Revised</b>	<b>FY 2002 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
Paid Locally	\$308,716,530	\$240,158,540	\$259,501,659	\$260,997,837	\$1,496,178	0.58%
Reimbursed by State	118,792,536	197,822,133	197,822,133	197,822,133	0	0.00%
<b>Total</b>	<b>\$427,509,066</b>	<b>\$437,980,673</b>	<b>\$457,323,792</b>	<b>\$458,819,970</b>	<b>\$1,496,178</b>	<b>0.33%</b>

The *FY 2002 Third Quarter Review* estimate of \$458,819,970 for Current Personal Property Tax revenue represents an increase of \$1,496,178 over the *FY 2002 Revised Budget Plan* estimate. This category was increased \$19.3 million during the fall review of revenues primarily due to a significant increase in vehicle volume and a surge in new model vehicle purchases which resulted in a higher than expected vehicle levy. The projected increase in the vehicle component accounted for \$14.2 million of the total increase. In addition, the business component was increased \$9.3 million as a result of business expansion during calendar year 2000. Offsetting these increases were reductions due to an increase in exonerations that reduced the levy by \$1.1 million and a decrease in Public Service Corporation levy of \$1.1 million due to final figures from the State. In addition, a revenue reduction of \$2.0 million was associated with a decrease in the collection rate from 97.3 percent to 97.0 percent based on the FY 2001 actual rate.

The additional \$1.5 million included in the *FY 2002 Third Quarter Review* estimate represents a refinement of the levy estimate based on final billings reflected in Book III. These changes are not anticipated to impact the FY 2003 Advertised Budget Plan estimate. The collection rate included in the FY 2003 Advertised Budget Plan for Personal Property Taxes is consistent with the FY 2002 estimate of 97.0 percent.

**PERSONAL PROPERTY TAX-DELINQUENTS**

<b>FY 2001 Actual</b>	<b>FY 2002 Adopted</b>	<b>FY 2002 Revised</b>	<b>FY 2002 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$8,771,115	\$8,200,559	\$8,220,559	\$9,120,949	\$900,390	10.95%

The *FY 2002 Third Quarter Review* estimate for Personal Property Delinquents is \$9.1 million, an increase of \$0.9 million, or 11.0 percent, over the *FY 2002 Revised Budget Plan* estimate. This estimate is based on current and expected collection activity.

**OTHER LOCAL TAXES**

The *FY 2002 Third Quarter Review* estimate for Other Local Taxes represents a net decrease of \$7,196,105 from the *FY 2002 Revised Budget Plan* and is due to decreases in Sales Tax, the Consumption Tax, and the Transient Occupancy Tax offset by increased revenue from Recordation Taxes.

### LOCAL SALES TAX

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Third Quarter	Increase/ (Decrease)	Percent Change
\$133,492,619	\$145,388,327	\$130,822,767	\$125,063,140	(\$5,759,627)	-4.40%

The *FY 2002 Third Quarter Review* estimate for Sales Tax receipts is \$125,063,140, a decrease of \$5,759,627, or 4.4 percent, from the *FY 2002 Revised Budget Plan* estimate. Based on lower than anticipated collections, the FY 2002 estimate was reduced during the fall revenue review from the 6.0 percent incorporated in the FY 2002 Adopted Budget Plan to negative 2.0 percent, a loss of \$14.6 million. Sales Tax receipts have continued to fall and are now trailing FY 2001 receipts by 6.3 percent. Through February, Sales Tax receipts have declined in 11 out of the last 12 months. The FY 2002 Third Quarter estimate assumes that Sales Tax receipts will continue to drop at the 6.3 percent rate for the remainder of the fiscal year for an additional FY 2002 loss of \$5.8 million. The FY 2003 Advertised Budget Plan estimate is \$126.9 million.

### CONSUMPTION TAX

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Third Quarter	Increase/ (Decrease)	Percent Change
\$1,580,435	\$4,353,750	\$4,353,750	\$2,435,330	(\$1,918,420)	-44.06%

The *FY 2002 Third Quarter Review* estimate for Consumption Taxes is \$2,435,330, a decrease of \$1,918,420, or 44.1 percent, from the *FY 2002 Revised Budget Plan* estimate. Due to deregulation of the electric and natural gas industries, the Commonwealth of Virginia eliminated the local and state gross receipts tax on these industries and replaced them with taxes based on a consumer's usage of electricity and natural gas. Prior to its elimination, Fairfax County's gross receipts tax rate for utility companies was 24 cents per \$100 of gross receipts. In FY 2001, the last year the gross receipts tax was levied, \$2.2 million was generated. The local consumption tax rate calculated by the State was to be revenue-neutral with a gross receipts tax rate of 50 cents per \$100 of gross receipts. This information was used to project the revenue to be received from the consumption-based tax; however, based on collections-to-date, this category will not generate the revenue originally anticipated. A portion of the lower receipts can also be attributed to mild winter weather, which reduces energy usage. Staff will continue to monitor receipts in this category to determine if a similar adjustment to the FY 2003 Advertised Budget Plan estimate of \$3.6 million is necessary.

### RECORDATION/DEED OF CONVEYANCE TAXES

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Third Quarter	Increase/ (Decrease)	Percent Change
\$16,337,407	\$13,424,948	\$17,732,257	\$18,749,039	\$1,016,782	5.73%

The *FY 2002 Third Quarter Review* estimate for Deed of Conveyance and Recordation Taxes of \$18,749,039 reflects an increase of \$1,016,782, or 5.7 percent, over the *FY 2002 Revised Budget Plan* estimate. Deed of Conveyance Tax revenues are projected to be \$4,765,901 and Recordation Tax revenues are projected to be \$13,983,138.

Deed of Conveyance and Recordation Tax revenues were increased \$545,461 and \$3,718,848, respectively, during the fall revenue review to reflect higher than anticipated year-to-date collections in both categories. Strong demand in the housing market, low mortgage interest rates, and rising median sales prices drove this growth.

Recordation Tax revenues have continued to rise since the fall review as a result of mortgage refinancings. Through the first eight months of FY 2002, Recordation Tax revenues are outpacing the FY 2001 level by 34.8 percent. As a result, the *FY 2002 Third Quarter Review* estimate for Recordation Tax revenue is increased \$1,016,782 over the *FY 2002 Revised Budget Plan*. The Deed of Conveyance Tax is not levied on mortgage refinancings and requires no adjustment during the Third Quarter Review. In total, FY 2002 Recordation and Deed of Conveyance Tax revenues are projected to be 14.7 percent higher than FY 2001 actual receipts.

#### TRANSIENT OCCUPANCY TAX

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Third Quarter	Increase/ (Decrease)	Percent Change
\$7,509,826	\$7,962,424	\$6,978,271	\$6,443,431	(\$534,840)	-7.66%

The *FY 2002 Third Quarter Review* estimate for Transient Occupancy Tax receipts is \$6,443,431, a decrease of \$534,840, or 7.7 percent from the *FY 2002 Revised Budget Plan*. The estimate for Transient Occupancy Tax receipts was reduced \$984,153 during the fall revenue review in anticipation that the events of September 11 would adversely impact tourism and therefore tax receipts. Hotels reported that not only did occupancy drop, but room rates were reduced and the length of stay declined. The fall estimate represented a 10 percent decrease from FY 2001 receipts. As expected, Transient Occupancy Tax revenue has declined significantly. Through February, receipts are lagging FY 2001 by 14.2 percent. The *FY 2002 Third Quarter Review* estimate assumes that receipts will continue to decline at the 14.2 percent rate through the end of the fiscal year and represents a total \$1.5 million decrease from the FY 2002 Adopted Budget Plan.

<b>PERMITS, FEES AND REGULATORY LICENSES</b>
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#### PERMITS, FEES AND REGULATORY LICENSES

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Third Quarter	Increase/ (Decrease)	Percent Change
\$31,908,008	\$33,892,369	\$29,577,912	\$28,990,840	(\$587,072)	-1.98%

The *FY 2002 Third Quarter Review* estimate of \$28,990,840 reflects a reduction of \$587,072 from the *FY 2002 Revised Budget Plan* estimate. During the fall revenue review, Permits, Fees and Regulatory Licenses were decreased \$4.3 million from the FY 2002 Adopted Budget Plan. This reduction was primarily due to a decrease of \$3.0 million in fees charged by the Department of Public Works and Environmental Services (DPWES) for planning, building and site permits to reflect lower than anticipated collections due to the slowing economy. Also as a result of slower building activity in the County, Fire Marshal Fees were reduced \$1.2 million during the fall revenue review.

Since the fall review, revenue categories associated with construction activity in the County have continued to drop. Through February, DPWES revenue is trailing last year by a 14.3 percent margin; thus, the *FY 2002 Third Quarter Review* includes an additional reduction of \$0.4 million in DPWES fees. Fire Prevention Code Permits have also been decreased \$0.1 million and Fire Marshal Fees are reduced \$76,815.

<b>REVENUE FROM THE USE OF MONEY AND PROPERTY</b>
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The Third Quarter estimate for Revenue from the Use of Money and Property represents an increase of \$1,733,006, or 6.64 percent over the *FY 2002 Revised Budget Plan* and is due to an increase in Interest on Investments.

**INTEREST ON INVESTMENTS**

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Third Quarter	Increase/ (Decrease)	Percent Change
\$56,321,542	\$41,994,566	\$23,386,994	\$25,120,000	\$1,733,006	7.41%

The *FY 2002 Third Quarter Review* estimate for Interest on Investments of \$25,120,000 represents an increase of \$1,733,006 over the *FY 2002 Revised Budget Plan* estimate and is the result of the actual size of the average portfolio and the General Fund percentage. During the fall revenue review, Interest on Investments was reduced \$18.6 million due to the declining yield earned on investments as a result of Federal Reserve interest rate reductions. The estimated FY 2002 yield of 2.50 percent has not changed from the fall revenue review. The FY 2002 Third Quarter estimate of the average portfolio size has increased from \$1,536.6 million to \$1,570.0 million based on the actual average portfolio size to date. In addition, the FY 2002 Third Quarter estimate incorporates an expected General Fund percentage of 64.0 percent based on the actual percentage experienced year to date, up from the 61.1 percent anticipated during the fall revenue review. Staff will continue to monitor changes in this category to determine if an adjustment to the FY 2003 estimate for Interest on Investments requires adjustment during the Add-on Review Process.

<b>FINES AND FORFEITURES</b>
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**FINES AND FORFEITURES**

FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2002 Third Quarter	Increase/ (Decrease)	Percent Change
\$9,116,533	\$11,595,781	\$10,128,862	\$10,024,451	(\$104,411)	-1.03%

The *FY 2002 Third Quarter Review* estimate of \$10,024,451 is a decrease of \$104,411, or 1.0 percent, from the *FY 2002 Revised Budget Plan*.

During the FY 2002 fall review, estimated revenue from the Photo Red Light Monitoring Program was decreased \$1.1 million, due to lower than projected collections as a result of several factors including a delay in the operation of one camera and the State changing signal timing at two intersections, causing fewer violations than estimated at these intersections. General District Court Fines were reduced \$0.5 million due

to lower than projected collections primarily due to fewer traffic violations as a result of the reassignment of traffic officers to major transportation projects. Alarm Ordinance Violations revenues were decreased \$0.5 million based on fewer violations issued associated with the implementation of a gradually escalating fee schedule for repeat violators. The decreases in revenue during the fall review were partially offset by a \$0.7 million increase in parking violation revenues due to aggressive collection efforts by the Department of Taxation (DTA).

The FY 2002 Third Quarter estimate for Fines and Forfeitures includes an additional \$0.9 million reduction in General District Court fines as well as an additional \$0.2 million reduction in Alarm Ordinance Violations. These reductions are offset by additional revenue of \$1.0 million from parking violations as increased collection efforts continue, including the hiring of a collection agency to supplement DTA's collection activity. The FY 2002 Third Quarter estimate for Parking Violation revenue is \$3.3 million, an increase of \$1.0 million, or 44.4 percent, over FY 2001 collections and \$2.0 million, or 156.6 percent higher than FY 2000 collections.

**CHARGES FOR SERVICES**

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<b>FY 2001 Actual</b>	<b>FY 2002 Adopted</b>	<b>FY 2002 Revised</b>	<b>FY 2002 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$32,751,935	\$33,000,331	\$33,901,792	\$34,109,394	\$207,602	0.61%

The *FY 2002 Third Quarter Review* estimate for Charges for Services of \$34,109,394 represents an increase of \$207,602 over the *FY 2002 Revised Budget Plan* estimate. During the fall revenue review, the estimate for Charges for Services was increased by \$901,461 as a result of higher than expected collections for Clerk Fees as a result of housing market activity. Clerk Fee revenue reflects commissions for administering the Recordation and Deed of Conveyance Tax; for recording wills, deeds, and marriage licenses; and the filing of civil suits. The FY 2002 Third Quarter estimate for Clerk Fees is increased an additional \$207,602 over the *FY 2002 Revised Budget Plan* primarily due to higher than anticipated revenue associated with mortgage refinancing activity.

**REVENUE FROM THE COMMONWEALTH AND FEDERAL GOVERNMENT**

The *FY 2002 Third Quarter Review* estimate for Revenue from the Commonwealth and Federal Government represents a net decrease of \$4,178,529. This net decrease is the result of the following: a decrease of \$3.4 million in State and Federal Shared Public Assistance programs which will be offset by expenditure reductions; a decline of \$3.4 million in Other Revenue from the Commonwealth due to the State's budget shortfall; and an increase in Other Revenue from the Federal Government for reimbursement of September 11 expenses and for costs incurred incarcerating illegal aliens.

**STATE AND FEDERAL SHARED PUBLIC ASSISTANCE**

<b>FY 2001 Actual</b>	<b>FY 2002 Adopted</b>	<b>FY 2002 Revised</b>	<b>FY 2002 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$63,663,943	\$71,895,805	\$71,910,140	\$68,519,555	(\$3,390,585)	-4.72%

The *FY 2002 Third Quarter Review* estimate of \$68,519,555 for State and Federal Shared Public Assistance represents a decrease of \$3,390,585, or 4.7 percent, from the *FY 2002 Revised Budget Plan*. This net decrease is primarily due to a reduction of \$5.0 million in the Child Care Assistance Program (CCAP). Revenue for the CCAP is expected to decrease because the program will not enroll any new children this year, but will maintain the number of children currently being served. This revenue reduction is offset by a commensurate decrease in expenditures. The revenue decrease is partially offset by an anticipated increase of \$0.9 million associated with the Local Cost Allocation Plan (LCAP), which represents Federal government reimbursement for Human Services administrative cost and \$0.1 million for Temporary Assistance to Needy Families (TANF) for emergency housing services for the homeless. An increase of \$0.6 million for the Comprehensive Services Act (CSA) is due to increased expenditure requirements as a result of the increasing number and severity of need of children served.

**OTHER REVENUE FROM THE COMMONWEALTH<sup>1</sup>**

<b>FY 2001 Actual</b>	<b>FY 2002 Adopted</b>	<b>FY 2002 Revised</b>	<b>FY 2002 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$53,458,474	\$59,660,170	\$59,710,615	\$56,293,122	(\$3,417,493)	-5.72%

<sup>1</sup> 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 2002 Third Quarter Review* estimate of \$56,293,122 represents a decrease of \$3.4 million from the *FY 2002 Revised Budget Plan* level primarily due to budget cuts by the Commonwealth of Virginia. HB 599 Law Enforcement Funding is expected to be reduced \$2.7 million as a result of decreased State revenue growth, which is the basis for changing the appropriation for this program. Further reductions are anticipated in FY 2003. In addition, the State plans to reduce spending across agencies by 3.0 percent in FY 2002. The Health Department has been notified that funding will decrease \$0.2 million. The impact of the 3 percent agency reduction on other State funding sources is uncertain at this time but additional reductions in State aid are anticipated.

The FY 2003 Third Quarter Review estimate also includes a reduction of \$0.5 million in Compensation Board revenue for State-reimbursable positions primarily due to vacant positions in the Commonwealth Attorney's Office.



**OTHER REVENUE FROM THE FEDERAL GOVERNMENT**

<b>FY 2001 Actual</b>	<b>FY 2002 Adopted</b>	<b>FY 2002 Revised</b>	<b>FY 2002 Third Quarter</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
\$2,422,991	\$635,438	\$643,184	\$3,272,733	\$2,629,549	408.83%

The *FY 2002 Third Quarter Review* estimate of \$3,272,733 represents an increase of \$2.6 million over the *FY 2002 Revised Budget Plan*. This increase is the result of an increase of \$1.9 million associated with Federal reimbursement for expenses incurred incarcerating illegal aliens. This funding is accessed annually by localities depending on the Federal appropriation available. In addition, revenue of \$0.4 million is anticipated from the Federal Emergency Management Agency (FEMA) for expenses incurred primarily by the Police Department and the Fire and Rescue Department relating to September 11, 2001 as well as \$0.3 million for FASTRAN due to a change in Medicaid reimbursement procedures.