

FY 2009 Third Quarter Review

Attachment II – General Fund Receipts

SUMMARY OF GENERAL FUND REVENUE

Category	FY 2008 Actual	FY 2009 Revised Budget Plan as of Carryover	FY 2009 Fall Estimate ¹	Increase / (Decrease) Over the Revised	FY 2009 Third Quarter Budget Plan	Over the FY 2009 Fall Estimate	
						Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current & Delinquent	\$1,975,114,074	\$2,046,898,739	\$2,046,898,739	\$0	\$2,046,898,739	\$0	0.00%
Personal Property Taxes - Current & Delinquent ²	519,180,400	515,367,286	514,282,685	(1,084,601)	514,282,685	0	0.00%
Other Local Taxes	474,030,041	498,010,954	451,141,504	(46,869,450)	451,141,504	0	0.00%
Permits, Fees and Regulatory Licenses	26,719,184	27,907,777	24,435,569	(3,472,208)	24,435,569	0	0.00%
Fines and Forfeitures	14,873,179	18,275,488	16,012,582	(2,262,906)	16,012,582	0	0.00%
Revenue from Use of Money & Property	81,578,187	32,268,252	32,423,732	155,480	32,423,732	0	0.00%
Charges for Services	57,965,028	62,469,561	61,700,313	(769,248)	61,969,163	268,850	0.44%
Revenue from the Commonwealth and Federal Governments ²	136,798,864	131,705,362	127,807,857	(3,897,505)	132,812,316	5,004,459	3.92%
Recovered Costs/ Other Revenue	9,351,419	7,482,007	7,457,351	(24,656)	7,457,351	0	0.00%
Total Revenue	\$3,295,610,376	\$3,340,385,426	\$3,282,160,332	(\$58,225,094)	\$3,287,433,641	\$5,273,309	0.16%

¹FY 2009 revenue estimates were revised as part of a fall 2008 review of revenues. Explanations of these changes can be found in the following narrative. The *FY 2009 Third Quarter Review* will contain further adjustments, as necessary.

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 FY 2009 Third Quarter revenues are estimated at \$3,287,433,641 and reflect an increase of \$5,273,309, or 0.16 percent, over the FY 2009 Fall Estimate. The FY 2009 Third Quarter revenue projections represent a decrease of \$52.95 million or 1.6 percent from the *FY 2008 Carryover Review* estimate.

As noted in the *FY 2010 Advertised Budget Plan*, a net decrease of \$58.2 million in revenue adjustments were made prior to Third Quarter during development of the FY 2010 Budget. The majority of this reduction is in Other Local Taxes which are the most sensitive to economic conditions. In the fall, estimates for Sales Taxes, Business, Professional and Occupational Licenses, Transient Occupancy Taxes, Deed of Conveyance and Recordation Taxes were all reduced. Also, Land Development Services' building permits and inspection fees were lowered due to declining construction activity and Revenue from the Commonwealth and Federal Government was decreased primarily as a result of State funding reductions. These adjustments are reflected in the FY 2009 Fall Estimate discussed throughout this

Attachment. Any impact to FY 2010 revenue estimates from these FY 2009 adjustments is already included in the FY 2010 Advertised Budget Plan.

General Fund revenue estimates included in the *FY 2009 Third Quarter Review* are increased \$5.3 million over the FY 2009 Fall Estimate. This increase is due to a reimbursement of \$0.3 million for expenses incurred during the January 2009 Presidential inauguration and \$5.0 million in Revenue from the Commonwealth/ Federal Government which is associated with expenditure requirements. Overall, the FY 2009 revenue estimate has decreased a net \$53.0 million, or 1.6 percent from the *FY 2008 Carryover Review* estimate.

Current economic turmoil makes revenue forecasting difficult. Sales Tax receipts, which are projected to decline 3.0 percent in FY 2009, are down just 2.1 percent through the first seven months of the fiscal year; however, receipts for the most recent three months have fallen an average of 7.0 percent. In addition, 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 could worsen over 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 2010 revenue adjustments will be included in the Add-On Review.

PERSONAL PROPERTY TAX-DELINQUENTS

FY 2008 Actual	FY 2009 Revised as of Carryover	FY 2009 Fall Estimate	FY 2009 Third Quarter	Increase/ (Decrease)	Percent Change
\$9,525,472	\$8,854,189	\$7,769,588	\$7,769,588	\$0	0.00%

The *FY 2009 Third Quarter Review* estimate for Delinquent Personal Property Taxes of \$7,769,588 represents no change from the FY 2009 Fall Estimate. As part of the fall 2008 revenue review, the FY 2009 estimate for Delinquent Personal Property Taxes was lowered \$1.1 million based on the high collection rate achieved in FY 2008, thereby reducing the amount of delinquent taxes owed to the County in the current fiscal year.

LOCAL SALES TAX

FY 2008 Actual	FY 2009 Revised as of Carryover	FY 2009 Fall Estimate	FY 2009 Third Quarter	Increase/ (Decrease)	Percent Change
\$160,855,221	\$166,795,426	\$156,149,525	\$156,149,525	\$0	0.00%

The *FY 2009 Third Quarter Review* estimate for Sales Tax of \$156,149,525 represents no change from the FY 2009 Fall Estimate. As part of the fall 2008 revenue review, the FY 2009 estimate for Sales Tax receipts was lowered \$10.6 million based on collection trends and signs of significantly worsening economic conditions. The FY 2009 estimate represents a projected drop of 3.0 percent from the FY 2008 level. While year-to-date collections through February 2009 are down just 2.1 percent, receipts over the past three months, which include taxes paid during the holiday shopping season, fell, an average of 7.0

percent. If this rate of decline were to continue, Sales Tax receipts would be down an additional \$1.7 million at the end of FY 2009.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2008 Actual	FY 2009 Revised as of Carryover	FY 2009 Fall Estimate	FY 2009 Third Quarter	Increase/ (Decrease)	Percent Change
\$138,323,224	\$145,154,640	\$132,790,295	\$132,790,295	\$0	0.00%

The *FY 2009 Third Quarter Review* estimate for Business, Professional and Occupational License (BPOL) Taxes of \$132,790,295 represents no change from the FY 2009 Fall Estimate. During the fall 2008 revenue review, the estimate for BPOL revenue was reduced \$12.4 million based on a significant decline in economic activity, especially in the latter half of 2008 compared to 2007. Businesses file and pay their BPOL Taxes simultaneously on March 1 based on the prior year's gross receipts. Because there is little information until that time regarding actual collections, the County relies on econometric models that use information regarding sales tax receipts and estimated gross county product along with other economic indicators, such as employment, in order to estimate BPOL receipts. In FY 2008, BPOL receipts rose a moderate 4.4 percent. The majority of that increase was due to growth in receipts from businesses that supply services to other businesses and the professional category, which includes physicians and attorneys. These categories are expected to show continued moderate growth in FY 2009. Revenue from the Consultant category, which represents nearly a quarter of total BPOL receipts, is expected to be weak again in FY 2009. This category fell 5.6 percent in FY 2008, reflecting a decline in federal procurement spending. Last year the Retail category, which makes up approximately 19 percent of total BPOL receipts, increased a slight 1.0 percent. This category is projected to fall in FY 2009 because Sales Tax receipts for retail purchases made during calendar year 2008 fell 2.0 percent. The gross receipts of real estate related businesses fell significantly in FY 2008 and are expected to remain weak in FY 2009. Overall, BPOL receipts are projected to fall 4.0 percent in FY 2009.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX - DELINQUENT

FY 2008 Actual	FY 2009 Revised as of Carryover	FY 2009 Fall Estimate	FY 2009 Third Quarter	Increase/ (Decrease)	Percent Change
\$677,150	\$3,040,375	(\$1,011,526)	(\$1,011,526)	\$0	0.00%

The *FY 2009 Third Quarter Review* estimate for Delinquent BPOL revenue of negative \$1,011,526 represents no change from the FY 2009 Fall Estimate. During the fall 2008 revenue review, the estimate for Delinquent BPOL revenue was lowered \$4.0 million as a result of anticipated refunds from outstanding appeals for business reclassification from the consultant category which pays a BPOL tax rate of 31 cents per \$100 of gross receipts to the business services category which pays a tax rate of 19 cent per \$100 of gross receipts.

RECORDATION/DEED OF CONVEYANCE TAXES

FY 2008 Actual	FY 2009 Revised as of Carryover	FY 2009 Fall Estimate	FY 2009 Third Quarter	Increase/ (Decrease)	Percent Change
\$29,931,835	\$33,304,953	\$20,399,223	\$20,399,223	\$0	0.00%

The *FY 2009 Third Quarter Review* estimate for Deed of Conveyance and Recordation Taxes of \$20,399,223 reflects no change from the FY 2009 Fall Estimate. Deed of Conveyance Taxes are projected to be \$4,896,691 and Recordation Taxes are projected to be \$15,502,532.

As part of the fall 2008 revenue review, the FY 2009 estimate for Deed of Conveyance and Recordation Taxes was revised downward \$12.9 million based on collection trends and projected continued weakness in the County's housing market. The FY 2009 combined estimate for Deed of Conveyance and Recordation Taxes represents a decrease of 31.9 percent from FY 2008 receipts.

TRANSIENT OCCUPANCY TAX

FY 2008 Actual	FY 2009 Revised as of Carryover	FY 2009 Fall Estimate	FY 2009 Third Quarter	Increase/ (Decrease)	Percent Change
\$20,525,480	\$21,957,640	\$19,499,206	\$19,499,206	\$0	0.00%

The *FY 2009 Third Quarter Review* estimate for Transient Occupancy Tax of \$19,499,206 reflects no change from the FY 2009 Fall Estimate. During the fall review, the estimate for Transient Occupancy Taxes was reduced \$2.5 million, reflecting a decline of 5.0 percent from FY 2008, based on collections through December 2008. Transient Occupancy Taxes are paid quarterly by hotels; therefore, any boost in receipts relating to the Presidential Inauguration has not yet been received.

CIGARETTE TAX

FY 2008 Actual	FY 2009 Revised as of Carryover	FY 2009 Fall Estimate	FY 2009 Third Quarter	Increase/ (Decrease)	Percent Change
\$9,498,075	\$9,818,764	\$9,498,075	\$9,498,075	\$0	0.00%

The *FY 2009 Third Quarter Review* estimate for Cigarette Tax Revenue of \$9,498,075 represents no change from the FY 2009 Fall Estimate. During the fall 2008 revenue review, the estimate for Cigarette Tax receipts was reduced \$0.3 million based on historical collection trends. Cigarette Tax revenue fell 5.4 percent in FY 2007, and another 3.3 percent in FY 2008. However, recently cigarette tax collections have been rising and are up 3.9 percent through February 2009. If this rate should continue for the remainder of the year, a surplus of \$0.4 million would result at year-end.

COMMUNICATIONS SALES AND USE TAX

FY 2008 Actual	FY 2009 Revised as of Carryover	FY 2009 Fall Estimate	FY 2009 Third Quarter	Increase/ (Decrease)	Percent Change
\$56,007,544	\$56,872,048	\$56,257,401	\$56,257,401	\$0	0.0%

The *FY 2009 Third Quarter Review* estimate for the Communications Tax is \$56,257,401, and represents no change from the FY 2009 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 mid-2008, the Virginia Department of Taxation announced that an estimated \$12 million in statewide refunds or credits would be necessary in FY 2009 because taxes had been collected by service providers from entities that should have been tax exempt. As of January 2009, the Commonwealth is still verifying the extent of the over-collection and no refunds have yet been made; however, the estimated amount of the statewide over-collection now exceeds \$16 million. During the fall 2008 revenue review, the FY 2009 estimate was reduced \$0.6 million based on an analysis of current monthly receipts, expected refund requirements and a higher level of refunds than originally anticipated.

PERMITS, FEES AND REGULATORY LICENSES

FY 2008 Actual	FY 2009 Revised as of Carryover	FY 2009 Fall Estimate	FY 2009 Third Quarter	Increase/ (Decrease)	Percent Change
\$26,719,184	\$27,907,777	\$24,435,569	\$24,435,569	\$0	0.00%

The *FY 2009 Third Quarter Review* estimate for Permits, Fees and Regulatory Licenses is \$24,435,569, and represents no change from the FY 2009 Fall Estimate. During the fall 2008 revenue review, the FY 2009 estimate for Permits, Fees and Regulatory Licenses estimate was lowered \$3.5 million primarily due to a decrease in the estimate for Land Development Services' fees based on declining construction activity in the County. Changes in LDS fee revenue typically track closely to the current condition of the real estate market and the construction industry, as well as the size and complexity of projects submitted to LDS for review. The FY 2009 estimate reflects a projected decline of 15.0 percent from the FY 2008 level; however, receipts through January 2009 are down 18.0 percent. If this rate of decline should continue, an additional revenue shortfall of \$0.3 million would occur at the end of FY 2009.

FINES AND FORFEITURES

FY 2008 Actual	FY 2009 Revised as of Carryover	FY 2009 Fall Estimate	FY 2009 Third Quarter	Increase/ (Decrease)	Percent Change
\$14,873,179	\$18,275,488	\$16,012,582	\$16,012,582	\$0	0.00%

The *FY 2009 Third Quarter Review* estimate for Fines and Forfeitures of \$16,012,582 represents no change from the FY 2009 Fall Estimate. As part of the fall 2008 revenue review, the FY 2009 estimate for Fines and Forfeitures was reduced a net \$2.3 million primarily due to a decrease of \$2.2 million in estimated General District Court Fines. While General District Court Fines are projected to be lower than estimated, the FY 2009 level of \$8.0 million represents an increase of 14.0 percent, or \$1 million, over FY 2008 actual revenue.

REVENUE FROM THE USE OF MONEY AND PROPERTY

FY 2008 Actual	FY 2009 Revised as of Carryover	FY 2009 Fall Estimate	FY 2009 Third Quarter	Increase/ (Decrease)	Percent Change
\$81,578,187	\$32,268,252	\$32,423,732	\$32,423,732	\$0	0.00%

The *FY 2009 Third Quarter Review* estimate for revenue from the Use of Money and Property of \$32,423,732 reflects no change from the FY 2009 Fall Estimate.

During the fall 2008 revenue review, the FY 2009 estimate for Rent of Real Estate and Monopole Leases was increased \$0.2 million based on current rent and lease agreements. The estimate for the largest component of this category, Interest on Investments is \$28.9 million and has remained unchanged since the FY 2009 Adopted Budget Plan.

CHARGES FOR SERVICES

FY 2008 Actual	FY 2009 Revised as of Carryover	FY 2009 Fall Estimate	FY 2009 Third Quarter	Increase/ (Decrease)	Percent Change
\$57,965,028	\$62,469,561	\$61,700,313	\$61,969,163	\$268,850	0.44%

The *FY 2009 Third Quarter Review* estimate for Charges for Services of \$61,969,163 represents an increase of \$0.3 million from the FY 2009 Fall Estimate due to overtime expenses associated with the 2009 Presidential Inauguration that have been reimbursed by the Metropolitan Police Department of the District of Columbia.

During the fall 2008 revenue review, the FY 2009 Charges for Services estimate was reduced a net \$0.8 million primarily due to a decrease in the estimate for County Clerk fees. Based on lower than expected revenue due to the declining real estate market, County Clerk fees were reduced \$2.3 million. Partially offsetting this reduction were increases in revenue for SACC (\$0.9 million), Police Reimbursement (\$0.1 million), and other various categories (\$0.5 million) based on year-to-date collection trends.

REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT¹

	FY 2009					
	FY 2008 Actual	Revised as of Carryover	FY 2009 Fall Estimate	FY 2009 Third Quarter	Increase/ (Decrease)	Percent Change
Baseline Funding Reserve for State Cuts	\$136,798,864	\$133,778,568	\$132,468,040	\$137,472,499	\$5,004,459	3.8%
	0	(2,073,206)	(4,660,183)	(4,660,183)	0	0.0%
Net Funding	\$136,798,864	\$131,705,362	\$127,807,857	\$132,812,316	\$5,004,459	3.92%

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 2009 Third Quarter Review* estimate for Revenue from the Commonwealth and Federal Government represents an increase of \$5,004,459, or 3.9 percent, over the FY 2009 Fall Estimate. Of this increase, \$2.5 million is associated with additional state revenue for the Comprehensive Services Act due to increases in the number and cost per youth served; \$0.5 million is for Foster Care and Adoption services; and federal revenue of 0.2 million for the Refugee Assistance Program. Also, additional state and federal funding of \$1.9 million is for the Child Care Assistance and Referral program to provide mandated services. More information regarding these changes can be found in the Administrative Adjustment section. The \$5.0 million in additional revenue listed above will be fully offset with increased expenditure requirements.

During the fall 2008 revenue review, Revenue from the Commonwealth and Federal Government was reduced a net \$3.9 million from \$131.7 million to \$127.8 million. State locality funding reductions were announced in October 2008, after State revenue projections fell significantly. State funding reductions affecting the County's General Fund totaled \$1.7 million and included cuts in HB 599 Law Enforcement Funding (-\$1.3 million), the elimination of a salary increase for state supported employees (-\$0.2 million), and Health Department reimbursement (-\$0.2 million). During the fall revenue review, revenue was also decreased \$62,395 for the elimination of a federal grant for air pollution. Partially offsetting these decreases was an increase of \$0.2 million for State reimbursement of expenses associated with the 2008 Presidential Primaries and an increase of \$0.2 million in federal Medicaid reimbursement for FASTRAN services. In addition, due to the uncertainty of state funding for the remainder of the fiscal year, the reserve for State reductions was increased an additional \$2.6 million to \$4.7 million.