

ATTACHMENT II:
SUMMARY OF GENERAL FUND RECEIPTS

SUMMARY OF GENERAL FUND RECEIPTS

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Category	FY 2019 Actual	FY 2020 Adopted Budget Plan	FY 2020 Revised Budget Plan	FY 2020 Actual	Change from the FY 2020 Revised Budget Plan	
					Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current and Delinquent	\$2,796,959,177	\$2,890,593,420	\$2,894,699,521	\$2,897,709,214	\$3,009,693	0.1%
Personal Property Taxes - Current and Delinquent ¹	633,140,857	640,494,857	648,813,426	652,630,914	3,817,488	0.6%
Other Local Taxes	528,245,784	537,425,572	544,268,928	534,439,180	(9,829,748)	(1.8%)
Permits, Fees and Regulatory Licenses	55,874,600	53,559,013	55,556,374	54,002,649	(1,553,725)	(2.8%)
Fines and Forfeitures	12,258,740	12,583,545	11,795,664	10,001,169	(1,794,495)	(15.2%)
Revenue from Use of Money/Property	71,181,118	82,283,249	60,896,621	66,154,313	5,257,692	8.6%
Charges for Services	85,476,153	83,305,683	86,396,338	70,939,827	(15,456,511)	(17.9%)
Revenue from the Commonwealth and Federal Government ¹	140,078,106	140,019,660	342,706,588	344,874,421	2,167,833	0.6%
Recovered Costs / Other Revenue	18,610,536	16,934,540	15,745,731	15,426,308	(319,423)	(2.0%)
Total Revenue	\$4,341,825,071	\$4,457,199,539	\$4,660,879,191	\$4,646,177,995	(\$14,701,196)	(0.3%)
Transfers In	10,173,319	9,081,414	9,081,414	9,081,414	0	0.0%
Total Receipts	\$4,351,998,390	\$4,466,280,953	\$4,669,960,605	\$4,655,259,409	(\$14,701,196)	(0.3%)

¹ 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.

General Fund Revenues and Transfers In for FY 2020 are \$4,655,259,409, a decrease of \$14,701,196, or 0.3 percent, from the *FY 2020 Revised Budget Plan* estimate. The decrease compared to the budget estimate is primarily the result of pandemic related decreases in Other Local Taxes, Permits, Fees, and Regulatory Licenses, Fines and Forfeitures, Charges for Services, and Recovered Costs/Other Revenue partially offset by increases in Real Estate Tax receipts, Personal Property Taxes, Revenue from the Use of Money/Property, and Revenue from the Commonwealth and Federal Government. The revenue estimates included in the *FY 2020 Revised Budget Plan* were based on revenue collections through the end of February 2020, before the COVID-19 pandemic started disrupting economic activity nationwide. As many of the County’s revenue categories such as Sales Tax and Transient Occupancy Taxes are extremely sensitive to economic conditions, actual FY 2020 receipts ended the fiscal year below the revenue estimates. Although the FY 2020 revenue variance is relatively small, it is important to note that, historically, the County finishes the fiscal year with revenues in excess of the revised budget. Over the past 5 years, revenues have been, on average, \$28.61 million, or 0.72 percent, *above* projections. Thus, the negative variance at the end of FY 2020 is indicative of the significant impact that the COVID-19 pandemic has had on the County’s revenues.

It should be noted that the County received over \$200 million in one-time federal stimulus funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Fund to cover eligible expenses related to the direct response to the crisis, such as public health needs, as well as those incurred to respond to “second-order effects” of the pandemic, including providing economic support to those impacted from employment or business interruptions. The guidance provided by the federal government

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specifically prohibits CARES funds to be used to offset revenue losses. As part of the *FY 2020 Third Quarter Review* update by the County Executive from April 29, 2020, this revenue was recognized and appropriated in the General Fund to provide the County flexibility in responding to the ongoing crisis. FY 2020 General Fund revenues grew 7.0 percent primarily as a result of the CARES federal stimulus revenue. Absent this revenue, actual FY 2020 revenue reflects an increase of 2.4 percent over FY 2019. Aside from adjustments associated with the Board's decision to reduce penalties for late payment of Personal Property and Real Estate taxes for tax year 2020 in response to the COVID-19 pandemic and adjustments associated with expenditure changes, no other adjustments have been made to FY 2021 revenue estimates. Both are noted in the Administrative Adjustments section.

Amid the coronavirus pandemic, Fairfax County's revenue and economic outlook remains highly uncertain. The County's revenues depend on the course of the pandemic, the prospects of developing a vaccine and effective treatments, the duration of the restrictions established by governments to control the spread of the virus, consumer confidence, and businesses' responses as well as the effect of current and future fiscal and monetary measures implemented in support of the economy.

Staff is carefully monitoring economic indicators that provide a guide to the state of the national and local economy. In the first quarter of 2020, the U.S. economy shrank at a rate of 5.0 percent, ending the longest economic expansion in U.S. history. The partial shutdown of the U.S economy is expected to have its greatest impact in the second quarter, where many economic forecasters project annualized declines in the double digits. The U.S. unemployment rate peaked at 14.7 percent in April, and decreased to 13.3 percent in May, and 11.1 percent in June. In Fairfax County, the unemployment rate peaked at 10.2 percent in April and fell to 8.8 percent in May, the most recent month for which information is available. The effects of the job losses have been concentrated in the Leisure and Hospitality sector, which includes restaurant and hotel positions, where the number of jobs fell by over 42 percent between May 2019 and May 2020. Job losses have also significantly impacted the Education and Health Services, and Retail sectors.

The future course of Fairfax County's economic and revenue outlook is highly dependent upon the course of the virus. The rapid economic improvement after the country's economy began to reopen has been slowed recently by the renewed spread of the virus. The number of weekly unemployment claims peaked in early April and has decreased steadily since then, but more slowly in recent weeks. The number of continuing unemployment claims is also decreasing slowly, but national and Fairfax County unemployment claims remain at many times pre-pandemic levels. As of July, the number of weekly airline passengers as measured by the Transportation Security Administration (TSA) continues to be down by nearly 75 percent compared to the previous year. Also as of July, the number of dining reservations as tracked by Open Table was down by over 60 percent compared to the same week last year and the level has been stable for several weeks. An additional federal stimulus package is expected, but the details and impact are as yet unknown.

A revenue category of particular concern during FY 2021 is Business, Professional, and Occupational License (BPOL) Tax. FY 2020 BPOL revenue, which was a function of economic activity during calendar year 2019, increased at a solid 4.0 percent compared to 3.0 percent in FY 2019. FY 2021 BPOL revenue will be based on gross receipts of businesses generated during calendar year 2020. County businesses file and pay their BPOL taxes simultaneously on March 1 each year based on their gross receipts during the previous calendar year. Very little actual data will be available to help assess the impact of COVID-19 and forecast FY 2021 BPOL receipts throughout the fiscal year. Another important revenue source includes Sales Tax receipts which increased 1.5 percent for FY 2020 compared to 2.7 percent in FY 2019, but were down by 12.3 percent for March, April, and May. In addition, Transient Occupancy Tax receipts decreased 31.2 percent for FY 2020 compared to an increase of 3.6 percent for FY 2019, but were down 77.2 percent for the months of April, May, and June. School-Age Child Care (SACC) revenue is also expected to be

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negatively impacted as a result the Fairfax County Public Schools recent decision to provide all virtual learning in the fall. With the understanding that SACC will not be operating under its typical structure when the school year begins, staff is expecting to return to the Board of Supervisors with updated recommendations in September to include suggested reductions to SACC revenue.

The impact of economic conditions on FY 2021 revenue will become more apparent in upcoming months during the fall 2020 revenue review after several months of actual FY 2021 collections have been received. Any necessary FY 2021 revenue adjustments will be made as part of the *FY 2021 Midyear Review* or during the *FY 2021 Third Quarter Review*. Because the path of the health crisis as well as consumers' and businesses' responses are uncertain, the economic outlook will be very volatile and unpredictable for an extended period of time.

REAL PROPERTY TAXES

REAL ESTATE TAX-CURRENT AND DELINQUENT

FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2020 Actual	Increase/ (Decrease)	Percent Change
\$2,796,959,177	\$2,890,593,420	\$2,894,699,521	\$2,897,709,214	\$3,009,693	0.1%

Total Real Estate Taxes in FY 2020 are \$2,897,709,214, an increase of \$3,009,693, or 0.1 percent, over the *FY 2020 Revised Budget Plan*. FY 2020 Current Real Estate Taxes are \$2,886,548,284, representing an increase of \$1,959,778 over the *FY 2020 Revised Budget Plan*. This increase is primarily due to lower than projected exonerations and a higher than projected collection rate. The budget estimate included a 99.70 percent collection rate and the actual FY 2020 collection rate is 99.73 percent.

FY 2020 Delinquent Real Estate Taxes are \$11,160,930, an increase of \$1.0 million over the *FY 2020 Revised Budget Plan* estimate due to significant collection activity by the Department of Tax Administration (DTA).

PERSONAL PROPERTY TAX

PERSONAL PROPERTY TAX-CURRENT AND DELINQUENT

FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2020 Actual	Increase/ (Decrease)	Percent Change
\$633,140,857	\$640,494,857	\$648,813,426	\$652,630,914	\$3,817,488	0.6%

Total Personal Property Taxes in FY 2020 are \$652,630,914, an increase of \$3,817,488, or 0.6 percent, over the *FY 2020 Revised Budget Plan*. FY 2020 collections for Current Personal Property Taxes are \$634,478,907, an increase of \$2,805,960 over the *FY 2020 Revised Budget Plan* estimate. The increase is primarily due to a lower than expected exonerations and higher than expected omitted assessments. Of the total FY 2020 Current Personal Property Tax revenue, \$211.3 million is the portion reimbursed by the Commonwealth of Virginia under the Personal Property Tax Relief Act (PPTRA). A collection rate of 97.5 percent was achieved in FY 2020 on the taxpayer's portion of Personal Property levy compared to the 98.0 percent projected.

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FY 2020 Delinquent Personal Property Taxes are \$18,152,007, an increase of \$1.0 million over the *FY 2020 Revised Budget Plan* estimate. Strong delinquent collections demonstrate the significant enforcement activity and the innovative collection methods utilized by DTA. During FY 2020, as a revenue enhancement initiative the department continued to allocate resources to its PPTRA Audit Compliance Program and the TARGET program. These efforts to maximize tax compliance will continue during FY 2021.

OTHER LOCAL TAXES

Actual FY 2020 collections for Other Local Taxes are \$534,439,180, a net decrease of \$9,829,748, or 1.8 percent, from the *FY 2020 Revised Budget Plan* estimate of \$544,268,928. This decrease is primarily due to pandemic related decreases in Sales Tax and Transient Occupancy Tax, as well as decreases in Bank Franchise Tax and Communication Sales Tax, partially offset by increases in BPOL Tax receipts and Recordation Tax.

LOCAL SALES TAX

FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2020 Actual	Increase/ (Decrease)	Percent Change
\$187,037,828	\$193,194,909	\$197,708,570	\$189,793,248	(\$7,915,322)	(4.0%)

Actual FY 2020 Sales Tax receipts are \$189,793,248, a decrease of \$7,915,322, or 4.0 percent, from the *FY 2020 Revised Budget Plan* estimate. During the fall 2019 revenue review, the FY 2020 estimate was increased \$4.5 million based on year-to-date collections, representing growth of 5.7 percent over the FY 2019 actual receipts. Through March 2020, collections were up 6.3 percent. Due to store closures and economic disruption as a result of COVID-19, receipts fell in the last few months and ended the fiscal year 1.5 percent over the FY 2019 level. It should be noted that a significant part of the increase early in the fiscal year was due to a new law passed by the Virginia General Assembly and signed by the Governor requiring the collection of state and local sales taxes from remote internet sellers in response to the provisions of the U.S. Supreme Court decisions in the South Dakota v. Wayfair, Inc. case. The law went into effect on July 1, 2019.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2020 Actual	Increase/ (Decrease)	Percent Change
\$167,155,844	\$173,382,796	\$172,125,305	\$173,840,544	\$1,715,239	1.0%

Actual FY 2020 receipts from Current Business, Professional, and Occupational License (BPOL) Taxes are \$173,840,544, an increase of \$1,715,239, or 1.0 percent, over the *FY 2020 Revised Budget Plan* estimate. Little actual data about this revenue category is available until late in the fiscal year because businesses file and pay their BPOL Taxes simultaneously on March 1 based on the prior calendar year's gross receipts. This makes it a challenging category to forecast. Actual FY 2020 receipts increased 4.0 percent over the FY 2019 level. In FY 2020, the combined Consultant and Business Service Occupations categories, which represent over 42 percent of total BPOL receipts, increased 4.0 percent over the FY 2019 level. The Retail category, which represents almost 19 percent of total BPOL receipts, rose 0.2 percent in FY 2020. It should

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be noted that FY 2020 BPOL receipts were not impacted by COVID-19 as the tax was based on economic activity and businesses' gross receipts during calendar year 2019 prior to the pandemic.

TRANSIENT OCCUPANCY TAX

FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2020 Actual	Increase/ (Decrease)	Percent Change
\$22,918,266	\$23,249,668	\$23,491,223	\$15,764,679	(\$7,726,544)	(32.9%)

Actual FY 2020 receipts from the Transient Occupancy Tax are \$15,764,679, a decrease of \$7,726,544, or 32.9 percent, from the *FY 2020 Revised Budget Plan* estimate. Based on actual receipts during FY 2019 and collection trends early in the fiscal year, the FY 2020 revenue estimate was increased as part of the fall 2019 revenue review and reflected an anticipated growth rate of 2.5 percent over the FY 2019 level. Through February 2020, collections were up 4.1 percent. Actual receipts declined 31.2 percent compared to FY 2019 due to the effect of the COVID-19 pandemic, which had a major negative effect on travel during the last part of the fiscal year. In April and May, hotel occupancy was down approximately 75 percent from a year ago. Hotel revenue per available room was reported to have been down around 85 percent. June showed just a marginal improvement over May.

CONSUMER UTILITY TAXES - GAS AND ELECTRIC

FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2020 Actual	Increase/ (Decrease)	Percent Change
\$45,838,073	\$45,533,698	\$45,639,081	\$44,876,324	(\$762,757)	(1.7%)

Actual FY 2020 Consumer Utility Tax revenue is \$44,876,324, a decrease of \$762,757, or 1.7 percent, from the *FY 2020 Revised Budget Plan* estimate. During the fall 2019 revenue review, the estimate was increased slightly, which assumed that the current year's revenues would be approximately the same as FY 2019 actual revenues. The decrease of 2.1 percent compared to FY 2019 is likely due to COVID-19 related business closures.

BANK FRANCHISE TAX

FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2020 Actual	Increase/ (Decrease)	Percent Change
\$23,699,652	\$23,654,317	\$23,654,317	\$21,259,422	(\$2,394,895)	(10.1%)

Actual FY 2020 Bank Franchise Tax revenue is \$21,259,422, a decrease of \$2,394,895, or 10.1 percent, from the *FY 2020 Revised Budget Plan* estimate. Revenue in this category is not received until late May or June, making it a particularly difficult category to project. During the fall 2019 revenue review, the FY 2020 estimate was not adjusted and reflected a 0.2 percent drop compared to the actual FY 2019 receipts. FY 2020 Bank Franchise Tax receipts decreased 10.3 percent from the FY 2019 level. This is the first annual decrease in receipts since FY 2015.

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RECORDATION/DEED OF CONVEYANCE TAXES

FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2020 Actual	Increase/ (Decrease)	Percent Change
\$30,729,364	\$28,488,338	\$34,471,875	\$38,648,450	\$4,176,575	12.1%

Actual FY 2020 Recordation and Deed of Conveyance Tax revenue is \$38,648,450, an increase of \$4,176,575, or 12.1 percent, over the *FY 2020 Revised Budget Plan*. For the first half of the fiscal year, Recordation Tax receipts were up over 38 percent and the estimate was revised upward based on the assumption that this trend would continue. In the second half of the year, mortgage rates declined to record low levels, triggering a further increase in mortgage refinancing. Recordation Tax collections increased 32.8 percent for the year. The Deed of Conveyance Tax estimate was increased \$0.9 million during the fall 2019 revenue review based on year-to-date collections, reflecting an increase of 6.7 percent over the FY 2019 level. Actual FY 2020 receipts increased 2.8 percent from the FY 2019 level due to weaker collections in the second part of the fiscal year as the COVID-19 pandemic affected the real estate market and the number of home sales declined.

REVENUE FROM THE USE OF MONEY AND PROPERTY

Actual FY 2020 revenue from the Use of Money and Property is \$66,154,313, an increase of \$5,257,692, or 8.6 percent, over the *FY 2020 Revised Budget Plan* estimate and is primarily due to an increase in Interest on Investments.

INVESTMENT INTEREST

FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2020 Actual	Increase/ (Decrease)	Percent Change
\$69,032,333	\$80,017,523	\$58,630,895	\$64,003,920	\$5,373,025	9.2%

Actual FY 2020 Interest on Investments is \$64,003,920, an increase of \$5,373,025, or 9.2 percent, over the *FY 2020 Revised Budget Plan* estimate. The increase is primarily the result of the reallocation of Investment Interest revenue from the Revenue Stabilization Fund (RSF) to the General Fund. The RSF was fully funded at the end of the fiscal year and did not need to retain its FY 2020 earnings. Annual revenue in this category is based on a combination of factors including the average portfolio size, average yield, and the percent of interest earnings attributable to the General Fund in FY 2020.

This revenue category required a substantial adjustment during the fall 2019 revenue review of FY 2020 estimates. At the time of the preparation of the FY 2020 Adopted Budget Plan revenue estimate, the Fed had indicated that two interest rate hikes were possible in 2019. Staff expected that the annual yield on the investment portfolio would be 3.00 percent in FY 2020. The Federal Reserve did not raise rates, but reversed course and actually reduced rates three times during 2019, bringing the target rate to 1.50-1.75 percent range. Based on the actions of the Fed, the FY 2020 revenue estimate was decreased a total of \$21.4 million as part of the fall 2019 revenue review and assumed a yield of 2.16 percent.

The actual FY 2020 average portfolio of \$3,611.3 million earned a yield of 2.14 percent. The General Fund's average interest allocation of total interest earned on the investment portfolio net of administrative fees was 78.43 percent.

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PERMITS, FEES AND REGULATORY LICENSES
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PERMITS, FEES AND REGULATORY LICENSES

FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2020 Actual	Increase/ (Decrease)	Percent Change
\$55,874,600	\$53,559,013	\$55,556,374	\$54,002,649	(\$1,553,725)	(2.8%)

Actual FY 2020 revenue from Permits, Fees and Regulatory Licenses is \$54,002,649, a decrease of \$1,553,725, or 2.8 percent, from the *FY 2020 Revised Budget Plan* estimate. This decrease is primarily the result of lower than projected receipts for Zoning Fees and Fire Marshall Fees due to the impact of COVID-19, partially offset by higher than expected Land Development Services Building and Inspection fees.

The FY 2020 budget estimate was increased \$0.7 million during the *FY 2020 Third Quarter Review*, on the basis of higher than anticipated collections from Land Development Services (LDS) Building and Inspection fees through the end of February, which were up 11.6 percent. Actual FY 2020 revenue from Building and Inspection fees is \$42.9 million, an increase of just 0.8 percent over the FY 2019 level, reflecting the slowdown due to COVID-19 in the latter part of the fiscal year.

FINES AND FORFEITURES

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FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2020 Actual	Increase/ (Decrease)	Percent Change
\$12,258,740	\$12,583,545	\$11,795,664	\$10,001,169	(\$1,794,495)	(15.2%)

Actual FY 2020 revenue from Fines and Forfeitures is \$10,001,169, a decrease of \$1,794,495, or 15.2 percent, from the *FY 2020 Revised Budget Plan*. This net decrease is primarily due to lower than projected receipts from Parking Violation fines and General District Court fines in part due to closures related to the COVID-19 pandemic.

CHARGES FOR SERVICES

CHARGES FOR SERVICES

FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2020 Actual	Increase/ (Decrease)	Percent Change
\$85,476,153	\$83,305,683	\$86,396,338	\$70,939,827	(\$15,456,511)	(17.9%)

Actual FY 2020 revenue from Charges for Services is \$70,939,827, a net decrease of \$15,456,511, or 17.9 percent, from the *FY 2020 Revised Budget Plan* estimate. This decrease is primarily due to lower than projected School Age Child Care (SACC) fees and other County fees due to COVID-19 related closures. SACC centers closed in mid-March due to COVID-19. FY 2020 SACC fees are \$34.6 million, \$11.8 million lower than projected, decreasing 24.8 percent from the FY 2019 level. Other user fee categories that declined due to COVID-19 include Library Overdue Penalties, Court

FY 2020 Carryover Review

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Maintenance and Court Security fees, Parking Garage fees, Therapeutic Rec fees, Adult Day Care fees, and Clinical fees, among others.

REVENUE FROM THE COMMONWEALTH AND FEDERAL GOVERNMENT

REVENUE FROM THE COMMONWEALTH AND FEDERAL GOVERNMENT¹

FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2020 Actual	Increase/ (Decrease)	Percent Change
\$140,078,106	\$140,019,660	\$342,706,588	\$344,874,421	\$2,167,833	0.6%

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 and Delinquent" heading in this section.

Actual FY 2020 Revenue from the Commonwealth and Federal Government is \$344,874,421, a net increase of \$2,167,833, or 0.6 percent, over the *FY 2020 Revised Budget Plan* estimate. The County received over \$200 million in one-time federal stimulus funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Fund to cover eligible expenses related to the direct response to the crisis. As part of the *FY 2020 Third Quarter Review* update by the County Executive from April 29, 2020, this revenue was recognized and appropriated in the General Fund to provide the County flexibility in responding to the ongoing crisis.