



# ECONOMIC INDICATORS<sup>®</sup>

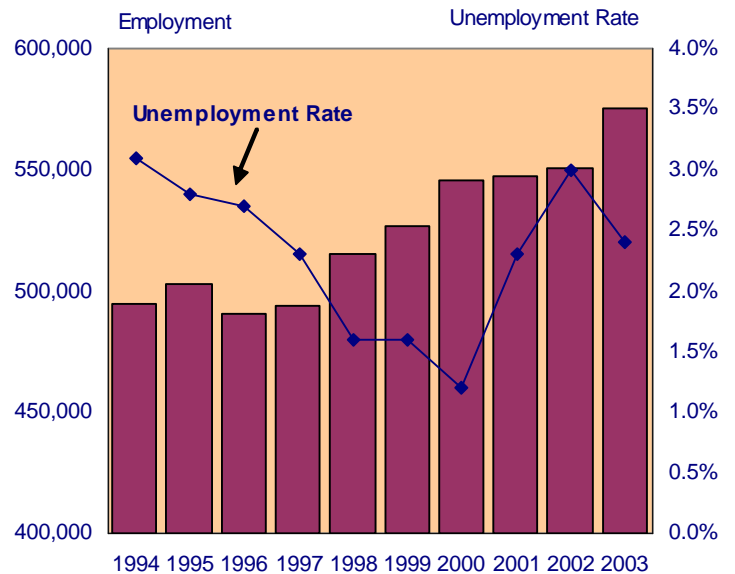
FAIRFAX COUNTY  
DEPARTMENT OF MANAGEMENT AND BUDGET

AUGUST 2003

## In this issue . . .

- The unemployment rate in Fairfax County fell 0.3 percent from 2.7 percent in June to 2.4 percent in July 2003.
- Multifamily permits are down 67.9 percent while single family permits are down 3.4 percent, calendar year-to-date.
- Sales volume increased for all existing (previously owned) home types, with existing condominiums experiencing significant growth of 18.9 percent, calendar year-to-date. Sales volume has declined for all new home types through the first six months of 2003.
- Consumer Confidence bounced back in August 2003 following a decline in July, due to consumers' increasing optimism about the future. Lynn Franco notes that, "Continued optimism will depend on positive developments in the labor market."
- In June, both the Fairfax County and Metropolitan Washington Coincident Indices increased. The level of each index, however, is still below that of one year ago.
- The Fairfax County Leading Index decreased and the Metropolitan Washington Leading Index remained unchanged in June.

## RESIDENTIAL EMPLOYMENT - JULY



Source: Virginia Employment Commission.  
Compiled by the Fairfax County Department of Management and Budget.

Unemployment in Fairfax County fell 0.3 percent from 2.7 percent in June to 2.4 percent in July 2003. The July 2003 rate is lower than the County's July 2002 rate of 3.0 percent.

The Virginia Employment Commission (VEC) released its July 2003 labor figures for the Commonwealth, and reported that the unemployment rate fell to 4.1 percent, 0.2 percent below the revised June 2003 level. The 4.1 percent July 2003 state jobless rate was below the July 2002 unemployment rate of 4.2 percent. Compared nationally, Virginia's rate was well below the U.S. July 2003 unemployment rate of 6.3 percent.

The VEC reports that seven of Virginia's eight metropolitan areas experienced lowered unemployment rates from June to July 2003. The Northern Virginia metropolitan area had the lowest and most improved unemployment rate in the state, falling from 2.9 percent in June to 2.5 percent in July. The Roanoke area unemployment rate was unchanged from June at 3.7 percent. The Danville area, which continued to hold the state's highest jobless rate at 10.8 percent, was impacted by factory furloughs.

The *Fairfax County Economic Indicators* is on the Web and can be accessed at:

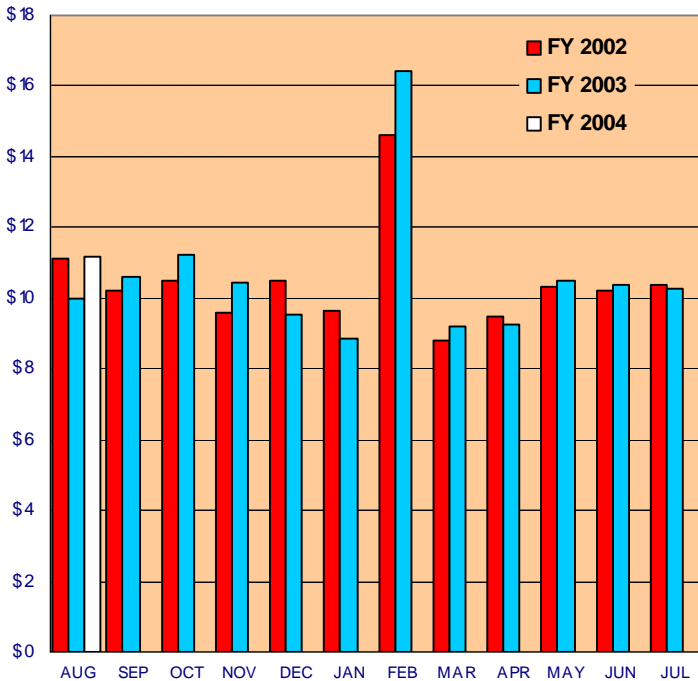
<http://www.fairfaxcounty.gov/comm/economic/economic.htm>



**SALES TAX REVENUES**

(revenues represent retail sales two months prior)

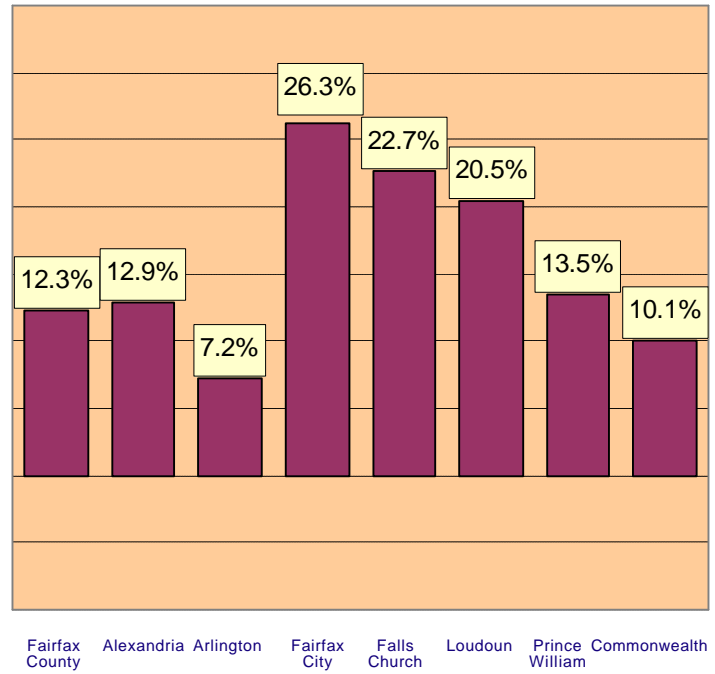
Millions



Source: Virginia Department of Taxation.  
Compiled by the Fairfax County Department of Management and Budget.

**FY 2004 SALES TAX RECEIPTS**

**AUGUST 2003**



Source: Virginia Department of Taxation.  
Compiled by the Fairfax County Department of Management and Budget.

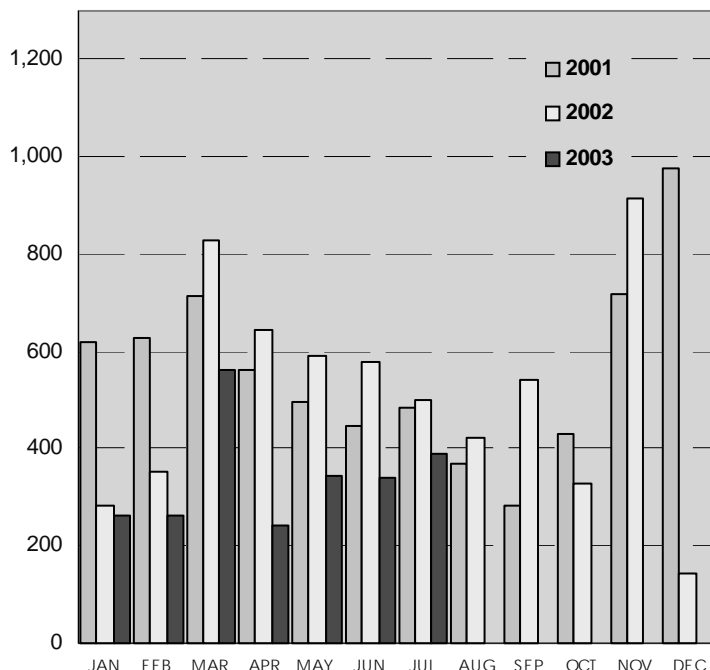
August Sales Tax receipts for Fairfax County, representing retail purchases made in June, are \$11.2 million—12.3 percent higher than August 2002. This increase follows a drop in the County's July Sales Tax and does not yet represent a trend. As shown in the chart above, August 2003 receipts, representing the first month of FY 2004, are level with that which occurred in August 2001 (FY 2002.)



Sales tax receipt growth in August is positive for all the Northern Virginia localities. These receipts correspond to retail purchases in June. Sales Tax receipts are up 26.3 percent in Fairfax City, 12.3 percent in Fairfax County, 12.9 percent in Alexandria, 20.5 percent in Loudoun County, 13.5 percent in Prince William County, 7.2 percent in Arlington County, and 22.7 percent in Falls Church, fiscal year-to-date. Statewide, Sales Tax receipts are up 10.1 percent, through the first month of FY 2004.

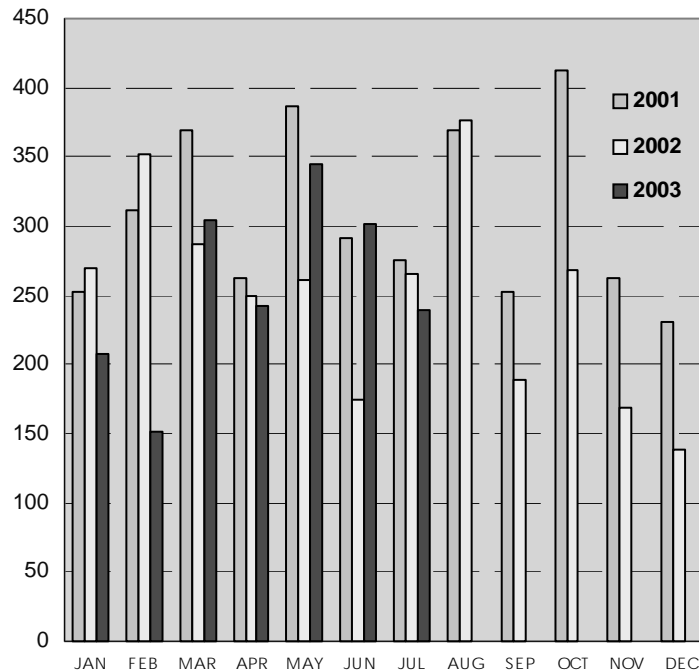
According to the Commerce Department, seasonally adjusted preliminary retail sales estimates for the U.S. in July increased 1.4 percent over the previous month and increased 5.6 percent over July 2002. Compared to last year, health and personal care store sales were up 1.0 percent, building materials and garden equipment sales were up 1.3 percent, gasoline station sales were up 1.6 percent, and motor vehicle and parts dealers were up 3.2 percent from July last year.

**NUMBER OF RESIDENTIAL BUILDING PERMITS ISSUED MONTHLY FOR NEW DWELLINGS**



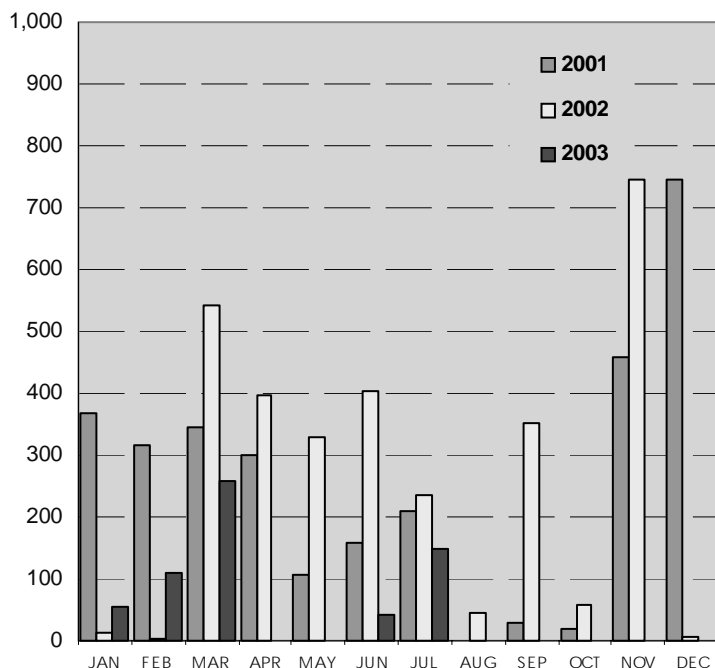
Source: Fairfax County Department of Public Works and Environmental Services. Compiled by the Fairfax County Department of Management and Budget.

**NUMBER OF RESIDENTIAL BUILDING PERMITS ISSUED MONTHLY FOR NEW SINGLE FAMILY DWELLINGS**



Source: Fairfax County Department of Public Works and Environmental Services. Compiled by the Fairfax County Department of Management and Budget.

**NUMBER OF RESIDENTIAL BUILDING PERMITS ISSUED MONTHLY FOR NEW MULTIFAMILY DWELLINGS**



Source: Fairfax County Department of Public Works and Environmental Services. Compiled by the Fairfax County Department of Management and Budget.

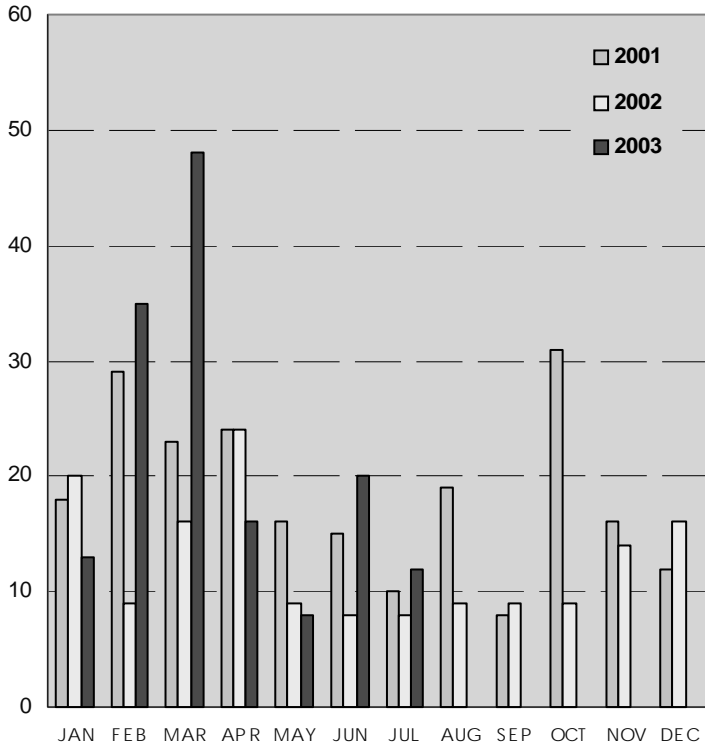
**NOTE:** In August 2000 and 2001, only one multifamily permit was issued and in February 2002, only two permits were issued; in April 2003, no permits were issued; therefore, the bars are too small to discern.

The overall growth rate of new residential permits has decreased calendar year-to-date. Through July, total new residential dwelling permits are down 36.2 percent, or 1,367 permits. Through July, 616 multifamily permits have been issued, falling short of last year's total by 67.9 percent or 1,303 permits, year-to-date. Single family permits issued from January through July total 1,794, down 3.4 percent, or 64 permits, from the same period in 2002.

Residential repair and alteration permits issued through July 2003 are 6,763 and have declined 4.1 percent, or 290 permits, from the same period last year.

**HOME SALES IN FAIRFAX COUNTY**

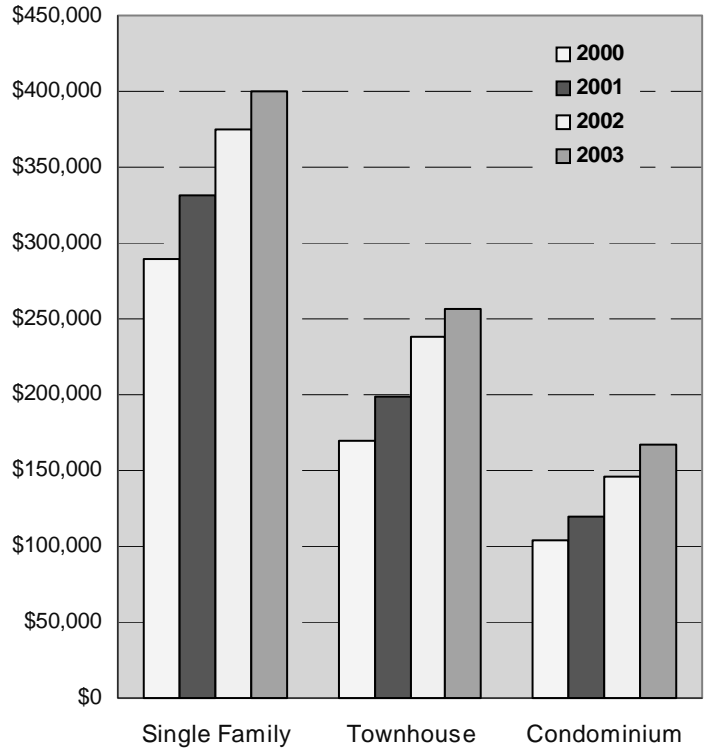
**NUMBER OF NONRESIDENTIAL BUILDING PERMITS  
ISSUED MONTHLY  
FOR NEW STRUCTURES**



Source: Fairfax County Department of Public Works and Environmental Services. Compiled by the Fairfax County Department of Management and Budget.

Through July, 152 nonresidential building permits have been issued, up 61.7 percent, or 58 permits, from the same period in 2002. Nonresidential repair and alterations permits issued through July are 2,050, a decrease of 0.5 percent or 10 permits, calendar year-to-date.

**MEDIAN PRICE OF EXISTING HOMES SOLD  
THROUGH JUNE 2003 COMPARED TO THE  
ANNUAL MEDIAN 2000 - 2002**



Source: Fairfax County Department of Tax Administration. Compiled by the Fairfax County Department of Management and Budget.

Home sales data through June indicate that the 2003 median sales price of existing single family homes is \$400,000 compared to the 2002 median of \$376,000—growth of 6.4 percent. The median for townhomes grew 7.9 percent from \$238,265 in 2002 to \$257,100. The median for condominiums increased from \$145,000 to \$167,250, representing growth of 15.3 percent.



# FAIRFAX COUNTY ECONOMIC INDICATORS

## AUGUST 2003 SPECIAL INSERT SECTION



### **The Streamlined Sales Tax Project**

The Streamlined Sales Tax Project (SSTP) is an initiative led by state governments to develop a simplified national framework for collecting sales and use taxes for companies that conduct interstate business, including internet transactions. The intent of SSTP is to overhaul the current sales tax structure and reduce the burden of compliance placed on sellers.

Two U.S. Supreme Court decisions have established that states cannot require out-of-state retailers to collect sales taxes on items sold to their residents because of the costs placed on interstate commerce; however, some retailers voluntarily collect and remit the tax. Currently there are 7,500 state and local taxing jurisdictions, all maintaining different laws and unique definitions of what can and cannot be taxed. The costs of compliance imposed on out-of-state retailers are considered burdensome, given the disjointed national tax structure. The U.S. Supreme Court, in a 1992 case, *Quill Corporation v. North Dakota*, ruled that states must first simplify their sales tax laws in order to require out-of-state retailers to collect and remit sales taxes. The SSTP is an effort to create this uniform and simplified structure.

SSTP does not require member states to impose a tax on or provide an exemption from any item or service. But, if a member-state chooses to tax an item, it must adhere to the SSTP definition of that taxable item. States will continue to set their own sales tax rate. Under SSTP, the destination point of the retail sale of a product will determine where the tax revenue is attached.

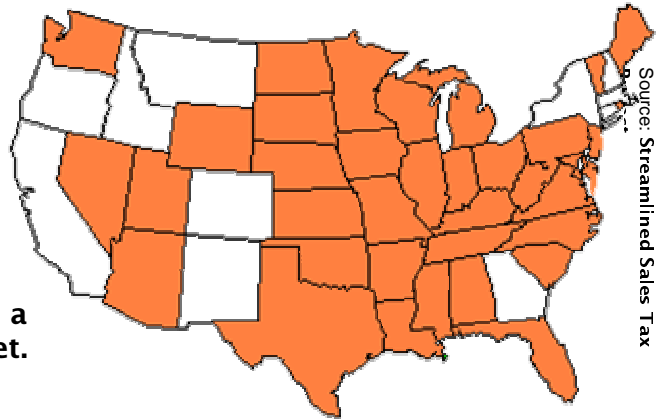
On November 12, 2002, delegates from 31 states and the District of Columbia approved the Streamlined Sales Tax Agreement and subsequently enacted legislation that brought their state and local sales tax laws into conformity with the SSTP proposal. Congress will still need to give states the authority to require all sellers to collect sales and use taxes. The U.S. Senate Commerce Committee will likely hold hearings on SSTP this fall to pursue formal federal recognition of this initiative.

It was reported to the General Assembly that Virginia has an estimated annual loss of between \$225 million and \$260 million in sales and use tax revenue that is not collected from transactions conducted over the internet; Virginia's annual loss is estimated to reach \$1 billion per year over the next 6 to 8 years. During the 2003 Virginia General Assembly session, SJ 347 was passed which created the Commission on the Revision of Virginia's State Tax Code and the Streamlined Sales Tax Project Agreement. Among its many tasks, the commission is to identify changes needed in Virginia's laws to facilitate compliance with the Streamlined Sales Tax Agreement should the General Assembly decide to adopt the agreement. The commission is to present its findings and recommendations no later than the first day of the 2004 General Assembly session. An update will be provided in this publication at that time.

## Map of States Participating in SSTP

States that support the Streamlined Sales Tax Project are highlighted on the map to the right.

Although California is not included in the collective effort of 37 states and the District of Columbia, its state Senate approved a bill in May 2003 that requires businesses with stores in the state to collect a sales tax on purchases made over the internet.

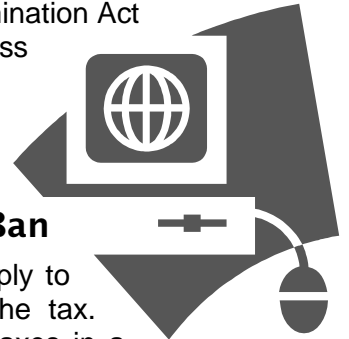


## Internet Access Taxation Ban

In October 1998, the federal Internet Tax Freedom Act was enacted, calling for a three-year moratorium on state and local taxes on Internet access. The moratorium prevented states from taxing the fees consumers pay Internet service providers (ISPs) to obtain Internet access.

The moratorium was extended in 2001 and is now set to expire in November of this year. In preparation, legislation that would permanently ban internet access taxation was proposed with the added requirement for nine states with existing taxes in place to remove them within three years.

The U.S. Senate Commerce Committee approved the Internet Tax Non-Discrimination Act in July 2003. If it becomes law, it would prohibit states from taxing Internet access in all of its forms, including high-speed broadband that comes bundled with traditional telephone services. The House Judiciary Committee passed nearly identical legislation earlier this month.



## SSTP Viewed as Separate Issue from Internet Access Tax Ban

The tax moratorium applies to internet access services only. It does not apply to purchases made on-line from a retailer located within the state levying the tax. Currently, out-of-state vendors cannot be required to collect sales and use taxes in a state where they do not have a physical presence. If Congress is convinced that the Streamlined Sales Tax Project has resulted in a uniform and simplified tax structure, legislation could be enacted that would require out-of-state vendors to collect and remit the sales and use tax.

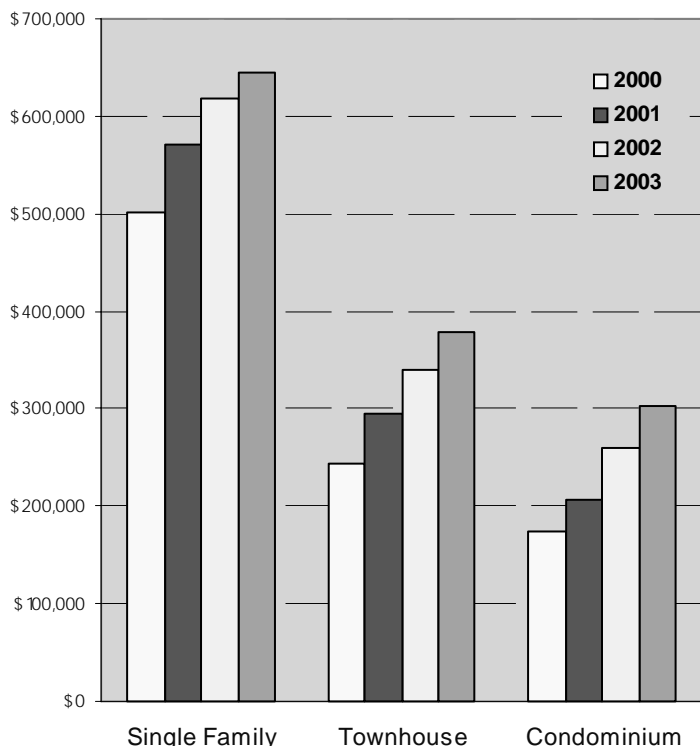
## Internet Taxation Issues Abound

*There are many issues that arise from applying sales taxes to internet transactions. Below is only a sampling of the litany of questions that have been raised during the debate.*



- ⇒ Should governments be able to tax internet access?
- ⇒ Would internet taxation limit economic growth? How are brick-and-mortar retailers and state and local governments impacted by increasing online sales?
- ⇒ Should Congress reverse the 1992 U.S. Supreme Court Quill case that determined out-of-state sellers cannot be required to collect sales and use taxes?

**MEDIAN PRICE OF NEW HOMES SOLD THROUGH JUNE 2003 COMPARED TO THE ANNUAL MEDIAN 2000 - 2002**



Source: Fairfax County Department of Tax Administration.  
Compiled by the Fairfax County Department of Management and Budget.

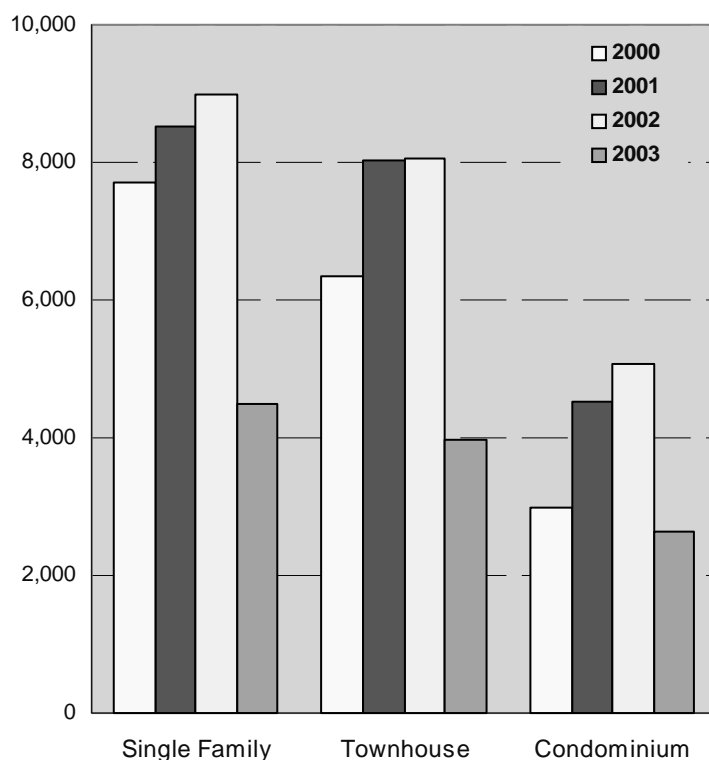
New home sales data through June 2003 indicate that the median sales price for a new single family home is \$644,565, an increase of 4.3 percent over the 2002 median price of \$618,131. The median for new townhomes has increased 11.9 percent, from \$338,875 to \$379,200. The median sales price for condominiums has increased 16.8 percent, from \$259,830 in 2002 to \$303,545 through June 2003.

**PERCENTAGE CHANGE IN MEDIAN PRICE OF HOMES SOLD YEAR-END 2002 COMPARED TO SALES THROUGH JUNE 2003**

	Existing Sales	New Sales
Single Family	6.4	4.3
Townhouse	7.9	11.9
Condominium	15.3	16.8

Changes in selling prices, coupled with the volume of sales, are generally considered reasonable indicators of the County's real estate market. Median selling price increases do not translate directly into assessment adjustments, however, since the mix of homes sold is not necessarily reflective of the County's entire housing stock. Changes in median selling prices are comparisons to the prices of homes sold during the prior year, and the type of homes sold (i.e., model, size, age, location, etc.) varies from one year to the next. The key factor in real estate assessments is not the change in the median sale price, but the relationship of assessments to selling prices within neighborhoods.

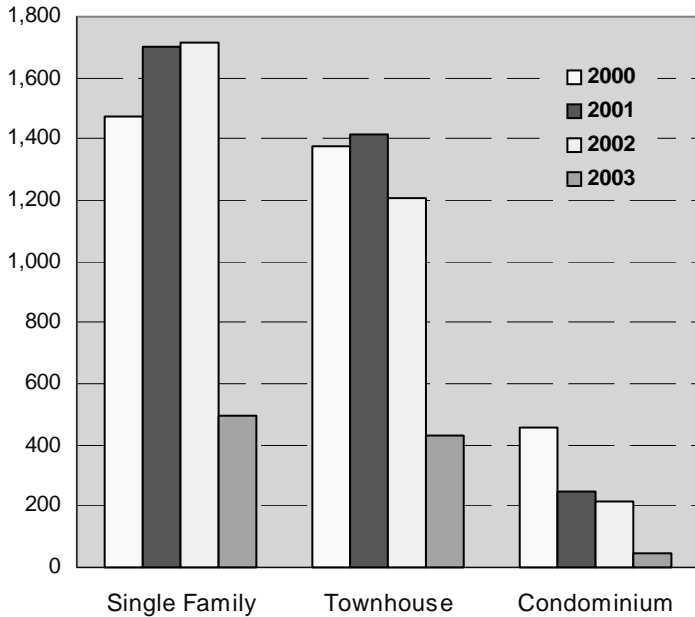
**NUMBER OF EXISTING HOMES SOLD THROUGH JUNE 2000 - 2003**



Source: Fairfax County Department of Tax Administration.  
Compiled by the Fairfax County Department of Management and Budget.

Sales volume for existing (previously owned) homes is up for all home types through June 2003. Sales of existing townhomes have increased 7.3 percent from 3,693 to 3,963 and condominium sales are up 18.9 percent from 2,209 to 2,626, calendar year-to-date. Single family homes sales have increased 7.2 percent through the first six months of calendar year 2003, from 4,198 to 4,501.

**NUMBER OF NEW HOMES SOLD THROUGH  
JUNE 2000 - 2003**

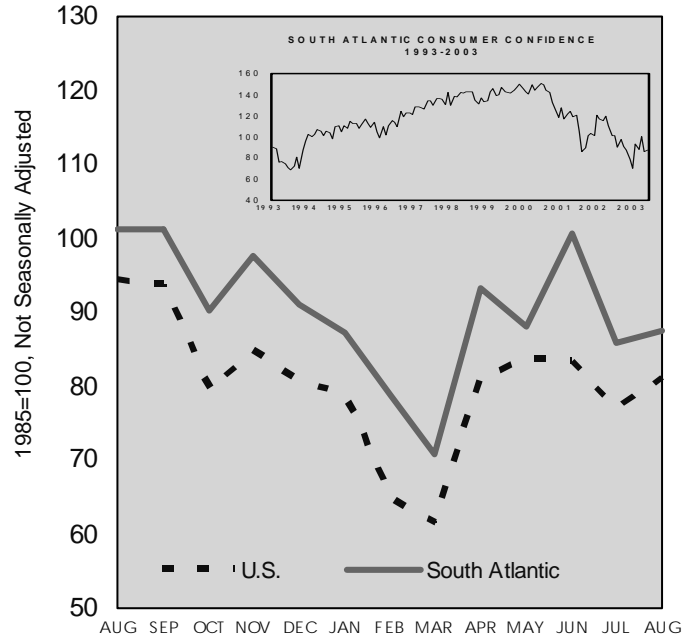


Source: Fairfax County Department of Tax Administration.  
Compiled by the Fairfax County Department of Management and Budget.

Sales volume is down for all new homes through June 2003. Sales of new townhomes have decreased 38.5 percent, from 697 to 429, while single family home sales have fallen 39.7 percent, from 818 to 493, calendar year-to-date. New condominium sales have dropped 37.0 percent from 73 through June 2002 to 46 through June 2003.

**ADDITIONAL INDICATORS**

**CONSUMER CONFIDENCE INDEX**



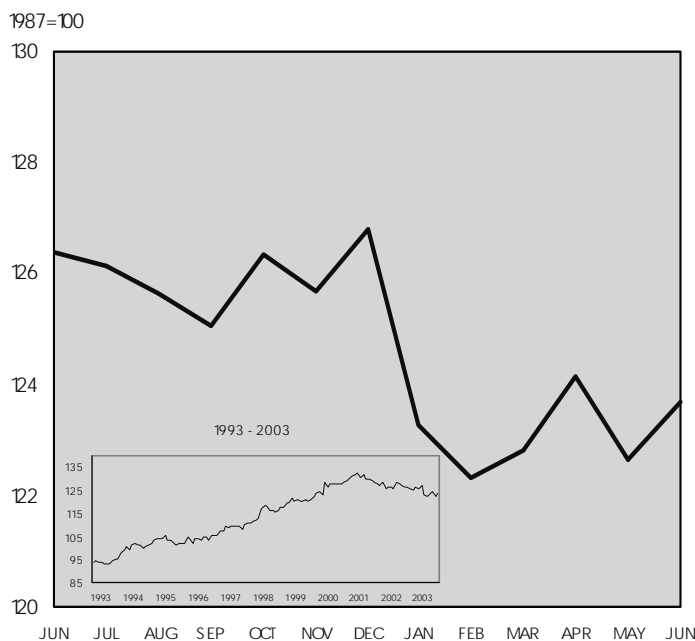
The Conference Board reports that the Consumer Confidence Index, which had declined in July, bounced back in August 2003. The Index now stands at 81.3, compared to 77.0 in July. The Consumer Confidence Index is composed of two separate indices: the Present Situation Index and the Expectations Index. The Present Situation Index measures consumers' confidence in current business and employment conditions, while the Expectations Index measures consumers' confidence in business, employment, and family income prospects six months hence. The two indices are averaged to form the composite Consumer Confidence Index.

In July, the Present Situation Index declined from 63.0 to 61.6 points, a 1.4 point fall from last month. Mixed labor market conditions have driven consumers' weak assessment of the current economic climate. The Expectations Index increased to 94.4 from 86.3. "The welcome bounce back in confidence this month was entirely due to consumers' increasing optimism about the future," said Lynn Franco, Director of the Conference Board's Consumer Research Center. "Continued optimism will depend on positive developments in the labor market," noted Ms. Franco.

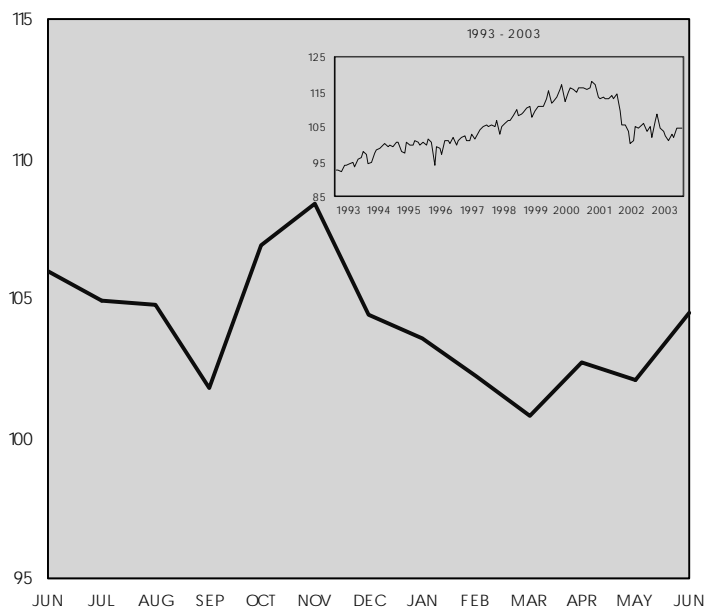


The following section includes a discussion of economic indices for two different geographic entities. The coincident indices assess current economic performance, while the leading indices signal what economic conditions will be in 9 to 12 months for the respective economies. Fairfax County's Indices are discussed first, followed by the Metropolitan Indices, which consider the Washington Metropolitan economy. Together, these indices are intended to provide a broad assessment of the economic climate confronting, and likely to impact, County residents and businesses.

### FAIRFAX COUNTY COINCIDENT INDEX



### METROPOLITAN COINCIDENT INDEX



Source: Center for Regional Analysis, George Mason University. Compiled by the Fairfax County Department of Management and Budget.

Source: Center for Regional Analysis, George Mason University. Compiled by the Fairfax County Department of Management and Budget.



The Fairfax County Coincident Index, which represents the current state of the County's economy, increased to 123.7 in June 2003—a 0.9 percent gain over May. Although the Index has been positive in three of the past four months, it is still 2.1 percent below its June 2002 value.

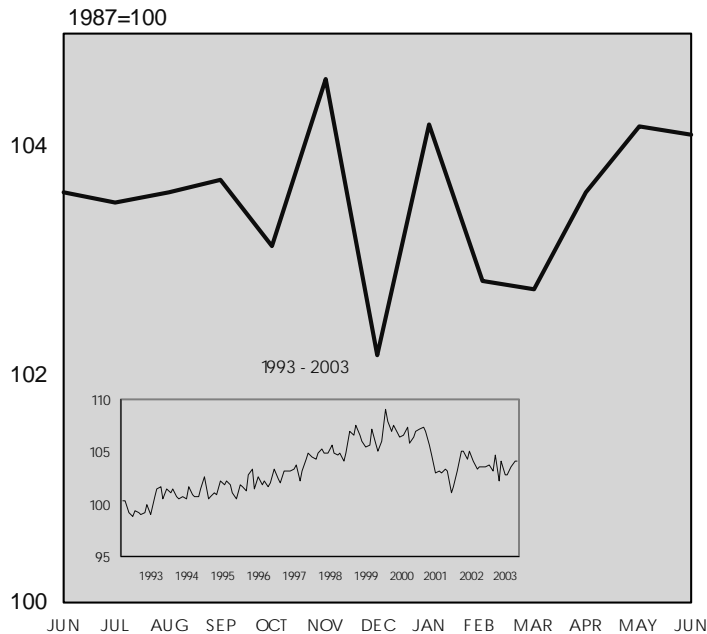
In June, three of the Index's four components were positive. Total employment increased for a fifth consecutive month; Sales tax collections, adjusted for inflation and seasonal variation, increased following two monthly declines; and Consumer Confidence (in the present) increased sharply and has been up in two of the last three months. Conversely, transient occupancy tax collections, adjusted for inflation and seasonal variation, declined for the third time in four months.



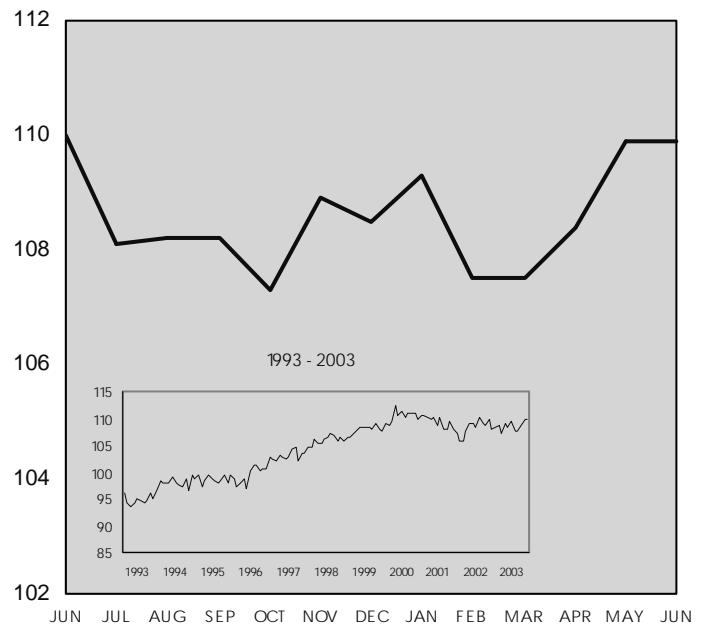
The Metropolitan Coincident Index, which reflects the current state of the Washington Metropolitan area economy, increased to 104.5 in June 2003—a 2.3 percent increase over May for its greatest one-month gain since November 2000. Despite increasing in two of the last three months, the Index is still down 4.8 percent compared to a year ago.

In June, three of the Index's four components were positive. Wage and salary employment increased in June for the fourth consecutive month; consumer confidence (in the present) increased sharply in June for the second time in three months; and domestic passenger volume at Reagan National and Dulles Airports increased for the second consecutive month. Nondurable goods retail sales, however, fell slightly after increasing in the previous two months.

### FAIRFAX COUNTY LEADING INDEX





### METROPOLITAN LEADING INDEX



Source: Center for Regional Analysis, George Mason University.  
Compiled by the Fairfax County Department of Management and Budget.

Source: Center for Regional Analysis, George Mason University.  
Compiled by the Fairfax County Department of Management and Budget.

 The Fairfax County Leading Index, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, declined slightly to 104.1 in June 2003—a 0.1 percent fall from May. This marginal decline follows two monthly gains. The Fairfax County June Leading Index is 0.5 percent above its June 2002 level.

 The Metropolitan Leading Index, which is designed to forecast local economic performance in the Washington Metropolitan area 6 to 8 months in advance, was unchanged at 109.9 in June 2003. The Index is slightly ahead of its June 2002 level. The Leading Index has been positive or unchanged for the past three months.

In June, decreases in three of the Index's five components contributed to its decline. Residential building permits decreased for the second time in three months; the total value of residential building permits fell following a large gain in May; and consumer expectations (consumer confidence six month hence) decreased after strong gains in April and May. Initial claims for unemployment insurance, however, declined (improved) in June for the second consecutive month and new automobile registrations increased after a sharp decline in May.

In June, two of the Index's five components made a positive contribution to its value, two were down, and one was unchanged. Total residential building permits registered their largest one-month gain in more than a year; initial claims for unemployment insurance declined (improved) for a second consecutive month; while the Help Wanted Index was unchanged in May. On other hand, consumer expectations (consumer confidence six months hence) fell after two strong monthly gains and durable goods retail sales fell following three monthly increases.

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