# General Fund Revenue Overview

# FY 2019

## Adopted Budget Plan

# SUMMARY OF GENERAL FUND REVENUE AND TRANSFERS IN

| Category | FY 2017 Actual | FY 2018 Adopted Budget Plan | FY 2018 Revised Budget Plan | FY 2019 Advertised Budget Plan | FY 2019 Adopted Budget Plan | Change from the FY 2019 Advertised Budget Plan Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|---|
| Real Estate Taxes - Current and Delinquent | $2,601,545,806 | $2,649,504,731 | $2,650,038,663 | $2,802,541,647 | $2,790,371,574 | ($12,170,073) | (0.43%) |
| Personal Property Taxes - Current and Delinquent[1] | 612,907,444 | 611,766,244 | 613,684,660 | 623,430,425 | 623,280,032 | (150,393) | (0.02%) |
| Other Local Taxes | 513,759,923 | 515,390,893 | 514,949,763 | 521,305,877 | 521,305,877 | 0 | 0.00% |
| Permits, Fees and Regulatory Licenses | 52,201,079 | 50,891,047 | 52,950,742 | 53,009,977 | 53,009,977 | 0 | 0.00% |
| Fines and Forfeitures | 12,725,041 | 11,684,270 | 12,089,035 | 12,178,536 | 12,178,536 | 0 | 0.00% |
| Revenue from Use of Money/Property | 29,542,600 | 32,280,345 | 41,761,989 | 49,159,119 | 49,159,119 | 0 | 0.00% |
| Charges for Services | 81,485,018 | 81,370,947 | 81,097,289 | 81,868,225 | 81,868,225 | 0 | 0.00% |
| Revenue from the Commonwealth and Federal Government[1] | 137,879,883 | 131,371,520 | 132,476,287 | 132,933,796 | 133,833,796 | 900,000 | 0.68% |
| Recovered Costs / Other Revenue | 16,923,470 | 16,480,180 | 16,317,223 | 16,636,952 | 16,636,952 | 0 | 0.00% |
| **Total Revenue** | **$4,058,970,264** | **$4,100,740,177** | **$4,115,365,651** | **$4,293,064,554** | **$4,281,644,088** | **($11,420,466)** | (0.27%) |
| Transfers In | 10,165,872 | 10,068,651 | 10,068,651 | 10,173,319 | 10,173,319 | 0 | 0.00% |
| **Total Receipts** | **$4,069,136,136** | **$4,110,808,828** | **$4,125,434,302** | **$4,303,237,873** | **$4,291,817,407** | **($11,420,466)** | **(0.27%)** |

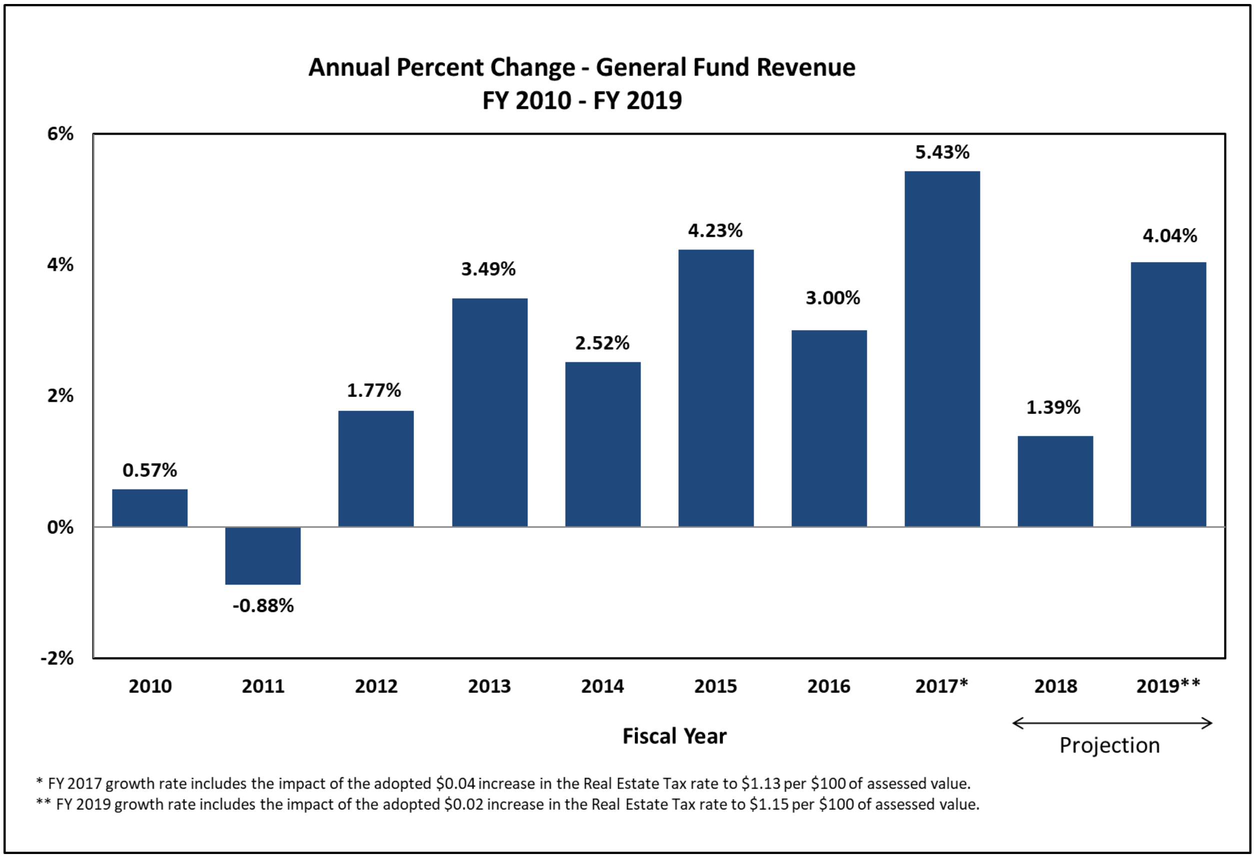
[1] The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

As reflected in the preceding table, FY 2019 General Fund revenues are projected to be $4,281,644,088, a decrease of $11,420,466 or 0.3 percent from the FY 2019 Advertised Budget Plan. The decrease is primarily the result of the adoption of a Real Estate tax rate of $1.15 per $100 of assessed value, a half-cent decrease from the proposed rate of $1.155. Partially offsetting the decrease is an increase in Revenue from the Commonwealth.

The FY 2019 General Fund revenue represents an increase of $166,278,437, or 4.04 percent, over the *FY 2018 Revised Budget Plan*, which contains the latest FY 2018 revenue estimates, and an increase of $180,903,911, or 4.41 percent, over the FY 2018 Adopted Budget Plan. The net increase is primarily the result of a $140.3 million increase over the *FY 2018 Revised Budget Plan* in Real Estate Tax revenue due to a rise in FY 2019 real estate assessments and an increase in the Real Estate Tax rate from $1.13 to $1.15 per $100 of assessed value. Most other County revenue categories are projected to experience moderate growth over FY 2018.

Incorporating Transfers In, FY 2019 General Fund receipts are anticipated to be $4,291,817,407. The Transfers In to the General Fund total $10.2 million and reflect $3.9 million from Fund 40030, Cable Communications, $2.9 million from Fund 69010, Sewer Operation and Maintenance, $1.1 million from Fund 40100, Stormwater Services, and $2.3 million from various other funds for indirect support provided by the County's General Fund agencies.

The following chart shows General Fund revenue growth since FY 2010. Revenues have risen at a modest rate, averaging annual increases of 2.3 percent in the period from FY 2010 to FY 2016. General Fund revenue in FY 2017 increased 5.43 percent primarily as a result of a 2.98 percent rise in real estate assessments and a 4-cent increase in the Real Estate tax rate. FY 2018 revenue is expected to increase 1.39 percent as a result of a 1.89 percent rise in real estate assessments, as well as modest growth in other revenue categories. General Fund revenue growth of 4.04 percent is projected in FY 2019.




*Economic Indicators*

In 2017, real Gross Domestic Product (GDP) grew at a rate of 2.3 percent, which outperformed the 1.5 percent growth experienced in 2016. The U.S. economy continued to expand during the first quarter of 2018 at a rate of 2.3 percent.

In May, the unemployment rate fell to 3.8 percent, the lowest level since April 2000. The U.S. economy also continued to add jobs at a solid clip, with 223,000 jobs added in May, the 92nd consecutive month of job creation. The closely watched average hourly earnings metric rose at an annualized rate of 2.7 percent. Most economists expect the momentum to continue; however, a further decrease in the unemployment rate, particularly if coupled with accelerated wage growth, is a cause for some to be concerned about the prospect of higher inflation and faster Fed tightening to prevent the overheating of the economy.

After increasing the target range for the federal funds rate for the first time in almost a decade back in December 2015, the Federal Reserve raised the rate again in December 2016 and continued raising it at a gradual pace throughout 2017. The Fed has indicated that two more interest rate hikes are likely in 2018 on top of the one already approved in March.

Home prices nationwide continued their rise in 2018. According to the S&P/Case-Shiller home price index, home prices were up 6.8 percent for the 12 months ending March. Since 2010, construction of single family homes has been substantially below the long-term average of about one million new homes annually. According to the National Association of Realtors, the available inventory of homes for sale is at its lowest level since 2005 at less than 4-months' supply compared to a "normal" market of 6-months' supply. Until supply increases faster than home sales, or the economy slows significantly, home prices are likely to continue to rise. Home prices in the Washington Metropolitan area posted a more modest 3.0 percent gain in March compared to a year ago.

The Washington region's economy has been expanding since the contraction experienced in 2013 and 2014 as a result of the sequester. In 2017, the level of growth was almost on par with that of the national economy in spite of the absence of significant federal spending increases and the diminishing share of the federal sector in the regional economy. According to Dr. Stephen Fuller, a George Mason University professor, federal government spending in the region, which accounted for almost 40 percent of the Gross Regional Product back in 2010, declined to an estimated 30 percent by 2017. Dr. Fuller expects a positive economic trajectory for the Washington region in 2018.

The labor market in Fairfax County has shown continued improvement and has recovered from the job losses in 2013 and 2014, when employment fell 0.6 percent and 1.2 percent, respectively. In September 2017, there were almost 4,400 more jobs in the County compared to September 2016, an increase of 0.7 percent. Employment in the Professional and Business Services sector, which includes most federal contractors, lost almost 12,600 jobs in 2013 and 2014 and remained flat in 2015. In 2016, employment in this sector increased by more than 2,300 jobs and growth has extended through the first three quarters of 2017. However, as of September 2017, the number of jobs in the sector is still 3.3 percent below the 2012 level. The County's unemployment rate is 2.7 percent as of March 2018, down from 3.1 percent in March 2017.

According to estimates from IHS, the County's Gross County Product (GCP), adjusted for inflation, increased at a rate of 1.5 percent in 2017, after essentially being level in 2016. Growth is projected to accelerate in 2018. The positive 2018 outlook is supported by continued job growth, personal earnings growth, and high consumer confidence. While its impact will not be immediate, the added stimulus by the federal tax reform approved in early 2018 is expected to also reinforce the economy. The federal budget deal approved in early February eliminated the threat of sequestration and increased federal funding for defense and domestic programs. It should pave the way for a measure of stability for the regional economy through at least September 2019. On the national level, potential risks for the future performance of the economy include the extended business cycle, which is almost in its ninth year of expansion, structural imbalances, volatility in the stock market and rising interest rates. Still, most economists expect an above average year for the U.S. economy.

***Local Housing Market***

Based on information from the Metropolitan Regional Information System (MRIS), the average sales price of homes sold in Fairfax County rose 4.3 percent from $544,416 in 2016 to $567,829 in 2017. Home prices continue to increase primarily as a result of tight inventory of homes for sale and low mortgage interest rates. Since 2009, the average home sales price has risen 36.1 percent, or an average annual growth of 3.9 percent.

MRIS also reported that 16,109 homes sold in the County in 2017, up 2.3 percent over 2016. Homes that sold during 2017 were on the market for an average of 45 days, down from 52 days in 2016.

*Local Nonresidential Market*

According to the Fairfax County Economic Development Authority, the direct office vacancy rate was 15.5 percent at year-end 2017, down from 15.8 percent at year-end 2016. The overall office vacancy rate, which includes empty sublet space, was 16.3 percent at the end of 2017, down from 16.8 percent recorded at year-end 2016. The amount of empty office space dropped to 19.1 million square feet. Industry experts anticipate vacancy rates to remain relatively stable through 2018 as tenants monitor economic conditions and the direction of the federal budget.

Fairfax County ranks as the 19th most active office construction market nationally. At year-end 2017, office development continued around Metro stations in the Silver Line corridor and in other areas of the County as well. Six office buildings totaling more than 2.2 million square feet were underway in three submarkets in December 2017. More than 70 percent of the office space being built is leased or will be owner-occupied. The amount of new space delivered in 2017 – more than 870,000 square feet – exceeded the roughly 850,000 square feet delivered in 2016.

Office leasing activity topped 11.7 million square feet by the end of 2017, exceeding the 11 million projected pace. As has been the case for the past several years, the overwhelming majority of leasing activity during 2017 involved renewals and consolidations. Lease rates for new space are adjusting to market conditions as many tenants are taking advantage of favorable rates, and others are looking to capitalize on market conditions by consolidating operations in newer space near Metro stations. Submarkets along and near the Silver Line – Tysons Corner, Reston and the Herndon area – are especially well-positioned to take advantage of this trend. More than 54 million square feet of new office space is in the development pipeline countywide. This "flight to quality," however, results in vacancies in office space that is older and often farther from transit and amenities.

*Revenue*

In FY 2019, current and delinquent Real Estate Tax revenue comprises 65.2 percent of total County General Fund revenues. FY 2019 Real Estate property values were established as of January 1, 2018, and reflect market activity through calendar year 2017. The Real Estate Tax base is projected to increase 3.59 percent in FY 2019, and is made up of a 2.58 percent increase in total equalization (reassessment of existing residential and nonresidential properties), and an increase of 1.01 percent for new construction.

The FY 2018 and FY 2019 General Fund revenue estimates discussed in this section are based on a review of Fairfax County economic indicators, actual FY 2017 receipts, and FY 2018 year-to-date collection trends. Forecasts of economic activity in the County are provided by IHS and a variety of national economic forecasts are considered. Based on analysis of projected trends, revenue categories are expected to experience moderate growth through FY 2019.

## MAJOR REVENUE SOURCES

The following major revenue categories discussed in this section comprise 98.6 percent of total FY 2019 General Fund revenue. Unless otherwise indicated, comparative data are presented relative to the FY 2019 Advertised Budget Plan. The revenue estimates for all General Fund Revenue categories are shown in the Summary Schedule of General Fund Revenues in the section of this volume titled "Financial, Statistical and Summary Tables."

| | | | | | | Change from the FY 2019 Advertised Budget Plan | |
|---|---|---|---|---|---|---|---|
| Category | FY 2017 Actual | FY 2018 Adopted Budget Plan | FY 2018 Revised Budget Plan | FY 2019 Advertised Budget Plan | FY 2019 Adopted Budget Plan | Increase / (Decrease) | Percent Change |
| Real Estate Tax - Current | $2,591,563,405 | $2,640,543,716 | $2,641,077,648 | $2,793,580,632 | $2,781,410,559 | ($12,170,073) | (0.44%) |
| Personal Property Tax | | | | | | | |
| Current[1] | 597,493,770 | 598,013,157 | 598,944,181 | 608,689,946 | 608,539,553 | (150,393) | (0.02%) |
| Paid Locally | 386,179,826 | 386,699,213 | 387,630,237 | 397,376,002 | 397,225,609 | (150,393) | (0.04%) |
| Reimbursed by Commonwealth | 211,313,944 | 211,313,944 | 211,313,944 | 211,313,944 | 211,313,944 | 0 | 0.00% |
| Business, Professional and Occupational License Tax-Current | 155,389,830 | 157,402,272 | 157,720,677 | 160,086,487 | 160,086,487 | 0 | 0.00% |
| Local Sales Tax | 176,640,592 | 183,310,657 | 181,157,888 | 185,686,835 | 185,686,835 | 0 | 0.00% |
| Recordation/Deed of Conveyance Taxes | 32,190,772 | 30,466,027 | 30,885,051 | 31,193,902 | 31,193,902 | 0 | 0.00% |
| Gas & Electric Utility Taxes | 45,204,598 | 44,926,992 | 45,307,162 | 45,533,698 | 45,533,698 | 0 | 0.00% |
| Communications Sales Tax | 14,265,995 | 14,825,739 | 12,966,249 | 10,528,299 | 10,528,299 | 0 | 0.00% |
| Vehicle License Fee | 26,988,613 | 27,278,010 | 27,327,470 | 27,464,107 | 27,464,107 | 0 | 0.00% |
| Transient Occupancy Tax | 22,578,980 | 21,581,091 | 21,581,091 | 22,120,618 | 22,120,618 | 0 | 0.00% |
| Cigarette Tax | 6,838,274 | 6,968,664 | 6,594,603 | 6,561,630 | 6,561,630 | 0 | 0.00% |
| Permits, Fees and Regulatory Licenses | 52,201,079 | 50,891,047 | 52,950,742 | 53,009,977 | 53,009,977 | 0 | 0.00% |
| Investment Interest | 27,536,705 | 30,233,911 | 39,637,147 | 46,992,592 | 46,992,592 | 0 | 0.00% |
| Charges for Services | 81,485,018 | 81,370,947 | 81,097,289 | 81,868,225 | 81,868,225 | 0 | 0.00% |
| Fines and Forfeitures | 12,725,041 | 11,684,270 | 12,089,035 | 12,178,536 | 12,178,536 | 0 | 0.00% |
| Recovered Costs / Other Revenue | 16,923,470 | 16,480,180 | 16,317,223 | 16,636,952 | 16,636,952 | 0 | 0.00% |
| Revenue from the Commonwealth and Federal Government[1] | 137,879,883 | 131,371,520 | 132,476,287 | 132,933,796 | 133,833,796 | 900,000 | 0.68% |
| **Total Major Revenue Sources** | **$3,997,906,025** | **$4,047,348,200** | **$4,058,129,743** | **$4,235,066,232** | **$4,223,645,766** | **($11,420,466)** | **(0.27%)** |

[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.

**REAL ESTATE TAX-CURRENT**

| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $2,591,563,405 | $2,640,543,716 | $2,641,077,648 | $2,793,580,632 | $2,781,410,559 | ($12,170,073) | (0.4%) |

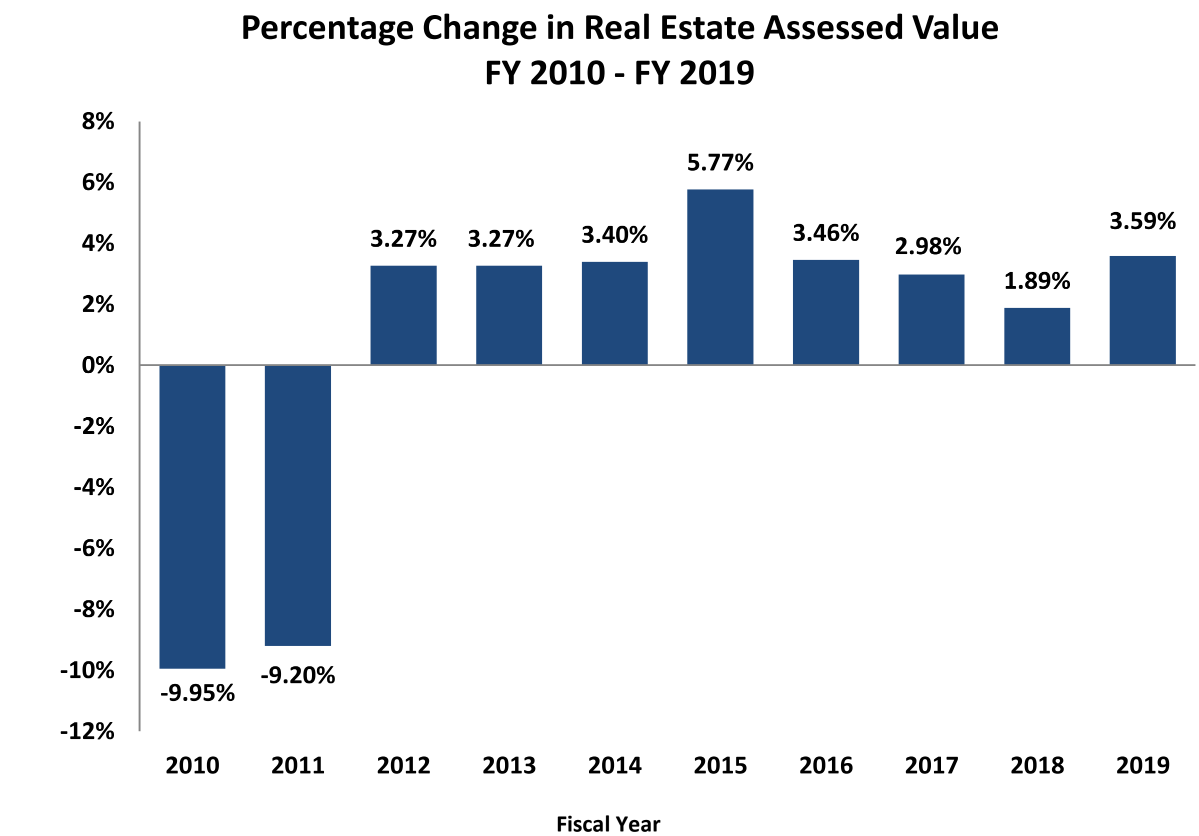
The FY 2019 Adopted Budget Plan estimate for Current Real Estate Taxes is $2,781,410,559 and represents a decrease of $12,170,073 or 0.4 percent from the FY 2019 Advertised Budget Plan estimate. The decrease is the result of the adoption of a Real Estate tax rate of $1.15 per $100 of assessed value, a half-cent decrease from the proposed rate of $1.155. Because the Real Estate tax rate impacts two classes of personal property, mobile homes and non-vehicle Public Service Corporation property, the FY 2019 Personal Property Tax estimate is also decreased by $0.15 million.

The FY 2019 value of assessed real property represents an increase of 3.59 percent, as compared to the FY 2018 Real Estate Land Book, and is comprised of an increase in equalization of 2.58 percent and an increase of 1.01 percent associated with new construction. The FY 2019 figures reflected in this document are based on final assessments for Tax Year 2018 (FY 2019), which were established as of January 1, 2018. In addition to the revenue shown in the table above, the projected value of one-half penny on the Real Estate Tax rate ($12.3 million) is allocated to The Penny for Affordable Housing Fund and $5.4 million is allocated to Fund 70040, Mosaic District Community Development Authority. Throughout FY 2019, Real Estate Tax revenues will be adjusted as necessary to reflect changes in exonerations, tax abatements, and supplemental assessments, as well as any differences in the projected collection rate of 99.70 percent.

The FY 2019 **Main Assessment Book Value** is $246,334,332,150 and represents an increase of $8,543,169,950, or 3.59 percent, over the FY 2018 main assessment book value of $237,791,162,200.

From FY 2005 through FY 2007, the assessment base experienced double digit advances. Deceleration began in FY 2008, when the assessment base rose just 4.15 percent, and continued in FY 2009 with a modest increase of 0.51 percent. Following the financial crisis and a general decline in economic conditions, the FY 2010 assessment base declined 9.95 percent, which was the largest drop on record. The assessment base decreased for a second consecutive year in FY 2011, declining 9.20 percent. Since then, the assessment base increased 3.27 percent in both FY 2012 and FY 2013, 3.40 percent in FY 2014, 5.77 percent in FY 2015, 3.46 percent in FY 2016, 2.98 percent in FY 2017, and 1.89 percent in FY 2018.

The following chart shows changes in the County's assessed value base from FY 2010 to FY 2019.



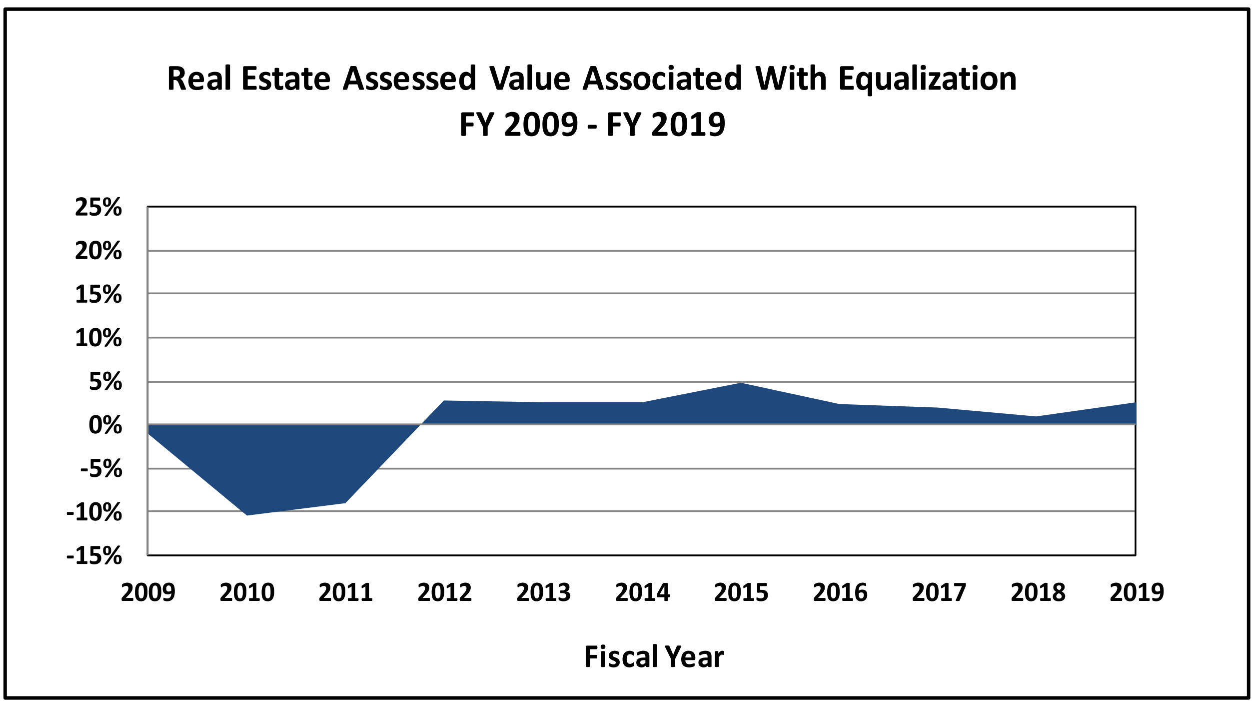

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Equalization** | **-10.52%** | **-8.98%** | **2.67%** | **2.53%** | **2.63%** | **4.84%** | **2.40%** | **1.94%** | **0.97%** | **2.58%** |
| Res | -12.55 | -5.56 | 2.34 | 0.71 | 3.50 | 6.54 | 3.39% | 1.64% | 0.68% | 2.17% |
| NonRes | -4.51 | -18.29 | 3.73 | 8.21 | 0.14 | -0.10 | -0.60% | 2.87% | 1.85% | 3.79% |
| **Growth** | **0.57%** | **-0.22%** | **0.60%** | **0.74%** | **0.77%** | **0.93%** | **1.06%** | **1.04%** | **0.92%** | **1.01%** |
| **TOTAL** | **-9.95%** | **-9.20%** | **3.27%** | **3.27%** | **3.40%** | **5.77%** | **3.46%** | **2.98%** | **1.89%** | **3.59%** |

The overall change in the assessment base is comprised of **equalization** and **normal growth.** For reporting purposes, individual properties are identified as being in either the equalization category or the growth category, but not both. Equalization properties are those whose values change due to market fluctuations. Growth is a category of properties whose value changes are also influenced by new construction, remodeling or rezonings. Once growth factors are identified, *the entire property value* is shown in the growth category, even though the property is also influenced by equalization. The FY 2019 assessment base reflects a total equalization increase of 2.58 percent and an increase of 1.01 percent associated with the growth component. As a result of changes in equalization and growth, the residential portion of the total assessment base decreased from 74.43 percent in FY 2018 to 73.81 percent in FY 2019. The following table reflects changes in the Real Estate Tax assessment base from FY 2013 through FY 2019.

## Main Real Estate Assessment Book Value and Changes
**(in millions)**

| Assessed Base Change Due To: | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|---|---|---|---|---|---|---|---|
| **Equalization** | **$4,904.1** | **$5,259.4** | **$10,026.1** | **$5,269.7** | **$4,401.5** | **$2,269.9** | **$6,140.1** |
| **% Change** | 2.53% | 2.63% | 4.84% | 2.40% | 1.94% | 0.97% | 2.58% |
| **Residential** | 0.71% | 3.50% | 6.54% | 3.39% | 1.64% | 0.68% | 2.17% |
| **Nonresidential** | 8.21% | 0.14% | (0.10%) | (0.60%) | 2.87% | 1.85% | 3.79% |
| **Normal Growth** | **$1,440.4** | **$1,550.4** | **$1,922.0** | **$2,318.0** | **$2,362.6** | **$2,148.1** | **$2,403.1** |
| **% Change** | 0.74% | 0.77% | 0.93% | 1.06% | 1.04% | 0.92% | 1.01% |
| **Residential** | 0.26% | 0.42% | 0.51% | 0.51% | 0.56% | 0.36% | 0.57% |
| **Nonresidential** | 2.26% | 1.79% | 2.13% | 2.74% | 2.54% | 2.61% | 2.29% |
| **Total Change** | **$6,344.5** | **$6,809.8** | **$11,948.1** | **$7,587.7** | **$6,764.2** | **$4,418.0** | **$8,543.2** |
| **% Change** | 3.27% | 3.40% | 5.77% | 3.46% | 2.98% | 1.89% | 3.59% |
| **Total Book** | $200,263.3 | $207,073.1 | $219,021.3 | $226,609.0 | $233,373.1 | $237,791.1 | $246,334.3 |

**Equalization**, or reassessment of existing residential and nonresidential property, represents an increase in value of $6,140,093,010, or 2.58 percent, in FY 2019. Both residential and non-residential property values rose in FY 2019. Growth in non-residential equalization has been higher than that of residential equalization in the last three years. Overall, residential equalization reflects a 2.17 percent increase in FY 2019, compared to a 0.68 percent increase in FY 2018. Nonresidential equalization rose 3.79 percent. Changes in the assessment base as a result of equalization are shown in the following graph.



**Residential equalization** rose at double digit rates from FY 2002 through FY 2007 due to high demand but a limited supply of housing. Strong job growth, the easy availability of credit and profit-led speculation contributed to price appreciation in the local housing market. In FY 2008, FY 2009, FY 2010, and FY 2011, overall residential equalization declined 0.33 percent, 3.38 percent, 12.55 percent, and 5.56 percent, respectively, as the inventory of homes for sale grew and home prices fell in the County, as they did throughout the Northern Virginia area. After falling four consecutive years, the value of residential properties in the County increased in the last eight years: 2.34 percent in FY 2012, a slight 0.71 percent in FY 2013, 3.50 percent in FY 2014, 6.54 percent in FY 2015, 3.39 percent in FY 2016, 1.64 percent in FY 2017, 0.68 percent in FY 2018, and 2.17 percent in FY 2019. The total value of residential properties including new construction in FY 2019 is $181.9 billion.

The County's median assessment to sales ratio is in the mid-90 percent range, well within professional standards that assessments should be between 90 percent to 110 percent of the sales prices experienced in a neighborhood.

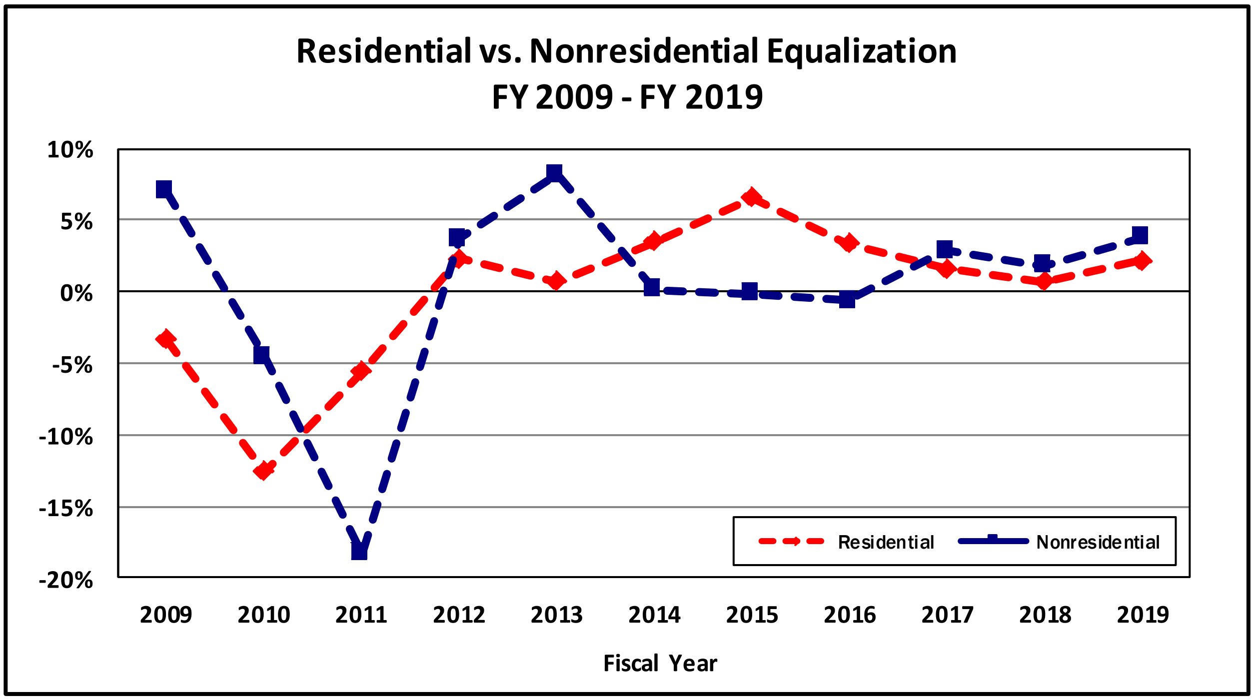
Overall, single family property values increased 2.11 percent in FY 2019. The value of single family homes has the most impact on the total residential base because they represent nearly 72 percent of the total. The value of townhouse properties increased 2.86 percent in FY 2019, while that of condominium properties increased 1.68 percent. Changes in residential equalization by housing type since FY 2014 are shown in the following table. Changes represented in this chart are for the category as a whole. Individual neighborhoods and properties may have increased or decreased by different percentages based on neighborhood selling prices.

**Residential Equalization Changes**

| Housing Type/ (Percent of Base) | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|---|---|---|---|---|---|---|
| Single Family (71.7%) | 3.13% | 5.82% | 3.27% | 1.69% | 0.62% | 2.11% |
| Townhouse/Duplex (19.8%) | 4.50% | 8.39% | 3.81% | 2.05% | 1.37% | 2.86% |
| Condominiums (8.0%) | 5.42% | 10.51% | 4.48% | 0.73% | (0.32%) | 1.68% |
| Vacant Land (0.4%) | 2.89% | 3.38% | 3.03% | 0.92% | 0.03% | 2.01% |
| Other (0.1%)[1] | 4.74% | 3.42% | 2.56% | 6.42% | 9.52% | 9.70% |
| **Total Residential Equalization (100%)** | **3.50%** | **6.54%** | **3.39%** | **1.64%** | **0.68%** | **2.17%** |

[1] Includes, for example, affordable dwelling units, recreational use properties, and agricultural and forestal land use properties.

As a result of the increase in residential equalization, the mean assessed value of all residential property in the County is $547,219. This is an increase of $11,622 over the FY 2018 value of $535,597. At the adopted Real Estate tax rate of $1.15 per $100 of assessed value, the typical residential annual tax bill will rise, on average, $240.77 in FY 2019 to $6,293.02.



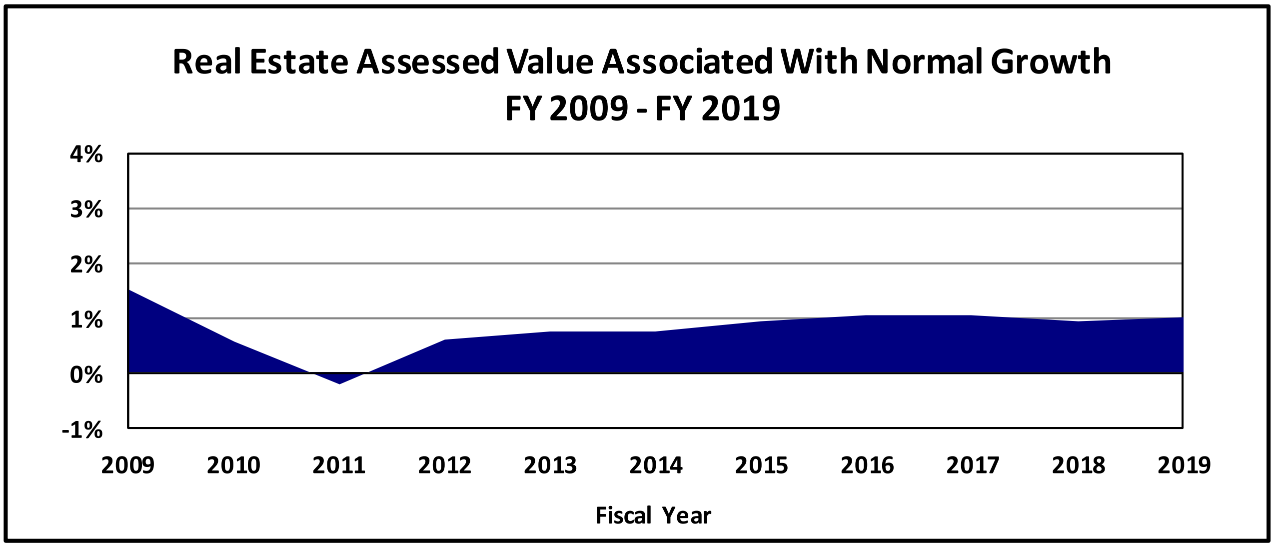

After experiencing a record decline of 18.29 percent in FY 2011, **nonresidential equalization** rebounded 3.73 percent in FY 2012, and a strong 8.21 percent in FY 2013. In FY 2014, nonresidential values stayed essentially level with FY 2013, increasing only 0.14 percent. In FY 2015 and FY 2016, nonresidential values decreased a slight 0.10 percent and another 0.60 percent, respectively, before increasing 2.87 percent in FY 2017 and 1.85 percent in FY 2018. In FY 2019, nonresidential values increased 3.79 percent due to equalization. The total value of nonresidential properties including new construction in FY 2019 is $64.5 billion.

The main cause for the higher FY 2019 increase in nonresidential values compared to the growth experienced in FY 2018 is the increase in the values of Office Elevator properties. Office Elevator properties (mid- and high-rises), the largest component of the nonresidential tax base at 32.0 percent, experienced an increase of 2.82 percent in FY 2019 after declining 1.39 percent in FY 2018. Apartment values, which represent 24.3 percent of the total nonresidential base, rose 2.40 percent in FY 2019. Retail properties increased a strong 7.00 percent in FY 2019. Nonresidential equalization changes by category since FY 2014 are presented in the following table.

**Nonresidential Equalization Changes**

| Category (Percent of Base) | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|---|---|---|---|---|---|---|
| Apartments (24.3%) | 4.90% | 3.59% | 1.20% | 2.92% | 3.37% | 2.40% |
| Office Condominiums (3.7%) | (0.66%) | (0.07%) | 0.58% | 1.86% | 0.49% | 1.19% |
| Industrial (6.7%) | 0.69% | 1.77% | 5.83% | 7.43% | (0.26%) | 9.61% |
| Retail (17.6%) | 1.18% | 1.52% | 2.46% | 1.60% | 7.39% | 7.00% |
| Office Elevator (32.0%) | (2.41%) | (2.93%) | (4.67%) | 3.42% | (1.39%) | 2.82% |
| Office - Low Rise (2.8%) | (1.72%) | (2.41%) | (5.00%) | 1.73% | 1.39% | 1.11% |
| Vacant Land (3.4%) | (0.74%) | (1.19%) | (4.62%) | 1.50% | (1.17%) | (0.35%) |
| Hotels (3.3%) | (3.94%) | (4.82%) | 0.26% | 3.61% | (0.12%) | 8.13% |
| Other (6.2%) | 1.17% | 2.37% | 5.26% | 3.70% | 6.73% | 6.13% |
| **Nonresidential Equalization (100%)** | **0.14%** | **(0.10%)** | **(0.60%)** | **2.87%** | **1.85%** | **3.79%** |

The **Growth** component increased the FY 2019 assessment base by $2,403,076,940, or 1.01 percent, over the FY 2018 assessment book value. New construction increased the residential property base by 0.57 percent and nonresidential properties by 2.29 percent.




In addition to the final equalization and normal growth adjustments in the Main Assessment Book, the following projected adjustments were made to the FY 2019 Real Estate Tax revenue estimate:

**Exonerations, Certificates and Tax Abatements** are anticipated to reduce the Real Estate assessment base by $1,047.1 million in FY 2019, resulting in a reduction in levy of $12.0 million.

**Additional Assessments** expected to be included in the new Real Estate base total $500.0 million, or a levy increase of $5.8 million, and include both prorated assessments and additional supplemental assessments. Prorated assessments are supplemental assessments that include assessments which are made during the year for new construction that is completed subsequent to finalizing the original assessment book.

**The Real Estate Tax Relief Program** is projected to reduce the Real Estate assessment base in FY 2019 by $2,655.0 million. The reduction in tax levy due to the Tax Relief program is approximately $30.5 million at the adopted Real Estate tax rate of $1.15 per $100 of assessed value. In FY 2019, the income limits of the Tax Relief program provide 100 percent exemption for elderly and disabled taxpayers with incomes up to $52,000; 50 percent exemption for eligible applicants with income between $52,001 and $62,000; and 25 percent exemption if income is between $62,001 and $72,000. The allowable asset limit in FY 2019 is $340,000 for all ranges of tax relief. Veterans, who have a 100 percent permanent and total disability related to military service, or their surviving spouse, are eligible for full Real Estate Tax relief regardless of income or assets. In addition, the surviving spouse of a veteran who has been killed in action may be eligible for a full or partial exemption of real estate taxes for their principal residence and up to one acre of land. The table below shows FY 2019 income and asset thresholds for the Real Estate Tax Relief Program.

| FY 2019<br>Real Estate Tax Relief Program | Income Limit | Asset Limit | Percent Relief |
|---|---|---|---|
| Elderly and Disabled | Up to $52,000 | $340,000 | 100% |
| | Over $52,000 to $62,000 | | 50% |
| | Over $62,000 to $72,000 | | 25% |
| 100% Disabled Veterans or Surviving Spouse | No Limit | No Limit | 100% |
| Surviving Spouse of Veteran Killed in Action | No Limit | No Limit | full or partial based on mean assessed value |

**The FY 2019 local assessment base** of $243,132,225,990 is derived from the main assessment book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of $2,796,020,599 is calculated using the adopted Real Estate Tax rate of $1.15 per $100 of assessed value. Based on an expected local collection rate of 99.70 percent, revenue from local assessments is estimated to be $2,787,632,537. In FY 2019, every 0.01 percentage point change in the collection rate on the locally assessed Real Estate Tax levy yields a revenue change of $0.3 million, while every penny on the tax rate yields $24.6 million in revenue.

Added to the local assessment base is an estimated $998,645,367 in assessed value for Public Service Corporations (PSC) property. Using the adopted Real Estate tax rate of $1.15 per $100 of assessed value, the tax levy on PSC property is $11,484,422. The collection rate on PSC property is expected to be 100.0 percent.

The total assessment base, including Public Service Corporations, is $244,130,871,357, with a total tax levy of $2,807,505,021 at the adopted Real Estate Tax rate of $1.15 per $100 of assessed value. Estimated FY 2019 revenue from the Real Estate Tax, including receipts from Public Service Corporations totals $2,799,116,959. Of this amount, the approximate value of one-half cent on the Real Estate Tax rate, $12,300,000, has been directed to Fund 30300, The Penny for Affordable Housing Fund.

**Mosaic District Community Development Authority (CDA)** was created to assist commercial investment in the Merrifield area of the County. The Mosaic CDA issued bonds, the proceeds from which are to be used to finance certain public infrastructure improvements within the Mosaic District to support mixed-use development within the District. The CDA bonds are payable primarily from certain incremental real estate tax revenues collected by the County in the District. The Mosaic District Tax Increment Financing (TIF) assessed value is based on the difference between the 2007 Base Assessed Value and the Current Assessed Value, which in FY 2019 is $576,556,110, with a tax levy of $6,630,395 at the adopted Real Estate Tax rate of $1.15 per $100 of assessed value. Based on an expected collection rate of 99.70 percent, revenue from the Mosaic TIF tax assessment is estimated to be $6,610,504. Per the bond documents, the County is to transfer to the CDA only those tax increment revenues required for debt service payments, which equates to $5,406,400 in FY 2019. Accordingly, the difference of $1,204,104 will be retained in the General Fund. For more information, see Fund 70040, Mosaic District Community Development Authority, in Volume 2 of the budget.

**FY 2019 Estimated Real Estate Assessments and Tax Levy**

| | Assessed Value | FY 2019 Tax Levy at $1.15/$100 of Assessed Value |
|---|---|---|
| FY 2018 Real Estate Book | $237,791,162,200 | $2,734,598,365 |
| FY 2019 Equalization | 6,140,093,010 | 70,611,070 |
| FY 2019 Growth | 2,403,076,940 | 27,635,385 |
| **TOTAL FY 2019 REAL ESTATE BOOK** | **$246,334,332,150** | **$2,832,844,820** |
| Exonerations | ($990,000,000) | ($11,385,000) |
| Certificates | (4,000,000) | (46,000) |
| Tax Abatements | (53,106,160) | (610,721) |
| Subtotal Exonerations | ($1,047,106,160) | ($12,041,721) |
| Supplemental Assessments | $500,000,000 | $5,750,000 |
| Tax Relief | (2,655,000,000) | (30,532,500) |
| **Local Assessments** | **$243,132,225,990** | **$2,796,020,599** |
| Public Service Corporation | $998,645,367 | $11,484,422 |
| **TOTAL[1]** | **$244,130,871,357** | **$2,807,505,021** |

[1] Includes the Mosaic District Tax Increment Financing (TIF) assessed value based on the difference between the 2007 Base Assessed Value and the Current Assessed Value, which in FY 2019 is $576,556,110, with a tax levy of $6,630,395.

Total General Fund revenue from the Real Estate Tax is $2,781,410,559. The total local collection rates experienced in this category since FY 2004 are shown in the following table:

**Real Estate Tax Local Collection Rates**

| Fiscal Year | Collection Rate | Fiscal Year | Collection Rate |
|---|---|---|---|
| **2004** | 99.61% | **2012** | 99.69% |
| **2005** | 99.62% | **2013** | 99.71% |
| **2006** | 99.62% | **2014** | 99.74% |
| **2007** | 99.64% | **2015** | 99.77% |
| **2008** | 99.66% | **2016** | 99.75% |
| **2009** | 99.66% | **2017** | 99.79% |
| **2010** | 99.71% | **2018 (estimated)[1]** | 99.70% |
| **2011** | 99.67% | **2019 (estimated)[1]** | 99.70% |

[1] In FY 2019, every 0.1 percentage point change in the collection rate yields a revenue change of $2.8 million.

The Commercial/Industrial percentage of the County's FY 2019 Real Estate Tax base is 19.43 percent, an increase of 0.31 percentage point over the FY 2018 level of 19.12 percent. Commercial/Industrial property values as a percentage of the Real Estate Tax base increased in FY 2019 as a result of new office construction and a slower increase experienced in the residential portion of the Real Estate Tax base. The Commercial/Industrial percentage is based on Virginia land use codes and includes all nonresidential property except multi-family rental apartments, which make up 6.76 percent of the County's Real Estate Tax base in FY 2019. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

**Commercial/Industrial Percentages**

| Fiscal Year | Percentage | Fiscal Year | Percentage |
|---|---|---|---|
| **2004** | 19.14% | **2012** | 19.64% |
| **2005** | 18.20% | **2013** | 20.77% |
| **2006** | 17.36% | **2014** | 19.96% |
| **2007** | 17.22% | **2015** | 19.01% |
| **2008** | 19.23% | **2016** | 18.67% |
| **2009** | 21.06% | **2017** | 18.89% |
| **2010** | 22.67% | **2018** | 19.12% |
| **2011** | 19.70% | **2019** | 19.43% |

**PERSONAL PROPERTY TAX-CURRENT**

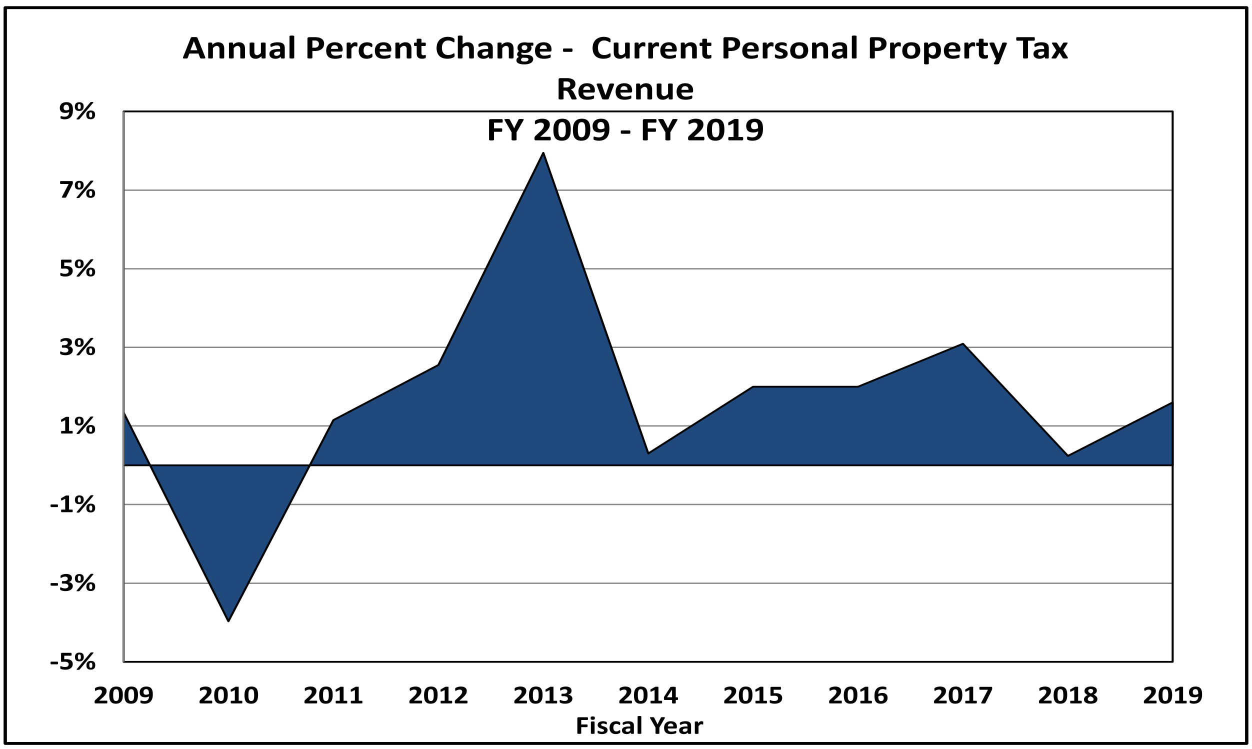
| | FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|---|
| **Paid Locally** | $386,179,826 | $386,699,213 | $387,630,237 | $397,376,002 | $397,225,609 | ($150,393) | (0.0%) |
| **Reimbursed by State** | 211,313,944 | 211,313,944 | 211,313,944 | 211,313,944 | 211,313,944 | 0 | 0.0% |
| **Total** | $597,493,770 | $598,013,157 | $598,944,181 | $608,689,946 | $608,539,553 | ($150,393) | (0.0%) |

The FY 2019 Adopted Budget Plan estimate for Personal Property Tax revenue of $608,539,553 represents a decrease of $150,393 from the FY 2019 Advertised Budget Plan estimate. The decrease is the result of the adoption of a Real Estate tax rate of $1.15 per $100 of assessed value, a half-cent decrease from the proposed rate of $1.155. This tax rate is applied to the valuation of mobile homes and non-vehicle Public Service Corporations properties.

The Personal Property Tax on vehicles represents 76.6 percent of the total assessment base in FY 2019. The vehicle component is comprised of two parts, that which is paid locally and that which is reimbursed by the Commonwealth of Virginia to the County as a result of the Personal Property Tax Relief Act (PPTRA) of 1998. The PPTRA reduces the Personal Property Tax paid on the first $20,000 of the value for vehicles owned by individuals. In FY 1999, the first year of implementation, taxpayers were billed for the entire amount of tax levy and received a refund of 12.5 percent of the tax on the first $20,000 of the value of their personal vehicle from the Commonwealth of Virginia. Vehicles valued less than $1,000 were refunded 100 percent. From FY 2000 to FY 2002, the PPTRA reduced the Personal Property Taxes paid by citizens by 27.5 percent, 47.5 percent, and 70 percent, respectively, with an offsetting reimbursement paid to the County by the Commonwealth. Under the original approved plan, taxes paid by individuals were to be reduced by 100 percent in FY 2003. However, due to the Commonwealth's lower than anticipated General Fund revenue growth, the reimbursement rate remained at 70 percent in FY 2003 through FY 2006. The

2004 General Assembly approved legislation that capped statewide Personal Property Tax reimbursements at $950 million in FY 2007 and beyond. Fairfax County's allocation has been set at $211.3 million based on the County's share of statewide tax year 2004 collections. Each year County staff must determine the reimbursement percentage based on the County's fixed reimbursement from the state and an estimate of the number and value of vehicles that will be eligible for tax relief. As the number and value of vehicles in the County vary, the percentage attributed to the state will vary. Based on a County staff analysis, the effective state reimbursement percentage was 66.67 percent, 67.0 percent, and 68.5 percent in FY 2007, FY 2008 and FY 2009, respectively. The reimbursement percentage was set at 70.0 percent in both FY 2010 and FY 2011, and at 68.0 percent in FY 2012. Due to a continued increase in vehicle volume and average levy, the reimbursement percentage was lowered to 63.0 percent in FY 2013 where it remained in FY 2014. In FY 2015, FY 2016, and FY 2017, the reimbursement percentage was lowered again to 62.0 percent and to 60.5 percent in FY 2018. Based on an estimate of the number and value of vehicles that will be eligible for tax relief in FY 2019, the reimbursement percentage is set at 60.0 percent.

Annual percentage changes in total Personal Property Tax revenues are shown in the following graph.




As the economy began to slow, Personal Property Tax receipts rose modestly in FY 2009 at a rate of 1.3 percent. In FY 2010, receipts decreased 4.0 percent mainly as a result of a significant decline of 10.8 percent in average vehicle levy reflecting the downturn in the economy in calendar year 2009. FY 2011 Personal Property Tax receipts increased 1.1 percent due to an increase in the average vehicle levy, partially offset with a decrease in business volume and average business levy. FY 2012 Personal Property Tax receipts increased 2.6 percent due to an increase in both the average vehicle and business levies. FY 2013 receipts increased a solid 7.9 percent mainly as a result of a rise of 7.1 percent in total vehicle levy. A reduction in the supply of new vehicles increased prices of both new and used automobiles. The decrease in supply was a result of a decline in U.S. auto production due to the slowdown in the economy and the earthquake and tsunami in Japan, which not only impacted Japanese automakers but also U.S. automakers that rely on parts from Japan. This situation caused the value of many used vehicles to depreciate less than what traditionally has been experienced and resulted in some vehicles actually appreciating over the year. This was not unique to Fairfax County, but was experienced nationwide. Total FY 2014 Personal Property Tax revenue increased a slight 0.3 percent as the depreciation of vehicles returned to more normal levels, followed by an increase of 2.0 percent in both FY 2015 and FY 2016 and 3.1 percent in FY 2017. Personal Property Tax receipts are expected to increase a modest 0.2 percent in FY 2018, and growth of 1.6 percent is projected in FY 2019. The vehicle component, which comprises almost 77 percent of total Personal Property levy, is expected to increase 1.6 percent based on analysis of vehicles in the County valued with information from the National Automobile Dealers Associations (NADA). Total vehicle volume is forecast to increase 0.6 percent in FY 2019.

Changes in vehicle volume and average vehicle levy since FY 2009 are shown in the following table.

**Fairfax County**
**Personal Property Vehicles**

| Fiscal Year | % Change in Vehicle Volume | Average Vehicle Levy | % Change in Average Levy |
|---|---|---|---|
| FY 2009 | 0.8% | $434 | 2.4% |
| FY 2010 | 0.1% | $387 | (10.8%) |
| FY 2011 | 0.9% | $397 | 2.6% |
| FY 2012 | 0.7% | $411 | 3.5% |
| FY 2013 | 0.7% | $437 | 6.3% |
| FY 2014 | 0.9% | $445 | 1.8% |
| FY 2015 | 0.0% | $451 | 1.3% |
| FY 2016 | 0.0% | $457 | 1.3% |
| FY 2017 | 0.7% | $468 | 2.4% |
| FY 2018 (est.) | 0.4% | $469 | 0.2% |
| FY 2019 (est.) | 0.6% | $474 | 1.1% |

Business Personal Property is primarily composed of assessments on furniture, fixtures and computer equipment. Business levy is impacted by the number of new businesses and whether existing businesses are expanding or contracting. As government contractors cut back employment due to lower federal procurement spending, they delayed business expansions. Business levy rose a modest 0.8 percent in FY 2014 and 1.0 percent in FY 2015. Growth accelerated in FY 2016 to 1.2 percent and a strong 4.4 percent in FY 2017. Based on business filings through December 2017, business levy is projected to decrease a slight 0.6 percent in FY 2018, likely due to depreciating value of newly acquired business personal property one year after acquisition, particularly given the strong growth experienced in FY 2017. Business levy is anticipated to resume growing at 1.0 percent in FY 2019 based on the expectation that economic conditions will be stable.

In accordance with assessment principles and the Code of Virginia, which require that property is taxed at fair market value, the Department of Tax Administration (DTA) reviews the depreciation rate schedule for computer hardware due to the speed with which computer values change. The current schedule depreciates computer equipment 50 percent, one year after acquisition. In subsequent years, the percent of the original purchase price taxed is 35 percent, 20 percent, and 10 percent, in year two, three and four, respectively. After five or more years, computer equipment is valued at 2 percent of its original acquisition price.

Personal Property Tax revenue estimates are based on a tax rate of $4.57 per $100 of valuation for vehicles and business property, and a tax rate of $1.15 per $100 of valuation for mobile homes and non-vehicle Public Service Corporations properties. The following table details the estimated assessed value and associated levy for components of the Personal Property Tax.

**FY 2019 Estimated Personal Property Assessments and Tax Levy**

| Category | FY 2019 Assessed Value | Tax Rate (per $100) | FY 2019 Tax Levy | Percent of Total Levy |
|---|---|---|---|---|
| Vehicles | | | | |
| Privately Owned | $9,983,730,409 | $4.57 | $398,754,963 | 64.7% |
| Business Owned | 575,292,034 | 4.57 | 22,953,183 | 3.7% |
| Leased | 1,302,244,335 | 4.57 | 50,729,151 | 8.2% |
| Subtotal | $11,861,266,778 | | $472,437,297 | 76.6% |
| Business Personal Property | | | | |
| Furniture and Fixtures | $1,928,882,727 | $4.57 | $88,729,005 | 14.4% |
| Computer Equipment | 842,290,714 | 4.57 | 38,624,676 | 6.3% |
| Machinery and Tools | 31,827,930 | 4.57 | 1,457,505 | 0.2% |
| Research and Development | 825,427 | 4.57 | 37,722 | 0.0% |
| Subtotal | $2,803,826,798 | | $128,848,908 | 20.9% |
| Other Personal Property | | | | |
| Boats, Trailers, Miscellaneous | $17,038,758 | $4.57 | $804,537 | 0.1% |
| Mobile Homes | 14,952,397 | 1.15 | 179,282 | 0.1% |
| Subtotal | $31,991,155 | | $983,819 | 0.2% |
| Exonerations | ($84,935,763) | $4.57 | ($27,102,011) | -4.4% |
| Omitted Assessments | 270,833,585 | 4.57 | 6,022,669 | 1.0% |
| Total Local Assessed Value and Levy | $14,882,982,553 | | $581,190,682 | 94.4% |
| Public Service Corporations | | | | |
| Equalized | $2,992,459,004 | $1.15 | $34,413,279 | 5.6% |
| Vehicles | 7,292,981 | 4.57 | 333,289 | 0.1% |
| Subtotal | $2,999,751,985 | | $34,746,568 | 5.7% |
| **TOTAL** | **$17,882,734,538** | | **$615,937,250** | **100.0%** |

FY 2019 Personal Property Tax assessments including Public Service Corporations are $17,882,734,538, with a total tax levy of $615,937,250. Personal Property Tax revenue collections are projected to be $608,539,553, of which $211.3 million will be reimbursed from the state. The collection rate associated with the taxpayer's share is estimated to be 98.0 percent. Total collection rates experienced in this category since FY 2004 are shown in the following table:

**Personal Property Tax Collection Rates**

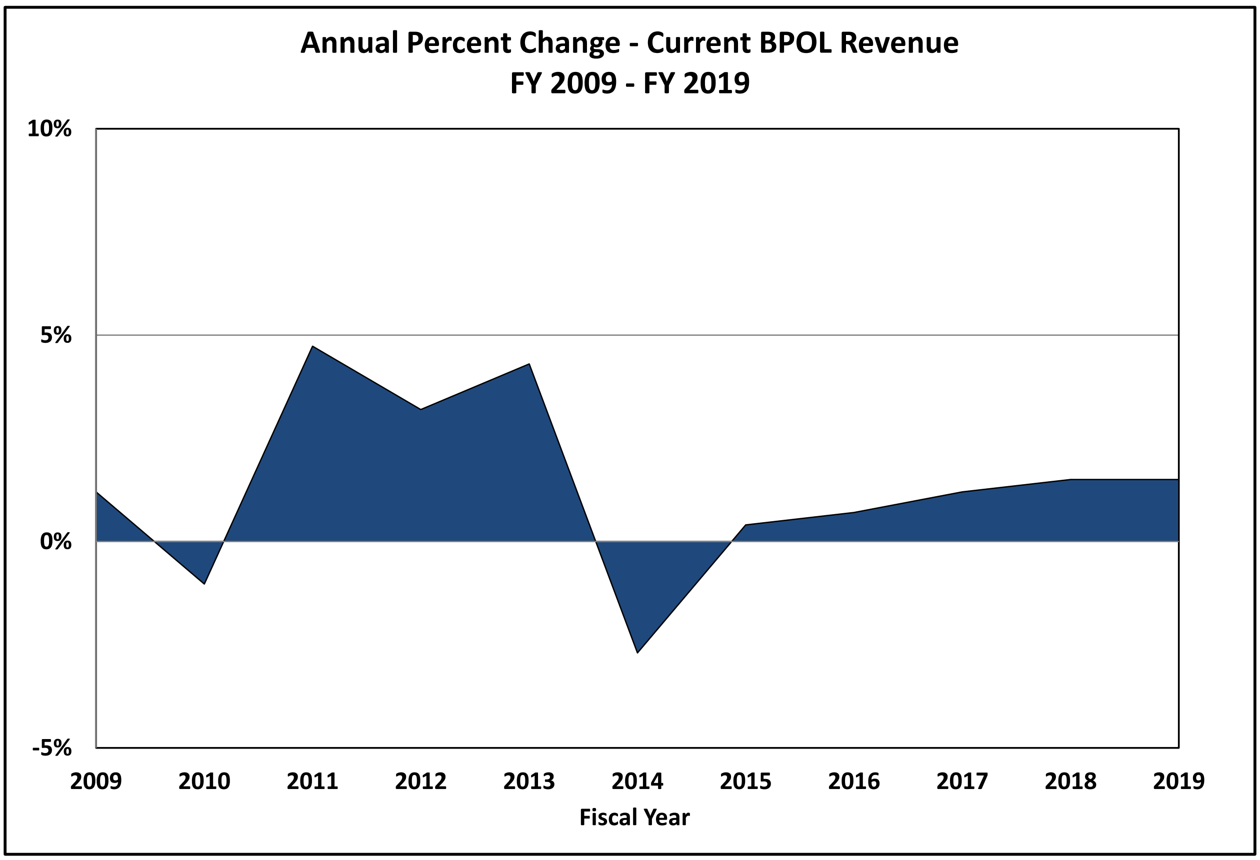
| Fiscal Year | Collection Rate | Fiscal Year | Collection Rate |
|---|---|---|---|
| **2004** | 96.9% | **2012** | 98.2% |
| **2005** | 97.9% | **2013** | 98.4% |
| **2006** | 98.1% | **2014** | 97.4% |
| **2007** | 98.3% | **2015** | 98.4% |
| **2008** | 98.0% | **2016** | 98.5% |
| **2009** | 97.9% | **2017** | 98.4% |
| **2010** | 97.8% | **2018 (estimated)**[1] | 98.0% |
| **2011** | 97.9% | **2019 (estimated)**[1] | 98.0% |

[1] Each 0.1 percentage point change in the collection rate on the local tax levy will impact revenues by approximately $0.4 million, and each penny on the tax rate yields a revenue change of $1.3 million.

**BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT**

| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $155,389,830 | $157,402,272 | $157,720,677 | $160,086,487 | $160,086,487 | $0 | 0.0% |

The FY 2019 Adopted Budget Plan estimate for Business, Professional, and Occupational License Taxes (BPOL) of $160,086,487 reflects no change from the FY 2019 Advertised Budget Plan and an increase of $2,365,810 or 1.5 percent over the *FY 2018 Revised Budget Plan* estimate. As shown in the following chart, FY 2009 BPOL receipts were up just 1.2 percent over FY 2008. This modest rate of growth reflected the downturn in the local economy late in 2008. In FY 2010, BPOL receipts, which were based on the gross receipts of businesses in calendar year 2009, fell 1.0 percent. Growth of 4.7 percent in FY 2011 BPOL receipts reflected the improvement in local economic conditions. Receipts increased a moderate 3.2 percent in FY 2012, and 4.3 percent in FY 2013, but decreased 2.7 percent in FY 2014 likely due to lower federal government procurement spending. Due to anemic job growth, BPOL receipts were essentially flat in FY 2015, increasing only 0.4 percent over FY 2014. BPOL receipts increased 0.7 percent in FY 2016 and 1.2 percent in FY 2017 as job growth resumed. The combined Consultant and Business Service Occupations categories, which represent almost 42 percent of total BPOL receipts, increased 0.5 percent over the FY 2016 level. The remaining categories rose a combined 1.7 percent. The Retail category, which represents 20 percent of total BPOL receipts, rose 0.4 percent in FY 2017.



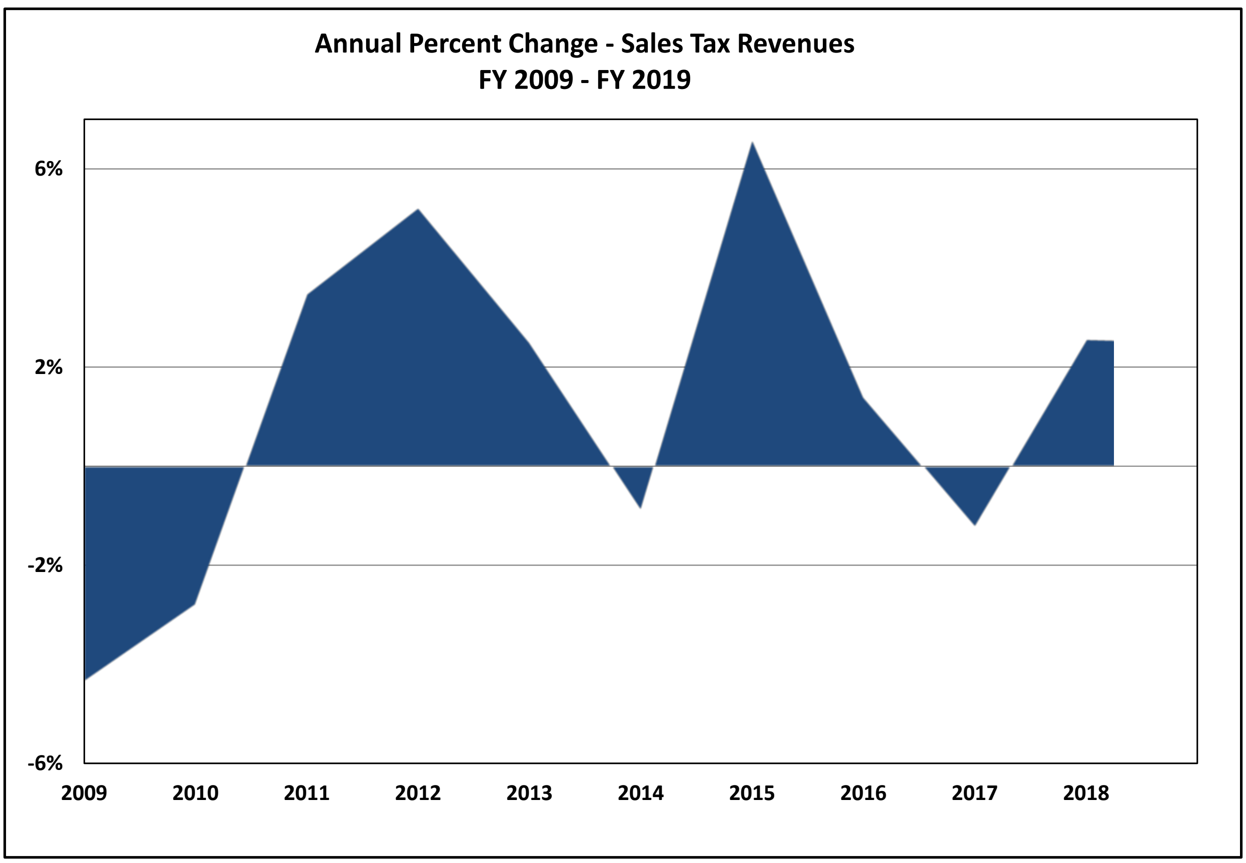

Based on actual FY 2017 receipts and an econometric model using calendar year Sales Tax receipts and employment as predictors, the FY 2018 BPOL estimate was increased $0.3 million during the fall 2017 revenue review, representing an increase of 1.5 percent over FY 2017. Since County businesses file and pay their BPOL taxes simultaneously on March 1 each year based on their gross receipts during the previous calendar year, little actual data was available during the Third Quarter Review; therefore, the FY 2018 BPOL estimate was not adjusted further. A 1.5 percent growth in BPOL receipts is projected in FY 2019.

In January 2015, the Virginia Supreme Court affirmed a Virginia Commissioner of the Revenue formula to deduct gross receipts from out-of-state operations for the purposes of determining the BPOL tax basis. Fairfax County had eight appeals based on the new formula. These appeals are for multiple years and total approximately $37.5 million including interest. The Board of Supervisors established a litigation reserve in FY 2014 for the refunds. So far, a portion of the refunds in the amount of $25.3 million has been processed. Several of the cases currently remain under review with the Department of Tax Administration.

**LOCAL SALES TAX**

| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $176,640,592 | $183,310,657 | $181,157,888 | $185,686,835 | $185,686,835 | $0 | 0.0% |

The FY 2019 Adopted Budget Plan estimate for Sales Tax receipts of $185,686,835 reflects no change from the FY 2019 Advertised Budget Plan and an increase of $4,528,947 or 2.5 percent over the *FY 2018 Revised Budget Plan* estimate. The following chart illustrates that the level of Sales Tax receipts has varied with economic conditions.




FY 2009 Sales Tax revenue declined 4.4 percent due to the national recession which began in December 2007. This was the first decline since FY 2002 and only the third decrease in over 30 years. Although the national recession was reported to have reached its trough in December 2009, job losses continued and Sales Tax collections fell 2.8 percent in FY 2010. Sales Tax receipts rose 3.5 percent in FY 2011, the first increase since FY 2008. Growth continued in FY 2012 with Sales taxes rising 5.2 percent, the strongest rate of growth since FY 2005. In FY 2013, Sales Tax receipts continued to grow but at a more modest rate of 2.5 percent. Total FY 2014 Sales Tax receipts were down 0.9 percent, the first decline in four years. The decline was primarily due to the severe winter weather, as well as federal sequestration and refunds for prior year's receipts totaling $2.0 million. After increasing a strong 6.6 percent in FY 2015, Sales Tax receipts in FY 2016 grew a modest 1.4 percent. Growth would have been weaker absent a transfer of $2.2 million that the County received in FY 2016 as the result of a state audit. FY 2017 receipts ended the fiscal year 1.2 percent down from FY 2016. The decline was primarily due to a $2.5 million refund during the year and the $2.2 million audit increase received in FY 2016, which made the annual comparison less favorable. Adjusted for misallocations and refunds, FY 2017 collections would have increased 1.5 percent. During the fall 2017 revenue review, the FY 2018 estimate was decreased $2.2 million based on year-to-date collections, representing growth of 2.6 percent over the FY 2017 actual receipts. FY 2018 Sales Tax receipts through February, representing retail sales through December, were up 3.0 percent. February collections for sales during the holiday shopping season in December were up a modest 0.9 percent. No change in the FY 2018 Sales Tax estimate was made during the Third Quarter Review. Sales Tax receipts in FY 2019 are projected to rise a similar 2.5 percent over the FY 2018 estimate based on the anticipation that consumer spending will increase moderately throughout FY 2019.

**RECORDATION/DEED OF CONVEYANCE TAXES**

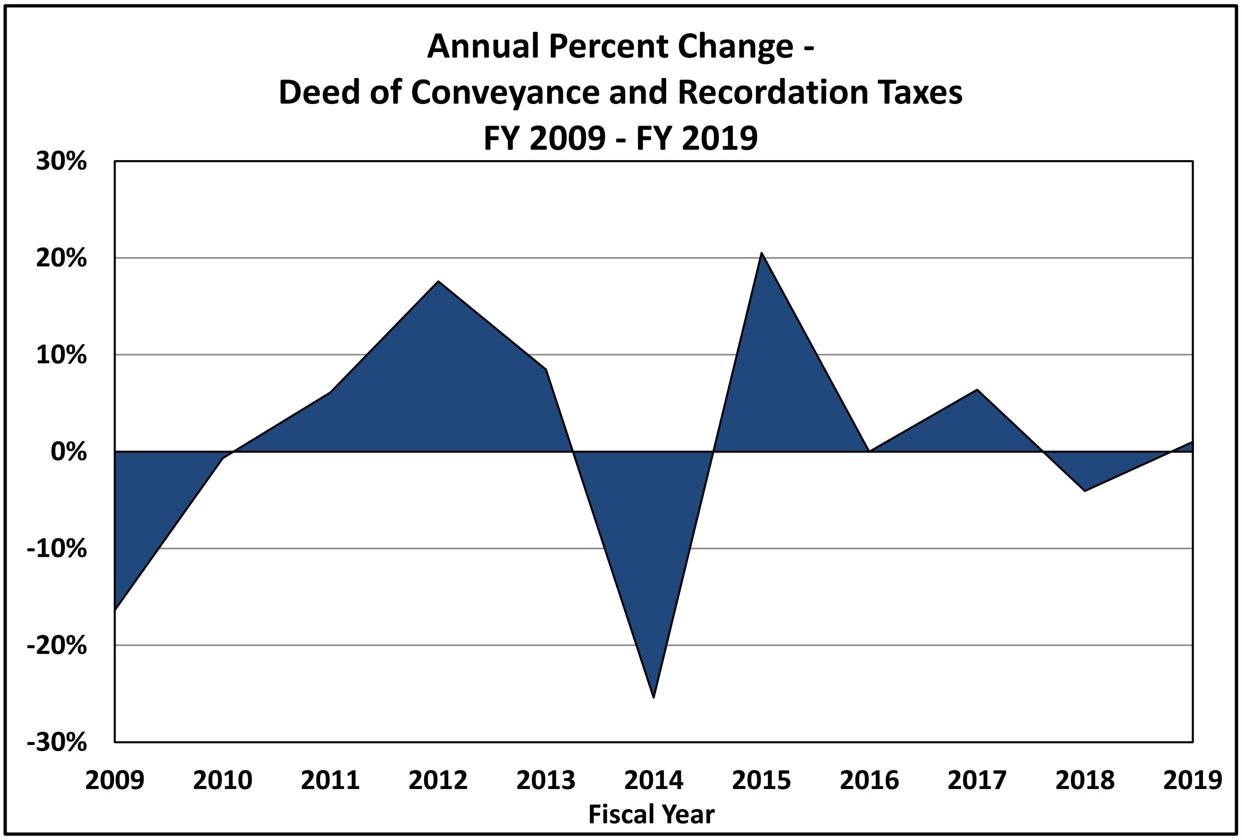
| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $32,190,772 | $30,466,027 | $30,885,051 | $31,193,902 | $31,193,902 | $0 | 0.0% |

The FY 2019 Adopted Budget Plan estimate for Recordation and Deed of Conveyance Taxes of $31,193,902 represents no change from the FY 2019 Advertised Budget Plan and an increase of $308,851 or 1.0 percent over the *FY 2018 Revised Budget Plan* estimate. The FY 2019 estimate is comprised of $24,196,659 in Recordation Tax revenues and $6,997,243 in Deed of Conveyance Tax revenues. Recordation and Deed of Conveyance Taxes are levied in association with the sale or transfer of real property located in the County. Recordation Taxes are also levied when mortgages on property located in the County are refinanced, making Recordation Tax revenues more sensitive to interest rate fluctuations than Deed of Conveyance Taxes. Home values and interest rate projections are used in an econometric model that assists in developing estimates for these categories.

Fairfax County's Deed of Conveyance Tax is assessed at a rate of $0.05 per $100. Local Recordation Taxes are set at one-third the State's Tax rate. From September 2004 through FY 2012, the State Recordation Tax was $0.25 per $100 of value. The rate was lowered on mortgage refinancing transactions to $0.18 per $100 of value effective July 1, 2012; however, all refinancing transactions are now taxable, whereas previously refinancing with the same lender was exempt from the tax. The State Recordation Tax rate on home purchases was not reduced and remained at $0.25 per $100. Therefore, as of FY 2013, the County's Recordation Tax rate on home purchases is $0.0833 per $100 of value, while the tax rate on mortgage refinancing is $0.06 per $100 of value.

During the housing slump, revenue from these categories decreased a combined 16.4 percent in FY 2009 and a slight 0.7 percent in FY 2010. Primarily due to increased mortgage refinancing activity as a result of historically low mortgage interest rates, revenues increased 6.1 percent in FY 2011, 17.6 percent in FY 2012, and 8.5 percent in FY 2013. FY 2014 receipts declined a combined 25.4 percent due to a decline in mortgage refinancing as a result of higher interest rates, as well as a decline in the number of home sales. After increasing a strong 20.5 percent in FY 2015, receipts in FY 2016 remained level. FY 2017 collections grew 6.4 percent over the FY 2016 level. Based on year-to-date collection trends during FY 2018, the Recordation

Tax estimate remains unchanged and reflects a decrease of 5.7 percent as a result of decreasing volume of mortgage refinancing activity. The Deed of Conveyance Tax estimate was increased $0.4 million during the fall 2017 revenue review, reflecting an increase of 2.0 percent over the FY 2017 level. The FY 2019 estimate for Recordation and Deed of Conveyance Taxes assumes a growth rate of 1.0 percent. Home values are anticipated to increase in FY 2019 and the number of home sales is expected to be stable.




**CONSUMER UTILITY TAXES - GAS AND ELECTRIC**

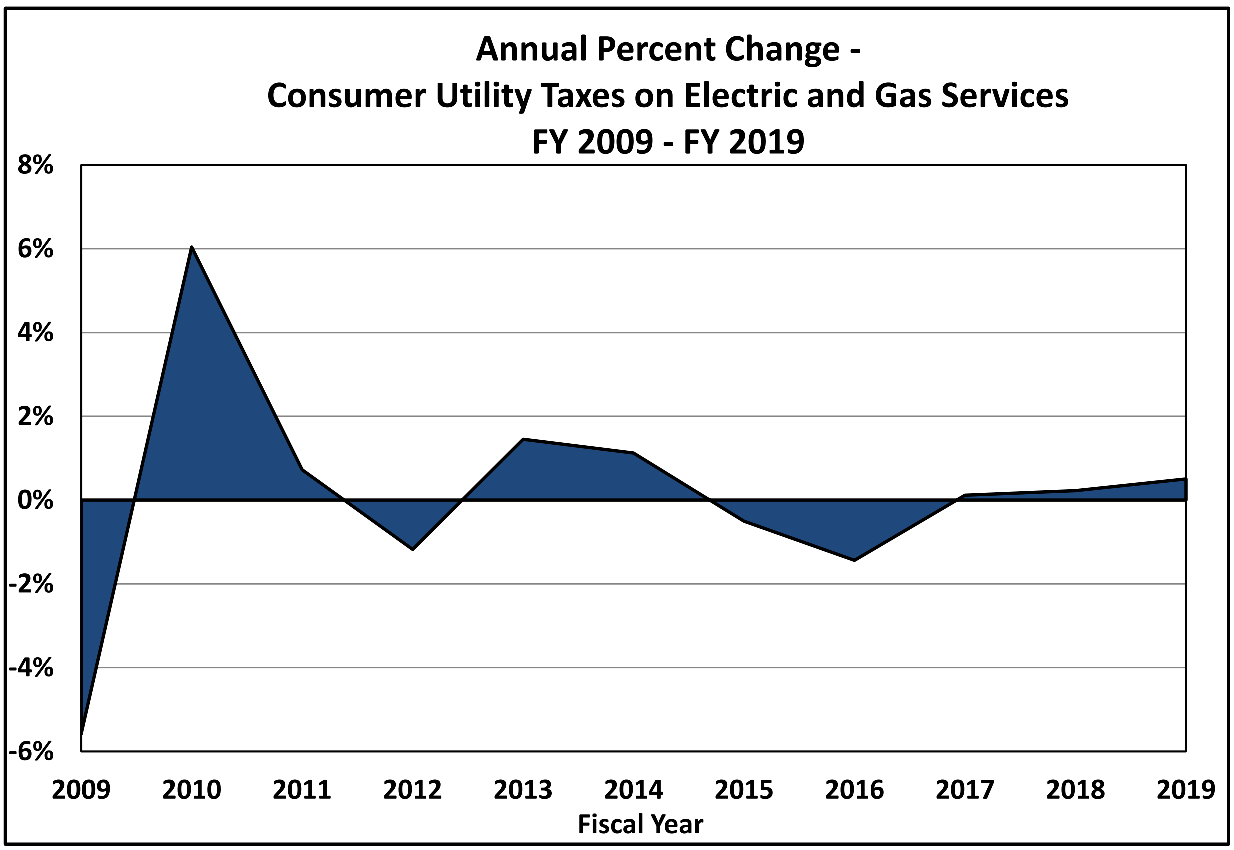
| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $45,204,598 | $44,926,992 | $45,307,162 | $45,533,698 | $45,533,698 | $0 | 0.0% |

The FY 2019 Adopted Budget Plan estimate for Consumer Utility Taxes on gas and electric services of $45,533,698 represents no change from the FY 2019 Advertised Budget Plan and an increase of $226,536 over the *FY 2018 Revised Budget Plan* estimate. The FY 2019 estimate is comprised of $36,349,049 in taxes on electric service and $9,184,649 in taxes on gas service. County residents and businesses are subject to Consumer Utility Taxes based on their consumption of electricity and gas services. Tax rates by customer class are shown in the following table.

Revenue from Consumer Utility Taxes on gas and electric services from FY 2008 to FY 2014 grew at an average annual rate of just 0.4 percent. Receipts in FY 2015 fell 0.5 percent and another 1.5 percent in FY 2016, but increased a modest 0.1 percent in FY 2017. Based on actual FY 2017 collections and year-to-date trends, the FY 2018 revenue estimate was increased $0.4 million during the fall 2017 revenue review and reflects an increase of 0.2 percent over FY 2017. Receipts in FY 2019 are expected to increase 0.5 percent over the FY 2018 estimate.

**CONSUMER UTILITY TAXES ON ELECTRICITY AND NATURAL GAS**

| ELECTRICITY | | NATURAL GAS | |
|---|---|---|---|
| Electric Power Customer Class | Monthly Tax FY 2001 - FY 2019 | Natural Gas Customer Class | Monthly Tax FY 2001 - FY 2019 |
| **Residential** | $0.00605 per kWh | **Residential** | $0.05259 per CCF |
| Minimum | +$0.56 per bill | Minimum | +$0.56 per bill |
| Maximum | $4.00 per bill | Maximum | $4.00 per bill |
| **Master Metered Apartments** | $0.00323 per kWh | **Master Metered Apartments** | $0.01192 per CCF |
| Minimum | +$0.56 / dwelling unit | Minimum | +$0.56 / dwelling unit |
| Maximum | $4.00 / dwelling unit | Maximum | $4.00 / dwelling unit |
| **Commercial** | $0.00594 per kWh | **Nonresidential** | $0.04794 per CCF |
| Minimum | + $1.15 per bill | Minimum | + $0.845 per bill |
| Maximum | $1,000 per bill | Maximum | $300 per bill |
| **Industrial** | $0.00707 per kWh | **Nonresidential Interruptible** | $0.00563 per CCF |
| Minimum | +$1.15 per bill | Minimum | +$4.50 per meter |
| Maximum | $1,000 per bill | Maximum | $300 per meter |



**COMMUNICATIONS SALES TAX**

| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $14,265,995 | $14,825,739 | $12,966,249 | $10,528,299 | $10,528,299 | $0 | 0.0% |

The FY 2019 Adopted Budget Plan estimate for the General Fund portion of the Communications Sales Tax of $10,528,299 reflects no change from the FY 2019 Advertised Budget Plan and a decrease of $2,437,950 or 18.8 percent from the *FY 2018 Revised Budget Plan* estimate. The Communications Tax is a statewide tax that was first implemented in January 2007, after the 2006 Virginia General Assembly session approved legislation that changed the way in which taxes are levied on communications services. Based on this legislation, local taxes on land line and wireless telephone services were replaced with a 5 percent statewide Communication Sales Tax. In addition to the communications services previously taxed, the 5 percent Communication Sales Tax applies to satellite television and radio services, internet calling and long-distance telephone charges. As part of this legislation, local E-911 fees were repealed and replaced with a statewide $0.75 per line fee. These rates were meant to provide revenue neutrality with FY 2006 receipts, which were $85.5 million for Fairfax County. 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 is determined by the state and is set at 18.89 percent. Of the total tax, the Cable Franchise portion is directed to Fund 40030, Cable Communications. Prior to FY 2015, the percentage of the remaining revenue was directed to Fund 40090, E-911 and the General Fund based on their relative share of the tax in FY 2006. However, to cover all the expenses in the E-911 Fund, a transfer from the General Fund was still required. To eliminate the need for a General Fund transfer, beginning in FY 2015, more Communications Sales Tax revenue is directed to Fund 40090, E-911. The FY 2018 General Fund estimate was reduced $1.9 million as part of the fall 2017 revenue review based on actual receipts during FY 2017 and collection trends during FY 2018. In FY 2019, total Communications Sales Taxes are projected to be $73.7 million. Of the total tax, Cable Franchise Fees of $18.7 million will be directed to Fund 40030, Cable Communications. Of the remaining tax, $44.5 million will be posted in Fund 40090, E-911 and $10.5 million to the General Fund in FY 2019.

The distribution of the tax since FY 2017 is shown below. The table illustrates that this tax has eroded significantly over the years compared to the $85.5 million collected by the County in FY 2006.

**Communications Sales Tax Revenue**

| Fund | FY 2017 | FY 2018 Projected | FY 2019 Projected |
|---|---|---|---|
| Fund 40030, Cable Communications | $18,967,760 | $18,350,000 | $18,718,835 |
| Fund 40090, E-911 | 42,012,354 | 42,012,354 | 44,450,304 |
| General Fund | 14,265,995 | 12,966,249 | 10,528,299 |
| Total | $75,246,109 | $73,328,603 | $73,697,438 |

#### VEHICLE REGISTRATION LICENSE FEE

| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $26,988,613 | $27,278,010 | $27,327,470 | $27,464,107 | $27,464,107 | $0 | 0.0% |

The FY 2019 Adopted Budget Plan estimate for Vehicle Registration Fee revenue of $27,464,107 reflects no change from the FY 2019 Advertised Budget Plan and an increase of $136,637 or 0.5 percent over the *FY 2018 Revised Budget Plan* estimate based on projected increase in vehicle volume. Fairfax County levies the fee at $33 for passenger vehicles that weigh 4,000 pounds or less and $38 on passenger vehicles that weigh more than 4,000 pounds. In addition, fees are $18 for motorcycles and $25 for buses used for transportation to and from church. The County does not require the display of a decal on the vehicle. The FY 2018 estimate was increased $49,460 during the fall 2017 revenue review based on actual collections year-to-date and reflects an increase of 1.3 percent over the FY 2017 level. Payment of Vehicle Registration License Fees is linked to the payment of Personal Property Taxes on October 5 each year. Vehicles owned by disabled veterans, members of volunteer fire departments and auxiliary police officers are exempt from the fee.

#### TRANSIENT OCCUPANCY TAX

| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $22,578,980 | $21,581,091 | $21,581,091 | $22,120,618 | $22,120,618 | $0 | 0.0% |

The FY 2019 Adopted Budget Plan estimate for Transient Occupancy Tax of $22,120,618 represents no change from the FY 2019 Advertised Budget Plan and an increase of $539,527 or 2.5 percent over the *FY 2018 Revised Budget Plan* estimate. Transient Occupancy Taxes are charged as part of a hotel bill and remitted by the hotel to the County. The Transient Occupancy Tax has been levied at 4 percent since the Virginia General Assembly permitted the Board of Supervisors to levy an additional 2.0 percent Transient Occupancy Tax in FY 2005. A portion, 25 percent, of the additional 2.0 percent must be appropriated to a nonprofit convention and visitors' bureau located in the County. The remaining 75 percent must be used by the County to promote tourism.

During FY 2013 and FY 2014, business travel was reported to have been down in the region due to federal spending reductions and Transient Occupancy Tax revenue declined for two consecutive years. After rising a robust 9.3 percent in FY 2015, Transient Occupancy receipts increased 2.3 percent in FY 2016. FY 2017 collections increased a strong 6.6 percent, partially due to the Presidential Inauguration in January 2017. Based on year-to-date collection trends, as well as data on room and occupancy rates, the FY 2018 estimate is unchanged and reflects a decrease of 4.4 percent from the FY 2017 level. FY 2019 estimate reflects a growth of 2.5 percent based on the assumption that tourism and business travel will improve.

#### CIGARETTE TAX

| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $6,838,274 | $6,968,664 | $6,594,603 | $6,561,630 | $6,561,630 | $0 | 0.0% |

The FY 2019 Adopted Budget Plan estimate for Cigarette Tax of $6,561,630 represents no change from the FY 2019 Advertised Budget Plan and a decrease of $32,973 or 0.5 percent from the *FY 2018 Revised Budget Plan* estimate. Fairfax County and Arlington County are the only counties in Virginia authorized to levy a tax on cigarettes. The maximum rate authorized is the greater of 5.0 cents per pack or the rate levied by the Commonwealth. The County's rate is 30 cents per pack, the same as the state rate.

Cigarette Tax receipts fell for a fifth consecutive year, decreasing 4.6 percent in FY 2017. During the fall 2017 revenue review, the FY 2018 estimate was decreased $0.4 million, reflecting a decline of 3.6 percent, based on actual receipts during FY 2017 and current collections trends. FY 2019 Cigarette Tax receipts are anticipated to decline 0.5 percent.

**PERMITS, FEES AND REGULATORY LICENSES**

| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $52,201,079 | $50,891,047 | $52,950,742 | $53,009,977 | $53,009,977 | $0 | 0.0% |

The FY 2019 Adopted Budget Plan estimate for Permits, Fees, and Regulatory Licenses of $53,009,977 represents no change from the FY 2019 Advertised Budget Plan and a net increase of $59,235 or 0.1 percent over the *FY 2018 Revised Budget Plan* estimate. This increase compared to FY 2018 is primarily due to an increase in Zoning fees revenue, which is projected to grow 1.6 percent.

Land Development Service (LDS) fees for building permits, site plans, and inspection services make up over three-quarters of the Permits, Fees, and Regulatory Licenses category. Changes in LDS fee revenue typically track closely to the current condition of the real estate market, as well as the size and complexity of projects submitted to LDS for review. As part of the *FY 2017 Carryover Review*, LDS fee revenue was increased $1.7 million to $40.3 million based on projected development activity. The revenue increase is offset by an expenditure increase for no net cost to the County to support investments in ongoing efforts to improve the speed, transparency, and consistency of the land development process. FY 2019 receipts are expected to be flat with the FY 2018 projected level.

During the fall 2017 revenue review, various other permits and fees were reviewed and, based on actual FY 2017 receipts and year-to-date collections, FY 2018 estimates were increased a net $0.3 million.

**INVESTMENT INTEREST**

| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $27,536,705 | $30,233,911 | $39,637,147 | $46,992,592 | $46,992,592 | $0 | 0.0% |

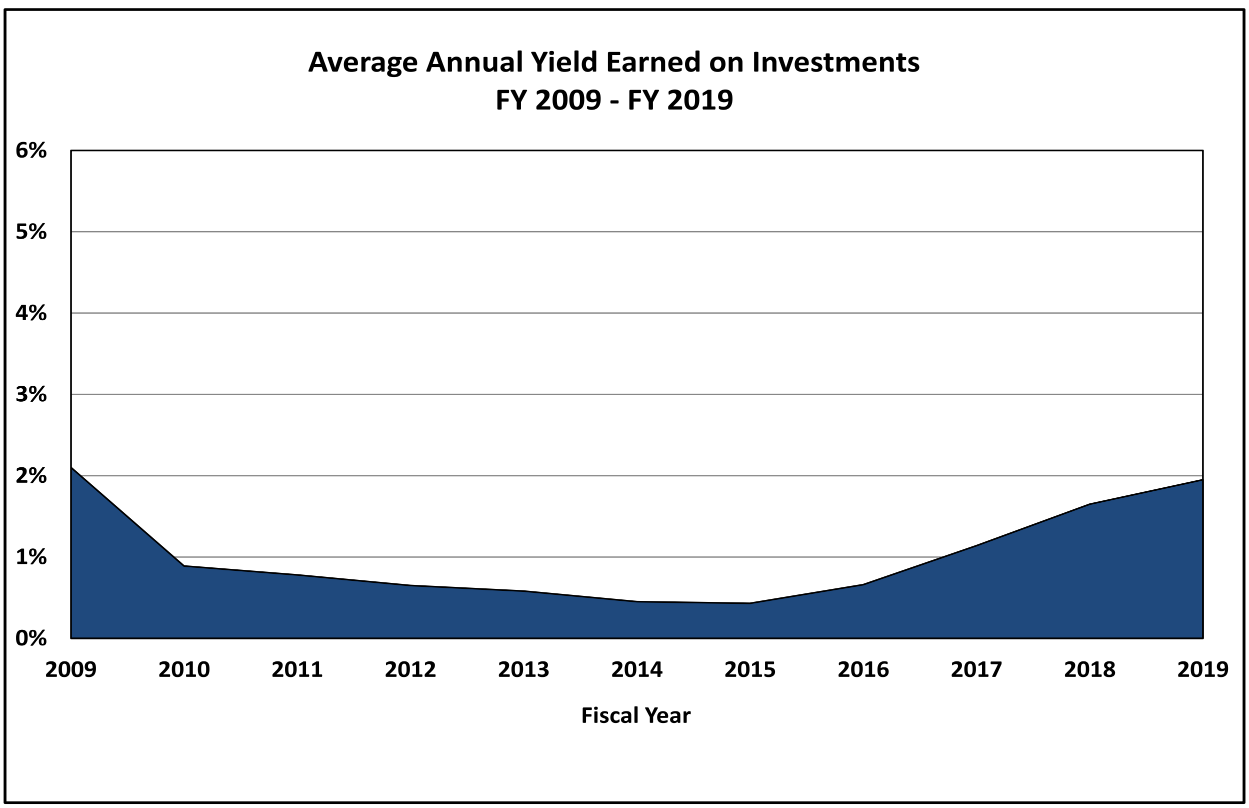
The FY 2019 Adopted Budget Plan estimate for Investment Interest of $46,992,592 represents no change from the FY 2019 Advertised Budget Plan and an increase of $7,355,445 or 18.6 percent over the *FY 2018 Revised Budget Plan* estimate. Revenue from this category is a function of the amount invested, the prevailing interest rates earned on investments, and the percentage of the total pooled investment portfolio attributable to the General Fund.

Revenue from Interest on Investments is highly dependent on Federal Reserve actions. From 2004 to 2006, the Federal Reserve increased interest rates from 1.0 percent to 5.25 percent in an effort to stem inflation. As a result of higher rates, the annual average yield on County investments was 5.1 percent in FY 2007, and revenue from Interest on Investments was a record high of $92.1 million. In FY 2008, the County's portfolio generated $78.2 million for the General Fund, with an average annual yield of 4.46 percent. The federal funds rate remained unchanged from the end of 2008 to December 2015. During this period, it was set at 0.0 to 0.25 percent, its lowest in history, "to promote the resumption of sustainable economic growth" in the wake of the Great Recession. As a result, the Investment Interest revenue trended down for several years and dropped to as little as $10.7 million in FY 2015, with an average annual yield of 0.43 percent.

In December 2015, the Federal Reserve raised the target range for the federal funds rate by a quarter-percentage point for the first time in almost a decade as policy makers cited the improved labor market conditions and the solid pace of economic activity. As a result, FY 2016 Interest on Investments increased $5.5 million to $16.2 million at an annual yield of 0.66 percent. The Fed raised the interest rate again in December 2016 and continued raising it at a gradual pace throughout 2017. FY 2017 revenue was $27.5 million at an average annual yield of 1.14 percent. The FY 2018 Adopted Budget Plan estimate had assumed an average annual yield of 1.25 percent. Based on the actual FY 2017 level and the assumption that the Fed will continue raising the federal funds rate, the FY 2018 estimate of Interest on Investments was increased $9.4 million during the fall 2017 revenue review to $39.6 million. The projected annual yield for FY 2018 is 1.65 percent.

The Fed has indicated that two more interest rate hikes are likely in 2018 on top of the one already approved in March. The federal funds rate now stands at 1.75 percent. The FY 2019 Adopted Budget Plan estimate for Investment Interest of $47.0 million is based on a projected average yield of 1.95 percent, a portfolio size of $3.2 billion and a General Fund percentage net of administrative fees of 77.19 percent. All available resources are pooled for investment purposes and the net interest earned is distributed among the various County funds, based on the average dollars invested from each fund as a percentage of the total pooled investment. Staff will continue to monitor the impact of the Fed actions on County investment earnings.

The following table shows the yield earned on investments since FY 2009.



# General Fund Revenue Overview

**CHARGES FOR SERVICES**

| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $81,485,018 | $81,370,947 | $81,097,289 | $81,868,225 | $81,868,225 | $0 | 0.0% |

The FY 2019 Adopted Budget Plan estimate for Charges for Services revenue of $81,868,225 represents no change from the FY 2019 Advertised Budget Plan and a net increase of $770,936 or 1.0 percent over the *FY 2018 Revised Budget Plan* estimate. This increase compared to FY 2018 is primarily the result of revenue from School Age Child Care (SACC) fees, Health Department fees, and County Clerk fees.

SACC fees of $42.6 million comprise 52 percent of the total Charges for Services category. The projected FY 2019 increase in SACC revenue is $0.6 million or 1.4 percent and is primarily the result of the opening of two new SACC rooms at White Oaks Elementary School. In addition, revenue from the Health Department Pharmacy fees is projected to increase $115,000 as a result of Medicaid reimbursement for anti-parasitic medication. Clerk fees are projected to increase $48,538 or 1.0 percent in FY 2019.

Since the adoption of the FY 2018 budget, estimated Charges for Services revenue has been decreased a net $0.3 million based on a review of actual FY 2017 receipts and year-to-date collections.

**FINES AND FORFEITURES**

| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $12,725,041 | $11,684,270 | $12,089,035 | $12,178,536 | $12,178,536 | $0 | 0.0% |

The FY 2019 Adopted Budget Plan estimate for Fines and Forfeitures of $12,178,536 represents no change from the FY 2019 Advertised Budget Plan and a net increase of $89,501 or 0.7 percent over the *FY 2018 Revised Budget Plan* estimate. The increase compared to FY 2018 is primarily the result of higher General District Court Fines and Parking Violations, both of which are projected to increase 1.0 percent in FY 2019.

The FY 2018 estimate for Fines and Forfeitures was increased a net $0.4 million during the fall 2017 revenue review. The increase is primarily the result of adjusting the estimate for Parking Violations revenue based on actual FY 2017 receipts and year-to-date collection trends in FY 2018.

**RECOVERED COSTS / OTHER REVENUE**

| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $16,923,470 | $16,480,180 | $16,317,223 | $16,636,952 | $16,636,952 | $0 | 0.0% |

The FY 2019 Adopted Budget Plan estimate for Recovered Costs/Other Revenue of $16,636,952 represents no change from the FY 2019 Advertised Budget Plan and a net increase of $319,729 or 2.0 percent over the *FY 2018 Revised Budget Plan* estimate. This increase compared to FY 2018 is primarily the result of projected increases in the reimbursement for governmental services from the City of Fairfax.

During the fall 2017 revenue review, the FY 2018 estimate for Recovered Costs/Other Revenue was decreased a net $0.2 million. The decrease is primarily due to adjusting the estimate for the City of Fairfax Shared Governmental Expenses reimbursement, which was reduced $0.5 million as a result of the reconciliation of the City's share based on actual utilization and expenses during FY 2017.

The FY 2019 estimate for the City of Fairfax reimbursement for governmental services is expected to increase 2.0 percent absent the adjustment described above, resulting in an increase of $0.4 million.

**REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT[1]**

| FY 2017 Actual | FY 2018 Adopted | FY 2018 Revised | FY 2019 Advertised | FY 2019 Adopted | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|---|---|
| $137,879,883 | $131,371,520 | $132,476,287 | $132,933,796 | $133,833,796 | $900,000 | 0.7% |

[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 2019 Adopted Budget Plan estimate for Revenue from the Commonwealth and Federal Government of $133,833,796 reflects an increase of $900,000 or 0.7 percent over the FY 2019 Advertised Budget Plan estimate. The revenue increase is based on increased funding for State Aid to Localities with Police Departments (HB 599) included in the state budget. Statutory policy requires that HB 599 funding increase at the rate of General Fund revenue growth. The projected increase for Fairfax County is $900,000, for a total estimated HB 599 funding of $25.4 million in FY 2019. It should be noted that the FY 2019 Adopted Budget Plan estimates include a realignment between the Revenue from the Commonwealth and the Revenue from the Federal Government categories based on the actual source of receipts in previous years.

The *FY 2018 Revised Budget Plan* estimate for Revenue from the Commonwealth and Federal Government represents an increase of $1.1 million over the FY 2018 Adopted Budget Plan estimate as a result of adjustments made during the *FY 2017 Carryover Review*. The revenue increase is associated with additional positions in the Public Assistance program. The positions will continue to address the increase in caseloads in the Self-Sufficiency Division within the Department of Family Services. The revenue increase is fully offset by an expenditure increase for no net impact to the General Fund.

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