SUMMARY OF GENERAL FUND REVENUE

SUMMARY OF GENERAL FUND REVENUE AND TRANSFERS IN

Category	FY 2020 Actual	FY 2021 Adopted Budget Estimate	FY 2021 Revised as of FY 2020 Carryover[1]	FY 2021 Mid-Year Estimate	Change from the FY 2021 Carryover Estimate: Increase/ (Decrease)	Change from the FY 2021 Carryover Estimate: Percent Change
Real Estate Taxes - Current & Delinquent	$2,898,128,734	$3,002,075,466	$2,999,403,837	$2,999,403,837	$0	0.00%
Personal Property Taxes - Current & Delinquent[2]	652,982,430	639,338,332	631,243,511	631,243,511	0	0.00%
Other Local Taxes	535,816,255	489,100,905	489,100,905	505,274,909	16,174,004	3.31%
Permits, Fees and Regulatory Licenses	54,002,649	49,642,908	49,642,908	49,642,908	0	0.00%
Fines and Forfeitures	10,001,169	11,795,664	11,795,664	7,934,518	(3,861,146)	-32.73%
Revenue from Use of Money/Property	66,201,313	24,257,799	24,257,799	24,257,799	0	0.00%
Charges for Services	70,109,331	83,119,246	83,119,246	56,526,667	(26,592,579)	-31.99%
Revenue from the Commonwealth and Federal Government[2]	344,430,212	141,634,775	142,528,874	142,528,874	0	0.00%
Recovered Costs/ Other Revenue	15,486,983	16,234,444	16,234,444	15,526,944	(707,500)	-4.36%
Total Revenue	**$4,647,159,076**	**$4,457,199,539**	**$4,447,327,188**	**$4,432,339,967**	**($14,987,221)**	**-0.34%**
Transfers In	9,081,414	8,707,781	8,707,781	8,707,781	0	0.00%
Total Receipts	**$4,656,240,490**	**$4,465,907,320**	**$4,456,034,969**	**$4,441,047,748**	**($14,987,221)**	**-0.34%**

[1] FY 2021 revenue estimates were reduced a net $9.9 million as part of the *FY 2020 Carryover Review* to account for adjustments associated with the Board of Supervisors' decision to reduce penalties for late payment of Personal Property and Real Estate taxes for tax year 2020 in response to the COVID-19 pandemic and adjustments associated with expenditure changes.

[2] 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 2021 General Fund total receipts, including Transfers In, are projected to be $4,441,047,748, a net decrease of $14,987,221, or 0.3 percent, from the *FY 2021 Revised Budget Plan* estimate. This decrease is primarily the result of a $26.6 million decrease in Charges for Services and a $3.9 million decrease in Fines and Forfeitures, partially offset by a net increase of $16.2 million in Other Local Taxes.

Shortly after the County Executive released the FY 2021 Advertised Budget Plan on February 25, the coronavirus became a global pandemic and caused enormous economic turmoil. In the face of this unprecedented event, staff updated the FY 2021 revenue projections to reflect the new economic realities. General Fund revenues in the FY 2021 Adopted Budget Plan were held at the FY 2020 levels. The estimates for a number of revenue categories, such as Personal Property Tax, Sales Tax, Transient Occupancy Tax, and BPOL (Business, Professional, and Occupational Licenses), among others, were reduced compared to the FY 2021 Advertised Budget Plan level. Staff also noted that due to the uncertainties regarding how long the health crisis would continue and the extent of its impact, projecting FY 2021 revenues would be an extremely challenging and iterative process. A new Mid-Year Review was added to the other quarterly budgetary reviews to provide an additional opportunity to right-size the budget estimates.

The first opportunity to adjust the FY 2021 revenue estimates was at the *FY 2020 Carryover Review* in July. Aside from a $10.8 million revenue reduction associated with the Board's decision to reduce penalties for late payment of Personal Property and Real Estate taxes for tax year 2020 in response to the COVID-19 pandemic and a $0.9 million revenue increase associated with expenditure changes, no other adjustments were made at that time as the new fiscal year had just begun and little actual revenue collection data was available. However, staff noted concerns about a number of revenue categories that were severely impacted, such as Transient Occupancy Tax and School-Age Child Care (SACC) fee revenue, among others, and the expectation that revenue reductions were likely to be recommended in those categories either as part of the *FY 2021 Mid-Year Review* or during the *FY 2021 Third Quarter Review* after several months of actual FY 2021 collections were received.

As noted earlier, FY 2021 revenues are recommended to be reduced by $15.0 million, or 0.3 percent, as part of the *FY 2021 Mid-Year Review,* although it should be noted that the County's conservative posture when building the FY 2021 budget has helped avoid more dramatic revenue reductions at Mid-Year. Reductions are recommended in a number of categories, with the largest reduction – $22.1 million – in School-Age Child Care (SACC) revenues. This represents a 50 percent cut in anticipated revenues in this category as the SACC program was impacted by Fairfax County Public Schools (FCPS) decision to provide all virtual learning in the fall in response to the pandemic. Although SACC has been temporarily replaced by the Supporting Return to School (SRS) program, this program is operating at a limited number of FCPS sites and is generating significantly less revenue. A reduction of $9.5 million is included for Transient Occupancy Tax (TOT) revenue as hotel revenues have declined almost 75 percent between March and August 2020 compared to the same period in 2019. Other categories recommended for reductions include General District Court fines, partially attributable to reduced case filings, and EMS billings, as the number of EMS transports has declined, as well as many other charges and fees as a result of program closures and lower levels of activity across the County.

Partially offsetting these revenue reductions are recommended increases in two revenue categories. By far the largest increase – $23.3 million – is for Sales Tax revenue. When the FY 2021 budget was adopted, Sales Tax revenue was projected to decrease 13.5 percent based on the anticipated impact of the pandemic on restaurant, amusement, and retail businesses. Through October, however, sales tax collections are down only 0.8 percent. Recordation taxes are recommended to be increased by $4.2 million based primarily on a strong residential real estate market and refinancings driven by record low mortgage rates.

The *FY 2021 Mid-Year* revenue estimates were developed based on a review of Fairfax County economic indicators, actual FY 2020 receipts, and FY 2021 year-to-date collection trends through October. Fairfax County's revenue and economic outlook remains highly uncertain due to the ongoing effects of the coronavirus pandemic. Risks such as a possible re-emergence of significant community spread of COVID-19 and additional restrictions imposed by governments to control the spread could cause economic conditions to worsen over the coming months. Staff will continue to carefully monitor economic indicators and their impact on County revenues to determine if additional adjustments are warranted. Any necessary adjustments will be made as part of an update to the Mid-Year Review recommendations in early January or as part of the *FY 2021 Third Quarter Review*.

SUMMARY OF GENERAL FUND REVENUE

REAL ESTATE TAX-CURRENT

FY 2020 Actual	FY 2021 Adopted Budget Estimate	FY 2021 Revised as of FY 2020 Carryover	FY 2021 Mid-year Estimate	Increase/ (Decrease)	Percent Change
$2,886,967,804	$2,991,964,451	$2,991,964,451	$2,991,964,451	$0	0.0%

The *FY 2021 Mid-Year Review* estimate for Current Real Estate Tax of $2,991,964,451 reflects no change from the *FY 2021 Revised Budget Plan* estimate and represents an increase of 3.6 percent over the FY 2020 level associated with increases in the real estate assessment base. FY 2021 Real Estate property values were established as of January 1, 2020 and reflect market activity through calendar year 2019. So far through October 2020, the County's Department of Tax Administration has collected revenue from taxpayers' first installment payments of the real estate tax bills for FY 2021, with the second installment payments due at the end of December 2020. No changes to the estimate are recommended at this time based on current revenue collection trends. However, staff continues to closely monitor the actual collection rates as a percent of the real estate tax levy, as historically those rates tend to be negatively impacted during economic downturns. In addition, staff is tracking changes in the tax levy associated with exonerations, tax abatements, supplemental assessments and the Public Service Corporations in FY 2021. Any necessary adjustments to the estimate will be included as part of an update to the Mid-Year Review recommendations in early January or as part of the *FY 2021 Third Quarter Review*, when more actual information will be available.

PERSONAL PROPERTY TAX-CURRENT

	FY 2020 Actual	FY 2021 Adopted Budget Estimate	FY 2021 Revised as of FY 2020 Carryover	FY 2021 Mid-Year Estimate	Increase/ (Decrease)	Percent Change
Paid Locally	$423,516,479	$410,883,909	$410,883,909	$410,883,909	$0	0.0%
Reimbursed by State	211,313,944	211,313,944	211,313,944	211,313,944	0	0.0%
Total	$634,830,423	$622,197,853	$622,197,853	$622,197,853	$0	0.0%

The *FY 2021 Mid-Year Review* estimate for Current Personal Property Taxes of $622,197,853 reflects no change from the *FY 2021 Revised Budget Plan* estimate and represents a decrease of 2.0 percent from the FY 2020 level. The projected decrease compared to FY 2020 is based on the expected negative impact of COVID-19.

The Personal Property Tax is levied on vehicles in the County (almost 77 percent of total), as well as business personal property. Staff from the Department of Tax Administration has been tracking the number of registered vehicles in the County and has noted a significant decline in new vehicle purchases, as well as new move-ins to the County. Some of the decline may be attributable to delays in registering vehicles with DMV (Department of Motor Vehicles) as a result of changes in the operating status of DMV branches, many of which are currently serving customers by appointment only. In addition, the budget estimate had assumed a slightly lower collection rate compared to rates experienced in recent year. The car tax was due on October 5 and staff will continue to monitor the Personal Property tax receipts with respect to the actual collection rates experienced.

The remaining portion of the Personal Property tax is comprised of assessments on business personal property, such as office furniture, fixtures, and computer equipment. Generally, during economic slowdown, businesses are not likely to purchase new equipment and some businesses could close altogether. While the FY 2021 budget estimate had assumed a decrease in the business personal property tax levy, year-to-date it has held steady with the FY 2020 level.

As noted, no changes to the Personal Property Tax revenue estimate are recommended at this time. Any necessary adjustments to account for variances in the vehicle and business levies, as well as the collection rate will be included as part of an update to the Mid-Year Review recommendations in early January or as part of the *FY 2021 Third Quarter Review*, when more actual information will be available.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2020 Actual	FY 2021 Adopted Budget Estimate	FY 2021 Revised as of FY 2020 Carryover	FY 2021 Mid-Year Estimate	Increase/ (Decrease)	Percent Change
$173,840,544	$154,912,776	$154,912,776	$154,912,776	$0	0.0%

The *FY 2021 Mid-Year Review* estimate for Business, Professional and Occupational License (BPOL) Taxes of $154,912,776 reflects no change from the *FY 2021 Revised Budget Plan* estimate and represents a decrease of 10.9 percent from the FY 2020 level.

FY 2020 BPOL revenue, which was a function of economic activity during calendar year 2019, increased a solid 4.0 percent compared to 3.0 percent in FY 2019. 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 is available at this time to help estimate FY 2021 receipts. BPOL revenue this fiscal year will be based on gross receipts of businesses generated during calendar year 2020 and is expected to be negatively impacted by the impact of COVID-19, as reflected in the projected decline of 10.9 percent compared to FY 2020. A major BPOL category that will be negatively impacted is Retail Merchants, including restaurant sales. Other categories with expected declines include Amusements, Hotels and Motels, Personal Service Occupations, and Business Services.

In the absence of actual BPOL collection data, staff reviewed available data for the first two quarters of calendar year 2020 from the Weldon Cooper taxable sales reports at the county level as a proxy for the impact of COVID-19 on businesses' gross receipts in select industries. It should be noted that the data does not provide a full picture of businesses' gross receipts, as these reports are based on deposits of Sales Tax revenue and not all sales are taxable in Virginia. As expected, overall taxable sales in the County began to decelerate during the first quarter of 2020, increasing just 1.3 percent, followed by a sharp decline in the second quarter, dropping over 26 percent compared to the second quarter of 2019. Some categories experienced much higher declines: Food Services and Drinking Places taxable sales decreased almost 47 percent; Clothing and Clothing Accessories Stores – almost 81 percent; Accommodation – over 75 percent. When data for the remaining quarters of 2020 is released, staff will look for indications that taxable sales began to recover, as some of the measures placed to contain the spread of the virus in the spring were gradually lifted in the summer months.

A sector whose gross receipts are expected to be stable or even increase in calendar year 2020 is government contractors. A sizable share of the County's BPOL revenue is derived from large federal government contractors. Data indicates that federal procurement spending in the County, both defense and non-defense, continued to grow in calendar year 2020. In addition, it is expected that federal contractors were largely insulated from the impact of COVID-19 as many were able to work remotely with limited disruption.

LOCAL SALES TAX

FY 2020 Actual	FY 2021 Adopted Budget Estimate	FY 2021 Revised as of FY 2020 Carryover	FY 2021 Mid-year Estimate	Increase/ (Decrease)	Percent Change
$191,092,140	$171,031,788	$171,031,788	$194,350,951	$23,319,163	13.6%

The *FY 2021 Mid-Year Review* estimate for Sales Tax of $194,350,951 reflects an increase of $23.3 million, or 13.6 percent over the *FY 2021 Revised Budget Plan* estimate. When the FY 2021 budget was adopted, Sales Tax revenue was projected to decrease 13.5 percent based on the anticipated impact of the pandemic on restaurant, amusement, and retail businesses. Sales tax receipts in June and July, the last two months of FY 2020, declined 15.9 percent and 19.0 percent, respectively. However, Sales tax collections in FY 2021 through October are down only 0.8 percent, likely a reflection of the increased tax revenue from internet sales, which became taxable as a result of the Wayfair Supreme Court decision. The revised estimate assumes that Sales tax revenue in FY 2021 will be just above the FY 2020 level. While the trend in year-to-date collections is encouraging news, consumer spending over the coming months will depend upon the course of the virus. Staff will continue to closely monitor consumer spending and behavior and the impact of COVID-19 on this revenue category.

RECORDATION/DEED OF CONVEYANCE TAXES

FY 2020 Actual	FY 2021 Adopted Budget Estimate	FY 2021 Revised as of FY 2020 Carryover	FY 2021 Mid-Year Estimate	Increase/ (Decrease)	Percent Change
$38,648,450	$31,212,155	$31,212,155	$35,376,957	$4,164,802	13.3%

The *FY 2021 Mid-Year Review* estimate for Deed of Conveyance and Recordation Taxes of $35,376,957 represents an increase of $4.2 million, or 13.3 percent, over the *FY 2021 Revised Budget Plan* estimate. Recordation and Deed of Conveyance Taxes are paid when homes are sold. Recordation taxes are also paid when homes are refinanced. Through the first four months of FY 2021, combined receipts are up over 38 percent as a result of a strong residential real estate market and significant increase in refinancing activity driven by record low mortgage rates. The revised FY 2021 estimate assumes that refinancing activity will taper off in the second half of the fiscal year relative to the strong growth experienced early in the year, as well as compared to the level of revenue collected during the same time last year.

SUMMARY OF GENERAL FUND REVENUE

TRANSIENT OCCUPANCY TAX

FY 2020 Actual	FY 2021 Adopted Budget Estimate	FY 2021 Revised as of FY 2020 Carryover	FY 2021 Mid-Year Estimate	Increase/ (Decrease)	Percent Change
$15,778,992	$16,443,857	$16,443,857	$6,950,000	($9,493,857)	-57.7%

The *FY 2021 Mid-Year Review* estimate for Transient Occupancy Tax (TOT) of $6,950,000 reflects a decrease of $9.5 million from the *FY 2021 Revised Budget Plan* estimate and represents a decline of 56.0 percent from the FY 2020 level. Due to the impact of the COVID-19 pandemic, the U.S. hotel industry has reported significant year-over-year declines in three key performance metrics: occupancy, average daily rate (ADR), and revenue per available room (RevPAR). Hotel revenues in Fairfax County declined almost 75 percent between March and August 2020 compared to the same period in 2019. Year-to-date through October, FY 2021 TOT revenue is down 66.8 percent. As hotel revenue is not expected to recover until at least mid-2021, the revised estimate is based on the assumption that TOT revenue collections will continue to decrease at the current rate through the spring of 2021, with moderating declines in the last two months of the fiscal year.

CIGARETTE TAX

FY 2020 Actual	FY 2021 Adopted Budget Estimate	FY 2021 Revised as of FY 2020 Carryover	FY 2021 Mid-Year Estimate	Increase/ (Decrease)	Percent Change
$5,428,504	$5,422,269	$5,422,269	$5,009,455	($412,814)	-7.6%

The *FY 2021 Mid-Year Review* estimate for Cigarette Tax of $5,009,455 reflects a decrease of $412,814, or 7.6 percent from the *FY 2021 Revised Budget Plan* estimate. The estimate is based on actual receipts during FY 2020 and collection trends year-to-date in FY 2021. It reflects a projected decline of 7.7 percent from the prior year. Cigarette Tax receipts have declined in each year since FY 2012.

COMMUNICATIONS SALES AND USE TAX

FY 2020 Actual	FY 2021 Adopted Budget Estimate	FY 2021 Revised as of FY 2020 Carryover	FY 2021 Mid-Year Estimate	Increase/ (Decrease)	Percent Change
$2,551,599	$3,492,634	$3,492,634	$2,551,599	($941,035)	-26.9%

The *FY 2021 Mid-Year Review* estimate for the Communication Sales and Use Tax of $2,551,599 reflects a decrease of $941,035 from the *FY 2021 Revised Budget Plan* estimate and is based on the actual receipts collected in FY 2020.

SUMMARY OF GENERAL FUND REVENUE

CHARGES FOR SERVICES

FY 2020 Actual	FY 2021 Adopted Budget Estimate	FY 2021 Revised as of FY 2020 Carryover	FY 2021 Mid-Year Estimate	Increase/ (Decrease)	Percent Change
$70,109,331	$83,119,246	$83,119,246	$56,526,667	($26,592,579)	-32.0%

The *FY 2021 Mid-Year Review* estimate for Charges for Services of $56,526,667 reflects a decrease of $26.6 million from the *FY 2021 Revised Budget Plan* estimate. By far the largest reduction – $22.1 million – is associated with the School-Age Child Care (SACC) revenues. This represents a 50 percent cut in anticipated revenues in this category as the SACC program was impacted by Fairfax County Public Schools (FCPS) decision to provide all virtual learning in the fall in response to the pandemic. Although SACC has been temporarily replaced by the Supporting Return to School (SRS) program, this program is operating at a limited number of FCPS sites and is generating significantly less revenue. The SACC revenue estimate will be evaluated again as part of the *FY 2021 Third Quarter Review*, when more will be known about the operating status of FCPS. It should be noted that, along with program availability and capacity, the level of SACC revenues collected will also be dependent on human behavior.

Other Charges for Services revenue categories recommended for reductions include EMS billings revenue, which is reduced by $2.0 million, as the number of EMS transports has declined, as well as a net reduction of $2.1 million in many other charges and fees as a result of program closures and lower levels of activity across the County.

FINES AND FORFEITURES

FY 2020 Actual	FY 2021 Adopted Budget Estimate	FY 2021 Revised as of FY 2020 Carryover	FY 2021 Mid-Year Estimate	Increase/ (Decrease)	Percent Change
$10,001,169	$11,795,664	$11,795,664	$7,934,518	($3,861,146)	-32.7%

The *FY 2021 Mid-Year Review* estimate for Fines and Forfeitures of $7,934,518 reflects a decrease of $3,861,146 from the *FY 2021 Revised Budget Plan* estimate. The revenue estimate for General District Court fines is reduced by $3.2 million, partially attributable to reduced case filings in the courts. Revenue in this category is currently down 70.4 percent through October. Parking Violations revenue, which is down over 23 percent through October, is reduced by $0.6 million.

It should be noted that actual Fines and Forfeitures revenue was lower than expected in FY 2020 due to the negative impact of COVID-19 and, as indicated by the revised FY 2021 estimate, its impact has continued into the new fiscal year.

SUMMARY OF GENERAL FUND REVENUE

RECOVERED COSTS / OTHER REVENUE

FY 2020 Actual	FY 2021 Adopted Budget Estimate	FY 2021 Revised as of FY 2020 Carryover	FY 2021 Mid-Year Estimate	Increase/ (Decrease)	Percent Change
$15,486,983	$16,234,444	$16,234,444	$15,526,944	($707,500)	-4.4%

The *FY 2021 Mid-Year Review* estimate for Recovered Costs/Other Revenue of $15,526,944 reflects a decrease of $707,500, or 4.4 percent, from the *FY 2021 Revised Budget Plan* estimate. The decrease is associated with adjusting the estimate for the City of Fairfax Shared Governmental Expenses reimbursement, which is reduced by $0.2 million as a result of the reconciliation of the City's share of expenses based on actual utilization and expenses during FY 2020. In addition, revenue associated with recovered costs for operating the Adult Detention Center is reduced by $0.5 million as a result of lower population and the impact of the COVID-19 pandemic.