

EFFECTIVELY MANAGING COUNTY GOVERNMENT

Government must operate efficiently and responsively. Government should establish priorities. Core functions and priorities should be properly funded and well managed. Programs that are ineffective or no longer necessary should be eliminated. Programs that are useful but do not involve core functions should be subject to the people's ability to pay.

In the short term, we are in a critical period regarding the County's budget. The Board needs to act responsibly to pull us through the current crisis. We are faced with two distasteful choices: endure significant reductions in programs and services people have come to depend on and/or enjoy, or face a crippling increase in residential property taxes during a deep recession. In the face of this crisis, the current Board has been largely silent when it comes to proposing solutions. Individual agencies have drawn up lists of proposed cuts, but there has been no apparent effort to look at systemic changes in the way the government is structured or does business. The County Executive will propose a draft budget on February 23, 2009, after which the Board needs to act with boldness and in new and innovative ways.

What is the Shortfall and How Did it Happen?

The County faces a \$650 million "shortfall" in the 2010 fiscal year, which starts July 1, 2009. Simply stated, the County government wants to spend \$650 million more than it has in the coming year. State law requires that the County have a balanced budget.

The first factor leading to the "shortfall" is the government's unending desire to spend more money. The "shortfall" is calculated by assuming a baseline in which government spending would grow by five percent next year over this year. That is the additional amount the government wants to spend to maintain current programs in the face of inflation and other additional costs. This increase makes up around \$165 million of the "shortfall." That number

assumes no attempt to make government more efficient, to consolidate operations, or to reduce any expenditures. Each year the Fairfax County Board of Supervisors simply looks to spend more money than the year before.

The second factor leading to the “shortfall” is that the drop in home values is reducing residential property tax revenues. About three quarters of the County budget comes from the residential property tax, and home values are projected to drop by 14% next year. If the tax rate remains the same, then tax revenues will drop by 14%, or around \$280 to \$300 million of the shortfall. When housing values were increasing dramatically in the earlier part of this decade, the Board of Supervisors did reduce the tax rate, but not by as much as housing values increased. From 2000 to 2007, while the property tax rate dropped, the property tax actually paid on the average home doubled. Now, our property values have declined, but our taxes have not.

The third factor leading to the shortfall is that the declining economy is causing other tax revenues to drop. Sales tax receipts are down, as are car registration and home recordation fees. State income and sales taxes receipts are dropping as well, and the state government is responding by reducing the money that it transfers to local governments, like Fairfax County. These decreased revenues are significant and most cannot be made up easily.

Over the years, County revenue has increased and decreased each year based on all these factors. Several years ago, the County did establish a revenue stabilization fund (sometimes called a rainy day fund). However, the fund is not designed to close the budget gap in future years and would not be large enough to close the current shortfall.

Bringing the Budget Into Balance

When the economy boomed a few years ago, County spending boomed with it. Insufficient funds were set aside. Now, either the County reduces spending or we will face a

significant increase in the residential property tax we pay. Given this choice, we must tighten our belts, just like any family or business does during tough economic times. For too long, the County government has increased spending more than it should have. The County's general fund spending was \$2.44 billion in 2003. By 2009, it had increased to \$3.35 billion. The average residential real estate tax bill in 2000 was about \$2,400.00. By 2007, it was \$4,821.00. Taxes have doubled during this decade. Our current problem is not that taxes are too low. The problem is that spending is too high.

We should not close the shortfall by increasing the amount of residential property taxes paid by homeowners. Balancing the County budget by tax increases alone would mean property tax increases of well over \$500.00 per household for the average home. During the citizen budget review meetings held by the County last fall, there was little support expressed for increasing the property taxes we pay. Furthermore, a property tax increase would be counterproductive to efforts to stimulate the economy. We are in a deep recession. Families are suffering from large losses in their retirement portfolios, many pay raises are on hold, and others feel their jobs are in danger. A tax increase would only add to those losses and fears.

The current members of the Board of Supervisors have been largely silent regarding their ideas for bringing the budget into balance. County agencies were asked to prepare cuts of 15% (in reality, cuts of 10% below 2009 spending levels and foregoing a 5% increase). These cuts would have a significant impact on County services, but do provide a path for considering necessary reductions.

First, the baseline for the 2010 budget should be 2009 spending levels, not 2009 plus a five percent increase. All County agencies should streamline their programs and look for efficiencies, to bring the same services next year as this year, at the same cost. As in the private

sector, this may mean that pay raises have to be delayed. It may also mean a one-year freeze in capital construction and vehicle purchases.

Second, we should establish budget priorities. The core, necessary functions of the County government - police; fire; emergency response; teachers and classroom instruction; zoning, property maintenance, and health and safety code enforcement; transportation and infrastructure; and health and substance abuse services – should be top priorities. Other County programs and agencies provide worthwhile services, but if they are outside the core functions of government, they may need to absorb spending reductions near 10 percent on average. The exact nature of the reductions should be the result of a cooperative discussion between the Board, County agency directors, and the public.

Third, as part of this dialogue, the school superintendent needs to be an active participant in the effort to achieve cost savings. The County and Schools, which are separate political entities, should try to work together on some administrative functions to reduce costs. For example, Human Resource functions and the vehicle fleet (not buses) could be combined to achieve economies of scale and reduce overhead. Furthermore, while the School Board has sole authority to determine how to allocate its resources (the Board of Supervisors only determines the dollar amount that is transferred to the Schools), the Schools should give serious consideration to some of the cost savings that have been suggested by citizens during the budget review sessions held by the County last fall. School officials need to step up to the plate as partners in the effort to find new and innovative ways to continue excellent services at a lower cost.

Look for Innovative Reforms

In the long term, the County needs to focus more on efficiency and innovation and less on expansion. Our economic troubles are likely to continue for some time, and the core functions of government must be preserved and strengthened, and not diluted by unnecessary spending.

The County should continue to move toward a new paradigm in the provision of human services and various assistance programs. In a traditional model of government, it is government that looks at a community, identifies what it thinks are the problems, designs a government program to implement them, and then spends money to try to solve a problem. In the new paradigm (which County staff support), government takes on more of a facilitative role. Government brings together community leaders, business, faith-based groups, and individuals to look at a community. This group identifies areas of strength around which the community can build. It also identifies challenges faced by the community and looks for ways all the community stakeholders – civic, business, faith-based, and government – can work together in new and innovative ways. Some of these solutions may involve government programs. Some may not. But by involving community leaders both in the identification of challenges and in the effort to meet those challenges, this new paradigm offers a more effective and neighborhood-based process for addressing community challenges. Our political leaders need to get behind this new paradigm and realize that establishing a new spending program isn't always the best way to help a community. Bringing together people, resources, and ideas in a collaborative approach is often more effective.

Conclusion

Times are tough, but so is our resolve. We are an intelligent and innovative people. In our private lives we run large businesses, invent the newest technologies, make the newest scientific discoveries, and are at the forefront of the economic engine of Virginia, and the nation. Working together, we can lead our County through these difficult economic times. It will take courage, resolve, and a willingness to try new and innovative approaches to the way we have done some things in the past. But this budget crisis presents us with the opportunity to reset the direction of our government in a way that will make our County more efficient and effective in the future.