THE
THOMAS JEFFERSON INSTITUTE
for Public Policy

A Brief Review of the Fairfax County Budget

for

Fiscal Year '98

by

Thomas M. Stanners

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Thomas Jefferson Institute for Public Policy

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Foreword

Fairfax County is one of the largest jurisdictions in the country. It is the seventh largest county in the nation, and ranks as the 61st largest government in the United States.

This county has a big government and, just as in any big organization, it can find areas to cut, departments that can be better managed, and functions that could and should be done "on the outside".

This brief study of the Fiscal Year '98 budget is meant as a beginning point, and not the final word on where Fairfax County can change to make our local government more efficient and less costly.

The largest engine running this budget is personnel and no budget can be made more efficient without looking at the size and cost of the personnel budget.

According to *Governing* magazine, Fairfax County has one of the highest ratios of government employees to population when compared to other large counties in this country. And when Fairfax County is compared to the large counties in our region we do not fare very well.

According to Fairfax County's own figures, the median county employee salary is $35,905 plus an additional 25% benefits package. This means that each employee costs an average of $45,881 a year. If Fairfax County had the same ratio of government employees to population as does Montgomery County, Maryland we would save over $82,000,000 a year (not including the additional savings in retirement obligations down the road). If the ratio was the same as Prince George's County we would save over $186,000,000 a year, and if our ratio was the same as Baltimore County then Fairfax County would save over $210,000,000. And we must remember that in Maryland the local county governments are responsible for most of the roads where that is not the case in Virginia.

Fairfax County needs to carefully review the number of people it has doing various jobs and compare how other jurisdictions are doing them with fewer people. We should learn from those who seem to be doing a better job in delivering government services in a more efficient manner.

This report reflects the research and opinions of its author and not necessarily those of the Thomas Jefferson Institute for Public Policy or its Board of Directors. This study is presented to encourage a full and open debate on the Fairfax County budget and to urge our elected officials to look at these and other issues which might create a more effective and more efficient government.

This report recommends that the schools be given a 3.7% increase, reflecting the percentage increase in revenues for FY '98. And it is recommended that the "carryover" of teachers' salaries from one year to the next be ended and that the one-time $92,000,000 that would be available be used for necessary school repairs.

This report also shows that the support for the public schools over the past ten years has been most generous and that we must not pick and choose the "base year" used in the school budget debate to show the worst possible analysis. This is not fair to the public nor to the professionals who work hard to educate our children.

The entire pay increase issue for county employees needs to be reviewed. This study shows that the pay increases over the past four years amount to 24%. That is much higher than the private sector has enjoyed and far exceeds the increase in inflation over that period of time.

Operating expenses are due to increase 14% in this year's proposed budget, but there is no explanation as to why such a large increase is justified. The Board of Supervisors would not allow this to occur in their own businesses and should not allow it to occur in the county government without careful analysis and tough questions to the staff.

This report shows where reductions can be made and where additional income can be generated through better budget management and by looking at creative alternatives to current government programs. For instance, there is no reason for the county to be giving overseas travelers inoculations and our county golf courses should charge fees that cover all the costs rather than having the taxpayers subsidize those who enjoy this sport. Indeed, a case can be made that the county should not even be in the golf course business. Some will say that golf courses are a money maker. But, if this is the criteria that allows the county to go into business, then would it be right for Fairfax County to build its own Multiplex Theater and sell subsidized movie tickets? Of course not.

And in the area of assessment policy, this study recommends that in times of declining home values the setting of assessments at a level to achieve an average of 90% of the sales price be increased by one or two percent. This is allowed under the current law and would avoid some of the real estate tax increases that are so disrupting and long lasting. And as the report shows, the assessments in Annandale were significantly below the market to begin with this year. Of course, in times of increasing real estate values, the 90% assessment figure should be reduced. The assessment policy in Fairfax County needs to be carefully reviewed and revised to allow the Supervisors to come up with needed funds when necessary without permanently raising real estate taxes. Any increase or decrease in the ratio of assessed value to sales price of a home should be voted on by the Board of Supervisors.

Other specific recommendations are made that deserve the attention of the Board of Supervisors, the county staff and the taxpayers.

The Thomas Jefferson Institute urges the Board of Supervisors to carefully review this study by Tom Stanners, who spent 31 years working on federal budget issues at the Office of Management and Budget. These are good suggestions that deserve to be carefully looked at and researched in order to make sure that the taxpayers of Fairfax County are represented in the fashion they expect.

And, as was said earlier, this is only a beginning of where the Fairfax County budget should be carefully analyzed and reviewed. We hope that the Board of Supervisors and the staff will look at these and other areas as it debates this year's budget and as it begins to prepare next year's budget as well.

Michael W. Thompson
Chairman and President
Thomas Jefferson Institute for Public Policy
April 7, 1997

A Brief Review of the Fairfax County
Budget for Fiscal Year 1998

Introduction

These comments by Thomas M. Stanners are intended to be a critical, yet hopefully helpful, review of the proposed Fairfax County Budget. The review raises issues that are appropriate for debate and recommends changes that are sound public policy. The Thomas Jefferson Institute intends to make this review an annual priority and would appreciate your consideration of our comments and any feedback you might have.

By any measure Fairfax County is large. Its revenues rank 61st among all state and local governments in the country. Its revenues are larger than those of two states. Only 6 counties have greater revenues. Only 7 of the billion dollar governments have the coveted triple A bond rating. On a less cheering note, only 7 of the 100 major jurisdictions listed by Governing magazine in its January 1997 "sourcebook" edition have more public employees per capita than Fairfax County. Montgomery County, Maryland, for example, has 322 employees per 10,000 residents, while Fairfax County has 343. While any raw comparison runs the risk of mixing apples and oranges, we will later in this report try to identify where some of the differences may be.

FAIRFAX COUNTY PUBLIC SCHOOLS

The General Fund Transfer

The School Board has requested an increase of $36.3 million or 4.6% in the transfer from the General Fund. This compares to an increase of $31.5 million or 4% which would be consistent with the budget guidelines approved by the Board of Supervisors. The excess is $4.8 million. There are compelling reasons why the 4% guideline should be the maximum and, in fact, could be lessened. The budget guidelines were based on the concept that the increase in spending should be held to the increase in revenues. That increase was expected to be 4%. The actual increase in revenues reflected in the advertised budget was 3.7%. Thus a reasonable case can be made that the increase in school spending from the general fund should be held to 3.7%. This appears to be feasible.

The school operating fund budget is planned to grow by $51.2 million. Of this $13.1 million is required by the increase in enrollment. There is some reason to believe the enrollment estimates may be high. Historically the growth in enrollment has been very close to the growth in overall population. In FY 1997, the projected growth in enrollment exceeds the projected growth in population by almost twice as much as the difference over the past six years. The rate in FY 1998, while on the high end, is closer to past experience. Last year, at this same point in time, the increase projected for the prior year was about 500 more than the actual. It is not unlikely that the same thing will occur this year and the final FY 1997 enrollment will be about 500 less than projected in the budget. On this basis the enrollment estimates over the two year period would be about 1,000 less than reflected in the budget or about $7 million.

Most of the remaining increase, $48.2 million, consists of planned pay increases including a 2.5% cost-of-living increase, step increases of about 2.7% and special increases of $2.7 million. In evaluating proposed increases in compensation, two factors are particularly relevant. The first is what is happening in the outside world. In this case the most important index is the Employment Cost Index which reflects all changes in private sector pay, including cost-of-living, step increases, and special increases. The most recent annual increase in this index is 3.3%. Compared to this, the planned increases in school system salaries are excessive.

The second relevant factor is the competitive status of the compensation system in its attractiveness to new employees. Last year the school system processed over 13 thousand new job applications, a clear indication that the system remains extremely attractive to new entrants. Holding the cost-of-living increase to 2% and eliminating the unspecified special increase of $2.7 million would reduce the requirement by over $7 million and is the minimum that should be done. The fact remains that any system that provides automatic increases of 2.7% with no relationship to performance or productivity is seriously flawed and should be carefully studied.

In addition state funding is now set at $3.4 million more than projected in the budget.

An increase of 3.7% would be $29.1 million as opposed to the request of $36.3 million, a reduction of $7.2 million. Given the increase in state funding and the discussion above, an increase of 3.7% would actually allow for additional discretionary spending not now reflected in the budget.

Recommendation: That the increase in the General Fund transfer to the school system be held to 3.7%, for a savings of $2.4 million.

Carryover for Teacher Salaries

At present, teachers are hired on one year contracts that run from September 1 of one fiscal year to August 31 of the next fiscal year. Thus 10 months of the contract is paid in one fiscal year and 2 months in the next fiscal year. About 14 years ago the County budgeted for the first 10 months in one fiscal year and the remaining two months in the next fiscal year, the year in which the payments were actually made. Even then the two months were displayed in accounting records as an unfunded liability. This method was based on an opinion from a highly regarded independent certified public accounting firm to the effect that the practice was in accordance with generally accepted accounting principles. At that time the State Auditor determined that in his opinion generally accepted accounting principles required that funding for the whole 12 month period be included in the year the contracts were made.

Instead of budgeting for the entire unfunded liability at that time, the County agreed to put aside the necessary funds over a 10 year period. This agreement was adhered to for several years but was suspended in FY 1991. Last year the County reinstituted a new 10 year plan to eliminate the remaining $16 million liability at $1.6 million a year. For FY 1998, the school system is carrying over about $92 million for this liability and the amount will, of course, grow each year.

The accruing of resources for future obligations is sound public policy. The case is strongest when the obligation is far out in the future such as in the case of retirement obligations. The case is much less demanding when the obligation is only a few months away and when it is done for the salaries of only one class of employees. The Department of Defense, which operates a large overseas dependents' school system also has teacher requirements which overlap fiscal years. The Department does not face this accounting dilemma because the teachers are Federal employees rather than "contract" employees. Thus all the payments to be made in a fiscal year are budgeted in that fiscal year. This is not just an academic issue to intrigue accountants. The fact is that the school system is sitting on $92 million when, at the same time, we are facing serious capital needs in the system that cannot be funded in the near term. A solution to this problem would provide a one time opportunity to apply this money to sorely needed capital projects.

An alternative that could work for Fairfax County is to create a class of career teachers where the contract period is always a minimum of two years or for an indefinite period. Since most teachers return year after year, this should cover the great majority of teachers. The two month period could then be treated as a "leave" period under special work rules and a part of the "earning" of the salary. There are other possible alternatives that should be pursued including a revised ruling from the State Auditor or even a legislative solution if all else fails. The potential for putting these funds to productive use is important enough to justify aggressive pursuit of a solution.

Recommendation: That a major effort be made to find a remedy to the current practice of carrying over teacher salary accruals with the one time savings of $92 million devoted to school capital needs.

School Budget Presentation

With regard to the presentation of the school budget, we have two comments. First, the budget notes several times that cost per pupil increased an average of (only) 1.5 % per year since FY 1991. While this is accurate, it is also accurate to note that the cost per pupil has increased an average of 4.5% per year since 1987 and since 1993 an average of 3.7%. Second, the budget compares per pupil costs of several jurisdictions with those of Fairfax County. The display indicates that Montgomery County will spend $7,650 per pupil while Fairfax (a similarly large system) is spending $7,120. To the contrary, the recently released Montgomery County budget states that Montgomery County will spend $7,470 on a total operating expenditure basis while on the same basis Fairfax will spend $7,376. In FY 1998, Montgomery County spending is projected to increase by $100 per pupil while Fairfax County spending is projected to increase by almost $300 per pupil. Presumably the snapshots in the budget are designed to convey a message of less than maximum support for the school system. However a slightly different snapshot indicates that Fairfax County has consistently supported the school system and need not fear fair comparisons with any jurisdiction.

FAIRFAX COUNTY GENERAL GOVERNMENT

County Pay Practices

The budget provides for a 2% across the board cost-of-living adjustment, another 1% in automatic step increases (the budget states the cost of the 2% increase at $10.8 million and the cost of merit increments at $5.7 million, thus the merit increments are slightly over 1% of salary) and an unspecified increase in average salaries of about 2.5%. This latter increase is presumably due to "grade creep" (i.e. hiring new employees at higher grades than departing employees or reclassifying current employees). This latter factor is not a new occurrence. Average salaries increased by 5.2% in FY 1995, 6.4% in FY 1996, 5.4% in FY 1997 and are projected to increase by 5.5% in FY 1998, a total increase over the 4 year period of over 24%. Across the board cost-of-living increases would account for about 7% of that increase and automatic step increases for between 4 - 6% of the increase, leaving some 11 - 13% unspecified. Thus "unspecified" is the largest single factor in salary cost increases over the 4 year period. It is doubtful that any other activity in the region has experienced pay cost growth of this magnitude.

Two things are needed. First is a review of the "unspecified" increases in average cost that have taken place over the past four years. An increase in the average cost of labor of the magnitude that has occurred should not be done without specific consideration by the governing body. Second is a reform of the current pay system. Automatic "merit" increases are unique to government agencies. Most private companies review pay and performance annually and base their raises on that review, taking into consideration inflation, productivity and meritorious performance. In our view, Fairfax County can no longer cling to dual pay increases. A significant problem with the current system is that the high cost of within-grade increases can lead to a practice of providing minimal across the board increases, which are more easily controlled. At its worst this can weaken the attractiveness of the County to new workers. This does not appear to be a problem at present.

The fundamental purpose of a pay system is to provide the quantity and quality of workers needed to fulfill the mission. It appears that Fairfax County is in a strong position in the recruiting market with over 40 applicants for every job announcement. We believe that pay and performance should be reviewed annually giving consideration to such factors as increases in the cost of living, productivity trends, and recruiting and retention experience. As appropriate, an across the board pay increase should be provided to preserve the purchasing power of pay and, in addition, particularly meritorious employees should be provided one-time payments. We recognize that changing an ingrained system where there would be losers and gainers and where there are equity questions on "grandfathering" and transition provisions is difficult. The fact is, however, that the long term outlook is for the Federal Government to continue to divest responsibilities to local governments and for pressures on local revenues to increase, not decrease.

In recognition of past criticisms of the compensation system, the County commissioned a study of the system by a compensation consulting firm. Their report was provided to the County in March, 1996. The report recommended a re-design of current performance management systems and a move, for most employees, from the current step system to an open range system. The County is presumably still evaluating this report.

We agree completely with the report that changes to the current step system are appropriate. The consulting firm presumably has recommended this same kind of open range system in other places although the report does not include the results. Open ranges and the related broad banding concept are gaining increased popularity in the private sector according to a study by Hewitt Associates. The Federal Government has conducted three major experiments designed to simplify job classification and broaden pay ranges without the use of automatic step increases.

The results of the Federal experiments indicate that cost control is a difficult task in changing systems. Average salaries rose more under the banding systems than under the traditional system of grades and steps, and in some cases, significantly. The following factors appear important before moving to a new system:

- method of conversion
- policy on starting salaries
- type of pay progression and system of performance management
- size of salary and bonus budgets
- clear guidance that cost increases are to be avoided

While reform of the Fairfax County pay system is warranted, an increase in costs to achieve it is not.

Recommendation: That whatever reform of the pay system is approved, it be accomplished without increasing costs, and that employees be provided either an across the board increase annually or a step increase annually but not both until the system has been reformed. This would reduce the budget by about $2 million.

Operating Expenditures

The budget displays operating expenditures in summary by the object code of the expenditure. The cost of utilities, which increases by 1.8%, is an example of an object code. Reasons are given for some of the increases in the budget and for some of the decreases. Some of the increases are not explained and in some cases appear excessive. Postage costs go up by $200,000 or 4.3%. There is no obvious reason why these costs should go up by more than the increase in population. If the increase were held to twice the growth in population, the budget would decrease by $100,000. Operating expenses go up by 14% with no obvious reason or explanation. If this increase were held to the greater of the FY 1996 actual or the FY 1997 budget, there would be a savings of $500,000. The auto mileage allowance costs go up by 23%. If this increase was also held to the higher of the FY 1996 actual or the FY 1997 budget, costs would go down by $88,000.

Recommendation: That the budget be reduced by $688,000.

Maintenance of Emergency Response Vehicles

The budget includes the first phase of a multi-year program to improve the condition, reliability and preventative maintenance of the County's emergency response vehicles. Related to this is the inclusion of $150,000 for design of facility improvements and expansions for the West Ox and Newington maintenance facilities. With the limited availability of capital funding, it may be appropriate to rely on the private sector for providing the additional capacity needed. More routine work on County vehicles could be contracted out and the capacity so released could be used for the emergency vehicles. This is an opportunity to pursue privatization without penalizing County employees and at the same time avoiding significant capital expenditures.

Recommendation: That the budget be reduced by $150 thousand.

Judicial Administration

Court Appearances

Significant amounts of County resources are devoted to mandatory court appearances for relatively minor matters. For example, current policy requires a court appearance for all drivers cited for traffic accidents causing property damage. They cannot prepay the fine and avoid the court appearance as you can in certain other violations. This applies to some 11,000 individuals annually. On a typical day, the other driver involved fails to appear in court about half the time and the charges are dismissed. Thus the County incurs all the costs involved but there is no fine involved. In those cases where there was insurance coverage, no personal injury, no major damage, and no objection from either party, the pre-payment of fines could be allowed. This would significantly reduce police overtime hours, other court costs, and increase revenue from fines. Even a conservative estimate of the impact of a change like this would reduce cost and increase revenues to the extent that the budget could be reduced by at least $1.5 million.

The situation is expected to worsen significantly with the new residential speeding provisions with a maximum fine of $200. There is no provision for pre-paying any citations issued under this provision so its implementation would require a court appearance with the accompanying increase in police overtime and other court costs.

Further study of current policy on pre-payment of traffic violations and how court costs are handled could lead to significant savings. It is recognized that this is not just a County issue but one that involves the Virginia Supreme Court as well as the legislature. However the potential savings are significant enough to warrant further action.

Recommendation: That a study of current policy on pre-payment of traffic violations and assessment of court costs be commissioned on a priority basis. FY 1998 savings would be at least $1.5 million.

Court Services

The number of legal processes served by the 26 court services officers assigned to this function is projected to decrease by over 15% from FY 1995 while staffing remains level. It should be possible to reduce staffing by 2 positions with a savings of $92,000.

Recommendation: That the budget be reduced by $92,000.

Health Department

Vaccinations for International Travelers

At present the Health Department provides immunizations for U. S. Citizens traveling abroad at less than cost. There is no compelling reason for the County to provide this service much less than to provide it at less than cost. The total budget for this program is about $500,000, while the subsidy to international travelers is about $72,000. Alternatives are readily available at reasonable costs to these travelers and this is one service that could easily be left to the private sector.

Recommendation: That immunizations no longer be provided to international travelers with a saving of $500,000. Alternatively, at a minimum, fees should be increased to cover all costs.

Park Authority

Golf courses

Golf is a major activity of the Park Authority with 5 golf courses and 2 driving ranges. The FY 1998 budget is over $4.3 million for this area. One can question the appropriateness of the County even being in this business. Certainly the demand would be met by the private sector if the County didn't provide this service. A good case can be made for a long term program to get the County out of this business by selling these facilities to the private sector. Under any circumstances the County should not be providing subsidized golf. Golfers should be expected to pay the full costs of their sport. At present the cost of land and the administrative support from General Fund agencies is only partly, if at all, reflected in golf fees.

Recommendation: That golf fees be set to recover the full cost including overhead support and land costs. This should result in increased revenues of at least $500,000.

Contributory Agencies

Competitive Funding Process

In FY 1997, the Board of Supervisors approved a competitive funding process through which community-based agencies and organizations which are primarily human-services oriented, would be awarded County funding on a competitive basis. For FY 1998, $4.1 million, which is the amount approved for FY 1997, is included in the budget. Allocations will be made by the Board based on responses from the organizations to a Request for Proposal (RFP) which was issued in December, 1996. This process applies to 15 of the 51 contributory organizations to which the County will provide funding in FY 1998. Several of the others are not appropriate for such a competitive process. Some are membership organizations such as the National Association of Counties where the choice is to pay all the dues required or drop the membership. Others are regional bodies such as the Metropolitan Washington Council of Governments where Fairfax members participate in determining member contributions. This group includes some 11 organizations. Of the remaining 25 organizations, their funding should, in some cases, be phased out completely and for the others, the same competitive process as used for the human-services organizations should be installed.

Support for the Fairfax Symphony and for the Arts Council and its Arts Group Grants should be phased out. These groups appeal to a relatively small number of Fairfax County citizens who typically are able to support these groups when they prove their worth. A budget which provides increases to these non-essential activities while freezing funding for human-services groups appears particularly inappropriate. The remaining 22 organizations should be held to the FY 1997 level in FY 1998 and thereafter placed in a competitive mode. If the organizations recommended for phasing out were reduced about 20% a year for a five year period, the savings in FY 1998 would be about $93,000. If the remaining organizations were held to the FY 1997 level, as the Human-Services Agencies are being held, the savings would be about $48,000.

Recommendation: That the budget be reduced by $141,000.

Fairfax Fair

The revised FY 1997 budget includes $42,500 to offset any "extenuating circumstances" associated with the Fairfax Fair. There was no spending for this purpose in FY 1996 and none is planned for FY 1998. The Fairfax Fair is now a mature organization and should be expected to stand on its own. These dollars should be set aside for potential short-falls in FY 1999.

Recommendation: That the FY 1997 budget be reduced by $42,500.

Belle Haven Marina

The revised FY 1997 budget includes $200,000 to be loaned to the National Park Service for improvements to the Belle Haven Marina. This loan was originally approved in FY 1996 and has been carried over pending completion of a loan agreement with the National Park Service. While apparently legal, the appropriateness of the County becoming a banker for the Federal Government is highly questionable. These negotiations should cease and this money set aside for potential short-falls in FY 1999.

Recommendation: That the FY 1997 budget be reduced by $200,000.

Revenue Estimates

Collection Rates

The budget anticipates that there will be a decrease in collection rates for both the Personal Property Tax and for the Business, Professional and Occupational License tax in both FY 1997 and FY 1998 when compared to FY 1996. We should not settle for a decrease in these collection rates. If the actual collection rates achieved in FY 1996 were matched in FY 1998 revenues would be increased by $1.9 million with similar amounts in FY 1997. As it is likely that these increases can be achieved, they should not be seen as extra money and spent, but rather set aside for short-falls in FY 1999.

Recommendation: That revenue increases of about $3.8 million be set aside for future use.

Interest Rate

The budget anticipates that the average interest rate earned on the invested portfolio of the County will decline to 5% in both FY 1997 and FY 1998 from the 5.9% earned in FY 1996. Both the Congressional Budget Office and the Federal Office of Management and Budget project interest rates to be relatively stable over this period. We should thus not expect the interest rate earned by Fairfax County to drop. If the 5.9% rate is achieved in FY 1997 and FY 1998, revenues would increase over the two year period by $9.6 million. Again this likely increase should not be used to expand spending but rather set aside to address the FY 1999 short-fall.

Recommendation: That interest increases of about $9.6 million be set aside for future use.

<u>Raise the Ceiling on Non-Residential Tax Rates</u>

Non-residential utility taxes are levied on the use of electricity, gas, and local telephone services by businesses located in the County. There is no statutory ceiling on the tax, or the monthly service base subject to taxation. At present a small number of large users pay less tax than they would otherwise because the County has established a taxable monthly ceiling. If this ceiling were doubled less than 2% of customers would be affected and revenues would be increased by about $4.7 million.

Recommendation: Raise the current ceiling on Non-residential tax rates with an increase in revenues of $4.7 million.

<u>User Fee for Ambulance Service</u>

At present Fairfax County, along with Loudon and Prince William counties, does not charge for Emergency Medical Services (EMS) transport. The District of Columbia, Arlington County and Alexandria have fees ranging from $100 to almost $300. Medicaid and Medicare will cover about 80% of these costs and other insurance plans pay up to $300. The actual cost for Fairfax County to provide this service is about $350 per transport. A $200 fee set by Fairfax County with liberal forgiveness provisions where there is no insurance coverage should provide a net of about $3 million in additional revenues. This assumes that about two thirds of the charges would be collected and that administrative costs would be about 20%.

Recommendation: That a $200 fee for ambulance service be established with an increase in revenues of $3 million.

<u>Assessment Policy</u>

The Department of Tax Administration reviews and assesses each individual parcel of real estate every year. The notice of assessment is effective as of January 1, of the calendar year and represents 100%t of the appraisal of the market value of the property. As a management indicator of effectiveness, the Department reviews each sale of a property and compares the sales price to the assessed value. As an operating procedure, the

Department has an objective of setting assessments at a level designed to achieve an overall average of 90% of the sales price. It has achieved this goal each of the past three years. Presumably shooting for 90% rather than 100% results in far fewer over-assessments and far fewer appeals and confrontations with taxpayers. This is not without cost. The difference between 90% and 100% is roughly $90 million. While the 90% goal may be appropriate in an increasing market or even in a stable market, it appears to unduly penalize the County in a declining market. A sample of town house assessments in Annandale indicated that while 5% decreases in value were assessed, they were assessed at values that were already 10% lower than the market. Most taxpayers are not going to object when they see their assessed values creeping above the 90% level.

Recommendation: That in declining markets the ratio of assessed value to sales price goal be allowed to increase above 90%. For FY 1999, this is estimated to result in an assessment/sales ratio of 92% and increased revenues of $18 million. This adjustment in the ratio is better than a permanent increase in the real estate tax rate.

Comparison with Montgomery County

One of the billion dollar governments cited by Governing magazine is Montgomery County, Maryland. Montgomery is slightly smaller in population than Fairfax (about 10%), has slightly more in general revenues and, according to Governing magazine, has 21 fewer employees per 10,000 residents. If Fairfax had the same ratio of public employees to residents as Montgomery, there would be about 1,800 fewer public employees in Fairfax County. We have tried, in a very general way, to identify differences between the two counties that might explain these different numbers. General government functions are portrayed in both budgets by program category. The following table compares broad program functions and within functions by individual activities that sound similar. The percentage difference is shown when it appears greater than would be expected by the difference in population.

FY 1997 Adopted Staff Years

Function	Fairfax	Montgomery	% Diff
Legislative & Executive	1,015	746	26
Bd of Supervisors	78	69	
County Executive	33	41	
Office of Finance	70	106	
Dept. of Tax Admin.	338	-	
Office of Personnel	70	45	35
Office of Public Affairs	9	12	
Electoral Board	20	24	

County Attorney	64	34	46
Off. of Mgmt. and Budget	46	36	22
Dept. of Info Technology	173	96	45
Purchasing & Sup. Mgmt.	55	24	46
Judicial & Public Safety	3,795	2,756	27
Judicial Administration	447	-	
Commonwealth Attorney	28	81	
Sheriff	513	444	13
Police (& Animal Control)	1,426	1,340	
Fire & Rescue	1,215	972	
Div. of Inspection Svcs.	152	-	
Public Works	417	539	
Health & Welfare	1,740	1,278	26
Office for Children	527	431	17
Health Department	434	238	46
Parks, Recreation & Culture	888	758	14
Public Libraries	410	387	
Parks & Recreation	478	371	22
Community Development	446	616	
Economic Dev. Authority	26	23	
Environmental Mgmt.	40	33	
Housing & Comm. Devel.	49	89	
Office of Human Rights	16	18	
Div. of Design Review	119	-	
Comprehensive Planning	139	-	
Office of Transportation	49	472	
Other	2,129	516	
Cable	40	5	
Community Services Board	773	-	
Equip. Mgmt. Trans. Agency	242	133	55
Waste Management	455	141	
Refuse Coll. & Disposal	341	-	
Total	10,429	7,211	31

Obviously, one cannot draw conclusions from the raw comparisons above. However, legitimate questions deserving further analysis can be asked.

- Why is the Fairfax personnel office significantly larger?

- Why the differences in size in information technology and purchasing?

- Why the differences in recreation and vehicle maintenance (EMTA)?

- Is the difference in the financial and tax administration areas due to a more complex taxing system in Fairfax?

Most significantly is the difference in the health and welfare area where Fairfax County has twice as many people involved. A special effort should be made to determine if this difference is one of approach, level of service or organization and management.

Recommendation: That a special review be made of significant differences in staffing levels between Fairfax County and Montgomery County in an effort to develop "best practices".

<u>Summary</u>

We know that some of our recommendations are not easy of accomplishment and require more analysis, aggressive pursuit of solution and cooperation from other elements of State Government. However the potential rewards are also significant.

Our recommendations in total would:

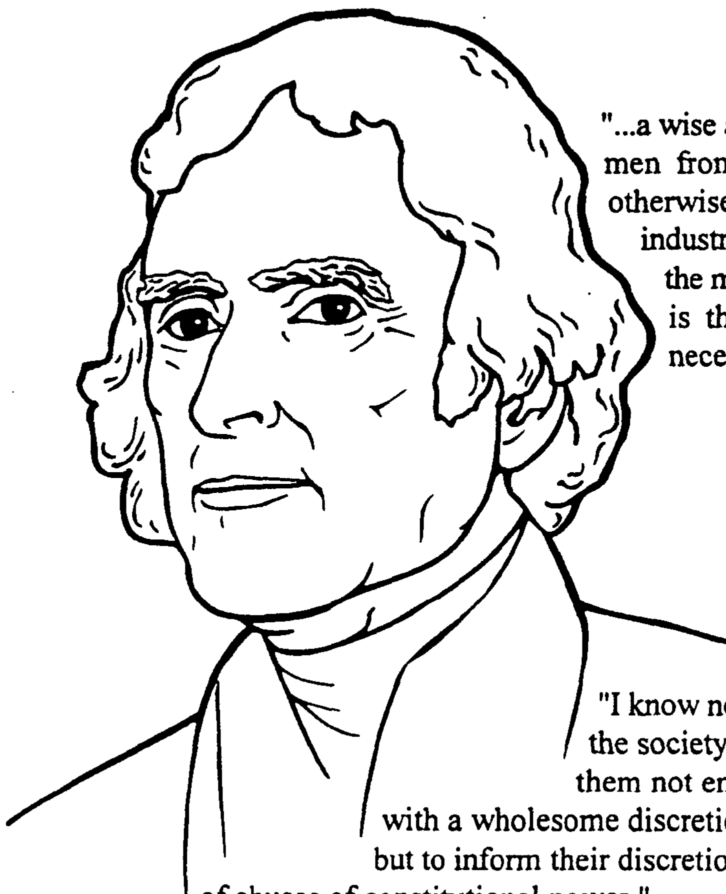
- Reduce FY 1997 and FY 1998 spending by $7.7 million.

- Increase FY 1997 and FY 1998 revenues by $21.6 million.

- Increase FY 1999 revenues by $18 million.

- Make available $92 million for capital improvements in our schools.

This report, prepared by Thomas M. Stanners, was commissioned by the Thomas Jefferson Institute for Public Policy. Mr. Stanners spent 31 years with the Federal Office of Management and Budget, served on the Fairfax County Citizens Budget Overview Committee and is a past president of the Fairfax County Federation of Citizens Associations. Questions or comments can be addressed to Mr. Stanners at 703-256-8497 or The Thomas Jefferson Institute for Public Policy at 703-690-9447.



"...a wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government, and this is necessary to close the circle of our felicities."

Thomas Jefferson -- 1801

"I know no safe depository of the ultimate powers of the society but the people themselves and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion by education. This is the true corrective of abuses of constitutional power."

Thomas Jefferson -- 1820

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