



Watchdog of the Taxpayer's Dollar Since 1956

The Fairfax County Taxpayers Alliance Bulletin

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Fall 2011

Tax hike cover-up: County candidates hiding \$186 million post-election tax hike

Taxpayers need to question candidates before the election!

\$186 Million Tax Hike

You will not find it mentioned in the campaign mailers and websites for supervisor and school board candidates. Non-incumbent candidates may not even know about it. But incumbent candidates know about it, and they do not want to discuss it.

However, you can read about it in the Fairfax County Adopted Fiscal Year (FY) 2012 Budget and in the Fairfax County Public Schools FY2012 Approved Budget.

We are currently in FY2012, which runs from July 1, 2011 to June 30, 2012. This January, the school board will propose its FY2013 budget. In March, the supervisors will advertise their FY2013 budget.

The County FY2012 Adopted Budget Plan Overview volume, page 199, forecasts a "FY 2013 shortfall of approximately \$140 million." This forecast assumes a five percent growth in the county budget and a five percent increase in the county's annual transfer to the Fairfax County Public Schools (FCPS). Revenues are expected to grow much more modestly.

FCPS gets 70 percent of its funding from the county supervisors. In FY2012, the county payment (or "transfer") to FCPS is \$1.6 billion.

Schools Want More

However, in FY2013 the school system wants more than a five percent increase in the county transfer. The FCPS FY2012 Approved Budget volume, page 189, states that in FY2013, the "Required Percent Increase in County Transfer" will be 7.9 percent.

Increasing the school transfer from 5 to 7.9 percent increases the county's FY2013 budget shortfall from \$140 million to \$186 million.

How big is \$186 Million?

Fairfax County collects revenue from many sources: real estate taxes, personal property taxes, sales taxes, Business, Professional, and Occupational License (BPOL) taxes, utility taxes, fees, transfers from the state of Virginia, and small amount from the Federal government. However, most of these revenue sources have stagnated during the recession.

You are invited to attend the Fairfax County Taxpayers Alliance annual luncheon and taxpayer workshop, Oct. 8, 2011, 11:30 a.m. – 2 p.m. at the Marco Polo Restaurant in Vienna. Speakers are JAMIE RADTKE and GERARDA CULIPHER. There will be Q&A.

JAMIE RADTKE is the former Virginia Tea Party chair, organizer of the 2010 Virginia Tea Party Convention, and is now a candidate for the Republican nomination for U.S. Senate. GERARDA CUIIPHER is the Republican nominee for the Virginia 34th state senate district (Vienna, Oakton, Fairfax City, Burke).

See details on page 7 and the back cover.

The principal way the county supervisors can increase revenue is by raising real estate taxes.

Businesses residing in Fairfax County pay only twenty percent of county real estate taxes, leaving households to pay the remaining eighty percent.

There are almost 400,000 households in Fairfax County. If these households have to pay eighty percent of a \$186 million tax hike, that comes out to an average tax increase of \$370 per household.

Taxed Enough Already?

By comparison, during the “housing bubble” (2001-2007) the average annual real estate tax increase per household was \$350. Taxpayers will recall that during this period, the typical homeowner’s real estate tax doubled from about \$2400 in 2000 to over \$4800 in 2007.

During the housing bubble, supervisors used soaring assessments as political cover for raising taxes. However since the “housing bubble” ended and assessments have decreased, supervisors have not lowered real estate taxes; instead they’ve kept the taxes at the 2007 level of about \$4800. (See top line on graph.)

The \$1500 Tax Hike

If the supervisors had increased residential real estate taxes at the same rate as inflation since 2000, today the typical Fairfax County homeowner’s real estate tax would be about \$3300, or \$1500 less than the current level of \$4800. (See bottom line on graph.)

74 cents, not \$1.085

Currently the residential real estate tax is \$1.085 for every \$100 of the assessed value of a residence. The \$1.085 rate is the sum of the residential real estate tax rate of \$1.07 and a new (enacted in FY2010) stormwater services rate of 1.5 cents.

However, if real estate taxes had increased only at the rate of inflation since 2000, today’s real

estate tax rate would be 74 cents instead of \$1.085.



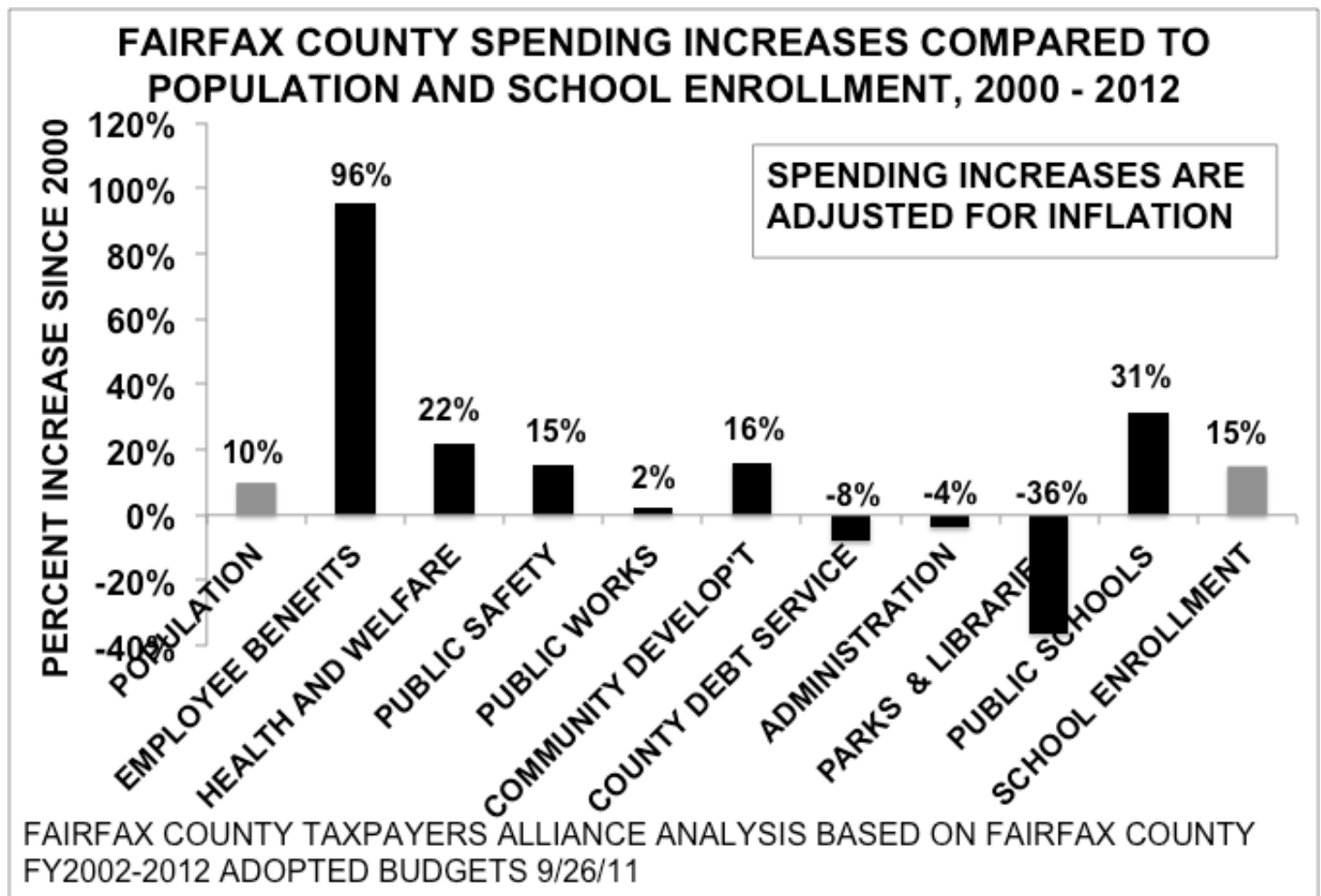
An Extra \$655 Million

Each penny of the real estate tax rate generates \$19 million of tax revenue.

So by setting the rate at \$1.085 instead of 74 cents, the supervisors obtain an extra \$655 million. This raises two questions: With an extra \$655 million, why does the county forecast a \$186 million budget shortfall next fiscal year? Also, where did the \$655 million go?

Ask Your Supervisor Candidate

These questions should be asked to candidates for supervisor and school board. However, the short answer as to where the \$655 million went and why another \$186 million is needed is the soaring costs of employee benefits, especially medical insurance and pensions.



Parks and libraries a casualty of high employee benefits costs

The above bar graph compares Fairfax County inflation-adjusted spending to the growth in county population and Fairfax County Public Schools (FCPS) enrollment between 2000 and 2012.

Generally, the demand for county services should increase about as fast as population and the demand for school services should increase about as fast as enrollment.

Between 2000 and 2012, Fairfax County population increased ten percent, and most county programs saw spending changes in the range from -8 percent to +22 percent.

However, there are three surprises:

First, inflation-adjusted spending for employee benefits increased nearly ten times faster than population

Second, parks and libraries were cut far more than any other program.

Third, the inflation-adjusted transfer to Fairfax County Public Schools increased twice as fast as school enrollment (31 percent vs. 15 percent).

Why the High Cost of Employee Benefits?

Medical insurance and the unfunded liabilities of the Fairfax County pension funds are driving the increases in employee benefits.

One of the main reasons for medical inflation is that patients now pay so little out-of-pocket for medical services that patients have no incentive to be discriminating consumers – to shop for the best price, to check the bill, to question whether a medication or procedure is really needed.

Medicare, Medicaid, and private insurers like it

that way. Medicare and Medicaid's goals are to provide "affordable" healthcare, i.e., healthcare with low out-of-pocket costs. Private insurers like paying a high percentage of our medical expenses because it means more profits.

In contrast there is much less inflation in dental care, because a higher percentage of dental care costs is paid out of pocket.

Pension Unfunded Liabilities

Fairfax County has three pension plans: the Uniformed Retirement System, the Fairfax County Employees' Retirement System, and the Police Officers Retirement System. Pension plans are considered solvent if assets are at least 80 percent of current and future liabilities.

The good news is that two of the three plans are funded just above the 80 percent level and the third plan is close, at 77 percent.

The bad news is that to maintain the solvency of the plans in the current recession, the supervisors increased payments to all three pension plans.

In FY2012, the county contributes to the County Employees' plan an amount equal to 17.2 percent of the county employees' payroll, compared to 6.15 percent in FY2000).

The contribution to the Police Officers' plan is 31.3 percent of the police payroll, compared to 18.8 percent in FY2002.

The contribution to the Uniformed Retirement plan, for sheriff personnel and animal control officers, increased to 33.81 percent compared to 18.95 percent in FY2002.

Public Sector Better Compensated

A Sept. 8, 2011, press release from the Bureau of Labor Statistics, "Employer Costs For Employee Compensation - June 2011" states that nationwide, state and local government workers were compensated \$40.40 per hour while private industry workers were compensated at \$28.13 per hour.

However, the press release cautions that public-sector workers tend to be older and better educated than in the private sector. The real question, then, is whether state and local government pays more than private industry for the same skills.

Enter CEPR

It is difficult to assemble data to compare private and public compensation for comparable work. Nevertheless, such a study was attempted by the Center for Economic and Policy Research (CEPR), described by Wikipedia as a progressive economic policy think-tank.

In CEPR's study, *The Wage Penalty for State and Local Government Employees* (May, 2010), the Executive Summary (page 1) states that comparable "state and local workers actually earn 4 percent less, on average, than their private-sector counterparts."

The CEPR study however only considers wages, not employee benefits. Since state and local government workers are far more likely to have pensions than private workers, one can conclude that state and local government is better compensated than private industry.

Wanted: A County Job

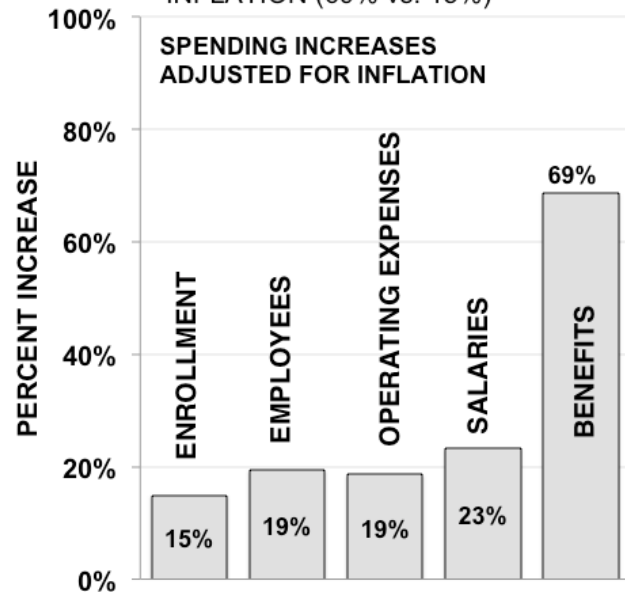
The job market seems to regard Fairfax County compensation as competitive. In a Sept. 16, 2011, email to the Fairfax County Taxpayers Alliance, the Fairfax County Office of Public Affairs reported that in 2011, Fairfax County had 196,776 applications (resumes) for 678 "new-hire" positions. That is 290 applicants for each new-hire position.

Generous School Transfer

If Fairfax County employee benefits costs had increased no faster than population and inflation since 2000, the county budget would have saved \$235 million this year. Similarly if the school transfer had increased no faster than inflation and enrollment since 2000, the county would have saved another \$220 million. How do the schools spend the extra \$220 million? As the next article shows, a large part of the answer is employee benefits.

How Fairfax County Public Schools allocates an extra \$287 million

BETWEEN 2000 - 2012 FAIRFAX COUNTY PUBLIC SCHOOLS SPENDING ON BENEFITS INCREASED FOUR TIMES FASTER THAN ENROLLMENT AND INFLATION (69% vs. 15%)



FAIRFAX COUNTY TAXPAYERS ALLIANCE ANALYSIS
BASED ON FAIRFAX COUNTY PUBLIC SCHOOLS
APPROVED BUDGETS, FY2002-2010 AND FY2011
PROPOSED BUDGET. 9/25/11

How schools are funded

Fairfax County Public Schools (FCPS) FY2012 operating budget is about \$2.2 billion. About seventy percent comes from the county, twenty percent from the state, and three percent from the Federal government.

While the county budget is spread across about a hundred funds, FCPS is spread across only ten funds and is much easier to analyze. Between FY2000 and FY2012, FCPS spending increased \$287 million more than needed to keep up with enrollment and inflation.

Employee Benefits Cost Most

The accompanying bar graph compares the percent increase in inflation-adjusted spending for new employees, operating expenses, salaries, and employee benefits.

The number of employees increased somewhat faster than enrollment. Increasing staff faster than enrollment cost an extra \$60 million.

Increasing inflation-adjusted operating expenses cost only \$14 million, as operating expenses are a relatively small part of the budget. Increasing inflation-adjusted salaries cost \$52 million.

But the increase in inflation-adjusted employee benefits cost the most - \$160 million

Teacher Raises

In a March 13, 2011, email to the Fairfax County Taxpayers Alliance, the FCPS Assistant Superintendent for Human Resources provided the teacher raises for FY2000-FY2011:

FY2000	4.6%	FY2006	5.6%
FY2001	7.6%	FY2007	5.6%
FY2002	5.6%	FY2008	4.5%
FY2003	4.6%	FY2009	4.5%
FY2004	4.6%	FY2010	0.0%
FY2005	5.6%	FY2011	0.0%

Raises are the sum of an annual (for most employees) step increase and a "Market Scale Adjustment." Since all teachers receive the same raise, these are average raises. In private industry a 4% raise would be an above-average merit raise.

Virginia Retirement System in Trouble

As of June 30, 2010, the Virginia Retirement System, which is the principal retirement system used by Fairfax County teachers, was only 72 percent funded and had an unfunded liability of \$20 billion. Helping to make up this liability is a major driver of FCPS employee benefits costs.

The state of Virginia boasts that it ended the last budget year with a \$545 million surplus. If all that were handed over to the VRS, the VRS would still have a \$19.5 billion unfunded liability.

FCPS Compensation Competitive

At a February 26, 2011, FCPS budget town hall, the Superintendent stated that FCPS has 30 applicants for each new hire position, including applicants from other states in financial trouble. According to the FCPS Human Relations Department, in exit interviews, only two percent of teachers left due to insufficient salary.

Fairfax County Taxpayers Alliance

2011 Candidate Questionnaire

Candidates are avoiding important, controversial budget issues!

To get answers and raise awareness of other taxpayers, ask these questions when a candidate:

- Asks for money
- Emails you
- Speaks at a gathering
- Knocks on your door
- Contacts you by email
- Participates in a forum

If you get written or video responses, please forward to alerts@fcta.org.

Questions for County Supervisor and School Board Candidates

1. The Fairfax County FY2012 Adopted Budget Overview volume, page 199, forecasts a \$140 million budget shortfall for, the next budget year (FY2013). Do you expect that the Supervisors will raise taxes after the election?
2. Are you aware that employee benefits are the fastest growing budget item in both Fairfax County and Fairfax County Public Schools budgets?
3. According to the Bureau of Labor Statistics, state and local government workers are better compensated than the private-sector taxpayers who fund them. State and local government offers pensions, which are disappearing in private industry. Is it fair to increase taxes so county employees can be better compensated than the taxpayers who fund them?

Questions for Candidates for State Delegate and State Senator

4. The Virginia Retirement System (VRS), which is used by Fairfax County teachers, has a \$20 billion unfunded liability. What is your first-choice strategy for restoring the solvency of the VRS:
 - Reduce benefits?
 - Have employees contribute to the pension system?
 - Cut spending in other programs?
 - Raise taxes?
5. The Washington Metropolitan Airports Authority, which is managing construction of rail to Dulles Airport, is planning on raising round-trip tolls on the Dulles Toll Road to \$20 by 2020. Would you support cancelling Phase II of the Dulles Rail line (the segment between Reston and Dulles Airport) to prevent \$20 tolls?

(Re)Join the FCTA and invite a friend to join too!

The Fairfax County Taxpayers Alliance analyzes Fairfax County, Virginia, and Federal budgets. We publish the FCTA Bulletin, which explains budgets, exposes excesses, and offers solutions. We also maintain a website (www.fcta.org), testify at county and school budget hearings, and attend budget town halls. We've been quoted in the *DC Examiner* and *Washington Post*. The Superintendent of Schools, the Chairman of the Board of Supervisors, and Governor McDonnell know who we are! **Use this form or join online at www.fcta.org. We need your help to reach more taxpayers. For additional memberships, simply enclose a check with the new member's name, address, and email.**

Current members: Please renew if the date on your mailing label is before November 1, 2011. Thank you!

_____ Enclosed is my annual FCTA membership dues of \$15

_____ I'm enclosing an extra contribution of \$_____

_____ I would like to volunteer. Please contact me.

Name(s)_____

Mail To: The Fairfax County Taxpayers Alliance

Address_____

P.O. Box 356

City/State/Zip_____

Fairfax, Va. 22038

Telephone_____

703-281-0176 B2011-1

Email_____

To receive FCTA press releases and tax alerts, please provide your email address.

Va. Tea Party Chair, Senate Candidate to address FCTA luncheon and workshop, Saturday, Oct. 8

Jamie Radtke, candidate for the Republican nomination for U. S. Senate, and state-senate-candidate Gerarda Culipher will address the FCTA annual luncheon and taxpayers' workshop! **Please RSVP by Tuesday, Oct. 4. See back cover of this**

Bulletin for details. Also, FCTA District Directors (names in **bold**) are up for election at the meeting. To vote, members must be Fairfax County residents and have FCTA dues paid up.

Officers

President: Arthur G. Purves

Treasurer:

Arthur Purves (acting)

First Vice President: Alexander Romero

Secretary:

Jim Turbett

Second Vice President: Bill Peabody

At-Large Directors

Arthur Purves

Bill Peabody

Alexander Romero

The Hon. David C. F. Ray

Fred Costello

(two vacancies)

Perry Young

Gary Koerner

District Directors

Braddock: vacant

Mount Vernon:

vacant

Dranesville: **Thomas Cramner**

Providence:

vacant

Hunter Mill: **David Swink**

Springfield:

Bradford Butler

Lee: vacant

Sully:

Chuck McAndrew

Mason: **Jim Turbett**

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**Fairfax County Taxpayers Alliance
Annual Taxpayers Luncheon!**

SPEAKERS

JAMIE RADTKE

**Candidate for Republican nomination for U.S. Senate
Former Chair, Virginia Tea Party**

GERARDA CULIPHER

Republican candidate for 34th Virginia senate district

Saturday, October 8, 2011 – 11:30 a.m. to 2:00 p.m.

Marco Polo Restaurant – 245 Maple Avenue West (Rt. 123) Vienna VA

Buffet - Cost: \$18.35 per person

Please RSVP by phone (703-764-3194) or email (wpeabody@verizon.net)

No later than Tuesday, Oct. 4

... SEE YOU THERE!