

Testimony on FY 2014-2015 Consolidated Advertised County Budget
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- The McLean Citizens Association (MCA), the unofficial town council for the roughly 31,000 households residing in the greater McLean area, thanks County staff, FCPS staff, the School Board and the Board of Supervisors for their substantial outreach to the community regarding the budgets proposed for FY 2014-15 to fund County operations and the operations of the Fairfax County Public School system.
- We especially wish to thank County Executive Ed Long and his staff for the very clear articulation in their presentations of the key assumptions underpinning the proposed consolidated budget. That articulation is of immeasurable benefit to citizens throughout the County and to citizens groups, such as ours, as we come to grips with the perennial question of resources vs. County and school program needs and desires.
- FY 2013 has been and continues to be a difficult year for all of us -- taxpayers, County government, and the school system.
- Many, if not most of us, already have found that our household incomes have been reduced by a combination of increases in local taxes and utility costs, the termination of the 2% reduction in employee social security taxes, increased health care costs, and generally flat or decreased salaries.
- The situation will be even more difficult for many County residents in FY 2014, when we all will be paying increased taxes due to the increased valuations (and assessments) of our real estate, and the additional 1% sales tax levied upon purchases, other than food and medicine, in Northern Virginia under H.B. 2313.
- Furthermore, the federal sequestration and federal decision to hold salaries flat will reduce the annual income of County residents who are federal employees, perhaps by up to 20% or more. (In this regard, I would note that County executive estimates that the incomes of County residents who work directly as civilians for the federal government account for roughly 10% of the total incomes. earned by County residents.)
- Additionally, federal sequestration will have spillover impacts on the incomes and employment of the contractor workforce in the County that directly supports federal agencies and on the local providers of goods and services, such as restaurants, dry cleaners, and retail merchandisers. Indeed, the local newspapers report that in McLean, one local dry cleaner who has provided landmark service to the community for decades, Burns Cleaners, has seen business virtually dry up, largely because of concern about and the reality of sequestration.

- Many, if not most of us, who live in the County, already have had to revisit our family budgets and identify ways that we can cut expenses to live within our reduced means.
- In light of these realities, as noted in the attached MCA Resolution, MCA believes that FY 2014 is not the year in which the County real estate tax rate should be raised an additional two cents.
- The County's documentation argues that the two-cent increase translates into only a \$262.45 increase in the tax bill for the typical County household. But, this \$262.45 increase would be on top of the other increases in taxes and expenditures for necessities, such as health care, and the reality – as explained in the early April 2013 Washington Post article – is that gross incomes are decreasing even as employment increases.
- Even a two-cent per \$100 real estate tax increase on top of the other income stressors identified above, can be a serious hardship this year for many County residents, given sequestration.
- On the macro-County-level, as explained in the County's budget documents, the proposed two-cent increase in the real estate tax rate amounts to an overall increase in \$41 million in revenues, 80%, of which is proposed to be transferred to the schools (\$32.8 Million).
- MCA is cognizant that the influx of additional students to the County school system is an added strain, and therefore has proposed that the County and FCPS equally cut FY 2014 expenses to realize an overall \$41Million in savings, without increasing class sizes.
- Based on the information provided to us, we believe that the County should be able to identify savings amounting to \$20.5Million in the Advertised County budget of almost \$1.7 Billion, and that the School Board also should be able to identify savings amounting to \$20.5M in the County's proposed transfer of almost \$1.9 Billion to the school system.
- While we believe that the Board of Supervisors and School Board are in the best position to determine where specific cuts can be made so as to do the least harm to Fairfax County residents, our Resolution does offer information that could be helpful to both Boards in assessing where the savings might be realized.
- Looking forward to future, our Resolution makes several recommendations to establish a more unified County-School approach to the budget process and to provide the community with greater information and detail, and at an earlier date,

on proposed expenditures in the consolidated, Advertised budget. We respectfully request their consideration by the Board of Supervisors and the School Board.

- One additional note in this regard. We have recommended that, going forward, for future budgets, the County and FCPS each develop an annual list of potential budget cuts, in the aggregate amount of 5% of each department's budget, and publicize this list when they release their proposed budgets. We believe that, just as individual households must in these hard time, take a harder look at our budgets and find ways to cut costs, it is appropriate for the departments in the County government and school system to take a harder look at their budgets and propose ways that they can cut costs without doing great harm to the most essential services that they deliver to County residents. Even if some of these cuts are not ultimately made, an annual budget review is a critical part of good management.
- We again reiterate our request, first posed in our 2012 Resolution, that the School Board hire an independent auditor who would serve at the pleasure of the School Board and report to a restructured School Board Audit Committee, which would include as voting members individuals with financial expertise, exclude FCPS personnel as members, and otherwise resemble the Audit Committee of the Board of Supervisors.
- We are well past the point, particularly given the constrained income and budget environment that the County and its residents are experiencing, and the continued desire and, in some instances need, for enhanced County and school services, where we can afford to not take every reasonable step to investigate where savings in the school system might be realizable and which school programs are not delivering and need to be restructured, modified, or dropped.
- To help the School Board move forward on an independent auditor, we respectfully suggest that the Board of Supervisors appropriate funds for this purpose in FY 2014, and that, in subsequent years, the cost of the auditor be included in the School budget request.
- Finally, MCA wishes to note that the recommendation of the Tysons Transportation Service District Advisory Board to implement a tax rate of \$0.04 per \$100 of assessed real estate in FY 2014 is quite reasonable, given the economic stresses on County residents this year noted above, and that it can support that recommendation.
- We cannot, however, support the recommendations of the Tysons Partnership that are appended to the Service District Advisory Board's memo relating to how to treat the revenues that are expected to be realized from the increased sales tax, hotel occupancy tax, and deed of conveyance tax included in HB 2313, or the Partnership's proposal relating to workforce and affordable dwelling unit housing.

- The Partnership believes that the HB 2313 revenues generated by commerce in Tysons “should be counted as a Private Sector contribution toward the Tysons-wide Road improvements.”
- We believe that the revenues generated by the new State-wide taxes are public funds and that they should be spent reducing the public sector contribution to transportation improvements in Fairfax and Northern Virginia. In the first instance, these funds should be used to cover the \$208,567,207 in “unspecified federal and state sources” public sector contributions to Tysons transportation improvements identified in Tysons Table 7. In the second instance, they should be used to reduce the County obligations (i.e., the funding provided through County sources) and thereby, to free up bonding authority for roads outside of Tysons.
- The sales tax, transient occupancy tax and deed of conveyance revenues generated by HB 2131 should be treated as the C&I revenues are treated throughout the County, including in the Board of Supervisor’s-approved transportation funding plan for Tysons transportation improvements, namely, as public sector contributions.
- Two of these revenue sources -- the sales tax and transient occupancy tax revenues - - by and large, will not be directly generated by the Tysons landowners and residents, but rather through commerce undertaken in the Tysons area by those who live outside of Tysons.
- Finally, MCA is concerned that to treat the HB 2313 revenues as a private sector contribution would undermine the basic compact among citizens regarding expenditure of tax revenues to serve the overall public good for the County’s residents.
- With regard to the Partnership’s proposals that non-residential development in Tysons not be treated differently than non-residential development elsewhere in the County regarding developer contributions for workforce and Affordable Dwelling Unit (ADU) housing, MCA would simply note that the intensity of development within the Tysons area dwarfs substantially that elsewhere in the County. Indeed, in their efforts to promote densities well beyond those elsewhere in the County, the development community argued that Tysons was unique and that comparison to other parts of the County was inappropriate.
- Further, an argument can be made that additional workforce and ADU housing is required in Tysons to help manage traffic and to ensure that lower-income residents also can reap the benefits of living and working within Tysons.
- Thank you.