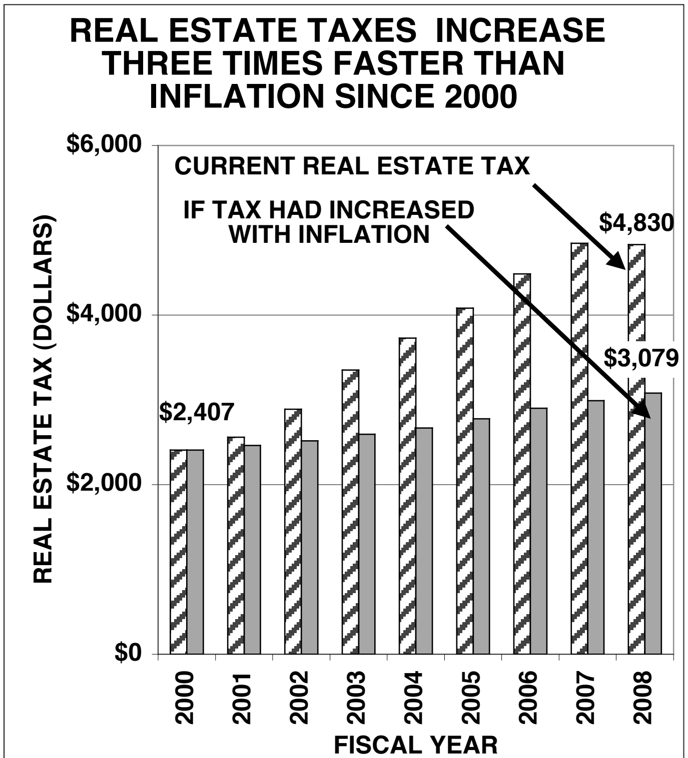
Watchdog of the Taxpayer's Dollar Since 1956

The Fairfax County Taxpayers Alliance
Bulletin

Vol. LI, No. 1 **www.fcta.org** **Winter 2007**

Real estate tax rate 30 cents too high
Rate should be 57 cents instead of 89 cents



FAIRFAX COUNTY TAXPAYERS ALLIANCE ANALYSIS BASED ON FAIRFAX COUNTY FY2006 ADOPTED AND FY2008 ADVERTISED BUDGET PLANS 3/12/07

After seven years in which assessments increased 170 percent and real estate taxes increased by an average of ten percent per year, assessments have finally leveled off. In fact, between 2006 and 2007, residential assessments decreased by a fraction of a percent.

The Board of Supervisors is planning, in this election year, to keep the real estate tax rate at 89 cents per $100 value of your assessment. This means that the typical Fairfax County homeowner will pay a real estate tax of $4830 this year.

However, if during the past seven years the Supervisors had held real estate tax increases to the rate of inflation, which averaged three percent per year, the typical homeowner would be paying $3,079 this year instead of $4,830. Also the real estate tax rate would be 57 cents instead of the Supervisors' current rate of 89 cents.

The higher tax rate gives the Supervisors an extra $650 million, most of which is spent on raises and employee benefits (see page 8).

Fairfax County Taxpayers Alliance and
NorthernVirginiaGOP.com
Taxpayer Rally
Protest out-of-control taxes!

Monday, April 9, 6:30–6:45 p.m. at the Fairfax County Gov't Center
Just before the Board of Supervisors 7:00 p.m. Budget Public Hearing
12000 Government Center Pkwy Fairfax VA 22035 (near Fair Oaks Mall)
Questions? Email alerts@fcta.org or phone (703) 281-0176

Include transportation in the General Fund

Governor should use surplus taxes, not new taxes for transportation

Virginia projected and actual tax revenues (millions of dollars)			
	Projected	Actual	Surplus
FY2004	$12,473	$12,931	$458
FY2005	$12,918	$14,427	$1,509
FY2006	$13,760	$15,700	$1,940
Total surplus in tax (General Fund) revenues between 2004 - 2006:			**$3,907**
Source: Fairfax County Taxpayers Alliance analysis based on Virginia Secretary of Finance Reports to the Senate Finance, House Appropriations, and House Finance Committees, August 2002, 2004, 2005, and 2006			

$4 billion surplus

Since 2004 Virginia General Fund tax revenues have exceeded budget projections by almost $4 billion. For example, when the FY2005 and FY2006 budgets were approved in the 2004 General Assembly session, revenue projections were $12,918 million for the FY2005 budget and $13,760 million for the FY2006 budget.

However, when the results were in and the books were closed, FY2005 revenues were $14,427 milion and FY2006 revenues were $15,700 million, or more $3.4 billion more than expected. Similarly FY2004 revenues exceeded projections by another $458 million.

In addition to this $3.9 billion in extra revenues, there is also the $1.4 billion statewide tax hike approved by the 2004 General Assembly session.

So why is it that the Governor and almost all Republicans and Democrats in the General Assembly favor raising taxes for transportation?

Meet the General Fund

The tax revenue surpluses cited above are from income taxes, 90 percent of sales taxes, taxes on insurance premiums, recordation fees, and ABC and lottery profits. These revenues comprise what is called the General Fund and have traditionally been spent on education, welfare (primarily Medicaid), and public safety (primarily courts and prisons).

Virginia's "Structural Imbalance"

As has been explained before in this Bulletin, traditionally transportation has been off-limits to the General Fund. This means, for example, that no state income taxes are spent on transportation. Transportation is funded primarily by gasoline taxes and also from sales taxes on cars and car titling and registration fees.

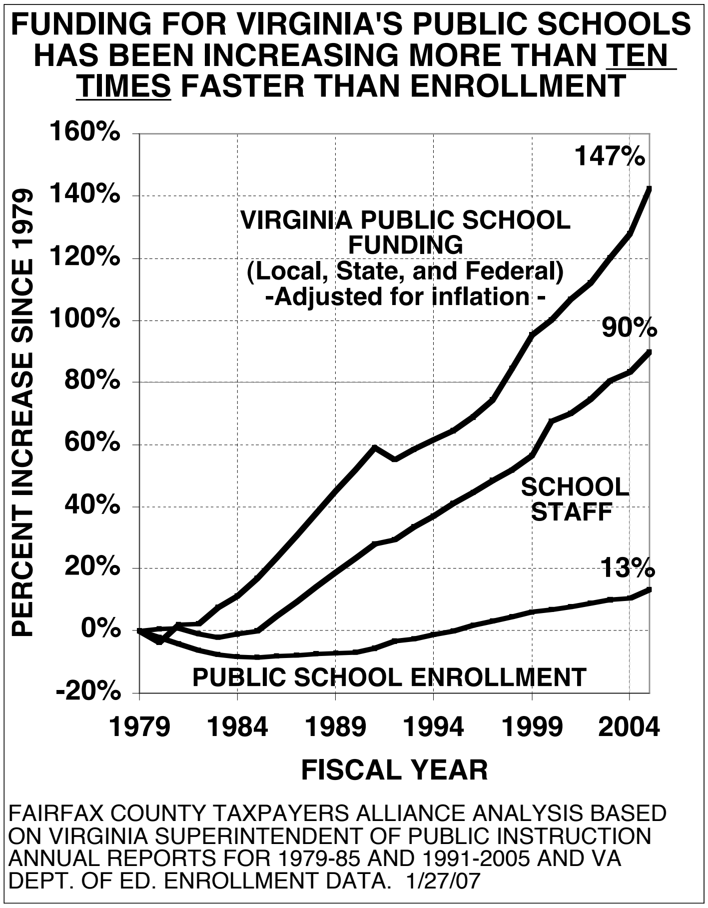
Ironically, the so-called "car tax" is not spent on transportation.

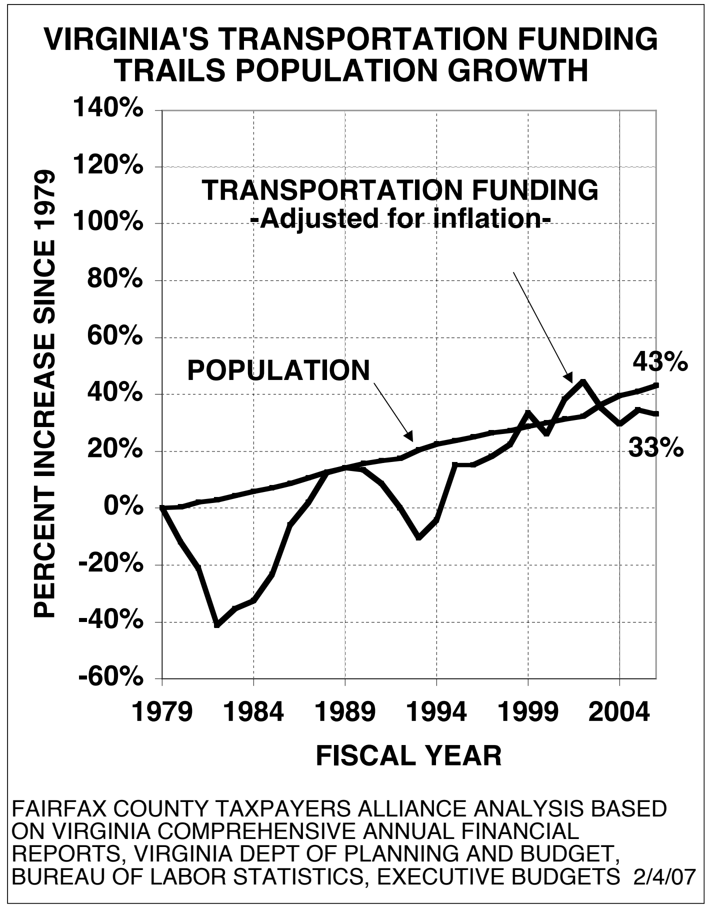
Historically, General Fund tax revenues have increased faster than transportation tax revenues. Income and sales taxes grow with the economy. However gasoline taxes are 36 cents per gallon and therefore do not increase with the price of gasoline. The result is a "structural imbalance" in that General Fund revenues grow faster than transportation revenues.

A turf war

It would seem obvious to supplement transportation taxes with General Fund revenues when there is a General Fund surplus.

Last month, the Republican-controlled Virginia General Assembly passed House Bill (HB) 3202, which increases statewide transportation funding by $400M per year, of which $200M comes from the General Fund and $200M comes from drastic increases in fines for traffic violations, increased





fees for heavy trucks, and a ten-dollar increase in vehicle registration.

However, the powerful Virginia Education Association (VEA) does not want to share its fast-growing revenue stream with transportation. In an online petition the VEA urges Virginia Governor Tim Kaine "to amend the transportation plan (HB 3202) to protect future funding for public education and other core services," i.e., do not spend General Fund revenues on transportation. The VEA implies in their wording that transportation is not a core service of government.

Democrats support the VEA position. For example, Delegate Brian Moran (D-Alexandria) recently described the used of General Funds for transportation in dire terms. In a March 4, 2007, column in the Richmond *Times-Dispatch*, he wrote "[Republicans] plan to cut nearly $200 million from education, health care, and pubic safety to pay the bill for roads. That is as much as the entire general fund budget of the University of Virginia or all of the State Police. That raid could drive tuition up and teachers' salaries down, and gut funding for long-term care."

Delegate Moran's comments suggest that General Fund programs are underfunded.

The facts

The facts are otherwise.

First, this year's General Fund revenues total $16 billion. The $200 million allocation to transportation is only about one percent of the General Fund.

Second, education, health care, and public safety have been funded generously. According to the General Assembly's Joint Legislative Audit and Review Commission's *Review of State Spending: December 2005 Update*, between 1996 and 2005:

- Inflation-adjusted budgets for public colleges increased three times faster than enrollment;

- Inflation-adjusted spending for Medicaid has increased about three times faster than population; and

- Inflation-adjusted prison spending has been increasing twice as fast as overall population.

As the first chart on the previous page shows, Virginia inflation-adjusted funding for public schools has been increasing ten times faster than enrollment. This includes state, local, and federal funding. School staff has been increasing seven times faster than enrollment. These are long-term trends.

A comparison of the school-spending chart and the adjacent transportation-spending chart shows that since 1979 school spending increased 147 percent while transportation increased 33 percent. Schools are funded by both the state and local government; transportation is funded only by the state.

The educational outcomes for this dramatic increase in school spending are disappointing. According to the National Assessment of Education Progress, sixty-five percent of Virginia schoolchildren achieve below grade level.

General Fund unreliable?

A Feb. 22, 2007, *Washington Post* editorial also opposed paying for transportation with General Fund revenues. The *Post* opposed "transportation's dependency on unreliable general fund revenue."

Is the General Fund an unreliable revenue source?

The top chart on the opposite page compares the inflation-adjusted growth of General Fund revenues (excluding lottery and ABC profits) with the growth in population between 1961 and 2006. Over that period , inflation-adjusted revenues increase nearly ten times more than population.

The bottom chart on the opposite page shows the increase in General Fund taxes paid per resident. General Fund taxes, as previously noted, are primarily income and sales taxes. Again, the numbers are adjusted for inflation.

Since 1961, taxes paid per resident have increased five times, from just under $400 per resident to almost $2000 per resident.

There are obvious fluctuations, such as the "dot-com" bubble between 1996 and 2003, where for a period revenues soared and then decreased. The "budget crisis" at the end of the dot-com bubble, however, was not the result of too little revenue but was the result of too much revenue and spending between 1996 and 2000.

Note that, as the smooth dashed line on the top chart shows, over the 35-year period since 1971 inflation-adjusted **General Fund revenues have increased at an average annual rate of 3.4 percent.**

If the General Assembly and the Governor had never increased real spending more than 3.4 percent per year since 1971, spending would still have increased eight times more than population, spending per resident would have still increased 400%, **and there would never have been any "budget crises."**

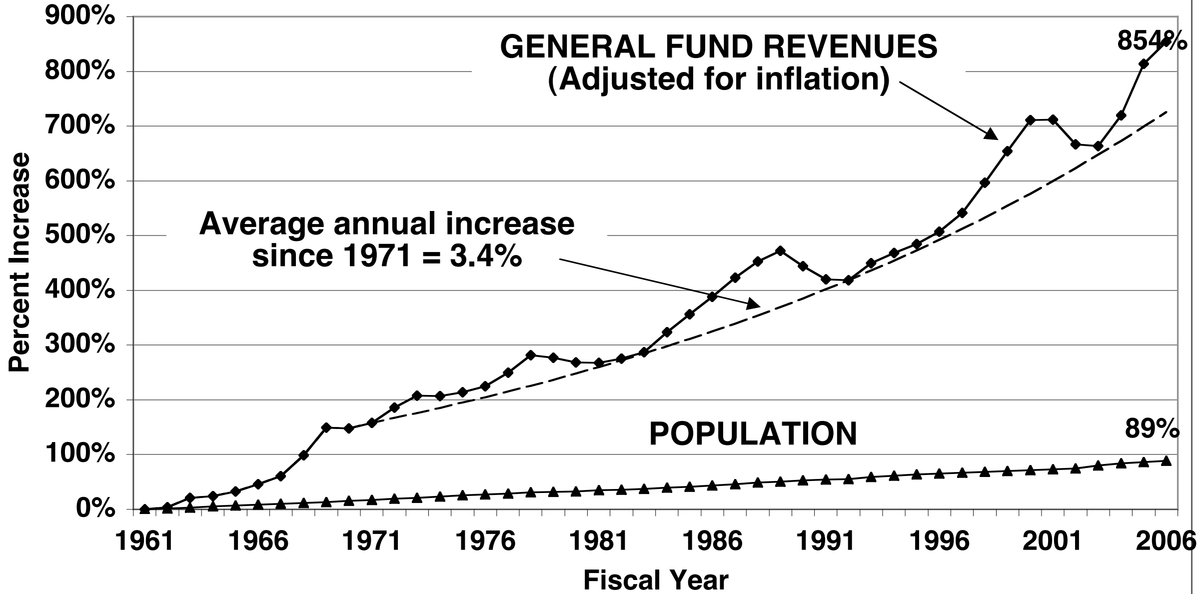
Contrary to the *Washington Post* editorial, the General Fund is a reliable revenue source.

$21 billion surplus

The failure of local, state, and the federal governments is that they have been afraid to rein in the out-of-control third-rail programs of education and healthcare that soak up every new tax dollar and, in the case of healthcare, is threatening our country with not-far-distant bankruptcy.

Suppose though that the General Assembly had limited real spending increases to 3.4 percent. Then there would have been large revenue surpluses during the dot-com bubble, during the late 80s, as well as the current years of FY2004, 2005, 2006. These surpluses plus the smaller surpluses during the 70s total $21 billion dollars, which could have been spent on transportation and tax cuts. Indeed, transportation could be funded from the General Fund surplus.

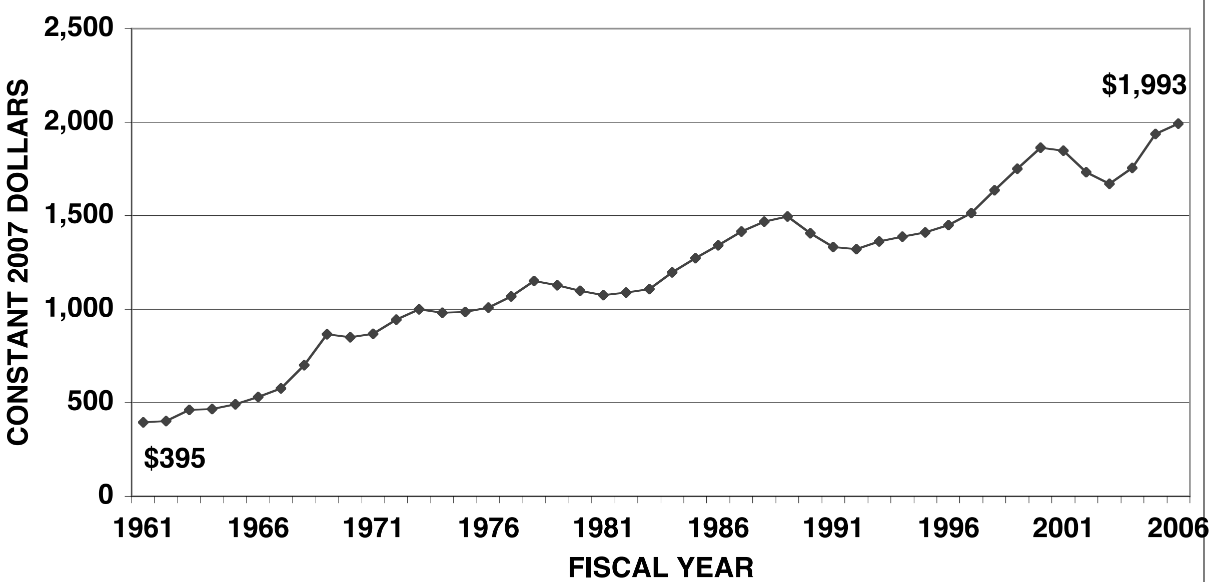
VIRGINIA GENERAL FUND REVENUES INCREASING TEN TIMES FASTER THAN POPULATION



FAIRFAX COUNTY TAXPAYERS ANALYSIS BASED ON VIRGINIA SECRETARY OF FINANCE AUG., 2006, PRESENTATION TO THE SENATE FINANCE, HOUSE APPROPRIATIONS, AND HOUSE FINANCE COMMITTEES, P. 41; BUREAU OF LABOR STATISTICS; VA CAFR. 3/12/07

VIRGINIA GENERAL FUND TAXES PER RESIDENT ARE AT A RECORD HIGH

(ADJUSTED FOR INFLATION)



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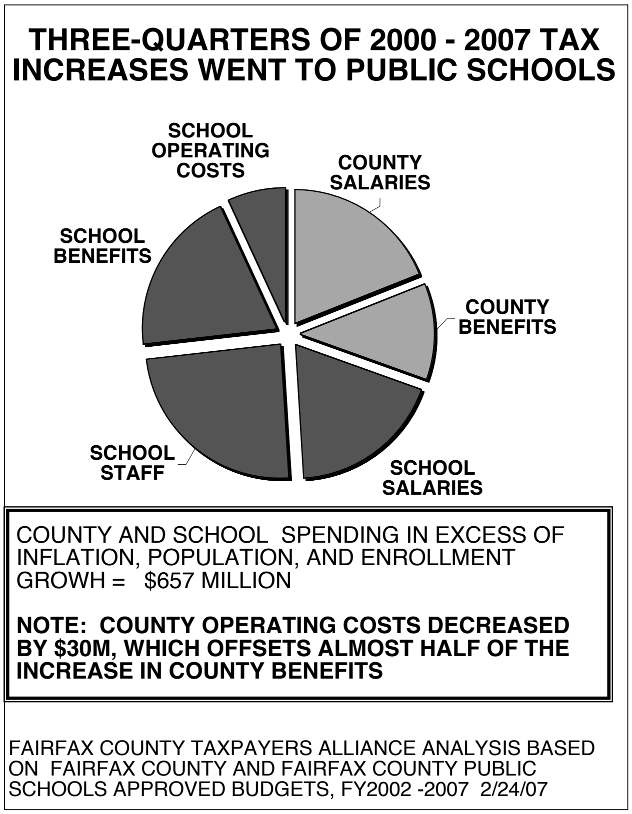
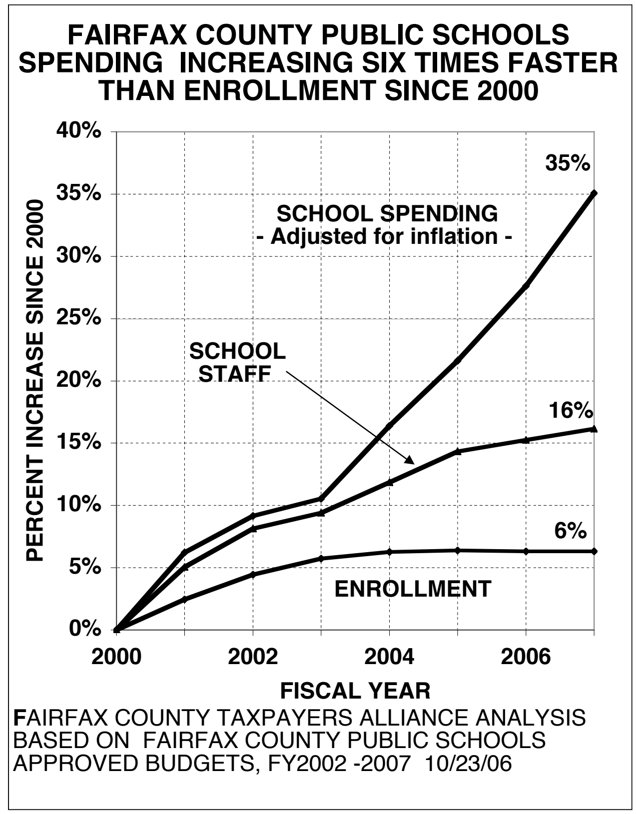
Does school achievement justify high taxes?





The following is FCTA testimony presented at this year's Fairfax County School Board budget hearing, on January 29, 2007. This testimony is also posted on www.fcta.org. Click on the "Testimony" link

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Chairman Storck, Dr. Dale, and members of the board:

Since 2000, real estate taxes for the typical Fairfax County homeowner increased an average of ten percent a year, from about $2400 to $4800. Seventy-five percent of these tax hikes went to Fairfax County Public Schools (FCPS).

Inflation-adjusted school spending over that period increased by 35 percent while enrollment increased only six percent.

In just two years, school spending on employee benefits is increasing by $100 million.
Is it right to raise taxes on the private sector, which is losing benefits, to fund public-sector benefits?

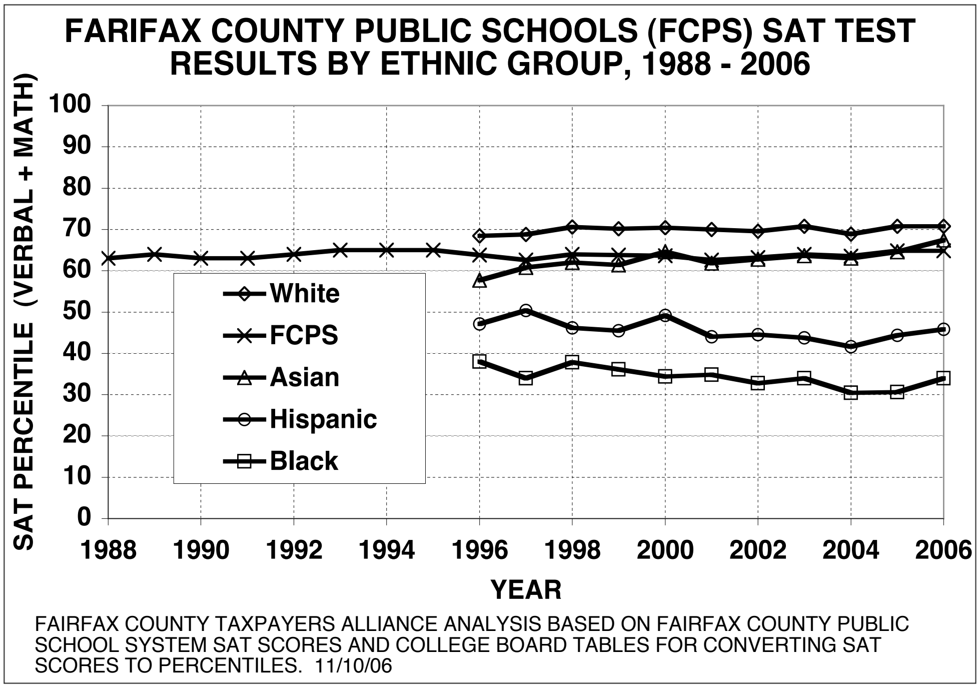
Of course it would be right if educational outcomes justified it. Do they?

FCPS points to rising SAT scores. However, between 1997 and 2005, the percentage of FCPS seniors taking the SAT has decreased from 89 percent to 76 percent. FCPS is the only member of the Washington Area Boards of Education that did not report the percentage of seniors taking the SAT in 2006.

There has been no progress in closing the SAT minority student achievement gap for Blacks and Hispanics.

The average FCPS senior scores higher than only 65 percent of seniors taking the SATs. Is that excellent?

Apparently more seniors are taking the ACT. However, FCPS does not publish ACT results. Our request to see the ACT reports for Fairfax County has not yet been answered.



We have asked what percentage of 12th graders read at the 12th-grade level. FCPS does not know. How will FCPS teach students to communicate in a second language when it does not know if they can communicate in English?

FCPS boasts of a low drop-out rate for seniors. However, FCPS does not know what percentage of students drop out between 9th and 12th grades.

Last November we asked what percentage of FCPS elementary schools is using the phonics-based Open Court reader as their primary reading text. We have received no answer from the Office of Community relations and the Superintendent states he does not know. We're fairly certain that the answer is zero.

Parents want their children to earn a four-year college degree. FCPS has made no effort to determine the percentage of its graduates who earn four-year degrees. Our estimate is that sixty percent of FCPS graduates earn four-year degrees, and that varies by school.

FCPS boasts that all its schools are accredited. However accreditation requires passing the state Standards of Learning (SOL) tests, which require only D-level proficiency. The high-school SOL tests may be more appropriate for middle-school students.

According to the National Assessment of Education Progress (NAEP), about 35 percent of Virginia students achieve at or above grade level. Again, FCPS has made no effort to estimate what percentage of its students achieves at the NAEP standard. In general FCPS scores a bit better than the state. So it may be that only fifty percent of FCPS students achieve at or above grade level.

We have asked the Superintendent what percentage of Learning Disabled students is successfully remediated before 12th grade. He answered that he does not know.

We appreciate the many fine, hard-working teachers who often struggle with difficult demographics, from low-income children to helicopter parents. However their work is complicated by an administration that opposes effective teaching methods such as phonics, Direct Instruction, and E. D. Hirsch's Core Knowledge sequence.

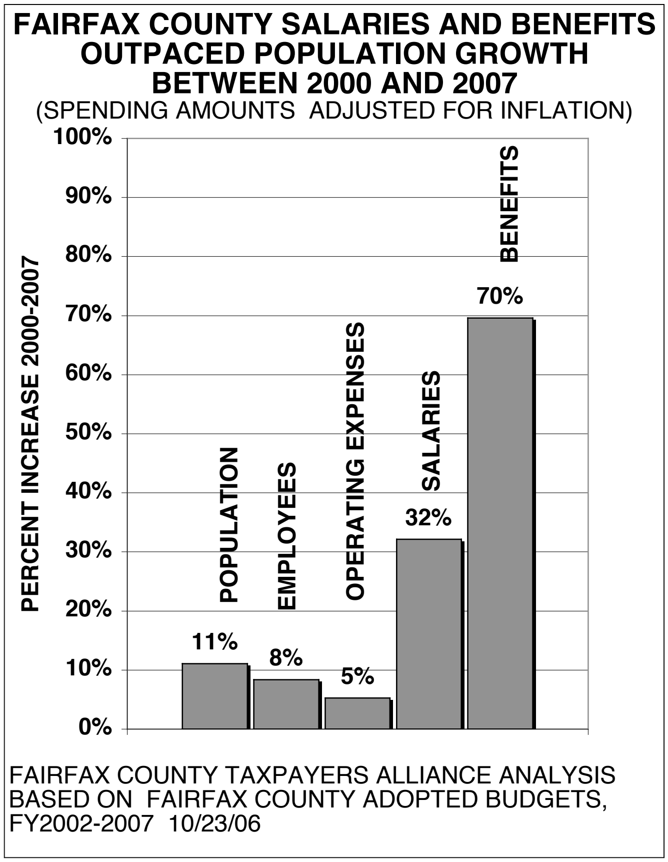
The result is that teachers are more frustrated than they need to be; achievement is lower than it needs to be; taxes are higher than they need to be; and there is less money for some of the worthy causes advocated by other speakers at this hearing.*

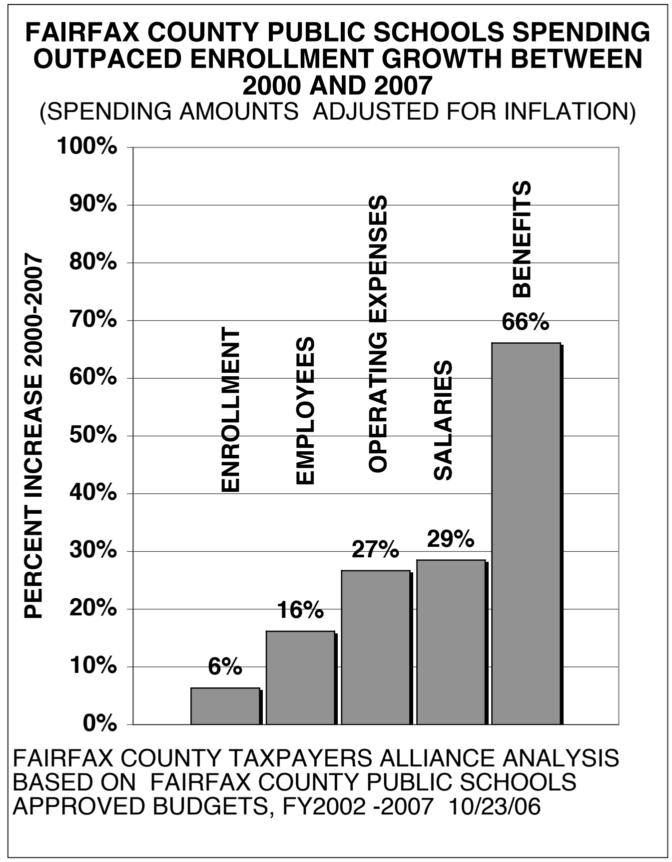
Thank you.

*Other speakers were advocating middle- and high-school programs for autistic children and changing the high-school bus schedule so that students would not have to catch the bus at 6 a.m.

Tax hikes pay for public-sector raises and benefits

County employees get higher raises and have better benefits than taxpayers





The residential real estate tax hikes between 2000 and 2007 gave the county about $657 million more than if taxes had increased at the rate of inflation. How was the extra $657 million spent?

Almost three-quarters was spent on raises and employee benefits for school and non-school employees.

Based on a spreadsheet provided to the FCTA by the Fairfax County Department of Management and Budget on 10/25/06, the average annual raise for county non-school employees between 2000 and 2007 was 5 percent.

Similarly, based on a spreadsheet provided to the FCTA by the Fairfax County Public Schools Office of Community Relations on 4/12/06, the average annual raise for teachers was over six percent and 5.5 percent for non-teaching positions.

By comparison, using the rule of thumb that private sector raises are inflation plus one percent, the average annual private sector raise between 2000 and 2007 would have been just under four percent. Therefore county raises were twenty percent higher and teacher raises fifty percent higher than private sector raises.

Higher taxes also paid for employee benefits. A 2/21/07 USA Today article, “Pension gap divides public and private workers”, states: “Retired government workers are twice as likely to get a pension as their counterparts in the private sector, and the typical benefit is far more generous.”

Job seekers are aware of this. Again, according to statistics provided to the FCTA by Fairfax County Public Schools and Fairfax County, there are 12 applicants for every job opening in the schools and 50 applicants for every job opening in the county.

School Board bond committee pays election fines

The following is FCTA testimony at the Fairfax County School Board hearing on the Capital Improvement Plan, January 26, 2007. This testimony is also posted on www.fcta.org. Click on the "Testimony" link

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Mr. Chairman and Members of the Board:

In the upcoming school bond referendum, please obey election laws. The Virginia State Board of Elections requires organizations that spend over $1000 to influence a referendum in a single city or county to register as a referendum committee

For the 2003 school bond referendum, Fairfax County Citizens for School Bonds did indeed register has a referendum committee. However, the committee submitted incorrect reports and was assessed fines by the State Board of Elections.

By the 2005 school bond referendum, Fairfax County Citizens for School Bonds had not paid its fines and was therefore not legally registered as a referendum committee. Nevertheless, in violation of election law, Fairfax County Citizens for the Bond Referendum still campaigned for the referendum and printed and distributed signs and pamphlets. It did file some campaign finance reports. Curiously, the only reported expenditure as of October 26, two weeks before the election, was $65 for web hosting.

The April, 2006, report shows $1400 of debts owed to two school system employees who had been working for the referendum committee. The next report, dated July, 2006, shows one expenditure of $750 for civil penalties, and the $1400 debt is missing. The next report, dated October, 2006, shows a $1900 "reimbursement" to the Fairfax County Public Schools. There is no indication what the reimbursement is for; perhaps it covered the $1400 owed to the two school system employees. There are $2000 of previously-unidentified contributions in the beginning balance of the October, 2005, report.

At this hearing two years ago, a school board member stated that the "Bond Referendum Facts" pamphlet was paid for privately. However, the finance reports show no expenditure for pamphlets.

Let us assume that the board member is correct and that the "Bond Referendum Facts" pamphlet was paid for by the referendum committee, whose purpose was to urge the approval of more bonds. The school system posted a pdf file of the pamphlet on the schools' website. When we requested that the schools also post a much shorter statement opposing the referendum, our request was, of course, ignored.

It is not right to use tax-funded resources to campaign for a bond referendum and then not provide equal time to the opposing view. The opposing view, by the way, is that capital improvements should not be financed from bond sales since each year the county spends more on debt service than it receives from bond sales.

We are pleased that the Citizens for School Bonds did pay the $750 in civil fines it owed the State Board of Elections. We hope that the campaign finance disclosure reports will be corrected soon. We also hope that the school system pays more attention to detail in its capital and instructional programs than it apparently does in regard to campaign finance laws.

Thank you.

VISIT THE FAIRFAX COUNTY TAXPAYERS ALLIANCE WEBSITE

WWW.FCTA.ORG

This bulletin is posted on the FCTA website. Click on the "Bulletins" link at the top of the page.

The Fairfax County Taxpayers Alliance
P.O. Box 356
Fairfax, Va. 22038

www.fcta.org

Have you renewed your FCTA membership for 2007? Please renew if the date on your mailing label is before April 1, 2007.

The Fairfax County Taxpayers Alliance supports less government spending, borrowing, and taxes. We monitor both the Fairfax County and Virginia state budgets and publish press releases, email alerts, and maintain a website, www.fcta.org. We also provide speakers to community groups. **To demonstrate support for lower taxes, we need dues-paying members.** Please take the time now to return this membership form with your dues and, if possible, a contribution. 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**

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City/State/Zip________________________________ **Fairfax, Va. 22038**

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