



County of Fairfax, Virginia

MEMORANDUM

DATE: January 22, 2007

TO: Board of Supervisors

FROM: Anthony H. Griffin
County Executive

SUBJECT: Federal/State Mandate Information for FY 2007

The annual federal/state mandate report, that monitors County spending for federal and state mandates, is attached. For purposes of this report, the FY 2007 Adopted Budget Plan was used as the basis for the numbers, and agencies were asked to provide data and related information on what mandates they are required to comply with, and if there is any offsetting revenue.

According to information provided by all agencies and funds, the FY 2007 total program expenditure level impacted by federal and state mandates is \$1,268 million, an increase of \$75 million over FY 2006. The County receives Federal/State/User Fee/Other revenue of \$553 million which offsets the expenditures for a net cost to the County for federal/state mandates of \$715 million or 56 percent. The table below shows this data in comparison to the previous three fiscal years.

	Estimated Total Expenditures for Mandates	Estimated Total All Revenue for Mandates	Estimated Net Cost to the County to Comply with Mandates	Net Cost as a Percent
FY 2004	\$1,053 million	\$507 million	\$546 million	52%
FY 2005	\$1,079 million	\$497 million	\$582 million	54%
FY 2006	\$1,193 million	\$533 million	\$660 million	55%
FY 2007	\$1,268 million	\$553 million	\$715 million	56%

As seen in the last column, the net cost to the County to comply with federal and state mandates has been increasing steadily over the last two years. And, since FY 1996, the average annual growth rate for mandate costs borne by the County continues to be over 8 percent per year.

Federal and state mandates continue to cost the County more in expenditures, revenue available to offset those costs continues to lag behind the growth in expenditures, and the net cost to the County is continuing to rise at a steady pace.

The following charts illustrate the general findings of the collected data for FY 2007.

Board of Supervisors
 Federal/State Mandate Information for FY2007
 Page 2

	FY 2007 Estimated Total Expenditures for Mandates	FY 2007 Projected Federal Revenue for Mandates	FY 2007 Projected State Revenue for Mandates	FY 2007 Projected User Fee/Other Revenue for Mandates	FY 2007 Total Net Cost of Mandates	Percent of Total Mandated Expenditures Covered by Total Revenue
General Fund	\$729,278,523	\$43,119,674	\$78,299,247	\$73,783,662	\$534,075,940	27%
General Fund Supported	\$340,289,471	\$6,333,203	\$68,754,345	\$87,777,491	\$177,424,432	48%
Other Funds	\$198,631,047	\$36,797,758	\$0	\$158,507,879	\$3,325,410	98%
Total	\$1,268,199,041	\$86,250,635	\$147,053,592	\$320,069,032	\$714,825,782	44%

The estimated net cost to the County to comply with mandates in FY 2007 is approximately \$715 million for all funds. As a subset of that, the estimated net cost to the County to comply with mandates in just General Fund agencies is approximately \$534 million. If these mandates were fully funded and General Fund funding was not required, the Fairfax County real estate tax rate could be reduced by over 24 cents.

Major changes from FY 2006 include:

- ◆ Total mandated expenditures in General Fund agencies increased approximately \$45 million, or 7 percent, primarily in the Public Safety, Non-Departmental (FICA and retirement) and Human Services areas;
- ◆ Total revenues received by General Fund agencies in support of mandates increased 10 percent, or \$17 million. However, of the revenue increase, 78 percent of it was user fee/other revenue and only 12 percent was in federal and state revenue.
- ◆ For General Fund Supported agencies and funds, there is an increase of approximately \$26 million in expenditures, or approximately 8 percent, primarily in Metro Operations and the Stormwater Management Program.
- ◆ For Other Funds, expenditures increased about \$3 million and revenues increased less than \$1 million. This was due primarily to projected increases in waste tonnage received at the energy resource recovery facility.

Federal Mandates in 2007

Fairfax County is required to comply with various federal mandates. Many of these mandates cut across a number of County agencies, and others are very specific to a particular program. Examples of federal mandates include the Head Start program for low-income children, the American with Disabilities Act (ADA) and the Health Insurance Portability and Accountability Act (HIPAA).

Compared to all mandated expenditures, in FY 2007 federal mandates only make up 39 percent of mandated expenditures, or about \$494 million. And of that \$494 million expended in support of federal mandates, the federal government provides funding for about 17 percent of the cost of the mandate. About 23 percent of the cost is recovered through user fee/other revenue, less than two percent covered with state funding, and the remaining 59 percent of funding supported by Fairfax County. See the table below:

Board of Supervisors
 Federal/State Mandate Information for FY2007
 Page 3

FY 2007 Estimated Expenditures on Federal Mandates	FY 2007 Projected Federal Revenue for Federal Mandates	FY 2007 Projected State Revenue for Federal Mandates	FY 2007 Projected User Fee/Other Revenue for Federal Mandates	FY 2007 Total Net Cost of Federal Mandates
\$494,012,375	\$86,098,245	\$7,450,000	\$111,268,827	\$289,195,304

State Mandates in 2007

In contrast to federal mandates, Fairfax County spends approximately \$774 million in support of state mandates, or about 61 percent of all mandated expenditures. The state reimburses the County for just over 18 percent of those expenditures; user fees/other revenue generates support for about 27 percent; and the County must support the remaining approximately 55 percent of state mandates, at a cost of \$426 million. It should be noted that there is \$152,390 in federal USDA food pass-thru funding associated with state minimum standards for the juvenile detention center operation. Examples of programs operated as a result of state mandates include the real estate assessment program in the Department of Tax Administration, the Land Records program in Circuit Court; and the public safety criminal justice academy. See the table below:

FY 2007 Estimated Expenditures on State Mandates	FY 2007 Projected Federal Revenue for State Mandates	FY 2007 Projected State Revenue for State Mandates	FY 2007 Projected User Fee/Other Revenue for State Mandates	FY 2007 Total Net Cost of State Mandates
\$774,186,666	\$152,390	\$139,603,592	\$208,800,206	\$425,630,479

Further details of the information provided by agencies and funds can be found on "Attachment A - FY 2007 Federal and State Mandates, Detail by Agency". This attachment reflects information for each of the data elements, as provided by agencies and funds, and is based on the FY 2007 Adopted Budget Plan. In addition, please note for expenditure data that many capital construction funds do not receive annual funding, but rather carry over prior year funding to sustain their activities. Many of their efforts in FY 2007 are directed at supporting mandated requirements; however, previous year funding is not included in Attachment A, as the FY 2007 Adopted Budget Plan was used as the basis for reporting financial data.

- cc: Edward L. Long, Jr., Deputy County Executive
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