



County of Fairfax, Virginia

MEMORANDUM

DATE: February 1, 2006

TO: Board of Supervisors

FROM: Anthony H. Griffin
County Executive

SUBJECT: Federal/State Mandate Information for FY 2006

The annual federal/state mandate report, that monitors County spending for federal and state mandates, is attached. For purposes of this report, the FY 2006 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 2006 total program expenditure level impacted by federal and state mandates is \$1,193 million, an increase of \$114 million over FY 2005. The County receives Federal/State/User Fee/Other revenue of \$533 million which offsets the expenditures for a net cost to the County for federal/state mandates of \$660 million or 55 percent. The table below shows this data in comparison to the previous two 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%

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 is over 8 percent per year.

Clearly, federal and state mandates are costing the County more in expenditures, revenue available to offset those costs is not keeping pace with the growth in expenditures, and the net cost to the County is continuing to rise.

The following charts illustrate the general findings of the collected data for FY 2006.

	FY 2006 Estimated Total Expenditures for Mandates	FY 2006 Projected Federal Revenue for Mandates	FY 2006 Projected State Revenue for Mandates	FY 2006 Projected User Fee/Other Revenue for Mandates	FY 2006 Total Net Cost of Mandates	Percent of Total Mandated Expenditures Covered by Total Revenue
General Fund	\$684,012,344	\$42,939,570	\$74,614,161	\$60,244,046	\$506,214,567	26%
General Fund Supported	\$314,078,606	\$52,916,204	\$21,479,398	\$84,795,569	\$154,887,435	51%
Other Funds ¹	\$195,329,429	\$43,714,692	\$105,888	\$152,259,616	(\$750,767)	100%
Total	\$1,193,420,379	\$139,570,466	\$96,199,447	\$297,299,231	\$660,351,235	45%

¹ It should be noted that the revenue received through the Cable franchise agreements more than offsets mandated expenditures resulting in a positive balance to the County for "Other Fund" mandates.

Major changes from FY 2005 include:

- ◆ Total mandated expenditures in General Fund agencies increased approximately \$46 million, or 7 percent, primarily in the Public Safety and Human Services areas;
- ◆ Total revenues received by General Fund agencies in support of mandates increased 9 percent, or \$14 million. However, of the revenue increase, 61 percent of it was user fee/other revenue and 39 percent was in federal and state revenue.
- ◆ For General Fund Supported agencies and funds, there is an increase of approximately \$61 million in expenditures, or approximately 24 percent, primarily in County Transit operations due to a revised methodology for identifying total mandate requirements, which is consistent with other transportation programs, and an overall revenue increase of \$15 million or 10 percent.
- ◆ For Other Funds, expenditures increased about \$8 million and revenues increased about \$7 million. This was due primarily to projected increases in waste tonnage received at the energy resource recovery facility.

Federal Mandates in 2006

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, federal mandates only make up 35 percent of mandated expenditures, or about \$423 million. And of that \$423 million expended in support of federal mandates, the federal government provides funding for less than one third of the cost of the mandate. About 26 percent of the cost is recovered through user fee/other revenue, 2 percent

covered with state funding, and the remaining 39 percent of funding supported by Fairfax County. See the table below:

FY 2006 Estimated Expenditures on Federal Mandates	FY 2006 Projected Federal Revenue for Federal Mandates	FY 2006 Projected State Revenue for Federal Mandates	FY 2006 Projected User Fee/Other Revenue for Federal Mandates	FY 2006 Total Net Cost of Federal Mandates
\$422,750,961	\$139,570,466	\$8,244,534	\$110,272,819	\$164,663,142

State Mandates in 2006

In contrast to federal mandates, Fairfax County spends approximately \$771 million in support of state mandates, or about 65 percent of all mandated expenditures. The state reimburses the County for less than 12 percent of those expenditures; user fees/other revenue generates support for just over 24 percent; and the County must support the remaining approximately 64 percent of state mandates, at a cost of \$496 million. 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 2006 Estimated Expenditures on State Mandates	FY 2006 Projected Federal Revenue for State Mandates	FY 2006 Projected State Revenue for State Mandates	FY 2006 Projected User Fee/Other Revenue for State Mandates	FY 2006 Total Net Cost of State Mandates
\$770,669,419	\$0	\$87,954,913	\$187,026,413	\$495,688,093

Further details of the information provided by agencies and funds can be found on “Attachment A - FY 2006 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 2006 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 2006 are directed at supporting mandated requirements; however, previous year funding is not included in Attachment A, as the FY 2006 Adopted Budget Plan was used as the basis for reporting financial data.

- cc: Edward L. Long, Jr., Chief Financial Officer
- Verdia L. Haywood, Deputy County Executive
- Robert A. Stalzer, Deputy County Executive
- David J. Molchany, Chief Information Officer
- Susan W. Datta, Director, Department of Management and Budget