

Response to Questions on the FY 2005 Advertised Budget Plan

Request By: Supervisor Gross

Question: What are the ramifications to the County if the state does not approve its budget by the end of April? What would be the impact on the real estate tax rate be if the County had to generate additional revenue to offset the loss of state revenue based on the absence of a state budget?

Response: FY 2005 revenue from the Commonwealth for all funds including schools is projected to be \$677.8 million. This includes \$332.6 million for the Public School Operating Fund and \$206.0 million for State reimbursement under the Personal Property Tax Relief Act (PPTRA). Excluding PPTRA, the General Fund is expected to receive \$77.2 million from the Commonwealth in FY 2005.

Just to offset the General Fund, non-PPTRA revenue of \$77.2 million would require a real estate tax rate increase of over 5 cents. To make up the lost revenue from the Commonwealth to the Fairfax County Public Schools would require an increase in the real estate tax rate to nearly 23 cents. A real estate tax rate increase of nearly 47 cents would be required to offset the full \$677.8 million in state funding.

Please refer to the attached memorandum from the County Attorney's office dated March 15, 2004, which explains the requirements of when the County must determine the transfer to the schools and when the County must adopt its budget. Also attached is an information sheet from the Virginia Municipal League titled, "Effects on Local Governments of Budget Impasse." Staff will provide to the Board options to address this issue should the budget impasse extend to the end of April.