

RECOMMENDATIONS FOR SPOTSYLVANIA BUDGET SAVINGS

INTRODUCTION

Last month, Spotsylvania County Administrator Doug Barnes presented his recommendations for the Fiscal Year 2011 (FY11) budget to the Board of Supervisors. Mr. Barnes' budget recommended a property tax rate of 86 cents per \$100 valuation, which would be an increase of three cents over the equalization rate of 83 cents per \$100. Earlier this month, the Board of Supervisor advertised a rate of 88 cents per \$100, or five cents above equalization. However, one Supervisor who voted to advertise the higher rate – Emmitt Marshall of Berkeley District – expressed hope for a lower rate.

This report is meant to be a part of that effort. Amidst the many voices from county officials, politicians, and voters, this report shows the way for the Board of Supervisors to maintain vital services to the county as much as is humanly possible without imposing a tax increase in the property owners of the county.

The voices in favor of setting the tax at the equalized rate of 83 cents will be numerous, but possibly muffled. They will be the voices of homeowners already feeling the strain of plummeting home values the Great Recession. In this environment, many of them are wondering why *they* are being asked to give more and do with less by their local government in these trying times. Unfortunately, most of them will be constrained by obligations of work and family from making their voices heard.

The voices of some of these most vulnerable homeowners who will be hurt by the proposed tax hike will be among the most important in our community. They will be elderly on fixed incomes forced to decide between food and tax payments. They will be families pushed past the breaking point by the extra \$50 a month paid to the county. The last property tax increase in 2008 drove many of them away; it should be no surprise that Spotsylvania proceeded to lead *all of Virginia* in rate of foreclosure.

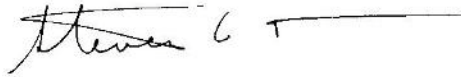
Furthermore, a tax increase will greatly damage the business community in the county. Unlike with residential property, commercial property values were almost perfectly stable on average. This means any rate higher than the current 62 cents – even the equalized rate – will be a large increase in cost for both commercial land owners and the businesses who rent from them. A rate of 86 or 88 cents will even more egregiously balance the budget on the backs of our business community.

The business community is one of the key factors to lead localities out of recession, yet businesses will be disproportionately hurt even by an equalized tax rate, let alone a net tax hike. Moreover, while commercial property values have remained steady during the downturn overall, the value of industrial land has actually increased. This means that the very businesses we depend on to keep our citizens employed – and out of foreclosure – will be suffer the most from a property tax hike. Many will move from Spotsylvania or close down, taking their jobs with them; many more simply won't come here in the first place. The recommendations we present in this report may cost the county government the equivalent of 51 jobs (7 of which are unfilled), but it may well save hundreds, if not thousands, of jobs in the private sector, along with many businesses generating activity – and local revenue. Otherwise, we risk being the only locality in the region to consider a tax hike during the Great Recession, with all the economic damage that comes with such a dubious honor.

We developed this report to prevent this damage. If the recommendations set forth in this report were fully implemented, it would actually lead to a rate below equalization. More likely, they provide the

Supervisors with a number of choices from which they can build several budget alternatives at the equalized rate. This will require the Supervisors to make choices and set priorities for the county, but it will also make clear that the county's elected officials do not intend to exacerbate the economic conditions by forcing homeowners to pay more, and businesses much more, in these trying times.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven Thomas", followed by a horizontal line.

Steven Thomas
Spotsylvania Economic Development Authority
Chairman and Member for Livingston District

A handwritten signature in black ink, appearing to read "D.J. McGuire", followed by a horizontal line.

D.J. McGuire
Republican Nominee for Lee Hill
Supervisor – 2009

EXECUTIVE SUMMARY

Administrator Barnes recommended a budget of over \$378 million for the county for FY11.¹ While the Administrator's Recommendations (hereafter the "Barnes budget") is ostensibly lower than last year's budget, when the capital and education budgets are removed, the local operating budget actually *increases* over last year's by more than \$2.5 million.

There are several areas for efficiencies or reserve uses that would prevent an increase in property taxes this year. In fact, if all of the recommendations in this report were to be enacted, a tax rate of 81 cents – or two cents *below* the current equalization rate – is possible.

The following efficiencies or reserve uses were found:

• Reduction of the Strategic Reserve to 10.0%	\$1,787,316
• Consolidation Efficiencies in Finance, Treasurer's Office, and Commissioner of Revenue's Office	\$1,405,298
• Efficiencies in Social Services Department	\$1,393,944
• Cancellation of Payment from General Fund to Code Compliance Fund	\$1,274,623
• Cancellation of Payment from General Fund to Transportation Fund	\$877,806
• Reduction in Regional Agency Funding	\$597,799
• Postponement of increase in the Capital Reserve	\$536,975
• Efficiencies in Planning Department	\$426,567
• Efficiencies in Information Services Department	\$358,073
• Efficiencies in Human Resources Department	\$141,899
• Efficiencies in Commonwealth's Attorney's Office	\$87,922

The above efficiencies and reallocations provide a total of \$8,888,223. Given that each cent per \$100 valuation in the property tax yields \$1.182M in FY11 revenue (and thus, \$591K in FY10 revenue),² these recommendations would – if completely implemented – allow for a tax rate of 81 cents per \$100 valuation, or 2 cents below the equalization rate.

These recommendations will lead to staff reductions. If all of them were implemented, the number of Full-Time Equivalents (FTEs) that would be reduced total approximately of 50.75 – 13 from the Code Compliance, 9 from the Commissioner of Revenue's Office (2 of which are currently unfilled), 6.5 from the Social Services (2 of which are currently unfilled), 6 from the Information Services (2 of which are currently unfilled), 5.5 from the Finance, 5 from the Planning Department, 4.75 from the County Treasurer's Office (1 of which are currently unfilled), 1 from the Commonwealth's Attorney's Office, and 1 unfilled position in Human Resources. The details of these recommendations can be found in Sections 1 through 11.

¹ Barnes, Administrator's Budget Message

² Barnes, County Administrator's FY 2011 Recommended Budget – Revenues,
http://www.spotsylvania.va.us/emplibary/Budget/Annual_budgets/FY2011/Recommended/revenues.pdf

It should be noted that this report was not put together in the expectation that all recommendations would be implemented. Even the Supervisors who oppose a rate above equalization have not expressed support for a rate below equalization. However, the recommendations allow the Board to select among these recommendations to produce a budget that does *not* have local government demand more from the citizens and landowners of Spotsylvania than last year.

It should also be noted what these recommendations do *not* include.

- No reduction in public safety funding (police, fire and rescue)
- No reduction in local school funding
- No delays in the Capital Improvement Plan, including the new Circuit Court and Public Safety buildings, construction of a consolidated fire and rescue station for Company 5 and a new fire and rescue station in the Lee Hill

This is not to say efficiencies can not be found in those areas. The Board of Supervisors may choose to examine those areas for savings. What this does show is by avoiding these budget lines is that the county budget, contrary to popular belief, has enough room for efficiency that a net tax *reduction* can be achieved *without* touching these politically sensitive areas.

Also, the Utility budget was not considered directly for savings. As that budget is fee-driven, any reductions in these departments would be better used to fund fee reduction to a more proper level. User fees are a necessary part of any service, but when the fees are set above the necessary cost of the service, they become *de facto* taxes used to fund redundant posts.

Hopefully, this report will be received in the way it is intended: as an opportunity for alternatives to an economically damaging tax increase just as we are trying to come out of the Great Recession. While the Board may not agree to all that we propose (and in fact, we'd be surprised if they did), we hope they will agree to enough to avoid balancing the budget on the backs of homeowners and business owners.

SECTION 1: STRATEGIC RESERVE REALLOCATION

Under the Fiscal Policy Guidelines, the Strategic Reserve “shall be reserved in an amount equal to no less than 10% of the governmental funds’ net operating revenue in the subsequent fiscal year budget.”

Under the Barnes budget, however, the Strategic Reserves is more than 10%; it stands at 10.51%, or over \$36.8M.³ Given the economic uncertainty facing the county and its homeowners, a Strategic reserve that is over 5% higher than the minimum requirement seems unnecessary. This leads to 0.51% of net operating revenues being the maximum that can be reallocated.

From here, the calculation of the recommend reallocation is as follows:

$$0.51\% * (\text{Barnes budget Strategic Reserve} / 10.51\%) = \text{Recommended reallocation}$$

Or

$$0.51\% * (\$36,832,726/10.51\%) = \$1,787,316$$

Stand-alone effect: This reallocation, based on the funding effects of the property tax as described in the Executive Summary, would yield a one cent reduction in the property tax rate from the Barnes recommended rate, with roughly \$14,000 to spare.

³ Barnes, County Administrator's FY 2011 Recommended Budget – Revenue and Expenditure Summaries, http://www.spotsylvania.va.us/emplibrary/Budget/Annual_budgets/FY2011/Recommended/rev%20exp%20summs.pdf

SECTION 2: COMMISSIONER OF REVENUE/TREASURER/FINANCE EFFICIENCIES

The Department of Finance, County Treasurer's Office, and County Commissioner of Revenue's office conduct all financial policies and transactions for the County. While the Commissioner of Revenue and Treasurer's Offices are constitutionally required, no such justifiability exists for the Finance Department. However, we are not proposing eliminating the department *per se*, but rather consolidating all three as best as possible, while minimizing duplication.

Additionally, the presence of 10 FTEs in the Assessment office – both in years when assessments or conducted and when they are not conducted – hints toward further efficiencies.

Among the three areas, there are a total of 66.25 FTEs.⁴ One can expect a reduction of roughly 30% (18.75) due to the likelihood of duplication within these departments. It should be noted that three of the positions are unfilled at this time.

The Commissioner of Revenue's Office, Finance Department, and Treasurer's Office has 31, 19, and 15.75 FTEs respectively. A reduction of 9, 5.5, and 4.75 FTEs in the respective offices leads to the following efficiencies:

$$[\text{Barnes Budget FY11 Commissioner of Revenue Personnel Cost} * (20/31)] + [\text{Barnes Budget FY11 Finance Personnel Cost} * (6/19.5)] + [\text{Barnes Budget FY11 Treasurer Personnel Cost} * (5.25/15.75)] = \text{Recommended Savings}$$

Or

$$= (\$2,192,760) * (9/31) + \$1,335,822 * (5.5/19.5) + \$1,201,011 * (4.75/15.75) = \$1,384,988$$

Stand-alone effect: These savings would not yield a one cent reduction in the property tax rate by itself.

Total effect: When added to the aforementioned recommendations, these savings would yield a one cent reduction in the property tax rate from the Barnes recommended rate with roughly \$1,399,000 to spare.

⁴ Barnes, County Administrator's FY 2011 Recommended Budget – General Fund, http://www.spotsylvania.va.us/emplibrary/Budget/Annual_budgets/FY2011/Recommended/general%20fund.pdf

SECTION 3: SOCIAL SERVICES EFFICIENCIES

The Department of Social Services provides numerous services across a variety of areas. Under the Barnes budget, a tax-supported increase of nearly 17% is projected in order to fill vacant positions and address “a 72% increase in benefits applications.”⁵

As Mr. Barnes does not detail the time period for said increase, we cannot be sure how much of this is the effect of the Great Recession (which may soon be ending, as Barnes himself notes⁶) or recent population growth in the county, which has dramatically leveled off recently.

In any event, when looking at the Social Services budget for FY10, one finds that spending was actually *lower* than initially projected at budget adoption (operations as well as personnel) despite the increase in applications. This leads us to believe it would be better to project spending as a function of revenue (using FY10 as a guide, the ratio would be 1.54 to 1).

This ratio leads to the following:

$$\text{Barnes Budget FY11 Expenditures} - (\text{FY11 Revenue} * 1.54) = \text{Recommended Savings}$$

Or

$$\$17,507,247 - (\$10,433,737 * 1.54) = \$1,393,944$$

This efficiency would result in an approximate reduction of 5 FTEs. However, there are at least two vacancies in Social Services as is.⁷

Stand-alone effect: These savings would not yield a one cent reduction in the property tax rate by itself.

Total effect: When added to the aforementioned recommendations, these savings would yield a two cent reduction in the property tax rate from the Barnes recommended rate with roughly \$1,020,000 to spare.

⁵ Barnes, Administrator's Budget Message

⁶ Barnes, Administrator's Budget Message

⁷ Barnes, County Administrator's FY 2011 Recommended Budget – FY11 Budget Strategy,

http://www.spotsylvania.va.us/emplibary/Budget/Annual_budgets/FY2011/Recommended/budget%20strategy.pdf

SECTION 4: CANCELLATION OF THE GENERAL FUND PAYMENT TO CODE COMPLIANCE

Costs for the Code Compliance Department are supposed to be covered by fees, not taxes. User fees are an essential part of government provided services. Governments that charge fees in excess of legitimate cost are taking advantage of their monopoly position to either replenish the general fund (thus making at least part of the fee a *de facto* tax) or keep staff in the relevant department above necessary levels.

However, in the case of Code Compliance, a dramatic fall-off in permit applications has led to the Department relying on transfers from the General Fund to maintain staff. In effect, the taxpayers of the county are subsidizing either redundant staff or would-be applicants who are not paying proper fee levels. However the county wishes to address this is up to the Board, but Code Compliance should be a stand-alone department.

The Barnes budget assumes a General Fund payment to the Code Compliance Department of \$1,274,623.⁸

This could lead to a reduction of 13 FTEs, but *only* if the Board chose not to raise fees.

Stand-alone effect: These savings would not yield a one cent reduction in the property tax rate by itself.

Total effect: When added to the aforementioned recommendations, these savings would yield a three cent reduction in the property tax rate from the Barnes recommended rate – and thus bring the county's rate to the equalization level of 83 cents – with roughly \$522,000 to spare.

⁸ Barnes, County Administrator's FY 2011 Recommended Budget – Other Funds,
http://www.spotsylvania.va.us/emplibrary/Budget/Annual_budgets/FY2011/Recommended/other%20funds.pdf

SECTION 5: CANCELLATION OF THE GENERAL FUND PAYMENT TO TRANSPORTATION

The Transportation Fund has a rather unusual set of circumstances befall it in FY11, but the one that was most unusual was a dramatic increase in “Reserves” – over \$1.1 million from FY10 and a whopping \$3.8 million increase from FY09.⁹ Already, a dramatic decrease in the General Fund transfer to Transportation would occur under the Barnes budget (over \$2 million). The Board might explore removing the remainder, which would be \$877,806.

Stand-alone effect: These savings would not yield a one cent reduction in the property tax rate by itself.

Total effect: When added to the aforementioned recommendations, these savings would yield a three cent reduction in the property tax rate from the Barnes recommended rate – and thus bring the county’s rate to the equalization level of 83 cents – with roughly \$1,399,000 to spare.

⁹ Barnes, County Administrator's FY 2011 Recommended Budget – Other Funds,
http://www.spotsylvania.va.us/emplibrary/Budget/Annual_budgets/FY2011/Recommended/other%20funds.pdf

SECTION 6: REGIONAL FUNDING

Spotsylvania Count naturally wishes to maintain good relations with neighboring jurisdictions, and regional agencies can go a long way toward achieving that goal. However, the current economic climate, combined with the county joining VRE this year, should provide some leeway.

In particular, Spotsylvania may want to suggest a postponement of the new regional library branch. While Stafford (which would host the branch) might express some angst for this, a postponement would allow them to more smoothly deal with their elimination of the BPOL tax.

Spotsylvania's addition portion of funding for the library system over FY10 come to \$597,799.¹⁰

Stand-alone effect: These savings would not yield a one cent reduction in the property tax rate by itself.

Total effect: When added to the aforementioned recommendations, these savings would yield a three cent reduction in the property tax rate from the Barnes recommended rate – and thus bring the county's rate to 82 cents, one cent below equalization – with roughly \$224,000 to spare.

¹⁰ Barnes, County Administrator's FY 2011 Recommended Budget – General Fund,
http://www.spotsylvania.va.us/emplibrary/Budget/Annual_budgets/FY2011/Recommended/general%20fund.pdf

SECTION 7: POSTPONEMENT OF THE INCREASE TO THE CAPITAL RESERVE

The Capital Projects Fund is due to receive roughly \$3.8 million from the General Fund in FY11 under the Fiscal Guidelines for the CIP.¹¹ While the long-term goal of a 5% transfer from the general fund is laudable, the current economic circumstance may not be the best for taking a step along this path, especially given that part of the CIP budget involves over \$400,000 going to the Transportation Fund and its burgeoning reserves (see previous section).¹²

At 1.75%, the transfer stands at \$3,758,827. At 1.5%, the transfer would be \$3,221,852, for a savings of \$536,975. Again nearly all of that could be countered with the would-be Transportation Fund transfer, if the Board prefers.

Stand-alone effect: These savings would not yield a one cent reduction in the property tax rate by itself.

Total effect: When added to the aforementioned recommendations, these savings would yield a four cent reduction in the property tax rate from the Barnes recommended rate – and thus bring the county’s rate to 82 cents, one cent below equalization – with roughly \$761,000 to spare.

¹¹ Barnes, County Administrator's FY 2011 Recommended Budget – Revenue and Expenditure Summaries, http://www.spotsylvania.va.us/emplibrary/Budget/Annual_budgets/FY2011/Recommended/rev%20exp%20summs.pdf

¹² Barnes, County Administrator's FY 2011 Recommended Budget – Other Funds, http://www.spotsylvania.va.us/emplibrary/Budget/Annual_budgets/FY2011/Recommended/other%20funds.pdf

SECTION 8: PLANNING DEPARTMENT EFFICIENCIES

While the Planning Department is not as revenue-driven as Code Compliance – nor should it be – one would expect a relatively stable relationship between the revenue that comes in and the expenses that go out.

However, in FY11, said stability is not to be found. Unlike FY09 or FY10, the Barnes Budget calls for expenses to be more than two-and-a-half times incoming revenue. Given the expected reduction in applications, this seems strange.¹³

As Mr. Barnes does not detail the need for such a change in ratio, we believe the FY10 ratio of 1.53 to 1 would be more apt.

This ratio leads to the following:

$$\text{Barnes Budget FY11 Expenditures} - (\text{FY11 Revenue} * 1.53) = \text{Recommended Savings}$$

Or

$$\$976,541 - (\$359,336 * 1.53) = \$426,567$$

This efficiency would result in an approximate reduction of 5 FTEs, assuming the Board chose not to raise fees for the Department to make up the difference.

Stand-alone effect: These savings would not yield a one cent reduction in the property tax rate by itself.

Total effect: When added to the aforementioned recommendations, these savings would yield a four cent reduction in the property tax rate from the Barnes recommended rate – and thus bring the county's rate to 82 cents, one cent below equalization – with roughly \$1,188,000 to spare.

¹³ Barnes, County Administrator's FY 2011 Recommended Budget – General Fund,
http://www.spotsylvania.va.us/emplibrary/Budget/Annual_budgets/FY2011/Recommended/general%20fund.pdf

SECTION 9: INFORMATION SERVICES EFFICIENCIES

The Department of Information Services (DIS) provides numerous information technology (IT) services for the county, including providing GIS data for the citizenry. Although the need for a central IT structure for the county is beyond question, in the current economic climate, resurrecting an IT post for even half a year seems unwise.¹⁴

Moreover, given the lack of detail in the Barnes budget, we cannot see any new initiatives here. Therefore, it is recommended that the county make a strategic decision to “pause” new application development by eliminating the Application Development Manager permanently (the post is currently vacant) along with four of the five Application Analysts (including one vacancy), and also eliminate the position of Deputy Director. The Operations Manager position would stay vacant for the entire year.

This leads to a total of 6 positions (two of which are vacant), out of 28, being eliminated in this efficiency (plus the reduction of half an FTE for the permanent vacancy). With two other positions in GIS vacant under the Barnes budget,¹⁵ the effect on personnel cost (given the nature of the IS Department, Operating Cost was left alone) is as follows:

$$(\text{Barnes Budget FY11 Personnel Cost}) * (22-3) / (28-4.5) = \text{Gross Recommended Savings}$$

Or

$$\$1,869,936 * (22-3) / (28-4.5) = \$358,703$$

It should be noted that the GIS service was not examined here, in part because of a lack of data on the cost of the GIS to the IS Department. There may be potential to recoup losses here through an increase of fees, or use said increase to fill the aforementioned GIS vacancies.

Stand-alone effect: These savings would not yield a one cent reduction in the property tax rate by itself.

Total effect: When added to the aforementioned recommendations, these savings would yield a four cent reduction in the property tax rate from the Barnes recommended rate – and thus bring the county’s rate to 82 cents, one cent below equalization – with roughly \$1,546,000 to spare.

¹⁴ Barnes, County Administrator's FY 2011 Recommended Budget – FY11 Budget Strategy, http://www.spotsylvania.va.us/emplibary/Budget/Annual_budgets/FY2011/Recommended/budget%20strategy.pdf

¹⁵ Barnes, County Administrator's FY 2011 Recommended Budget – FY11 Budget Strategy, http://www.spotsylvania.va.us/emplibary/Budget/Annual_budgets/FY2011/Recommended/budget%20strategy.pdf

SECTION 10: HUMAN RESOURCES EFFICIENCIES

The Department of Human Resources includes funds for a restored Director.¹⁶ The position was resurrected in the Barnes budget after being eliminated last year. Given Mr. Barnes' previous concern for avoiding reduction of the county force, we were surprised to see him risk the possibility of reductions elsewhere by placing this in. Additionally in neither the budget strategy, Barnes' opening message, nor the funding breakout is there any explanation for why this position was resurrected.

As such, we recommend not bringing this position back, and thus keeping personnel spending at the FY10 level, which leads to the following:

Barnes Budget FY11 Personnel Cost – FY10 Personnel Cost = Gross Recommended Savings

Or

\$556,084 – \$413,340 = \$142,744

Stand-alone effect: These savings would not yield a one cent reduction in the property tax rate by itself.

Total effect: When added to the aforementioned recommendations, these savings would yield a four cent reduction in the property tax rate from the Barnes recommended rate – and thus bring the county's rate to 82 cents, one cent below equalization – with roughly \$1,689,000 to spare.

¹⁶ Barnes, County Administrator's FY 2011 Recommended Budget – FY11 Budget Strategy, http://www.spotsylvania.va.us/emplibrary/Budget/Annual_budgets/FY2011/Recommended/budget%20strategy.pdf

SECTION 11: COMMONWEALTH'S ATTORNEY'S OFFICE EFFICIENCIES

Like the Department of Human Resources, the Office of the Commonwealth's Attorney includes funds for a position that was not part of the FY10 adopted budget.¹⁷ Also as with Human Resources, there is no explanation or justification for the additional position.

As such, we recommend holding this position back, and thus keeping personnel spending at the FY10 level, which leads to the following:

Barnes Budget FY11 Personnel Cost – FY10 Personnel Cost = Gross Recommended Savings

Or

$\$1,765,750 - \$1,677,828 = \$87,922$

Stand-alone effect: These savings would not yield a one cent reduction in the property tax rate by itself.

Total effect: When added to the aforementioned recommendations, these savings would yield a five cent reduction in the property tax rate from the Barnes recommended rate – and thus bring the county's rate to 81 cents, two cents below equalization – with roughly \$4,000 to spare.

¹⁷ Barnes, County Administrator's FY 2011 Recommended Budget – General Fund,
http://www.spotsylvania.va.us/emplibrary/Budget/Annual_budgets/FY2011/Recommended/general%20fund.pdf

APPENDIX: LOCAL VRS AND OTHER OPTIONS NOT EXAMINED

In our analysis, there were some options that we did not consider, but that the Board might.

At present, the Virginia House of Delegates has proposed allowing local governments and school districts to save money by requiring their employees contribute to their own retirement, rather than forcing the localities to match as is the present situation. Dr. Hill himself has admitted this change, if it were to become law, could save the Spotsylvania School Division approximately \$5 to \$6 million¹⁸ – or roughly 2.6-3.1% of the total personnel budget of \$194.4 million.¹⁹

The personnel budget for local government is listed as just over \$50 million.²⁰ Thus, the enactment of the change could save the General Fund between \$1.3 and \$1.6 million annually, at least more than two-thirds of the way toward a one-cent reduction in the property tax. Again, because this change has not yet been enacted, we did not include it in our recommendations, but should that change between now and April, it would be a tool the Board should consider.

There were other options we did not cost, such as Mr. Marshall's idea for selling state land and, if necessary, helping to finance the sales for buyers. While the effect on this year's budget is not clear, it would certainly improve the county's financial position by (1) moving land from local ownership to private ownership, thus putting it on the tax rolls, and (2) reducing the net debt of the county if it is to become the creditor on these parcels. It is an option very worthy of the Board's consideration.

A final possibility to be considered is the exploration of Health Savings Accounts (HSAs). Indiana has offered HSAs as an option to its employees since 2005. Today, according to Governor Mitch Daniels, "over 70% of our 30,000 Indiana state workers chose it." They "will save more than \$8 million in 2010 compared to their coworkers in the old-fashioned preferred provider organization (PPO) alternative."²¹

As for the state itself:

Indiana will save at least \$20 million in 2010 because of our high HSA enrollment. Mercer calculates the state's total costs are being reduced by 11% solely due to the HSA option.²²

Again, this may be more of a long-term budget strategy than one for FY11, but we think it's worth a look.

¹⁸ Pamela Gould, "All Eyes on State Budget," *Free Lance-Star*, February 25, 2010

<http://www.fredericksburg.com/News/FLS/2010/022010/02252010/530443>

¹⁹ Spotsylvania County Public Schools, *School Board's Approved Budget Book*,

<http://www.spotsyschools.us/finance/LinkClick.aspx?fileticket=umXE%2f8npRSc%3d&tabid=1437>

²⁰ Barnes, County Administrator's FY 2011 Recommended Budget – Revenue and Expenditure Summaries,

http://www.spotsylvania.va.us/emplibrary/Budget/Annual_budgets/FY2011/Recommended/rev%20exp%20summs.pdf

²¹ Mitch Daniels, Hoosiers and Health Savings Accounts, *The Wall Street Journal*, March 1, 2010,

http://online.wsj.com/article/SB10001424052748704231304575091600470293066.html?mod=WSJ_Opinion_LEFT_TopOpinion

²² Mitch Daniels, Hoosiers and Health Savings Accounts, *The Wall Street Journal*, March 1, 2010,

http://online.wsj.com/article/SB10001424052748704231304575091600470293066.html?mod=WSJ_Opinion_LEFT_TopOpinion