BACKGROUND INFORMATION
ON THE FAIRFAX COUNTY FY 2022 ADVERTISED BUDGET

On February 23, 2021, Fairfax County Executive Bryan Hill released his FY 2022 Budget proposal (also called the "Advertised Budget"). He explained that "we are not able to make broad investments towards County goals as we proposed last year," but "are focusing our resources in more targeted areas." Mr. Hill proposed a budget that reduces the Real Estate Tax Rate by one cent, (from $1.15 to $1.14 per $100 of assessed value), provides a $14.13 million increase in the transfer for FCPS (far short of the School Board's requested $104.4 million increase), and addresses Board priorities such as pandemic response efforts, but provides no compensation increase for County employees. The proposed budget sets aside $20 million in reserve, which could be focused on economic recovery and could be used for recurring expenses. The plan is that this reserve would initially be unappropriated and would be available for the Board's use during FY 2022 to support County or FCPS priorities.

On March 9, 2021, the Board of Supervisors authorized the advertisement of a FY 2022 Tax Rate of $1.15 per $100 of assessed value.

After hearing the concerns of County residents, the Board of Supervisors will make changes to the FY 2022 Budget and approve it at the "markup" meeting on April 27. Formal adoption will be on May 4.

PROPOSED FUNDING INCREASES IN HEALTH AND HUMAN SERVICES

The proposed FY 2022 Budget includes funding increases for health and human services programs and also includes funding for multi-agency programs like Diversion First and fighting the opioid epidemic. About half of the new General Fund investments ($13 million and 40 positions) is allocated to support housing and human services priorities and needs. No significant funding decreases have been proposed. The increases include:

Public Health Nurses (PHNs) Supporting COVID-19/School Health: An increase of $3 million will support 35 new positions previously funded through the CARES Act Relief Fund to support contact tracing. The positions will continue to support contact tracing, testing, and vaccination efforts during the pandemic. Eventually, these positions will be redeployed to the School Health program to address the nurse to student ratio. This will bring the nurse to student ratio to 1:1,990, just under the 1:2,000 target.

Funding for COVID-19 Mass Vaccination Efforts/Emergency Preparedness: An increase of $1.1 million will fund 13 new positions previously funded through the CARES Act Relief Fund to support the County's mass vaccination efforts. Eventually, these positions will be used to expand the Health Department's ability to prepare and respond to public health events.

Sexual Abuse Specialist Positions (DFS): As previously approved by the Board as part of the *FY 2020 Carryover Review*, an increase of $166,899 will fund 2 additional positions in Protection and Preservation Services to increase the number of staff who specialize in sexual abuse ongoing cases.

Support Coordination (CSB): An increase of $1.1 million and 9 positions plus operating expenses will provide support coordination services to individuals with developmental disabilities.

Affordable Housing Positions (HCD): An increase of $207,728 will fund 2 new positions and operating expenses to support the creation, rehabilitation, and preservation of affordable housing, with an emphasis on the recommendations of the Affordable Housing Resource Panel and Phase II of the Communitywide Housing Strategic Plan to produce 5,000 units of affordable housing in the next fifteen years.

Coordinated Services Planning (CSP) Positions (NCS): An increase of $904,296 will support 11 additional positions in the CSP call center that were previously approved by the Board as part of the *FY 2020 Carryover Review*. These positions were funded through the CARES Act Relief Fund and will continue to address the increase in calls for service.

New Lee District Community Center (NCS): An increase of $492,928 will support the new Lee District Community Center, which is expected to be fully operational in FY 2022.

New Sully Community Center (NCS): An increase of $410,377 and 9 new positions will support operations and programs at the new Sully Community Center, which is scheduled to open in the last quarter of FY 2022.

Diversion First: A total increase of $617,863 will support the Diversion First initiative, a multi-agency collaboration between the Police Dept., Office of the Sheriff, Fire & Rescue Dept., the Fairfax County Court System, and the CSB to reduce the number of people with mental illness in the County jail by diverting low-risk offenders experiencing a mental health crisis to treatment rather than incarcerations.

Opioid Use Epidemic: An increase of $1.2 million will be used to continue to address the growing opioid epidemic. The Board of Supervisors established the Opioid Task Force to help address the problem locally. The primary goal is to reduce death from opioids through prevention, treatment, and harm reduction strategies. This increase will fund 6 new positions in the Office of the Sheriff for the jail-based Medication Assisted Treatment program within the Adult Detention Center, one new Health Dept. PHN position to provide support for opioid-exposed infants and families, and CSB operating expenses for peer support services to assist with resource navigation and contracted detoxification and residential treatment services.

FUND 30300: AFFORDABLE HOUSING DEVELOPMENT AND INVESTMENT

The Affordable Housing and Investment Fund (formerly known as the Penny for Affordable Housing Fund) was established in FY 2006 and is designed to serve as a readily available local funding source with the flexibility to preserve and promote the development of affordable housing. For fiscal years 2006 through 2009, the Board of Supervisors (BOS) dedicated revenue commensurate with the value of one cent of the Real Estate Tax to the preservation of affordable housing, a major County priority. In FY 2010, in order to balance the budget, the BOS reduced this dedicated funding to a half-cent.

In March 2019, the Affordable Housing Resources Panel (AHRP) recommended that the County support the production of 5,000 units of affordable housing for households earning up to 60% of the Area Median Income (AMI) over the next 15 years. In order to help reach that goal, the AHRP recommended that the BOS make a commitment equivalent to the value of an additional penny of the Real Estate Tax to support affordable housing initiatives. In the original FY 2021 budget proposal, in accordance with the Board's budget guidance, a one cent increase in the Real Estate Tax was proposed to increase funding allocated for this purpose. When combined with existing revenue, this would have resulted in one and a half cents on the Real Estate Tax dedicated for the preservation and development of affordable housing.

This proposal, however, was not implemented in FY 2021 as a result of the COVID-19 pandemic, and it is not included in the proposed FY 2022 Budget. In FY 2022, Fund 30300's total funding of $19.7 million is comprised of $13.6 million in Real Estate Tax Revenue, $5.2 million in operating revenue from Wedgewood and Crescent Apartments, and $900,000 from miscellaneous sources. In FY 2022 the funding will be allocated as follows:

- $4.9 million for Wedgewood debt service
- $2.6 million for Crescent Apartments debt service
- $10 million for the Housing Blueprint Project
- $564,494 for Affordable/Workforce Housing
- $1.2 million for Little River Glen IV (60 affordable independent living senior housing units on RHA-owned land)
- $455,479 for planning and needs assessment

REVENUE

The FY 2022 Advertised Budget is balanced on a Real Estate Tax Rate of $1.14 per $100 of assessed value, one cent less than the current $1.15 rate. The value of a penny on the Real Estate Tax Rate is $27.14 million in FY 2022. Each penny change in the tax rate equals $60.78 on a taxpayer's bill. The "typical" residential annual tax bill will rise, on average, $22.15 in FY 2022 at the proposed $1.14 tax rate.

With the proposed reduction in the Real Estate Tax Rate, the additional revenue available in FY 2022 is $42.23 million—an increase of 1.51 percent over the FY 2021 estimate.

The County Executive has noted that his proposed FY 2022 Budget builds upon the successful application of federal stimulus funds, specifically $200 million received through the CARES Act Relief fund. These funds have been used to implement public health programs and also to assist those most impacted by the pandemic and the most vulnerable in the community. While the proposed budget does not assume additional stimulus funding, the County Executive has also noted that President Biden's American Rescue Plan includes additional aid to state and local governments and that staff will continue to maximize all resources.

On March 9, the Board of Supervisors authorized the advertisement of a Real Estate Tax Rate of $1.15 per $100 of assessed value. This advertised rate is a ceiling. It would not prevent the Board from approving a lower tax rate when it adopts the FY 2022 Budget, but the Board could not adopt one higher than $1.15. The Board could, for example, adopt the $1.14 rate proposed by the County Executive or an even lower rate. Since each penny is worth $27.14 million in revenue. Therefore, if the Board were to adopt a tax rate lower than $1.15, each penny reduction would reduce revenue by $27.14 million.

POSSIBLE BUDGET PRESSURES

FCPS Funding: The General Fund Transfer to the FCPS Operating Fund reflects an increase of $14.13 million, an increase of 0.66 percent over the funding level in the FY 2021 Adopted Budget .This level of support is far short of the $104.40 million increase requested as part of the School Board's Advertised Budget. The Superintendent's Proposed Budget included a requested increase of $42.69 million, but the School board increased the transfer request by almost $62 million, primarily to support a 3 percent compensation adjustment for all employees.

Total County support for FCPS—including transfers to the School Operating Fund, Debt Service, and Capital Contribution Funds—totals $2.4 billion, which is 52.8% of all General fund disbursements for FY 2022.

The County also supports FCPS outside of the General Fund transfers. In FY 2022, $119.76 million in the county budget will provide direct funding for a number of programs, including Head Start, School Health, Behavioral Health Services, School Resource Officers, School Crossing Guards, after-school programming, and recreational programming.

County Employee Compensation: The proposed FY 2022 Budget includes no funding for employee pay adjustments. With constrained revenue growth, resources were not available to fund the Market Rate Adjustment—calculated at 2.09 percent—or performance, merit, or longevity increases. The County Executive has expressed his regret that, despite his efforts to identify savings, the resources to fund compensation adjustments are not available.

MULTI-YEAR BUDGET

Beginning in 2014, the County began a more comprehensive than usual General Fund budgeting process—the development of a 2-year budget framework that outlines the prospective issues that will need to be addressed as part of the budget process for the following fiscal year, including the decisions in the budget being adopted. As usual, the County Executive has provided a fiscal forecast, but he comments that there is more than usual uncertainty in the forecast due to the COVID-19 pandemic. The predicted funding shortfall, based on identified county needs and equal FCPS growth, is $222 million.

Health and Human Services Resources Plan: As directed by the Board of Supervisors during adoption of the FY 2018 Budget, the Resource Plan was developed in the fall of 2017 through a collaborative effort with Health and Human Services staff, the Dept. of Management and Budget, and the Human Services Council. The FY 21-23 Resource Plan was revised to incorporate the County's Revised FY 21 Proposed Budget, released on April 7, 2020. It was adapted to reflect the impact of COVID-19 on the County at that time. It has, however, not been revised in connection with the proposed FY 2022 Budget.

The Plan still does not take into account the services provided by the community's nonprofit agencies, nor does it include human services capital funding needs.

To read the HHS Resource Plan, go to www.fairfaxcounty.gov/health-humanservices/resourceplan.