

BACKGROUND INFORMATION ON THE FAIRFAX COUNTY FY 2025 ADVERTISED BUDGET

On February 20, 2024, Fairfax County Executive Bryan Hill released his FY 2025 Budget proposal (also called the “Advertised Budget”). Fiscal Year 2025 begins on July 1, 2024. Mr. Hill stated that this proposed Budget, like the FY 2024 Budget, is “focused on supporting and stabilizing our employees and core services.” Citing only modest revenue growth of 3.5 percent and significant expenditure pressures, Mr. Hill has built his FY 2025 budget on a proposed 4-cent increase on the Real Estate Tax Rate—the first such increase in six years. This increase would generate \$129.28 million in revenue and would result in an available balance of \$3.83 million for the Board’s consideration.

On March 5, 2024, the Board of Supervisors unanimously authorized advertising a FY 2025 Real Estate Tax Rate of \$1.135 per \$100 of assessed value, an increase of \$0.04 (as proposed by the County Executive).

After hearing the concerns of County residents, the Board of Supervisors will make changes to the FY 2025 Budget and approve it at the “markup” meeting on April 30.

The proposed FY 2025 Budget includes fee increases, an increase in the Cigarette Tax rate, and a reduction of 84 positions overall for a net savings of \$36 million. About 2 percent of the reductions were in health and human services. County agencies were asked to identify efficiencies and vacant positions that could be eliminated. According to the County Executive, these reductions are not expected to have a meaningful impact on agency operations or existing employees. [For a complete listing of agency reductions, go to the Advertised FY 2025 Budget and see the *Overview*, pages 36-40, at <https://www.fairfaxcounty.gov/budget/fy-2025-advertised-budget-plan>. For details about specific position reductions, see agency budgets.]

PROPOSED FUNDING INCREASES IN HEALTH AND HUMAN SERVICES

The proposed Budget also includes a few funding increases for health and human services (HHS). The increases include:

Contract Rate Increases: The proposed FY 2025 Budget includes \$13.15 million to support contract rate increases for mandated and non-mandated services in health and human services, information technology, parks, public safety, and others. HHS contract rate increases include the following:

- Dept. of Family Services (DFS): \$3.3 million
- Health Dept. (HD): \$301,469
- Dept. of Neighborhood & Community Services (NCS): \$1.1 million
- Community Services Board (CSB): \$2.3 million
- Dept. of Housing & Community Development (HCD): \$1.0 million

Consolidated Community Funding Pool (CCFP): The General Fund Transfer to the CCFP will be increased by \$644,896, or 5 percent. With this increase and a decrease of \$66,852 in federal CDBG funding, the total CCFP FY 2025 funding level is anticipated to be \$14.4 million, or 4 percent more than FY 2024.

Healthy Minds Fairfax Behavioral Health Navigation (DFS): An increase of \$446,000 in operating expenses will support year two of a two-year phase-in for this program. Service navigators assist families and community members in identifying services for a child, negotiate with providers and insurance companies, and identify tools to help determine the level of service a child needs.

Two New School Age Child Care Rooms (NCS): An increase of \$473,450 and 6 positions will support two new SACC rooms at Louise Archer E.S. in Vienna.

My Brother's Keeper Program (NCS): An increase of \$250,000 in operating expenses will support a Board initiative for the County to join the My Brothers Keeper Alliance, which focuses on improving outcomes for boys and young men of color.

Health Laboratory (HD): An increase of \$766,564 is included to support positions originally established to accommodate the increased testing requirements necessitated by the Covid pandemic. These positions were initially fully funded through a state grant with the understanding that General Fund resources would be needed once grant funding expired. These positions will continue to develop and sustain laboratory testing processes, procedures, and protocols essential to the identification of new and emerging public health hazards and threats.

Support Coordination (CSB): An increase of \$2.1 million will fund 7 new positions and operating expenses for the provision of support coordination services to an additional 240 individuals with developmental disabilities as a result of new Medicaid Waivers allocated by the state. The increase is partially offset by an increase in Medicaid Waiver revenue for a net cost to the County of \$1.3 million.

School Readiness: The FY 2025 Budget proposes adding \$1.7 million to Fund 400045: Early Childhood for operating expenses to support early childhood activities, including \$1.3 million to continue the 72 Early Childhood Development and Learning Program slots that were originally funded from a federal Community Funding Project in FY 2024.

Affordable Housing Positions (HCD): An increase of \$563,757 and 5 new positions is included to support the creation, rehabilitation, and preservation of affordable housing throughout Fairfax County. This proposed increase reflects the Board's Budget Guidance for FY 2025, wherein the Board recognized that additional County staff support would be needed to use additional affordable housing resources in a timely manner and directed the County Executive to include a recommendation to address the additional workload.

Hypothermia Program (HCD): An increase of \$250,000 is included to provide additional baseline funding to support this program. Support by volunteers and the faith-based community has still not returned to pre-pandemic levels, thus requiring additional funding to maintain the program at current service levels.

Probation Counselor II Positions (General District Court): An increase of \$355,636 and 4 new positions is included to support the Court Services Division of the Fairfax County General District Court. These positions are needed to support the growing number of non-violent offenders experiencing a mental health crisis who are being diverted from incarceration to treatment.

UNFUNDED INCREASES IN HHS PROGRAMS AND SERVICES

The FY 2025 StAR Plan (see page 5) provides information on human services funding that was requested, but not included, in the proposed FY 2025 Budget. For example:

Unsheltered Outreach & Adverse Weather Position (\$101,490): this funding would support a new position to facilitate unsheltered outreach and adverse weather programs, including the Hypothermia Program and the Extreme Heat plan.

Medications for Opioid Use Disorder at the Adult Detention Center (\$225,000): This funding would support medication costs for this successful, evidence-based program, which is a key strategy in the County's Opioid Response Plan.

Developmental Disability Psychiatric Services (\$317,226, 2 positions): This funding would support psychiatric services to individuals with developmental disabilities who often cannot find services in the community due to the complexity of their needs.

FUND 30300: AFFORDABLE HOUSING DEVELOPMENT AND INVESTMENT

The Affordable Housing Development and Investment Fund was established in FY 2006 and is designed to serve as a readily available 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.

During the following years, the Board identified additional local resources which were allocated for affordable housing at quarterly budget reviews as **one-time funding (not baseline)**. In 2022, the Board increased the affordable housing production goal from 5,000 units (which they committed to in FY 2021) to 10,000 units by 2034. In FY 2023 the BOS dedicated an additional half-cent on the Real Estate Tax to Fund 30300, bringing the total allocation to one cent. In its Budget Guidance For FY 2025, the Board recognized that “we need to continue to build baseline funding in order to maintain a long-term funding strategy” and encouraged the County Executive “to add recurring resources in FY 2025 with the goal of reaching a total investment of two pennies on the Real Estate Tax rate by FY 2027.”

From FY 2006 through FY 2024, the fund has provided a total of \$311.4 million for affordable housing in Fairfax County.

The proposed FY 2025 annual contribution to the Affordable Housing Development and Investment Fund is \$32.32 million from Real Estate Tax revenue, maintaining a level equivalent to one penny on the tax rate. The Fund also comprises \$5.2 million in operating revenue from Wedgewood and Crescent Apartments, and \$800,00 from miscellaneous sources, for a total of \$38.1 million.

In FY 2025, the funding will be allocated as follows:

- \$4.9 million for Wedgewood debt service
- \$500,000 for Little River Glen

- \$28.2 million for the Housing Blueprint project
- \$913,994 for Affordable/Workforce Housing
- \$500,000 for Workforce Development Units Acquisitions
- \$100,000 for the Penn Daw affordable housing project
- \$3 million for the Rental Subsidy and Services Program

REVENUE

FY 2025 General Fund revenues are projected to be \$5.5 billion, an increase of \$362.7 million, or 7.1 percent over the FY 2024 Adopted Budget. The revenue increase in FY 2025 is primarily due to an increase of \$228.7 million, or 6.8 percent, in Real Estate Tax revenue as a result of a 2.73 rise in the Real Estate Assessment base, as well as the proposed 4-cent increase in the Real Estate Tax Rate from \$1.095 per \$100 of assessed value in FY 2024 to \$1.135 in FY 2025. If this increased tax rate is adopted, the average tax bill would increase by about \$524.

The proposed FY 2025 Budget is balanced on the proposed Real Estate Tax Rate of \$1.135 per \$100 of assessed value. The value of a penny on the Real Estate Tax Rate is \$32.32 million in revenue in FY 2025. Each penny change in the tax rate equals \$74.45 on a taxpayer's bill.

On March 5, the Board of Supervisors unanimously voted to authorize the advertisement of the Real Estate Tax Rate proposed by the County Executive. This advertised rate is a ceiling or maximum. It would not prevent the Board from approving a lower tax rate when it adopts the FY 2025 Budget, but the Board could not adopt one higher than \$1.135. Since each penny is worth \$32.32 million, if the Board were to adopt a lower tax rate, each penny reduction would reduce revenue by \$32.32 million.

BUDGET ISSUES

Real Estate Tax Burden: All Board members have expressed their concerns about the increased tax burden on County residents due to continuing significant increases in assessments. They are united in feeling that the tax burden is creating an affordability issue for both homeowners and tenants, even before Tax Rate increases. At the March 5 meeting, Board members expressed their support for advertising the 4-cent Real Estate Tax Rate increase as a prudent starting point for discussion, but also made it clear that they hoped to be able to ultimately adopt a lower rate. If Board members wish to reduce the increased Real Estate Tax rate that was used to balance the proposed FY 2025 Budget, it is likely that they will need to make substantial funding cuts, since the available balance (unallocated funding) is only \$3.83 million.

Fairfax County Public Schools (FCPS): The proposed FY 2025 Budget includes an increase to the School Operating Fund of \$165 million and an \$8.9 million increase to fully fund required adjustments for School Debt Service. This results in transfers to FCPS totaling \$2.8 billion, an increase of \$173.9 million, or 6.6 percent over the FY 2025 Adopted Budget. Transfers to FCPS make up 51.4 percent of General Fund disbursements.

However, the Superintendent and the School Board have requested an increase of \$254 million, or 10.5 percent over the FY 2024 Adopted Budget. According to the County Executive, this is "the largest school operating request by percentage since FY 2007 and the largest request, in terms of dollars, in

history.” The County Executive has explained that, given significant budget pressures, he was unable to fully fund the FCPS request in his proposed FY 2025 Budget. About \$89 million is unfunded, and School Board members, parents, and teachers are concerned.

The County provides support for FCPS outside of the General Fund transfers. In FY 2025, \$150.14 million is included in the County budget for programs such as Head Start, School Health, Behavioral Health Services, School Resource Officers, School Crossing Guards, after-school programming, field maintenance, and recreational programs.

County Employee Compensation (Pay and Benefits): The proposed FY 2025 Budget includes an increase of \$148.1 million in funding for a market rate adjustment (MRA), as well as performance and longevity increases for general County employees, merit and longevity increases for non-represented uniformed public safety employees, and increases to support employee retention and recruitment efforts. It also fully funds implementation of collective bargaining agreements for police, fire and emergency medical service employees. However, because of constrained revenue growth, resources were not available to fund the full MRA, which was calculated at 4.10 percent. Instead, funding of \$23.73 million is included for a 2 percent MRA for all employees who are not covered under a collective bargaining agreement. It is likely that many County employees will not be satisfied with the County Executive’s recommendation.

FY 2025 HHS STRATEGIC ALLOCATION OF RESOURCES (StAR) PLAN

Like the FY 2024 StAR Plan, the FY 2025 version is organized by the community outcome areas of the Countywide Strategic Plan. The items in the FY 2025 StAR Plan include new requests that received funding in the proposed FY 2025 Budget as well as requested items that did not receive funding. It does not include services provided by the community’s non-profit agencies, nor does it include health and human services capital funding needs.

You can find the StAR Plan by going to www.fairfaxcounty.gov/health-humanservices/resourceplan.