



Joint Meeting of the Board of Supervisors and School Board












FY 2022 Budget Forecast



Fairfax County staff are in the process of updating the draft Countywide Strategic Plan in light of the COVID-19 pandemic and the significant economic and sociological changes that have occurred across the country.

Core components of the plan are not expected to change

Priority Outcome Areas

-  Lifelong Education and Learning
-  Mobility and Transportation
-  Safety and Security
-  Housing and Neighborhood Livability
-  Economic Opportunity
-  Health and Environment
-  Cultural and Recreational Opportunities
-  Empowerment and Support for Residents Facing Vulnerability
-  Effective and Efficient Government

Guiding Principles

- Affordability
- Access
- Collaboration & Engagement
- Equity
- Innovation
- Placemaking
- Sustainability

Staff are currently working with Board members to gain insight and work together to develop a broad-based community engagement process.

The adoption of the Strategic Plan is expected to align with the FY 2022 budget.



Fairfax County Public Schools inspires and empowers students to meet high academic standards, lead healthy, ethical lives, and be responsible and innovative global citizens.

OUR SCHOOLS

Largest school division in Virginia

199 Schools and Centers

100% of our schools are accredited***

142 Elementary Schools

3 Middle Schools (6-8)

20 Middle Schools (7-8)

3 Secondary Schools (7-12)

22 High Schools

2 Alternative Schools

7 Special Education Centers



189,837 STUDENTS

They come from 204 countries

With over 200 different languages spoken at home

24,699.6 Full Time Employees

93% School-Based

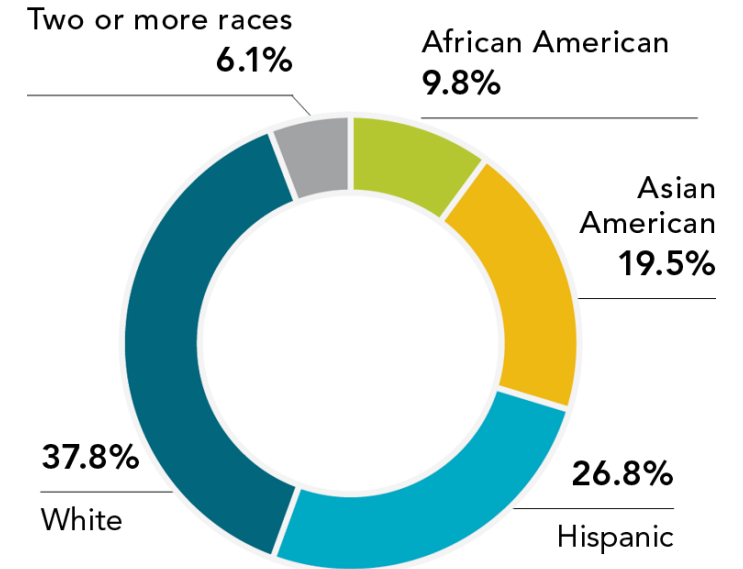
7% Nonschool-Based



INVESTING IN EXCELLENCE

86% of our budget is spent on instruction

\$3.1 Billion Operating Budget for FY 2021



31% Economically Disadvantaged*

19% English for Speakers of Other** Languages (ESOL) (36,078)

15% Special Education (28,129)**

Data sources from *2019-20 IT Certified Membership to VDOE; ** FY2021 Budget Projected Enrollment (excludes students outside of FCPS); ***All FCPS schools accredited. Two high schools accredited with condition, drop-out rate. One elementary school with condition, academic.

OUR DIVISION SUCCESS

5.4 million

Grab and Go meals served⁴

with support from our **Food and Nutrition** and **Transportation staff.**



93% | **4-YEAR ON-TIME**
GRADUATION RATE



MERITORIOUS BUDGET AWARD

for **EXCELLENCE** in the preparation and issuance of the **FY2021 Budget**



Named a **2021 Best School District** by Niche
Given an overall grade of



5 SCHOOLS awarded a total of **\$10,000**

in Competition Team Grants from **VDOE** to support project-based, activities that increase awareness of careers in **STEAM.**



89% of graduates attending post-secondary programs

86% Earned at least one industry certification

70% Passed an AP/IB or Dual Enrollment course

212 National Merit Semifinalists Class of **2021**

1211 **FCPS Class of 2020 SAT SCORE**

VA: 1113 US: 1039

Data sources from : FCPS News; Certified Annual Financial Report (CAFR) - Reporting of year ending June 2019; 4 Meals served since March through 10/20; FCPS SAT testing scores reflect Class of 2020, VA and US reflect scores of 2018-19; SY 2018-19, Niche.com



Fairfax County's Economic Outlook

National Economy

The U.S. continues to deal with the economic effects of the COVID-19 pandemic



- Real GDP fell at an annualized rate of 31.4% in the second quarter of 2020, the largest decline on record
- As a result of easing of restrictions, coupled with an infusion of federal fiscal stimulus for individuals and businesses, the economy began to improve in May
- The pace of gains is projected to slow after a third quarter 2020 rebound in hiring
- Employment is not expected to reach pre-pandemic levels until late 2022
- The Fed has signaled it will maintain its funds rate target range at 0.00-0.25% through 2023
- Recovery is contingent on the path of COVID-19 and vaccine availability

State Revenue Picture



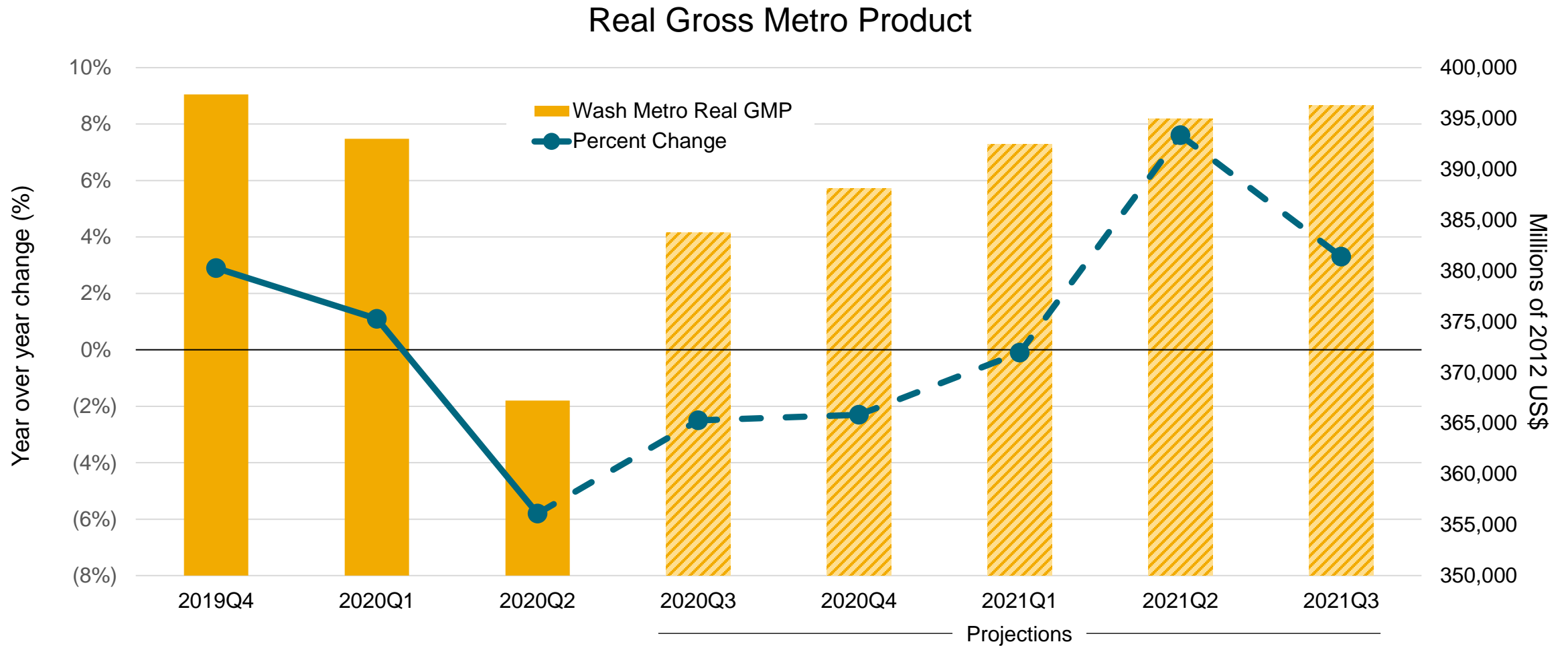
- Driven by the pandemic, state revenues in FY 2020 fell short of the forecast by 1.1%
- The revised forecast for FY 2021 and FY 2022 released in August reduced revenues by a total of \$2.7 billion
 - Incorporated significantly slower growth than originally anticipated
 - The budget was amended during the special session in the fall
- YTD revenue collections in FY 2021 are better than initially expected and the outlook for the current fiscal year has improved compared to August
- The budget will be amended again during the 2021 session
 - According to the state, based on current projections, available resources would be sufficient to cover major budget pressures
 - Additional priorities would be considered: revisit items that were unallotted; business and individual relief if no additional federal stimulus; legislation related to Criminal Justice Reform; reserves
 - Much depends on the course of the virus, timing of vaccine, and the public's response to changing circumstances

Fairfax County Revenue Picture



- As a result of COVID-19, actual FY 2020 County revenues were 0.3% below the budget estimate
 - Collections of Sales Tax and Transient Occupancy Tax (TOT) experienced significant monthly declines as these categories are extremely sensitive to economic conditions
 - Many other charges and fees were lower as a result of program closures and lower levels of activity across the County
- For FY 2021, the Mid-Year revenue review reduced revenues by \$15 million
 - SACC revenue, TOT, EMS billings, General District Court fines are expected to be down, partially offset by projected higher Sales Tax and Recordation/Deed of Conveyance receipts
- FY 2022 revenue is projected to be generally flat, as no growth is anticipated for the two biggest revenue categories - Real Estate and Personal Property taxes

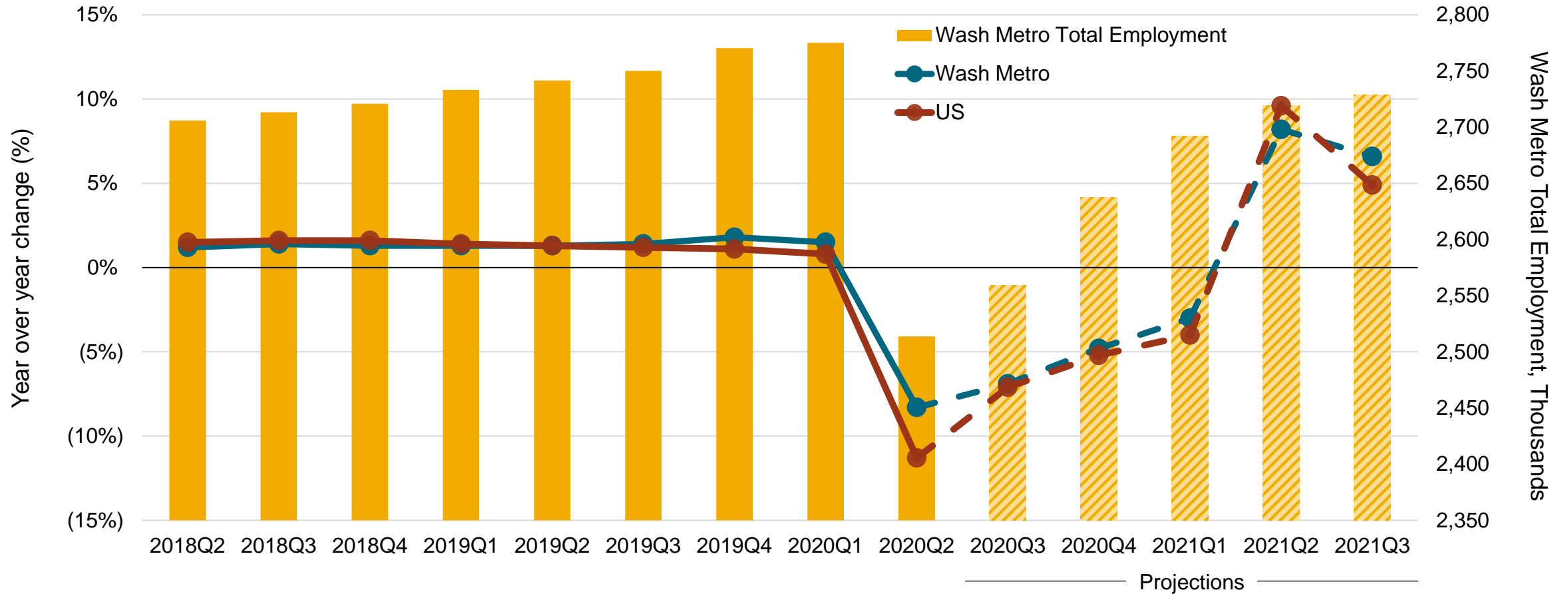
Real Gross Metro Product – Washington D.C. Metro



Source: IHS Markit based on October forecast

Employment Outlook – Washington D.C. Metro

Total Employment



Source: IHS Markit



Revenue Projections

Revenue Projections during the COVID-19 Pandemic

A great level of uncertainty

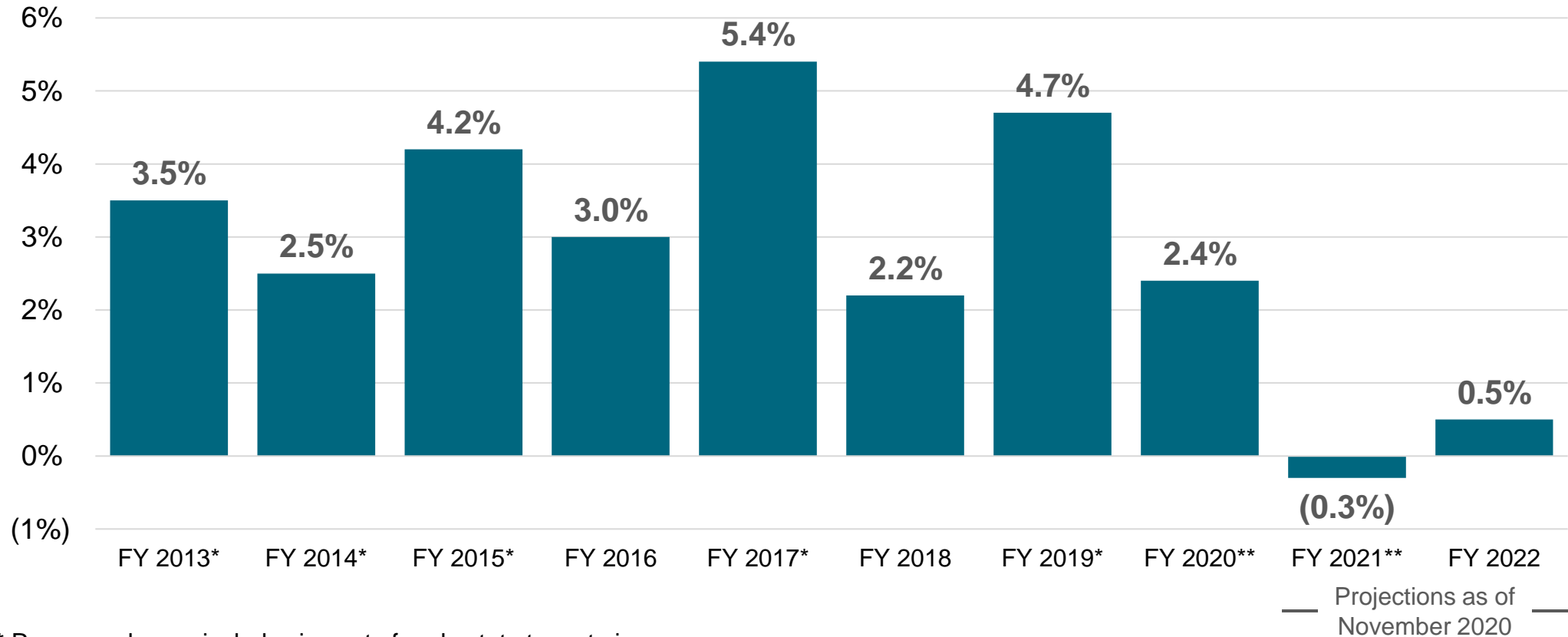
- While a level of uncertainty exists each year, the uncertainty of revenue projections this year is especially magnified due to the unprecedented economic disruptions as a result of COVID-19
- Revenue collections have experienced high volatility since the beginning of the pandemic
- FY 2022 revenue forecast assumes that the gradual economic recovery which began in the summer will continue
- Larger than usual variance between November forecast and revenues in FY 2022 Advertised Budget is possible

Downside risks persist

- Further increases in COVID-19 cases could cause additional restrictions on businesses
- Delayed/deferred federal fiscal stimulus until 2021
- Expiration of unemployment insurance benefits could result in lower consumer confidence and spending
- Timing of vaccine distribution and resumption of normal business activity unknown at this time

Annual Change in General Fund Revenue

FY 2013-FY 2022



* Revenue change includes impact of real estate tax rate increase

** FY 2020 and FY 2021 growth rates exclude the impact of the one-time \$200 million in CARES funding received in FY 2020.

Real Estate Projections – FY 2022 Versus FY 2021

- Real Estate tax is by far the largest source of revenue, comprising almost 68% of total General Fund revenue
- Currently projected to be flat in FY 2022, compared to an increase of 3.77% in FY 2021
- Nonresidential properties are largest area of concern due to negative impact of COVID-19
- Projected decline in nonresidential values is expected to be offset by growth in residential values

Changes in Assessments	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Multi-Year Estimate in FY 2021 Adopted Budget	FY 2022 Estimate as of Nov. 2020
Residential	2.17%	2.36%	2.65%	1.50%	3.00%
Nonresidential	3.79%	2.71%	2.87%	(10.00)%	(10.00)%
New Construction	1.01%	1.15%	1.06%	0.60%	0.50%
Total Real Estate base	3.59%	3.60%	3.77%	(1.00)%	0.00%

Fairfax County's Housing Market

Residential values are projected to increase 3.00% in FY 2022



- Strong residential real estate market, supported by record low mortgage rates
- According to Freddie Mac, the average 30-year fixed mortgage interest rate in October was 2.83%, down from 3.69% a year ago
- Data from Bright MLS indicates that through October growth in home sales prices in Fairfax County exceeds the 2019 pace
- Year-to-date through October, the number of home sales has increased 1.2%
- Supply of homes for sale on the market is down 11.2% in October
- Average number of days to sell a home is 16 days in October 2020 compared to 27 last October
- Through the third quarter of calendar year 2020, the number of new single-family and townhome permits is down 4.9%

Nonresidential Real Estate

Projected to decline 10.00% in FY 2022



- Different nonresidential subclasses are projected to be negatively impacted at varying levels, with hotel, senior care, and retail properties experiencing the largest declines
- Office properties will likely experience short term declines in rent and increased vacancy due to disruptions in corporate office space needs and acceleration of the trend to telework
- The market impact of COVID-19 on retail property values, including regional malls, has been substantial – projected to decline over 10%
- Hotel occupancy year-to-date is down almost 50% and revenue per available room (REVPAR) has decreased 61%
- Multi-family apartments are experiencing higher vacancy and lower rental rates

FY 2022 Projections for Other County Revenue Categories

Tax Revenues

- Personal Property Tax – projected to be flat pending further analysis of vehicles currently in the County valued with data from NADA
 - Preliminary data indicates used car values are up due to tight inventory, while vehicle volume in the County is projected to be down
- BPOL – 5% increase after a projected decline of almost 11% in FY21
- Sales Tax – growth of 5% after a projected slight increase in FY21
- Transient Occupancy Tax – increase of 25% after a projected drop of almost 56% in FY21

Non-Tax Revenues

- Investment Interest revenue – 43% decrease after a 66% drop in FY21
 - The Fed is expected to keep its funds rate near zero for an extended period
- Charges for Services – 20.5% increase primarily due to increased revenue from SACC, Rec classes, and other County programs
- Fines and Forfeitures revenue – 5% increase following a projected decline of over 20% in FY21



FCPS Revenue Projection

Revenue Category	Change from FY21 Approved
<ul style="list-style-type: none"> • Beginning Balance <i>Propose \$10.0 million set aside for COVID-related needs</i> 	<i>(\$10.0) million</i>
<ul style="list-style-type: none"> • County Transfer <i>Assumes County Transfer is level with FY21</i> 	<i>\$0.0 million</i>
<ul style="list-style-type: none"> • State Revenue <i>Assumes state funding is level to allow time to assess the impact of ADM</i> 	<i>\$0.0 million</i>
<ul style="list-style-type: none"> • Federal Revenue <i>Represents the net impact of eliminating one-time CARES ESSER funding</i> 	<i>\$0.0 million</i>
<ul style="list-style-type: none"> • Fairfax City <i>Based on projected expenditures and assumes enrollment is level</i> 	<i>\$0.9 million</i>
<ul style="list-style-type: none"> • Other Revenue and Textbook Reserve 	<i>(\$6.6) million</i>
TOTAL	<i>(\$15.7) million</i>



State and Federal Revenue Uncertainty

- State Revenue
 - Sales Tax revenue impact will vary by locality based on consumption patterns
 - General Assembly to review adjusted daily membership (enrollment) changes during the 2021 Session
 - Due to the direction of the General Assembly, the Governor may include a salary increase in his December introduced budget for K-12 instructional and support positions if sufficient revenue is projected
- Federal Revenue
 - No action at the federal level regarding the potential for additional stimulus funding



FY 2022 Forecast Summary

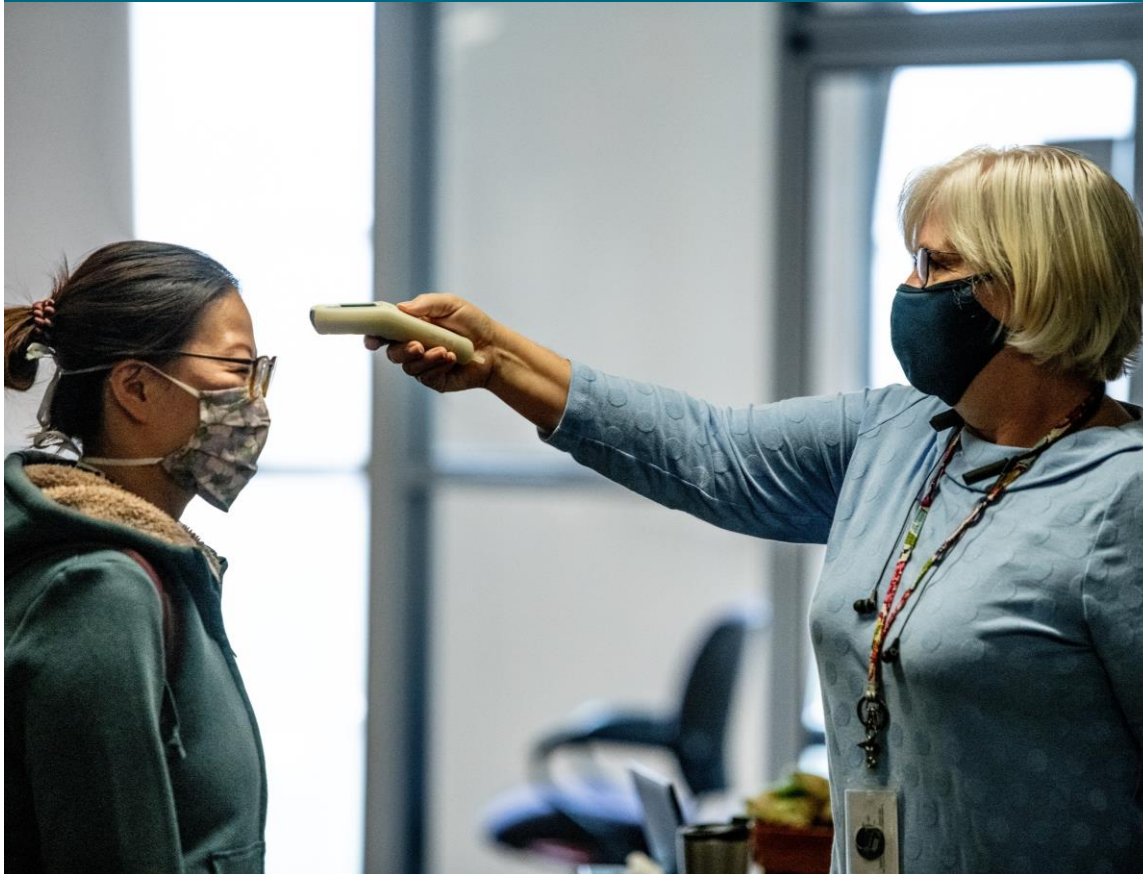
Forecast Summary

Funding in Millions	County	Schools
Available County Revenue	\$0.0	--
Net Schools Revenue	--	(\$15.7)
Total Available	\$0.0	(\$15.7)
Employee Benefits	\$12.1	\$19.3
Debt Service	\$2.5	\$2.6
Collective Bargaining	\$1.0	\$0.6
Other Requirements	\$25.0	(\$5.7)
Net Uses*	\$40.6	\$16.8
Net Projected Shortfall (without Other Needs)	(\$40.6)	(\$32.5)

* Net Uses does not include the impact of reserve adjustments. The FY 2022 Advertised Budget Plan will include reserve contributions necessary to maintain the County's reserves at their target levels.

County Expenditure Projections

These adjustments are included in the Forecast Summary projections



Expenditure	Change from FY21 Adopted (in millions)
• County Debt Service Requirements	\$2.5
• Employee Benefits <i>Retirement rate increases • Health insurance premium adjustments</i>	\$12.1
• Recurring Impact of FY 2020 Carryover Review Adjustments <i>Body Worn Camera program • Public Health Nurse, CSP and OEM positions added for COVID response and initially funded with Coronavirus Relief Funds • Positions to support Lee District Community Center and Climate Adaptation Plan</i>	\$12.3
• New Facilities <i>South County Police Station • Scotts Run Fire Station • Lee District Community Center • Sully Community Center</i>	\$12.7
• Collective Bargaining	\$1.0
• Baseline Efficiencies	TBD
Total	\$40.6

Unfunded Board Priorities and Potential COVID Needs

These are examples of priorities not included in the Forecast Summary. Including funding for these items would increase the projected shortfall.



Unfunded Expenditures	Change from FY21 Adopted (in millions)
<ul style="list-style-type: none"> County Compensation Adjustments 2.09% Market Rate Adjustment • Uniformed Merits/Longevities • Non-Uniformed Performance/Longevity Increases • Market Studies 	\$58.1
<ul style="list-style-type: none"> Diversion First 	\$2.0
<ul style="list-style-type: none"> Opioid Task Force 	\$1.4
<ul style="list-style-type: none"> Commonwealth’s Attorney Office Support 	\$3.6
<ul style="list-style-type: none"> Expanded Library Hours 	\$1.2
<ul style="list-style-type: none"> Deferred Environmental Projects 	\$0.4
<ul style="list-style-type: none"> Support Coordination for those with Developmental Disabilities 	\$0.7
<ul style="list-style-type: none"> Continuation of Pandemic Response programs (Contact Tracing, Non-Congregate Sheltering, Increased Basic Needs Support) 	TBD

This list does not include funding for County priorities such as additional investments in affordable housing, school readiness or environmental initiatives; anticipated expenses for transportation; baseline funding for capital renewal or IT needs; or other items deferred in FY 2021.



FCPS Expenditure Projection

Expenditure Category	Change from FY21 Approved
<ul style="list-style-type: none"> • Enrollment Growth and Student Needs <i>Accommodate Pre-school Special Education classrooms opened/needed post FY21 budget adoption</i> 	\$3.5 million
<ul style="list-style-type: none"> • Employee Benefits <i>Rising costs for ERFC and FCERS retirement plans and Healthcare</i> 	\$19.3 million
<ul style="list-style-type: none"> • Base Savings <i>Position turnover</i> 	(\$21.3) million
<ul style="list-style-type: none"> • FCPSOn <i>Funding to maintain the FCPSOn initiative (HS, MS, ES)</i> 	\$6.3 million
<ul style="list-style-type: none"> • Collective Bargaining Team <i>Resources to support collective bargaining negotiations</i> 	\$0.6 million
<ul style="list-style-type: none"> • Contractual <i>Cost escalation, utilities, major IT projects, facilities</i> 	\$5.6 million
<ul style="list-style-type: none"> • Transfer to Other Funds <i>Construction equipment transfer</i> 	\$0.2 million
TOTAL	\$14.2 million



Unfunded FCPS Needs

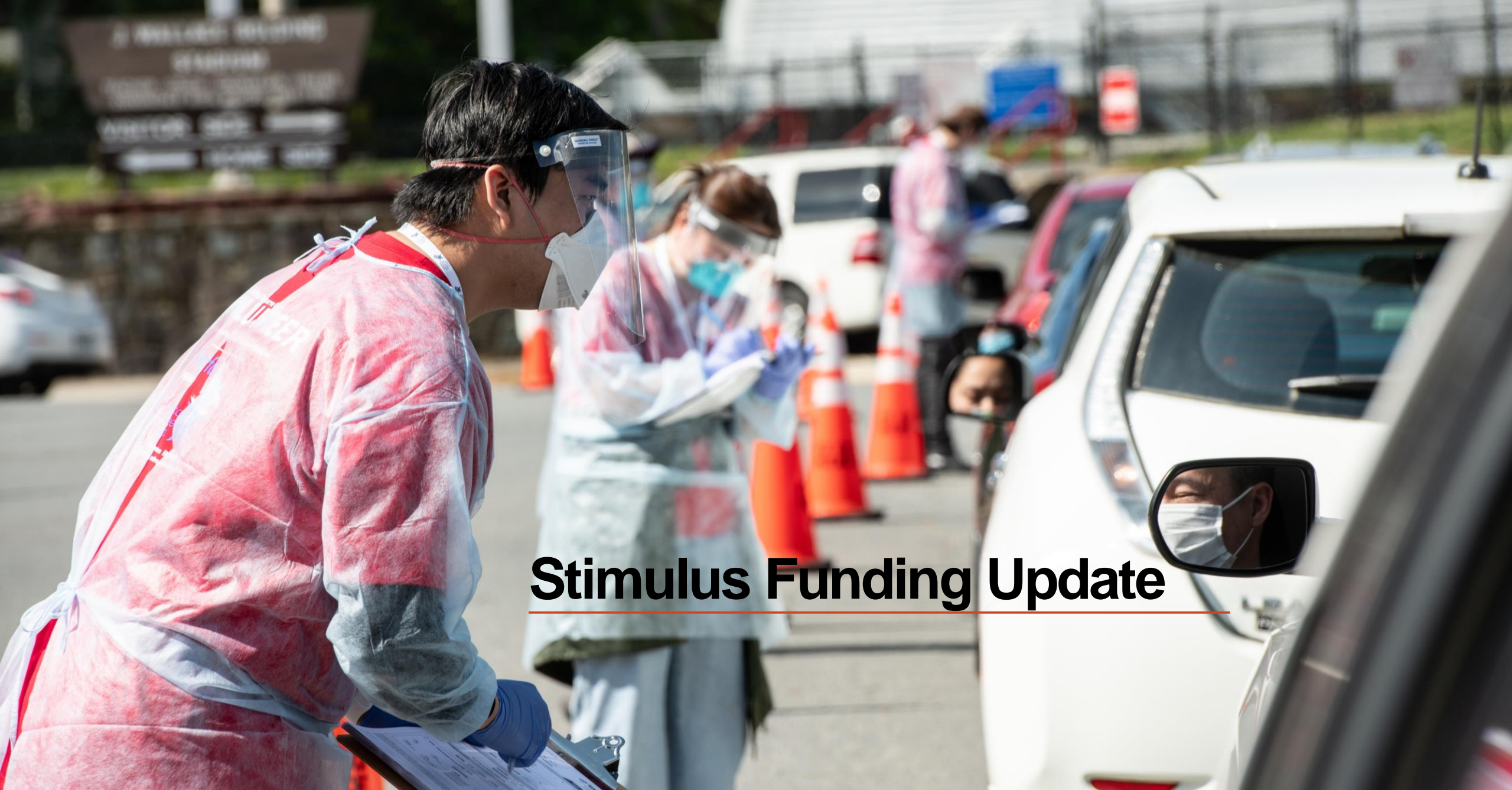
These items are examples of other needs and are not included in the fiscal forecast summary

Unfunded Expenditures	Change from FY21 Approved
<ul style="list-style-type: none"> • English Learner Staffing <i>Provide an additional elementary 50 English Learner teachers – phased approach</i> 	\$5.0 million
<ul style="list-style-type: none"> • TSSpec Staffing <i>Addition of 0.5 TSSpec position for 51 elementary schools with projected enrollment between 600-749 students</i> 	\$3.5 million
<ul style="list-style-type: none"> • CIS Scale Enhancement <i>Final year of a 3-year plan to bring Instructional Assistants to 50% of teacher salaries on the BA lane</i> 	\$2.8 million
<ul style="list-style-type: none"> • AAP External Review Recommendations <i>Phase I recommendation</i> 	\$2.4 million
<ul style="list-style-type: none"> • State Compensation Incentive <i>Directs Governor to include a salary increase incentive for K-12 if sufficient revenue is projected</i> 	TBD
<ul style="list-style-type: none"> • Special Education Review Recommendations 	TBD
<ul style="list-style-type: none"> • Summer School Expansion 	TBD



Looking Ahead: Fiscal Challenges

- Economic recovery depends on the end of the pandemic
- Additional needs related to COVID-19
 - PPE
 - Technology
 - K-12 Reopening
 - Contact Tracing
 - Support for Businesses
 - Vaccination Support
- Future congressional actions to provide additional federal stimulus funding or spending flexibility are unclear
- State revenue



Stimulus Funding Update

County Stimulus Funding Received

Through November 13, 2020, \$340.5 million has been received through various funding sources

CARES Coronavirus Relief Fund \$200.2 million

- All of the County's funding has been allocated across various categories, including Community and Business Support, Public Health Programs, and County Support and Operations. A total of \$19.6 million has been allocated to support FCPS.
- The CRF deadline is currently December 30, 2020.

Grants and Other Awards \$135.1 million

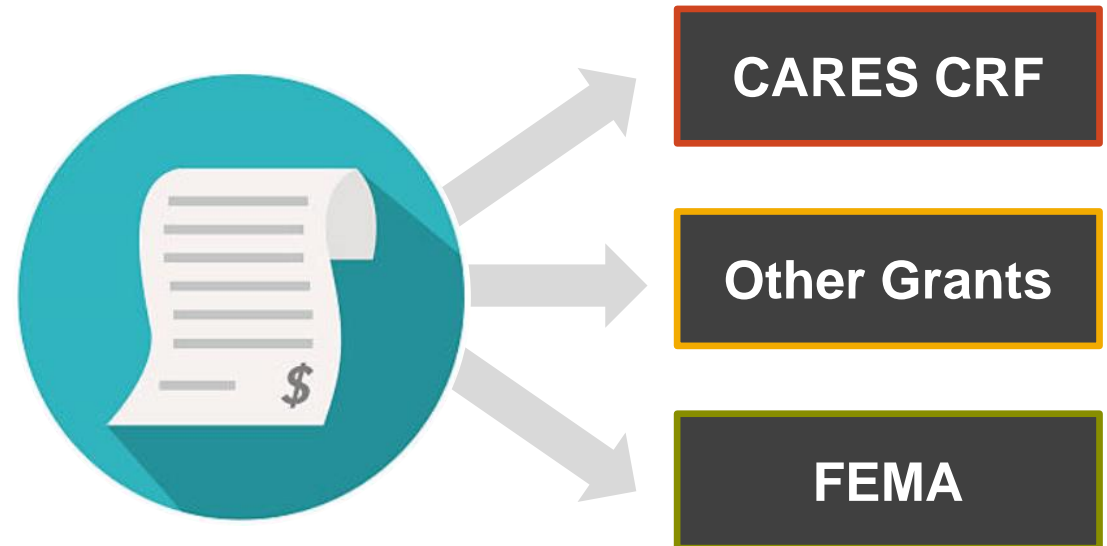
- Deadlines for awards vary, with some funding through the CARES Act with a December 30, 2020 deadline.
- Reflects State CARES allocation for FCPS and Elementary and Secondary School Emergency Relief (ESSER) funds.
- Additional awards are anticipated, especially as the state continues to allocated its CRF funds.

FEMA Reimbursements \$5.2 million

- Staff continues to process reimbursement requests.
- FEMA currently covers 75% of eligible expenses, with a 25% local cost share.
 - \$10 million has been set aside in the CRF allocation for local share.
- Expenses are eligible until FEMA declares an end to the emergency declaration.

Balancing Funding Sources

- Staff continue to examine all sources to maximize available funding, taking into consideration flexibility in eligibility guidelines, deadlines for spending, and local cost share requirements
 - FEMA reimbursements are pursued when possible.
 - Because of the flexibility with CRF funds, expenses are generally shifted to other funding sources when possible, unless those other sources have longer eligibility periods.
- Recent guidance from the Office of the Inspector General clearly delineates that jurisdictions have until September 30, 2021 to finalize allocations to the CRF, as long as expenses are incurred on or before December 30, 2020.



Funding the Pandemic Response Post-Stimulus

- The lack of additional stimulus funds will place added pressure on the FY 2021 budget
 - Public Health, Coordinated Services Planning (CSP) and Emergency Management positions added for the pandemic response and charged to the CRF will need to be picked up with General Fund dollars post-December 30
 - Programs established to combat the pandemic and its economic effects must continue as the impacts of COVID-19 continue to be felt across the County
- As noted in the November stimulus memo, the existing pandemic response programs that have been established using Coronavirus Relief Funds will continue into 2021
 - Increased Basic Needs Support
 - Contact Tracing Program
 - Non-Congregate Sheltering/Medical Isolation
- If no additional stimulus funding is received, existing resources will be identified
 - General Fund Pandemic Reserve
 - Savings generated through targeted Agency Reductions
 - General Fund flexibility generated through charging public health/public safety salaries to CRF balances at year-end

FCPS Stimulus Funds

Category (\$ in millions)	FEDERAL			
	County CRF \$19.6M	State CRF \$32.2M	FCPS CARES \$20.1M	CARES Setaside \$2.8M
Academic Advising	\$0.0	\$0.0	\$0.6	\$0.0
Curriculum Resources	\$0.0	\$2.7	\$1.1	\$0.0
Facilities Cleaning	\$0.0	\$0.3	\$1.3	\$0.0
Intervention Support	\$0.0	\$0.0	\$4.8	\$0.0
PPE	\$4.7	\$8.4	\$0.0	\$0.1
Remediation Recovery	\$0.0	\$0.0	\$2.9	\$0.0
Student Registration and School Health Data	\$0.0	\$0.0	\$0.7	\$0.0
Technology	\$14.9	\$17.5	\$8.8	\$1.9
Staffing	\$0.0	\$3.3	\$0.0	\$0.0
Special Education Service and Supports	\$0.0	\$0.0	\$0.0	\$0.8
Total Award	\$19.6	\$32.2	\$20.1	\$2.8
Award End Period	12/30/2020	12/30/2020	9/30/2022	9/30/2022



Balancing the FY 2022 Budget

- Expenditure estimates included in this forecast will be refined, and some items will be reduced or deferred
- Baseline budgets will be reviewed to identify opportunities for savings
- Additional federal stimulus funds would help to relieve budgetary pressures
- Revenue projections will be monitored as additional information becomes available
 - Every 1% change in the real estate tax base is equal to \$29.9 million
 - Every 1% of personal property growth is equal to \$6.2 million
 - Every 1% of sales tax growth is equal to \$1.9 million

FY 2022 Budget Timeline

COUNTY DATES		SCHOOL DATES
	Superintendent releases FY 2022 Proposed Budget	January 7, 2021
	School Board holds public hearings on budget (January 27 if needed)	January 26-27, 2021
	School Board adopts FY 2022 Advertised Budget	February 18, 2021
February 23, 2021	County Executive presents FY 2022 Advertised Budget	
March 2, 2021	Joint County/Schools Budget Committee Meeting to discuss FY 2022 budget and tax rate	March 2, 2021
March 9, 2021	Board of Supervisors advertises FY 2022 tax rates	
April 13-15, 2021	Board of Supervisors holds public hearings on FY 2022 Budget	
April 27, 2021	Board of Supervisors marks up FY 2022 Budget	
May 4, 2021	Board of Supervisors adopts FY 2022 Adopted Budget	
	School Board holds public hearings on budget (May 12 if needed)	May 11-12, 2021
	School Board adopts FY 2022 Approved Budget	May 20, 2021
July 1, 2021	FY 2022 Budget Year begins	July 1, 2021

THANK YOU!

FOR MORE INFORMATION ON THE **FY2022** BUDGET



www.fcps.edu/budget

www.fairfaxcounty.gov/budget