County of Fairfax, Virginia

MEMORANDUM

DATE: JUL 2 3 2013

TO: Board of Supervisors

FROM: Edward L. Long Jr., County Executive

SUBJECT: Sequester Watch Update - July

Update on Housing and Community Development (HCD) Programs

The U.S. Department of Housing and Urban Development (HUD) recently announced the federal FY 2013 allocations for the Community Development Block Grant (CDBG), HOME Investment Partnership Grant (HOME), and Housing Choice Voucher (HCV) programs.

The CDBG program stimulates the development and preservation of affordable housing through the provision of loans, public facilities, and improvements directed toward conserving and upgrading low- and moderate-income neighborhoods. It also supports the provision of special outreach and assistance services to low-and moderate-income households. After having been advised by HUD to expect a 5 percent cut in the CDBG program, due to the way HUD administered cuts to the overall program, HCD was notified that its Federal Fiscal Year 2013 (County FY 2014) funding level will be $4,750,027. This represents an *increase* of $335,803 over the Federal Fiscal Year 2012 actual funding amount, which was used for planning purposes as the baseline for the approved FY 2014 Consolidated Plan One-Year Action Plan. Consistent with the discussions of the FCRHA/Consolidated Community Funding Advisory Committee (CCFAC) Working Advisory Group (WAG), it is anticipated that the additional CDBG funding will be split between the rehabilitation of FCRHA properties and projects serving seniors, the homeless and persons with disabilities, with an allowable portion for general administration and public services.

The HOME program supports affordable housing through acquisition, rehabilitation, new construction, and tenant-based rental assistance. As with CDBG, HCD was advised by HUD to expect a 5 percent decrease in the HOME program. However, the actual funding amount for Federal Fiscal Year 2013 (County FY 2014) is $1,417,514, which represents a decrease of only $862. This minimal decrease will be spread across administration, the Community Housing Development Organization (CHDO) set-aside, and the rehabilitation of FCRHA properties.

The final amount anticipated for the HCV program for Calendar Year 2013 (CY 2013) is $42,925,845. The good news is that HUD will not take an offset and thus the worst-case scenario that was presented to you at the May 7, 2013 Housing Committee meeting in terms of utilizing the Bridging Affordability funding for Housing Assistance Payments will likely not take place. However, the FCRHA will be required to fully deplete its reserve to fund existing voucher holders through the end of FY 2014. Therefore, approximately $1 million in Bridging Affordability funding will be needed to replenish a one-week reserve for the program. It should be noted that all projections are based on an assumed attrition rate of 10 vouchers per month, and HCD is on-target with that rate at this point in time. Looking forward to CY 2014, HCD is now less optimistic that program equilibrium will be reached by July 1, 2014, which would have allowed for restarting of leasing to new households in the program. HCD is uncertain as to when new leasing will be able to begin again. The FCRHA, through its THRIVE Advisory Committee, will address the reality of a smaller program and less funding in the future, and will assess the various options presented to you at the May 7, 2013 Housing Committee meeting. Recommended policy changes will be forthcoming to the FCRHA and the Board will be kept fully informed.

Updated Head Start Information

As described in the June 14th NIP item to the Board (see attached), the federal Office of Head Start announced that grant funding for the Head Start and Early Head Start programs will be reduced by 5.27 percent or $401,888 for the new program year which begins August 1, 2013. In order to accommodate this decrease, staff proposed a combination of reductions to both enrollment and transportation services. However, after discussion at the June 25th Board of Supervisors Human Services Committee meeting, staff was directed to address this shortfall utilizing one-time funding from the Sequestration Reserve. This funding adjustment will be included in the *FY 2013 Carryover Review*.

Draft Sequestration Reserve Guidelines

For years, Fairfax County has benefited from its proximity to the federal government. However, the prolonged uncertainty over sequestration has been a weight on business investment, hiring, income growth and overall economic activity.

The sequestration reserve was designed as a result of automatic, across-the-board cuts to federal government agencies over 10 years. Sequestration reserve funding is recommended to supplement reductions that result in an increased threat to the publics' safety and/or endanger the most vulnerable and needy clients and/or impact County systems and processes of which the reduction is only one component.

1. The decision to continue operating a program impacted by sequestration will be made by the Board of Supervisors.

2. The reserve is intended as one time, temporary funding to be used as a stop gap measure until permanent funding and programmatic decisions can be made by the Board of Supervisors during the annual budget process or at quarterly reviews. Cuts or reductions in fully federally funded programs are not intended to be restored with General Fund funding.

3. An appropriate use of the sequestration reserve is to compensate for a decline in local revenue as a result of federal sequestration.

Sequestration on the Web

The Department of Management and Budget has created a sequestration webpage on its internet website. This webpage provides County initiated sequestration documents, such as the October 2012 Report to the Board of Supervisors and Economic Advisory Commission, as well as links to other relevant sequestration information. The webpage can be found at the following URL: http://www.fairfaxcounty.gov/dmb/sequestration.htm.

Next Steps

We will continue to gather the latest sequestration information from our contacts at the federal and state level, and provide another update when we have additional substantial information.

Attachment

cc: Susan W. Datta, Director, Department of Management and Budget and Chief Financial Officer
Patricia D. Harrison, Deputy County Executive
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County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County

DATE: JUN 14 2013

TO: Board of Supervisors

FROM: Edward L. Long, Jr.
County Executive

SUBJECT: Proposed Sequestration Reductions for Head Start and Early Head Start

The federal Office of Head Start (OHS) recently announced that funding levels for all Head Start and Early Head Start grants will be reduced by 5.27 percent for federal FY 2013. For Fairfax County, this is a reduction of $401,888 for the program year that begins August 1, 2013 (down from $7,625,958 for federal FY 2012). As directed in the FY 2014 Budget Mark-Up process, staff are returning to the Board of Supervisors with recommendations on how to implement those reductions.

Background

The Fairfax County Board of Supervisors is the grantee for the federal Head Start and Early Head Start program and the Department of Family Services, Office for Children (OFC) directly operates the Greater Mount Vernon Community Head Start programs, through which children are served in either a center-based or family child care model. The county also has contractual delegate relationships with: 1) Fairfax County Public Schools (FCPS), which serves children in a center-based model, and 2) Higher Horizons Day Care Center, a private non-profit organization, which provides center-based and home-based services. Federal grant funds currently support the following enrollment numbers:

	Head Start	Early Head Start
Grantee – GMVCHS		
Center-Based	104	32
Family Child Care	0	112
	104	**144**
Delegate – FCPS		
Center-Based	**242**	**48**
Delegate – Higher Horizons		
Center-Based	88	16
Home-Based	0	36
	88	**52**
Total	**434**	**244**

Please note that a combination of county, FCPS, and state funding enables the county to serve an additional 1,179 three- to five-year-olds in county and FCPS classroom-based early childhood education programs.

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Framework
When making decisions about how to alter programs in order to operate at reduced funding levels, OHS directed grantees to utilize the following framework (ACF-PI-HS-13-01):

- The first priority for all programs is to maintain a high quality of service provided to children and families and to ensure their health and safety.
- It is critical to minimize disruptions to currently enrolled children for this program year. (Please note that Fairfax County was not required to make any reductions for its current program year, August 1, 2012-July 31, 2013, as that funding was provided from the federal FY 2012 appropriation.)
- Enrollment reductions, as well as workforce reductions, are expected particularly in the upcoming program year.

In addition, the Board of Supervisors directed staff to minimize the impact of cuts on children currently enrolled in Head Start.

Proposed Reductions and Impact
Given this, OFC has worked with its grantee and delegate-run programs as well as with the parent Policy Council (the formal structure through which parents participate in policy making and other decisions about the program, as required by federal regulations), to determine how to best implement the sequestration reductions. Programs have proposed a combination of reductions in enrollment, staff, and services, as outlined in the table below.

Program	Description of Reduction	Impact	Amount
Grantee – GMVCHS center-based	Reduce transportation and materials, supplies, and program enrichment activities for Head Start.	Approximately 60 Head Start children will no longer have transportation to and from the GMVCHS center, potentially jeopardizing their ability to participate in the program.	$95,362
Grantee – GMVCHS family child care	Reduce Early Head Start enrollment and eliminate 1/1.0 FTE county merit grant position.	12 fewer children and their families will receive Early Head Start services.	$103,500
Delegate – FCPS center-based	Reduce the program year for Early Head Start children (6 classrooms) by approximately 20 days and reduce teacher contract days and materials and supplies accordingly.	48 children and their families will no longer receive full-year Early Head Start services and may need to find alternate care.	$152,522
Delegate – Higher Horizons home-based	Reduce Early Head Start enrollment and eliminate one (non-county) position.	12 fewer children and their families will receive Early Head Start services.	$50,504
Total			**$401,888**

These reductions will allow programs to continue to meet the federal Head Start Performance Standards and to maintain quality of service to children and families, as directed by OHS. In addition, as directed by the Board of Supervisors, staff have also tried to mitigate the impact on children currently enrolled in Head Start and Early Head Start and it is anticipated that some of the proposed enrollment reductions for Early Head Start can be handled through attrition as children turn three years old and age out of the program.

The deadline for the county to report sequestration reduction information to the federal government is June 15. Federal regulations require that the Board of Supervisors, as the Head Start governing body, is notified of these reductions, and the Board will be briefed on this at the June 25th Human Services Committee meeting. Please contact me with any questions on the proposed reductions.

cc: Patricia D. Harrison, Deputy County Executive
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Anne-Marie D. Twohie, Director, Office for Children