



**A Joint Meeting of the
Board of Supervisors
and School Board**

FISCAL YEAR
2027
BUDGET
FORECAST

December 2, 2025





Preface

FY27 BUDGET FORECAST



- Economic uncertainty continues, particularly given unpredictable federal policies
- Forecast includes early estimates of available revenues based on current information
 - Projections based on existing tax rates
- Focus is on the largest disbursement requirements, including collective bargaining agreements
- County and Schools continue reviewing budget submissions and building their proposed budgets
 - FCPS Superintendent's Budget release on January 22, 2026
 - County Executive's Advertised Budget release on February 17, 2026



Uncertainty in the Economic Environment

FY27 BUDGET FORECAST



Federal policy changes create significant uncertainty:

- Substantial impact in Northern Virginia, which is heavily reliant on federal employment and procurement spending
- DOGE impacts on federal employment in the region
- Federal Government shutdown negatively impacted the local economy – likely halted discretionary spending, delayed contracts, reduced consumer confidence
- Federal budget and impacts of H.R.1 (“One Big Beautiful Bill”) – continued monitoring/evaluation
- Trade policies and tariffs impact on inflation and consumer sentiment



State Revenue Picture

FY27 BUDGET FORECAST



- State General Fund revenue in FY 2025 exceeded the forecast by \$572 million
- Year-to-date FY 2026 State GF revenue collections are up 5.5% through October and are trending ahead of the official forecast
 - Sales tax collections are up 6.4%; withholding tax collections are up 8.6%
 - FY 2026 forecast can now be met even if revenues contract 1.7% for the remainder of the year; expect revenue forecast adjustment of at least \$865 million
- According to Senate Finance Committee, projected revenue growth in the new 2026-2028 biennium is 3.1% in FY 2027 and 3.6% in FY 2028
- However, significant uncertainties remain and risks are skewed to the downside, including federal actions
 - Available resources from the economic forecast might not be sufficient to cover major budget pressures such as Medicaid spending, K-12 rebenchmarking, SNAP administration, etc.



State of the Economy

FY27 BUDGET FORECAST



Fairfax County Unemployment:

August 2025: 3.7%

January 2025: 2.7%

August 2024: 2.9%

VA August 2025: 3.6%

U.S. August 2025: 4.3%

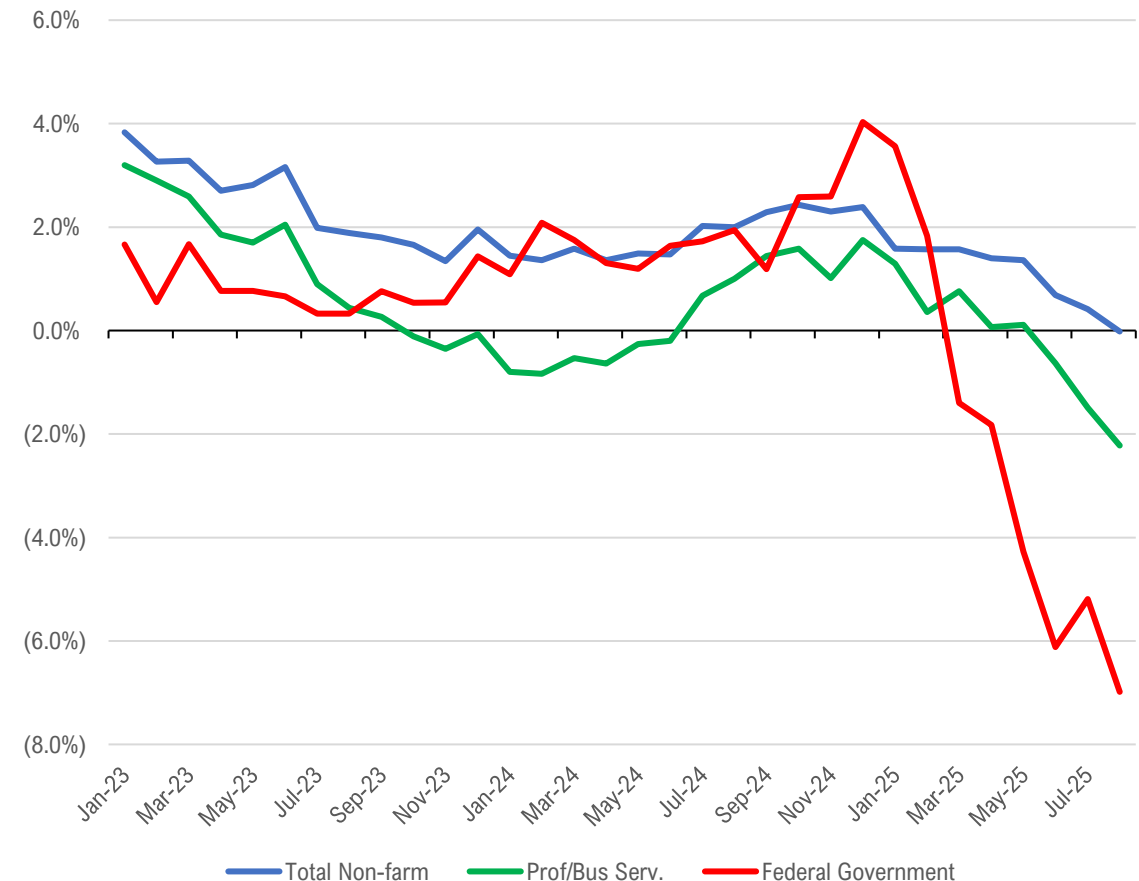
NOVA Aug 2025 Employment (YOY):

Total Non-farm jobs: -300, 0%

Prof./Business Serv. jobs: -10,300 or (2.2%)

Federal Government jobs: -6,600 or (7.0%)

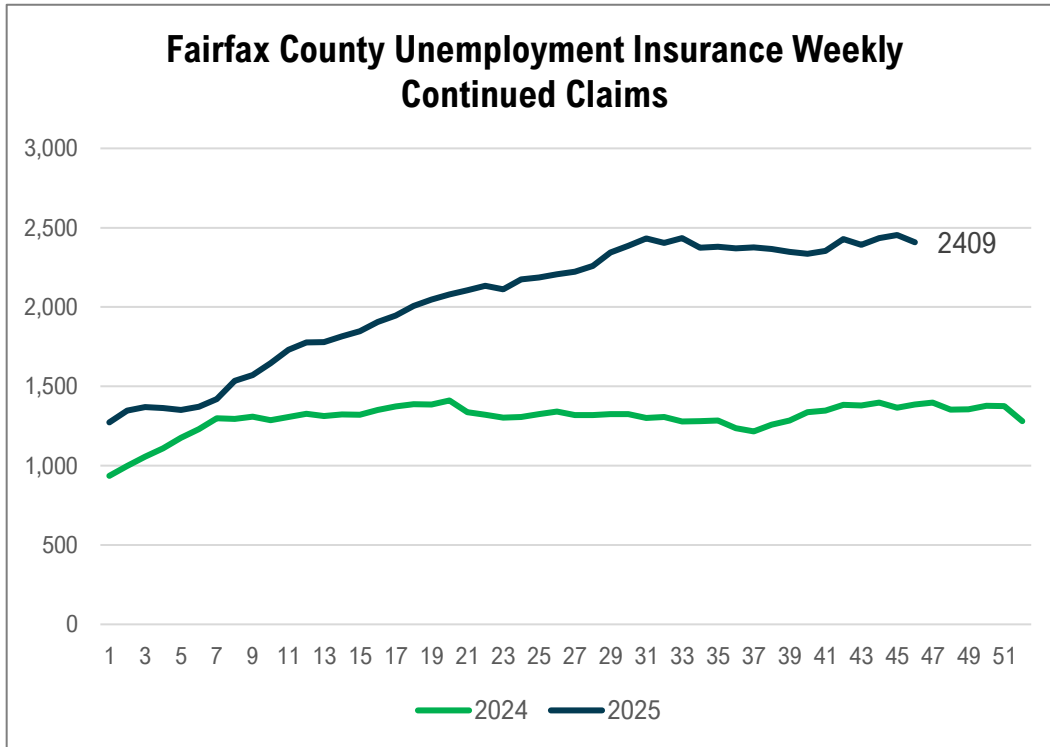
Northern Virginia Employment
% Change Year-Over-Year (Monthly)



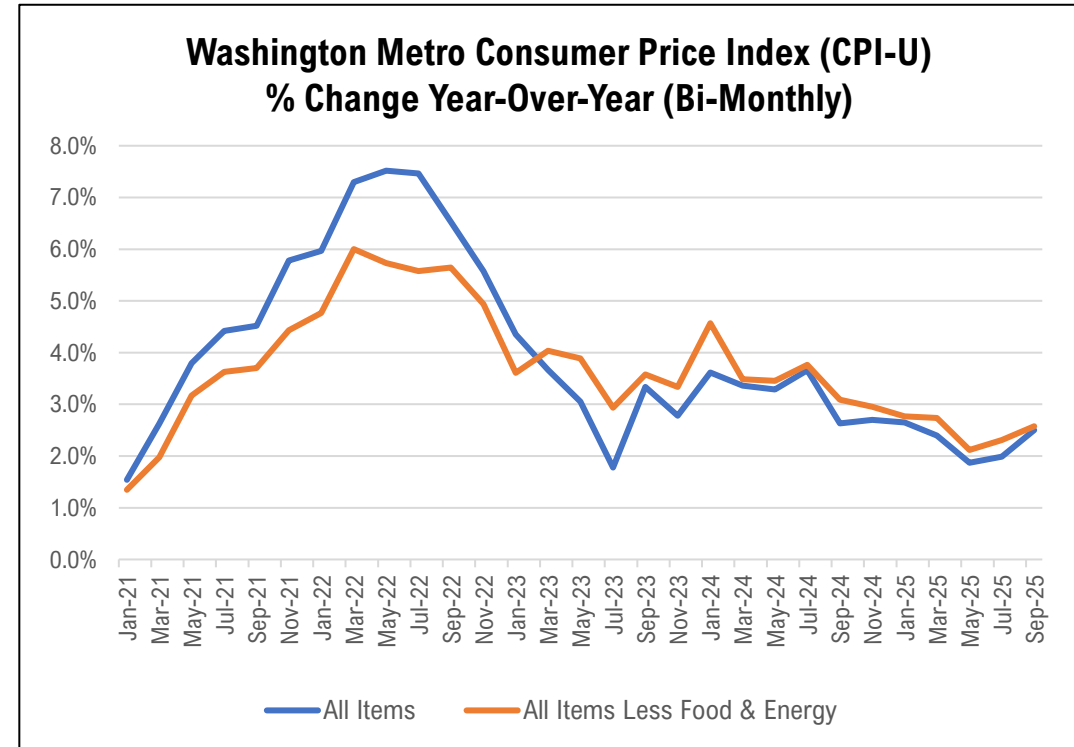


State of the Economy (Cont.)

FY27 BUDGET FORECAST



Data through November 15, 2025



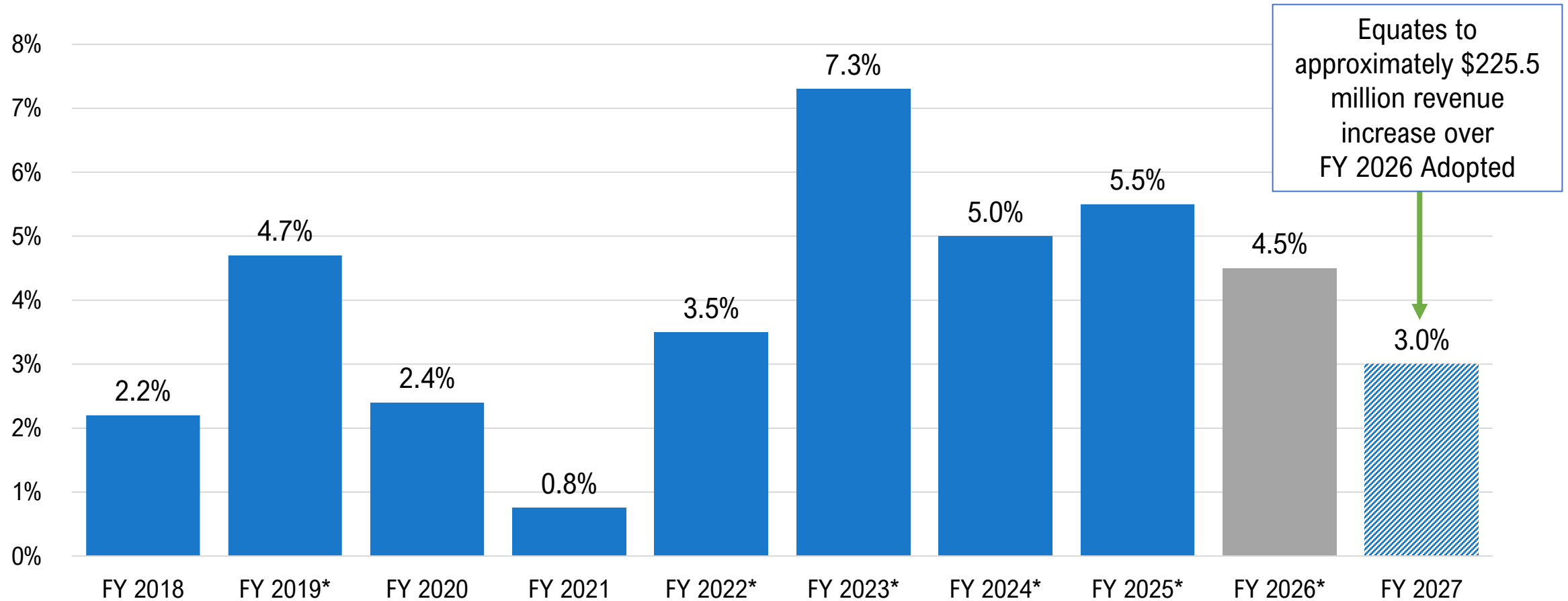
Data through September 2025



Annual Change in General Fund Revenue FY 2018 - FY 2027



FY27 BUDGET FORECAST



* Revenue change includes impact of real estate tax rate adjustments
Growth rates exclude the impact of one-time federal stimulus in FY 2020, FY 2021, and FY 2022

— Projections as of —
November 2025



FY 2027 Real Estate Projections



FY27 BUDGET FORECAST

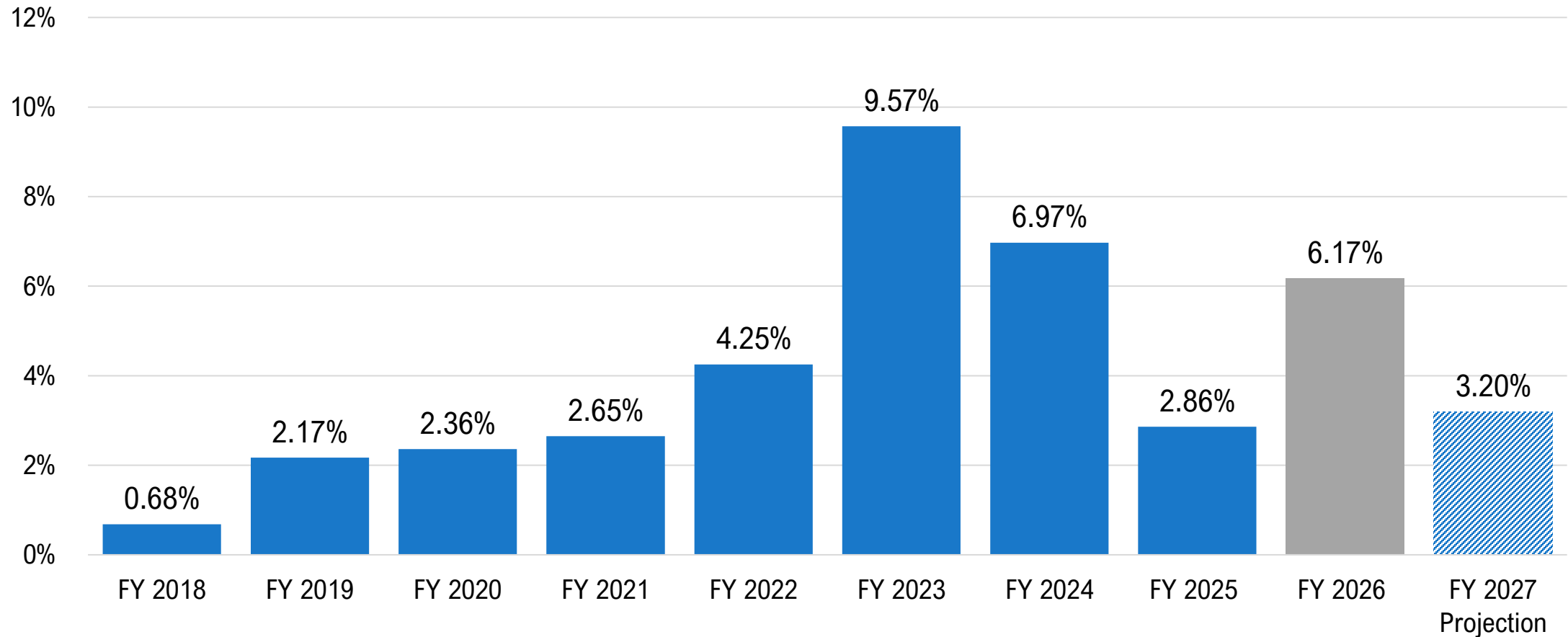
- Compared to FY 2026, lower growth in the real estate tax base is projected for FY 2027
- The number of active residential listings for sale is up almost 41%, mortgage rates still elevated, affordability is low, resulting in slower appreciation relative to last year
- Non-residential values are projected to decline for a third year in a row driven mainly by losses in office property values

Changes in Assessments	FY 2024 Actual	FY 2025 Actual	FY 2026 Actual	FY 2027 Estimate as of Nov. 2025
Residential Equalization	6.97%	2.86%	6.17%	3.20%
Nonresidential Equalization	1.65%	(1.24%)	(0.38%)	(0.55%)
New Construction	0.91%	0.82%	0.66%	0.52%
Total Real Estate base	6.59%	2.73%	5.34%	2.90%



Annual Changes in Residential Equalization

FY27 BUDGET FORECAST





Fairfax County's Housing Market

FY27 BUDGET FORECAST



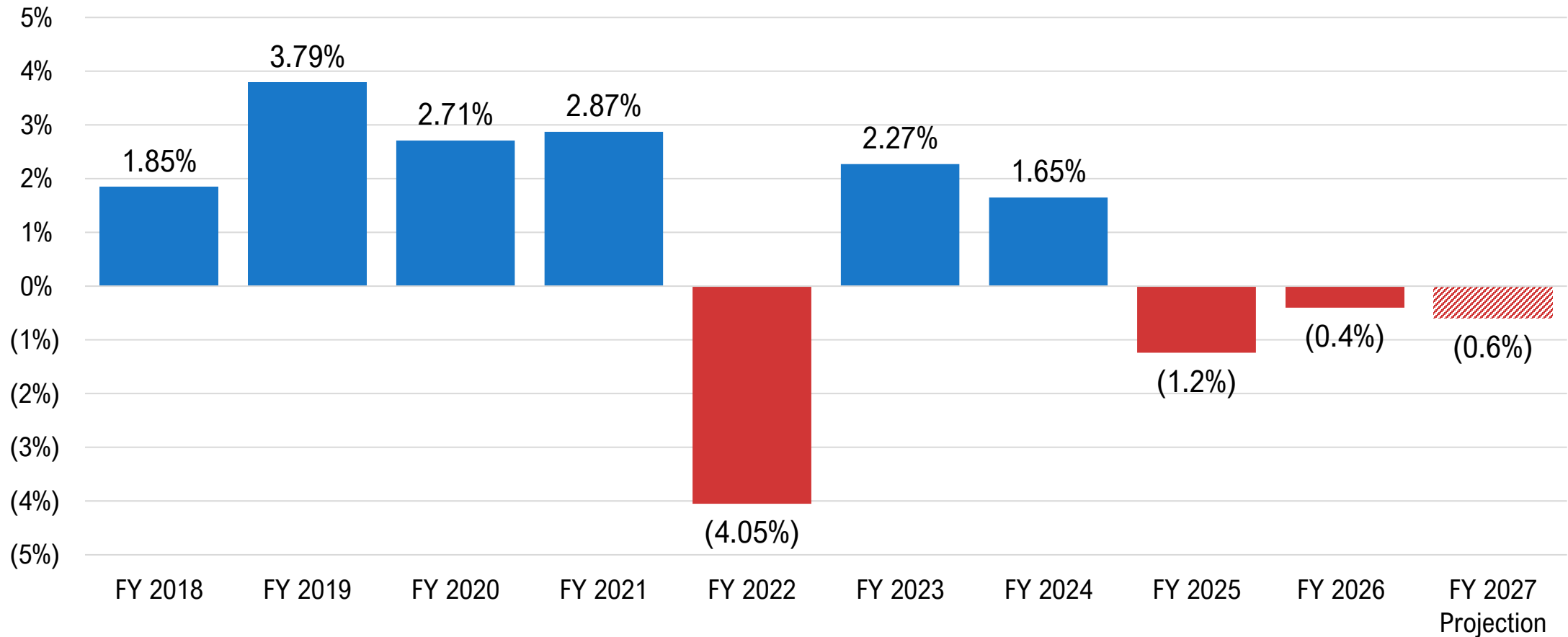
Residential values are projected to increase 3.20% in FY 2027

- Based on data from BrightMLS, the average sales price of all homes is up 2.9% through October 2025
- Through October, the number of home sales in the County is up just 0.9% compared to a year ago
- The average number of active listings for sale is up 40.6%
- October average days on the market was 26 compared to 18 in October 2024



Annual Changes in Nonresidential Equalization

FY27 BUDGET FORECAST





Nonresidential Real Estate

FY27 BUDGET FORECAST



Non-residential values are projected to decrease 0.55% in FY 2027

- Office Elevator properties are expected to decline in value between 5-8%
 - Vacancy rates are up 1.6% year-over-year
 - Spending on incentives to acquire new tenants has increased
 - Expenses have increased as a result of inflation; cap rates have also increased
- Multi-family property values are expected to increase 2-3%
- Retail property values are projected to increase 1-3%
- Hotels are projected to increase 2-4%



Other County Revenue Categories

FY27 BUDGET FORECAST



Tax Revenues

- Personal Property Tax – preliminary analysis indicates car values and volume in the County are up compared to January 2025; significant growth in business personal property tax levy as a result of new data centers
- BPOL (not reported until March 2026; based on CY 2025 gross receipts) – expected to increase 2% in FY 2026 and 1.5% in FY 2027
- Sales Tax – growth of 1.5% in FY 2027 after a projected increase of 2% in FY 2026
- Food and Beverage Tax revenue forecast is uncertain – will be implemented in January 2026; assumed flat for FY 2027

Non-Tax Revenues

- Investment Interest revenue – projected to decline in FY 2027
 - Lower annual yield of 3.50% in FY 2027, down from a projected 4.06% in FY 2026
 - The Federal Reserve cut interest rates by 25 basis points (bp) in September and another 25 bp in October to a range of 3.75-4.00%
 - While significant uncertainty exists, the Fed is expected to continue cutting the rate in calendar year 2026
- A number of General Fund user fees will be proposed for adjustment again in FY 2027 based on Board guidance to regularly evaluate fees to align with surrounding jurisdictions and account for cost increases
- Uncertainty concerning federal revenue continues – SNAP revenue for administrative expenses expected to be down \$6.7 million



Schools Revenue Projections

FY27 BUDGET FORECAST



- County Transfer
 - Assumes the County transfer is level. Over the past 4-years, the County transfer increase has ranged between 4.6% - 6.8%.
- State Revenue
 - Assumes an increase of \$17.3 million based on sales tax and a projected LCI change offset by a projected enrollment decline
- Federal Revenue
 - Assumes federal funding is level
- Beginning Balance
 - Funding set aside is \$4.1 million less than the FY26 Approved

REVENUE CATEGORY	CHANGE FROM FY26 APPROVED (\$ in millions)
County Transfer	TBD
State Revenue	\$17.3
Federal Revenue	\$0.0
Beginning Balance	(\$4.1)
TOTAL	\$13.2



FY 2027 Summary

FY27 BUDGET FORECAST



COUNTY	Funding in \$ millions	SCHOOLS
--	Projected Schools Revenue	\$13.2
(\$101.4)	Employee Pay and Benefits	(\$226.6)
(\$8.3)	Debt Service Requirements	(\$12.6)
--	Enrollment and Student Needs	\$41.9
(\$84.1)	Other Adjustments	(\$9.1)
\$30.0	Reductions	--
(\$163.8)	TOTAL	(\$193.2)

With County revenues estimated to increase \$225.5 million, there is a **combined net projected budgetary shortfall of \$131.5 million**



County Budget Actions in FY 2026

FY27 BUDGET FORECAST



- In order to balance the FY 2026 budget and offset required increases, the County implemented agency reductions totaling \$51.05 million and 189 positions
 - Included reduction and elimination of services as well as closure of facilities
 - Followed \$6.3 million in across-the-board reductions in FY 2024 and \$34.3 million in targeted agency spending reductions in FY 2025
- The FY 2026 budget also established a Reserve for Economic Uncertainty with initial funding of \$2.55 million
 - Additional funding added at Third Quarter and Carryover results in total funding of \$22.05 million
 - Allows the County to respond to negative impacts on the County's revenues from economic conditions and to increases in demand for County services



County Forecast of Base Requirements

FY27 BUDGET FORECAST



- FY 2027 Forecast focuses on base requirements:
 - Compensation adjustments consistent with Collective Bargaining Agreements
 - Benefit rate changes
 - Debt service
 - Contractual rate increases
- Limited investments anticipated in other priorities, such as new facilities and Board-directed expansion of Parks Zero Waste program
- Agencies directed to provide reduction options totaling 5% of General Fund support
- Significant unknowns, such as required transportation funding



County Collective Bargaining Agreements

FY27 BUDGET FORECAST



- FY 2027 will be third and final year of IAFF (Fire and Emergency Services Bargaining Unit) and SSPBA (Police Bargaining Unit) agreements
 - Negotiations for new agreements anticipated to begin in spring 2026, to be effective July 1, 2027
- Negotiation with SEIU (General Government Bargaining Unit) has concluded
 - 3-year agreement reached
 - Agreement will be presented to the Board at its December 9 meeting for approval
 - Contract provisions take effect on or before July 1, 2026



General Government Bargaining Unit Tentative Agreement

FY27 BUDGET FORECAST



- Base pay
 - 2% Cost of Living Adjustment (COLA)
 - Performance and longevity increases
 - Performance increases adjusted
 - Longevities at 20 and 25 years increased from 4% to 5%
- Other provisions such as
 - Two floating holidays
 - Increased language stipend
 - Increased shift differential rate
- Total FY 2027 General Fund cost of \$51.6 million
 - Includes \$42.1 million in impacts related to General Government Bargaining Unit members, as well as \$9.8 million in potential impacts on non-bargaining unit members (including non-represented, IAFF, and SSPBA employees)

Position in Pay Range		CURRENT	PROPOSED
Greater Than or Equal to	Less than	Performance Increase Eligible	Performance Increase Eligible
0%	15%	3.00%	3.50%
15%	30%	2.50%	3.00%
30%	45%	2.00%	2.50%
45%	60%	1.75%	2.00%
60%	75%	1.50%	1.50%
75%	100%	1.25%*	1.25%*

*Until reach maximum of pay scale



County Salary and Benefits

FY27 BUDGET FORECAST



EXPENDITURE CATEGORY	CHANGE FROM FY 2026 ADOPTED
General Government Bargaining Unit (SEIU) First year of contract effective July 1, 2026	\$42.1 million
Police Bargaining Unit (SSPBA) Third and final year of contract effective July 1, 2024	\$16.0 million
Fire and Emergency Services Bargaining Unit (IAFF) Third and final year of contract effective July 1, 2024	\$13.2 million
Non-Represented Employees Includes 2% COLA; Performance, Merit and Longevity Adjustments; and potential impacts of SEIU contract on SSPBA, IAFF and non-represented employees	\$14.9 million
Employee Benefits	\$15.2 million
TOTAL	\$101.4 million



Debt Service and Other County Adjustments

FY27 BUDGET FORECAST



EXPENDITURE CATEGORY	CHANGE FROM FY 2026 ADOPTED
Debt Service Requirements	\$8.3 million
Contract Rate Adjustments and Fuel	\$20.4 million
New Facilities and Lease Escalation Includes operating costs for Tysons Community Center and The Commons – Mount Vernon as well as lease escalations for existing facilities	\$8.6 million
Information Technology	\$12.5 million
Metro and Connector	\$24.0 million
Impacts of State and Federal Action Includes state mandates as well as impacts of federal action on local funding and community need	\$8.3 million
Other Requirements	\$10.3 million
TOTAL	\$92.4 million



FY 2027 County Agency Reductions

FY27 BUDGET FORECAST



- County agencies submitted reduction options totaling 5 percent of their budgets
- Employee I.D.E.A.S. portal received more than 850 suggestions
- Reductions are currently being reviewed to determine most feasible options
 - FY 2027 reduction options will primarily impact programs and services as agency flexibility has diminished due to prior years reductions
- Preliminary estimate of \$30 million in reductions to be realized



Schools Reductions to Balance FY 2026

FY27 BUDGET FORECAST



- FY 2026 was faced with difficult decisions requiring \$121.3 million in adjustments to balance the budget including renegotiations of the collective bargaining agreement
- Reductions included adjustments to staffing formulas, including class size across all school levels; reductions to proposed compensation increases; and delays in planned investments
- To address the impact of staffing formula adjustments, schools were given flexibility in using carry-forward funds

FY 2026 SUMMARY	AMOUNT (\$ in millions)
Reduce Employee Compensation	(\$33.4)
Staffing Formula Adjustments	(\$48.5)
Defer Social Studies Curriculum Materials	(\$15.3)
Reduce Post-COVID Classroom Monitors	(\$13.2)
Central Office Department Reductions	(\$7.5)
Reduce EV Bus Funding	(\$2.8)
Reduce Nonlocal Travel	(\$0.7)
Total FY26 Expenditure Adjustments	(\$121.3)



Schools Forecast of Base Requirements

FY27 BUDGET FORECAST



- Given the economic uncertainty, no new resources were considered. Departments were encouraged to review their budgets and repurpose existing resources for programmatic needs.
- Recognizing the current economic environment, this forecast only reflects the **base requirements** of the school division which include:
 - Compensation adjustments to meet the collective bargaining agreement
 - Enrollment and Student Needs
 - Benefit rate changes
 - Contractual rate increases
- At the time of this forecast, negotiations for FCFPSA are not yet completed
- Forecast does not include many important priorities



Schools Required Expenditures

FY27 BUDGET FORECAST



- Step Increase (last provided FY 2024)
 - Based on the CBA, funding includes step increases for employees.
- Market Scale Adjustment of 3%
 - Based on the CBA, funding provides a 3% market scale adjustment for all employees. Each 1% equates to \$31.6 million.
- FCFPSA Collective Bargaining (negotiations not yet completed)
- Benefit Rate Changes
 - Assumes the impact of health and retirement rate changes for ERFC. No rate changes for FCERS. VRS rates will be known in December.
- Enrollment and Student Needs
- Contractual - Escalations, contracts, renewals, and leases

EXPENDITURE CATEGORY	CHANGE FROM FY26 APPROVED (\$ in millions)
Step Increase	\$82.6
Market Scale Adjustment of 3%	\$94.8
FCFPSA Collective Bargaining	TBD
Benefit Rate Changes	\$49.2
Enrollment and Student Needs	(\$41.9)
Contractual	\$9.1
Total Required Expenditures	\$193.8

89% of the FY26 budget is for employee compensation, reflecting the fact that education is a labor-intensive enterprise



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Budget Timeline

FY27 BUDGET FORECAST



	COUNTY	FCPS	STATE
Governor introduces state budget			December 17
Superintendent releases FY 2027 Proposed Budget		January 22	
School Board holds public hearings on budget (February 11 if needed)		February 10	
County Executive presents FY 2027 Advertised Budget	February 17		
Joint County/Schools Budget Committee Meeting to discuss FY 2027 budget and tax rate	February 24	February 24	
School Board adopts FY 2027 Advertised Budget		February 26	
Board of Supervisors advertises FY 2027 tax rates	March 17		
Board of Supervisors holds public hearings on FY 2027 Budget	April 14-16		
Board of Supervisors marks up FY 2027 Budget	April 28		
Board of Supervisors adopts FY 2027 Adopted Budget	May 5		
School Board holds public hearings on budget		May 12	
School Board adopts FY 2027 Approved Budget		May 21	
FY 2027 Budget Year begins	July 1	July 1	July 1



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Thank You



For more information go to
www.fcps.edu/budget
www.fairfaxcounty.gov/budget