



# FY 2026 ADVERTISED BUDGET

AND THE FY 2026-2030 CAPITAL IMPROVEMENT PROGRAM

COUNTY EXECUTIVE'S PRESENTATION

FEBRUARY 18, 2025

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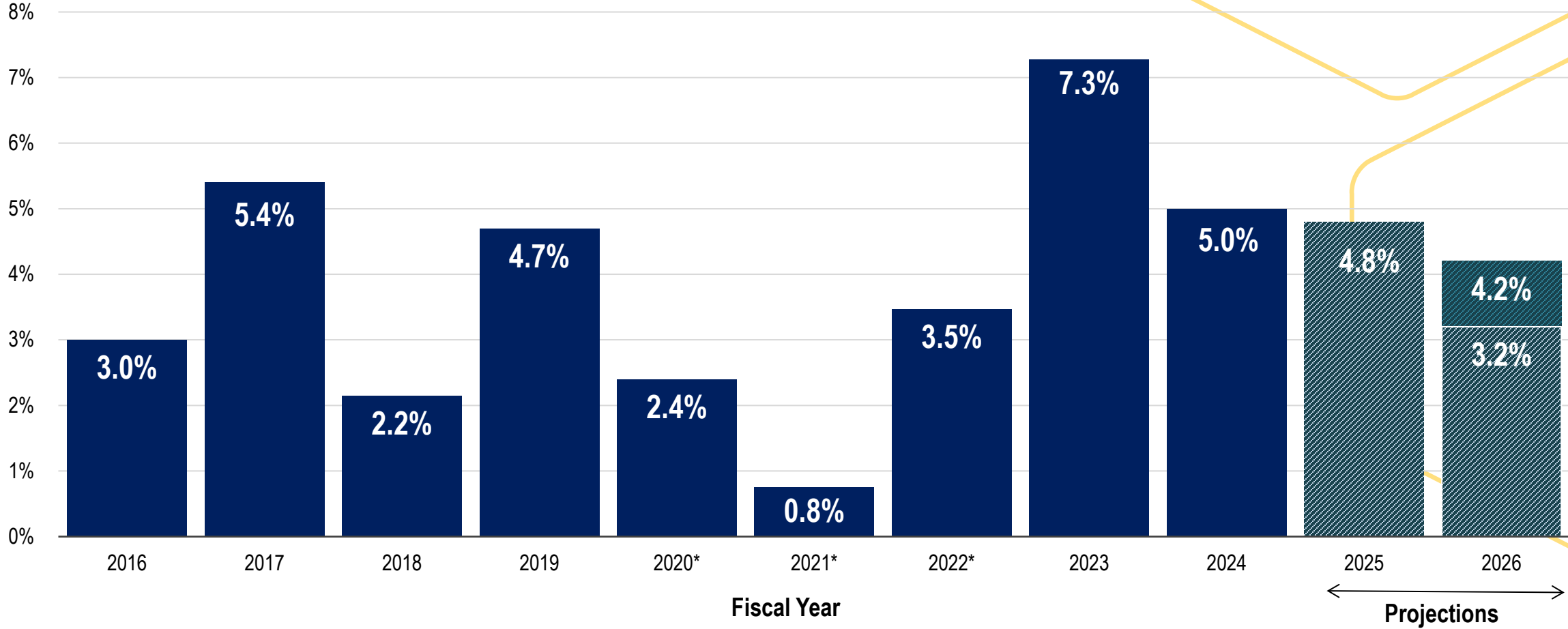
# FY 2026 Advertised Budget Highlights

- Real estate tax base increasing 5.34 percent, with continued declines in non-residential equalization
- Shares available revenue proportionally with Schools
  - Partially funds the Superintendent's Proposed Budget
  - Growth rate for both County and Schools budgets just under 4.5 percent
- Includes funding for the County's compensation program
  - Fully funds second year of collective bargaining agreements with IAFF and SSPBA
  - Fully funds compensation program for non-represented employees, including Performance, Merit and Longevity Increases and 2.00% Cost-of-Living Adjustment
- Dedication of an additional ¼ penny, or \$8.5 million, for affordable housing
- Funding these items requires a 1.5-cent increase in the Real Estate Tax rate to \$1.14 per \$100 of assessed value
- 2% increase in the Transient Occupancy Tax rate is proposed, including 1% held in reserve for tourism-related purposes and 1% utilized to balance the budget
- All other County priorities are more than offset by \$60 million in agency reductions
  - Reductions include 208 positions
  - Other adjustments, including required debt service payments and targeted investments for information technology, inflationary increases and new facilities, total \$53 million, net of revenue, and 9 merit positions

# Economy

- National Economy
  - Real GDP increased 2.8% in 2024
  - Job growth averaged 186,000 jobs per month in 2024
  - Housing prices continued to increase as inventory remained low
  - Inflation continued to moderate – Consumer Price Index increased 2.9% in December 2024 compared to 3.4% in December 2023
- Local Economy
  - Fairfax County's unemployment rate averaged 2.5% in 2024, same as in 2023
  - Gross County Product increased 1.9% in 2024
- Uncertainty regarding the national economy, and especially our region, as the new presidential administration is making drastic policy changes to reduce the size of the federal government and implement sweeping tariffs and stricter immigration policies

# Annual Change in General Fund Revenue FY 2016 – FY 2026



\* Excludes the impact of one-time federal stimulus revenue received in FY 2020, FY 2021, and FY 2022

# Annual Growth in Major Revenue Categories

(Dollars in millions)	FY 2021	FY 2022	FY 2023	FY 2024	Projections	
					FY 2025	FY 2026
Real Estate - Current	\$2,997.9	\$3,049.8	\$3,204.0	\$3,369.2	\$3,552.0	\$3,782.7
Percent Change	3.8%	1.7%	5.1%	5.2%	5.4%	6.5%
Personal Property – Current*	\$627.6	\$658.6	\$738.5	\$731.8	\$784.7	\$773.6
Percent Change	(1.1%)	4.9%	12.1%	(0.9%)	7.2%	(1.4%)
Sales Tax	\$200.8	\$231.1	\$240.1	\$243.2	\$246.4	\$251.4
Percent Change	5.1%	15.1%	3.9%	1.3%	1.3%	2.0%
BPOL - Current	\$171.3	\$184.3	\$195.0	\$203.9	\$210.0	\$215.3
Percent Change	(1.5%)	7.6%	5.8%	4.5%	3.0%	2.5%
Investment Interest	\$23.0	\$17.2	\$116.3	\$174.1	\$174.1	\$150.4
Percent Change	(64.2%)	(25.1%)	576.7%	49.7%	0.0%	(13.6%)
<b>Total General Fund</b>	<b>(1.2%)</b>	<b>3.4%</b>	<b>4.8%</b>	<b>5.0%</b>	<b>4.8%</b>	<b>4.2%</b>

\* Reflects personal property tax assessment ratio of 85% in FY 2023 and 90% in FY 2024

# Real Estate Tax Base

The projected value of 1 Penny on the Real Estate tax rate equals \$33.95 million in revenue in FY 2026

A Real Estate tax rate of \$1.14 results in an increase in the average tax bill of just over \$638

The Commercial/Industrial percentage of the total real estate assessment base decreased from 15.58% in FY 2025 to 14.80% in FY 2026

	2021	2022	2023	2024	2025	2026
Residential Equalization	2.65%	4.25%	9.57%	6.97%	2.86%	6.17%
Residential Growth	0.67%	0.76%	0.78%	0.85%	0.54%	0.48%
<b>Total Residential</b>	<b>3.32%</b>	<b>5.01%</b>	<b>10.35%</b>	<b>7.82%</b>	<b>3.40%</b>	<b>6.65%</b>
Non-Residential Equalization	2.87%	(4.05%)	2.27%	1.65%	(1.24%)	(0.38%)
Non-Residential Growth	2.10%	1.13%	1.08%	1.10%	1.78%	1.29%
<b>Total Non-Residential</b>	<b>4.97%</b>	<b>(2.92%)</b>	<b>3.35%</b>	<b>2.75%</b>	<b>0.54%</b>	<b>0.91%</b>
Total Equalization	2.71%	2.02%	7.72%	5.68%	1.91%	4.68%
Total Growth	1.05%	0.86%	0.85%	0.91%	0.82%	0.66%
<b>TOTAL</b>	<b>3.76%</b>	<b>2.88%</b>	<b>8.57%</b>	<b>6.59%</b>	<b>2.73%</b>	<b>5.34%</b>



# Residential Market

Residential properties comprise approximately 78.2% of total base

Average price of homes sold in CY 2024 was up 8.6%

The number of home sales increased by 5.1% from 11,218 homes in 2023 to 11,787 in 2024

Homes that sold in 2024 stayed on the market for an average of 17 days, one day less than in 2023

## Residential Equalization Percent Changes

Housing Type (Percent of Base)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Single Family (71.8%)	2.36	4.17	10.86	7.80	2.79	6.38
Townhouse/Duplex (19.9%)	3.43	5.13	8.70	6.31	2.99	6.53
Condominiums (7.9%)	4.36	4.62	3.98	3.98	4.21	5.84
Vacant Land (0.3%)	1.89	2.07	11.67	6.40	3.48	6.59
Other (0.1%)	0.35	1.95	3.88	9.25	0.70	6.14
<b>Total Residential Equalization (100%)</b>	<b>2.65%</b>	<b>4.25%</b>	<b>9.57%</b>	<b>6.97%</b>	<b>2.86%</b>	<b>6.17%</b>

# Nonresidential Real Estate

The amount of empty office space in the County increased to 22.1 million sq. ft. out of 119.9 million sq. ft.

Office vacancy rates as of year-end 2024

- 17.8% direct, up from 17.2% as of year-end 2023
- 18.4% with sublets, up from 18.1% at year-end 2023

Currently, 0.2 million sq. ft. of office space under construction

## Nonresidential Equalization Percent Changes

Category (Percent of Base)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Apartments (32.0%)	4.37	2.78	6.60	4.04	1.97	1.31
Office Condominiums (3.4%)	0.43	(0.59)	0.65	1.61	(0.05)	2.01
Industrial (7.6%)	2.01	0.14	1.97	9.59	(1.37)	2.14
Retail (16.2%)	2.59	(10.20)	2.84	3.92	1.14	0.94
Office Elevator (23.8%)	4.01	(4.42)	(0.45)	(3.69)	(9.09)	(7.20)
Office – Low Rise (2.0%)	1.77	(3.28)	2.41	(1.17)	(3.67)	1.73
Vacant Land (3.7%)	(0.13)	(5.36)	(0.74)	(3.27)	(1.84)	(1.43)
Hotels (3.1%)	2.23	(44.20)	1.92	14.46	22.17	17.38
Other (8.2%)	1.52	(3.75)	0.84	3.91	2.83	2.75
<b>Total Nonresidential Equalization (100%)</b>	<b>2.87%</b>	<b>(4.05%)</b>	<b>2.27%</b>	<b>1.65%</b>	<b>(1.24%)</b>	<b>(0.38%)</b>



# FY 2026 Budget Summary

Net County resources are projected to increase by \$263.96 million

## Allocation of resources include:

- \$118.00 million for County priorities
- \$125.34 million for Schools
- \$8.49 million for Affordable Housing
- \$6.52 million in reserve for Tourism Promotion
- \$5.62 million balance for Board Consideration

Schools remain at 51.5% of General Fund Disbursements in FY 2026

County's reserves remain budgeted at target of 10% of General Fund disbursements

## ADJUSTMENTS INCLUDED IN FY 2026 GENERAL FUND BUDGET

(Amounts shown are in millions, net change over FY 2025 Adopted Budget Plan)

Projected Revenue Increase				
	County	Schools	Unallocated	Total
Projected Revenue Increases				
- Revenue Increase at Current Real Estate Tax Rate (\$196.57)	\$123.05	\$125.34	\$12.14	\$260.53
- 1.5 Cent Real Estate Tax Rate Increase (\$50.93)				
- Transient Occupancy Tax Increase (\$13.03)				
Additional ¼ Penny for Affordable Housing	(\$8.49)	--	--	(\$8.49)
Revenues associated with Expenditure Adjustments	\$5.68	--	--	\$5.68
Net Impact of Transfers In	(\$2.25)	--	--	(\$2.25)
<b>Total Available</b>	<b>\$118.00</b>	<b>\$125.34</b>	<b>\$12.14</b>	<b>\$255.47</b>
FY 2026 Requirements				
	County	Schools	Unallocated	Total
School Operating Support	--	\$118.64	--	\$118.64
County Compensation	\$123.60	--	--	\$123.60
Debt Service	\$8.60	\$6.70	--	\$15.30
New Facilities	\$4.80	--	--	\$4.80
Contracts/Inflationary	\$16.22	--	--	\$16.22
Information Technology	\$10.57	--	--	\$10.57
Cost of County Operations	\$10.17	--	--	\$10.17
Mandates/Expiration of Grant Funding	\$3.84	--	--	\$3.84
Reductions	(\$59.80)	--	--	(\$59.80)
<b>Subtotal</b>	<b>\$118.00</b>	<b>\$125.34</b>	<b>\$0.00</b>	<b>\$243.34</b>
Reserve for Tourism	--	--	\$6.52	\$6.52
<b>Total Uses</b>	<b>\$118.00</b>	<b>\$125.34</b>	<b>\$6.52</b>	<b>\$249.86</b>
<b>Available Balance for Board Consideration</b>	<b>--</b>	<b>--</b>	<b>\$5.62</b>	<b>\$5.62</b>

# Support for Fairfax County Public Schools

*\$118.64M*

- Provides funding of \$118.64 million towards the School Operating transfer request included in the Superintendent's Proposed Budget
- Superintendent's budget requested increase of \$268.26 million, or 10.4%
  - ✦ Largest school operating increase request, in terms of dollars, in history
- Proposed budget includes:
  - ✦ \$23.2 million in increased state revenue
  - ✦ 7% compensation adjustment for all employees effective July 1, 2025
  - ✦ \$20 million in funding to address student demographic and enrollment changes
- Funding the Superintendent's request would require an additional \$149.62 million – or another 4.5 cents on the Real Estate Tax rate beyond the 1.5-cent increase upon which this budget is balanced
- The additional \$6.70 million for School debt service is discussed later in the presentation



# County Compensation

*\$123.60M*

- General County and non-represented uniformed public safety employees
  - Cost of Living Adjustment of 2.00%
    - ✦ The County's living wage increases to \$17.44 per hour
  - Performance, Merit and Longevity increases
  - Includes adjustments for market study benchmark results
- Funds Collective Bargaining Agreements
  - IAFF bargaining unit members (Firefighters and E-911 Dispatchers)
    - ✦ Merit increases
    - ✦ 3.1% scale adjustment
  - SSPBA bargaining unit members (Police Officers)
    - ✦ Merit and Longevity increases
    - ✦ 2% scale adjustment and 2% cost of living adjustment
- Net increase of \$27.38 million in employee benefits due to increased retirement contribution rates and retiree health care

# Debt Service and Bond Referendum Plan

*\$15.30M*

- Increase of \$8.60 million for County and \$6.70 million for Schools supports programmed debt service payments
- Bond sale in January 2025 included \$170 million for the County and \$230 million for Schools
  - Interest rate of 3.57%, up from 3.27% last year
  - January 2025 bond sale fully implements the planned increase in limits for County and Schools

## FY 2026-FY 2030 CIP Bond Referendum Plan

Year	Category	Description	Total
Fall 2025	Schools	Capital Enhancement, Renovation, Infrastructure Management	\$460 mil
Fall 2026	County	Human Services      \$125 mil      Early Childhood Facilities, Tim Harmon Campus, Springfield Community Resource Center, Health Lab Libraries              \$41 mil      Herndon Fortnightly Community, Kings Park Community Parks                    \$180 mil      County Park Authority	\$346 mil
Fall 2027	Schools	Capital Enhancement, Renovation, Infrastructure Management	\$460 mil
Fall 2028	County	Transportation      \$200 mil      Metro Contribution	\$200 mil
Fall 2029	Schools	Capital Enhancement, Renovation, Infrastructure Management	\$460 mil

# Affordable Housing

- Board's budget guidance on Affordable Housing has identified a goal of reaching a total investment of two pennies on the Real Estate Tax rate by FY 2027
  - Funding necessary to reach goal of a minimum of 10,000 new affordable homes by the year 2034
- Proposal includes dedication of additional  $\frac{1}{4}$  penny, or \$8.49 million
  - Including existing penny, funding totals  $1\frac{1}{4}$  pennies, or \$42.44 million
- Since 2020, 1,149 units have been delivered
  - Additional 2,443 units under construction or pre-development

# New Facilities

*\$4.80M*

- **Kingstowne Complex**
  - Kingstowne Center for Active Adults (\$0.69 million and 3 positions) will double in size with increased programming
  - New Kingstowne Child Care Center (\$0.36 million) will serve 78 children ages birth to 5 years
  - Kingstowne Library (\$0.36 million and 2 positions) will be expanded from a community branch to a regional branch
  - No additional operating budget is included for the Franconia Police Station, Franconia District Supervisor's office and Franconia Museum that will be collocated at the facility
- **Fair Ridge Family Shelter**
  - Extended stay hotel repurposed into the Fair Ridge Family Shelter (\$3.38 million) will serve families experiencing homelessness

# Other Adjustments

*\$40.80M*

- \$16.22 million due to inflationary increases in contracts, including increases in personnel-based human services contracts, Police body worn cameras, and animal shelter veterinary services
- \$10.57 million to support Information Technology, including enhancements to IT infrastructure and operating support for completed IT projects
- \$10.17 million for increases in the cost of County operations, including lease escalations, maintenance at new or expanded facilities, fuel, and library security
- \$3.84 million as a result of state and federal mandates and the expiration of grant funding, including the establishment of a Fire and Rescue Department pharmacy, replacing expired Victims of Crime Act (VOCA) grant funding, and providing legal services to indigent defendants



# Reductions

*(\$59.80M)*

- \$59.50 million in net savings identified, including a reduction of 208 positions
  - \$59.80 million in expenditure reductions, partially offset by \$0.30 million in decreased revenue
  - Proposed reductions are more difficult than those taken last year, and include full or partial program reductions
- Highest level of reduction since FY 2010, when over \$90 million was cut from the budget following the Great Recession
- In total, the County has cut spending by approximately \$100 million since FY 2024
- Our goal is that all impacted merit employees will be offered another employment opportunity within the County

# Revenue Diversification

- Revenue diversification options presented at the September Budget Committee meeting
- Food and Beverage Tax is not included in the Advertised Budget
- If approved, a tax could not be implemented until January 2026
- Proceeds could be used for new investments or to lower the Real Estate Tax rate
  - A 3% tax would generate a net revenue increase of just over \$48 million and could eliminate the need to increase the Real Estate Tax rate in FY 2026
  - A 4% tax would generate just over \$65 million and could be used to reduce the Real Estate Tax rate by 0.5 cents from the current rate, and a reduction of 2.0 cents from the proposed rate

# Looking Forward

- Staff will continue to monitor revenues, federal action, and General Assembly actions and will return to the Board with additional recommendations as part of the Add-On package in April
- Three upcoming Budget Committee meetings (February 25, March 11 and March 25) to discuss budget issues in more detail
- Recommend that the Board advertise the maximum real estate tax rate and the increase in the Transient Occupancy Tax on March 18
- Also recommend that the Board advertise a Food and Beverage Tax on March 18
  - Allows community conversation regarding potential implementation during budget season
  - Public hearing and decision to coincide with budget process

# How to Provide Input on the FY 2026 Budget

- **Email** [FY26Budget@publicinput.com](mailto:FY26Budget@publicinput.com)
- **By Phone** call 703-890-5898, code 7574
- On February 24, **Online** and **Text** options will be available at [www.fairfaxcounty.gov/budget/fy-2026-feedback](http://www.fairfaxcounty.gov/budget/fy-2026-feedback)
- **Testify at a budget public hearing** in person, by video or phone. Sign up at [www.fairfaxcounty.gov/bosclerk/speakers-form](http://www.fairfaxcounty.gov/bosclerk/speakers-form). Call the Clerk to the Board's Office at (703) 324-3151 (TTY 711) or email [clerktothebos@fairfaxcounty.gov](mailto:clerktothebos@fairfaxcounty.gov) for more information.
- **Attend a Budget Town Hall** in your district. Times and details available at [www.fairfaxcounty.gov/budget/fy-2026-budget-town-hall-meetings](http://www.fairfaxcounty.gov/budget/fy-2026-budget-town-hall-meetings)

The complete [FY 2026 Advertised Budget Plan](#) and the [FY 2026-FY 2030 Capital Improvement Program](#) are available online at:

[www.fairfaxcounty.gov/budget](http://www.fairfaxcounty.gov/budget)

# FY 2026 Budget Timeline

- February 18, 2025 County Executive presents FY 2026 Advertised Budget Plan
- February 20, 2025 School Board adopts FY 2026 Advertised Budget
- February 25, 2025 Joint Board of Supervisors/School Board Budget Committee Meeting
- March 18, 2025 Board of Supervisors authorizes advertisement of FY 2026 tax rates and *FY 2025 Third Quarter Review*
- April 22-24, 2025 Board of Supervisors holds Public Hearings on FY 2026 Budget, FY 2026-FY 2030 Capital Improvement Program, and *FY 2025 Third Quarter Review*
- May 6, 2025 Board of Supervisors marks-up FY 2026 Budget, adopts FY 2026-FY 2030 Capital Improvement Program and *FY 2025 Third Quarter Review*
- May 13, 2025 Board of Supervisors adopts FY 2026 Adopted Budget
- May 13, 2025 School Board holds public hearings on FY 2026 budget
- May 22, 2025 School Board adopts FY 2026 Approved Budget
- July 1, 2025 FY 2026 Budget Year Begins