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Dear Fairfax County residents and corporate neighbors:

I am pleased to present to you the Fiscal Year 2026 Adopted Budget Plan.

This budget, as with all County budgets, invests in our community's priorities, particularly our highest priority, the Fairfax County Public School system. The Board of Supervisors (BOS) recognizes the impact of rising home values and sustained higher costs of living, in our region and nationally, on our communities. We are committed to continuing to keep working with our community to find ways to reduce the over-reliance on real estate taxes to fund core services by working with our partners at the state to better fund K-12 public education.

Specifically, the FY 2026 budget decreases the Real Estate Tax Rate from \$1.125 to \$1.1225 per \$100, a quarter cent decrease from FY 2025. It was important to mitigate rising assessments as much as we could and this will result in a \$499 increase to the average tax bill. This increase allows us to provide an additional \$119 million to FCPS over the FY 2025 Adopted Budget. FCPS had their first collective bargaining agreement this year and the increased transfer helped fulfill that agreement. Additionally, the FY 2026 budget makes investments in key priorities such as our collective bargaining agreements with our first responders as well as necessary, modest compensation increases for all other County employees. We are continuing to experience a job market that demands more investment to recruit and retain our own employees and, in order to continue to deliver high quality services, we must compete for the best and brightest.

As mentioned, the BOS is acutely aware of the challenges homeowners are facing with rising home assessments. To assist in diversifying revenue sources and in relieving our overreliance on real estate taxes the BOS increased the Transient Occupancy Tax (taxes on hotels and short-term lodging) from 4% to 6%, half of which will go to promote tourism in Fairfax County. Additionally, the BOS voted to enact a 4% Meals Tax on prepared foods within the County that helped offset many of the proposed reductions that were presented to the BOS among them the Middle School After School program, school crossing guards, and park/trail maintenance. It is estimated that about a third of the revenue from the meals tax will be paid by individuals who live outside of Fairfax County. This brings us into alignment with almost all of our surrounding Northern Virginia jurisdictions. Each 1% of the meals tax would generate \$33 million, roughly equivalent to 1 cent on the real estate tax rate.

This budget was certainly a challenge, but it is yet another example of good fiscal stewardship, and the importance of it. We continue to abide by our Ten Principles of Sound Financial Management, including full funding of all reserve accounts. We have retained our triple-Aaa bond rating which saves the County taxpayers millions in finance costs. After hitting major milestones

last year – having more people working and more businesses operating in the County than any time before – we continue to see our economy not only recover from the pandemic but thrive.

Our budget is a reflection of, and investment in, our community priorities. It is also a balancing act between investing in the high-quality services our residents rely upon, and being sensitive to the residents' ability to pay for them. Our budget situation is similar to every locality in Northern Virginia, with residents continuing to face rising home values as well as rising needs.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff McKay", with a stylized flourish at the end.

Jeffrey C. McKay