COMMONWEALTH OF VIRGINIA
County of Fairfax
BOARD OF SUPERVISORS

SUITE 530
12000 GOVERNMENT CENTER PKWY
FAIRFAX, VIRGINIA 22035-0071

TELEPHONE: 703-324-2321
FAX: 703-324-3955
TTY: 711

chairman@fairfaxcounty.gov

JEFFREY C. MCKAY
CHAIRMAN

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The Honorable Glenn A. Youngkin
Governor of Virginia
P.O. Box 1475
Richmond, VA 23218

Dear Governor Youngkin:

On behalf of the Fairfax County Board of Supervisors, I'm writing to share with you some of the County's budget priorities as you prepare your 2024-2026 biennium budget amendments.

As you know, a wide range of programs and services in the Commonwealth require a strong partnership between the state and localities. That partnership has often been strained, because the Commonwealth continues to significantly underfund core services, leaving localities to fill funding gaps with local revenues to maintain essential services. Because the Commonwealth never fully satisfies its funding obligations, even when the state economy is flourishing and revenues are growing, the gap between what the state should provide for critical services (including K-12, public safety, human services, transportation, and economic development, among others) and what it actually provides is simply too substantial to make up. And when revenue challenges arise, the issue is compounded as the state shifts more of the fiscal burden to localities at a time when they can least afford it, allowing the gap to grow ever larger.

Even now, state revenues are being described as being in "surplus." However, until the state has fully met its funding commitment to core services, including shared state and local services, there cannot really be a state surplus, because all of the Commonwealth's bills have not yet been paid. Though there are many areas of particular concern for Fairfax County, we would like to highlight a few critical items for your consideration as you craft your budget amendments.

K-12 Education

Public education funding in the Commonwealth is enshrined in the Virginia Constitution as a joint responsibility of both state and local governments, so it is essential that the state fully and appropriately meet its responsibility to adequately fund K-12 education. A watershed report written by the Joint Legislative Audit and Review Commission (JLARC) in 2023 outlined the inadequacy of state funding, which is built on a substantially flawed funding formula. The findings of the report are striking:

- Virginia school divisions receive less K-12 funding per student than the 50-state average and the regional average, which equates to approximately $1,900 per student in state underfunding of Virginia's students. Nearly all of Virginia's neighboring states spend more per pupil (including West Virginia and Kentucky).
- The state Standards of Quality (SOQ) formula dramatically underestimates the actual costs of public education, as evidenced by the fact that the SOQ formula provided $6.6 billion less than what was spent by local school divisions in FY 2021.
- The SOQ formula systematically underestimates school division costs and continues to use state funding cuts implemented during the Great Recession, artificially lowering the state's funding contributions by hundreds of millions of dollars annually since 2009.

- The formula fails to account for local labor costs, including competitive salaries required in high cost-of-living regions to attract and retain high-quality personnel.
- The formula does not adequately account for higher needs students, using a methodology for at-risk students that underestimates the impact of large numbers of students in poverty and schools with a high concentration of poverty.

Though the state has made some progress in recent years, at the same time local costs continued to increase. The JLARC report makes it clear that substantial and permanent structural changes are needed to ensure the SOQs reflect the actual costs of funding public education, ensuring that the local ability to pay is fairly and equitably represented, as well as a substantial and ongoing increase in state funding. These components are essential to providing the education our students need to be successful in a global community and economy.

The General Assembly (GA) has created a Joint Subcommittee to Study Elementary and Secondary Education Funding, to oversee and direct the legislative changes that must be made to address this report. We strongly urge you to move this process forward by including sizable investments to address these deficiencies in your budget amendments. Fairfax County is deeply committed to working with you, the GA, localities, and school divisions throughout Virginia, to ensure the JLARC study provides an opportunity for generational change in state funding for public education. There can simply be no higher priority for the Commonwealth.

Transportation

Transportation is a vitally important issue in Fairfax County and Northern Virginia. After decades of state underfunding, the GA passed legislation creating significant transportation revenues in 2013 and 2020 to help address our transportation needs – the statewide and regional funding generated by that legislation provided substantial new resources to address multimodal transportation in Northern Virginia and the Commonwealth. The Commonwealth must fully restore the $102 million of regional funding to the Northern Virginia Transportation Authority (NVTA) that was previously diverted to the Washington Metropolitan Area Transit Authority (WMATA) in 2018, to ensure that transportation projects continue to advance in our region (approximately $63.5 million has been restored thus far). Though the GA provided additional, vital funding in last year's budget to address some of WMATA's shortfall in both FY 2025 and FY 2026, the Commonwealth must continue working with regional and local partners to provide dedicated and sustainable funding for WMATA – putting the agency on sound financial footing without diverting resources from other transportation needs in Northern Virginia and throughout Virginia. Fairfax County has provided approximately $170 million annually to support transit, largely through revenues derived through property-related taxes – it is essential that the County and the Commonwealth continue to work together to ensure that transportation needs are met. Additionally, the Commonwealth should build upon the successful enactment of transportation revenues to ensure sufficient funding for transportation needs, which include new projects, state road maintenance (encompassing secondary road maintenance, improved repaving, snow removal, mowing in the right-of-way, litter removal, clean up, and stormwater management), and continued state assistance for local and regional transit systems (including the Fairfax Connector, the Virginia Railway Express, and WMATA).

Medicaid Waivers

Medicaid waivers are a lifeline for people with developmental disabilities, providing them with access to essential services and care. Addressing the Priority One waitlist, for individuals who have been determined to need services within one year and require the most urgent support needs, has been a longstanding County priority. The 2024 GA took a significant step forward by providing 3,440 waiver slots over the biennium with the goal of eliminating the Priority One waitlist. However, it is critical that the Commonwealth take additional actions to help build Community Services Board (CSB) and provider capacity to ensure individuals are connected with services in a timely manner. With CSBs serving as the single point of entry for waiver services and the sole provider of support coordination, sufficient state funding is vital to manage the influx of new waiver recipients. Current Medicaid reimbursement rates

fall far short of covering the actual costs of state-mandated support coordination services. Fairfax County does not have the budgetary flexibility to cover the gap created by this underfunded state mandate. Additionally, adequate waiver reimbursement rates are needed to ensure the availability of high-quality, person-centered community care for those receiving waiver services. Current rates often fail to cover the true cost of services, leading to provider shortages and reduced access to critical supports for individuals with intensive behavioral health needs and complex medical conditions.

Behavioral Health

Sustainable funding is needed for core behavioral health services, including the Commonwealth's System Transformation, Excellence and Performance in Virginia (STEP-VA), as well as programs that work in concert with STEP-VA, such as Marcus Alert. STEP-VA mandated that CSBs provide nine core services, but at no point has the Commonwealth provided adequate funding for any of these mandated services. Additionally, the state continues to use an allocation method that is not equitable – the same funding has been provided to each of the 40 CSBs on several occasions, irrespective of size. With the groundwork laid by STEP-VA being used to transition to the nationally recognized Certified Community Behavioral Health Clinic (CCBHC) model, this funding challenge related to core behavioral health services cannot be allowed to continue. Without aligning services and funding, the Commonwealth will not be able to improve the quantity and quality of behavioral healthcare services.

Further, sustained funding is needed for the Northern Virginia region to expand community-based crisis programs to align with the Department of Behavioral Health and Developmental Services (DBHDS)-adopted Crisis Now model, a nationally recognized best practice model that includes the development of Crisis Receiving Centers, integration with the 988 Suicide and Crisis Lifeline, and mobile crisis services. It is also critical that Medicaid reimbursement rates for behavioral health services cover the full cost of care, including a Northern Virginia differential to account for the region's higher service delivery costs. Additionally, the County opposes the use of a local ability to pay factor in the distribution of CSB funds, which would penalize localities that make funding with local dollars a priority.

Early Childhood

The County supports early childhood workforce investments and substantially increased state funding for early childhood education programs in both public and community settings, including the Virginia Preschool Initiative (VPI), to allow localities flexibility to expand these critical programs to meet community needs. Research has increasingly shown the importance of high-quality early childhood education programs to children's cognitive and social-emotional development and to their school success. Strong early childhood education is crucial to the economic competitiveness of our region and to the future of our Commonwealth.

Public Safety

The overall underfunding of Virginia's court system continues to place additional burdens on localities and the judicial system. Providing sufficient funding for the salaries of court personnel, including clerks, Commonwealth's Attorneys, public defenders, district court employees, and probation office employees, among others, is a critical state responsibility, but in order to ensure the efficient and appropriate administration of justice the County provides over $114 million for additional personnel and salary supplements for state positions. The County is also one of only eleven jurisdictions that subsidize public defenders' offices, though staff in the public defender's office are state employees.

Additionally, the County supports fully restoring HB 599 funding which is provided to localities with police departments. Although the *Code of Virginia* sets out a distribution formula, the GA has superseded this formula in recent years, making allocations based on a standard, across-the-board percentage increase or decrease. If state

funding had consistently increased with state revenues (as required), Fairfax County would have received approximately $118.8 million in additional funding over the past 15 years. Funding must be distributed to all localities with police departments in accordance with current funding formulas, ensuring that localities investing substantial local dollars in public safety or with low crime rates are treated equitably in state funding distribution.

Affordable Housing

Fairfax County strongly supports additional state funding and actions to increase the availability of affordable housing options and prevent homelessness, including expanded investments in tools and programs to address affordable housing needs and mitigate evictions. Affordable housing is critically important for all Virginians, but obtaining it is particularly challenging in high cost-of-living areas like Northern Virginia, where housing is increasingly out of reach for low- and moderate-income earners. Fairfax County is already experiencing a deficit of 38,000 affordable rental homes (affordable up to 80 percent of Area Median Income), and the gap between the need and the supply will grow considerably without new approaches for expanding housing availability and affordability. It is anticipated that 15,000 net new units, affordable to households earning 60 percent of area median income and below, will be needed by the year 2034.

Development and preservation of affordable housing is most critical for small families, individuals with disabilities, and seniors. Additionally, communities of color have been disproportionately impacted by the pandemic and its lingering effects. In 2023, approximately 44 percent of Fairfax County renters were cost-burdened, spending at least one-third of their household income on rent. Addressing this challenging issue requires a combination of approaches, from increased funding for the Virginia Housing Trust Fund to raising the funding cap that each development can request, expanding the pool of resources available for down payment assistance (a major barrier to homeownership for low- and moderate-income earners), enhancing and creating more state-funded housing tax credits and rental assistance programs for individuals with disabilities and people experiencing homelessness, and increasing funding for permanent supportive housing units and wraparound behavioral health services for individuals with severe mental illness, substance use disorder, and developmental disabilities. It is also essential that local governments retain existing land use authority, to ensure they can craft innovative solutions that are appropriate for their communities, which require flexibility and agility to respond to changing conditions.

Energy and Environment

Fairfax County is committed to reducing greenhouse gas emissions and demand for energy through efficiency, conservation, renewable energy, education, and other measures. Adopted in July 2021, the Carbon Neutral Counties Declaration commits Fairfax County Government to be carbon neutral by 2040. The County implements this commitment through its Operational Energy Strategy. Similarly, the County has a goal of community-wide carbon neutrality by 2050 established through the Community-wide Energy and Climate Action Plan (CECAP), also adopted in 2021, and the County is actively implementing programs toward that goal as well. After years of small advances in addressing global climate change and environmental sustainability, the 2020 GA passed legislation creating much more substantial change. Fairfax County supports building on these efforts by increasing incentives and opportunities for the expansion of renewable energy and energy efficiency initiatives in a number of ways, including: state income tax incentives and rebates for businesses or residents to defray a portion of the cost of new construction, building improvements, or the transition to more efficient or alternative fuel vehicles, like electric vehicles (EVs); increasing local authority to require EV charging stations in new commercial, industrial, and high-density residential developments, which save energy and mitigate adverse environmental impacts; funding for state renewable energy grant programs and incentives to assist the development and growth of energy businesses and technologies, such as renewable distributed energy generation; and, increased funding to the Stormwater Local Assistance Fund (SLAF), which is critical in providing assistance for water quality improvements and urban stormwater.

Car Tax

Though in the late 1990s there was great fanfare surrounding a pledge to eliminate the car tax, the legislation that was enacted – the Personal Property Tax Relief Act (PPTRA) of 1998 – instead only provides a state subsidy for the taxes owed on the first $20,000 of a personal vehicle's assessed value. The state also eventually capped the amount it provides in car tax relief at $950 million statewide. When combined with the County's increased car assessment

base over the years, the funding Fairfax County taxpayers receive in relief has declined from 70 percent in FY 2007 to 57.5 percent in FY 2022 to 50 percent in FY 2025. This issue is further compounded by Fairfax County's overreliance on real estate taxes, due in part to the state's antiquated taxing formula. To help vehicle owners in the short-term, we used local dollars to provide an additional 15 percent in car tax relief as part of our FY 2023 budget, and 10 percent in FY 2024. It is our hope that you will consider increasing funding for car tax relief in your budget amendments, helping to potentially diversify our tax base while also easing the tax burden on our residents at this challenging time.

Thank you for your time and attention to these critical matters. Please feel free to contact me if you have questions or need further information, or have your staff contact Claudia Arko, Legislative Director, at (703) 324-2647.

Sincerely,

Jeffrey C. McKay
Chairman, Fairfax County Board of Supervisors

cc: Members, Fairfax County Board of Supervisors
Members, Fairfax County Delegation to the General Assembly
Bryan J. Hill, County Executive
Elizabeth D. Teare, County Attorney
Christina Jackson, Chief Financial Officer
Thomas Arnold, Deputy County Executive
Christopher A. Leonard, Deputy County Executive
Ellicia Seard-McCormick, Deputy County Executive
Claudia Arko, Legislative Director