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Fairfax County Budget Policy Joint School Board Committee, Tuesday, November 26, 2024

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[00:00:20] We're going to go ahead and get started. I want to welcome everyone to our budget committee meeting of November 26, 2024. And, of course, not only is this our budget meeting, but this is a joint meeting on the budget with our partners in the Fairfax County School Board.

[00:00:36] And first order of business for me, before I make some opening comments, is I do need to make a motion to include Supervisor Herity remotely. And so before we get started, Supervisor Herity is attempting to participate remotely in today's Budget Policy Committee meeting for a medical reason.

[00:00:58] Supervisor Herity, if you can hear me, I'd ask you to state your name and general location for the record. Pat Herity, Springfield, Virginia. Thank you very much. With that, I move that the, and this is for, obviously, this is for Board of Supervisors members to vote on.

[00:01:15] I move that the Budget Policy Committee certify for the record that Supervisor Herity's voice can be adequately heard by all persons assembled here at the Government Center, and I further move that this committee approve Supervisor Herity's remote participation as it fully conforms to the Fairfax County Board of Supervisors' policy for remote participation in meetings.

[00:01:37] I'll second that motion with a lot of other people. Is there any discussion on the motion? All those in favor of the motion, say aye. Aye. Opposed? That motion carries. Thank you very much,

Supervisor Smith. And before we turn this over to our county executive and our Fairfax County budget team and our partners at the school and the school superintendent, I do want to just remind everyone, first, let me remind remote participants to make sure you're muted.

[00:02:05] It's not what I was going to remind people of, but let me remind people of that. And then secondly, that this meeting is not a required step in our budget process, But this is a voluntary meeting that our two boards hold to look at the fiscal year, in this case, 2026 budget forecast.

[00:02:24] This is not a budget presentation. This is a budget forecast. And we will not adopt our budget, as you will see in the schedule, until very late next spring. So this is a snapshot in time. This is not meant to be interpreted as a budget.

[00:02:39] And we have a lot of months ahead of ourselves to work through some of the issues that you'll see being presented today. And so this is an opportunity for us on the county side to show schools what we're predicting next year's financial situation will look like.

[00:02:56] And also for schools, an opportunity to put on the table what theirs is looking like and what their requirements or asks will be in the next budget cycle. And so I just want to make that really clear to everyone because sometimes people walk out of here and they think this is the budget or they walk out of here and they worry themselves to death.

[00:03:18] And I think what we're going to see here is some worrisome numbers and some challenges we have ahead of ourselves. But one challenge we don't have is plenty of time between now and when we adopt our budget to work on these issues. And so I just want to reiterate that. And before I turn this over to our county executive and to the superintendent, let me ask School Board Chair Carl Frisch if there's anything he would like to add.

[00:03:45] I always forget how to use the microphones here. Just tap on it. My grandparents had a lamp like that when I was growing up. So first, obviously, I'm grateful to be here this afternoon with my school board colleagues. And as we begin the conversation, I want to share some important news.

[00:04:00] Today the Fairfax County school board was notified that Fairfax education unions the exclusive bargaining bargaining agents for our instructional and support employees Has ratified the contract stemming from our tentative agreement with 98% of union members supporting The contract so this is the first collectively bargained contract in FCPS in about a half a century and it will come to the school board as new business in January and for a vote in February.

[00:04:31] Obviously, this news will impact budget conversations, but as Chairman McKay indicated in his opening, we are at the most preliminary of stages in this conversation when it comes to the economic enrollment and revenue forecasts that we're all learning about today. I want to thank on behalf of our board, our budget staff, Lee Burden, the CFO, Matt Norton, the Assistant Budget Director, and Alice Wigington, the Executive Director of Budget Services, for their hard work so that our Board colleagues do not have to thank them and take up valuable time in their remarks.

[00:05:08] And I do want to mention two changes to our practices on our side of the coin. Some concerns were raised last year about the timeliness of enrollment projections for FCPS and whether those could be done in such a way to be more impactful in our considerations early on in the process.

[00:05:33] So we've done that. Our enrollment projections have now been sped up to be much earlier in this process. And second, about the timeliness of budget question responses. The budget team and the budget staff have worked on a process that will expedite the answering of questions.

[00:05:53] In short, everybody gets five priority questions at a time, and they will be answered within 30 days, and that way, you know, somebody who submits 20 questions is not getting all 20 in before the next person's only question or the next person's five questions.

[00:06:09] So once you go through your five questions, other people who have not yet reached their five questions. We'll have the ability to do that. But if there's nothing in the queue, your next five questions can come up for consideration. But that way, people will not be waiting too long to get responses to their questions. It also gives staff an opportunity to match questions that might be similar and prioritize those. So I wanted to put those things out there that we are listening to concerns raised last year and adjusting as needed.

[00:06:39] Thank you very much, Mr. Frisch. And he stole my thunder a little bit. I'm going to remind And my colleagues, when we get to Q&A, that we all thanked our staff already, both county and schools, for the exceptional work they do together. We don't have to individually do that and use up all of our time doing that this afternoon.

[00:06:57] Secondly, our meeting is scheduled from 3 to 4.30. I know there's been some confusion in the past about the duration of the meeting, and so we want to be respectful of everyone's time and wrap up by 4.30. And so with that, I am first going to turn to our county executive, Mr. Hill.

[00:07:14] Thank you. Thank you for that opening, and I want to thank and say hello to the school board and Superintendent Reed for being here today and everybody that's here with us. Thank you. 83 days, 18 hours, and 48 minutes is when I have to present a budget to the board of supervisors, so there's going to be a lot of changes, a lot of variations, and a lot of dialogue, so I just want to make sure that everybody understands today this is a forecast, it's a projection, and we have a lot of work to do, and we're going to work together to get this, As we say, land the plane for Mr. McDaniel, who's not here today, we're going to try and land the plane pretty relatively easy.

[00:07:52] So that being said, I'm going to kick it off to Ms. Jackson, Christina Jackson. Well, she said she didn't want to say anything. Okay. Unless you do. You did. Okay. You didn't? I thought you said that. I just want to say good afternoon and thank you, County Executive Hill, and we are pleased to be here and collaborate.

[00:08:14] And I know the County Executive and I will work hard to make sure we do land the plane. I'm never going to ask that question again. I'm just going to give it to you. Thank you, Christina. Good afternoon, everybody. I'm joined by Phil Hagen, who's the director of the county budget office.

[00:08:29] And Chairman Frisch has already introduced Lee and Matt, who are at the table as well. So I'm going to start us off before turning it over to Lee and Phil for a few slides. And so starting, once I can see the slides, I'll go to slide number two. But it's the preface, and just for the benefit of time, I think what we've included on this slide is very, very similar to what we included last year. Just to reiterate what the chairman had said, you know, these are really early estimates. It's not a budget. Things are going to change. We're still very early in the process. So we have focused on the disbursement side here,

[00:09:07] really on the largest disbursement requirements, talking about salary and benefits, including our collective bargaining agreements, debt service, areas where we've already made commitments. We know there are going to be some smaller items that we're going to have to fund as part of the budget. We haven't included them there. Again, we'll need to really kind of focus on those large items. You can see on the county side, we did not include additional investments in affordable housing, for example. We haven't included any additional increases for metro. Again, trying to concentrate on those larger categories that are really the drivers of our budget overall.

[00:09:38] We talked a little bit about the timeline a moment ago. We've got, you know, two of the important upcoming dates here. The schools are always a little ahead of the county in terms of the timeline. The superintendent will release her budget on January 23rd, followed by the county executive releasing his advertised budget on February 18th. And actually a week after that release, we'll be back in this room for another joint meeting to discuss those two respective budgets. Talking first about kind of the local economy, and there's going to be some asterisk here as we go through some of these items. You know, I think that nine to 12 months ago or so, I think that there was some concern about whether or not the Fed was really going to be able to

[00:10:16] achieve that soft landing to try to cool the economy with increases in interest rates you know I think that for the most part that they've been successful we're still not at that targeted two percent interest rate but certainly we've come down from where we were above nine percent at one point they did reduce rates in September and in November and then a few weeks ago I think there was actually an anticipation they were going to do another 25 basis point cut in December but then some of the economic data came out CPI crept up a little bit in October and I think that now the mindset is that they're likely to hold rates in December. I think that we would

[00:10:51] anticipate that all things stay roughly the same, that they would continue to reduce rates in 2025. I'm going to put an asterisk there. I'll come back to that in a few moments. Certainly, because interest rates are still relatively high, mortgage rates are still high.

[00:11:07] I think they're above six and a half percent right now. Certainly, that's going to impact our real estate market, not only residential, but commercial as well. We'll talk more about commercial properties, especially in a few slides, but office vacancies continue to rise. And you'll see that we're projecting that commercial values will be down for the second year in a row as part of this budget. Real consumer spending is slowing. I think that it's going to be helpful for us to see how holiday spending is in the next couple of months. Sometimes we can be a little bit insulated in this area when it comes to that. So when we get that data, I think it's going to give us an indication of consumer confidence and where we might see some of the categories like a sales tax

[00:11:45] go for FY2026. You know, right now we're assuming moderate growth for a lot of our revenue categories. We'll talk more about the bigger ones, but certainly as the board has been discussing, they discussed at length this morning at legislative committee, there are some concerns about the impacts of the new administration and what that could do not only to our national economy, but our local economy as well. You know, just yesterday the president-elect talked about on his first day putting in a 25% tariff on imports from Mexico and Canada and 10% from China. Certainly, you know, I think that would have a big impact on prices. A lot of economists think that that would be inflationary in nature. So when I talk about the feds maybe reducing interest rates next

[00:12:24] year, certainly it's going to be dependent upon some of the actions taken by the new administration. I also, just because we have the opportunity, I know a question came up at legislative this morning about making sure that we can respond quickly when there are proposals that are developed by the new administration, and similar to what Mr. Leonard is doing on the human services side, kind of putting together what he calls a go team to make sure that he can respond quickly.

[00:12:48] We've talked about doing something similar. We've talked with our school's counterparts to make sure they're a part of that, maybe working with a consultant, working with GMU, making sure that we can also be responsive to any of those areas where there might be some economic impacts. Sometimes we may only know the direction. We might maybe not know the specific numbers.

[00:13:06] we'll certainly do our best and try to be responsive in that area. We always include this next slide. It's our annual change in general fund revenue. And I think really the attention here is in that last shaded bar where you can see for FY26, we're projecting revenue to go up about 1.8%.

[00:13:24] That equates to about \$128 million increase over last year. And again, that \$128 million is not only to cover requirements on the county side, but also to increase the transfers to the schools as well. So it's a relatively small increase.

[00:13:41] Again, we're very early in the budget process. I would note you can see in 2025, right now we're anticipating growth of about 4.7%. That is inclusive of a three-cent increase on the real estate tax rate. If you were to take that away, 2025 would be at about 2.9%, just if you want to compare those two years.

[00:14:00] Certainly because real estate is the largest chunk of our general fund revenue, we're going to spend a few slides talking about real estate. You can see in the table here the breakdown of our projections right now from the Department of Tax Administration. Again, it's early. Right now, they're looking at a total increase in our real estate tax base of about 3.9%. That equates to about \$131 million. You can see that that's really being driven on the residential side, with residential assessments going up 4.78%.

[00:14:29] Again, non-res coming down about 1.27%, which is pretty consistent with what we saw in our actual numbers for last year, and you can see that that growth component is a little over half percent at this moment. Again, you know, we tend to, these tend to be conservative. They still have a couple of months to go in terms of pulling together data. Our hope is that these numbers will improve by the time we release our advertised budget, and so we'll see, hopefully we'll see some positive movement in these categories. Drilling down into the residential side, These are the annual changes in residential equalization going back to FY 2017.

[00:15:05] And you can see we've been positive throughout this period, although certainly you can see some pretty significant fluctuations. Again, for FY 26, right now we're projecting 4.78%, which is a strong number, especially given the mortgage rates that we're seeing right now.

[00:15:22] We have some additional information on the next slide, which gives us a little bit more insight. You can see again that 4.78 percent, that equates to a \$402 increase right now to the average taxpayer. So without any changes to the rate itself, just based on assessments, it's \$402.

[00:15:40] You can see that the average sales price of all homes is up 9.1 percent. Just a reminder that sales prices don't necessarily translate to assessed value, which is why you see that differential there, the 4.78 versus the 9.1. The number of home sales in the county is up.

[00:15:57] The average number of listings is up 12.2%, but I would note that the supply is still tight as you have a number of homeowners that might be considering moving, but maybe they've locked in a low mortgage, and so they're kind of hesitant to put their home on the market, which is really helping to hold up those assessed values, and that's really what's driving the increase in assessed values.

[00:16:18] Again, if mortgage rates or interest rates do come down next year, We'd anticipate that would help the residential market and the commercial market as well. But certainly, if the new administration does act to perhaps reduce the federal workforce, we might see, you know, folks leaving this area, and certainly that could impact the housing market, not necessarily impacting the FY26 budget, but certainly in future budgets, something we have to keep an eye on.

[00:16:44] Then flipping to the non-residential side, you can see that we've had a lot more fluctuations here. you can see that over 4% drop in FY22. Again, last year we were down 1.2%, and right now the current projection is down 1.3%. Non-residential is about 22% of our overall real estate tax base, although our goal is to have that be a higher percentage. We can see on the next slide really some of the breakdown of those non-res components and really what's driving that overall negative number, and you can see it's really office elevator. With office elevator being about 26%

[00:17:21] of our non-res real estate tax base, it's projected to decline right now, those values between 8.5% and 9.5%, which is pretty significant. You can see that vacancy rates are up, rents have decreased, the owners are having to incentivize new tenants in order to lease space, expenses have gone up as a result of inflation, so just maintaining their properties has become more expensive, and we're seeing cap rates increase. And if cap rates are high, that means that values are low. There's an inverse relationship there. You can see that for multifamily property values,

[00:17:57] for multifamily properties, about 31% of our base. They're expected to increase about 2.3%. Retail property values projected to increase 1% to 2%. That's about 13% of the base. And then you can see the hotels are actually projected increase between five and six percent. Occupancy is up at hotels, and a majority are operating at pre-pandemic levels. So that's only about three percent of our base. But again, that's one of the areas where we're actually seeing the largest increases. But certainly that office elevator component is really what's serving to kind of bring down that overall

[00:18:31] non-res picture. I will note that, you know, we had a presentation a couple of weeks ago on the commercial real estate market. And there were some positives that they mentioned as part of that presentation. One that, you know, new office construction is down. I think there may be only two spec buildings that are under construction right now in the county. And it seems like the commercial market is kind of right sizing itself, which should serve to be helpful down the line.

[00:18:57] They also talked about the fact that large block leasing activity is up. And so it's a positive that we're seeing. One of the audience members asked the person who was leading the discussion if we've turned the corner in commercial real estate, and he was a little bit hesitant, but he did say that he thought that we were close. And so, you know, I think that we're moving in the right direction. So it might still take us a little bit of time, but there were some positive indicators in that presentation. Certainly, again, I'll go back to that asterisk depending on what happens in the next couple of years. Now, if we go to other revenue categories,

[00:19:32] There's really two that I want to focus on on this slide, the first being personal property, which is about 15% of our general fund revenues. Certainly, our car values are set as of January 1, but we get

information from J.D. Power as of November as well to help inform this conversation and help prepare us for our budget conversations.

[00:19:50] And using that November data, J.D. Power estimates that values are going to be down about 5.8% from last year. We do anticipate an increase in volume, which will offset that a little bit. And business personal property is actually projected to be up about 2.5%.

[00:20:06] But overall, personal property tax category is expected to be down about 3.7%, which is about a \$28 million reduction from last year. And so certainly this is an area that we have to keep our eyes on. New car inventory is up. Dealers are offering incentives for folks to come in and get new cars.

[00:20:27] As a result, the demand for used cars is down. So we're just seeing a decrease in car values. You can see that we have some moderate increases in place in the forecast for BPOL, sales tax, TOT. I wanted to turn to the right side for non-tax revenues.

[00:20:43] We've talked about the investment interest revenue category for a few years now because it was going up. Now that the feds are taking action to bring down interest rates, you can see that we are projecting a decline in this category in FY26 of about 14%, which is about \$14 million.

[00:21:01] Again, we're going to keep an eye on this category. since the feds are kind of delaying that action to continue reducing interest rates, if they continue to take that tactic, this is a category that maybe FY26 we can smooth out a little bit. But I do think in the long term, this is a category that's going to go down.

[00:21:18] And then we also just noted there are a number of user fees that we had initially recommended last year that the board decided to implement in phases. And so we do have some rate and fee increases included in the forecast based on those phase ends. The senior center fees, I think zoning fees, LDS fees.

[00:21:37] And now I'm going to turn it over to Lee and Phil for a few slides, and then I'll come back at the end. Good afternoon. This basically, this slide reflects early projections of additional revenue for the schools. Our beginning balance is budgeted at the same level in the current year at \$28.1 million, so that's a zero increase.

[00:21:59] County transfer, of course, we don't estimate that. State revenue, we're looking right now based on the biennial budget that was adopted by the general assembly last spring it's about a 1.9 percent increase of course second year the biennium is always you know pretty low at this stage that only is 23.7 million more dollars and just a reminder that the second year of the biennium includes a three percent compensation increase we get six million dollars for each one percent which costs us 30 million

[00:22:34] So the \$18 million for the 3% salary increase is largely the state revenue increase that you see here. Then we have federal revenue that also, due to the uncertainty, is assumed to be flat. And then Fairfax City and other revenue are expected to be up \$6.7 million for a total revenue increase of \$30.4 million at this point.

[00:22:59] Right. And so I'm going to take us through the overview of the overall 2026 forecast, as well as looking at the detail on the county side. First, bringing together what Christina's gone through as well, what Lee's gone through, our projected available resources on the county side.

[00:23:14] Again, that 1.8% growth that we're projecting generates about \$128 million. That's at our current tax rates, assuming no change in those tax rates. And then again, as Lee just said, \$30.4 million is

the projected increase on the school side. But then moving to our summary slide that brings it all together, and I'll say as we've done in recent years, we'll have this slide again towards the end of the presentation after we've gone through all the detail.

[00:23:38] And we do have detail on each of these items that's up here. But on the county side, what we've included in the forecast, again, as Christina said, we're really focused on those major items, kind of the must-dos. Employee paying benefits, certainly the largest category on the county side, about \$112 million.

[00:23:57] We have another \$60 million between debt service and other requirements, and then we've included a placeholder at this point of reductions of about the equivalent of a penny on the real estate tax rate, about \$33 million, getting us to that county requirement level of about \$139 million.

[00:24:14] On the school side, Lee is certainly going to go through the detail a little bit later. I would just say that we have reorganized things slightly, just realigned in order to show employee pay and benefits on the school side to get that comparison with the county. We've also included then debt service requirements on the school side, just to show what that figure is.

[00:24:33] I'd note the school's debt service number, as well as the county, do assume the increase in the debt sale limit that's coming this January up to that full \$400 million, as we phased in that increase from \$300 to \$400 over the past few years, and so we do have that new level built in.

[00:24:52] But when we subtract away the estimated county revenues that are at \$128 million, that brings us to a combined net projected budgetary shortfall of \$293 million. I would note and really echo what's been said, I think, three times already today, that this is very, very early in the process.

[00:25:12] Certainly when we get to February 18th, when the county executive presents the advertised budget, we will have a balanced budget at that point. So going into detail, starting off with county salary and benefits, for our two public safety collective bargaining units, this is the second year of their contracts.

[00:25:33] So we've included the contracted increases in the forecast for those contracts for SSPBA, which represents our police bargaining unit. What's included in the contract are step increases of 5% for those employees who are eligible the merits and longevities as they're programmed as well as a 2% cost of living adjustment and a 2% scale adjustment.

[00:25:56] For our fire and emergency services bargaining unit, IFF, that would include steps of either 5% or 1% depending on where the employee is on the pay scale as well as a 3.1% scale adjustment. For our non-represented employees, we've included in the forecast a 2 percent cost of living adjustment, performance increases and longevity increases for our non-uniformed employees, and then step increases, merit and longevity step increases, rather, for those public safety employees who are not represented.

[00:26:29] Those are primarily our employees in the office of the sheriff. We've also included a market study placeholder of \$8 million. As the Board will recall, the Department of Human Resources does benchmark studies of all of our job classes each year just to make sure that we're continuing to be competitive with the market, both in terms of our scales as well as our salaries.

[00:26:50] And then in employee benefits, we've included a net adjustment of \$22 million. Certainly the largest portion of that adjustment is related to our retirement systems. We have increases in the employer contribution rates for all three systems this year. Some of the drivers there, we had some strong

investment returns in the systems, ranging from 9% to 11% between the three systems, beating out the target of 6.75%.

[00:27:18] However, we're still smoothing in the investment returns the prior two years, which fell below and in some cases were losses. We also are seeing the impacts from employee compensation increases that were larger than what the actuaries had assumed, as well as a retiree cost of living adjustment that was larger than the actuaries had assumed. So as a result, we're needing to increase those employer contribution rates. As we look at debt service and our other county adjustments, which again total to about \$60 million. First up there, debt service requirements, \$8.6 million. Again, that includes

[00:27:54] the increase on the county side up to the new bond sale limit of \$170 million this January. We continue to be in that heightened interest rate environment. Certainly, interest rates are coming down, but what we're forecasting right now, what we've included in the forecast, would be a 4% interest rate on those bond sales.

[00:28:13] We'll certainly continue to monitor the interest rate environment and hope to see some savings there, depending on how we perform in January. Next, contract rate adjustments in fuel at \$18 million. We've included an increase for our human services contracts, as well as a number of other contracts in other agencies that are primarily personnel-based.

[00:28:33] We're also seeing increases, particularly in body-worn cameras, where that contract is seeing a significant increase in the next five-year cycle. Then we've also included adjustments in fuel. Our agencies continue to be under-budgeted in fuel at \$1.56 per gallon.

[00:28:52] They've been able to absorb those costs. However, as we are putting in the reductions and really tightening up budgets, making things leaner. We're seeing that there's places where we need to make some adjustments there. Within new facilities and lease escalation, we've included an estimate of just under \$13 million. The two big facilities that we will have coming online are the Kingstown Complex.

[00:29:15] We'll certainly have operating costs related to some of the expanded services there with the library, the older adult facility, as well as the child care center. Then as well, the Fair Ridge Shelter, the former Extended State America property. We are looking at costs there. What we've included in the forecast at this point are full-year operating costs, either based on the spin-off of needing to start staffing up or just based on the timing of operations. We'll certainly, as we work towards the advertised budget, continue to monitor how those projects are going and we'll adjust as necessary if they're not going to be a full-year impact. We also in this category have

[00:29:54] lease escalations related to some of our existing facilities, just as those costs increase. Within information technology, \$8.9 million. The bulk of that would be, if the Board will recall, there was \$5 million that was originally included in the advertised budget last year. We had deferred that to carryover and funded with one-time money, and so we'd still like to see that worked into the baseline as recurring funding, just some of those expenses that we need to cover within IT. Also here we've included some of some other items. We have increased licensing costs related to our Microsoft licenses. Then we're also needing to pick up the operational costs

[00:30:31] related to some of our IT projects that are spinning out into production. And then other requirements, this is primarily related to recurring adjustments from carryover. If the board will recall, we had some recruitment and retention initiatives related to family services, neighborhood and

community services, also costs relating to standing up a pharmacy within the Fire and Rescue Department, some facility maintenance costs, also needing to replace funding that was previously grant-funded for services for victims of crime.

[00:31:06] So similar to last year, we, understanding the budget environment, have embarked on an exercise in order to try to identify some places where we can find savings on the county side of the ledger. Last year, we'd gone out to agencies asking for a total of 7% of their budgets as reduction options.

[00:31:27] We ended up identifying a total of just under \$34 million in expenditure savings and a little over \$2 million in revenue enhancements. Last year, a lot of those savings really were efficiencies and cost savings, not much in the way of service impacts that we saw last year.

[00:31:43] This year, certainly understanding that a lot of that is off the table, we understood that it would be more difficult, And so we went out to the agencies asking for 10% in total reduction options, just trying to have a larger list to then be able to choose from and prioritize. DMB, in coordination with the county executive and the deputy county executives, we're currently working through that list and trying to see which of those options are more feasible.

[00:32:06] Certainly this year, based on the options that are put forward, we are expecting to see more of those options actually having program impacts, having service delivery impacts. Certainly some good options in there, and we're hoping to come forward with some good recommendations. So our preliminary estimate at this point is, as I mentioned earlier, about the equivalent of a penny on the real estate tax rate, \$33 million.

[00:32:28] We'll continue to refine that as we work through that list. And certainly understanding the budget environment, we're going to try to pick up any savings that we can that we think are feasible. I'll turn back to Lee. So this is the first year that we have had collective bargaining.

[00:32:47] And, you know, of course, the impact on the budget process. The Fairfax Education Union represents the instructional and operational folks. And they are in the process of certifying the tentative agreement with their membership. The admin and supervisors group was just certified by the school board late October.

[00:33:04] So their collective bargaining will be for fiscal 27. Go to the next slide. The collective bargaining piece of this preliminary look includes salaries and health care. 7% compensation increase, and again, let me remind you that each 1% is \$30 million, so about \$210 million of the \$240 is the salaries alone.

[00:33:31] We also have required adjustments for student needs and enrollment changes. We did accelerate the projection process this year so that we had a better number at this very early fiscal forecast, but for now, our general education is, The projection is relatively flat compared to what we have this current year.

[00:33:54] English Learners is also relatively flat as are free and reduced eligible students. Our special education population is increasing and expected to, so the \$25 million that you see there for enrollment is for special education staffing that's associated with that new enrollment.

[00:34:17] We also have, in required adjustments, leases, inflationary increases for utilities, fuel, those kinds of things all fall under the required adjustments. Ongoing needs.

[00:34:32] These are items that we've been funding for a number of years with one-time money, but, you know, after a few years, you really need to go ahead and build that into the base, and that's a substitute incentive, test fees for, we've had huge increases in our AP and IB exam costs, and so we're recognizing that at this point. Online campus, that enrollment has increased by 80 percent since fiscal 23. Cyber security costs, which were funded also with one-time costs or ESSER funds, we need to continue that into the future. And then middle school late buses and

[00:35:10] some legal fees. And we also have some other items that are under consideration and still in the planning stages. And the last ones I mentioned, summer school, safety and security, inclusive practices, and multilingual instructional, those all fall under, they're under the planning stages right now. Then multi-year investments, we're in the middle of a replacement of our HR infrastructure technology. We also have a phased-in plan for certified athletic trainers that we're adding

[00:35:45] five each year. We're in year three of a five-year plan for that, some fine arts stipends, and then inclusive preschool training. And then, of course, base savings we always include, which is a negative against it. So our total expenditures are \$305.7 million. We also wanted to mention that, you know, Again, we're in the second year of the biennium where the state funding tends to be lower.

[00:36:11] The governor will introduce on December the 18th, so then we'll know what he's thinking and the General Assembly will start their work shortly thereafter. The JLARC recommendations, as you know, previously estimated about \$568 million for Fairfax. And the JLARC committee apparently met in September and October, and they're talking about their near-term recommendations and how they might want to support those in this upcoming fiscal 26 year.

[00:36:40] Those are things like the support cap, at-risk funding, changing the LCI so that it's based on the three-year average, fixing the average salaries because you may or may not know that now the average salaries they toss out the high ones, which are us and Arlington and everybody around us.

[00:36:59] So we'd like them to use that because that will increase the average for everyone. And so those near-term recommendations is what they're focusing on right now. Their next meeting is December the 9th, and they'll update their costing at that time and decide what they want to do with the near-term recommendations and potentially what to do with the long-term ones as well.

[00:37:18] This next chart basically shows the school operating fund and our revenue sources. You know, state aid and sales tax make up about 27% of our budget, and then, of course, the county transfer makes up the other 69%, So about 96% comes from state and local sources.

[00:37:40] But if the JLARC recommendations were accepted and implemented, then that would be an additional \$568.7 million, and that would be equivalent to another \$3,100 on our per-pupil costs or over \$1,300 on the average real estate tax bill.

[00:38:00] Bill, did you want to say anything else? I mean, there were a couple little things that I was going to note. But one, you know, if you look at that revenue didn't materialize, that'd be a 75% increase in state funding, which is pretty significant.

[00:38:16] And it would, you know, reduce the reliance on either, if it all went for school investments or it won't go for tax relief, it would still reduce the dependence upon that county transfer. Our share would drop from 69% to somewhere between 54% to 60%.

[00:38:31] You know, the average Virginia jurisdiction is less than 50%, but still we would see a pretty big significant change there. If I could interject for one moment and make sure people understand, I think that what's there between those two circles is really important for us to think about in terms of what the impact of state underfunding public education is on the real estate taxes paid by people who live in Fairfax County.

[00:38:57] And what this shows clearly is if the state fulfilled its JLARC recommendations, which would put us ahead of West Virginia and Kentucky for the first time in a long time in education funding that people in Fairfax County, the average tax bill in Fairfax County would be going down by \$1,300, not going up by \$400, which is what would happen if we don't change the rate roughly that we saw earlier in the presentation, but would be going down by \$1,300.

[00:39:32] I just want to make sure folks understand why that's in there, and we thought it was very important to put this in a dollar amount that people who are struggling to pay real estate taxes can understand what the magnitude of that is. So I appreciate that number being included in here.

[00:39:51] A few more slides. Phil mentioned that we always include this table twice, kind of at the beginning and at the end. So again, just to summarize, still very high level, very early. When we release our budgets, they're going to be balanced. But right now, when we look at our, you know, county and schools' needs bumped up against that estimated revenue of \$128 million, there's that combined net projected budgetary shortfall of 292.7.

[00:40:18] You know, a lot of times we, and this is a lead-in to the next slide, but, you know, a lot of times folks come up to us and say, well, your forecast, you're always showing a shortfall, right? And you always seem to make it work. So we, and last year, our projected shortfall was 284.5. It was very similar to what we're showing this year.

[00:40:34] So we added a slide to really show how last year's budget was balanced. How did we get from that \$284.5 million projected shortfall, which we showed at the fiscal forecast, to being balanced on both the county and the school side. So really this is taking us from that November forecast to our county adopted budget and the school's approved budget.

[00:40:56] So we really looked at the big categories where we saw the most dramatic changes, significant changes, and it required tough decisions in order to balance last year's budget. You can see that there was a \$97 million change because of the recent increase in real estate tax rate going from \$1.09.5 to \$1.12.5.

[00:41:15] That was an additional \$223 to the average taxpayer, but that covered about a third of that projected shortfall. You can see that we did have an improved real estate projection from our forecast when we released the advertised budget. Initially, we had anticipated that real estate would go up about 1.68%.

[00:41:32] It landed at 2.73%. We saw some increases and some improvements in residential non-res and in growth. That was about \$39.3 million. We got to see if we see an increase for this year. We'll see that whenever we release the advertised budget.

[00:41:48] I will say there's always been fluctuations there. A few years ago, we got \$6 million more from an improved projection, but sometimes it's been more. So that's still kind of up in the air. Last year, the boards may recall that because we saw unprecedented increases in vehicle values, we had implemented an assessment ratio for personal property taxes, first 85% and then 90%.

[00:42:11] When we put forth our forecast last year, we were still assuming a 90% assessment ratio. But where vehicle values ended, we ended up going back to 100%, which resulted in about \$31.7 million in increased revenue. That is not an option that we have this year since we're already at 100%.

[00:42:27] We were also able to pick up a little bit of additional investment income last year, again, because of delays in the Federal Reserve action on interest rates. Again, that's a category that we're going to continue to monitor. I wouldn't anticipate that we're going to be picking up additional revenue in that category this year.

[00:42:43] Again, we'll keep an eye on it. And then you can see the next two where, again, over \$100 million in compensation changes between both the schools and the county. Originally, the schools had included a 6% increase in compensation. They ended up as part of their approved budget, pulling that back to four.

[00:42:59] That was a \$70 million reduction in expenditures. And then on the county side, when we put forth our forecast, we had originally included the costs associated with the calculated 4.1% market rate adjustment. Then when we came out with our advertised budget, we proposed a 2% cost of living that aligned it more closely with our collective bargaining agreements where we had put into place COLAs rather than an MRA, and that generated savings of about \$32 million.

[00:43:26] So again, combined savings of over \$100 million in compensation, I think certainly being in a collective bargaining environment makes it a little bit more difficult to propose changes to compensation. It's not to say that we can't do that. It's certainly part of the ordinance that it's dependent upon appropriation, but it would require additional negotiations with our employee groups.

[00:43:46] And then we know we had a lot of other adjustments between the forecast and our final budgets, but all of those netted to only about \$3.4 million. So we just put this in here, you know, for illustrative purposes to really show that, yes, we do always end up with a balanced budget because we have to, but that doesn't mean that it doesn't require difficult decisions.

[00:44:06] Christina, just clarify one thing for us before we flip the page. The three cent increase on the real estate tax rate, you said, generated \$223. The rate change generated \$223. What was the total increase on the average homeowner of the adopted budget?

[00:44:25] Because the assessment increase paired with that amounted to what? I'm hoping that Phil has that number at his fingertips as he's looking that up. He probably does. He's said it enough times. \$450, sir. So the reason it's important to point this out is after the three cent increase in real estate taxes that this board voted on last year, that brought the increase in the tax bill up to \$450 for the average residential taxpayer.

[00:44:57] This year, without making an adjustment to the real estate tax rate, just because of the growth of assessments, we're already at \$402.

[00:45:09] this year. So I think it's important to understand that in terms of the tax liability and burden on our homeowners that the combination of the assessment increase and the rate increase last year amounted to an average of \$450. And this year, before we even talk about the rate increase, just the growth in assessments has raised the real estate tax bill to \$402 before an adjustment in rate. And so I think that's important perspective to understand, you know, what our starting point is and what that means to the average taxpayer.

[00:45:44] Good point. So one of the easier slides to go over the budget timeline. Certainly Lee mentioned that the governor will introduce his budget on December 18th.

[00:45:59] Again, we talked about the schools, the superintendent releasing her budget on January 23rd followed by the county executive's budget release on February 18th. You know, we do have that meeting on February 25th, that joint meeting, but I don't want to ignore the fact that the school board will actually take action on the superintendent's proposed in between the county executive's budget release and that joint meeting.

[00:46:20] So we'll have to be prepared to make potentially last-minute changes to our joint presentation on February 25th. And so those are just kind of the dates that are, you know, upcoming and then the near term. And then certainly February 25th we'll talk more about some of those further dates where we have budget committee meetings and public hearings and such.

[00:46:40] But, you know, I think that the budget releases are the most important dates currently. And so that's it. We're happy to answer any questions. Thank you very much. So we're going to have an opportunity to ask questions again. We've already thanked the staff, so we can avoid that.

[00:46:56] I want to make sure everybody has a chance to have their questions and maybe multiple rounds of questions asked. And so I'm just going to go in the order that I see people's hands go up, because I don't I want to presume everyone at this point has a question they want to ask.

[00:47:12] And the first person I saw was Supervisor Palchek to be followed by Supervisor Alcorn. All right. Well, thank you so much, Mr. Chairman. I'm going to thank the staff because it's nice to see school board staff again. And I'll be done. So I am looking at the JLARC study and the recommendations.

[00:47:29] And I'm trying to make sure I've been reading it correctly. And the number that we've been looking at, the \$568.7 million, I believe is what's listed on the state SOQ obligation change for all recommendations. But there's also the local SOQ funding obligation change for all obligations.

[00:47:53] And then I was trying to catch everything you said, Lee, about the ones, the near-term ones that they're looking at. I don't know if it's the six that are listed in the JLARC attachment as to the near-term ones, and I'm trying to understand what the state and the local SOQ changes are, because our JLARC study is about local and state funding obligations, but I know we always fund above the SOQ, so I don't know if you have the deltas for both all the recommendations and the near-term recommendations.

[00:48:24] I do not have that level of detail with me. Is that something we've looked at? Is that something we can look at? Is there enough information to understand? Because I know we keep talking about that figure, but it looks like I am reading it correctly, that that's the state, but there's also the local changes if we were to implement the recommendations.

[00:48:46] Yeah, Michael Malloy, our legislative person, is here, and I think he can talk a little bit about this. Thank you. Good afternoon. Thanks, sir. Good afternoon. I'm Michael Malloy, Director of Government Relations for the Fairfax County Schools. Supervisor Paul, to answer your question, we do have that data.

[00:49:06] We can get it to you. I don't have it off the top of my head. But there are the 568 is every recommendation in JLARC. So that includes both the near-term and the long-term recommendations. The short-term recommendations, if I remember correctly, was somewhere in the range of \$80 to \$100 million.

[00:49:26] But there is a separate table in the JLARC study that looks only at the near-term recommendations. Yeah. And I have, I think it's around 80 million. But my question is, those are the state SOQ. There are three columns, right, in JLARC. So there are the state SOQ funding obligation changes.

[00:49:44] Then there are the local SOQ funding obligation changes. And then there's the total with both of them combined. What I don't know is if we have an understanding of for the local SOQ funding obligation changes? Do we know what the delta would be from what we're currently funding, you know, above the SOQ, to what their recommendations for implementing would require at the local level? So the challenge with that is that it's going to vary by individual recommendation. So each recommendation, it's a matter of we need to look at our side to see

[00:50:23] if we're already spending above and beyond what the JLARC recommendation is asking about. Right now, as a collective, we're about a billion dollars in required local effort above and beyond where we should be, which is roughly where JLARC has us.

[00:50:41] 1.1 billion above, right. But it's not necessarily a one-to-one correlation. Some areas it's going to be we're well above and beyond where JLARC is, and some areas we may be at where JLARC is. So it could generate an additional local obligation on our side.

[00:50:58] Thank you. So, I mean, that's what I've been wanting to understand because we talk about the 568. That's a state. Local for everything is about \$1.11 billion. And I don't have the analysis, but if you all could give us more information because I feel like we're missing some data there when we talk about the JLARC study and the SOQ.

[00:51:18] Yeah. As I said, it's going to vary. Each individual recommendation, there's going to be a different delta. Some are going to be easier to cost out than others. Some on JLARC's part are speculative. So we don't necessarily have the underlying data that they use to generate their specific number.

[00:51:36] I think Ms. Burden also mentioned that at the December 9th meeting of the Joint Subcommittee, they're expected to get some updated numbers from JLARC. So we may see some refined information, particularly on the near-term recommendations.

[00:51:52] And that's what I was going to ask for the near term, at least, if we could start to get those. And it looks like if they'll have that, that would be very helpful. Thank you. Supervisor Alcorn, Supervisor Beerman, Supervisor Walkinshaw. Thank you, Mr. There we go.

[00:52:10] Thank you, Mr. Chairman. So if you could go to slide 16. So the county has undergone this process the last couple of years, asking for departments to come back with reductions.

[00:52:27] That's not a perfect process, but I'm curious, has the school system undertaken anything similar? And if so, could you describe that? Thank you for that question, Supervisor Alcorn.

[00:52:46] One of the things we've done the last two years is not gone to the departments with any new program masks. So there have been no new initiatives or new programs. We've stayed focused on, essentially, our strategic plan goals, most critical of which are third grade reading, eighth grade algebra in high school course-taking patterns.

[00:53:06] We are certainly looking at efficiencies in the budget. The board directed that work several, I think, a budget cycle ago, and therefore we're working with the Baldrige process and really trying to identify efficiencies to align our work to our resources which should support you know a more thoughtful

budget process for us as well moving forward okay and will those be articulated in your um your budget that you put forward in January is that right yes they will okay thank you okay supervisor Bearman i just want excuse me

[00:53:44] on the county side i want to confirm that on page 16 um we asked for uh submitted reduction options totaling 10% of their budgets, but \$33 million in reductions is significantly less than 10% of the budget, correct? That is correct. And as I stated to several board members over the past couple of weeks, this is a step one. Again, we have 83 days until we get to the final.

[00:54:11] That number may or may not grow depending on our revenue. Understood. And I'm glad to have that confirmation. And I'm glad to hear Dr. Reed talking about looking for savings on the school side. We'd love to see some of that as well. I do have a question for Dr. Reed or for somebody else on the school side, which is, can you tell us a little bit about the current vacancy rates for teachers? I know that in budget questions last year, there was one budget question with a teacher vacancy rate around a total across the county of, I think it was like 360. Where are we

[00:54:48] at with vacancy rates with teachers right now? So I don't see Mr. Solomon here, but I know in looking at vacancy rates were lower than we were last year. And I think we were at just over 100 right now, which we have, of course, filled with long-term substitutes. And in some cases, Those are services of like instructional coaches or certificated positions within a school that aren't necessarily responsible for a classroom. Now, on the county side each year, there's even a placeholder for our market study placeholder where we look at what we should be paying people

[00:55:27] based on a market study. Have you done anything like that on the school side? I noticed that it's suggested that there was a 7% across the board pay increase, and last year I believe it was a 4% across the board increase. But have you done any study into where you might make targeted increases on this, but perhaps less of an increase on that to help us balance the budget?

[00:55:53] So thank you, Supervisor Behrman. In the prior budget, we took a very close look at that, And one of the things that we included was a five-year position cycle review because we haven't necessarily been consistent with reviewing positions.

[00:56:11] So we put those on a five-year review so all positions are reviewed every five years. I will say that once we've moved into a collective bargaining setting, then we really need to come to the table with our labor partners to discuss which positions and what types of increases.

[00:56:28] And that's what you see here as the result of the tentative agreement in our collective bargaining agreement. So we wouldn't go back after that to look at specific positions to adjust at this point other than within the step area. And I'm going to let Marty maybe speak to that, Mr. Smith, to add to that.

[00:56:48] Just a follow-up question. But currently your tentative agreement is a 7% across the board increase, not changes and targeted raises here or there. that's correct okay um i'll withhold any further questions till the end thanks supervisor walk and joe um thank you mr chairman you know just one point on the on the jark numbers it was reported this week that the general assembly expects i think a 3.2 billion dollar surplus i guess that's

[00:57:28] a forecast as well just like ours um but they're already discussing how much they should cut taxes or rebate taxes. Governors talking about tax cuts and the General Assembly, including some folks in our own delegation, seem to be open to sending people tax rebates. I think it's important for us to

articulate that just like when the General Assembly says they raise pay for teachers, they really don't in Fairfax County. When they talk about cutting taxes, really what they have been doing is passing the tax burden down to local taxpayers. And as long as the JLARC recommendations

[00:58:05] are unmet, that will be the case because those of us here and the taxpayers that we represent are going to have to continue to bear that burden of the monopoly-like tax cuts that Richmond likes to send people.

[00:58:23] Those bills have to get paid. Teachers got to get paid. Schools have to function, at least here at a high level. So I'm hopeful that they will resist the urge to continue that and actually pay their bill to the kids and teachers and schools in the Commonwealth of Virginia. I did want to just follow up on the vacancy rate question, the teacher vacancy rate question, because I think the WABI data from last year showed a 3.6% vacancy rate for FCPS, which was higher than certainly any of us would like, but lower than some of our neighboring jurisdictions.

[00:59:01] Is that vacancy rate today lower or higher than 3.6%? And do you know that percentage? I don't know it to an accurate number right now, but we can get you that number. Okay. And when will the WABI data be compiled regionally?

[00:59:18] It's in the final throws. It should be released next week. Okay. All right. A different kind of vacancy rate on office vacancy rates. Ms. Jackson, you referenced a previous committee meeting where it was said that we may have turned the corner.

[00:59:38] This presentation showed a 0.7% increase in the year-over-year office vacancy rate. I went back and looked at your presentation at this meeting last year, and it showed a 1.2% increase in the year-over-year vacancy rate, which would suggest to me that perhaps we have turned the corner.

[01:00:01] In other words, the vacancy rate was increasing at a faster rate last year than it is today. Am I reading that data correctly? Obviously, next year, maybe it could go in the other direction. Increasing at a slower pace. That's right. That's right. So it's moving in the right direction, so that's positive. What is the average assessed value of a residential property?

[01:00:22] Do we have that yet? \$780,114. \$780,000. Okay, so based on forecast equalization. Okay. All right. Great. Thank you.

[01:00:40] And just not to nitpick, but on the vacancy rate for office, I'm not sure if that has improved in part because of conversions versus just more people are leasing offices. So, this is one thing, you know, obviously as a board, we're keeping a close eye on it.

[01:00:57] It's definitely impacted by the supply. Yeah. Okay. All right. And I think Supervisor Walkinshaw said it well. this state is forecasting a record surplus. And they're using that term surplus. We don't use that term here because we don't feel like you have a surplus until you've paid your bills. And we have a \$560 million plus invoice waiting to be paid by the state to support public education in Fairfax County. So to me, there is no surplus because the bills aren't paid. And that's prudent fiscal

[01:01:34] management. I did not have anyone else. Yes, Mr. Frisch. Thank you. I want to correct the chairman because I think he misspoke when he said that we'd be doing better than West Virginia and Kentucky if the state met its obligation. To be clear, we'd be equal with them in terms of what we're getting from the state. So we strive to be a little bit better than average here in Fairfax County, but that's all we're

asking from our state partners is to be treated with average funding that would put us on par with our neighbors in Kentucky, in West Virginia.

[01:02:12] I do want to note, just for anybody watching at home, on slide 20, where the chart lists the benefits of JLARC being \$3,100 per pupil or \$1,300 in residential real estate taxes.

[01:02:28] It's not both, right? So if it was just real estate tax relief, the schools would not see any net benefit from JLARC happening other than our constituents paying less in property taxes. So it's probably somewhere in there in terms of the school system benefiting from additional funds and the county being able to provide property tax relief, but we can't have one and the other.

[01:02:54] So I wanted to make that point clear. In terms of, you know, some other notes, the superintendent mentioned the Baldrige process that they're undergoing to find efficiencies in our budget. I would say the school board is also engaged in a process that is more difficult than finding savings in any particular program or department, and that is our holistic boundary review of the entire county.

[01:03:17] And that could save the division significant resources when it comes to transportation, when it comes to building utilization, program placement, all sorts of different ways that we can maximize the use of our resources. We won't know the grand scheme of things until that process is closer to completion.

[01:03:37] But it is certainly a testament to the board's commitment to being as frugal as humanly possible. In addition to the work that we're doing on the actual program budgets that are being reviewed at the Baldrige process You know, I I've appreciated the comments that I've heard thus far and I'll be keeping an eye on budget questions as we kind of dig in more detail as things begin to take shape But I did want to note That our board was recently at the Virginia School Boards Association conference where miss Marin our

[01:04:13] Legislative liaison and our VSBA delegate led a session of a packed house of school board members from around the Commonwealth Talking about how we can get the money out of Richmond with JLARC and the number of our colleagues from across the Commonwealth Who are not entirely sure how much their school divisions would benefit from JLARC?

[01:04:33] Showed us that we have our work cut out for us and we'll be doing continued outreach to Others across the Commonwealth as we continue to advocate for funding in Richmond We've also sped up our legislative process in Fairfax County Public Schools by a month to be more impactful On Richmond its decision-making so that we can spend more time in Richmond talking with our legislators and pursuing our joint priorities All of this is to be said right the five hundred and sixty eight million dollars that that we are shorted uh coming out of richmond um while the governor is not only because i have no doubt that

[01:05:13] he will not be giving us 568 million dollars in his budget but he will be pursuing a um a new system of quote-unquote accountability uh and support that is not fully thought through and does not provide any additional funds to school divisions so um we have a lot of uh things that we're dealing with in richmond and we appreciate our partners in the board of supervisors and supporting that work that we're doing down there because it's going to take all of us and then some on the legislative front uh shortly before uh the retreat that you mentioned the virginia

[01:05:52] association of counties had theirs and this was by far and away the number one priority of counties in virginia education funding um and frankly you know there was a lot of pressure that they put on all of our school organizations statewide to make sure this is their number one priority it can't be the

county's number one priority if it's not the education association's number one priority and and to a person i asked i said you know people all over virginia a room full of people i said you know raise your hand if you think the commonwealth of virginia has given you

[01:06:26] too much money for public education and not surprisingly not one hand was raised not even among the jurisdictions that are in that 70 of their school budget being paid for by the state And so this is, with due respect to people who might not understand how much this might impact them, the fact is we are so far behind in Virginia that every school system in Virginia, no matter what happens, should be getting increased funding, the degree to which is going to vary.

[01:06:58] But the reality is the hole is that big in this state that we live in. The one question I wanted Ms. Burden to clarify, because I think on slide 18, where you had your required adjustments for enrollment changes, you mentioned ESL was flat, you mentioned special ed was up, and then you mentioned something about that's what the \$25 million you see there reflects, and what I see is \$46.2 million.

[01:07:31] So I'm just trying to understand that the \$25 million that you referenced, is that the increase in special ed portion of the \$46.2 million? That is exactly what that is. \$25 million is the cost of enrollment because the other areas, English learners, free and reduced, which generates more staffing, there's no additional cost to those because they're flat.

[01:07:55] \$25 million of the 40-some is the enrollment changes. And then we have \$9 million contractual retirement rate changes, \$5 million. So, yeah, it's a combined. That's what the \$25 million is. Okay. Other questions? I saw Supervisor Palchuk and Supervisor Behrman.

[01:08:12] Thank you, Mr. Chairman. And thank you so much. I think we're all trying to figure out how to get this fixed in the short and long term with appropriate obligations from the state. So I guess I have two questions. One, because it was mentioned that they're talking about three points on billion dollar excess, let's say, do you all have the total number on JLARC for what the state obligation would be for the recommendations?

[01:08:40] Is it like around a billion, two or three billion? Do we know? I was trying to calculate it in my head while I was here. I was trying to add up the columns if they were going to implement all of their recommendations. And if you don't have that here, if you could get it back.

[01:08:59] it's about three billion dollars it is about three billion so they're talking about a slightly over three billion dollar excess and if they were going to implement all of the recommendations and jay locker it would be about three billion dollars on the state budget so i think that's pretty telling um thank you and then um as we work together you know i spent some time last night reviewing some of the other jurisdictions not just where we want to be on par uh but i was looking at others in the region you know maryland's blueprint for the future of education they had the 10-year plan, right? It includes pre-K all the way through workforce development, and I believe

[01:09:37] they have a 10-year phased-in plan for improving their education system. It's not just funding, but it's also the accountability and the coordinated efforts, and I think they have, well, they do have three different, they have a great website, by the way, if you haven't seen it, but they have three areas, looking at their base per pupil amount, their weighted amounts that help address enrollment in each school, and then specialized programs. And they also have local income tax, which we don't have here, right, which is the most progressive way to tax. So

[01:10:13] I think as we look at better models, JLARC is a first step, but definitely looking at how a state can better invest and update both the system but also the funding sources at the state and the local levels. And I'm just impressed, I'm sure you all have seen this, but what Maryland has done to invest and have the 10-year rollout plan in the way, they're going to invest additional \$3.8 billion over those 10 years. So I appreciate that we're all here having this conversation because I think that's where the frustration is, is we're here pulling at straws

[01:10:51] and how to move these little pieces forward and a state that really wants to lead like Maryland and create this new blueprint as we've done for other areas like housing to me is, I think, a great model. Supervisor Beerman, Dr. Anderson, and Mr. Moon.

[01:11:08] So how many teachers are there in the Fairfax County system? Between 15,000 and 16,000. That's what I thought. So in response to a number of budget questions last year, we asked about what various raises would do for various classes of teachers.

[01:11:28] And you provided numbers about the minimum teacher salary, the midpoint, and the maximum. What's the breakdown among that \$15,000 to \$16,000 among people who fit into the maximum area, the midpoint area, or the minimum area?

[01:11:48] We'll have to take that as a budget question and get back with you on that. Okay. I don't have that level of detail. Okay. Well, look, okay. It would be nice to know that. In response to questions last year, for instance, it was question C146.

[01:12:08] We asked what the effect in the WABE guide would be of a 6% across the board raise for teachers in the master's lane. And the effect for the minimum was it would get you to number one. But for the midpoint and the maximum, you'd still be number seven out of eight.

[01:12:25] With a 5%, the minimum would get you to number four. But again, maximum seven, mid seven. And by the way, in both of those cases, the school district that was actually behind us was Loudoun County, which according to a different one of your questions, was the place we were worried about losing the second most teachers to.

[01:12:45] Those types of discrepancies and changes and, frankly, categories being in different places were true through a lot of the budget questions. In the custodial realm, for instance, you started out where the starting salary put at the minimum we were number two, the midpoint we were number four, the maximum we were number six.

[01:13:06] With a 6% raise, the minimum would be number one, the midpoint would be number four, the maximum would be number five. But guess what? with a 4% raise, the minimum would still be number one, the midpoint would be number five, the maximum would be number six. Question C166 showed with non-school-based staff, again, for the COO, whether it was a 5% raise or 6% raise, the minimum would still be number four, the mid would still be number three, although with a 5% raise, the max would be number one, just as with a 6% raise, the max would be number one. With the coordination two on math, again, we were starting

[01:13:40] actually at number two. If we did a 5% raise, we would go from the minimum being number two, the midpoint number three, and the maximum number four. We would have gotten the same thing with a six-point raise. So a 5% raise could have done what we were looking to do to raise those numbers.

[01:13:56] This was true through a lot of the budget questions that came in last minute last year. And they showed that different classes and categories within your own data showed that some people needed different targeted raises and some people would have gotten done better or done just as well with different numbers. And so I just only ask that you engage in that process to try and figure out whether or not there's savings to be had there because that may be a way to have more savings than simply doing an across the board 7% or simply doing like we did last year across the board 4%. We may actually have real opportunities there. And if you haven't noticed,

[01:14:33] the numbers here are not good. I mean, we've got a big gap to close. So let's find a way to close it. Thank you. Thank you. Dr. Anderson. Thank you. Just a couple of things. I very much appreciated Supervisor Walkinshaw's statements regarding what raises that are coming out of Richmond actually mean to us. It's 20 cents on the dollar, and we have to make up the other 80 percent elsewhere. And that is something I don't think the public can hear enough. So thank you for raising that and for bringing that to the forefront. Secondly, I do appreciate your comments and

[01:15:10] questions, Supervisor Behrman, but I think the landscape has changed a little bit. We're in a collective bargaining environment in FCPS, and I don't think the opportunity to be a little bit more strategic with a scaffold rather than across the board raises is as available as it maybe was last year because we have the groups that are bargaining and they are offering what they would like and I don't think they are providing as much differentiation as perhaps you leading to. So I'm not sure if that continues to be a place for us to actualize savings, but it's certainly a good

[01:15:50] conversation to continue to engage in. Can I ask you a question? Was that discussion had during collective bargaining? I am not in the room for collective bargaining as a board member, so I do not know. I think that is a question better lobbied at staff. Are any board members in the room for collective bargaining? No, no board members in the room. I didn't mean to say that. I wasn't. Was anybody on the county side in the room? I think that staff can answer if they would like regarding the composition of who's in the space.

[01:16:25] Mr. Smith, if we led the bargaining, I'll defer to him on that. Certainly. And with regards to collective bargaining, and I see one of our co-presidents of FEU here with us, David Wallrod, we engaged in a process with FEU looking at a variety of factors.

[01:16:52] They were over looking at both our licensed instructional and operational units, over 50 proposals that we looked at. We looked at a variety of options as it related to compensation, as it related to benefits. And it's important to note that FEU is a very unified union. And we felt that both Fairfax County Public Schools and FEU had a vested interest in applying those compensation increases across the board to all employees. And by the way, that's fair enough.

[01:17:28] and that's the outcome of collective bargaining, but there was no one on the county side sitting at the table, and right now we've got a massive, massive gulf here between the county side and the school side that we are going to have to resolve. And you're right, the landscape has changed. Now you have a collective bargaining agreement, but the landscape has not changed in the sense that this side of the table has to fund that side of the table, and this side of the table has to decide whether to raise taxes on our taxpayers.

[01:17:57] And I certainly understand that. But here's the other point that I wanted to raise before I get to my final question. While we do offer a very clear and comprehensive assessment of how we intend on

utilizing the funding, the Board of Supervisors is our funders, not the determinations of where they're supposed to go.

[01:18:18] So I'm not seeing that you're going to articulate that X dollars must be spent on teacher salaries and Y dollars must be spent on some other thing. It's a whole package, and we will have to make some decisions about some of those things once the package returns to us. We're just trying to articulate what our intentions perhaps may be.

[01:18:41] But the last point that I wanted to raise is I know that the board, your board, has had preliminary discussions regarding the meals tax, and I would love to hear an update in any potentially, any potential impacts to the budget forecast for our constituents, for our revenue bottom line. I'd just like to hear any information if you have any to share at this time.

[01:19:07] Before we answer that question, I'm going to let Mr. Hill answer that question. I do think it is worth pointing out. I think the frustration point that Mr. Beerman has is we did not have a county representative involved in the discussions for collective bargaining. And as you point out, Dr. Anderson, we are sadly, overwhelmingly the principal funder of the schools. And I do think as we move forward, certainly our collective bargaining conversations were under the veil of what was within reason to be able to afford based on our own fiscal projections, and to

[01:19:44] have a conversation about compensation absent any information at all about what potential revenues look like from your principal funding partner is frustrating to our board. And it's not your fault. I'm just saying it is something that this collective bargaining process has presented us with a challenge on because we did not have somebody in the room to be able to help guide what was within the realm of likely doable based on the fiscal forecasts that we have. And clearly what we see here today with this shortfall, and it's very early, we don't know where it's

[01:20:19] going, but I doubt that a \$300 million shortfall is just going to take care of itself in the next couple months without some really hard choices that we have to make. And for the public watching, the way the collective bargaining is set up, whether we like it or not, and certainly I think I can speak for my colleagues on this board and say this is an element of it we don't like, which is the collective bargaining agreement that has been agreed to or that will be finally ratified is subject to appropriations coming in to be able to support that.

[01:20:52] If that does not happen and we do not have those revenues to be able to support that, the collective bargaining agreement has to be redone. Sure. And I just want to make sure for people watching this at home understanding, you know, where this could potentially go, and it's particularly important because collective bargaining agreements exist all over the region, and they're all different, and this one is unique because you're not able to generate revenue on your own, so it has to have that clause in there, and I just want to make sure that, you know, folks who might be watching at home understand, you know, how that process works.

[01:21:25] And I would love to clarify that, you know, two points there. As you've just mentioned, the board itself has not been part of those proceedings. And nor was our board. Our board. I'm so sorry. Now, and I'm saying our board was not in our collective bargaining either. Right, if I may, if I may. So now what we have is a conversation between staff and the associations, and that conversation does have to then be supported by the board.

[01:21:50] We have not yet had that conversation. I appreciate that. But because we are not a revenue-generating body, and this has been the conversation since 21 when we started having the conversation, the discussions of collective bargaining. And our resolution does have language that says this is dependent on what we receive.

[01:22:09] There is an opportunity to reopen the discussion based on whatever our revenue-- I'm sorry, whatever our funding levels are. And Dr. Reed, perhaps you can highlight the periods of this re-opener. I can't recall specifically.

[01:22:25] But there is exactly that caveat, because we do not generate our own revenue and are entirely, well, 80% dependent on what this board can provide to us. So we do realize that shortcoming and have made provision for it. And we are saying the exact same thing.

[01:22:41] I'm just expressing the frustration of I don't know how you have a conversation about such a large portion of your budget without an understanding of what the potential capabilities are of your 80% funding partner. That's the only point that I'm making about it. And certainly our collective bargaining discussion did not involve any members of the Board of Supervisors, but they were absolutely grounded in what the fiscal realities of the county were throughout the course of that conversation.

[01:23:07] I think that's the only distinction. Mr. Hill, you wanted to mention something relative to the meals tax conversation. I didn't. Or you didn't want to. I didn't really want to. You volunteered to. I didn't really want to, nor do I have anything to relate as of this juncture.

[01:23:23] We are working that through the budget process, and then when we have presented we will be presenting to the Board of Supervisors because I do not believe we have presented you at anything at that juncture yet. We've given you an overview, or sorry, you have provided us with your thoughts and what you would like to see. We are working through that process now, but we also are working through that process to understand our transportation funding that has to also be thought about as we should strategically look forward into the future. So as soon as I have that information, it will be presented either in this committee or as a part of my budget.

[01:24:01] And the transportation you're referring to is the metro challenge that we're facing, just to be clear. Yes, sir. Right. So which is unknown. And I would just say, I think the only clarification we can give on the meals tax right now is our board had a presentation about the potential revenue it would generate.

[01:24:17] Not surprisingly, it's nowhere close to the amount that's needed to close this gap, nor is it nowhere close to the amount that is owed to the county through the J-LARC analysis. So it is not the silver bullet, even if it were adopted. But I will say that what we have decided is that the board will consider whether or not to adopt a meals tax as part of our budget process.

[01:24:39] And the reason for that is that's when we get the most input from the public. That's when we have public hearings. And so we absolutely want to solicit feedback through this next budget process about whether to do that or whether not to do that. It does absolutely nothing in this fiscal year, however, because even if the board were to adopt it, the implementation schedule of that takes a while.

[01:25:03] The revenue would not be coming in to do anything meaningful to affect this fiscal year's budget. And so, you know, that we do know in terms of timeline, and we know that if the board is going to consider it, we would consider it with this budget.

[01:25:19] If we did approve it, it would have a delayed enactment so that we could get things in order and be ready for it, and then revenues would start coming in later than that. And if you plot that on a calendar, it's not a fiscal year 2026 revenue issue. It would be, at best, if it were done, a fiscal year 2027 revenue consideration.

[01:25:39] And so I just want to make sure that if anyone's thinking that's the answer to this shortfall, it's nowhere close to the revenue that would be needed, and it's nowhere close to lining up on a schedule that would assist us with this year's gap. I have Mr. Moon, Ms. Anderson, and then I saw somebody's hand down here.

[01:26:00] Mr. Moon. Thank you, Chairman McKay. I know the time is almost up, so I'm going to be quick. I'm glad that we are having this conversation right now. This is our first joint session on the budget. And the points, the Chairman McKay and Supervisor Behrman were trying to make up very well taken by at least one school board member. Those are important things that we should consider. Though our board has not talked about compensation issues yet. So I'm hoping that, you know, we will all consider that. I think I could feel your frustration,

[01:26:38] supervisor of your man. But having said that, we are equally frustrated about the fact that school board has no means of raising revenue by itself. I'm hoping that in one of these days, board of supervisors will support school board's effort to have our taxing authority so that we can take all the blame for the taxing decisions we're going to be making. Another thing that I want to share with you quickly is that as our chairman own chairman mentioned that many of us

[01:27:15] participate and went to Virginia School VSBA conference down in Williamsburg this past week and in one of the sessions I attended a chairman of the school board of a nearby school districts where cost of living is much lower than ours was proudly sharing with other school board members in the room that they set their eyes, their goals, to match, to catch up with our salaries.

[01:27:44] And they've been able to do that successfully. And that chairman was taking a huge pride in the fact that they have caught up with us with much lower cost of living in the school district. So we have a lot of work cut out for us. Yeah. And I think that challenge is significant.

[01:28:05] and the tax burden on the residents that live in that jurisdiction is so much lower too because of how much more money they get from the state per pupil. And so again, we kind of circle this wagon and we come back to the same source of most of our frustration, which is I'm sure anyone in Fairfax County would love to change the trade their tax bill with the jurisdiction that you're mentioning. And so while they're getting caught up, they're getting caught up largely because they're getting a lot of extra support from the state maybe they increase their real estate taxes but when you look at the tax revenue generated by real estate taxes across the commonwealth of

[01:28:45] Virginia it's very obvious how much larger share our residents bear than virtually anywhere else in Virginia and and that's then that's that's the challenge we collectively are trying to work on here and face. Ms. Anderson. I'll go real fast. The other thing that I want to point out is any county that is any jurisdiction that is close to us is still only half as large. So we are dealing with an exponentially larger group of students than most everywhere else around us. I would also like to point out that when we're talking about 568 million, we're not talking about that

[01:29:23] in a vacuum of one year. This is not a shortfall of funding that's just happened now. This is a shortfall of funding that's been happening for a very long time. And it's that thing that we keep saying that we're at a pivotal moment in education where they're pitting school districts against their county funders as a way to diminish the power of public education. And we know we're here with you. As my colleague said, we understand your frustration and we feel it too. And we're ready to do something with you. I would like very much for this to not be a contentious opportunity for us.

[01:29:57] I would like it to be that we figure out how to get through this together so that we send the message that we are a united front and that we do care about education and that we want to make sure that our kids are set up for success. Yeah, very well said. I mean, I almost want to end the meeting.

[01:30:13] It is after 4.30 on that note. But I would add, not only is it important that that was said, but that is what we do every year in putting together our budgets. And make no mistake about the value this county and its residents place on public education.

[01:30:30] I think the crippling part of it is the increased inability for people to be able to continue to afford to live here because of massive growth in real estate taxes. I mean, I don't have a way to sugarcoat that. I mean, we've seen the chart showing what the average tax burden is by resident for all these jurisdictions in Virginia.

[01:30:52] And I'll just be really candid here and tell you that those jurisdictions that get more per pupil funding from the state are being rewarded for their own bad behavior at the local level because they are unwilling to raise their own revenue to support public education.

[01:31:08] They are unwilling to do it. And this board has never been unwilling to do that. what we have been willing to do every year is do what we can do, but it is collectively important for all of us to also understand the increased cost of living in this county borne by that giant hole. I mean, you saw it, \$1,300 per household, or was it \$1,400? \$1,300. \$1,300 per household just because of the JLARC study. We would be having a very different conversation at this table

[01:31:43] if that issue was addressed by the General Assembly. And so we must stand together and fight for this because, frankly, we are the economic engine of the Commonwealth of Virginia. And when I talk to people about that hole, I'm talking about that's money our residents have already paid into Virginia in income taxes. We are merely trying to retrieve back some of that.

[01:32:09] And so people say to me, well, state taxes will go up to pay for, you know, to be able to pay for that. The reality is the highest incomes in the state are here. That revenue that goes to Richmond is ours. The question is, can we work together to try to get that back here to our residents so that we can fund the school's needs in a more than adequate way like we always do, and at the same time be cognizant of the real estate burden that is placed on our homeowners? And that's the reality of the situation we're dealing. This should have dominated our conversation today, because I hope

[01:32:43] the takeaway of everyone leaving here is that is the problem that has to be solved and it has to be solved incrementally over multiple years. But if we walk out of here and we don't stay, you know, tenacious on this issue, nothing's going to happen. And so it's imperative for all of us through the legislative process, working with our delegation, working with the organizations we're involved with at a statewide level to keep this alive because it is that important to and it that profound in the presentation today to every resident of Fairfax County. Whether you're a strong

[01:33:19] supporter of public education or not, this is important to you. This is important to you if you live in Fairfax County. So with that, I am going to give my colleague, Mr. Frisch, a moment. I will just say that on your agenda, board members, you will see the next budget meeting, a joint meeting Fairfax County Public Schools again is scheduled for February 25th at 3:00 p.m.

[01:33:45] And certainly we'll continue this conversation all the days leading up to that. But that is the next time we formally gather again. And with that, I am going to turn to Mr. Frisch. I just want to thank everybody for the conversation here. And I don't want anybody to leave this room, certainly not our educators and operational employees, thinking that because nobody has said that their request is unreasonable.

[01:34:10] I think the conversation here is about how we will meet the needs of our educators and staff. And, you know, I think if you ask most teachers and most operational employees, they would say that if they wanted to be unreasonable, they would ask for a far, far larger number, knowing that it is a complicated Rubik's Cube to figure out how we get there.

[01:34:33] So I appreciate all the work that's gone into this budget conversation and the collective bargaining process from our school division to your employees in the fire department and the police department, because it's their right as employees to bargain collectively, and it's on us to see that process through.

[01:34:52] MR. Very good. With that, this meeting of our joint school board and county board budget committee meeting is adjourned.



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