BACKGROUND INFORMATION ON THE FAIRFAX COUNTY FY 2018 ADVERTISED BUDGET

On February 14, 2017, Fairfax County Executive Ed Long released his FY 2018 Budget proposal (also called the "Advertised Budget"). He acknowledged that there were many uncertainties about the course of FY 2018. Many of these are related to the impact that the new administration and its policies might have on Fairfax County—both positive and negative. Mr. Long presented a budget with a small increase from the FY 2017 Budget in General Fund disbursements and direct expenditures; no increase in the real estate tax rate (currently, $1.13 per $100 of assessed value); an available balance of $1.99 million; funding for performance, merit, and longevity increases for all merit employees; and several cuts, as well as increases, in human services funding.

On February 28, 2017, the Board of Supervisors authorized the advertisement of a FY 2018 Real Estate Tax Rate of $1.13 per $100 of assessed value, the same as the current rate in FY 2017.

After hearing the concerns of County residents, the Board of Supervisor will make changes to the proposed FY 2018 Budget and approve it at the "markup" meeting on April 25. Formal adoption will be on May 2.

Mr. Long commented that there have been modest revenue gains, but emphasized that the "spending needs facing our County—for salary adjustments and benefits, for capital and infrastructure improvements, and for the myriad of programs important to our residents—are greater than our available resources." He expressed regret that "many of the County's important funding needs are not included in the budget proposal."

The FY 2018 Budget documents, information provided by agency heads to the Human Services Council (2/21/2017) and the AHS (3/2/2017), and the 2016 Human Services Needs Assessment provide ample evidence that the demand for services continues to grow and that many needs are not being met. For example:

- Last year, over 250 families were not able to receive shelter services at Artemis House, the County's 24-hour emergency shelter for victims of domestic and sexual violence, stalking, and human trafficking. Fairfax County has approximately 66% fewer emergency domestic violence beds than the national standard.
- In FY 2016, the emergency shelter program served 2,784 homeless people. The "family" population included 455 adults and 618 children in 324 households.
- From 2009 to 2015, there has been a 48% increase in the number of individuals receiving Medicaid, SNAP, or TANF cash assistance benefits. This increase equals approximately 42,000 more residents receiving assistance.
- Between 2008 and 2014, poverty increased almost 55%. In 2014, nearly 74,000 County residents were living below the poverty level. More than 181,000 (16% of County residents) are living on income under 200% of poverty ($47,700 for a household of 4 in 2014). Many will not qualify for public assistance.
- This year, 32% of children entering FCPS are eligible for free or reduced price meals.
- Currently, the Child Care Assistance and Referral Program has a waiting list of over 2,000 children. The Head Start/Early Head Start waiting list is over 400 children.
- Currently, 96 individuals are on a wait list for residential treatment for substance abuse and co-

occurring mental health disorders.
- From FY 2013 to FY 2016, the number of clients receiving home delivered meals grew by almost 13%.

PROPOSED FUNDING INCREASES IN HUMAN SERVICES

The FY 2018 Budget proposes a total increase in human services funding of $3.1 million and an increase of 13 positions. The increases include:

Community Services Board Support Coordination: An increase of $2.3 million and 12 positions, including baseline funding of $1.2 million (to reflect funding approved by the Board as part of the FY 2016 Carryover Review), is required to provide mandated case management services to support individuals with developmental disabilities in the community and comply with current state and federal requirements.

Expansion of the Healthy Families Fairfax Program: As previously approved by the Board as part of the FY 2016 Carryover Review, funding of $670,000 in the Department of Family Services will be used to appropriate additional federal revenue to expand the program, which is an accredited home visiting program offering families at risk of abusing their children an opportunity to learn parenting skills and receive emotional support and case management services. The increase is completely offset by revenue for no net impact on the General Fund.

Position for Human Trafficking Prevention: An increase of $130,000 will fund one position for a Human Trafficking Policy and Prevention Specialist in the Dept. of Family Services. This position has been created in response to recommendations from the Board-initiated Sexual Violence Task Force and testimony at public hearings that highlighted the impact of human trafficking on victims and families. This position will serve as the primary point of contact on sexual violence and human trafficking on Fairfax County and will work to engage the community to ensure that victims have access to advocacy and support services, that perpetrators are held accountable for their actions, and that prevention and educational programs are offered throughout the community

PROPOSED REDUCTIONS IN HUMAN SERVICES FUNDING

Reduce Insight Memory Care Center Contract (Health Dept.): A reduction of $150,000 will reduce the contract by 50%. Currently, all County residents suffering from mid to late stage dementia are eligible for dementia-specific day care services at a reduced fee. This reduction will cap those eligible to receive the reduced fee at 400% of the federal poverty level. Therefore, this reduction should not impact low-income individuals.

Eliminate the Youth Day Treatment Program (CSB): This reduction of $460,000 eliminates the Youth Day Treatment Program and 4 positions providing day treatment to youth ages 13 – 18 with medium to high acuity serious emotional disturbance or co-occurring substance abuse disorders. In FY 2016, this program served 82 youth. Resources will be redeployed to continue serving this population through outpatient services such as individual, group and family therapy and case coordination. Outpatient services will be supplemented by in-home and intensive in-home services provided by contracted providers.

Eliminate the Community Readiness and Support Program (CRSP) (CSB): This reduction of $373,303 eliminates this psychosocial program (4 positions) for adults with serious mental illness, substance abuse, and/or co-concurring disorders who are transitioning to employment. In FY 2016, CRSP served 42 individuals. Existing contract providers in the region have sufficient capacity to absorb these clients, and no wait list is anticipated.

UNFUNDED PRIORITIES

In his FY 2018 Budget presentation, Mr. Long identified several "significant" County priorities that are not included, based on limited resources. The largest item was the 1.65 percent Market Rate Adjustment for County employees ($19.8 million). Also on his list:

Diversion First: The County Executive had hoped to be able include another **$5.3** million for this program. Launched in FY 2016, it offers alternatives to incarceration for people with mental illness, developmental disabilities, and co-concurring substance abuse disorders who come into contact with the criminal justice system for low-level offenses. The goal is to intercede whenever possible to provide assessment, treatment or needed supports. The investment the County has made is already providing positive results, but the development of the program is based on a multi-year implementation plan, which requires additional funding.

No Additional Funding for Employment and Day Support for Individuals with Intellectual and Developmental Disabilities ($6.7 million): Virginia has redesigned the previously separate service delivery systems for people with intellectual disabilities (ID) and developmental disabilities (DD) into one Developmental Disabilities services system. As of July 1, 2016, all CSBs throughout Virginia became the single point for eligibility determination and case management for people with ID and DD. Historically, Fairfax County has provided both support coordination services (mandated) and employment and day services (non-mandated) to people with ID who have graduated from FCPS and are therefore no longer able to receive school system services.

The resulting increase in demand and responsibility has led to serious resource challenges. Feeling that the current cost trajectory is unsustainable and unaffordable, and recognizing other CSB and other human services needs and priorities, the CSB has designed a new model of service delivery. Current participants and providers will not be affected (They will be "grandfathered."), but participants new to the system will be. The new model will:

- Provide mandated services to all participants.
- Offer priority access to non-mandated employment and day services to individuals with Medicaid Waivers: (Annual per person cost--with Waiver $11,000; without Waiver $35,000)
- Offer access to the non-mandated services to individuals without Medicaid Waivers who demonstrate exceptional hardship..

There is enough CSB funding to cover the cost of the current model for FY 2018. The County Executive has urged the Board to make a policy decision about the redesigned model now, because planning for FY 2019 will be affected.

Contract Rate Increases: The proposed Budget does not include contract rate increases for community providers of human services (especially non-profits). Such increases are aimed at keeping pace with inflation and pay and benefits and are periodically funded so that service delivery levels are not reduced to accommodate the increased cost of doing business. An increase of $3.41 million was included in the FY 2017 Budget, and the FY 2016 Budget included an increase of $3.49 million.

REVENUE

The FY 2018 Advertised Budget is balanced at the current Real Estate Tax Rate of $1.13 per $100 of assessed value. Last year, the rate was increased 4 cents, from $1.09. The average tax bill will increase $40.69.

On February 28, the Board of Supervisors authorized the advertisement of a Real Estate Tax Rate of $1.13 per $100 of assessed value. This advertised rate is a ceiling. It would not prevent the Board from approving a lower tax rate when it adopts the FY 2018 Budget, but the Board could not adopt one higher than $1.13.

For FY 2018, each penny of the Real Estate Tax Rate is worth $23.75 million in revenue. Therefore, if the Board were to approve a Tax Rate lower than $1.13 (both the advertised rate and the rate used to balance the proposed budget), each penny reduction would reduce revenue by $23.75 million. Reduced revenue means cuts in funding for County services and programs.

BUDGET PRESSURES

FCPS Funding: Overall, County support to FCPS—including County transfers to the School Operating, Debt Service, and Capital Contribution Funds—total $2.17 billion. This level of funding represents an increase of $50.95 million, or 2.41%, over the FY 2017 Adopted Budget. Of the total projected revenue available in FY 2018, approximately 58% is allocated to support FCPS.

The County also provides $83.4 million in additional direct support for a number of programs such as Head Start, School Health, Behavioral Health Services, School Resource Officers, School Crossing Guards, after-school programming, and field maintenance and recreation programs.

The General Fund transfer to the FCPS Operating Fund reflects a $51.59 million, or 2.7% increase over FY 2017.

On Feb. 9, the School Board requested a transfer to the School Operating Fund of $2.03 billion. This would require a $112.54 million increase (5.9%) over FY 2017. The difference between the County's Advertised Budget and the request is almost $61 million, equating to approximately 2.5 cents on the Real Estate Tax Rate. The School request exceeds total County available revenues of $88.2 million by over $24 million.

The School Board and school advocates are putting a great deal of pressure on the Board of Supervisors to increase the transfer in order to prevent reductions in the School board's budget.

Employee Compensation: In 2014 the Board adopted a new pay plan for General County Employees that was implemented in the FY 2016 Budget. However, based on limited resources, funding of $19.8 million for the calculated 1.65% Market Rate Adjustment was not included in the proposed FY 2018 Budget. The new pay plan allows for the deferral of Market Rate Adjustments in years of budgetary constraint, but there is concern about this issue.

Economic Uncertainties: Will a new “sequester” reduce revenues, or will new government contracting fill the coffers? Will arrests and deportations of immigrants increase the need for County support and assistance for those left behind, or will these new policies reduce the local cost of serving our diverse community? Will changes to the Affordable Care Act and the restructuring of Medicaid create new unfunded mandates and pressures on the Fairfax health safety net?

MULTI-YEAR BUDGET

In his County Executive Summary, Mr. Long includes a look to the future. He comments that it is “imperative” that we look forward because of the significant challenges ahead. With that in mind, he provides both a fiscal forecast and a list of projected requirements for FY 2019, indicating that there will be a budgetary shortfall of almost $96 million. The Overview volume includes a detailed forecast for both FY 2019 revenues and disbursement priorities. Some of those priorities in human services are:

DFS ($7.7 million): Increased funding for the Children's Services Act program, for the System of Care, for School Readiness, for public assistance eligibility workers, for services for older adults, for SACC, and for Artemis House ($700,000 to expand capacity and contracted services).

Health Department: ($1.86 million): Increased funding for epidemiology, for School Health, and for the Medically Fragile Program.

CSB: ($6.43 million): Increased funding for Medicaid Waiver Redesign, for psychiatrist pay and emergency services, and former grant positions in support of the Domestic Violence Action Center.

Mr. Long also comments, however, that, given the modest revenue growth currently projected, the only increases that are likely to be funded in FY 2019 will be obligations like County and School debt service and funding increases resulting from FCPS enrollment growth, with partial funding of employee pay increases.