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- Official meeting video (Fairfax County): https://video.fairfaxcounty.gov/player/clip/3497
- Official Board of Supervisors page (Fairfax County): https://www.fairfaxcounty.gov/boardofsupervisors/

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Speech-to-text: whisper.cpp, model large-v3-turbo. Produced 2026-10-31. Each paragraph starts with its time [HH:MM:SS] in the meeting video.

[00:00:03] We're going to go ahead and get started for our budget committee meeting of September 17th, 2024. And we have two agenda items. Agenda item number one is our FY 2024 carryover review. And I think this is the largest crowd we've ever had here for carryover.

[00:00:22] So with that being said, I am going to turn over to Phil Hagen, our Director of Department of Management and Budget, to give us a presentation on carryover. Thank you, Mr. Chairman. Also with me, of course, Christina Jackson, our Chief Financial Officers, Katie Horstman, and Joe Lahate, our Deputy Directors of Management and Budget.

[00:00:44] And actually, Katie is going to be taking us through the carryover presentation. Okay, good afternoon. So we will start on slide number two. And as you can see, our general fund carryover balance was just over $181 million.

[00:01:00] And that balance is slightly lower than previous years. Last year, for example, we had a balance of $203 million, and the year before it was just over $200 million. And so we were expecting this.

[00:01:16] If you may recall, as part of the 24 adopted budget, we did take a $6.3 million personnel services reduction, and that was based on savings. So that didn't impact anyone's direct operating. It was

based on savings. But between that and then continuing to focus on some of our recruitment issues, we were expecting a lower balance this year.

[00:01:39] But what we're also expecting is for next year, the balance to constrict even further. And that's going to be because we haven't seen the impact of our 25 reductions yet. And if you recall, a lot or a majority of our 25 reductions were from cost efficiencies and savings.

[00:01:56] So we do expect, again, for our balance in 2025, our year-end balance, to constrict even further. So when we look at how we allocated our balance in the center of our chart there, we have three broad categories or buckets, the first being our 24 commitments, and that was just over $54 million, and that's just really to close out 2024 fiscal year that we need to do in fiscal year 2025.

[00:02:23] And then we have our allocations for reserves in our capital sinking fund in our bicycle and pedestrian access, and so that's based on a formula, and we'll get into a little bit more detail in the coming slides, but that's just under $67 million. And then our other requirements, which are primarily one-time, which is consistent with how we like to use our carryover balances, is just under $59 million. Over on the right-hand side, you'll see we just have an administrative adjustment for the reallocation or the reappropriation of our ARPA stimulus funding at just over $59 million. So as we walk through the rest of the presentation, I just want to

[00:03:03] make clear to everyone that we're not capturing every adjustment in here. We're just picking out the highlights. The full carryover package is located online, which does have the exhaustive list of our package. So moving over to slide number three. So prior to addressing our other county requirements, we make allocations into three different pots, one being the county's balances to reserves. And this carryover, we didn't actually have to make any allocation into

[00:03:39] that reserve because we're already at our 10% target. The next allocation we have is into our capital sinking fund, which we allocate 30% of our balance, or just over $38 million. And this really provides for infrastructure replacement and upgrades at both county and park facilities as well as the schools. So each of those three different entities get a piece of the capital sinking fund. And then lastly on here is our bicycle and pedestrian access. And this was started as an initiative by the board back in 2021. And we are allocating 20% of the balance or just over

[00:04:18] $25 million to this initiative, and the goal is to meet a $100 million target in six years. And you can see after this allocation, we will be at $82.12 million of that $100 million target. So we're well on our way to meeting that goal within the six years.

[00:04:37] Then on slide four, we just want to give a brief update on our stimulus funding. As a reminder, our allocation was just under $223 million. through fiscal year 2024, we have expended just under $164 million. So that does leave us that balance of $59 million that needs to be reappropriated in order to spend it in fiscal year 2025. We are required to obligate the funding by December of this year. And then we must expend it by December 31st of 2026. So we are on target to meet those deadlines. And we will

[00:05:15] be providing an update to the board in the next couple of weeks through a memo on what our current allocations look like and how we're spending against those projects. And then lastly on here, as the board may recall, we did have a general fund pandemic reserve. We started that in fiscal year 2020, and that was really to address the immediate needs of the pandemic and to address any needs that we couldn't

use some of the stimulus funding that we received. At this point, we do recommend closing out that reserve.

[00:05:47] So there's about $4 million in available balance available. On slide number five, we have some of our investments in board priorities. So you can see the first one on there is $10.5 million to support construction of the child care facility at Highville Valley Community Center.

[00:06:10] And that is scheduled to have 86 children across seven classrooms. And then we also included funding for a child care feasibility study. And this is needed in anticipation of the fall 2026 bond referendum on early childhood facilities.

[00:06:27] So this is intended to really position us well for hopefully when that bond passes to be ready to go with the projects that will be funded through that bond. Next we have, and we typically see this adjustment, it's just over $8 million for the county's environmental and energy strategies.

[00:06:44] And this has been the funding approach the last couple of fiscal years for this initiative. And I do want to point out that we do have $4 million for energy improvements. And that's split evenly between county and park authority facilities. The third bullet on there is just under $2 million to support some recruitment and retention initiatives, specifically focusing on the Department of Family Services and Neighborhood and Community Services.

[00:07:11] And we will continue to work with agencies on their recruitment and retention strategies. And we have also maintained that hiring bonus reserve in order to attract employees. And then finally on there is just under $1.4 million for the temporary overnight shelter at the North County Human Services Building.

[00:07:33] And that's really a combination of a contract for the service delivery and then funding for increased costs associated with facility and maintenance costs. On page six is our support for park authority.

[00:07:49] So, this is consistent with what we see at previous fiscal years at year end. So, we have Park Authority total of $13.35 million, and I would point out the first one on here is the $5 million to address escalating costs at existing park capital projects.

[00:08:09] And again, this is something we've seen the last couple of fiscal years. We do have a corresponding adjustment on the county side for escalating costs as well. And then you can see the last two bullets down there at 5.72 for the capital sinking fund, which I mentioned earlier, and then $2 million for their energy improvements.

[00:08:27] And then finally, we have $2.5 million for lower Potomac fields, which is really to resurface and provide improvements to outdoor basketball and tennis courts at that facility. On slide number seven, we have some support for the Fire and Rescue Department.

[00:08:47] That first bullet there, historically, Fire and Rescue Department has obtained their medication from hospital pharmacies, but the U.S. Drug Enforcement Agency has said we need to stop this practice effective November of 2024, so that means we need to establish our own in-house pharmacy at a cost of $5.36 million. There are one-time costs of about $4 million, So I think that's a little bit of the good news is our recurring impact that we will pick up as part of the 26 advertised budget is just $1.3 million.

[00:09:24] We also have $3.5 million going to our replacement reserve for large apparatus and ambulances. This reserve has gotten quite low in the last couple of years, so I do expect that we're probably going to continue to make investments here at quarterly reviews.

[00:09:44] And then we also need $2.5 million for our self-contained breathing apparatus. It is up for replacement this year. So this funding is a down payment to enter into a new lease agreement for that equipment. On slide number eight, we have new facilities and facility improvements, which is a total of $20.2 million.

[00:10:09] And many of these adjustments are adjustments that we see previously made at quarterly reviews, such as our emergency systems failures or the workhouse campus. We do have a number of new facilities this year.

[00:10:25] Kingstown Complex, the fourth bullet there at just under $1.9 million. This provides the one-time cost for opening that facility. we do expect that there will be some fiscal year 2026 baseline costs included in the advertised budget. We also have one-time costs associated with the Police Operational Support Bureau at $1 million. And then second to last down there, I just want to also point out that we have included

[00:10:55] $500,000 for traffic calming initiatives. Slide number nine is our IT investments. So those total just over $14 million. The first bullet there is the $5 million that was deferred from the 25 adopted budget.

[00:11:14] So that's included in this package. We have $2.2 million for cybersecurity and cloud storage services. And we've been fortunate the last couple of fiscal years to be able to use our ARPA allocation to fund that need. But with ARPA allocation coming to an end fairly soon, we do need to pick that up in the general fund.

[00:11:33] And then last on there is the $7 million. These are for the yearly projects that are identified as part of the annual budget process. And we typically provide funding for these projects for the next or coming fiscal year at both third quarter and carryover. I do want to point out that it does include the funding for tax system modernization and GIS infrastructure modernization. So it does continue the support for both of those projects.

[00:12:00] On slide number 10, we did have to make a number of position adjustments. The first one is we are recommending that we convert 22 positions in the SAC program from benefits eligible to merit. We do, when you look at the SAC program, they are struggling with recruitment and retention.

[00:12:21] This will help increase capacity and the number of children we can serve. But we have a very high vacancy rate for benefits eligible. it's over 70%, whereas on the merit side, it's between 12% and 14%. So we're really hoping that by converting these positions, we'll be able to recruit and retain employees and then increase our capacity at our SAC centers. Depending on how this works, we may see the need to convert additional benefits eligible in the coming years. The next three are really position adjustments that are needed because of state action. The first one is the eight new positions for support

[00:13:00] coordination services, and this is a result of the additional Medicaid waivers slots that have been allocated by the state. We are getting 66 new Medicaid waiver slots each quarter for the biennium, so that totals 528 new Medicaid waiver slots. This has been a board initiative through your legislative program, so it's a good thing, but it does come with the need to add those support coordinator positions.

So we did, if you recall, add positions as part of 25 adopted and then 24 third quarter based on receiving new slots. So I do expect that we'll probably have to continue to

[00:13:37] add positions as these slots come online. But we will balance adding the positions with how quickly CSB is able to fill those positions. Then we have six positions to replace funding previously provided by the state for services supporting victims of crime. And this is actually impacting several agencies, but two distinct programs, one in the police department, and they lost all of their funding, and then one in the Department of Family Services, and they lost about 50 percent of their funding. There's no word yet on whether they're going to lose the rest of the funding or

[00:14:15] whether we'll be able to maintain it, but it does replace the positions and funding associated with those crucial services. And then we have five positions in the Office of the Commonwealth's Attorney. And again, that's based on state action and a mandate that we have to pick up those positions. We also, the last bullet down there is as part of the 25-26 budget guidance, the board directed DMV to review county positions and vacancies. So this is the first of multiple phases that we'll be taking, and we were able to abolish nine merit positions, 47 non-merit or

[00:14:51] benefits eligible positions, and then 382 temporary positions. And these are all unfunded vacant positions, so there's no impact on employees. And then last on slide 11 is our budget calendar.

[00:15:07] Just really quickly, the board is scheduled to take action on carryover on September 24th, So a week from today, prior to you all taking action, there will be a public hearing. And then just to note, we are in the early stages of development for the 2026 budget. That first bullet there is the focus of the next presentation, so I won't spend any time on it.

[00:15:28] But you can see we have our fall financial forecast, which is the joint meeting with the school board on November 26th. So that's when we'll really get a good look at what we're seeing in terms of our revenue projection for the coming fiscal year. And then, although it seems like it's a long way away, the advertised budget, 26 advertised budget, will be presented on February 18th of 2025.

[00:15:53] So with that, if anyone has any questions, we'd be happy to answer them. Thank you very much. Let me start with one, and then I'll see if any of my colleagues have any questions, because I read with great amusement one of the articles written about carryover about a giant surplus that the county had.

[00:16:14] And so, obviously, there's a lot of educating that has to happen. I don't think most people in Fairfax County understand that we're required by the state for good reason. We must balance our budget. We cannot run a deficit. We must balance our budget.

[00:16:31] And we have a AAA bond rating. and we have a lot of other assets on our side that show how well managed the county budget is. Give us a perspective on what percent of our county budget is what's reflected on carryover because we cannot run out of money in a given budget year.

[00:16:52] We cannot stop running buses or lay off police officers because we run out of money. So carryover is a reflection of how much money is left at the end of the year. So give us an idea of what percent of our budget that is. You're right. So in total, $181 million seems like a lot, but it's a very small percentage of the overall budget.

[00:17:12] A little over $70 million of that came from revenue, and revenues were about 1.4% over what we had budgeted, which is a pretty tight variance. And then a little over $100 million came from the disbursement side, and that was right around 2%. So, again, very close to what we had budgeted in our final revised budget on both sides, both revenues and expenditures.

[00:17:30] pretty much right on the mark and about 2%. So that's how close we run at the end of the year to making sure that we have a balanced budget. And no one in this room would ever want to live in a county that ran out of money before the end of the budget year. And having a 2% buffer not only helps us with credit ratings and our principles of sound financial management and all the other things we have a reputation for, but it is a very narrow number to have at the end of the year. It's not a giant surplus. It's a factor of good management, adherence to our principles,

[00:18:06] and is very, very narrow number. And so I just want to make sure people understand context is really important when we have these conversations. Let me ask if any of my colleagues have a question on carryover. Supervisor Herdy. Yeah, I'll do a follow-up on your comment, but, you know, I'm looking at a chart here, and again, this includes the ARPA surpluses, so it's a little inflated, so to speak, because of the ARPA surpluses. But between 2013 to 2019, our surpluses were right

[00:18:43] around $100 million, and then we jumped to right around $200 million. So what would be interesting if we could get, what are the surpluses from revenue? What's the surpluses from unrealized expenditures? What are the surpluses from ARPA by year? If we could get that, that would be good.

[00:19:04] And the total surpluses, that would be very helpful for the board. As far as the spending for carryover, we usually have the breakout between recurring and non-recurring. I didn't see that in there this time. Could somebody identify what are recurring and what are non-recurring?

[00:19:27] Not right now. You can get that back to us in a question, unless you've got it already. We do have that in the carryover memo that went into the board. The impact on FY2026 will be $8.63 million for the recurring impact. For the recurring impact, okay. And then the victim services cut, could somebody explain that a little bit more?

[00:19:50] Because that's one I, that's one I, how did that happen? Who was funding those and who's not funding them anymore? So it's a federal pass-through grant from the state. Oh, it's a federal pass-through grant, okay. And they're actually having problems at the federal level. So there's a collection of funding.

[00:20:08] It's based on fines that people are assessed. And in order to shore up that fund, they've cut the state funding, and then the state passed that through to us. So they kind of overspent, I guess? It's funded through fines.

[00:20:26] So it's not like it's part of an appropriation bill. It's funded through fines, and the fines have decreased. And in order to shore up the fund at the federal level, They decreased funding at the state level, and then they passed that through to us. I guess the fines decreasing is a good thing if crime's decreasing.

[00:20:41] Those crimes are decreasing, but it's, yeah, abandoned. I mean, they are working at the federal level to try to increase resources there, but right now they haven't, and these are critical services supporting victims of crime. So we felt it was essential to continue.

[00:20:57] Thank you. Supervisor Alcorn. Thank you, Mr. Chairman. Just a terminology question. the use of the term surplus, I'm used to carryover balance. I guess, is this a term that we've used before?

[00:21:13] I'm not, it doesn't ring a bell, honestly. I'm just, you know, Supervisor Herity's comment about a surplus, I guess. Is that something that we've used before? I mean, I would argue we normally use the term carryover balance. Yeah.

[00:21:29] Yeah, and I guess just to build back on the chairman's comment, I, you know, this is not a surplus in any sense of the term that I've, I mean, you know, the county executive has asked departments to cut their, or at least to come back with proposals of 10% budget reductions.

[00:21:46] That doesn't feel like a surplus time to me. But as the chairman said, we do have to balance our budget every year and all the time. You can't, you know, deviate from that. So, yeah, thank you. surplus has kind of bugged me because i didn't know where that was coming from because this this really in our budget context it's like you said it's a it's a carryover reserve or you know and if i may build upon the chairman's comments i mean the variance is something that the rating agencies go over with us every year in our december meetings to make sure that our revenues come in above and our expenditures come in below so it is something that they're mindful of and they they watch out for we have to we have to show our numbers to them every year so there's always going

[00:22:26] to be some type of balance. And we still have the AAA bond rating. Yep. All right. Thank you. And let me just add, I heard something even worse a minute ago. I heard ARPA surpluses used. ARPA is money that has been allocated to us that we are responsibly spending to continue to respond to the pandemic. You can't have a surplus when you've been given that money. I mean, that's federal government money that was given to the county for us to make sure we could recover from COVID, used for a whole lot of different things. And so that's not even possible to use that term.

[00:23:03] Yes, Supervisor Walkinshaw. Yeah, Supervisor Herdy's question about the amount of recurring commitments in the package is answered in the memo. But what isn't answered in the memo is of that amount, what percentage or how much is not an option for us, right? So the five positions based on state action in the Office of the Commonwealth's Attorney, I think we would all probably agree that the eight positions to support the Medicaid waiver slots are not really an option for us.

[00:23:43] So most of that recurring money, it's not that we're making a choice to commit recurring money. It's money that we would have committed anyway based on state action because we must, or it's consistent with our priorities. I mean, the only thing that's kind of not based on state action here in terms of the position-based recurring commitments would be the 22 SAC conversions.

[00:24:10] So I guess I'd like to see that as a Q&A of the $8.63 million, how much of it is predicated on and required by state action? State or federal action.

[00:24:27] State or federal? Sure. Okay. Supervisor Palchik. Thank you, Mr. Chairman. And first of all, I just want to thank the budget staff. I know, Katie, you did an excellent job presenting and your whole team and Christina. Thank you for being here. I think the chairman used the word that I think describes this well. It's responsible spending. Just yesterday, I was sharing our 10 principles of sound financial management and was wondering if the state has something similar. I couldn't find it. I don't know if they do. But someone was talking about some recent state action.

[00:25:05] I was like, I wonder if they have that. But I know that we absolutely look at that. And you use that even for bonds, right, especially. So I appreciate that work. And I wanted to thank you. The 22 positions, and maybe we can get some additional information on that. I know you've been working

probably for over a year on that. Katie, it has, as was shared, a huge challenge to fill those positions. These are very short hours. The majority are only working before and after school.

[00:25:37] It's a program that we know our families and workforce absolutely depend on, and we have not been able to hire enough staff. And so it was helpful to know the 70% vacancies are for the benefits eligible so i am hopeful that um the small influxes will help us be able to fill those positions and um you know if i don't know if we have average salaries for those that would be helpful i don't think they're very high compared to most of our positions because they're very still pretty part-time um so i appreciate that clearly the things that aren't in this right that we're not yet funding and putting in some of our other initiatives like housing and so um i know

[00:26:17] is tough. I appreciate this. It's a very tight budget and will continue to be, and I think it shows why the next conversation is so important to the county. So thank you. Okay. Any other questions on carryover before we move on to agenda item two? Okay. Thank you very much. Next up on our agenda is taxing authority and options for revenue diversification. And before I turn over to staff, I just want to reiterate two things because there's been some confusion out there about how we got to this conversation.

[00:26:55] And so, first of all, the board adopted budget guidance with its last budget and previous budgets before that to ask the county staff to look at revenue diversification opportunities that exist to help relieve the burden of real estate taxes on our residents in Fairfax County.

[00:27:16] Subsequent to that, the board directed county staff to come forward today with this presentation. The board voted 9 to 1 to ask that this information come to this table. It's been a lot of misspeaking out there about who directed what to happen.

[00:27:34] An individual board member cannot do that. The board as a whole directed to have this presentation come before us here today. The other thing I want to emphasize, and this is something that, again, a lot of our residents don't understand, is that the county can only raise revenue by means which are expressly granted to them by the General Assembly.

[00:27:55] And so what you're getting ready to hear is a presentation of all the things that the General Assembly has said Fairfax County can tax people on and where we are in that spectrum. So there is some capacity of which the General Assembly has told counties you can raise revenue these ways that we have not tapped into.

[00:28:16] And given the stress on our real estate taxes of the past couple of years, in particular with soaring assessments and some of the challenges with underfunding at the state level of public education and a lot of other things that we'll get into, We think it's particularly prudent to ask our staff to present to us today where that capacity exists that the state has granted us the authority to raise revenue in.

[00:28:41] And so I also want to be clear here that we don't take action in committees. So we are receiving this information for the first time, an opportunity for board members to ask questions about the information that's being presented to us. This is probably, in my time on the board, maybe the eighth or ninth time this has happened.

[00:29:00] It's pretty routine for us to ask for this conversation to occur. It's taken on new life this year, but this is a routine conversation for us to have in the context of trying to prepare our budget and future budgets as we move forward. So with that on the table, we're going to allow our staff to get through the presentation, and if folks could hold their questions until the end of that, that would be appreciated.

[00:29:24] And at this time, I'm going to turn it over to Mr. Hagen again. Welcome. Thank you, Mr. Chairman. So for this presentation, we have done a change of staff up here. And so we still have Christina Jackson, our chief finance officer, here to help with any questions, as well as Jay Doshi, director of tax administration, Tony Castrilli, director of public affairs, Dan Robinson, senior assistant county attorney, and then Albena Asenova, our budget division director over revenue and legislative analysis.

[00:29:51] So I'm going to be going through the bulk of the presentation, certainly we'll all be here to answer questions and I'll say this was really a team effort putting this together for you with support from all of our departments. So starting off as the the chairman mentioned as and as the board will recall budget guidance for FY 2026 included the recognition that we are likely facing another challenging budget year. The trend in recent years has been that employee compensation adjustments as well as schools funding increases have left little flexibility for other priorities the FY2026 budget guidance noted the need to continue advocating through our legislative program for tax modernization and for the state to fund shared

[00:30:30] services such as schools and transportation that was certainly discussed this morning at legislative committee but then guidance also directed staff to return to the board here at this committee meeting with existing options to diversify our revenue base and to reduce the over reliance on the real estate tax a board matter in may reinforce that direction and so this presentation will we'll provide an overview of three revenue sources that we have not implemented here in Fairfax, those being the meals tax, the admissions tax, and the probate tax. And then also one existing tax, the transient occupancy tax, where the state provided additional flexibility in the tax rate a few years ago. So we wanted to start off with an overview of our current revenue sources.

[00:31:09] This is our where it comes from pie chart that we often use in our budget publications. As the board's aware, the lion's share of our revenue, nearly two-thirds, comes from the real estate tax. When we look at that real estate tax base, more than three-quarters of it is residential property owners. Real estate taxes, they're certainly the primary driver of our revenue, either through assessment changes or through adjustments in the real estate tax rate.

[00:31:36] Outside of that real estate tax, we're limited in the ability that we have to adjust revenues in a meaningful way. Certainly as we look ahead to the next few years, we are expecting that we'll continue to see constrained revenue growth in any of those other categories. Certainly the one that I would highlight would be that revenue from the use of money in property category, where we've benefited recently from interest rates going up and really seen our investment earnings going up.

[00:32:00] We are expecting that category to come down as those interest rates fall. So as I mentioned previously, this presentation will cover four different taxes, three of which were impacted by legislation approved in April 2020 that expanded the taxing authority for Virginia counties.

[00:32:20] The first that I'll cover is the transient occupancy tax. That's currently levied by the county at 4%. That 2020 legislation removed the limit on the tax rate that we can levy. However, the next 1% on the tax rate does need to be used to promote tourism.

[00:32:37] The meals tax, the referendum requirement for the meals tax was removed. The 2020 legislation also, though, removed some language that stated that the tax shall be effective in an amount and on such terms as the governing body may by ordinance prescribe. That language gave us a good bit of

authority in how we structured the tax, and so with it removed, we'll have less flexibility in how we actually implement the tax.

[00:33:04] Then counties were also given the authority to levy an admissions tax of up to 10 percent. And then finally, the 2020 legislation increased the maximum rate for the cigarette tax up 40 cents per pack and as of July 1 the county has implemented that maximum rate and so we won't be covering the cigarette tax in this presentation and then the final option that we're going to cover today is the probate tax I'd also like to point out that we have two additional handouts that we've provided in support of this discussion so one of it is a comparison of our tax rates to those of other jurisdictions I know that was a budget Q&A that typically got

[00:33:40] cited as we work through the FY 2026 2025 budget process and so we thought it be helpful for this meeting particularly for any of those taxes that we aren't highlighting in this presentation and then the other handout that we've included has the most relevant sections of virginia code that relate to these taxes that we're highlighting in the presentation that the county does not currently levy all right so this slide is here to put into perspective how these four revenue sources would impact our overall revenue picture if the transient occupancy tax were put into effect at or sorry were increased to 7% and if the other three taxes were

[00:34:19] implemented at the maximum rates allowed I do just want to note that the initial version of the slide that we posted on Friday we did have an error and that we misstated the transient occupancy tax amount that has been adjusted and what you're seeing here as well as the fresh copies that we distributed so had these taxes been implemented at the at these rates for FY by 2025, they would have generated about $226 million, the equivalent of about 7 cents on the real estate tax rate. They would account for about 4% of general fund revenue. And so as you can see

[00:34:55] on the slide in the pie chart, real estate taxes then would be a slightly smaller, 63% of then what we've shown as an expanded pie chart, including that $226 million in additional revenue. So now to move on to the first tax that we're going to cover, transient occupancy tax, that applies to hotels and other accommodations that provide short-term lodging. The county currently, as I said, levies its tax at 4% of that rate. 2% can be used for general purposes, but then the other 2% must be used to promote tourism. The current 4% rate generates $25.6 million. If that rate were

[00:35:33] to be increased, each 1% could generate $6.4 million. I'd note that the next 1%, bringing us up to 5%, must be used to promote tourism. However, there are no restrictions on the use of funds for any increase above the 5%. This tax rate is set by ordinance, and therefore any adjustments to the tax rate, we would need to go through public hearing to then have the board approval to amend that ordinance. And then the rate was last adjusted in FY 2005. So then as we look at the transient occupancy rates levied by other jurisdictions in the area, it's important for one to note that for

[00:36:12] the Northern Virginia jurisdictions, including Fairfax County, there is a 3% regional transportation tax that's charged in addition to the rates shown. So the counties levy 4%. It's equal to the city of Fairfax's rate. Other jurisdictions in the Northern Virginia area have rates of 5% or more. And then the District of Columbia charges just under 16%, while Montgomery and Prince George's County in Maryland charge 7%. So we'll move on to the meals tax. The meals tax, if implemented, would be a tax on food and beverages sold at restaurants. We've included in that

[00:36:49] Virginia code references handout, the section of code that provides the definition of what Virginia considers to be a restaurant. But briefly, it would include things like cafeterias, cafes, taverns, delis. It would not include vending machines. They would not be subject to a meals tax if implemented. A meals tax also would not apply to groceries, but it would apply to any ready-to-eat foods sold at a grocery store, such as at a hot bar. Each 1% on the meals tax would generate approximately $33 million in revenue. The county can levy up to a 6% rate,

[00:37:25] which we estimate would generate $198 million. And there are no restrictions on the use of those revenues. So as you'll see in a few slides when we show the rates currently levied by other jurisdictions, several have opted to implement a dealer discount. Since the meals tax is collected by the restaurants on behalf of the jurisdiction, there may be costs that are incurred by the restaurant such as configuration their systems credit card fees staff time in order to charge that tax a dealer discount allows the restaurant to retain a portion of the tax collected in order to offset those costs we have authority

[00:38:01] to implement a dealer discount of up to 5% so one of the things we want to look at is the the amount of meals tax might be collected by non-county residents certainly one of the benefits of a meals tax would be that a portion is paid by those non-residents including commuters as well as tourists and so on this slide we have data from the Virginia Tourism Corporation their data indicates that about a third of expenditures on meals in the county are generated from visitors that equals about 11 million dollars in resident in revenue from non-residents

[00:38:34] for each 1% on the meals tax rate we also then taking another look at this we worked with the Department of Economic Initiatives into the question of where restaurant visitors are coming from. DEI used a neat tool, Placer AI, which is really looking at geo-reference cell phone data, looking at who's visiting what locations. And so they looked at several locations throughout the county. I'd note that there are some limitations to this data since they're using that geo-reference cell phone data. They can't include restaurants that occupy just

[00:39:10] one floor in a multi-story building. It's confusing then as to which business people actually visited. And so this they did tend to focus on standalone locations when they're looking at restaurants And so these sites that they selected there is some variation in the resident non-resident mix But we certainly expect that that makes will vary for locations throughout the county We generally those saw about a third of visits coming from non-residents as we looked at this data So then looking at the meals taxes

[00:39:44] The rates imposed by other jurisdictions, we see that Arlington, Fairfax City, Falls Church, and Prince William are currently at 4%. Alexandria levies 5%. Meanwhile, Loudoun does not have a countywide tax, but similar to Fairfax right now, there are certain towns that do levy a meals tax.

[00:40:02] And then the towns of Herndon and Vienna also within Fairfax currently levy a meals tax. So also included on this slide, as I mentioned earlier, are the dealer discount rates provided by each jurisdiction. Alexandria and Arlington do not have a dealer discount implemented. However, the other jurisdictions in Northern Virginia range from 2% to 6%.

[00:40:21] Once again, our authority as a county would be to levy no more than 5%. So then turning to an admissions tax, if levy, the admissions tax would apply to the charge to attend an event.

[00:40:38] We have the authority to levy a rate of up to 10%. we would be able to distinguish in that levy between events held for charitable versus non-charitable purposes. And then each 1% on that admissions

tax would generate approximately $800,000. And so if the maximum rate were implemented at 10%, we'd estimate approximately $8 million.

[00:41:01] With the admissions tax, there are no restrictions on the use of those funds. So currently in Northern Virginia, there are two cities that have implemented this tax at a rate of 10% Alexandria and Falls Church. And then the final tax that we're going to cover today that the county is not currently utilizing is the probate tax. The state currently taxes at a rate of 10 cents for every $100 of the value of estates that are valued at over $15,000. If the county

[00:41:36] were to impose this tax, it must be at one-third of that state rate. And so we estimate that it would generate approximately $360,000. There's no restrictions on the use of those funds. And Arlington, Loudoun, and Falls Church are the jurisdictions in Northern Virginia that currently levy this tax.

[00:41:57] So now we'll move on to discuss what would be required if the board chooses to implement any of these options. As I mentioned earlier, the transient occupancy tax currently levied at a rate of 4%, and increasing that rate would require an amendment to the existing ordinance, and so we would work through a public hearing followed by approval by the board.

[00:42:16] I would note that with the transient occupancy tax being one that we currently levy, we don't anticipate any need to adapt IT systems or anything like that in order to push this forward. Meanwhile, enacting a meals tax, that would require a public hearing and approval of an ordinance by the board to lay out the terms of the tax. One thing about the meals tax is that we could actually set the tax rate for a meals tax in the tax rate resolution, that being the resolution that the board approves each year in order to set the other tax rates as part of the annual budget process and so that would provide a little bit more flexibility in how that rate

[00:42:54] is adopted. Implementation of the meals tax though would be a little bit more involved. It would require modification of our tax systems within the county. We'd also certainly expect that businesses would need to modify their own systems in order to be able to collect that tax and so if the board were to choose to implement a meals tax our recommendation would be that we implement it an effective date no earlier than january 1 2026 which would allow time for that work both for county staff as well as for those businesses so admissions tax that would also require a public

[00:43:30] hearing as well as an approval of an ordinance that specifies the tax rate for an admissions tax very similar to meals tax we would recommend that if we were to implement one that it be done so no earlier than january 1 2026 for the same reasons as mentioned with the meals tax for both our IT systems our tax system to be updated in order to accommodate that as well as for businesses to adapt and then finally probate tax enacting that would require again a public hearing and approval of an ordinance the courts currently administer the state portion of that tax and so we anticipate a very short timeline they estimated about a month in order to put in the system

[00:44:08] changes minimal cost of the system changes and so we anticipate that if we were to implement a county tax we could accommodate a July 1 2025 effective date So staff would recommend that any action on these taxes be timed to coincide with the deliberation and action on the annual budget.

[00:44:29] That certainly would allow us to leverage the many existing channels that we have for public input during that time period, including things like the district town halls, the other community meetings that budget staff engage with, as well as the budget public hearings. That would also allow the board and

the public to weigh these revenue options against the overall revenue picture as well as the other priorities that we have other expenditure requirements and so we've constructed a hypothetical timeline here based on their recommendation dates related to our FY 2026 annual budget are shown on the bottom of this timeline so our next touch point of course is the

[00:45:08] November joint fiscal forecast where we'll provide an updated picture of FY 2026 revenues the advertised budget then being released on February 18th kicks off that period of budget town halls and other community engagement and due to the changes to some of the notice requirements that the state approved during the past session the board would be able to take action on the advertisement tax rates either March 4th or March 18th at those board meetings and so then public hearings will take place as normal late April followed by markup and adoption in May so then we show the hypothetical timeline

[00:45:44] for a tax ordinance on top, so we'd recommend that the Board authorize advertisement of any ordinances related to these revenue sources on either March 4th or 18th, potentially coinciding with advertisement of the tax rates.

[00:45:59] Budget committee meetings, we've tended to leave scheduled for March 11th and 25th, and so those would certainly offer opportunities that could be utilized for discussion. A public hearing could occur on April 22nd with testimony continuing during the budget public hearings. And then board action could take place during budget markup. Outreach and other activities necessary to implement could begin in May following the approval of any ordinances.

[00:46:25] And then, as I said, we'd recommend July 1, 2025 as the earliest effective date for implementation of a probate tax, as well as earliest date for any rate change to transient occupancy tax, coinciding with the beginning of FY2026. For the meals or admissions tax, we'd recommend an effective date again of January 21, 2026 at the earliest, which would result in a half-year impact on revenue during FY2026. So I'm going to turn to Tony Castrilli, Director of Public Affairs, for the last couple of slides talking about our outreach strategy. Thank you, Phil. Good afternoon. My name is Tony Castrilli. I'm the Director of Public Affairs. Today I'm here to

[00:47:03] share with you an outreach communication strategy that is for the Board's consideration. I just have two slides that include objectives, target audiences, proposed messaging, and some platforms we recommend using. As you can see from the slide, the strategy has just two primary objectives, transparent communications regarding the rationale for revenue diversification, and sharing information regarding the effects of implementation and the process and timeline for how these taxes would be implemented. The strategy has two primary audiences, the community and the industry. And I know you've heard this before, but our experience shows it works. We would recommend the proven

[00:47:40] communication strategy of common message, many voices, since this would be a countywide effort and the goal is to ensure everyone is sharing the same messaging and information. On the slide, you can see some primary proposed key messages for our residents, the industry, and everyone. For our residents, we would recommend focusing on three common straightforward messages which are on the slide. For the industry, we would recognize the information sharing regarding a process would be critical to our success. We've reviewed successful content from comparable neighboring jurisdictions and have learned what has been effective. We'd offer guidance and support for

[00:48:15] implementation and communicate the operational adjustments needed. There obviously would be some crossover messaging that would be communicated to both audiences regarding the

timeline and the process. As Phil mentioned, if this is concurrent with the budget process, our proposed outreach will strengthen our opportunity to connect and engage with the community due to past budget communication strategies. Go to the next slide, which shares some of the tools and platforms we would recommend. First, I would like to highlight that all communications would be in multiple languages, audience-specific, and accessible by established platforms. We'd

[00:48:53] recommend a web hub as a centralized resource that will be a clearinghouse for all information, and our messaging and tools would all link back to that web hub. We would, of course, rely on Extensive improvement social media channels that you're all familiar with and would recommend some boosted and targeting messages on those channels We'd work with our partners at Channel 16 on videos to help share common messaging and with high public interest on this topic We would develop a media strategy to help amplify our messages We would also recommend some industry specific tools and tactics such as virtual meetings to engage business owners and hard copy content

[00:49:30] Knowing there would be the need for direct in-person engagement and develop a team of some county ambassadors who regularly connect with business owners to ensure that they have the right information and provide messaging to the community. And that concludes my part of the presentation and the presentation, and I think the team is here to answer your questions.

[00:49:50] Excellent. Thank you very much for that presentation. Let me open it up for questions and comments from board members. Supervisor Jimenez. Looks like I'll kick it off. Thank you, Mr. Chairman. Thank you for that presentation. It's a great bit of information, and all of this information is very helpful.

[00:50:09] Quick question, Phil. Have we looked at counties who have a meals tax before the meals tax was put in place and after to see any trends of whether folks stopped going to restaurants, stopped going out, or if it continued to kind of be level?

[00:50:29] Jay Doshi, Director of Tax Administration. We have spoken with counties that utilize the previous authority as well as those that have used the authority post-2020, but the questions were not specific to visitation, etc. Okay, I was trying to see if there was any patterns of, oh. We're glad to follow up. Yeah, nothing really changed that much as far as people's patterns of going out to

[00:51:05] eat or, wow, people just completely stopped going out. I was just curious to see what that looked like. Thank you. Supervisor Palchuk. Thank you, Mr. Chairman. Thank you very much for the staff. I know who has spent quite a bit of time thinking through this.

[00:51:23] I mean, clearly no one wants to have to impose additional taxes. Unfortunately, we're at a very difficult time, so we have to look at the options, as was explained, that are allowed to us via law. like Maryland and D.C., we do not have local authority. I think, number one, I really appreciate the outreach really focused on targeting industry residents and the public. As you know, there's a lot of information out there, and I think it's important that we get information correct, and I

[00:51:59] appreciate it in multiple languages. I don't know if we do have this. I assume the number of new establishments since the last time this was proposed must be quite large. I know we can't get all data, but I want to make sure we're definitely targeting those who maybe do not have experience or who do not have locations in places where the meals tax is currently implemented. So I think it would be very beneficial to especially make sure that we're targeting those businesses. And with DEI, I think that could be helpful. When it comes to information

[00:52:36] and fact sheets, while I love no offense to the wonderful DMV graphics, they're not super friendly to the general public, I think, to comprehend. So I'm hoping that as we create those fact sheets and infographics, I know my colleague here is a big fan of visualization, that we also look at that through the equity lens and making sure that the information is very easy to understand for anyone looking at it a little bit beyond I think what's here because we want to

[00:53:15] make sure people are well informed as to what's being presented. And then finally, just to clarify, By all of these, we do have authority to implement, and you're saying that the timeline, I believe, I'm trying to look back at the chat, but for any of the ones we look at that need, public hearings could go through the process.

[00:53:40] We're saying just the meal stacks. I know it was in here. The TOT does not need to go through that, so that could be at any time. So any of the four we would need to take through public hearing. T.O.T. with the rate being established in ordinance we would need to amend the ordinance which would require a public hearing So our staff recommendation was that with any of those that we time them to the budget process as the board works through the annual process so that we would be looking at authorization advertised public hearing in that March timeframe when we're looking at the authorization for the budget at large and then public hearing

[00:54:18] Coinciding with budget public hearings presumably slotting in just before we do the initial budget public hearing but then allowing testimony to continue across the three days Okay, and if I'm reading this correctly on your chart on five which clearly is just one option we're looking at Right there. We have no rate if nothing's been decided especially not any rates But you are showing that of those four potential ones Altogether, they would, if I'm reading this correctly, calculate about 4% of the county's

[00:54:54] revenue sources, and that of that, the vast majority of $225 million, almost $200 million would be for meal stacks, and the remainder from the other three sources. And I would just stress that the pie chart, the data that we showed on slide five, was purely a hypothetical, a what if, and that is a what if each of these rates were maximized or in the case of transient occupancy, since there is no maximum rate, we pick 7% as the rate that we didn't do the net chart.

[00:55:24] So clearly a what-if scenario. Certainly we have flexibility as to where those rates get set. Thank you. And then one final question, and I appreciate the information on page 11 on the dealer discount. I know that is a conversation I had with someone in the industry, and I appreciate that you've done the research to understand our ability to provide the dealer discount and where it has been provided.

[00:55:49] Could you give us a little bit more? So here, it looks like it's anywhere from 2% to 6%. We have up to 5% the ability to do that. Have you heard anything additional from those jurisdictions? And do we know of that discount, would that be of the total?

[00:56:07] So let's say if it's $198 million, the deal discount would be about 2% or 3% or 5% of that would be what would be coming out of the total? So certainly the way the dealer discount would work would be however much in tax revenue the business collects on the county's behalf, they would hold back that percentage of it.

[00:56:30] The rough numbers on a 1% meals tax, $33 million, if it were a 3% dealer discount, that would shave off about $1 million in the revenue that the county would see. About one of the $33 million. But if it were implemented, it would be across the entire.

[00:56:45] So certainly if it were a 6% tax rate, then we'd be looking at $6 million being shaved off of the dual discount. Okay. I mean, it looks like it's a small amount that could be really helpful in supporting some of these businesses. Can you remind me, I know it's in here, so you said about $33 million for potential meals tax revenue per percent right now.

[00:57:09] What is our real estate, really for the audience, per penny on the $100? So, the value of a penny, the real estate tax, for the FY 2020 budget, it was $32.32 million.

[00:57:27] Okay, so it's the only one that's actually even, not the same, but even above the real estate. And remind me, we are still at about 66% of our local revenue coming from real estate. Correct. Thank you very much. And I appreciate those clarifications.

[00:57:43] Just to be perfectly clear, because this is titled Taxing Authority and Options for Revenue Diversification. diversification is a very strong word in the context that we just got presented because what you heard was if we were to implement everything here which we're not going to do but if we were going to implement everything here to the maximum extent possible that represents four percent of our general fund revenue four not forty four percent and that would reduce as a part of our

[00:58:16] general fund revenue as a percent, that would reduce the responsibility for real estate taxes from 60, the range is between 63.1% and 65.7%. And so right now, the responsibility of real estate taxpayers in our general fund revenue is 65.7%. If all of these were implemented to the amount fully possible as allowed by the state, that responsibility for real estate taxes would dropped to 63.1 percent as a percent of general fund revenue. That's probably the clearest way

[00:58:54] that that can be described. And I think it's really important because it shows how this can help real estate taxpayers, but it also shows as an overall percent of our overall budget, it is far from diversification when in totality we're talking about somewhere between zero percent, if we do nothing, increase up to maybe a maximum of four percent of our general fund revenue. So I think those are important contextual marks for us to have in the ground. I have Supervisor Herity to be followed by Supervisor Lusk, and everyone's going to get a chance. We're here until 4.30. Supervisor Herity.

[00:59:29] As long as spending doesn't go up by 4% or more. I'm usually the no-tax guy, so I figured I'd start with the transient occupancy tax, because I was actually there at the beginning of the transit occupancy tax.

[00:59:48] I was on the executive committee of the Fairfax County Chamber back then, now Northern Virginia Chamber, and I worked with the RLTA, Jim Woodsworth, in the industry to go down to the General Assembly and actually get that tax approved and tax that was supported by that industry as single industry tax so that they could establish visit Fairfax and actually grow our revenues.

[01:00:13] So that is one. So my first question is, have we reached out to visit Fairfax yet? Do they have an opinion on increasing the transit occupancy tax? We did not reach out to visit Fairfax.

[01:00:29] We were approaching this presentation really as just kind of providing the board with, you know, the authority that the board has. Okay. So I'll just assume that we haven't talked with Arts Fairfax. I've had some conversations with them when they've come to see me for, you know, additional funding for arts projects.

[01:00:47] I've said, you know, there is an admissions tax. If it were to benefit your industry, would you be supportive? So I suggest we reach out to Arts Fairfax and talk to them. Is that maybe a way to move that off our budget and something like the transient occupancy tax?

[01:01:04] I assume then we didn't talk to industry on the meals tax and the impact on their servers, the impacts on their business, the impacts? So let me answer that on behalf of staff because I think it's important. The board is hearing this information for the first time this year. In the presentation, we just saw a full-blown exercise in engagement, including with industry. Staff's responsibility is to give the board the data, the information, the context that we're getting today.

[01:01:41] If the board decides to move forward on this, any element of this, of course there's going to be robust input from everyone that was just named and others in a very sophisticated, comprehensive way, as our Office of Public Affairs included in today's presentation.

[01:01:57] When the board matter was approved by the board to get this information, we asked staff to come back with a strategy for communicating with our community, included all the impacted stakeholders that would need to be a part of that communication. that has not been launched yet. It will be launched. A lot of campaigns against certain things have been launched, but in terms of the actual county process of educating people on what it is we're looking at, that has not been started because the board has not signaled that this is something we want to move forward yet at this stage. All we signaled was to get the information today, including a strategy for outreach that we could use should we want to move forward. So I just

[01:02:37] want to make sure everybody understands that because I believe that was a really good part of the presentation that we just got from Mr. Castrilli. Well, I'm sorry, Mr. Chairman. I looked at those last two slides, and what I see on the last two slides is the sales job doesn't talk about how we're going to go out and receive information. It talks about how we are going to guidance for support of implementation of the new tax, the need for new additional funding for essential services, the approval process information. It's all about how we're going to

[01:03:15] sell these taxes to our residents. It's not about getting the impact from our residents and our businesses. I don't see anything in these two slides that talks about us being in receive mode. And we've already been in receive mode on the meals tax because our residents have told us twice we don't want it overwhelmingly twice so i i just think in this engagement or outreach process we better work in some receive and that better be conversations with visit fairfax it better be conversations with arts fairfax it better be conservation or conversations with the uh the

[01:03:54] restaurant industry i know the restaurant industries talked to us and told us that they've seen a decrease in visitation in Prince William when they enacted theirs so they've got the information I how are we going to get that I don't see it in the outreach plan yes county executive wants to respond yeah thank you chairman McKay and supervisor Harry I appreciate your comments again this was we were asked to look at how we would move forward not to give the strategy not to do anything other than give a plan on how to move forward.

[01:04:31] If this board directs me and or staff to move forward, we will do a marketing outreach plan as well as everything that's been outlined today to move forward. But we're not at that juncture yet because we have not gotten any direction from the board other than to showcase where and what we can do.

[01:04:53] I just want to make sure everybody understands that. We're not moving forward with anything until we hear from you. I'm a giant no until we hear from visit Fairfax Arts Fairfax in the restaurant industry I think all of us are looking forward to hear from everybody in our community not just those folks Everyone in Fairfax County has a right and opportunity to weigh in on this Supervisor Lusk I had next okay. Thank you, mr. Chairman. I'll start by saying that after each budget cycle

[01:05:30] I get lots of pointed questions about the cost to the residents as it relates to their residential tax bill. This is an ongoing point.

[01:05:47] And the reason that we have this issue is because we haven't had certain authority over a number of years. So the opportunity here is to identify what options we might have other than the residential tax rate as a way to provide for some of the critical services.

[01:06:10] And as a member of this board, I appreciate the staff's presentation. I appreciate that they're giving us details on what things are available for us to consider. I think this is the key point to consider.

[01:06:27] And obviously, you know, in the outreach, I appreciate the point that new revenue sources could reduce the reliance on the real estate taxes that people pay here in Fairfax County.

[01:06:43] And I think it's going to be important for us to message all of these points that have been discussed here. But I also think it's responsible for us to look at options and to consider them. And I'm personally going to look at all of them carefully. So what I'd like to ask is maybe a couple of questions and see if I can get some information later. Because I think to the point that Supervisor Paltech made earlier, you know, we've got to present this in a way that people can understand it. And I think, you know, being able to show what the estimated additional costs

[01:07:21] per year for a Fairfax County resident, if these new unlevy taxes were to be maximized. So we'd have to show for each one what that cost would be to a resident. I think we should also look at disaggregating by percentage for the meals tax at each percent what that cost might be. And then if there's any difference in the additional costs based on income, we can depict and show that.

[01:07:56] I appreciate very much the comments that were made by Supervisor Mendes as well. I was going to ask for the very same thing, kind of the breakout on what restaurant visitation rates were before and after. But then the next point I'd like to know is what is the expected cost of the implementation for these new taxes? What will they cost us to do them? And, you know, for me, I think it's reasonable to look and see what things we can consider and then have a conversation

[01:08:32] about it. I mean, this board's not making a decision right now. This board hasn't made a decision yet. So I hope people understand that this is an exercise for us to get more information and to really think about kind of what the impacts are to our residents. And as I said, you know, every year I get the same point after the budget. You know, why are we only looking at our residential tax rate as the way to cover our cost and, uh, needs for services. So with that, Mr. Chairman, thank you very much. Okay. Uh, thank you. Supervisor Walkinshaw to be followed

[01:09:11] by Supervisor Stork and Supervisor Beerman. Thank you, Mr. Chairman. Uh, you know, I think, I think one point that's important to stress, um, is that everyone in Fairfax County pays the real estate tax. Uh, we typically talk about it in the context of residents because that's who we hear from about the real estate tax, and if you own a residence, you pay it directly. If you're a renter, you pay it indirectly,

but businesses also pay the real estate tax, including restaurants. If you're a restaurant who owns property in the county, you pay it directly. If you're a restaurant

[01:09:46] who leases property or has a ground lease, you pay it indirectly. So everybody, including restaurants, are bearing the burden of our over-reliance on the real estate tax. I just want a question because we had some questions about the value of a penny. The 7 cent highly theoretical potential reduction in real estate tax rate, I'll go back to homeowners. What would that mean for the average homeowner in terms of potential reduction in their annual bill? People are

[01:10:26] getting their calculators out here. I was pressing it. I want to say, and I'll bet it's going to correct me if I'm wrong, that were about $72. So roughly $500. Okay. All right. So that's important context in terms of the whole package of what we're talking about here. $500 difference in real estate taxes. As for homeowners, businesses would be a different calculation.

[01:10:58] Quite frankly, it would be a higher number for the average commercial property owner in the county, given the valuation of commercial properties. Could be thousands of dollars a year in savings for businesses, restaurants, and other businesses who are paying those real estate taxes right now, potentially. I think that's an important point. A few questions, specifically Supervisor Herity mentioned, talked about the transient occupancy tax, and maybe this can be a Q&A to come back. I am curious about the definition of tourism purpose, and I looked at

[01:11:37] the code section that staff included. I guess my specific question is, could facilities be a tourism purpose to which we could use the restricted portion of the TOT tax? So if we went up one cent, it would be restricted to tourism purposes. Could we use that one cent for facilities like rec centers with a sports tourism focus, just to throw out a particular

[01:12:11] example. So I'd like to get that information back. On the admissions tax, and the presentation points out, you know, there could be a distinction between charitable events and non-charitable events, but I didn't see anywhere any reference to would the tax or could the tax apply to venues that are owned and operated by non-profits and or state entities like universities.

[01:12:43] I think the most widely attended arts venue in the county is actually the GMU Center for the Arts. Would this admissions tax apply to an arts venue like that, which is a specific category, right, a state university and would it apply to a venue owned and operated by a non-profit.

[01:13:09] On the BPOL tax, and I appreciate the chart comparing the BPOL tax rates with other jurisdictions, what category do restaurants fall under in those? There is not a restaurant. Is it retail merchants?

[01:13:26] Okay, so restaurants fall under retail merchants. That's correct. Okay. It was interesting to me. I did not know that we have the lowest in the region. So restaurants right now are paying the lowest B-pole tax. We all know the challenges and flaws in B-pole that the General Assembly has granted to us, but a low B-pole tax rate. I would be interested to have the, do we break it out by restaurant? So you have, you could tell us how many dollars came in from that retail merchants category year over year do you know how much came from restaurants

[01:14:03] versus other industries mr chairman uh supervisor walk-in shop what we may be able to do is to go back to state sales tax data okay and back into an estimate for uh the revenues generated from restaurants okay yeah i'd like to see that year over year for the last you know however many years it's

possible to to get at least in the last four or five years and then um you know finally on the on the meals tax question one on the dealer discount obviously there are other jurisdictions in our region who have chosen not to provide the dealer discount i think it would be important to

[01:14:40] hear from them about that that decision as well as talk to industry you know i'll just say now the board will recall in the plastic bag tax there is a state mandated dealer discount that It started at $0.02 of the $0.05 and I think is now at $0.01 of the $0.05.

[01:14:59] But the sales tax that restaurants and other industries pay right now to the Commonwealth of Virginia, is there a dealer discount to help them with the administration of that sales tax? There is a dealer discount. It reduces as the business gets larger.

[01:15:18] And if a restaurant has, if a sales tax dealer has more than $20,000 a month in sales, it is phased out completely. Interesting. Okay. But it sounds like the enabling legislation for the meals tax would not allow that type of structure. I think that's a question that the county attorney's office would be happy to look at. I know we've discussed it informally, but...

[01:15:43] Daniel Robinson from the county attorney's office. We can follow up with that in the Q&A as well. All right. Great. And then final question on meals tax. And, you know, I would like to, Obviously, we all know the specific tax relief programs that the General Assembly allows us to implement, senior tax relief, veteran spouses that we spent a lot of time on.

[01:16:05] Do we have authority to grant any kind of across-the-board tax rebate or credit to, for example, every real estate taxpayer in the county? I know the Constitution and or the code requires that we treat every real estate taxpayer the same.

[01:16:26] Could we issue a, you know, pick a number or percentage credit or rebate to every real estate taxpayer that's in the county? Don't answer it now. We'll take that. All right. Thank you. Thank you. Thank you, Mr. Chair. I have Supervisor Stork in Beerman. Thank you, Mr. Chairman.

[01:16:46] I'm just going to start off kind of where Supervisor Walkinshaw left off. On the meals tax, I know that you've been asked for some information on that. I would also like to get information on, and I know there's academic studies out there on this too, about the differential in revenue pre and post.

[01:17:07] But I'd also like to get the information on the same for staff compensation pre and post. I think that's an important understanding for us, all of us. We also recognize the comments that have been made about the source of those dollars and, again, around a third of it.

[01:17:23] I know it varies by jurisdiction, but a third of it would be out-of-county users, consumers. And then on a couple of these, but the translocumency tax in particular, as many of you know, I've been deeply involved with Visit Fairfax and kind of the creation of Potomac Banks and tourism and really that whole opportunity for increasing the pie, raising revenue. Raising revenue while raising revenue for businesses, but also in turn raising revenue for the county.

[01:17:59] And I know with Visit Fairfax in particular, the return that they identify that they get for each dollar is somewhere in the range of $5 to $10. So you put in a buck, you know, they get five or ten dollars back in county revenue and i think overall revenue so i think i'm looking for those kinds of opportunities that i would say in my mind are win-win opportunities you you're increasing the pie because you know you're this this investment is getting more activity that in turn the county can benefit from but the

businesses benefit from as well so the the tot in particular i know that's true i don't know and i know there's a lot of data out

[01:18:38] there. I've seen it. I know Visit Fairfax has some of that. And there may be others, which is why I wanted to say and make that point more generically and would ask you all to keep on, to take a look at it. And I clearly will be doing the same and see if I can provide some thoughts to take a further look at. But again, I'm a big believer in expanding the pie, and that's a good way to do it.

[01:18:59] And we know that we have opportunities to do that. Of course, I can't talk about this without I'm talking about one of my major concerns or questions and one of the major facts that we face constantly on this board, which is – and we start at this point.

[01:19:20] We had a discussion, in fact, this morning about that in our legislative session about the woeful underfunding, in my mind, of education, you know, almost $2,000 average below the average of states in the country. But more importantly, the roughly $600 million that that would mean to our schools here.

[01:19:41] And the $600 million, just as a portion of our budget, I mean, I've – or just take it in terms of our property tax rate. If we're looking at $30 million or so as a property tax rate, or $30 million or so, what it generates, that's at least 20 cents off the property tax rate.

[01:19:59] So you're talking about big dollars and almost 20%, not the 4% that we're looking at here with these little pieces, but the big piece, the big chunk that really would make a huge difference. And that underinvestment by the state in education means that we've had to invest more here.

[01:20:18] And that has real consequences to our residents and taxpayers because we aren't willing to harm our kids. So that's the particular issue and concern I have there. But the other part of this that I wanted to interrupt you for one real quick second because there might be some people hearing this for the first time.

[01:20:37] What Dan is referring to is the JLARC study that the state did. The state studied itself and said that they are woefully providing public education funding to counties, and then counties use that revenue to pay for schools.

[01:20:52] And so their own study said that the state, based on their own metrics, are underfunding Fairfax County public schools by $568.7 million. And so the reason why that's really important to us, as Supervisor Stork just recognized, is that we are dealing with two competing interests here.

[01:21:11] One is high real estate taxes and cost of living and housing, which we just heard a lot about this morning from the business community. A lot about the business community. That was their focus. High cost of housing. key focus and what we heard from the business community and we hear this from our own community all the time which is to try to provide adequate funding for fcps which is the driver of our economy so that 568.7 million dollar hole that the state has created that's money we should be getting based on their own analysis has to be filled by something if we want to have the school system that we want to have and so that's why it's relative to this conversation about revenue and where revenue comes from.

[01:21:51] And so I just wanted to make it clear where that number came from. It's not our number. It's the state's own number, Supervisor Stewart. Yeah, and thank you, Chairman. And I think it's been said, well, I want to go on to the next major thing I talk about all the time and probably never enough, but still.

[01:22:08] And I know that county staff has been helpful in the past to define what this means. But for those of you who may not know, the good residents of Fairfax County, we send, as part of the most progressive tax there is available, the income tax, right?

[01:22:25] We send down to Richmond billions of dollars every year. For each dollar that we send to Richmond, we get back directly. We've looked at this multiple times. We back directly about 23 cents on the dollar. So we send a dollar to Richmond. We get about 23 cents directly back.

[01:22:42] Now, and when I say this, I get comments, well, there's a lot of other state services that aren't directly back here. And I said, okay, fine. Then does that get us to 50 cents on the dollar? So we get about half of the dollars that we send to Richmond that we get in the way of some kind of service or benefit.

[01:22:58] Even that, I think most of us will recognize, doesn't sound like an appropriate or fair deal. And that's really the core other point I wanted to kind of raise, and I just want to have it confirmed. I'd asked previously about what, if we just kept 1% of the dollars that we send to Richmond, 1% of all those income tax dollars, what would that mean to Fairfax County in terms of revenue that we would have available to us?

[01:23:28] And roughly the information you've shared with me previously, and I just really want to make sure that I'm on base with this, and if not, then you could come back with something specific, but was that that was also roughly 21, 22 cents on our tax rate.

[01:23:45] It was, in terms of each 1%, no, I'm sorry, I think it was higher than that. It was 25 or 30 cents, but it was a substantial, if we just got back 1 cent, 1% of what we send to Richmond, we could reduce our tax rate, our real estate tax rate, since it's the biggest driver of revenue we have substantially, more than 20% or about 20%.

[01:24:05] So I think there's two major drivers here. We're here talking about what we can do, and this morning we had an excellent conversation about how the state constrains how we can properly raise revenue. In my mind, properly is progressively, fairly, appropriately.

[01:24:21] And we're left with some very limited options, and we're looking and we're picking over the pieces of this here, trying to decide how do we minimize the impact and do what we are charged to do, in my mind at least, which is to grow our economy, make sure that we are the kind of place that people want to live, work, learn, and play.

[01:24:40] So that's the core challenges that we still have, This doesn't really get us there, but I think we still need to highlight these other impacts so that we continue to educate our community that we're left with very few options, in my mind, not good options, and please ask the state and others to change that formula to give us more and fairer options to look at.

[01:25:03] Thank you. Supervisor Behrman. I have a series of questions, but I assure you they're all yes-no questions, and it's a lightning round. Is there a meals tax in Arlington? Yes, sir, there is. Is there a meals tax in Alexandria City? Yes, sir, there is.

[01:25:18] Going south, is there a meals tax in Prince William County? Yes, sir, there is. Going south, is there a meals tax in Fredericksburg? I believe yes. Going south, is there a meals tax in Stafford? Yes. Going south, is there a meals tax in King George? Yes, there is. Thank you. Thank you.

[01:25:35] Going west, is there a meals tax in the town of Leesburg? Yes. Is there a meals tax in Purcellville? Yes. Is there a meals tax in Berryville? Yes. Is there a meals tax in Clark County? Yes. I'm not sure. Is there a meals tax in Frederick County? I believe yes.

[01:25:50] Yes. Is there a meals tax in Winchester? Yes. Is there a meals tax in the town of Herndon? Yes. Is there a meals tax in the town of Vienna? Yes. Is there a meals tax in the town of, sorry, in Fairfax City? Yes. Meals taxes, lots of places. Sounds like you've got a lot of jurisdictions to talk to.

[01:26:08] Among other things, do we have evidence that Fairfax County residents go out to eat in any of those jurisdictions? I think we do. I think we do, too. Yes, sir. Is there a meal tax across the river in D.C.? Yes, sir. Yes, yes, there is. So that's another component.

[01:26:25] Just like we have evidence. It's called a sales tax. I don't know that it's specifically called a meal tax. I'll just clarify that. It actually is specific. If you look at it, there's 6% of it is sales and then another 4% of meals. 10% is what it is on meals in D.C., where they have a thriving restaurant industry.

[01:26:43] Just going to throw that out there. So, yes, absolutely, we should continue taking in more information. We have lots of places to take in information from. We also need some evidence. We know from your projections that if we were to, you know, if there's a meals tax here, that about 66% of it is paid by our residents, but 34% of it is paid by residents outside of here.

[01:27:08] So I'd love to know what our residents are paying to support Arlington schools, to support D.C. police, to support firefighters in Alexandria City. Because when they come over to us, I would also love them to be supporting our schools, our firefighters, our police.

[01:27:26] Finally, this one's for County Executive Hill. As part of the budget process this year, are you also looking for certain budget cuts and fiscal savings and efficiencies? That is also a yes or no answer.

[01:27:41] Thank you. That's all. And on that point, Supervisor Biermann, as you will recall, and the public that actually participated in the budget process last year knows that the county executive put out that same ask. And as a result of that, in our budget action from last year in the FY 2025 budget options, we approved $30 million in cuts in the county budget, including a reduction of 84 positions.

[01:28:07] And so I just, you know, I hear people say, just cut your budget. That's what we've been doing. And it's increasingly a struggle when the state is so dramatically underfunding public education. And I know that's been said here many times before. But look, at the end of the day, we get dealt a hand of cards.

[01:28:26] How we play that hand of cards is really important. And looking for ways to make sure that we're maximizing opportunities to bring revenue in from non-Fairfax County residents is an important part of that. Because as you acknowledge, we certainly are supporting the jurisdictions around us, our residents are.

[01:28:43] I have Supervisor Alcorn. Thank you, Mr. Chairman. So, you know, on slide three, that really underscores to me 60% of our, 66% of our revenues from the real estate tax, that's too high. It's just too high.

[01:28:58] And as hard as it is, we've got to find ways to diversify our tax structure locally. So I would like to see options for the FY26 budget, and I think it would be helpful for me to see all this in context.

[01:29:16] You know, in the context of the budget reductions that I know the county executive is looking at, is asking departments to come forward and we'll see what ones you recommend ultimately to the board

in the budget. Obviously, we're going to need to see what revenues are looking like from our existing tax base, tax structure.

[01:29:35] But I would like to see alternate revenues, both in the context of how perhaps it could help relieve the burden of the real estate tax, but also how it could address some of the priorities that have been discussed today. Critical priorities, schools, fire, police, you know, our homeless population.

[01:29:56] I mean, all these things, you know, are things we're having to do and should be doing and need to continue to do. But for me, the bottom line is 60%, 66% is just too high. So thank you. And Supervisor Alcorn, that's a good ending thought because I want to be cognizant of the audit committee, which was to start at 430.

[01:30:16] But I think it's an important ending point because I do want to refocus everyone's attention on the timeline piece because it is virtually impossible to understand this outside of the context of our budget. And to the point you just made, this is not a budget decision.

[01:30:34] It's a revenue decision. The budget decision is made by the board based on the revenues that we have. And the question becomes, how do you derive those revenues? What is the way to do that? What is the fair way to do that? What is a more progressive way to do that? I think any economist would argue that real estate taxes are perhaps the most regressive form of taxation known to mankind.

[01:30:59] And they absolutely drive housing affordability and something we heard a clarion call challenge of from, again, this morning from our business community. So I think it's important for us when we look at these concepts that have been presented to us today that we do that in the context of the budget.

[01:31:16] That is also the period of time where we solicit the most input from the public and where we get the most input from the public about things that should or shouldn't be funded and, frankly, ways to fund those county operations. And so I appreciate the timeline on page 16 because I think it lays out for us what the timeline would look like.

[01:31:38] And frankly, I know from talking to a lot of my colleagues that everyone would support if we are to make this action, we are to move forward on this, if we decide to do that, that we have to do it as part of the budget process, not as some isolated thing that happens, but in full transparency with our taxpayers so they can see it and how it relates to the county budget.

[01:31:58] And that's why the timeline picture is important in here. With that being said, before we close, just a reminder, the next budget committee meeting is a joint meeting with Fairfax County Public Schools, as we always have, and that is scheduled for November 26, 2024 at 3 p.m. in conference room 11. And importantly, the agenda item for that meeting is to discuss the FY2026 budget forecast. So we'll get a first look at what things are looking like for next year and an important look for us to have in relation TO WHAT WE JUST DISCUSSED HERE.

[01:32:34] AND SO WITH THAT, OUR BUDGET MEETING OF SEPTEMBER 17, 2024 IS ADJOURNED.



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