Fairfax County Board of Supervisors
Economic Initiatives Committee (EIC)
J. Hamilton Lambert Conference Center (Room 11)
November 25, 2025

Meeting Summary

Board Members present: EIC Chairman Supervisor Daniel G. Storck, Board of Supervisors Chairman Jeffrey C. McKay, Supervisor Kathy L. Smith, Supervisor James N. Bierman, Supervisor Rodney L. Lusk, Supervisor Walter L. Alcorn, Supervisor Andres F. Jimenez, Supervisor Pat Herrity

Board Members absent: Supervisor Dalia A. Palchik

EIC Chair Storck called the meeting to order. He presented the minutes of the April 8 meeting, and they were approved without comment.

<u>Opening Remarks</u>
EIC Chair Storck welcomed everyone and stated that today's first presentation was the result of a Board budget guidance request, as the Transient Occupancy Tax (TOT) increased by 2% on July 1, the first increase in twenty years. Department of Management and Budget Deputy Director Joe LaHait briefly remarked that several months went into developing the proposals being presented by Visit Fairfax and then handed the presentation over to Visit Fairfax President and CEO Barry Biggar.

<u>Transient Occupancy Tax Tourism Investment Recommendations</u>
Mr. Biggar began by thanking county staff for working with Visit Fairfax on the recommendations, including DEI Director Rebecca Moudry, DEI Deputy Director Scott Sizer, DMB Deputy Director Joe LaHait and DMB Division Director Albena Assenova. He then introduced Visit Fairfax Board Chairman Don Anderson, who is General Manager of the Dulles Hilton, to make remarks.

In his prior roles on the Visit Fairfax Board of Directors, Mr. Anderson had direct oversight of the use of ARPA funds that were received from Fairfax County. He observed that Visit Fairfax was an exceptional steward of those and other funds and believed that Visit Fairfax would use the additional revenue generated from the TOT in a measured and transparent way and would provide accurate reports to include ROI to Fairfax County. He concluded by saying that the Visit Fairfax staff represents the hospitality and tourism industry with the highest degree of professionalism, and that it continues to maintain and grow visitation in Fairfax County to benefit the industry as well as the residents.

Mr. Biggar continued by outlining the three areas of focus for the FY27 budget guidance: 1) explore more effective and efficient government operations; 2) diversify Fairfax County's tax revenues and benefit the tourism industry; and 3) engage with industry representatives to get their input and feedback. Although the TOT was increased by two percent, half of it is designated for tourism promotion and marketing and in consultation with the industry. The total revenue generated by the TOT in FY27 was estimated at $6.5 million.

In 2024, tourism generated $3.9 billion in revenue to Fairfax County's economy, generating $305 million in state and local taxes. Of that amount, the industry produced $189 million in local taxes for Fairfax County. Mr. Biggar projected that the additional $6.5 million from the TOT will generate a total of $5 billion into Fairfax County's economy over the next 3-5 years.

The process of developing a plan for the additional TOT revenue involved over 200 individual interviews and included 1,500 stakeholders. Outreach occurred through the industry newsletter, a review by the Visit Fairfax Board of Directors, and consultations with stakeholders through round table and individual meetings. Three recommendations were presented on how to allocate $6.5 million: 1) $1.5 million for an infrastructure fund; 2) $1.0 million for a grant program open to the entire industry; and 3) $4.0 million for direct marketing and promotions and events.

Mr. Biggar explained that Fairfax County would establish a Tourism Capital Improvement Fund with an annual set aside of $1.5 million to develop or renovate infrastructure and tourism facilities. He mentioned The Commons as one example for this fund as there is interest in a visitor center there. In addition, there could be years when the fund would not be used and thus rolled over to the next year.

A $1 million grant program builds on the county's successful efforts to support this industry, especially restaurants, during the COVID-19 pandemic. It will support all businesses in the tourism and hospitality sector with critical marketing funds to extend promotional outreach and will be provided as a match to private industry funds. It is a new program that Visit Fairfax will develop guidelines and provide administration for.

The final recommendation is to dedicate $4 million to tourism sales and marketing that expands community and national event support. The first element would be the integration of Celebrate Fairfax into Visit Fairfax for event management expertise and enhanced community outreach. Visit Fairfax would be able to capture events taking place in each magisterial district and market them countywide. Visit Fairfax would also use the funds to hire an AI specialist to maximize opportunities to expand sales and marketing. Finally, Visit Fairfax would build on the successes from the $4 million in ARPA funding, which contributed over $500 million to the Fairfax County economy over two years.

Mr. Biggar stated that if the TOT did not exist every household in Fairfax County would pay an additional $1,200 annually in taxes to maintain the current level of services. The proposed plan would generate $5 billion to the Fairfax County economy and could bring events such as the National Senior Games to the county.

<u>Discussion</u>
EIC Chair Storck thanked Visit Fairfax for the presentation. Chairman McKay lauded Visit Fairfax for engaging the industry in developing the plan. He also thanked the Board for approving the TOT increase to allow for the opportunity to generate more revenue for the county. He remarked that the tax is an investment fund paid primarily by visitors to the county to support

Fairfax Cunty businesses. He added that it would provide an opportunity to fund sports tourism for the first time. He also thought that the integration of Celebrate Fairfax should be seen as an opportunity and that it should be closely considered. For the new grant program to be successful, there must be enough interest by industry as well as capacity by Visit Fairfax to administer and monitor. He thanked everyone for the input into the plan.

Supervisor Jimenez asked about the integration of Celebrate Fairfax into Visit Fairfax and the hierarchy once it is achieved. Biggar responded that the details have yet to be worked on but stated that Biggar and the Visit Fairfax staff would work closely with Celebrate Fairfax CEO Ashley Morris and her staff on a seamless transition. Regarding a question about a proposed AI specialist, Biggar stated it would be needed for message delivery and marketing as well as developing itineraries and experiences for visitors. He pointed out the importance of international visitors as they spend ten times more in the county than domestic visitors.

Mr. Biggar responded to Supervisor Lusk's question about the source of the data on tax revenue generated. It is done through the Virginia Tourism Corporation's vendor Tourism Economics, which is a part of Oxford Economics. Supervisor Lusk inquired about the Tourism Infrastructure Fund and how the allocation will be determined and by whom. Biggar responded that the details of the program need to be developed, but all projects must have a direct impact on the tourism industry. County Executive Hill interjected by saying that those details will be worked on during the budget process, assuming the concept is approved by the Board.

Supervisor Bierman stated that the Park Authority needs to be part of this discussion and process with their parks, historic assets and athletic fields. County Executive Hill added that FCPS and NCS will also be included, as they control many athletic fields. Supervisor Herrity agreed with the inclusion of FCPS and NCS but also added the Athletic Council. Herrity continued by asking about the status of the sports tourism authority. County Executive responded that those details will be worked on with Visit Fairfax once the concept is approved. Supervisor Herrity asked for clarity on the role of Celebrate Fairfax as the process goes forward. Supervisor Smith commented that each magisterial district will be interested in how the infrastructure fund will be promoted and administered.

EIC Chair Storck recognized and thanked Visit Fairfax board members present at the meeting. He also thanked county staff for their work on today's presentation. He then introduced the next topic, which was the Weldon Cooper Study on Fairfax County Revenue and Return Analysis.

<u>Fairfax County Revenue and Return Analysis</u>
EIC Chair remarked that the study was done because of Chairman McKay's board matter in August to analyze Fairfax County's economic impact on the state. Fairfax County continues to look for opportunities to expand economically and benefit Virginia but is constrained by the return of funds it gets back from Richmond. He introduced DMB Deputy Director Joe LaHait to begin the presentation.

LaHait began by mentioning the Weldon Cooper Center for Public Service at the University of Virginia (UVA) being selected as the contractor for the study. He introduced Economist Matt

Scheffel from UVA's Weldon Cooper Center along with Albena Assemova, DMB Revenue and Economic Analysis Director. The full report is online for review.

Mr. Scheffel began his remarks by saying that the Weldon Cooper Center is the oldest public service organization in a university in the United States. It is renowned for its training programs, applied research and services for policymakers and elected officials throughout Virginia.

Fairfax County has about 1.15 million residents (13% of Virginia's population), making it the largest locality in the state. In FY24 it generated about $5.77 billion in General Fund tax revenues for the state, which was 20.7% of all state General Fund revenues that year. It was largely driven by over $4.5 billion in individual income taxes. The remaining sources were from sale taxes, corporate income taxes and other taxes.

With respect to appropriations, Fairfax County received about $2.93 billion, or about 11.1% of Virginia's General Fund spending. It amounts to about 50 cents per dollar that Fairfax County receives from the state. It included 21.2% in direct aid (e.g., K-12 State Aid, Personal Property Tax Relief Act) and about 29.5 % in indirect aid (e.g., Medicaid, Public Health and Social Services, Higher Education). For comparison, Fairfax County ranks 128th out of 133 Virginia localities on the percentage of revenue return from the state. It was pointed out that the Northern Virginia cities of Arlington, Falls Church and Fairfax have a lower revenue percentage from the state.

Of the $5.77 billion generated by Fairfax County that is sent to the state, nearly $4.6 billion (79%) comes from income taxes. Fairfax County is one of the most affluent localities in the state as well as in the country. The remaining taxes include sales tax (11%), corporate income tax (8%). Recordation (1%) and other taxes (1%), such as excise taxes. The State General Fund appropriation, on the other hand, contributed $1.2 billion (42%) to Direct Aid (K-12, personal property tax), almost $580 million (20%) to Medicaid, nearly $175 million (6%) to health and human services, $393 million (13%) to higher education (George Mason, NVCC), and almost $557 million (19%) for other government services.

Mr. Scheffel then presented a comparison between Fairfax County and its regional peers, Arlington County, Loudoun County and Prince William County. Although Fairfax County's totals for revenue generated and appropriations returned were much higher than any of the other localities, he did point out that Fairfax County had a higher percentage rate of return than Arlington County (50% versus 35%), was nearly even with Loudoun County (50% versus 53%) and significantly lagged Prince William County, which was a net recipient (50% versus 110%).

Mr. Scheffel also stated that Fairfax County's revenue generation as a percent of state General Fund revenues (20.7%) outperformed the next three top jurisdictions in the state, Loudoun, Arlington and Prince Willaim, whose combined total was 17.6%. In terms of the share of Virginia's General Fund appropriations for direct aid, Fairfax County's percentage was 10.7% compared to Prince William County's 5.9% and Loudoun County's 4.2%. They were the only localities that were in the top nine in the state for receiving direct aid. With regard to K-12 direct aid, Fairfax County has the largest school district in Virginia with about 15% of the total state student population. It received only about 10% of the total education funding from the state. Mr.

Scheffel clarified that the Local Composite Index (LCI) formula that is used in Richmond to appropriate funds for local schools is only based on the value of real property, personal income, and retail sales, and does not include business personal property such as non-permanent equipment in a data center. Fairfax County's current LCI is .06381 or 63.8%. The maximum allowable by the state is .8 or 80%. That results in Fairfax County using 63% of its local revenues to fund schools. Mr. Scheffel concluded the presentation with a summary of the key findings and concluded that Fairfax County is a significant net contributor to the state but only gets half if its revenue back through state appropriations.

Discussion
EIC Chair Storck thanked Mr. Scheffel and yielded the floor to Chairman McKay. He stated that the data confirmed what has been known by the Board for many years as little has changed regarding the percentage of Fairfax County contributions and returns. He appreciated the distinction between direct and indirect aid and commented that even the most liberal application of indirect aid still amounts to getting back 50.7% of what it sends to Richmond. He pointed out that there continues to be a structural challenge on a regional level as other area jurisdictions' contribution percentages are far less than Fairfax County. He advocated that the localities in the region band together with a clear message to the state legislature in the upcoming session, especially considering the economic destabilization caused by the federal government layoffs that will impact the state in the upcoming years. He stated that the Office of Public Affairs is working on providing simple and clear messaging on the data to be used to inform state elected officials and Fairfax County residents.

Supervisor Herrity commented that he will look for the non-General Fund transportation data and provide feedback. EIC Chair Storck asked if the process in gathering and analyzing the data is similar to others who do similar work. Mr. Scheffel responded by saying that they used the same methodology as a previous study done in 2008. However, he added that some of the data sets in certain categories done then were not available now. He added that the categories for breaking down the General Fund data in the full report are: income tax, sales tax, corporate income tax, recordation and other (e.g. excise tax). The categories are consistent with the 2024 Virginia Annual Report and focus only on the tax amounts going directly to the state. In terms of the state appropriations, the data for K-12 and personal property tax are publicly available, while other data (higher education, Medicaid, human services) are provided in aggregate, so methodologies are used to provide estimates for each. It was the first study done by Mr. Scheffel, who did refer to the 2008 study to create the new one. Mr. Scheffel responded that they would consider using the report to inform and advise policymakers and others. County Executive Hill said that a regional approach such as the one recommended by Chairman McKay would be most effective approach. Mr. Scheffel added that there is a reference in the report on how Fairfax County's economy impacts other parts of the state.

Supervisor Bierman asked if the Medicaid data were before or after the recent changes to the program. The numbers in the report are from 2024 and predate those changes. He recommended a follow-up study to analyze the impact of those changes on Fairfax County. EIC Chair Storck remarked that there would be follow-up with Weldon Cooper on the analysis to get a better picture of where Fairfax County is going.

The final agenda item was the Department of Economic Initiatives' Business Pulse Survey. Chair Storck advised Board Members to review it. Chairman McKay added that they should also look at the Northern Virginia Chamber's recent survey to their member businesses in the region.

The meeting was adjourned.