

**The Task Force to Consider A Meals Tax Referendum**  
**May 21, 2014, 7:30PM**  
**Meeting Summary**

Task Force Members Present:

The Honorable Thomas Davis, Co-Chair  
The Honorable Katherine Hanley, Co-Chair  
George Alber, Fairfax NAACP  
John Bails, National Active and Retired Federal Employees, Fairfax Chapter  
Kevin Bell, Human Services Council  
Barry Biggar, Visit Fairfax  
Frank Blechman, Alliance for Human Services  
David Broder, SEIU Virginia 512  
Doug Church, Central Fairfax Chamber of Commerce  
Karen Cleveland, Greater Reston Chamber of Commerce  
Sean Corcoran, Fairfax County Police Employee Pay and Benefit Committee  
Jay Dick, Arts Council of Fairfax County  
Brian Engler, Fairfax County Library Foundation  
Kevin Frederickson, Fairfax Education Association  
Gabriel Goldberg, Providence District Council  
Steve Greenburg, Fairfax County Federation of Teachers  
Tim Hackman, Dranesville Budget Task Force  
Judy Harbeck, Mount Vernon Council of Citizens Associations  
Morgan Jameson, Fairfax Federation of Civic Associations  
Joseph Johnston, Sully District Council of Citizens Associations  
Helen Kelly, League of Women Voters  
Barbara Loving, Hunter Mill District Citizens Budget Committee  
Nancy-Jo Manney, Greater Springfield Chamber of Commerce  
Bruce McLeod, Fairfax Park Foundation  
Craig Mehall, Lee District Citizens Budget Advisory Committee  
Christine Morin, South County Federation  
Ramona Morrow, Fairfax County Council of Parent and Teacher Associations  
John Niemiec, Fairfax County Professional Firefighters and Paramedics  
Bob Parks, Northern Virginia Tea Party  
James Parmelee, Fairfax County Republican Committee  
Arthur Purves, Fairfax County Taxpayers Alliance  
Lorena Rios, Hispanic Chamber of Northern Virginia  
Rex Simmons, Fairfax County Democratic Committee  
Mark Tate, Restaurant Association of Metropolitan Washington  
Barbara Varvaglione, Braddock District Council  
Joe Vidulich, Alternate, Fairfax County Chamber of Commerce  
Jim Wetzel, Falls Church Chamber of Commerce  
Jim Wordsworth, Virginia Hospitality and Travel Association

Alternates and Members of the Public Present

Rob Abbot, Alternate, Greater Mclean Chamber of Commerce  
Claude Anderson  
Scott Browne  
Dave Cordingley, Alternate, Dulles Regional Chamber of Commerce  
Peter D'Amelio  
Laura Erickson  
Tim Hannigan  
Kristian Havard  
Fred Herrmann  
Doug Jones, Alternate, Mount Vernon-Lee Chamber of Commerce  
Lonnie Lazear  
Jeff Newman  
Jon Norton  
Randy Norton  
Steven Ryan, Alternate, Tysons Regional Chamber of Commerce  
Eric Terry  
Fred Thompson  
Tim Thompson, Alternate, Fairfax County Federation of Civic Associations  
Joe Wetzel, Alternate, Falls Church Chamber of Commerce  
Ron Wilcox

County Personnel Present

Claudia Arko, Legislative Director, Office of the County Executive  
Lisa Connors, Office of Public Affairs  
Kathleen Driscoll, Hunter Mill District Supervisor's Office  
Geoff Glass, Office of the County Attorney  
Matthew Graham, Office of the County Executive  
Kyle McDaniel, Springfield District Supervisor's Office  
Kiel Stone, Braddock District Supervisor's Office  
Mark Thomas, Chairman's Office  
Erin Ward, Office of the County Attorney  
Marcia Wilds, Department of Management and Budget

Minutes:

Co-Chair Hanley opened the meeting. Task force members and audience members briefly introduced themselves.

Co-Chair Hanley asked if any members had comments on the draft minutes for the May 15 Meeting. Corrections and additions were noted by county staff.

Co-Chairs Hanley and Davis presented their proposed plan of work to the task force. They suggested laying out the pros and cons for each of the three tasks which Board of Supervisors Chairman Bulova had set for the task force then discussing a final recommendation for the Board of Supervisors. Co-Chair Davis noted that there were passionate advocates on both sides of the issue and this approach would

allow the task force to review the issue before attempting to reach a recommendation. The Co-Chairs stated that not every member of the Task force needed to agree with every pro or every con suggested.

#### I. Pros and Cons of Putting a Referendum on the Meals Tax on the Ballot

##### Con

- A referendum assumes the county needs additional revenue – manage existing resources more efficiently instead
- Shifts the tax burden to lower income residents and seniors, since they more often frequent restaurants
- Political consequences of an unsuccessful referendum – unlikely to return to the question for some time
- A meals tax was unpopular in a survey of Braddock District residents
- The political fight, successful or not, against a meals tax is costly for the restaurant industry
- A meals tax would impact restaurant staff negatively
- Single industry tax
- Loss of event business versus non-taxing jurisdictions
- 75% of Fairfax County Public Schools recent spending increases have gone to compensation
- A meals tax will not decrease real estate tax because the revenue doesn't cover the identified existing needs
- The economy climate is weak and a tax would make the situation worse for restaurants
- If enacted, the General Assembly may make allocate less funds to Fairfax based on perception of additional revenue
- Restaurants generate a significant number of jobs, especially entry-level jobs, and a tax would reduce the jobs created
- The success rate for restaurants is already very low – only 7 out of 100 last five years
- A meals tax would reduce Fairfax's current competitive advantage for restaurants and restaurant consumers versus surrounding jurisdictions with meals taxes
- A meals tax would send an anti-business message
- A meals tax would impact Fairfax County's ability to compete for tourists in the region
- Fairfax County already has mechanisms to fund county services – the Board of Supervisors could use those mechanisms to address needs
- There is an inverse relationship between taxation and economic growth – additional taxes reduce disposable income and limit investment
- A meals tax would compound new cost burdens such as the proposed increase to minimum wage, higher costs for meat and other ingredients, and healthcare costs.
- Meals taxes are not deductible for federal taxes; real estate taxes are
- There is little correlation between the county's needs and restaurants
- When levied elsewhere – example given: Arlington – the number of jobs decreased
- There is also an administrative cost which restaurants would bear
- May discourage new investment – perception of more burdensome tax environment
- The private sector is also underfunded compared to where they want to be
- The projected revenue would not cover the costs of all of the suggested uses
- Implementation cost is significant for small businesses – costly software upgrades
- A new tax could affect spending habits
- Voters already said no to a meals tax in 1992 and no to a general sales tax increase in 2002

- Studies have shown that the tax burden is already highest on lower income brackets who are most likely to be affected by a meals tax
- It would reflect poorly on the County to enact a tax right before the World Police and Fire Games
- Compensation for county and school employees has increased – how are they underfunded?
- It is unfair to take from restaurant employees to provide for public employees
- Poverty has increased in Fairfax County by 70% between 2000 and 2011
- Based on projections, a meals tax would take \$900 million or more out of the economy over 10 years
- A referendum creates uncertainty for small business planners
- World Police and Fire Games is a one-time event, the tax would persist
- There are costs for taxpayers for a ballot initiative, successful or not
- The populace is already overtaxed – the combined impact of growing real estate assessments and the tax rate increase in the past two years was the greatest ever for consumers
- Resistance to the referendum could create a false assumption that restaurants don't support government services
- Having discussions of a tax already costs time and money
- If enacted, a 4 % meals tax would represent a 66% increase in restaurant sales tax – restaurants are already subject to 6% state sales tax
- Restaurants are in a fragile industry already

#### Pro

- It would remove some of the tax burden on residential property owners
- It would diversify the County's revenue streams
- It is a non-fixed expense for the industry; it is discretionary
- 28% of people who would pay the tax would be non-county residents
- A referendum lets citizens decide whether they should be taxed
- It would provide revenue for unfunded needs, like the School System request to the Board of Supervisors
- The County has a growing population and changing land use patterns and new costs associated with these changes
- It would help pay for unfunded mandates, like the recommended improvements to the Office of Elections
- It would create a new source that could draw down matching funds from the state or federal government – multiplier
- It could supplement lost state local composite index funding or lost federal funding
- The County has needs in health services, parks, libraries and public safety
- It could address school system capital improvement needs
- Restaurants are also required to pay real estate taxes, which could be offset by a meals tax; a portion of meals tax costs can be passed through to visitors
- There is an opportunity to capitalize on the World Police and Fire Games tourism
- It could be allocated to county infrastructure needs in general
- It could be invested in the county and school workforce
- Fairfax County Public Schools are faced with a growing student population
- Any revenue dedications would be binding on the Board of Supervisors – guarantee of how funds would be spent

- It is one of only three ways the County is allowed to broaden the tax base
- It could help address unfunded human services needs
- Diners may not notice the tax – people are not aware of similar taxes in the region
- The County is leaving money on the table – County residents pay meals taxes in other jurisdictions but those residents do not pay extra when they visit Fairfax County
- It would fund public and, through contracts, private jobs
- Money paid to public employees would fuel demand for new businesses
- Education funding benefits restaurants (and other businesses)
- It could reduce the real estate tax for both commercial and residential landowners
- People's opinions change over time, significant time has passed since the previous referendum

## II. Issues Concerning the Timing of a referendum

- Co-Chair Davis asked if there was consensus that if the Board of Supervisors voted to put a referendum to ballot, that it should be on the previously scheduled general election day in November as opposed to a separate day special election, and there was broad agreement.
- General Elections are best – they allow for the greatest participation by voters
- Presidential elections are best because of higher turnout
- The Bipartisan Election Commission cautioned against too many bonds and referenda on presidential cycles (2016)
- There is a need for funding – do it as soon as possible
- Do it when it would be supported by a majority of the Board of Supervisors
- It will be hard to educate voters by November if a referendum is set for 2014 – too soon
- Special elections are too costly for tax payers, low turn-out and unlikely to succeed
- Current Board of Supervisors cannot put a referendum on for 2016 since their seats are up for election in 2015
- A negative outcome on a referendum would influence budget policy
- How the question for voters is structured will influence the advocacy in favor but not the advocacy opposed
- Not 2014 – too many recent assessment and tax rate increases, this would add it on too soon if approved
- The report should include suggestions for 2014, 2015 and 2016
- 2014 – putting it off would be disingenuous since the discussion has started
- 2014 – it is a hot topic now
- The track record of referenda suggests that it will not make a significant difference if there is a long or short education campaign
- 2015 – let the Board of Supervisors stand with it if they support it
- 2014 – Voters could decide then express any lingering concerns in the 2015 Board of Supervisors Election

## III. Pros and Cons regarding whether the ballot question should include the dedication of revenue to a specific use

- Co-Chair Davis asked if there was consensus that if the Board of Supervisors voted to put a referendum to ballot, whether the referendum should include a statement on dedicating any meals tax revenue to a specific purpose (different than 1992), and there was broad agreement.

#### Con

- A tighter question would have narrower appeal – supporters need ‘skin in the game’
- Too much specificity would remove flexibility
- The County has a broad set of needs – the question should be narrow enough to entice support without limiting the ability to meet needs
- The Board has authority to raise other revenue for these needs already – adding specifics is a political maneuver for passage, not necessarily paying for priorities
- The County General Fund would still be fungible – there is no guarantee that existing revenue would not be reallocated if an existing service receives new funding

#### Pro

- A new referendum would allow dedication which didn’t exist in 1992
- Multiple dedications could appeal to different groups or stakeholders
- Dedication should state a clear purpose and allow measurement of outcomes – this would be included in the narrative, not the referendum question
- Could dedicate it to specific projects identified in the capital improvement program – this would provide a result voters could see
- It could accelerate the capital program
- It could relieve General Fund debt service obligations
- Based on information provided to the Task Force, ballot initiatives which have provided for schools, public safety and capital improvement have been more successful
- Multiple dedications could appeal to groups across the political spectrum

Co-Chairs Hanley and Davis thanked the group for providing their comments. The Co-Chairs will meet to consolidate the pro and con lists and will distribute the lists before the next task force meeting.

The next meeting is scheduled for Thursday, May 29<sup>th</sup> at 7:30 PM in the same location.

The meeting adjourned.