



**Covid-19 Pandemic Financial Impacts on Virginia's Local
Governments:
A First Look at Total Local Revenue and Vulnerable Local Taxes**

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Presentation to the Virginia Municipal League
2023 Annual Conference



Introductions

Virginia Tech

Center for Public Administration and Policy

School of Public and International Affairs

College of Liberal Arts and Human Sciences

Degrees Offered: PhD in Public Administration and Policy, Master of Public Administration

Certificate Offered: Local Government Management

- <https://spia.vt.edu/academics/graduate/mpa.html>
- <https://spia.vt.edu/academics/certificates/lgm.html>

Roadmap

Q1: How important were sales taxes, meals taxes and hotel taxes to cities, counties and towns in Virginia?

Q2: How many localities in Virginia experienced a total local revenue decline in FY20?

Q3: What happened to sales taxes, meals taxes and hotel taxes in Virginia during the pandemic?

Q4: Were regions of Virginia impacted differently?

Purpose of the Study

The purpose of the study is to analyze the actual financial impacts as a result of the pandemic on vulnerable taxes in Virginia (i.e., meals tax, sales tax and hotel tax).

The results are set for publication in the Municipal Finance Journal in early Fall 2023.

Analysis utilized audited financial information obtained from the Auditor of Public Accounts for fiscal years 2017, 2018, 2019, 2020 and 2021.

What do we know?

- Local government revenues are impacted differently depending on the types of emergencies
 - September 11 Attack – property tax revenue not impacted, sales tax including tourism related spending declined for two fiscal years after attack.
 - Great Recession – property tax revenue significantly declined and lagged in recovery for a number of years (due to reassessment cycles, tax rates, etc.) and sales tax declined but rebounded within two years.
 - Hurricanes – sales tax revenues increased immediately after the hurricane and then decline for up to two years.
 - Pandemic? That is the question we are trying to answer in the study.

Question 1

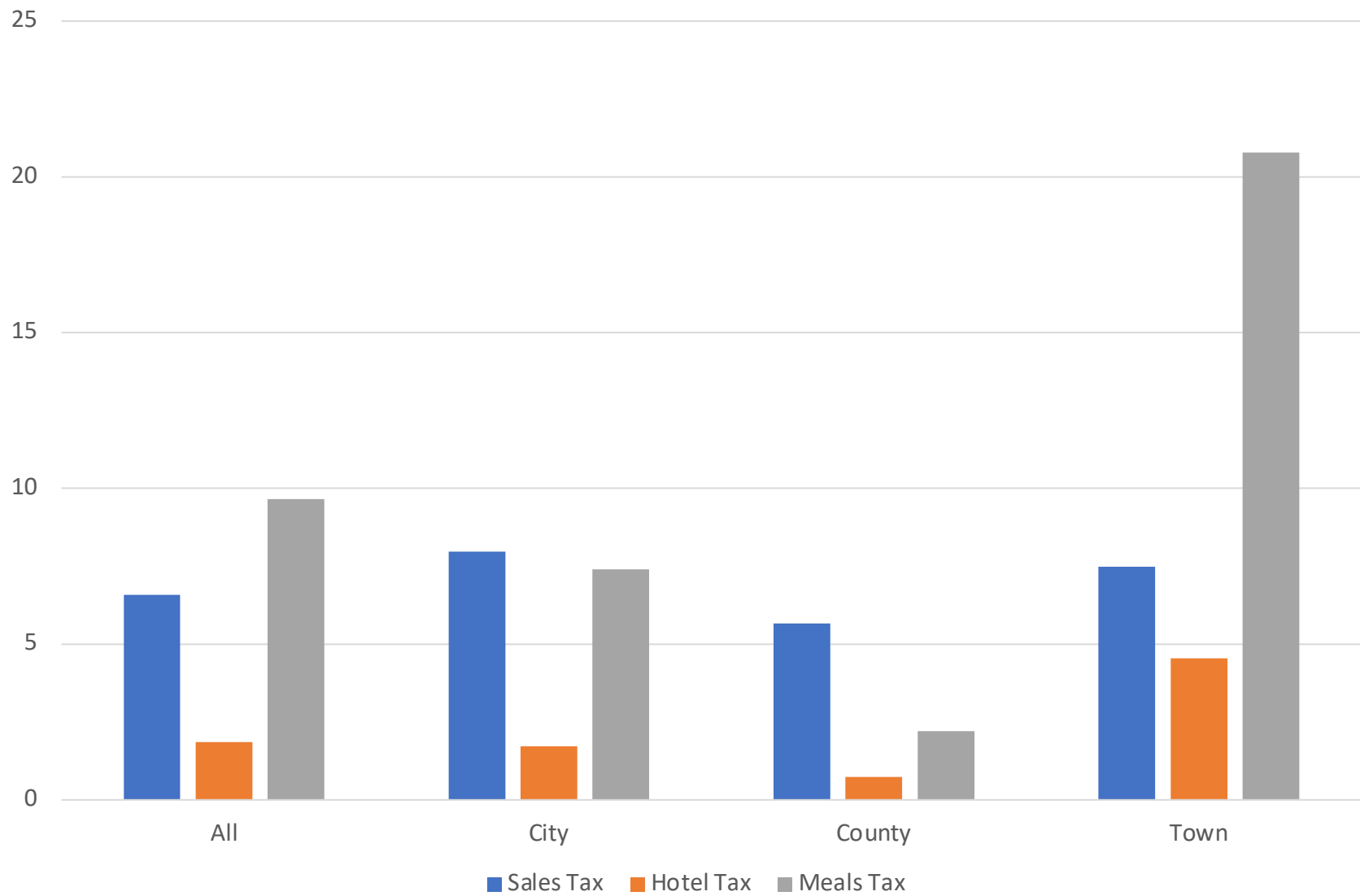
How important were sales taxes, meals taxes and hotel taxes to cities, counties and towns in Virginia prior to the pandemic?

Tax Sources as a Percent of Total Local Revenues (FY17-FY19)

Government Type	Sales Tax	Hotel Tax	Meals Tax	Other Local Taxes	Property Tax
All	6.59%	1.86%	9.65%	10.22%	54.45%
N=	158	130	116	158	158
City	7.97%	1.72%	7.40%	9.84%	51.51%
N=	34	32	34	34	34
County	5.67%	0.74%	2.20%	5.98%	66.52%
N=	87	68	45	87	87
Town	7.49%	4.54%	20.78%	20.53%	28.76%
N=	37	30	37	37	37

Note: Only localities with no missing data for the respective tax are shown.

Tax Sources as a Percent of Total Local Revenues (FY17-FY19)



Summary

Sales taxes were relatively more important for cities and counties, while meals taxes were relatively more important for towns.

Question 2

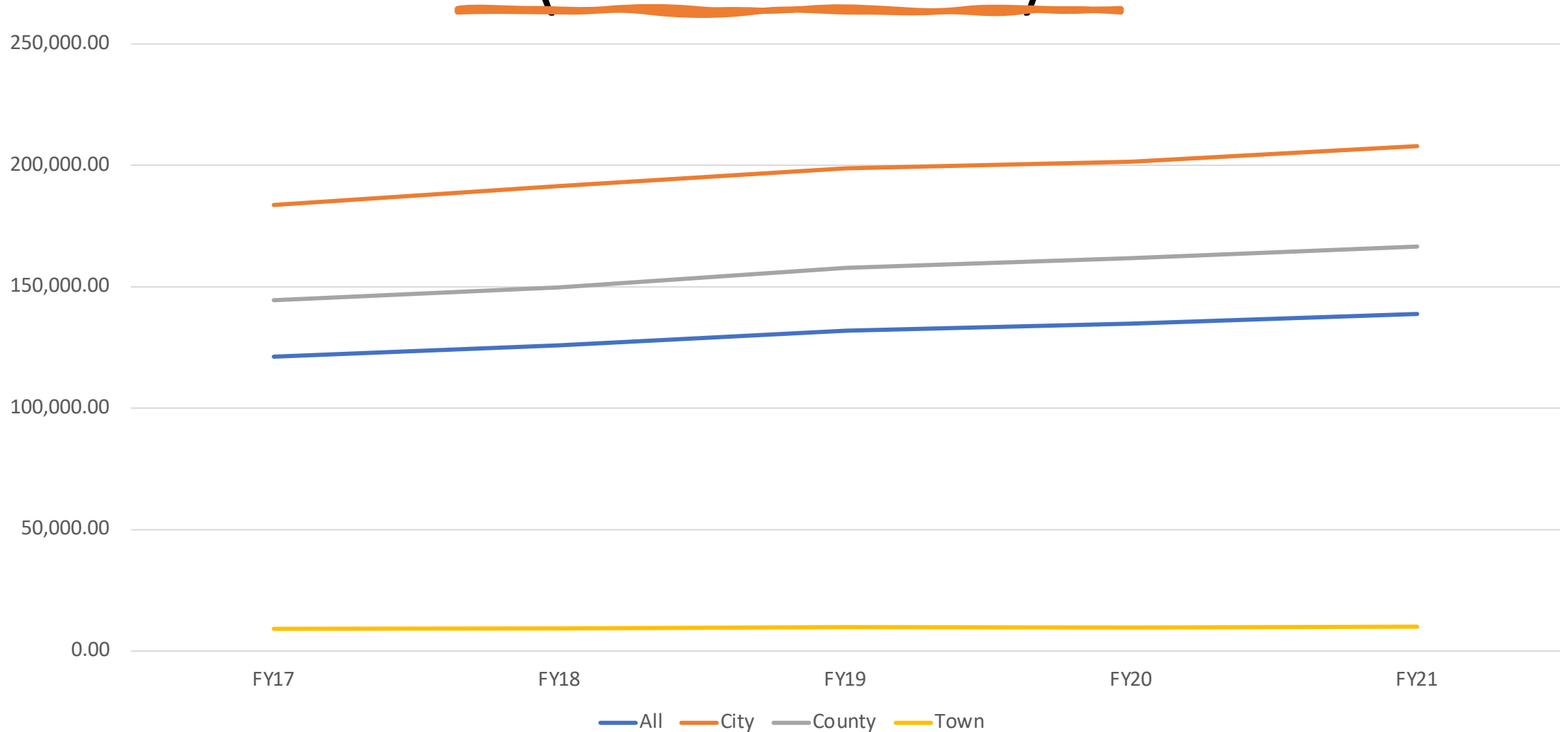
What happened to total local revenues in Virginia during the pandemic?

Total Local Revenues in \$1,000s (FY17-FY21)

	FY2017	FY2018	FY2019	FY2020	FY2021
All Govts N=158	121,225	125,867	131,997	134,763	138,815
Cities N=34	183,690	191,481	198,712	201,462	207,928
Counties N=87	144,470	149,752	157,837	161,867	166,567
Towns N=37	9,166	9,411	9,932	9,743	10,053

Note: Only observations with no missing data for total local revenues for all years shown.

Total Local Revenues in \$1,000s (FY17-FY21)



Localities with a Decline in Total Local Revenues in FY2020

	All	Cities	Counties	Towns
Localities w/ Decline	62 of 158 (39.24%)	14 of 34 (41.18%)	20 of 87 (22.99%)	28 of 37 (75.68%)
Average Decline in \$1,000s	-780.99	-1,203.74	-939.59	-456.32

Summary

While total local revenues generally increased for all localities, about a third experienced a decline in total local revenue in FY20.

About half of localities experiencing a decline in total local revenues in FY20 were towns.

Question 3

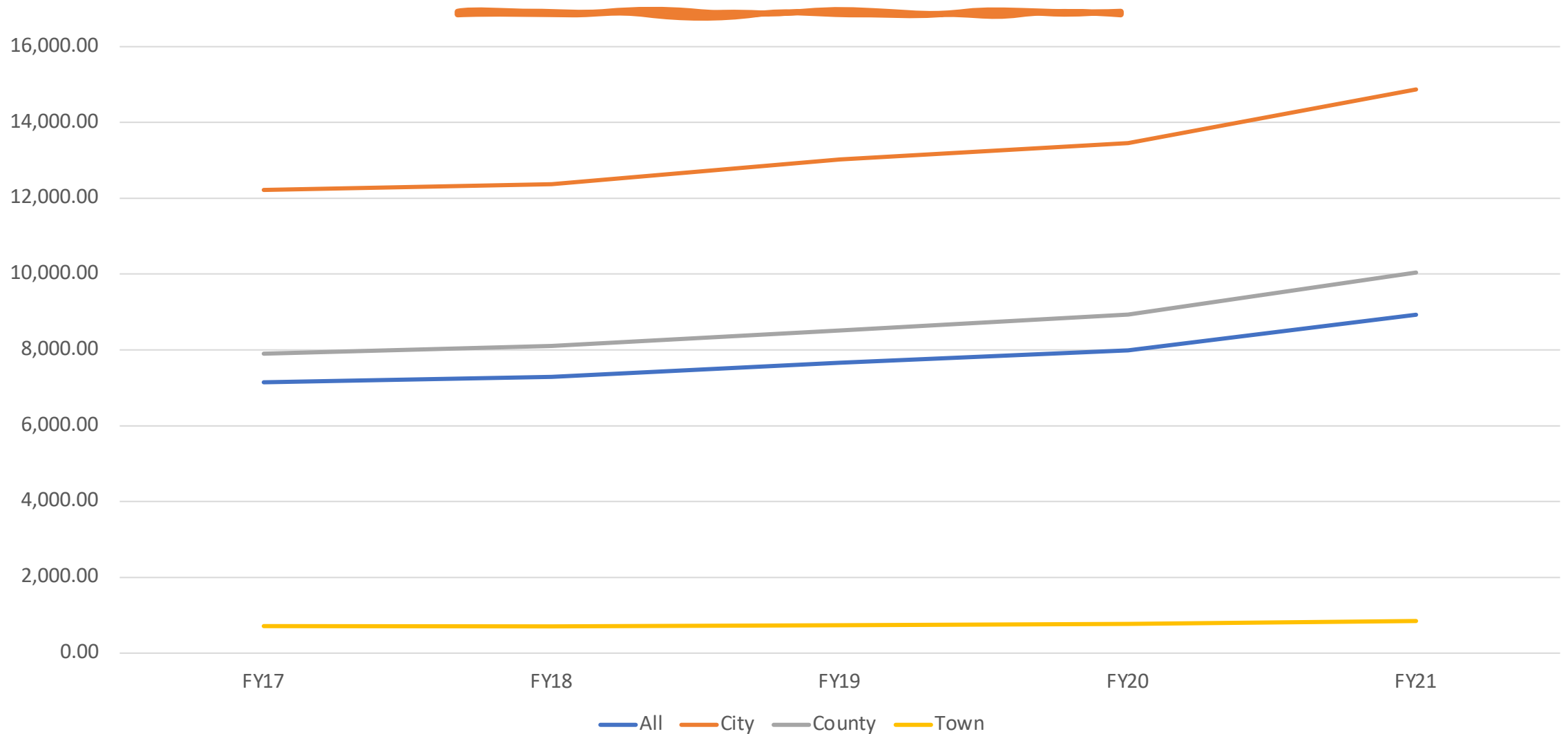
What happened to sales taxes, meals taxes and hotel taxes in Virginia during the pandemic?

Sales Taxes in \$1,000s (FY17-FY21)


	FY2017	FY2018	FY2019	FY2020	FY2021
All Govts N=158	7,146	7,289	7,660	7,993	8,928
Cities N=34	12,220	12,367	13,022	13,455	14,871
Counties N=87	7,900	8,105	8,508	8,928	10,041
Towns N=37	708	706	740	776	848

Note: Only observations with no missing data for sales taxes for all years shown.

Sales Taxes in \$1,000s (FY17-FY21)



Localities with a Decline in Sales Taxes in FY2020



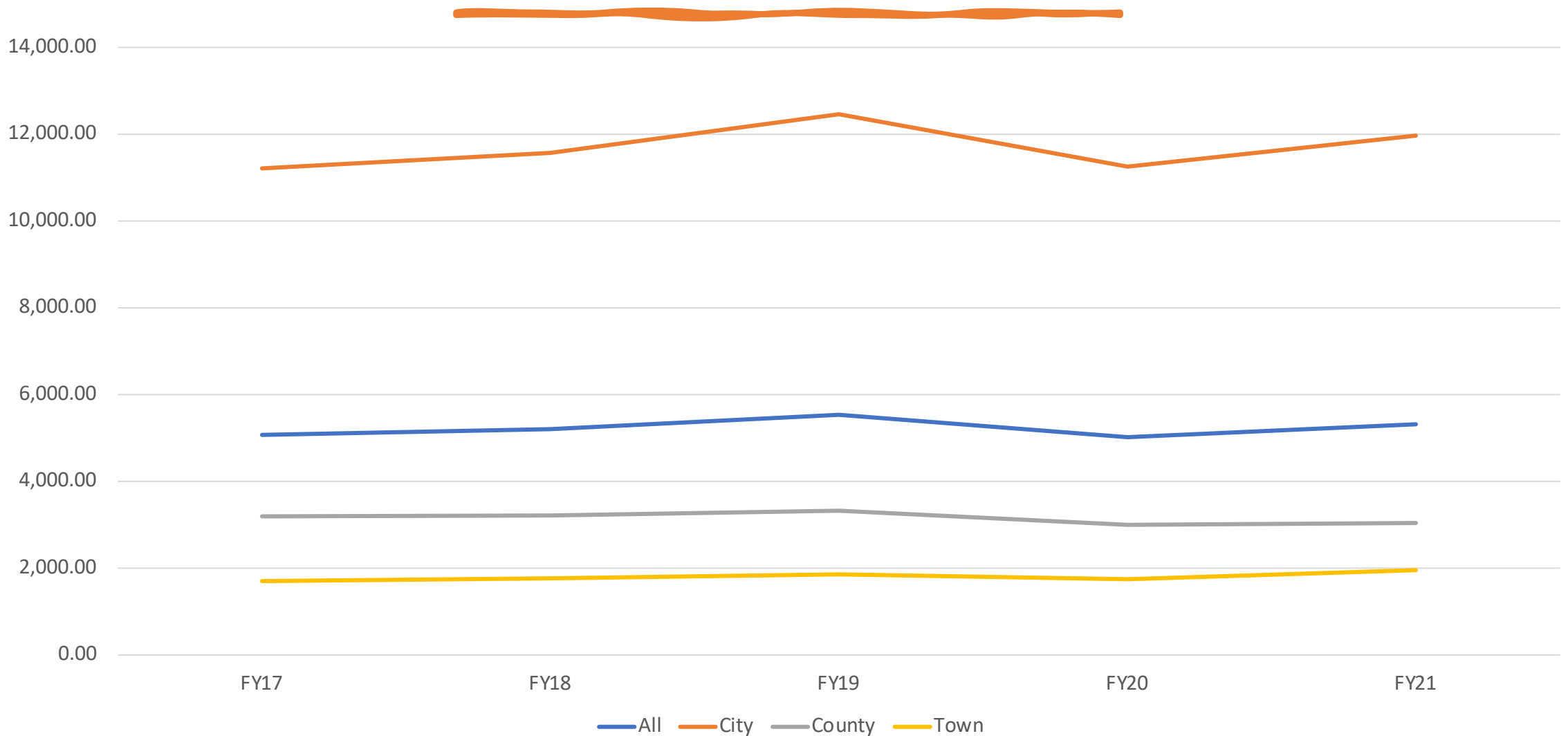
	All	Cities	Counties	Towns
Localities w/ Decline	22 of 158 (13.92)	10 of 34 (29.41%)	8 of 87 (9.20%)	4 of 37 (10.81%)
Average Decline in \$1,000s	-226.11	-236.37	-287.49	-77.70

Meals Taxes in \$1,000s (FY17-FY21)


	FY2017	FY2018	FY2019	FY2020	FY2021
All Govts N=158	5,069	5,201	5,535	5,019	5,312
Cities N=34	11,213	11,568	12,461	11,256	11,967
Counties N=87	3,194	3,214	3,325	2,999	3,043
Towns N=37	1,703	1,766	1,859	1,743	1,955

Note: Only observations with no missing data for meals taxes for all years shown.

Meals Taxes in \$1,000s (FY17-FY21)



Localities with a Decline in Meals Taxes in FY2020



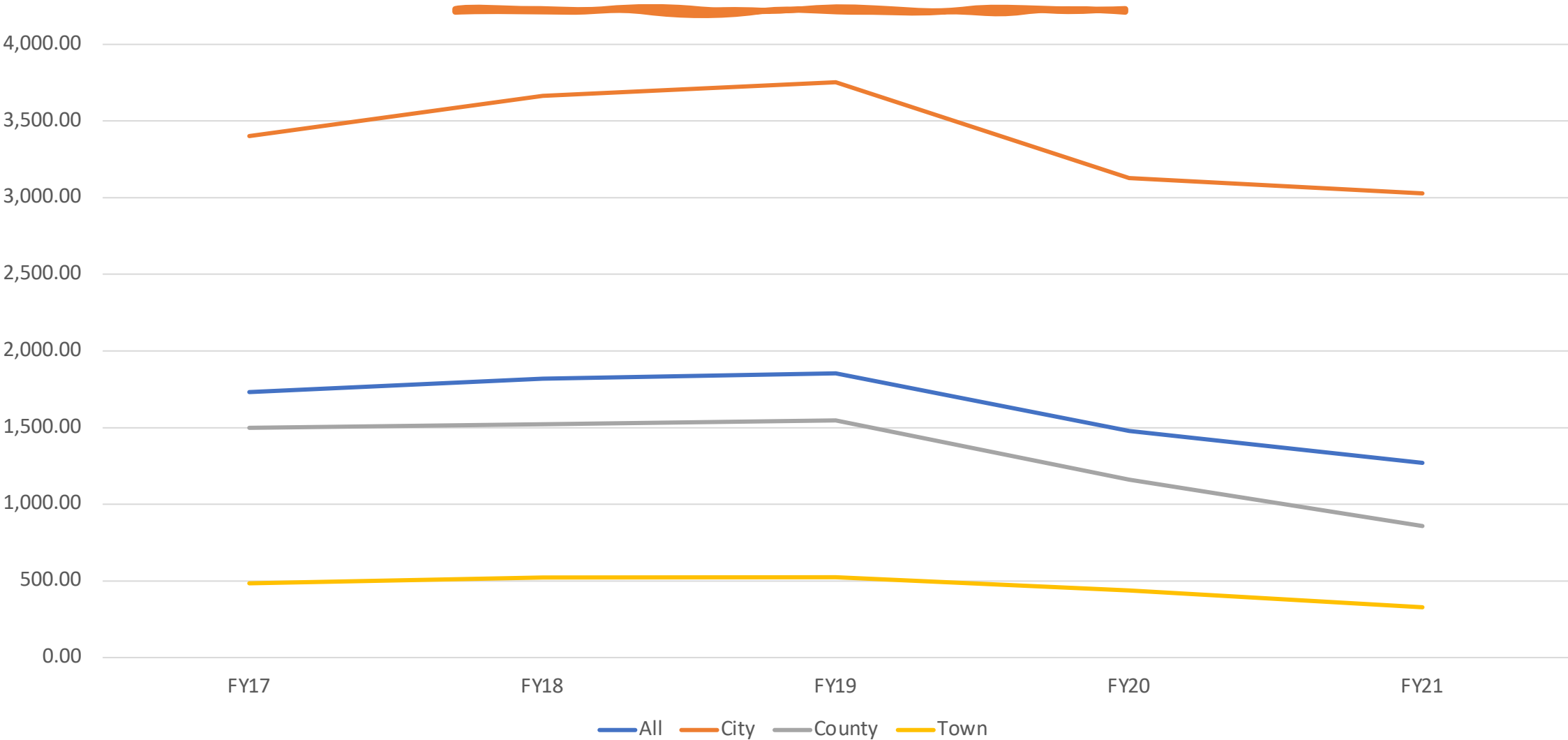
	All	Cities	Counties	Towns
Localities w/ Decline	98 of 116 (84.48%)	30 of 34 (88.24%)	36 of 45 (80.00%)	32 of 37 (86.49%)
Average Decline in \$1,000s	-641.68	-1,382.19	-449.49	-163.68

Hotel Taxes in \$1,000s (FY17-FY21)

	FY2017	FY2018	FY2019	FY2020	FY2021
All Govts N=158	1,733	1,819	1,854	1,478	1,270
Cities N=34	3,401	3,665	3,753	3,128	3,028
Counties N=87	1,498	1,522	1,547	1,160	858
Towns N=37	484	523	524	438	328

Note: Only observations with no missing data for hotel taxes for all years shown.

Hotel Taxes in \$1,000s (FY17-FY21)



Localities with a Decline in Hotel Taxes in FY2020



	All	Cities	Counties	Towns
Localities w/ Decline	104 of 130 (80.00%)	27 of 32 (84.38%)	50 of 68 (73.53%)	27 of 30 (90.00%)
Average Decline in \$1,000s	-478.35	-753.90	-535.83	-96.36

Summary

Sales taxes increased every year from FY17-FY21.

- Sales taxes increased most in FY21, with larger increases occurring in cities and counties.

Meals taxes declined in FY20, but rebounded in FY21.

- Only towns were able to collect more meals taxes in FY21 compared to FY19.

Hotel taxes declined in FY20, and again in FY21.

- Only counties were able to avoid declines in hotel taxes per capita in FY21.

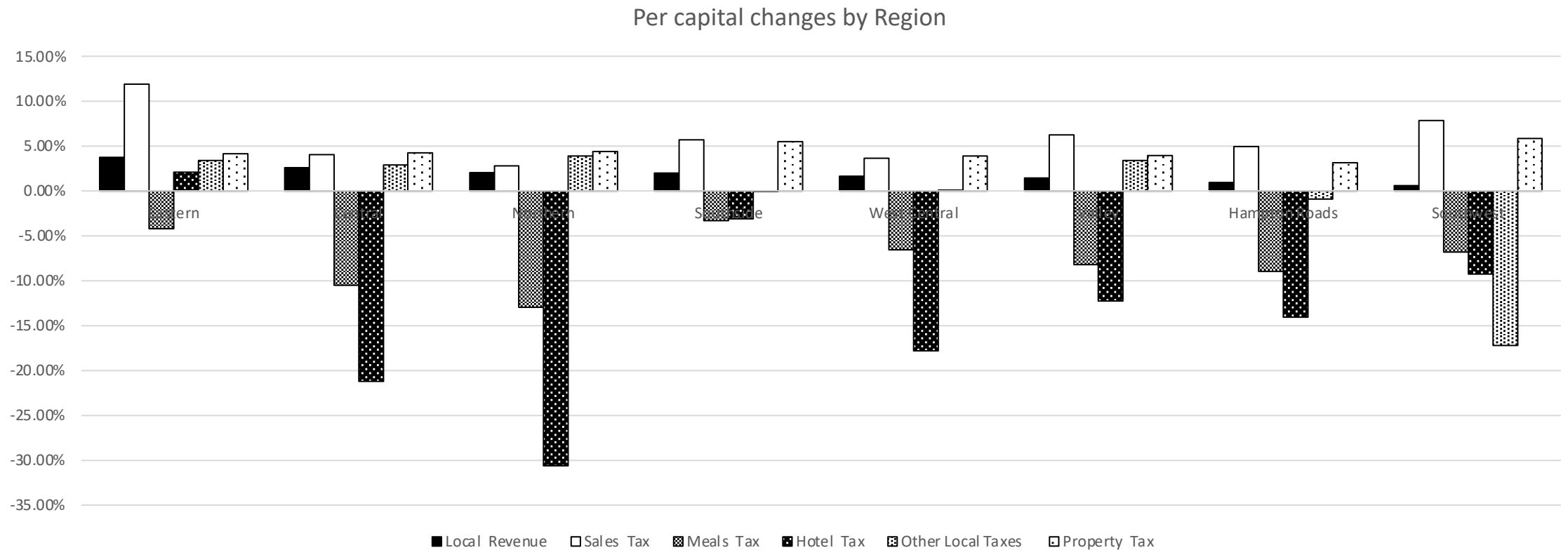
Question 4

Were regions of Virginia impacted differently?

FY19 to FY20 Per Capita Percentage Changes in Local Revenues and Vulnerable Taxes, by Region

Region	Total Local Revenue	Sales Tax	Meals Tax	Hotel Tax	Other Local Taxes	Property Tax
Eastern	3.76%	11.91%	-4.20%	2.08%	3.37%	4.12%
Central	2.58%	4.03%	-10.53%	-21.23%	2.88%	4.25%
Northern	2.03%	2.79%	-12.94%	-30.60%	3.90%	4.40%
Southside	1.99%	5.70%	-3.29%	-3.11%	-0.01%	5.50%
West Central	1.66%	3.63%	-6.55%	-17.81%	0.10%	3.91%
Valley	1.43%	6.22%	-8.20%	-12.27%	3.38%	3.94%
Hampton Roads	0.95%	4.94%	-8.95%	-14.06%	-0.91%	3.13%
Southwest	0.57%	7.82%	-6.81%	-9.25%	-17.21%	5.84%

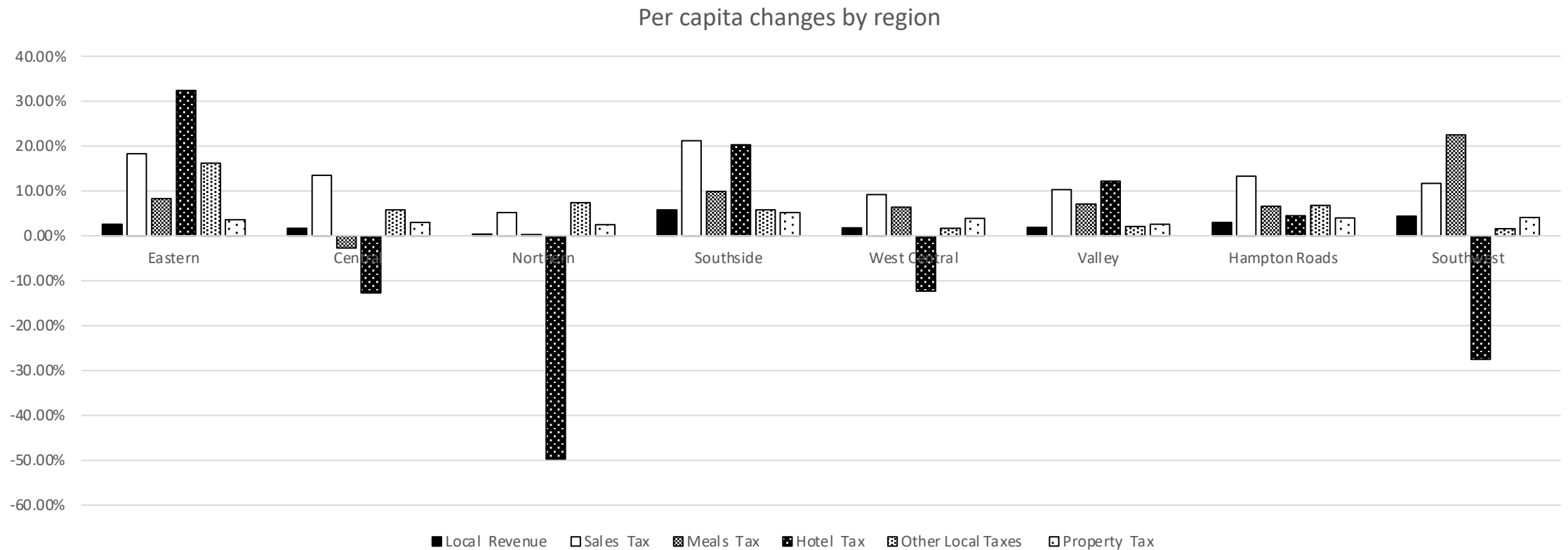
Per capita changes by region FY19-FY20



FY20 to FY21 Per Capita Percentage Changes in Local Revenues and Vulnerable Taxes, by Region

Region	Total Local Revenue	Sales Tax	Meals Tax	Hotel Tax	Other Local Taxes	Property Tax
Eastern	2.54%	18.24%	8.24%	32.34%	16.16%	3.62%
Central	1.64%	13.51%	-2.76%	-12.76%	5.74%	2.96%
Northern	0.37%	5.22%	0.24%	-49.71%	7.39%	2.47%
Southside	5.82%	21.17%	9.93%	20.30%	5.73%	5.21%
West Central	1.82%	9.23%	6.34%	-12.31%	1.67%	3.90%
Valley	1.88%	10.24%	7.08%	12.16%	2.10%	2.57%
Hampton Roads	2.99%	13.27%	6.59%	4.44%	6.81%	3.93%
Southwest	4.42%	11.64%	22.48%	-27.58%	1.59%	4.09%

Per capita changes by region FY20-FY21



Summary

Localities in the smaller and more rural Eastern region generally performed the best in the fiscal years following the pandemic.

Localities in the Northern and Central regions generally performed the worst with respect to the meals tax and hotel tax in the fiscal years following the pandemic.

- These declines did not seem to affect local revenues in these regions very much, which is likely due to the fact that cities and counties rely less on these tax streams for their local revenues.

Policy Challenges and Considerations

Source: Virginia Town and City, June
2023

Meals taxes are the second largest source of revenues for Towns (21%) of total revenues. The pandemic revealed the inherent risks of high reliance of meals taxes.

Towns should consider ways to diversify revenues in the future.

Policy Challenges and Considerations

Source: Virginia Town and City, June
2023


Average town population is 2,761 persons.

Residents of towns pay both town and county taxes which puts additional pressure on town officials to maintain low tax rates.

Town populations represent on average only 4.85% of a county's population; smaller voice relative to county voters

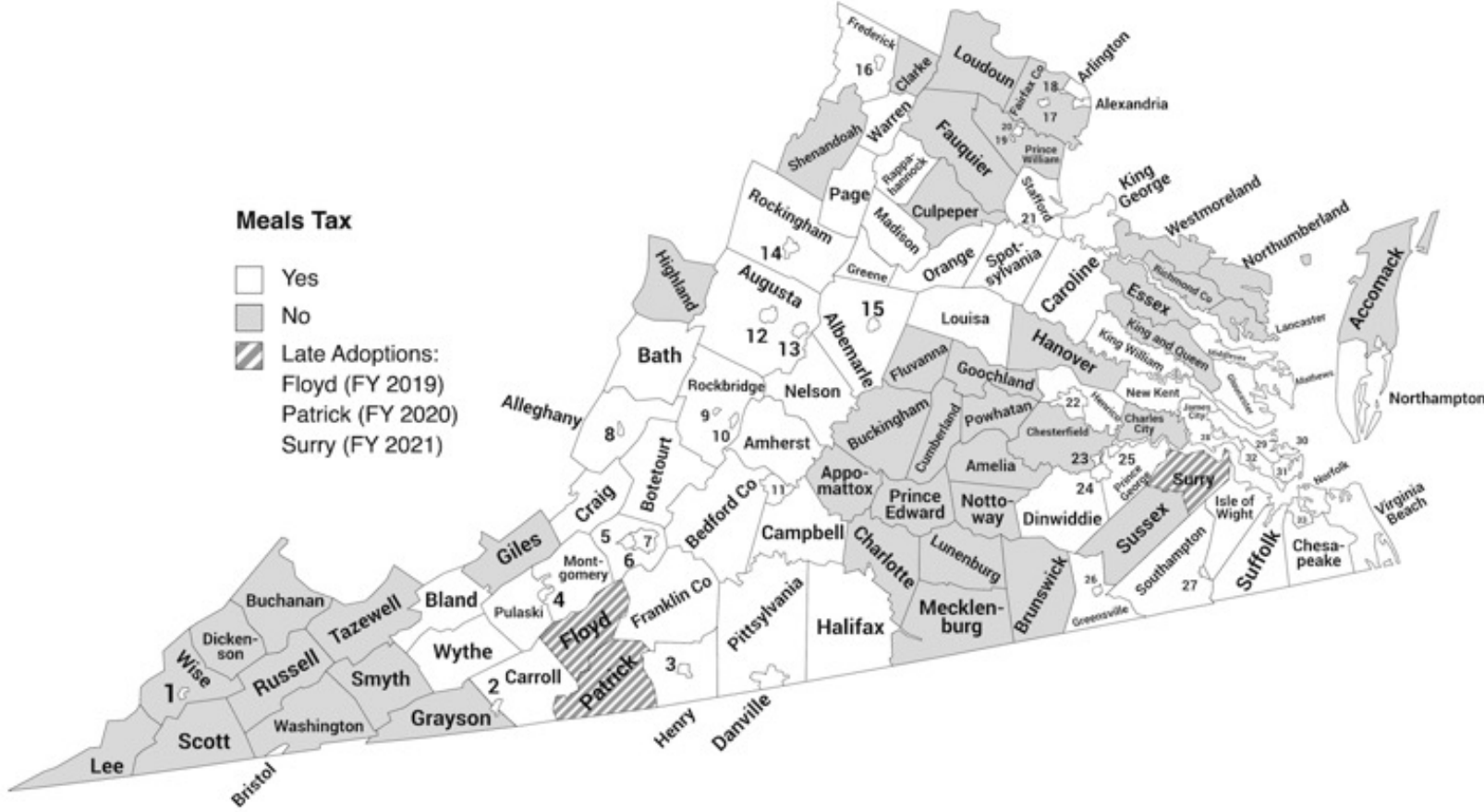
Policy Challenges and Considerations

Source: Virginia Town and City, June
2023



Not all counties have adopted a meals tax. As of FY2021, 48% of counties did not adopt a meals tax.

Virginia Counties Adopting the Meals Tax



- | | | |
|----------------|--------------------|---------------------|
| 1 Norton | 12 Staunton | 23 Colonial Heights |
| 2 Galax | 13 Waynesboro | 24 Petersburg |
| 3 Martinsville | 14 Harrisonburg | 25 Hopewell |
| 4 Radford | 15 Charlottesville | 26 Emporia |
| 5 Roanoke Co | 16 Winchester | 27 Franklin |
| 6 Salem | 17 Fairfax | 28 Williamsburg |
| 7 Roanoke | 18 Falls Church | 29 York |
| 8 Covington | 19 Manassas | 30 Poquoson |
| 9 Lexington | 20 Manassas Park | 31 Hampton |
| 10 Buena Vista | 21 Fredericksburg | 32 Newport News |
| 11 Lynchburg | 22 Richmond | 33 Portsmouth |

What do we know now?

- The pandemic impacted vulnerable taxes significantly.
- Sales tax over all did not decline; sales tax increased every year from FY17 to FY21.
- Meals tax declined in FY20; but rebounded in FY21.
- Hotels taxes declined in FY20 and FY21.
- Property taxes were unaffected.



Thank You!

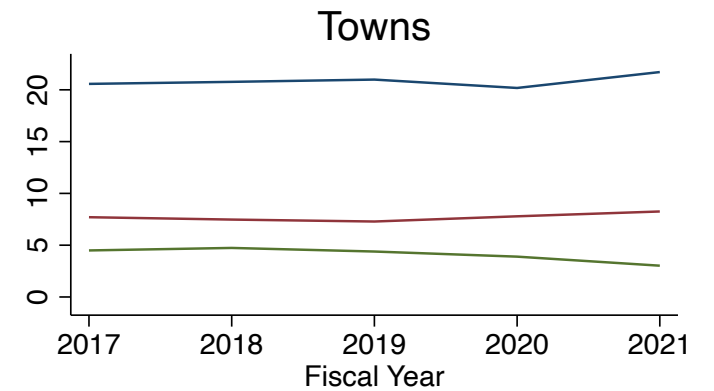
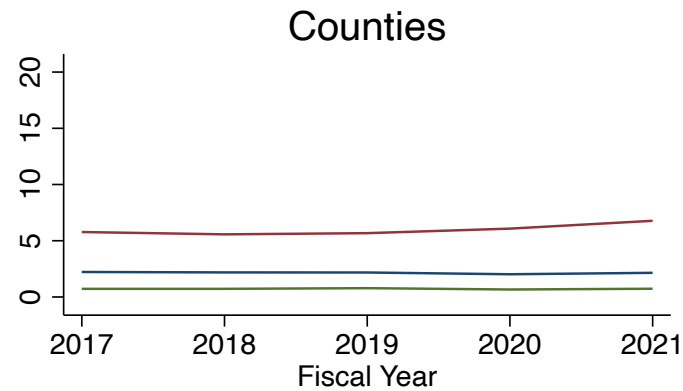
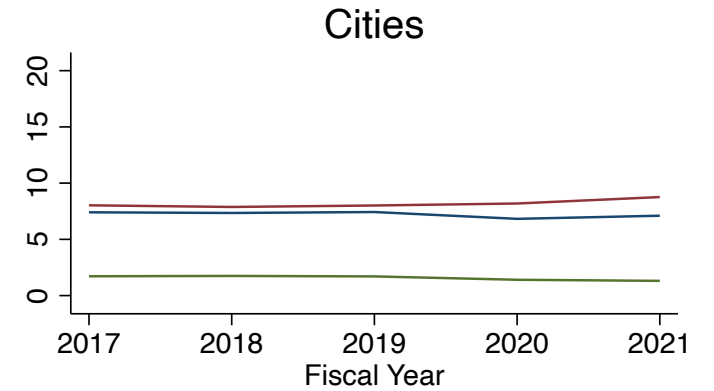
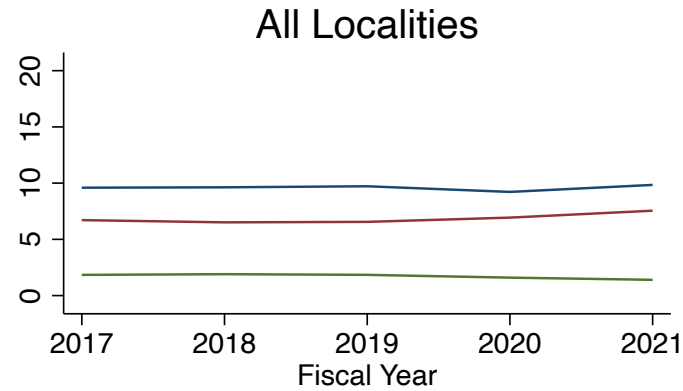
Contact Information

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Bonus Slides

Tax Sources as a Percent of Total Local Revenues (FY17-FY21)

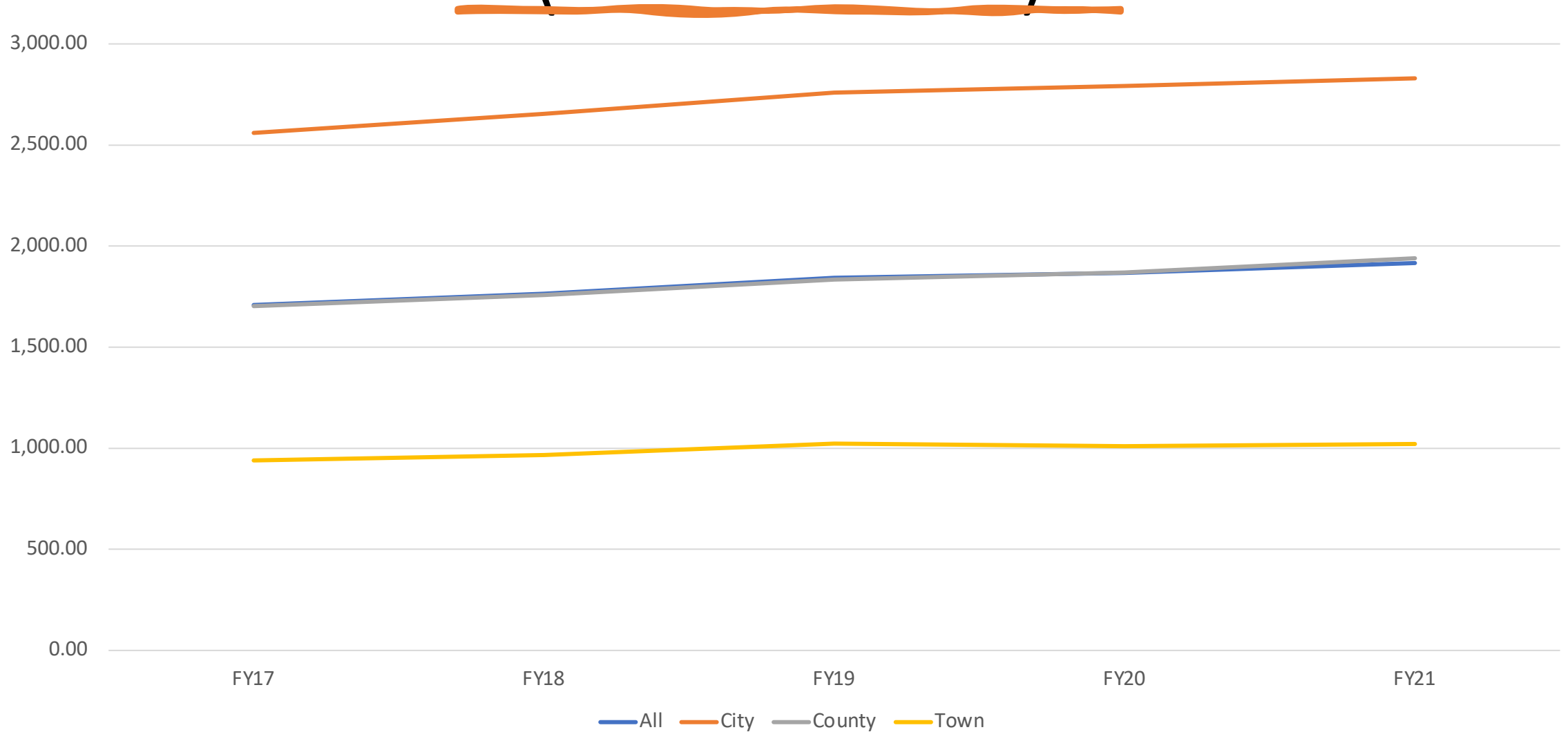


Total Local Revenues Per Capita (FY17-FY21)


	FY2017	FY2018	FY2019	FY2020	FY2021
All Govts N=158	1,708.68	1,765.49	1,843.38	1,867.08	1,916.23
Cities N=34	2,559.78	2,654.26	2,758.25	2,792.66	2,829.75
Counties N=87	1,703.05	1,757.53	1,834.74	1,869.30	1,939.83
Towns N=37	939.83	967.49	1,023.03	1,011.34	1,021.26

Note: Only observations with no missing data for total local revenues for all years shown.

Total Local Revenues Per Capita (FY17-FY21)



Localities with a Decline in Total Local Revenues Per Capita in FY2020



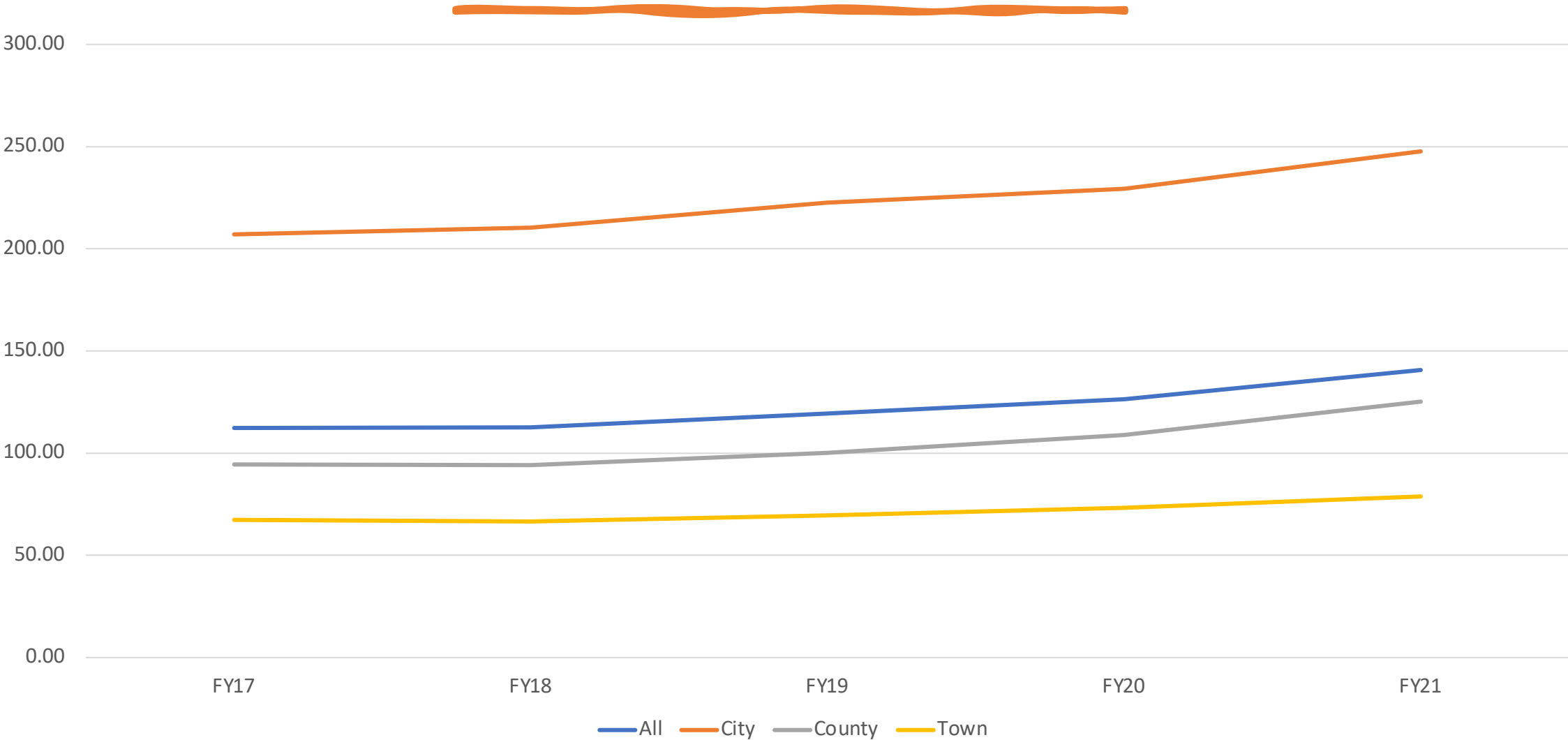
	All	Cities	Counties	Towns
Localities w/ Decline	57 of 158 (36.08%)	8 of 34 (23.53%)	21 of 87 (24.14%)	28 of 37 (75.68%)
Average Decline Per Capita	-51.39	-82.10	-48.03	-45.13

Sales Taxes Per Capita (FY17-FY21)


	FY2017	FY2018	FY2019	FY2020	FY2021
All Govts N=158	112.32	112.71	119.34	126.44	140.68
Cities N=34	207.04	210.39	222.63	229.24	247.66
Counties N=87	94.45	94.15	100.17	108.93	125.22
Towns N=37	67.29	66.58	69.51	73.16	78.72

Note: Only observations with no missing data for sales taxes for all years shown.

Sales Taxes Per Capita (FY17-FY21)



Localities with a Decline in Sales Taxes Per Capita in FY2020



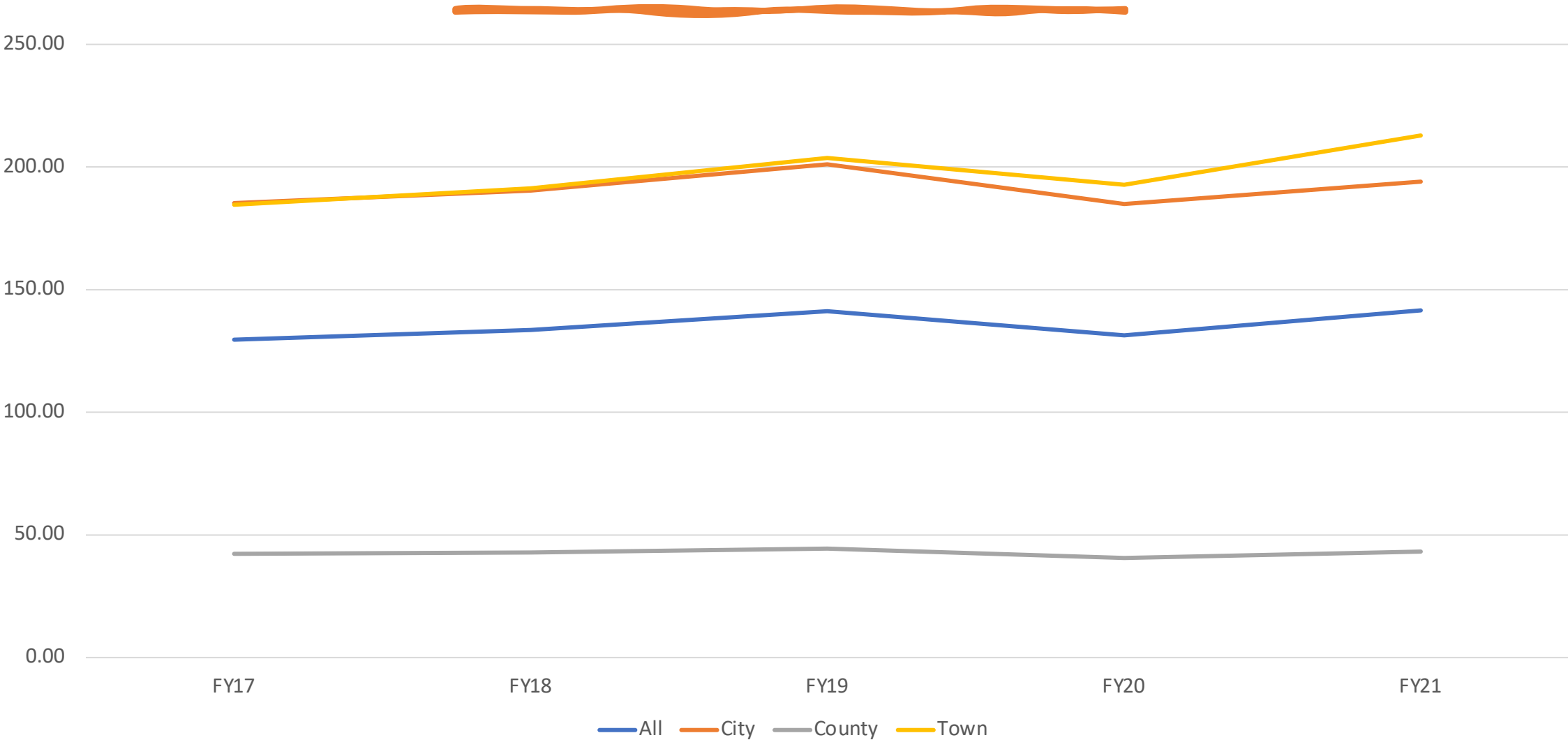
	All	Cities	Counties	Towns
Localities w/ Decline	19 of 158 (13.92)	8 of 34 (29.41%)	7 of 87 (9.20%)	4 of 37 (10.81%)
Average Decline Per Capita	-11.23	-9.42	-13.92	-10.15

Meals Taxes Per Capita (FY17-FY21)


	FY2017	FY2018	FY2019	FY2020	FY2021
All Govts N=158	129.60	133.47	141.14	131.41	141.55
Cities N=34	185.27	190.39	201.10	184.92	194.04
Counties N=87	42.29	42.92	44.42	40.60	43.27
Towns N=37	184.62	191.29	203.68	192.69	212.86

Note: Only observations with no missing data for meals taxes for all years shown.

Meals Taxes Per Capita (FY17-FY21)



Localities with a Decline in Meals Taxes Per Capita in FY2020



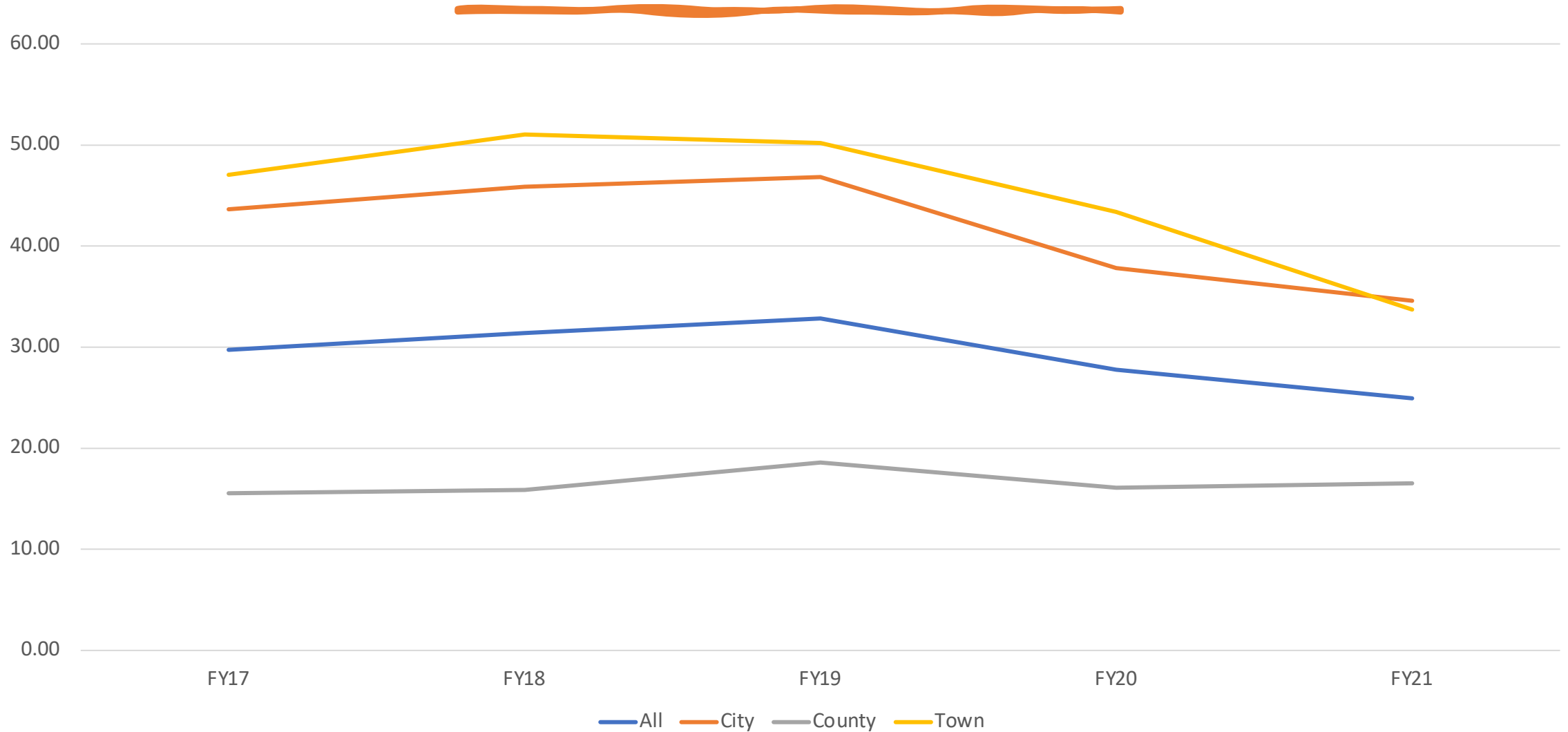
	All	Cities	Counties	Towns
Localities w/ Decline	100 of 116 (86.21%)	31 of 34 (91.18%)	37 of 45 (82.22%)	32 of 37 (86.49%)
Average Decline Per Capita	-12.64	-18.50	-5.52	-15.18

Hotel Taxes Per Capita (FY17-FY21)


	FY2017	FY2018	FY2019	FY2020	FY2021
All Govts N=158	29.73	31.38	32.84	27.75	24.94
Cities N=34	43.62	45.89	46.83	37.82	34.59
Counties N=87	15.55	15.88	18.59	16.11	16.53
Towns N=37	47.06	51.04	50.20	43.36	33.72

Note: Only observations with no missing data for hotel taxes for all years shown.

Hotel Taxes Per Capita (FY17-FY21)



Localities with a Decline in Hotel Taxes Per Capita in FY2020



	All	Cities	Counties	Towns
Localities w/ Decline	104 of 130 (80.00%)	27 of 32 (84.38%)	50 of 68 (73.53%)	27 of 30 (90.00%)
Average Decline Per Capita	-6.58	-11.04	-3.58	-7.68