

The Loudoun County Preservation and Conservation Coalition

Review of the Loudoun County Proposed FY2026 Budget

On February 12, the County Administrator presented to the Board the proposed FY2026 Budget. It will be approved on April 1, 2025 by the Board of Supervisors (BOS) and then begin on July 1, 2025. This Review covers key points about expenditures, revenues, the Capital Improvement Program and County debt. BOS budget sessions held through March 13 did not materially change this analysis or conclusions.

Summary of Key Points¹

Operational Spending. The County’s ongoing official operational spending policy of “spend all the local tax funding (LTF) we have” is misguided when a single source of tax revenue like data center rises at an average of 28% per year over 10 years (real and computer property together). It has resulted in ballooning operational spending of 9% average per year – now a full \$1 billion dollars – or 50% higher in FY2026 than in FY2021. This growth is not driven in any way by County population growth, which was only 6% total between these dates.

Revenues. The rampant growth of data centers has heavily distorted the County tax base between residential and non-data center business and data centers. The result is that total data center taxes – real and computer property together – for FY2026 are fivefold all the remaining business community (83% of total business taxes), and will surpass all residential real property taxes for the first time in FY2026. Nearly two-thirds of the annual dollar increase in LTF has been derived from data centers of the past five years, and will rise to 88% in FY2026. Overall dependence on data center revenues continues its unrelenting rise to an all-time high of **42% (real and computer tax together) of total LTF** – double the share of five years ago.

The Future: FY2027 – FY2030. Indications are that we are on the verge of a mega-growth wave of new data center development. It took 8 years to go from 10 million ft² to 49 million ft² of data center space, but may take half that time to go from 49 million ft² to some 90 million ft². This will have a very strong budget impact – likely to raise annual incremental data center taxes to the **\$350 - \$450 million per year** and account for **60% of total LTF within about 3 years**. The County’s core and immovable funding asset for over 260 years – homeowner real property taxes – will wither to a share of total LTF in the low 20s%.

Failures in budget policy and practice. The County stands at the edge of very challenging and uncharted fiscal territory. The **very worrisome problem** is that the Loudoun government has so far shown itself without the ability to manage the County’s growing financial dependence on a single industry – now leaving it highly financially vulnerable to the industry and without any proven tools and a consensus on how to deal with it.

¹ Detailed data that supports these points is included later in this report.

The following table summarizes key initiatives taken (or not taken) and the related - mainly failed - policies and practices in the County’s management of Loudoun’s fiscal dependence of the data center industry since 2020:

	Timing	Policy	Result
1.	Prior to 2020 & ongoing to date	Annual operational spending policy - County and LCPS will “ spend it all ” – that is, spend all available local tax funding (LTF) - real property taxes, personal property taxes, and non-property local tax revenues.	Failure - blindly applied. County has included in LTF all data center revenues, which have grown at phenomenal 22% per year over FY2021-FY2026, generating oversized and unsustainable operational spending growth of nearly 9% per year and over 50% total spending hike between FY2021 and FY2026.
2.	Prior to 2020 & ongoing to date	Adopt a strategic fiscal direction to address the data center industry fiscal impact, maintain moderate industry fiscal role, and provide path back to long-term fiscal sustainability.	Failure - Annual budgeting remains 100% transactional from year to year. There is no medium term strategic fiscal policy direction.
3.	Oct 2020	Data center industry revenue over-dependence - Staff paper raises concern to FGOEDC	Failure – FGOEDC does not take up, assess or otherwise respond to the concerns expressed.
4.	Oct 2021	Data center revenue over-dependence benchmark - Staff recommends to BOS budget management to progressively attain annual minimum of 60% real property tax in total local tax funding.	Failure - Not addressed or debated by FGOEDC or BOS. BOS has never articulated any acceptance of this target, let alone its use in budget decisions. Actual RPT/LTF number in FY22 was 52% and is 53% in the FY26 budget.
5.	June 2022	Separation of data center land use decisions from impact on revenue dependence. Staff issues memo recommending that BOS separate considerations of data center land use from the budget financial impact of an application.	Failure – Implemented as proposed by Staff. “Fiscal Impact” section of applications always considers data center applications as ‘fiscally positive’. Scrubbed simple but critical tool to control data center revenue dependence at micro level.
6.	April 2023	Personal Property Tax Rate Policy. Staff proposes to reduce personal property tax rate on computer equipment & other categories to reduce dependence on data center industry.	Failure - BOS approves FY24 budget with cut in personal property tax rate from \$4.20 to \$4.15 – the first in 37 years – with no tax policy review or debate – data center revenue loss paid for by hike in homeowner real property tax.
7.	July 2023	Adopt a Revenue Stabilization Fund to manage short-term data center revenue fluctuations.	Success. Now the only financial tool with conservative budgeting to manage short-term data center revenue swings
8.	April 2024 & Feb 2025	Personal Property Tax Rate Policy 2.0. Reduce personal property tax rate to reduce dependence on data center industry.	Failure – BOS rejects Staff proposal to cut general personal property tax rate on data centers to \$4.10 and asserts again “No tax cuts for data centers!”

1. Detailed Key Points – County & LCPS Operating Expenditures

County operational spending continues on a rapid and unsustainable growth path

- Proposed appropriations total \$3,228.5 million for Government and LCPS operations - about \$268 million *or 9.1% above the FY2025 adopted budget*
- This increase covers
 - \$22 million in base budget adjustments to continue to provide current services to accommodate population growth,
 - \$24.7 million in higher employee compensation (4% general merit increase and 3% pay scale adjustment),
 - 42 new positions to open new capita facilities and support programs, and another 201 new positions for other Departments; and
 - an increase of \$123.4 million in local transfers to LCPS over last year that fully funds the School Board’s request.

Loudoun County Budget Expenditures for FY2025 - FY2026 (US\$ Millions)			
	Adopted FY2025	Proposed FY2026	Difference
County General Operating Expenditures	982.6	1,101.7	129.1
School Operating Fund	1,902.5	2,038.1	135.6
Other Operating	75.4	88.7	13.3
Total Operating Appropriations	2,960.5	3,228.5	268.0
% Annual Growth over previous year			9.1%
Debt Service Appropriations	295.0	305.4	10.4
Total Operating & Debt Appropriations	3,255.5	3,533.9	278.4
Annual Capital Appropriations	1,910.7	1,144.0	-766.7
Total Appropriations	5,167.5	4,677.9	-489.6

Source: Loudoun County FY 2025 Adopted Budget and FY2026 Proposed Budget

High expenditure growth IS NOT a consequence of high population growth

- Contrary to Staff and BOS statements, spending is *not* driven by high population growth. Annual population growth has fallen steadily over the past two decades from about 19,000 new residents per year in 2001 to just under 6,000 in 2025: that is, from 11% per year to merely 1.3% per year in 2025 – *substantially the same as the DC Metro Area rate of 1.1%*.

Loudoun County Population: 2001 - 2025						
	2001	2005	2010	2015	2020	2025
Population	188,355	259,146	312,311	368,654	420,959	453,800
Annual Growth	18,756	19,023	7,347	13,671	7,959	5,963
Annual Growth Rate	11.1%	7.9%	2.4%	3.9%	2.0%	1.3%

Source: US Census Bureau and Loudoun County Department of Management and Budget.

High expenditure growth IS a consequence of a long applied policy of “spend all available local tax funding”² – and is rising as annual data center revenues continue to accelerate

- Total County and LCPS Operating Appropriations between FY2021-FY2026 have risen at an average annual rate of 8.5%.
- This robust growth rate places the FY2026 proposed level at \$1,084.0 million above the FY2021 level – *or a total of more than 50% above that year*
- The annual average growth of Total Operating Appropriations per resident over FY2021-FY2026 has been an *extraordinary 6.9% per year*.

Loudoun County – Growth Rate in Total Operating Appropriations, FY2021-FY2026							
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026 (Proposed)	Avg / Yr FY2021-26
Total Operating Appropriations (\$m)	\$2,144.5	\$ 2,300.4	\$ 2,500.0	\$ 2,656.9	\$ 2,960.5	\$ 3,228.5	
Spending increase over FY2021						\$1,084.0	
Total Annual Growth Rate	7.2%	7.3%	8.7%	6.3%	11.4%	9.1%	8.5%
Annual Population Growth	2.0%	1.7%	1.6%	1.4%	1.6%	1.3%	1.6%
Per Resident Annual Growth Rate	5.2%	5.6%	7.1%	4.9%	9.8%	7.8%	6.9%

Source: US Census Bureau and Loudoun County Department of Finance and Budgets.

2. Detailed Key Points – Tax Base, Tax Rates, Revenues

The real property assessed tax base rose at its fastest rate ever...19.6% overall in 2024, led decisively by a historic rise in commercial and industrial portfolio (data centers) at 38.5%

- The data center industry now accounts for 69% of the total real property tax base of the business sector in Loudoun County, up from 30% in 2020.

Loudoun County – Annual Growth Rates in Taxable Real Property, 2020-2025						
	2020	2021	2022	2023	2024	2025
Total - Loudoun County	7.2%	6.8%	18.3%	12.9%	12.9%	19.6%
Total – Residential (SF+Condo)	6.1%	8.5%	17.0%	10.3%	6.7%	8.4%
Total – Commercial & Industrial	20.1%	-1.7%	24.7%	20.4%	29.4%	38.5%

Source: Loudoun County Commissioner of the Revenue.

Tax rates – residents will get a mild tax breaks in FY2026, paid for by data center revenues

- The average homeowner tax bill will fall by under 1% in FY2026 from \$6,337 to \$6,280 given a cut in the real property tax rate from \$0.865 to \$0.805.

² Local Tax Funding, or LTF, is the sum of total real property taxes, personal property taxes and local non-property taxes (sales and use taxes, consumer utility taxes, business licenses, etc.).

- Vehicle owners will also get a break from the cut on the business Personal Property Tax rate for this category to \$3.09, or \$0.67 per \$100 of valuation.
- However, the BPPT rate paid by data centers will remain at \$4.15, signaling a BOS *de facto* policy of no tax breaks for data centers.

Loudoun business taxes are heavily sourced from data centers – they are now fivefold the remainder of the Loudoun business community and growing at an overwhelming rate

- Total data center industry taxes (RPT+PPT) rose at 22% *per year* and comprised an overwhelming 83% of total Loudoun business taxes by FY2026.
- Non-data center Loudoun business taxes have grown at just 2.2% overall since FY2021.

Loudoun County Business Sector – Value and Annual Growth Rates of Tax Revenues over FY2021-FY2026							
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	Avg FY21-26
Data Center Industry – value (\$m)	\$ 460.5	\$ 633.9	\$ 694.7	\$ 700.0	\$ 890.3	\$ 1,135.7	
Data Center Industry – growth rate	29.1%	37.7%	9.6%	0.8%	27.2%	27.6%	22.0%
All other Loudoun business – value (\$m)	\$ 204.6	\$ 185.9	\$ 188.7	\$ 203.2	\$ 211.8	\$ 225.9	
All other Loudoun business – growth rate	2.1%	-9.1%	1.5%	7.7%	4.2%	6.7%	2.2%
Data Center Taxes / All Business Taxes	69%	77%	79%	76%	81%	83%	

Source: Loudoun County Office of Management and Budget and Commissioner of the Revenue.

1/ “Total tax revenues” include real property taxes plus personal property taxes.

Data center taxes supply each year the majority of new funding that fuels budget growth

- The annual growth in data center tax revenues accounted for an average of 62% of the total growth in General Fund revenues over FY2021-FY2026. While the trend is ‘choppy,’ it has risen in FY2025 and FY2026 to 66% and 88%, respectively, of total new GF funding.

Sources of General Fund annual incremental revenue over FY2021-FY2026							
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	Avg FY21-26
Data Center Industry	\$ 97.5	\$ 162.3	\$ 56.8	\$ 18.4	\$ 194.4	\$ 241.2	
Share of total incremental LTF	59.4%	103.6%	41.9%	13.0%	66.4%	87.5%	62.0%
Residential & other business RPT	\$ 46.9	\$ -13.4	\$ 36.4	\$ 77.6	\$ 66.4	\$ -3.3	
Share of total incremental LTF	28.6%	-8.6%	26.8%	54.9%	22.7%	-1.2%	20.5%
Other PPT & non-property local taxes	\$ 19.7	\$ 7.7	\$ 42.5	\$ 45.4	\$ 32.0	\$ 37.8	
Share of total incremental LTF	12.0%	4.9%	31.3%	32.1%	10.9%	13.7%	17.5%
Total incremental LTF	\$ 164.1	\$ 156.6	\$ 135.7	\$ 141.4	\$ 292.8	\$ 275.7	
Share of total incremental LTF	100%	100%	100%	100%	100%	100%	100%

Source: Loudoun County Office of Management and Budget and Commissioner of the Revenue.

1/ “Total tax revenues” include real property taxes plus personal property taxes.

Data center dependence continues its unrelenting rise, undermining revenue diversification

- With its rocketing growth of data center tax revenues, its share in the County’s total local tax funding (LTF) will be 42.0% in FY2026 – a rise from a reasonable 23.7% in FY2020.

Loudoun County - Trends in Data Center Space, Real and Personal Property Taxes, FY2017-2026 (US\$ millions)										
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Data center space (millions FT ²)		10.1	13.1	18.3	21.5	26.4	28.1	31.2	41.2	49.4
Annual growth rate in space		14.8%	29.9%	39.2%	17.8%	22.5%	6.6%	11.1%	31.9%	19.8%
Data center real property (RPT)	21.9	26.9	34.6	51.7	68.1	75.1	105.5	139.2	224.2	340.9
Data center personal property (PPT)	114.9	154.9	209.6	313.4	394.5	549.8	576.2	560.9	670.3	794.8
Total data center revenues	136.8	181.8	244.2	365.1	462.6	624.9	681.7	700.1	894.5	1,135.7
Share of total LTF 1/	11.3%	14.1%	17.5%	23.7%	27.2%	33.6%	34.2%	32.8%	36.8%	42.0%
Residential & other business RPT	800.4	825.3	852.2	857.5	904.4	891.0	927.4	1005.0	1071.4	1068.1
Share of total LTF	66.4%	63.8%	61.0%	55.7%	53.1%	47.9%	46.5%	47.0%	44.1%	39.5%
Other PPT & non-property local taxes	268.4	285.5	299.9	316.5	336.2	343.9	386.4	431.8	463.8	501.6
Share of total LTF	22.3%	22.1%	21.5%	20.6%	19.7%	18.5%	19.4%	20.2%	19.1%	18.5%
Total Local Tax Funding (LTF)	1,205.6	1,292.6	1,396.3	1,539.1	1,703.2	1,859.8	1,995.5	2,136.9	2,429.7	2,705.4

Sources: Loudoun Office of Management and Budget and Commissioner of the Revenue
1/ "Total tax revenues" include real property taxes plus personal property taxes.

Absent changes in budget policy and practices, this trend will continue.

- Annual increments in data center taxes are likely to amount to \$350 million - \$450 million or more (\$241 million for FY2026). This will leave a massive opportunity to either ‘spend it all’ or to save it for adjustments to the post-data center dominance era.
- The data center tax revenue share in total Local Tax Funding is likely to reach 60% of total General Fund resources within about 3 years. Residential real property taxes – once the immovable mainstay of Loudoun’s finances, is likely to fall to the low 20% area.

FY27 - FY30 Projections of Loudoun General Fund Revenues					
	FY26 Adopted	Projections (millions \$)			
		FY 27	FY28	FY 29	FY 30
(1) Total Data Center Revenues	1,135.7	1,538.7	1,976.3	2,390.8	2,712.0
Annual change in value (millions \$)	241.2	403.0	437.6	414.5	321.2
Annual rate of growth (%)	27.0%	35.5%	28.4%	21.0%	13.4%
Share of total data center revenues / Total LTF	42.0%	48.7%	54.0%	57.8%	60.0%
Incremental Space(millions ft ²)	8.2	15.0	15.0	12.5	7.5
Cumulative Space (millions ft ²)	49.4	64.4	79.4	91.9	99.4
(2) Residential and Other Business Real Property Taxes	1,022	1,032	1,042	1,052	1,063
Annual rate of growth (%)	0-3%	1.0%	1.0%	1.0%	1.0%
Share of total data center revenues / Total LTF	39.5%	32.6%	28.5%	25.5%	23.5%
(3) Other BPPT and non-property local taxes	547.9	591.7	639.1	690.2	745.4
Annual rate of growth (%)	8.2%	8.0%	8.0%	8.0%	8.0%
Share of total data center revenues / Total LTF	18.5%	18.7%	17.5%	16.7%	16.5%
(1 + 2 + 3) Total Local Tax Funding (millions \$)	2,705.4	3,162.2	3,657.2	4,133.3	4,520.4
Annual change in value (millions \$)	275.7	456.8	495.0	476.0	387.1
Annual rate of growth (%)		16.9%	15.7%	13.0%	9.4%

3. Detailed Key Points – Capital Investment Program

Capital spending levels and composition for FY2025-30 are comparable to FY2023-2028

- The amended six-year CIP for FY2023-28 totals \$3.8 billion, nearly \$200 million or 6% higher than the FY2023-28 Program.
- Overall priorities remain similar between general County projects, transportation projects and school projects.
- Funding of the FY2025-30 CIP reflects a continuing local tax funding share of 25% - well above the minimum 10% guideline in the Fiscal Policy – and continuing substantial reliance on debt.
- Contrary to general impressions, *proffers* continue to represent a negligible portion of the CIP funding, amounting to only \$37 million or 1% of the six-year Plan.

Loudoun County Capital Improvement Program – FY2025-30 (US\$ millions)					
	Six-Year Program			Annual CIP Appropriations	
	FY2023-2028	FY2025-2030	FY23-28 / FY25-30	FY2025	FY2026
Expenditures					
General County Projects	1,260	1,229	-31	185	323
Transportation Projects	1,279	1,512	233	285	184
Schools	1,043	1,038	-5	516	82
Total CIP	3,582	3,779	197	985	589
Annual Growth Rate			+5.5%		
Spending Composition					
• County / Total	35%	33%			
• Transport / Total	36%	40%			
• Schools / Total	29%	27%			
Funding Sources					
Local Tax Funding (LTF)	896	903	7		
Debt	2,228	2,306	78		
Inter-governmental aid	298	242	-56		
Proffers and other	160	328	168		
Total Funding	3,582	3,779	197		
• LTF / Total	25%	24%			
• Debt / Total	62%	61%			
• Aid,other / Total	13%	15%			
Sources Proposed FY2026 Budget					

4. Detailed Key Points – Debt

Debt financing of the 2025-30 CIP will total \$2.3 billion over six years, as both net tax supported debt outstanding and debt service are projected to rise rather sharply.

- Net tax supported debt outstanding of the County is projected to be \$2.2 billion at the beginning of FY2026 and scheduled to rise steadily thereafter at about \$200 million per year to reach an estimated \$3.3 billion in FY2030.
- Debt service for FY2026 will rise to \$305.4 million, about \$10 million above the current FY2025 payments. Debt service is currently projected to rise *substantially* by FY2030 to \$382 million.
- These trends are of concern, give the County’s heavy annual revenue reliance on a single industry. However, given the strident growth of property values, income and total fiscal expenditures, debt ratios projected for the FY2026 budget *appear* to be safely within current Loudoun Fiscal Policy targets.

Loudoun County – Debt Ratio Estimates for FY2026 – FY2030			
	FY2026	FY2030	FP Guide
Debt to estimated property value	1.2%	1.3%	<3%
Debt to per capita income	4.7%	5.2%	<8%
Debt service to total expenditures	6.1%	7.0%	<10%
Source: data from Loudoun County proposed FY2024 budget.			

- Given the County’s concentrated revenue structure, the County should in FY2026 review the current Fiscal Policy Guide with a view to *adopting more conservative debt ratio limits*.

Prepared by Jim Hanna

Contacts - comments and questions on this paper should be addressed by email to jimhanna12@gmail.com

March 25, 2025