March 2, 2010

Dear Conferee:

Subject: VACo's annual conferee budget letter

You confront difficult budget decisions. Virginia's counties face equally demanding budget choices. These decisions are the result of declining state and local revenues and may well alter delivery of our traditional core services.

Last year federal stimulus funds buttressed the state budget. In particular, the federal dollars aided schools and saved jobs. This year reduced contributions to the Virginia Retirement System will help support the new biennial budget.

Now is the time for state and local leaders to commit to developing a budget blueprint that aligns required services with sufficient revenues. For this reason, the VACo Board of Directors adopted a resolution at its Feb. 11 meeting calling for a comprehensive examination of mandated services and revenue capacity.

I have advised Gov. Robert F. McDonnell and Speaker William J. Howell of our resolution and respectfully call on you, the leaders of the legislature, to help foster this important initiative.

VACo offers the following budget recommendations:

Communications Sales and Use Tax Trust Fund
VACo opposes transferring the Communications Sales and Use Tax Trust Fund to the general fund and using a part of that Trust Fund to replace state funding for treasurers and commissioners of the revenue.

In 2006, localities agreed to give up long-standing authority to tax specific communications services (including telephone consumer utility taxes, cable television franchise fees and local E-911 fees) in return for a uniform monthly 75-cent E-911 fee on phone customers and 5 percent statewide tax on all communications services, which would be returned to the localities. Local governments agreed to this reform measure, which the industry wanted for competitive neutrality, only when assured by the supporters of the measure that localities would be guaranteed this ongoing revenue source. That is why the fund to which the revenues are deposited was designated in the 2006 legislation as a Trust Fund.

Moving the Communications Sales and Use Tax Trust Fund to the state's general fund violates the spirit and intent of the 2006 reform; those dollars are really local general funds and should continue to be protected from state discretionary expenditures. Localities should not be mandated to surrender local general funds appropriated from the Trust Fund to replace state funding for treasurers and commissioners of the revenue.

K-12 Public Education
VACo supports the recommendations of the House and Senate to institute the new calculated composite indexes. The VACo Board of Directors adopted this position at its Feb. 11 meeting resolving that the new formula should take effect. Additionally, VACo is grateful for the "hold harmless" funding provisions.

VACo urges the conferees to adopt the Senate's K-12 funding levels. The Senate appropriates approximately $360 million more than the House in FY 2011. VACo is taken aback by the House's FY 2011 funding proposal that seemingly reduces state support to FY 2006 funding levels.

VACo opposes permanent funding formula changes but endorses provisions providing short-term flexibility, including class size standards. For example, the current incentive program is a success—it helps schools meet the recognized costs of teaching at-risk children. But the temporary provisions contained in the House and Senate budgets will help school and local leaders.

Revenues
VACo generally supports the enactment of new fees included in the Senate budget. The fees are intended to protect the general fund and state mandated services including compensation board requirements and 599 funding. Of note, VACo supports the Public Safety Fund Fee; and SB 329 (Stuart) increasing the court fees in district and circuit courts.

Planning District Commissions
VACo opposes the Senate proposal to eliminate state support for Planning District Commissions, which work closely with the state and local leaders to foster key services and regional cooperation. They also serve as the planning department and economic development catalyst in many rural counties.

Finally, we know that you will work to reach a budget agreement in time for adjournment on March 13. If an agreement is not reached by that time, however, local governments ask you to adopt legislation to help us meet our budgetary advertising and adoption requirements. Amending §58.1-3012 in the following manner would address this situation, should it arise:

§58.1-3012. Counties, cities and towns may change rate of tax during calendar year.

The governing body of any county, city or town that levies taxes on real estate, tangible personal property and machinery and tools on a calendar-year basis is authorized and empowered to change the rate of its tax on real estate, tangible personal property and machinery and tools during any calendar year provided that the new tax rate does not become effective fewer than 45 days prior to any bill or installment due date.

Thank you for your consideration.

Sincerely,

Phillip A. Bradshaw

CC: The Honorable Robert F. McDonnell
The Honorable William J. Howell
Members of the Virginia General Assembly

House Budget Conferees
The Honorable Lacey E. Putney
The Honorable M. Kirkland Cox
The Honorable Beverly J. Sherwood
The Honorable Johnny S. Joannou
The Honorable S. Chris Jones
The Honorable R. Steven Landes

Senate Budget Conferees
The Honorable Charles J. Colgan
The Honorable R. Edward Houck
The Honorable Janet D. Howell
The Honorable Richard L. Saslaw
The Honorable Walter Stosch
The Honorable William C. Wampler