

February 17, 2011

Dear:

Subject: Virginia Association of Counties conferee budget letter

You are faced with difficult budget decisions in this legislative process. The House and Senate have respectfully targeted funding priorities in different areas. Your efforts in funding priorities are commended and please know that Virginia's counties face equally demanding budget choices.

Past biennial budget decisions were the result of declining state and local revenues that impacted the delivery of our traditional core services. In previous years, federal stimulus funds buttressed the state budget. In particular, the federal dollars aided schools and saved jobs. This year, the Commonwealth's projected revenue has increased with the improving economy and the state ended FY 2010 with a surplus of \$403.2 million.

Most recently, Secretary of Finance Ric Brown reported that total general fund revenue collections rose 12.6 percent in January. The monthly increase was driven by solid growth in withholding, non-withholding, and sales taxes. On a year-to-date basis, total revenue collections rose 3.2 percent, close to the annual forecast of 3.5 percent growth. Adjusting for the accelerated sales tax program in June 2010, total revenues grew 5.4 percent through January, ahead of the economic-base forecast of 5.2 percent growth. This new growth will help to support funding core programs that were reduced and or shifted to local governments for funding.

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, VACo is calling upon the General Assembly to restore the partnership in funding and providing core government services to K-12 education, public safety, health and human services and transportation.

VACo offers the following budget recommendations:

#### **K-12 Public Education Funding**

VACo supports the Senate plan that increases K-12 public education by \$100 million over the introduced budget. The plan provides \$87.7 million for the state share of an additional \$130 per student and completely restores Local Composite Index "hold harmless" funding of \$16.6 million. Conversely, the House reduces funding by \$50 million while the state enjoys a surplus of over \$500 million.

#### **Public Safety Funding**

VACo supports increased funding for crucial public safety services offered by police and sheriffs. The Senate plan restores \$18.7 million in state aid to localities with police departments that have been dramatically reduced in previous budgets.

The House and Senate recognize the need to increase funding to sheriffs by restoring funds that were eliminated in the introduced budget. VACo supports the Senate plan that restores \$6.5 million of the \$13.4 million anticipated shortfall.

**Health and Human Services**

VACo is appreciative of the House and Senate in their restoration of funding for non-mandated services delivered under the Comprehensive Services Act (CSA). We also strongly support the Senate plan to restore the local match rate in the delivery of therapeutic services to at-risk children receiving services through CSA.

VACo opposes the House plan to shift Medicaid caseloads and mandatory services of approximately 20,000 children from the state to localities under CSA. The requirement to serve these children through the CSA would result in a \$21.6 million cost shift from the state to local governments.

**Transportation Funding**

VACo supports the Senate plan on funding the Transportation Infrastructure Bank. General funds should not be used to fund the Bank until core services funded by general funds are fulfilled and temporary funding reductions are made whole. Local programs are continuing to be impacted by previous biennial cost shifting and state aid to localities reversions.

Finally, we know that you will work to reach a budget agreement in time for adjournment on Feb. 26. 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,



Bob Adkins

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