



P.O. Box 12164
RICHMOND, VA 23241
804/649-8471



1207 E. MAIN STREET
SUITE 300
RICHMOND, VA 23219
804/788-6652

August 19, 2010

The Honorable Robert F. McDonnell
Governor
Commonwealth of Virginia
P.O. Box 1475
Richmond, VA 23218

Dear Governor McDonnell:

As your two commissions on economic development and government reform race to finish their ideas for the next legislative session, VML and VACo want to take this opportunity to make few comments for your consideration.

The economic recession has taken a toll on the services Virginians expect as part of the social contract between them and their government. State dollars for public education will plummet by some 20 percent between the amount appropriated for FY10 in 2008 and the FY11 appropriation. For the Compensation Board, Comprehensive Services Act, and state aid for local police departments ("599"), the reductions are 11 percent, 16 percent, and 13 percent, respectively. The disappearance of state dollars does not reduce the cost for these services. Rather, the costs or the resulting service cuts become the responsibility of local governments.

But, at least these state reductions were publicized before cities and counties finalized their FY11 budgets. Local governments understood the extent of the state cuts on the services provided to the public. However, this clearly is not the case for the \$60 million in aid to local governments' reduction that will be taken this fiscal year. The local targets were not released until July 26, months after many councils and boards of supervisors had already adopted their FY11 budgets.

These cuts along with those made known in early spring will force another round of service reductions. We have not had a chance to even begin to explain the ramifications to our citizens.

In addition, we are facing the very real possibilities of your commissions pushing for the repeal of BPOL and Machinery and Tools taxes.

Given a revenue surplus exceeding \$400 million, it does not make sense to us for the state to pursue the \$60 million per year cuts in aid to local governments. The Virginia Municipal League and the Virginia Association of Counties ask that you include in your budget amendments for FY11 and FY12 the elimination of these unwarranted reductions.

Page 2

We also ask that you strongly oppose efforts to reduce or eliminate local taxing authority, including the authority to levy the Business, Professional and Occupational License tax and the Machinery and Tools tax. These restrictions will simply place more pressure on property taxes.

Sincerely,



Executive Director, VML

Sincerely,



Executive Director, VACo

Cc: Eric Finkbeiner, Senior Advisor for Policy
Richard Brown, Secretary of Finance