



VML

February 25, 2009

# Legislative Bulletin

A digest of legislative news from the General Assembly affecting local governments.

## To our readers:

VML distributed the material included in this *Legislative Bulletin* on Tuesday to the 12 budget conferees. The league's legislative staff thought it was important to share the material with its members.

The story that begins on Page 1 is from a news release that VML distributed on Tuesday and that was provided to the conferees. It was based on the fiscal survey that VML conducted late last year.

The letter to the conferees that begins on Page 4 stresses the conditions facing many cities, towns and counties hit hard by the recession.

## Upcoming

As of Tuesday night, Senate and House conferees were still working to fashion a compromise budget. The use of federal stimulus money remains a roadblock to getting the senators and delegates out of town by Saturday.

## VML survey details fallout from recession in localities

### Ability to pay for basic services compromised

ABOUT 72 PERCENT of 144 local governments surveyed by the Virginia Municipal League said they will struggle to meet the needs of their citizens for the remainder of this fiscal year. And a whopping 85 percent of those – including all of the cities and urban counties in the survey – said they would be less able to pay for services in FY10 than in FY09.

The league, a 104-year-old statewide nonprofit, nonpartisan association of city, town and county governments, conducted the survey to document the fiscal health of local governments in the face of the recession and state budget cuts.

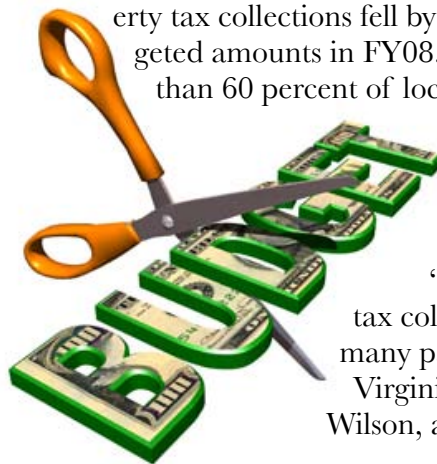
Although not as widely reported as the state's money troubles, financial warning signs for local governments began to surface last fiscal year, according to Neal Menkes, director of fiscal policy for VML. Almost 14 percent of the survey's 144 respondents, including 10 cities, reported that property tax collections fell by more than 2 percent as compared to budgeted amounts in FY08. Statewide, property taxes make up more than 60 percent of local-generated revenue. This is the "bread and butter" revenue for cities and counties. Slippage between amounts budgeted and actual collections affects the ability to provide anticipated services.

"When real estate and personal property tax collections fall as sharply as they have in so many part of the state, that's a really big deal," said Virginia Beach City Council Member Rosemary Wilson, a member of VML's Executive Committee.

*Continues on next page*

### Inside ...

- ▶ Letter from VML to state budget conferees



## Legislative links

- ▶ Find a bill (state LIS)
- ▶ State budget Web site

## Cover story continued ...

“It’s the financial equivalent of a three-alarm fire.”

The VML survey revealed that there were other “warnings” that surfaced in 2008, including a decline in major revenue sources such as local sales tax collections and state appropriations. The state sends money to local governments to pay for essential programs such as K-12 education and public safety.

About 35 percent of the cities and counties said that local sales tax collections were more than 2 percent below the amounts budgeted for last fiscal year. Eighteen cities fell into this category as well as some of state’s larger counties such as Fairfax, Prince William, Henrico, Stafford, Spotsylvania and Albemarle. Only 19 percent of surveyed localities reported that local sales taxes exceeded budgeted amounts by more than 2 percent.

As for state dollars, 33 percent of respondents, including 17 cities, reported that the state provided less money than projected in local budgets. This is important because state appropriations make up about one-third of most city and county budgets.

“The financial partnership between state and local governments is so crucial that when the General Assembly sneezes local governments get the flu,” said Jane Seeman, mayor of the Town of Vienna in Fairfax County.

## Local costs increasing

Seventy-seven percent of counties, cities and towns said their need to provide infrastructure improvements increased from FY07 to FY08. Almost all of those localities described the increases – financed by either pay-as-you-go or borrowing – as being of moderate or major significance. These needs were identified in their local capital improvement programs.

Ninety-four percent of respondents reported increases in local employees’ wages and salaries with 92 percent saying the increases were had a moderate or major impact. This statistic, along with increases in inflation, healthcare and employee retirement, reflects the growing cost of delivering services.

Seventy-five percent of survey participants, including 24 cities, said public safety needs increased

from FY07 to FY08. Proposed state cuts to sheriffs’ departments and to local police departments will put even greater pressure on law enforcement.

Almost 70 percent of the responding localities reported an increase in FY08 education spending. Local governments will not be able to accommodate Gov. Tim Kaine’s proposal to cut education funding without sacrificing other services.

## Cash reserves

In FY09, 73 localities said they will use their cash reserves to cope with the affects of the recession. For 24 localities, including six cities, 13 counties and five towns, the reliance on cash reserves is significant. This is important because the recession’s impacts are projected to be more pronounced in FY10 than this year.

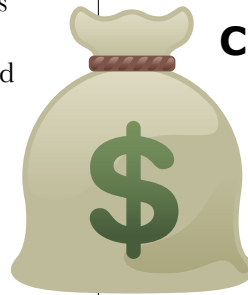
Forty-six percent or 65 localities are bumping up their fees and licenses. Only 6 percent are reducing these charges.

Fifty-nine local governments (42 percent of respondents) raised real estate tax rates either slightly or significantly for FY09. Two cities imposed significant increases. Twenty counties, split between fast growing and rural, also imposed significant increases. Of the 36 localities that slightly raised real estate tax rates, 10 are cities.

## Foreclosure effects

Forty-two percent of respondents (59 localities) said that residential foreclosures are driving down property values. Declining property values are widespread throughout Northern Virginia. In fact, declining properties were reported by 13 cities and by counties and towns across the state, including those in the Richmond and Charlottesville regions, as well as those in the Roanoke and Shenandoah valleys.

“Even after the economy begins to recover, local revenues will continue to sag and lag,” said James City County Administrator Sandy Wanner. “That’s because under the best scenario it will take at least 18-to-24 months for real estate assessments to reflect the recovery.”



## Conclusions

- Local governments began feeling the effects of the recession in FY08.
- Many localities are using their cash reserves and implementing higher service fees to keep their communities running.
- The outlook for FY10 is grim. Significant state cuts in education and public safety, as well as falling real estate and vehicle assessments, will leave local elected officials with few options.
- It is unclear to what extent the federal stimulus package could pay for local government core services. That's because local governments: (1) don't know when the money might arrive; (2) don't know which federal administrative requirements and policies will be waived, such as appropriating state and local matching money and maintaining a specific level of service; and (3) don't know if federal stimulus dollars will carry local governments until local revenue sources, primarily real estate values, recover.

## Methodology

VML surveyed 170 local governments, including 95 counties, 39 cities and the state's 36 largest towns. Eighty-five percent of those surveyed responded. Staff contact: Neil Menkes ([nmenkes@vml.org](mailto:nmenkes@vml.org)).

**See letter to budget conferees  
on next page >**



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February 24, 2009

Dear Budget Conferees:

As you deliberate, Virginia's local governments are under siege by plummeting property assessments, rising foreclosures, and increased unemployment.

Shifting state-funding responsibilities onto local governments or forcing critical reductions in essential services will lead to higher real estate taxes. Property owners cannot bear this burden.

Using federal stimulus dollars in this biennium is a commonsense approach to ensuring that public education, public safety, and human services are maintained at minimally-acceptable levels.

Sincerely,

Michael J. Polychrones  
VML President  
Town Council Member, Vienna

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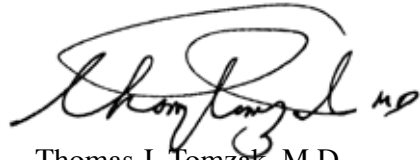
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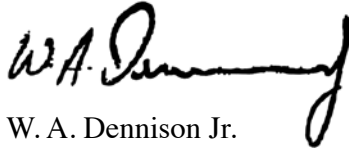
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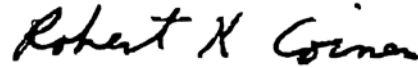
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City Manager, Bristol



M. Jane Seeman  
Mayor, Vienna



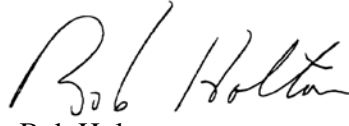
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A link to the state's Legislative Information System, is the fastest, easiest way to check on the status of a bill.

### [State budget details >](#)

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### [House Membership >](#)

Link to General Assembly Web site listing all members of the House of Delegates and their contact information.

### [House Committees and Subcommittees >](#)

Link to General Assembly Web site listing membership of all House committees and their contact information.

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### [House of Delegates Live Audio Stream >](#)

Link to live audio stream of House of Delegates floor sessions.

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### [Legislative Meeting Schedule >](#)

Up-to-date listing of legislative committee meetings.



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