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MAGAZINE

VIRGINIA TOWN & CITY

March 26, 2020

Mr. Erik Johnston, Director
Department of Housing and Community Development
600 East Main Street, Suite 300
Richmond, Virginia 23219

Dear Erik,

I am writing you at the direction of Governor Northam and Secretary Layne. In a phone conversation with local officials on Monday, March 23, we raised two points with the Governor and his Cabinet. The first was our request to not jigger state funding formulae in order to reduce the state's funding liabilities for state-mandated programs like public education. The second request focused on delaying for at least one-year unfunded and underfunded state mandates enacted in the 2020 General Assembly Session and possibly suspending on a temporary basis several state regulations that increase costs to local governments without providing meaningful benefits.

Secretary Layne asked us to elaborate on these points in a letter to your agency and suggested that local governments could work with you to discuss these matters. Our understanding is that the Governor's Office and Secretary Layne would expect a recommendation from your agency.

Sinking Revenue Collections Affect All Levels of Government

We understand that state revenues depend heavily on individual income and sales taxes. We have no basis to object to Secretary Layne's statement to the news media that the slumping economy could result in a \$2.0 billion hit to the state budget in the next biennium.

However, local tax collections are in equal or perhaps even greater peril. Local budgets depend on property taxes, the local option sales tax, and business taxes. Revenue from commercial properties are at risk as small local businesses closedown. Whether these companies can hang on until the Coronavirus runs its course is unknown. You may want to check with your Main Street Communities about the fiscal impacts directly tied to the closure of "non-essential" businesses. Decreasing commercial property taxes and business personal property taxes affect both large and small localities. (And, if the weakening economy persists, we expect the same dismal results for industrial and residential property tax collections as well as for transient occupancy and meals taxes.)

Business closings or even reduced business operations will have a profound impact on business tax collections. BPOL revenue including the gross receipts tax will drop. In addition, the local share of sales taxes will diminish.

Recent news articles in the *Roanoke Times*, the *Washington Post*, the *Free Lance-Star*, the *Virginian-Pilot*, and the *Harrisonburg Daily News-Record* have made clear the enormity of the local revenue situation facing cities, towns and counties as they address their budget work for Fiscal Year 2021.

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Budget Challenges For Localities Must Be Addressed

Local governments are the Commonwealth's first-responder team. Local police officers, firefighters, and emergency medical technicians far outnumber those wearing state uniforms. In the crisis we are facing and when the need arises to respond to police and fire emergencies or to find a safe shelter for the homeless or to enforce the Governor's emergency declarations, local government responds. The 9-1-1 call for help comes to us and not to Richmond.

To that end, every dollar appropriated to local government that is cut from the state budget in order to protect the state's balance sheet results in one less dollar to protect the health and safety of Virginians. It is unrealistic and unfair for the Commonwealth to think that local resources can be further stretched to meet the crisis.

Actions the Governor and General Assembly Can Take Now

The upcoming Reconvened Session offers an opportunity for the Governor and General Assembly to conserve the tax dollars needed. Local governments are not asking the Governor to veto legislation that the General Assembly enacted and that is currently under gubernatorial review.

We are asking that those bills that will increase local costs and that the General Assembly did not adequately fund (or even fund at all) be delayed until July 1, 2021. If the Governor chooses to sign one of these measures as enacted by the legislature, we believe a budget amendment must be submitted to HB 30 to address the cost.

These Measures Enacted in the 2020 Session will Increase Local Costs	
Bill #s	Descriptions
HB 395 / SB 7	Increases the statewide minimum wage
HB 831 / SB 794	Mandates utility easements for telecommunication companies without notification or compensation of public and private landowners.
HB 438 / SB 561	Makes post-traumatic stress disorder incurred by a law-enforcement officer or firefighter compensable under the Virginia Workers' Compensation Act under certain conditions.
HB 783 / SB9	Expands the presumption of compensability for certain diseases under the Workers' Compensation Program.
HB 1513	Requires school divisions to provide a health insurance credit of \$1.50 per year of service for non-teacher employees with at least 15 years of total creditable service.
HB 582 / SB 939	Permits localities and school boards to adopt ordinances authorizing them to recognize any employee association under certain conditions to collectively bargain or enter into any collective bargaining contract.
HB 74 / SB 619	Mandates mental health first aid training for teachers and other relevant school personnel.
HB 1250	Mandates reporting of motor vehicle and investigatory stops by local law enforcement and others to a yet-to-be established State Police database.
HB 201	Entitle eligible voters the right to same day registration/voting. None of the expanded franchise bills provide funding to localities or local Registrars for implementation.
HB 1508 / SB 880	Requires local school boards to employ school counselors in accordance with specific ratios, effective next school year. According to DPB, the enrolled version of this bill requires a lower school counselor to student ratio for high schools for the 2020-2021 school year (1:300) than is required in the 2021-2022 school year (1:325). This could result in local school divisions hiring additional counselors in 2020-2021 that might not be retained for 2021-2022.
HB 30 (Item 111)	Localities are not included in the study group reviewing paid family and medical leave.

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Other Items Requiring State Action

- a. Governor should set up a local government task force to identify long-term cost savings for localities and the state on mandated services authorized in the Code. Examples include CSA and special education.
- b. State should freeze funding for economic development projects. For example, new money for industrial site development should be frozen UNLESS a signed contract with a company legally obligates a company to move and invest in Virginia. Savings can be re-directed to local financial assistance.
- c. State should review local taxing authority to reduce local dependence on property and business taxes.
- d. State should review past tax relief efforts for wealthy individuals (estate taxes) and corporations (income taxes) to determine if the cuts still make sense or if other interests should be addressed.
- e. State should stop housing evictions.
- f. State should push for bail reform for persons accused of nonviolent, misdemeanor charges. Jail per diems should not be reduced but expanded to combat spread of Coronavirus and to implement new state health and mental health standards.
- g. Amend the budget bill in April to permit (as of January 1, 2020) local governments and regional bodies to restrict attendance at public meetings to the number allowed under the governor's emergency proclamation(s) in order to carry out the business of local government and regional authorities, specifically the discussion and passage of budgets, tax rates, bond authorizations/approvals, etc.

Pledge to Help

Local governments stand ready to work with state government to battle the pandemic and to manage the state and local revenue challenges. If we can be of further service to answer questions, suggest other ideas, or review state proposals, please call us.

Sincerely,



Michelle Gowdy, Executive Director
Virginia Municipal League

Cc: Virginia Municipal League Executive Committee
The Honorable Aubrey L. Layne, Jr.