

VML and VACo

VGFOA

May 21, 2008

The 2008 General Assembly
Neal Menkes, VML & Mike
Edwards, VACo

2008 Session Wrap-up

- Local finances
- State budget
- Transportation financing

Bad bills go bye-bye

HB 124	Phase out M&T tax after January 1, 2010
HB 602 SB 789	Put burden of proof on local governments in assessment appeals
HB 927 SB 783	Set tax rates at least 30 days prior to approval of next year's budget
HB 1009 SB 779	Defer real property taxes and attach tax rate on each property tax bill

Some VML-VACo-supported bills also went bye-bye

- **HJR 4/SJR 6/HB 11/SB 9/HB 681/SB 496**
 - Homestead constitutional amendment,
 - Legislation putting the amendment on the November 2008 ballot, and
 - Legislation allowing localities to exempt or defer real estate taxes on up to 20 percent of assessed value on owner-occupied property

Some VML-VACo-supported bills also went bye-bye

- **SB 614** – to allow localities to contract with VRS to manage and invest funds to pay for post employment benefits
- **HB 923/SB 737** – to establish a revolving loan program for school construction

State Budget Theme

“Managing Revenue Reductions”

- Governor and General Assembly faced a \$2.0 billion general fund revenue shortfall.
- To make up the revenue loss:
 - Withdrew \$351.5 million from Rainy Day Fund;
 - Swapped almost \$500.0 million in cash for debt
 - Cut spending, including dollars for state mandates

General Fund Budget Cuts

Impact on Local Governments

(\$s in millions)

	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>Total</i>
Total Revenue	\$339.3	\$520.1	\$532.2	\$1,391.6
Shortfall				
Jail per diems	\$3.0	\$3.0	\$3.0	\$9.0
'599' for police depts	\$10.7	--	--	\$10.7
Direct aid – all programs	\$25.4	\$29.9	\$46.0	\$101.3
Governor's Opportunity Fund	\$0.8	--	--	\$0.8

General Fund Budget Cuts

Impact on Local Governments

(\$s in millions)

	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>Total</i>
Comp Board – 90 day hiring freeze	--	\$1.1	\$1.7	\$2.8
Comp Board – LEOS benefits	--	\$2.0	\$4.0	\$6.0
Rural broadband project	--	\$0.5	\$0.5	\$1.0
ABC profits & wine taxes	--	\$9.0	\$9.0	\$18.0
CSA – foster families	--	--	\$0.5	\$0.5

General Fund Budget Cuts

Impact on Local Governments

(\$s in millions)

	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>Total</i>
CSA – use of Medicaid	--	--	\$2.0	\$2.0
Free health clinics	--	--	\$0.9	\$0.9
Community health centers	--	--	\$0.9	\$0.9
DSS programs	--	\$8.2	\$10.3	\$18.5
VA Early Childhood Education Foundation	--	\$0.5	\$1.5	\$2.0
Dam repair fund	--	\$0.8	\$0.8	\$1.6

General Fund Budget Cuts

Impact on Local Governments

(\$s in millions)

	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>Total</i>
Water facilities revolving loan fund	--	\$1.2	--	\$1.2
James River CSOs	--	--	\$3.0	\$3.0
WQIF facility upgrade	\$15.0	--	--	\$15.0
Farmland preservation	--	\$3.0	\$2.5	\$5.5
ATB cuts to locals	--	\$50.0	\$50.0	\$100.0
Pre-school initiative	--	\$14.9	\$8.3	\$23.2

General Fund Budget Cuts

Impact on Local Governments

(\$s in millions)

	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>Total</i>
Compensation supplement	--	--	\$53.3	\$53.3
Total Local Cuts	\$54.9	\$124.1	\$199.2	\$378.2
Local % of Total Cuts	16.2%	23.9%	37.4%	27.2%

Funded Programs of Local Interest

- Assistance to local police departments (599): \$205.0 million per year
- Recordation taxes: \$40 million per year
- Rolling stock taxes: \$4.97 million per year
- Governor's Opportunity Fund: \$7.6 million in first year and \$7.5 million in second year
- BRAC: \$8.4 million the first year and \$19.5 million the second year
- Enterprise Zones: \$15.4 million each year
- Direct aid to education: \$6.2 billion in first year and \$6.4 billion in second year

Funded Programs of Local Interest

- Rebenchmarking SOQ: \$429.0 million in FY 09 and \$493.0 million in FY 10
- Benefit contribution for teacher rates: 8.81 percent of salaries, 0.82 percent for group life, and 1.08 percent for teacher retiree health care credit.
- Teacher salary increases: none in FY 09. 2.0 percent in FY 2010.
- State-supported local employees: \$11.5 million in FY 09 and \$2.0 million to fund a 2.0 percent salary increase in each year, both effective Dec. 1.

Funded Programs of Local Interest

- CSA Match Rates:
 - Local match rate for **community-based services** in FY 09 will be reduced by 50% compared to FY 07 base rate.
 - Local match rate for **residential services** also changes. Jan-Jun 2009, rates increase 15% above FY 07 base rate after local incurs \$100,000 in expenses. Starting Jul 2009, rate goes up 25% above FY 07 base after \$200,000 in expenses

Funded Programs of Local Interest

- Jail Diversion Services - \$3.0 million per year to serve 300-500 persons
- Drug Courts -- \$3.0 million per year for 14 drug courts now supported by the state
- Jail Per Diems -- \$11.9 million per year in base funding to partially fund state share
- Local Road Revenue Sharing -- \$50.0 million per year from \$15.0 million cash + \$35.0 million debt

Transportation Special Session

- Collapse of regional funding schemes and maintenance funding convinced the Governor of the necessity.
- Governor's themes are threefold:
 - Simple: taxes must be understandable to the public and easy to administer
 - Statewide: any financing package must address statewide road maintenance need
 - Sufficient: revenues must be adequate

Transportation Special Session

- The Special Session will begin on June 23.
- The duration of the Session and the types of issues and legislation to be considered are determined by the procedural resolution adopted by the General Assembly.
- Governor Kaine's plan is a starting point but any final product will probably look very different.