

City of Alexandria
MEMORANDUM

DATE: MARCH 17, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: BUDGET MEMO #32: REPORT ON THE 2008 REGULAR SESSION AND 2008 SPECIAL SESSIONS OF THE GENERAL ASSEMBLY

At the March 11 Council meeting, staff gave what would normally be the final update on the 2008 General Assembly Session. At the time, however, no budget had been adopted, and this item could not be included in the report. In addition, there will likely be a Special Session on Transportation Funding. Finally, staff would like to make Council aware of several items of importance to the City that are expected to come up in the 2009 General Assembly Session.

State Budget: On March 13, the General Assembly adopted a budget for the 2009-10 biennium. Major items affecting the City budget included the following (also see Budget Memo #31):

1. The City's exemption from the cost recovery policy for federal jail per diems was restored for FY 2009. This means the City will not lose the million dollars annually that would have occurred under the Governor's introduced budget. The General Assembly did not address this problem for FY 2010, so this is an issue we will have to address as an item in our 2009 Legislative Package. Staff will also work to have the Governor include this as an item in his budget amendments for the 2009 Session.
2. Although no further cuts were made to HB 599 local law enforcement funds, aid to localities is being reduced by \$50 million statewide. No locality-specific estimates have been provided for by the State for these cuts, but staff estimates that they will result in a \$1.26 million reduction in State aid to Alexandria.
3. A 2 % salary increase (beginning November 25) was included for state-supported local employees. Staff estimates that this will mean a net gain of \$160,000 to the City.
4. The amortization period for VRS payments for teachers was increased from 24 to 30 years. This is likely to result in some short-term savings in the ACPS budget. Detailed information on funding for Alexandria schools, including this item as well as total state appropriations to ACPS, is not yet available.
5. Total funding for Pre-K (the VIP program) was increased, and the state-recognized cost per pupil was raised from \$5,700 to \$6,000 annually. For FY 2010, but not FY 2009, the maximum match rate is capped at .50 (Alexandria will pay a dollar for every dollar the State provides). The City's current match rate is the same as its .80 composite index--the City pays four dollars for every dollar the State pays.

The State was unable to agree on bond legislation to fund its capital projects for the upcoming biennium, so a Special Session began on the evening of March 13 to consider this issue. The only other substantive issue that can be discussed at this Special Session is the election of judges (the vacancies on the Alexandria Circuit Court and the Alexandria General District Court have still not been filled). This Special Session is now in recess until the conclusion of the Veto Session on April 23.

Transportation Funding. As council is aware, the Supreme Court ruled on February 29 that the Northern Virginia and Hampton Roads Transportation Authorities could not constitutionally impose taxes, as authorized in 2007's HB 3202. In addition, statewide transportation revenues are significantly below estimates, in part because of the repeal of abusive driver fees. Legislative proposals were floated but not agreed upon in the last days of the 2008 regular Session to address both the statewide and the local problems. Additional proposals are sure to arise.

1. A Senate proposal recommended that NVTVA be given revenues from these State-imposed regional taxes: a half-cent increase in the sales tax, a grantor's tax of 40 cents/\$100, and a \$5 per night tax on hotel rooms. The proposal also recommended a 3 percent increase in the State wholesale gas tax over the next three years, and a half percent increase in the car titling tax; the revenues from these two taxes would have been levied statewide and gone into the statewide transportation coffers.
2. A House proposal seeks to reimpose the same seven taxes previously imposed by NVTVA. To avoid HB 3202's constitutional problems, localities would be authorized (but not required) to adopt a \$0.40/\$100 grantor's tax, a two percent transient occupancy (hotel) tax (the City already has this authority), and a one percent car rental tax. The State would adopt an initial vehicle registration fee (one percent of vehicle value), a \$10 annual vehicle registration fee, and a \$10 annual safety inspection fee; and it would begin imposing the State's five percent sales tax on labor related to vehicle repairs. Revenue from the locally-imposed taxes would remain with the locality to be used for transportation projects, and the state-imposed tax revenues would go to NVTVA. The Hampton Roads Transportation Authority would be abolished, but a one percent sales tax would be levied in that region to pay for transportation projects.

The Governor must call an additional Special Session for the General Assembly to enact any legislation to create new transportation funding. Although he has said he anticipates doing so in mid to late April, he has not done so and there is no date yet for such a Session.

Issues for the 2009 Session. The City anticipates that the following issues (including several from the 2008 City Package) will be studied prior to, or considered in, the 2009 Session: federal jail per diems; FOIA exemptions for museum loans and donations; annual ABC permits for public museums such as Gadsby's; sprinklers in high rises; local regulation of fireworks; and proffers or other payments to localities related to development.

STAFF: Bernard Caton, Legislative Director