

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 10, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO # 14: STATE INTERGOVERNMENTAL REDUCTIONS

This is in response to a request from Council Member Krupicka for an update to State intergovernmental revenues. As of the writing of this memo, the Virginia House and Senate have not yet reconciled their budget proposals. The legislative session is scheduled to come to an end this week. If there is additional information available by the March 13 meeting when Council sets the maximum tax rate, staff will present it at the time of the meeting.

The FY 2011 Proposed Budget presented February 16, 2010, was based on the budgeted numbers included in Governor Kaine's proposed biennium budget in December. In late February, the Virginia House and Senate made proposals which they are scheduled to reconcile by March 13.

General Fund Impact

The table below shows the changes to the proposed General Fund budget based on current House and Senate proposals. Based on the current House and Senate proposals, it is expected that State transfers into the City's General Fund revenues will be reduced by an additional \$100,000 to \$750,000 after reconciliation compared to the proposed budget.

Revenues

	FY 2011 Proposed	House proposed changes	Senate proposed changes
General Fund			
HB 599	5,010,568	-	300,000
Comp Board - Finance	65,889	370,788	-
Comp Board - Circuit Court Clerk	737,763		-
Comp Board - Sheriff	4,428,148		
State Prisoner Reimbursement	600,000	60,000	60,000
Communication Sales and Use Reduction		(520,000)	
Across the Board Cut			(1,093,227)
Other State Revenues not listed above	32,279,899		
Total and change from proposed	43,122,267	(89,212)	(733,227)

The House budget proposal includes an approximate \$500,000 reduction in the city's Communication Sales and Use Tax (out of \$11.6 million) collected by the State. The House's proposal uses a portion of this money to add back 75% of the Compensation Board (which

distributes state aid to local constitutional officers) reduction for the Finance Department included in Governor Kaine's proposed budget, approximately \$370,000. The Senate proposes adding back \$300,000 in HB599 revenues but also reestablishes the across-the-board revenue reduction of \$1.1 million that was not included in Governor Kaine's budget. During FY 2009 and FY 2010, the State asked the City to take \$1.1 million in revenue deductions in categories of its choice. Both the House and the Senate propose restoring some funding for the reimbursement for State prisoners.

Expenditures

The House has also proposed that localities pay a part of the State's share of the School's VRS expenses. House members appear to be backing away from this proposal, which would have cost the City about \$659,000.

	Budgeted	House	Senate
City Contribution to State's School VRS costs		659,000	

Education

Virginia is expected to cut direct State Aid to K-12 Education to the Alexandria City Public Schools, but both the Senate and House have proposed to reduce the Schools' VRS contribution rate in FY 2011. If implemented, the rate change will provide expenditure savings in FY 2011 that would be more than sufficient to make up for the revenue loss in other areas.

Special Revenues and Other

Because of the complexity of the different proposals from the Governor, the House, and the Senate, the estimates for reductions are complex and difficult to determine. An estimates of the maximum amount of reductions, by department, is listed below. After the House and Senate reconcile their proposals and pass the budget, the City will be able to provide more specific details regarding the reductions.

	Max. Possible Special Revenue Reductions	Source
CSU	(7,500)	Possible addl. 5% reduction in VJCCCA funding
DHS	(1,471,000)	Source: DHS; includes Preschool initiative
Library	(9,196)	House proposes an additional 5% reduction
Mental Health	(407,000)	Source: Mental Health
Total	(1,894,696)	