

*City Of Alexandria, Virginia*

**MEMORANDUM**

DATE: MARCH 15, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO #31: ESTIMATED FY 2009 IMPACT OF FINAL STATE BUDGET DECISIONS

This budget memo briefly describes the impact of the budget adopted by the House of Delegates and Senate of the Virginia General Assembly on March 13.

Attached is brief description from the Virginia Municipal League of the features of the budget of most interest to Virginia cities.

The impact on Alexandria appears to be generally neutral when compared against the assumptions made in the City Manager's Proposed Operating Budget for FY 2009.

- The agreement restored \$1.0 million in funding that the Governor's budget proposed to eliminate for support of the Alexandria Detention Center.
- The agreement reduces certain categories of state aid by 4.2%. We are still trying to determine the exact impact of this reduction on Alexandria, but we believe it would be in the neighborhood of \$1.26 million. (The calculations are similar to those found in Budget Memo #22.)
- The agreement provides a 2.0% salary increase for state-supported local employees. We estimate that this will increase our Compensation Board funding by approximately \$160,000.

The net impact of these three changes is a reduction in general fund revenues of about \$100,000. We will continue to monitor the situation and provide additional information in our April revenue reestimate to City Council.

ATTACHMENT: March 14, 2008 E-mail from Joni Terry, Virginia Municipal League, "VML's quick read of the budget"



"Terry, Joni"  
<JTerry@vml.org>  
03/14/2008 10:37 AM

To undisclosed-recipients;;  
cc  
bcc

Subject VML's quick read of the budget

History: This message has been forwarded.

TO: VML Bulletin Subscribers  
FROM: VML Legislative Staff

Here's our quick read of the budget adopted March 13 by the House of Delegates and Senators. League staff will prepare a detailed analysis to be sent out next week. In the meantime, here are some highlights:

1. Despite media reports on cuts to law enforcement funding, HB 599 funding was not diverted to pay for other programs
2. Excess court fees were not diverted to the state general fund
3. In terms of rebenchmarking of education costs, the budget puts in place a cap on inflation, but did not change the methodology regarding recognition of local salary increases, and did not increase the deduction of federal revenues.
4. The budget includes funding for a 2 percent salary increase in FY09 for state-supported local employees (Comp Board, social services, registrar, etc.), effective Dec. 1. There is no state funding for a teacher salary increase in FY09. There is state funding for a 2.0 percent salary increase for teachers and other SOQ-funded positions for FY10, effective July 1, 2009.
5. The budget cuts \$50 million a year in aid to local governments. This amounts to a 4.2 percent cut. The budget language directs the Department of Planning and Budget to provide within 30 days the manager in each city and county "a list of certain state aid to local government programs along with an estimate of the general fund amount for each program that each county and city could expect to receive from the state during each year of the biennium. The total amount listed for these programs will serve as the basis for calculating the savings apportioned to each city and county for this item. The savings apportionment will be equal to the percentage of the aggregate general fund amount for all of these state aid programs in each city and county totaling \$50,000,000 in each year." (Item 475.1 #2c) Each city and county "shall have flexibility in determining how it will implement the savings apportioned to it."
6. The distribution of ABC profits/wine liter tax to towns was eliminated, for a savings to the state of \$533,000 a year, but towns do not appear to be subject to the 4.2 percent cuts.

The conference report for HB 30 is available on the Internet. There is also a conference report for HB 29 (the current year budget).

Senate Finance Committee has prepared an overview of the budget conference report. House Appropriations has prepared an overview, but the link is not working right now. It may be activated later, and would be available on the House Appropriations Committee webpage, Highlights of the Conference Committee Report.

As a reminder, the Department of Education will be producing its superintendent's memorandum outlining the changes to direct aid to education and including locality-specific information on required state and local

shares for the various education programs. DOE has requested contact information for managers, and evidently plans to send that information directly to localities. VML also will be watching DOE web site for the posting of this information.