

*City of Alexandria, Virginia*

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MEMORANDUM

DATE: APRIL 19, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER <sup>S</sup>

SUBJECT: BUDGET MEMO 16: IMPACT OF STATE BUDGET DEADLOCK

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While it remains difficult in a number of areas to project the impact of the State budget on the City, there are a number of areas where there is some degree of certainty. Assuming that the Governor's budget decisions prevail, the following details the aid reductions that will impact the City for FY 2001 and FY 2002:

	<u>FY 2001</u>	<u>FY 2002</u>	<u>TOTAL</u>
Law Enforcement Aid (HB599)	\$137,000	\$194,000	\$331,000
ABC Profits / Wine Taxes	50,000	50,000	100,000
Compensation Board	0	100,000	100,000
Health Services	<u>86,000</u>	<u>Unknown</u>	<u>86,000+</u>
Total	\$273,000	\$344,000	\$617,000+

For FY 2002, the major unknown is the City Health Department where the State Health department has not indicated how it will resolve its budget shortfall. During the current year the state instituted a hiring freeze to save funds, and has now adjusted that to a partial hiring freeze. How and when FY 2002 State Health budget reductions occur is unknown.

It appears that in the areas of transportation, education, social services, and mental health, mental retardation and substance abuse that the City will not see budget reductions, or will see reductions that it can absorb with the planned FY 2002 City budget. However, State aid also is dependent on the growth of state tax revenues, which a slowing economy could impact thereby causing additional budget reductions beyond the amounts listed above.

The above State budget reductions have been taken into account in the most recent FY 2001 and FY 2002 revenue projection reports provided to City Council.

cc: Mark Jinks, Assistant City Manager  
Bernie Caton, Legislative Director