



BULLETIN Legislative

13 East Franklin Street • Post Office Box 12164 • 804/649-8471 • Fax: 804/343-3758 • E-Mail: e-mail@vml.org

April 25, 2001

Update on Budget Talks

General Assembly returns to Richmond

The General Assembly is scheduled to go back into session Thursday at 7:00 p.m. as a continuation of the special session on redistricting. The session is likely to be pro forma, because Gov. Gilmore signed both the House and Senate redistricting bills without amending them.

At the same time, the House Rules Committee has scheduled a meeting at 5:00 p.m. Thursday to consider the procedural resolution passed by the Senate last week that would allow the General Assembly to address budget issues during the redistricting session. Specifically, SJR 6 says that any legislation to appropriate funds or provide revenues for the 2000-2002 biennium must be considered by May 1, and all action on such legislation must be completed by May 15. The House declined to consider the Senate's resolution last week, so it is not clear what action the committee will take.

Nonetheless, there is some expectation that the General Assembly may remain in Richmond on Friday and Saturday to work on a budget agreement. It is impossible to predict how likely this is to occur, let alone whether it will result in a budget agreement.

Contact your legislator to urge budget agreement

Local officials should contact their legislators one more time prior to Thursday to stress the adverse impact that the current situation has on local governments' ability to adopt a responsible local budget. They should also advise them of local governments' concerns regarding new personal property auditing requirements (see below).

These are some of the issues local governments face if the budget situation is not resolved:

- No money for the state share of salary increases for teachers, constitutional officers, and other state-supported local employees. This is critical if localities are to retain or attract qualified professionals.
- No adjustment in basic aid for education to recognize changes in student average daily membership (e.g., localities with growing student populations will receive less state funding with which to educate additional students).
- No adjustment in basic aid for education to reflect lower sales tax revenues (i.e., all localities will receive less than their lawful share of funding).
- Insufficient funds to meet expected service demands for the Comprehensive Services Act (i.e., local governments may shoulder the state share of mandatory costs until the General Assembly appropriates sufficient funding).
- Funds for jail per diem payments that do not recognize the anticipated number of prisoners being housed in local and regional jails.

- Inadequate funds for operating and capital costs associated with juvenile detention facilities (e.g., localities with new beds opening this year have been told they will receive no state funding for these beds; all facilities will see operational funding cuts).
- A high degree of uncertainty regarding how the budget cuts that state agencies must implement will affect local governments (i.e., state agencies have not completed their funding cut plans, nor informed localities of potential cuts in the coming year).

Personal property audit requirements will impose new costs

The latest versions of the House and Senate budget bills both contain language that would impose new personal property tax auditing requirements on local governments. The purpose of the requirements is to ensure that personal property tax relief is not granted for ineligible (i.e., business) vehicles. The stricter audit procedures would require localities to include a tax relief qualification certificate in every personal property tax return. If a taxpayer does not return the certificate, the vehicles in question are not eligible for tax relief, and the locality may not bill the state for reimbursement.

Information from commissioners of revenue and finance directors suggests that the new requirements will be costly for local governments to implement. Attempts are being made to find a solution that would be acceptable to the General Assembly and localities. In the meantime, localities should tell their legislators that while they support attempts to ensure that tax relief is given only for eligible vehicles, local governments are not willing to absorb substantial new costs to administer this additional requirement.