

January 27, 2010

The Honorable Lacey E. Putney
Chairman, House Appropriations Committee
P.O. Box 406, Room 947
Richmond, Virginia 23219

The Honorable Harry R. Purkey
Chairman, House Finance Committee
P.O. Box 406, Room 415
Richmond, Virginia 23219

The Honorable Charles J. Colgan
Chairman, Senate Finance Committee
910 Capitol Street, Room 626
Richmond, Virginia 23219

Dear Gentlemen:

The Alexandria City Council supports the principles that the Virginia Municipal League has provided you in an effort to help you determine how best to preserve the investments and progress Virginia has made in the past fifty years.

We understand the difficult fiscal pressures that you face. Our local revenues also have declined during the recession, and we are facing declining state and local revenue while striving to meet increased service demands.

We support the Virginia Municipal League request that you do not take actions that jeopardize basic public services that families depend upon or worsen the already difficult financial situation confronting local governments.

The City of Alexandria wishes to relate the following about the VML principles:

1. Tax reforms -- If the state does not raise sufficient revenue to continue basic core services the public rightfully expects either the state or local government to provide, then local governments will have to step into the breach and do so through tax increases, if necessary. These services include not only public education and public safety, which are more than 50% of Alexandria's budget, but also transportation and basic social and mental health services -- many of which are often required by state mandates. The issue is not whether the taxpayer will pay for these core services, but how the taxpayer will pay for these services. The choice is between state revenue mechanisms, including income and sales tax revenues, that are the province of the General Assembly and the Governor, and local revenue options that by Virginia law are limited mostly to real estate and vehicle and other personal property taxes. For instance, if the General Assembly and the Governor do not want to pass a 1% income tax surcharge to pay for car tax relief, then

they should come up with an alternative way to pay for that relief. (See principle 6 below.)

2. Restrictions on local revenue sources -- Further restrictions on local revenue sources, together with a lack of state funding for basic core services, will just put further pressure on real estate taxes and vehicle taxes to be increased, as this is the only avenue available to pay for essential local services.

3. Additional revenue authority -- To alleviate pressures to increase real estate and vehicle taxes, the General Assembly and the Governor should consider giving local governments more authority to raise revenue through other means. This diversification of revenue sources leads to a more equitable tax policy than one based solely on the value of the property one owns, as well as a better ability to weather fluctuations in the real estate market, which can drive local revenues down **and** up dramatically in way that makes sustaining a reasonable and prudent level of funding very difficult at times.

4/5 K-12 and other mandates -- If the General Assembly and the Governor want to take responsibility for requiring certain procedures or standards designed to improve education, it should take responsibility for raising the revenues to do so. Leaving the dirty work of raising taxes to the local governments, while taking credit for educational reforms requiring such tax increases is disingenuous at best, and reflects no credit on the General Assembly. Such actions also cause serious fiscal problems for local governing bodies, including school boards and those bodies responsible for raising revenues for school expenses.

6. If the General Assembly ends the car tax subsidy provided to local governments, Alexandria will no longer be able to reduce local car taxes by 73% due to the \$23.5 million state subsidy. Car owners would then pay 100% of the tax instead of 27% of the tax. Our message to Alexandria taxpayers in the tax bill sent out next August will be that this approximately 270% increase in their car tax payments is due solely to the actions of the General Assembly.

We appreciate the budget difficulties that you are facing. We want to work with the money committees, the General Assembly and Governor Robert F. McDonnell in charting a prudent course without resorting to fiscal gimmicks that will undermine the future of the Commonwealth.

Sincerely,

William D. Euille
Mayor