

Better Choices Coalition Press Conference 1-26-12

Good morning,

I am Kelly Harris-Braxton, executive director of Virginia First Cities. We are a coalition of cities across the Commonwealth advocating beneficial policies and equitable treatment. Central to our regions, cities are vibrant business and cultural venues with a diversity of neighborhoods. Many of our cities are experiencing a rebirth: young adults crave the activity, intellectual stimulation, and cultural offerings found here. Walkable, bikeable cities are attractive to many.

While cities have been viewed as important centers, they have struggled to provide needed services to our citizens due to budgetary constraints that all localities have faced over the last several years.

I recently had a meeting with our city managers who shared their methods for balancing tight budgets in recent years. They include among others: devastating layoffs, furloughs, local real estate tax increases, local fee increases, hiring freezes, delaying important capital projects and repairs and even closing a favorite municipal swimming pool. Similarly, superintendents report that they will be forced to increase class sizes, furlough employees, layoff employees and reduce teacher aides, so needed in elementary school and especially in special education classes. Needless to say, raises for local employees to meet the cost of living, are a distant memory.

Cities have been forced to perform with less, finding creative ways to stretch resources. Funds provided by the federal stimulus are no longer available, yet citizens' needs are increasing during this recessionary crisis. An alarming recent example is the governor's executive amendment for K-3 class size released last week. The Governor included \$47 million in additional funding because of an update to free lunch statistics. The increasing number of children receiving free lunch indicates that more and more families are in need of local, state and federal support in feeding assistance, housing assistance and medical assistance. We all know how Medicaid is skyrocketing, having a huge impact on state revenues.

So again, more, not less revenue is needed to responsibly address our citizens' needs.

Localities have scrimped and cut and been fiscally prudent, working with less. In fact, state appropriations to localities are at 2006 levels.

The "cuts only approach" to balancing the state budget will not meet the needs of our constituents. We need a balanced approach to addressing the budget shortfall on the state level.

Both local and federal resources are sorely limited. The good news is that Virginia's economy is improving. State tax revenues are beginning to grow after an unprecedented two fiscal years of federal fund revenue declines. The state

is the only level of government that will have significant additional revenues available near term. The forecast variance which created a higher 2011 revenue base means FY 12 could be significantly higher than currently forecast. Unfortunately, K-12 education and other local needs have not been a priority in state budgets.

Local revenues also continue to stagnate due to poor real estate market conditions. Unfortunately, the needs of our citizens will likely require greater revenues than state growth, alone, will provide.

The message I wish to share from cities is that they have done their best but they need responsible leadership on the state level to help them address their revenue issues. The state's cutting resources for necessary programs to our most vulnerable citizens will prove impossible to absorb.

But in the midst of this economic crisis, I feel compelled to share an act of responsible leadership from one of the most powerful legislators in the General Assembly that I witnessed just yesterday.

In an act of courage, concern and common sense, the chairman of House Appropriations Del. Lacy Putney testified to a bill he introduced this year that would allow citizens in the Commonwealth, by referendum, to decide whether they agree to raise the retail sales and use tax from 5 to 6 cents in order to provide reliable revenue. Half of this money would go to highway construction and maintenance while the other half would go to the general

fund to support K-12 education, mental health and higher education. The fiscal impact of this legislation would generate \$450 million in 2013 and up to \$1.3 billion in 2018. This revenue would make a major impact on services that we provide to our citizens. This bill was laid on the table or killed in subcommittee by a unanimous vote.

So how do we address our deficits with leadership that is overwhelmingly averse to tax increases and supportive of a cuts-only approach?

VFC, a member of the Better Choices Coalition is advocating for reforming loopholes and some tax credits that take resources from many programs that we must provide. Were we to reform some of these loopholes, we'd be able to devote more resources to supporting the cities that are the engines of commerce in our state.

The amazon loophole is a perfect example. The state, and in turn, local governments, lose out on revenue from the sale of out of state goods through the internet, free of sales tax. Unknown dollars could result if we could collect taxes on all of state internet sales.

In closing, we share the concern of many organizations that the governor's transportation plan will just stretch local budgets further without fixing our transportation problem. The governor's proposal to take \$100 million from the general fund for transportation is untenable. Taking dollars out of the General Fund for other needs is like taking money directly out of our classrooms to pave our streets.

This is unacceptable. Transportation, including street maintenance, construction and transit need a reliable source of revenue separate from the General Fund.

Threats to education, including funding for pre-K and other at-risk education programs are untenable and will have a direct impact on both graduation success and employment rates if cuts occur. Additionally, efforts to reduce police department funds will affect the safety of our communities. While important street maintenance funding, recently discussed as a possible source of funds, is untenable. Localities cannot possibly absorb the cuts currently on the table and provide the services citizens need and deserve. We call upon the governor and the legislature to consider closely their actions and their impact on citizens, needed services and all important employment.