

Fairfax County Federation of Citizens Associations
Legislative Program Issues Evaluation Form

<u>Issue ID:</u> 17E01-County–City Revenue Equalization
<u>Date Submitted to Legislative Committee:</u> October 18, 2016
<u>Issue:</u> Equalizing the revenue-generating authority of counties with that of cities.
<u>Background:</u> The distinction between the taxing authority of Virginia’s cities and counties has been a source of contention for many years. Many believe the distinction has lost any rational basis. Fairfax County serves over one million citizens, and yet is tightly constrained in its ability to address the fiscal needs of its community, whereas municipalities serving a fraction of that number enjoy much greater flexibility
<u>Existing Conditions/Impacts:</u> Virginia caps the tax rate that counties (but not cities) can apply to meals, lodging, cigarettes, and admissions, and requires that meals taxes in counties (but not cities) be subject to approval by referendum. This produces stark differences between adjacent jurisdictions. For example, while Fairfax County has been authorized by the Commonwealth to charge a county tobacco tax up to the state amount of \$0.30 per package of cigarettes, the city of Alexandria charges \$1.15 per package, the city of Fairfax charges \$0.85 per package, and the city of Falls Church charges \$0.75 per package. Counties have become increasingly reliant on real estate taxes for their revenues. As the state’s financial support for K-12 education has shrunk, county school systems are particularly vulnerable to relying on counties for funding, and counties are (in turn) limited in their ability to raise taxes other than real estate taxes.
<u>Preferred Position:</u> The Federation should support legislative efforts to equalize the revenue-generating authority of counties with that of cities
<u>Benefits:</u> Counties increasingly experience the same kinds of pressures as urban areas, such as higher poverty levels and crime, and the costly solutions require a more flexible revenue-generating approach. Equalizing the tax treatment of counties and cities would permit a much-needed diversification of revenue streams in county budgets, and would better allow counties to match their communities’ needs with appropriate resources.
<u>Potential Supporters (Community leaders, Public/Private Partnership Opportunities, Organizations):</u> Educational organizations and county governments
<u>Lead Federation Committee:</u> Budget and Education Committees
<u>Prepared by:</u> Nancy Trainer, Judy Harbeck and Ed Saperstein
<u>Email & Phone:</u> ntrainer@cox.net , sharbeck@aol.com and edsaperstein11@gmail.com