

Budget & Taxation Committee Report for the November 2004 MCA Board Meeting

The Budget & Taxation Committee held a joint meeting with the Transportation Committee on October 19, 2004. Delegates Vince Callahan and Jim Scott were our guest speakers. They, along with Senator Janet Howell (who had a prior commitment and was not able to attend the October 19 meeting), were asked to discuss the impacts of tax reform, state aid to public schools, adequate public facilities ordinances, development impact fees and transportation on Fairfax County and McLean.

The delegates informed the committees that Fairfax County already has legislative authority to condition further development on the existence of adequate public facilities (APF) through the proffer process. Thus, while the County cannot affect "development by right," it could use the proffer process to defer construction until adequate public facilities were available. Likewise, the County has legislative authority to impose development impact fees for transportation, but only in lieu of voluntary proffers.

There was considerable discussion about the need for all development, residential and commercial, by-right and rezoned, to pay for itself in terms of public infrastructure and to permit the County, in all instances, to delay development until the infrastructure to support the added growth was in place. The delegates informed the committees that rural Virginia does not want these types of laws to apply statewide. In reaction, several MCA members urged the Northern Virginia delegation to work toward limiting the geographic scope of this legislation if that is what is needed to enable this area to protect itself against out-of-control development. Several MCA members expressed concern that uncontrolled development is deteriorating the quality of life and causing skyrocketing real estate taxes in Fairfax County. Some concern was expressed, however, that impact fees could have a negative impact on affordable housing, but others replied that such housing could be exempted and noted that San Diego actually imposes impact fees on all commercial development or remodeling to fund affordable housing.

Both delegates wholeheartedly agreed that Fairfax County does not receive a fair share of state aid to education, although they noted the Wilson Bridge and Springfield Interchange projects were giving the County well more than its proportionate share of state transportation funds. They also noted the concern that any tilting of education funds from poorer districts to Northern Virginia would result in lawsuits and court-mandated funding. Another part of the problem, according to Mr. Callahan, is the complicated formula that determines how much a county receives in state funding. The formula is based on three factors: true property value, adjusted gross income and taxable retail sales. Those factors work against Fairfax County, although some nearby areas, such as Prince William County fare extremely well under the formula.

Several MCA members responded by discussing how many areas of the state with relatively high incomes receive significantly higher state aid than Fairfax County, while paying significantly lower real estate taxes than we pay. Similarly, there appears to be vast discrepancies in the amounts of real estate taxes paid by lower-income areas of Virginia. Some poor areas pay relatively high property taxes, while others impose virtually no real estate taxes. Mr. Callahan agreed, noting that a number of local jurisdictions in Virginia reduce their real estate taxes once they receive additional state funding.

The delegates did not believe that there would be any appetite in the General Assembly to raise general taxes further for transportation, but were looking at a variety of other solutions. One of the major concerns of the General Assembly is that the gas tax is no longer a strong producer of transportation tax revenues. Even when considering the number of gas-guzzling SUVs in the state, gas tax revenues have been declining in recent years. Also, impact fees dedicated to VDOT probably would probably not pass the General Assembly, in the view of the legislators.

A further account of this meeting from the perspective of the *McLean Connection* can be found at <http://www.connectionnewspapers.com/article.asp?article=42000&cat=104>.

On the whole, this was an informative but frustrating meeting. While both Delegates Callahan and Scott were very forthcoming with their responses and candor, there does not seem to be an appetite among elected officials for dealing with the costs imposed by development. Likewise, the County Board appears to have more power to provide solutions in this area than it has the will to exercise. The latter issue would seem appropriate for further investigation on the part of the MCA.

Respectfully submitted,
Rob Jackson, Chair
Budget & Taxation Committee