

**REPORT OF THE
JOINT SUBCOMMITTEE TO STUDY THE
SERVICE CHARGES THAT ARE IMPOSED ON
CERTAIN REAL PROPERTY**

TO

THE GOVERNOR

AND

THE GENERAL ASSEMBLY OF VIRGINIA



HOUSE DOCUMENT NO. 13

**COMMONWEALTH OF VIRGINIA
RICHMOND
1981**

MEMBERS OF COMMITTEE

Delegate L. Cleaves Manning, Chairman
Senator William F. Parkerson, Jr., Vice Chairman
Delegate Claude W. Anderson
Senator Howard P. Anderson
Senator Peter K. Babalas
Delegate Robert B. Ball, Sr.
Delegate Walter H. Emroch
Delegate Arthur R. Giesen, Jr.
Senator Virgil H. Goode, Jr.
Delegate Owen B. Pickett

STAFF

Legal and Research

Division of Legislative Services

E. M. Miller, Jr., Senior Attorney
John A. Garka, Economist
Jeanne S. Livsie, Secretary

Administrative and Clerical

Office of Clerk, House of Delegates

**Report of the
Joint Subcommittee to Study the
Service Charges that are Imposed
on Certain Real Property
To
The Governor and the General Assembly of Virginia
Richmond, Virginia
December, 1980**

To: Honorable John N. Dalton, Governor of Virginia
and
The General Assembly of Virginia

Directive and Purpose of Study

House Joint Resolution No. 84 (Appendix I) was enacted during the 1980 Session of the General Assembly to serve a two-fold purpose. The original purpose for introduction was prompted by the fact that a number of localities, presently having the service charge and containing large blocks of State-owned property within their boundaries, were of the opinion that the maximum rate leviable under the service charge statute was not sufficient to cover the services provided to the Commonwealth by such localities. The second purpose for passage came to light after the resolution's introduction and while the budget committees were putting together the appropriations bill for the 1980-82 biennium. During the budget process, it became known that a county and a city had enacted ordinances to levy the service charge on State property without having given any previous notice to the State. The ordinance would result in the necessity for thousands of dollars in additional new money to be included in the biennial budget which had not been previously covered in the Governor's budget presentation to the General Assembly.

There were other problems involved also. One locality which enacted the charge contained only a State recreational park and National Guard military installation. It was, the money committees determined, extremely questionable as to the extent of the services actually provided to the Commonwealth by that particular locality. The result of these questions prompted the addition of language to the appropriation act contained in § 4-9.14 of Chapter 760 (Appendix II) which in essence placed a moratorium on the local service charge until all budgetary problems could be examined more thoroughly. House Joint Resolution No. 84, therefore, was also used as a vehicle for resolving this complex issue.

The Joint Subcommittee met numerous times during the 1980 interim with Delegate L. Cleaves Manning serving as chairman.

History of the Service Charge in Virginia

The 1971 Constitution gave birth to the optional service charge law in Virginia when subsection (g) was included in Article X, Section 6 as follows:

(g) The General Assembly may by general law authorize any county, city, town, or regional government to impose a service charge upon the owners of a class or classes of exempt property for services provided by such government.

During the 1971 Extra Session, Chapter 133 was enacted implementing this constitutional provision as § 58-16.2 (Appendix III) of the Code of Virginia. This section was amended in 1972, 1973, 1975, and 1976.

In its present form, § 58-16.2 permits a service charge on:

- (1) Property owned directly or indirectly by the Commonwealth or its political subdivisions
- (2) Nonprofit private or public burying grounds or cemetaries
- (3) Property owned by public libraries, law libraries of local bar associations, incorporated colleges and other incorporated institutions of learning

(4) Buildings and land belonging to benevolent or charitable associations used exclusively for lodge purposes or meeting rooms

(5) Property of Colonial Williamsburg

(6) Property of the Virginia Home of Incurables

(7) Property of the Waterford Foundation, Incorporated

(8) Property of Historic Fredericksburg, Incorporated.

(9) Property of the Clarke County Historical Association

(10) Property of the Westmoreland Davis Foundation, Inc.

(11) Property of the Women's Home Incorporated

(12) All other properties listed in §§ 58-12.2 through 58-12.107 et seq. of the Code of Virginia.

The section further limits the service charge on property used or operated exclusively for private educational or charitable purposes (see #4 enumerated above) except faculty and staff housing of such educational institutions. The charge must be based upon the value of the real estate and the rendition cost for furnishing police and fire protection, refuse collection and in the event of faculty and staff housing, the cost of public school education. If State or federal grants are received designated for the service charge, these amounts must be excluded from the computation made by the locality. The charge is not applicable to public roadways or property held for future construction of roadways.

A monetary limitation is also placed on the charge in that such charge cannot exceed 20% of the real estate tax rate or 50% of the tax rate if the property is used for faculty and staff housing of an educational institution. The service charge is actually computed by dividing the service expenditures by the assessed fair market value of all real estate in the locality, including nontaxable property, except real estate owned by the United States government or any of its instrumentalities.

It is made absolutely clear in the statute that the local governing body has complete flexibility in imposing the service charge, thereby permitting the locality to tax one category of exempt properties, for example, State-owned property, and exempt all other categories of properties.

As of May 1, 1980, only one county has attempted to levy the service charge on exempt properties. Several cities do levy the charge; however, all the cities have been hesitant to place the tax on all categories of exempt properties. The following is a list of those cities and counties having the service charge, the amount of the tax, and the categories of exempt properties on which the tax is placed:

<u>CITY</u>	<u>CATEGORY</u>	<u>RATE</u>
Charlottesville	University property only	\$0.22/\$100
Fredericksburg	State-owned property	Not to exceed 20% of real estate tax (\$0.23/\$100)
Harrisonburg	State or local government-owned property, excluding city-owned property; fraternal lodges; one church	\$0.13/\$100
Lexington	Faculty and staff housing	1/2 real estate tax rate (\$0.375/\$100)
	Highway Department	\$0.150/\$100
Lynchburg	State-owned property only	\$0.22/\$100
Radford	Radford College only	Levy amount not yet determined as this is first year of the levy
Richmond	Properties of the Commonwealth	Not to exceed 20% of real estate tax rate (\$0.3026/100)
Roanoke	State-owned properties only	Not to exceed 20% of real estate tax rate (\$0.292/\$100)
Salem	Lodges; state-owned properties	\$0.26/\$100
Staunton	Everything but city-owned properties and churches	Not to exceed 20% of real estate tax (\$0.22/\$100)
Virginia Beach	State-owned properties only	\$0.134/\$100 (20% of real estate tax rate)
Williamsburg	State-owned properties Colonial Williamsburg	20% of real estate tax rate

(\$0.136/\$100)

Winchester PENDING. Proposed but
not yet approved.

<u>COUNTY</u>	<u>CATEGORY</u>	<u>RATE</u>
Albemarle	State-owned properties	\$0.00335/\$100
	(University property)	\$0.00045/\$100
		\$0.00057/\$100*

*NOTE: \$0.00335—applicable to faculty and staff housing;
\$0.00045—applicable to property contiguous to the
University to which no police protection
is provided;
\$0.00057—applicable to property to which police
protection is provided.

In 1978 and 1979, tax exempt property was studied by a Joint Subcommittee of House and Senate Finance Committees (see House Document No. 35, 1980). Although the major portion of the study was concerned with establishing legislative guidelines for exempting property from taxation, the service charge was examined. Several members of that committee felt the in-lieu-of tax should be levied, by State mandate, upon all exempt properties, however, this idea was soon dropped from consideration when the charitable, benevolent and religious organizations across the State highly criticized the alternative at public hearings held by the Subcommittee.

Present Status of Service Charge in Virginia

Simply stated, the current posture of the service charge law is that effective July 1, 1980, state agencies are prohibited from expending public funds for the payment of local service charges if the enabling local ordinance was not adopted by the locality prior to July 1, 1979 with previous written notice of such ordinance to all State agencies which may be affected. It should be reiterated that § 4-9.14 of the 1980-82 Appropriation Act does not prohibit the levying of the service charge by a locality, but only the payment of the charge by State agencies. Section 4-9.14 also contains the conditions precedent that (i) specific provisions for the local charge must have been computed as a part of the appropriation to the State agency affected and (ii) the locality applies the special provisions of land-use assessment as may be applicable to any such State property falling within the guidelines of special use as set forth by State law. The section concludes by prohibiting the inclusion in the 1982-1984 Executive Biennial Budget of any public funds for local service charges enacted pursuant to § 58-16.2.

It is apparent that the Commonwealth will no longer stand idle while localities continue to tax State property inequitably when compared to private property used for similar purposes. The service charge was originally enacted to give the City of Richmond, which is extremely limited in geographic size, some additional relief because of the large portion of its tax base which is exempt. The fact that the State Capitol is located in the heart of the downtown area has resulted in the State's occupation of numerous new and existing buildings in the last ten years, thereby reducing the possible tax base further.

Soon after the enactment of the service charge, other localities having State educational institutions or hospitals began seeing the service charge as a new untapped source of revenue whose owner would offer little or no resistance to the enactment of a tax. (See Appendix IV for 1980-82 budgeted charges by locality.) In 1976, the passage of § 58-14.1 (Appendix V), that required localities to assess all tax exempt property, added fuel to the already blazing fire. The purpose of the statute was to promote taxpayer understanding and was one of a package of such "informational" bills which passed during 1976. Since State property was required to be assessed by the locality under this statute, there was very little rationale for not levying a service charge since the proper groundwork had been laid.

Although several localities containing large sectors of State property had levied the service charge, the potential for new charges was still alarming. As shown in Appendix IV, over \$3.9 million

was appropriated for the service charge for the 1980-82 biennium. Appendix VI which was prepared by the staff of the Division of Planning and Budget shows a potential of a charge during 1980-82 of over \$4.9 million. This projection was based on 1979 assessed values, not the estimated 1980-82 assessment values which were used to appropriate during 1980-82 for the charge.

In addition to the concern for increasing expenditures necessitated by the charge, the subcommittee was also involved in the balancing of equities between tax exempt properties in both the public and private sectors. The situation was such that similar institutions, both being exempt from taxation, were being treated differently with regard to the service charge. This was, of course, because the locality had elected to levy the service charge on the State facilities but had chosen, for political reasons, not to levy the service charge on the private facility.

Another problem which the Joint Subcommittee wanted to address was the application of the service charge to faculty and staff housing of exempt educational institutions. Shortly after the enactment of the service charge, the City of Lexington, which has a relatively small tax base and contains one private and one public educational institution, approached the General Assembly to increase the 20% maximum tax rate on such housing. Since many of the faculty had children which, in many cases, became the locality's responsibility to educate, Lexington was of the opinion that the cost of such education should become a component factor in the service charge. The General Assembly agreed and the maximum limitation on the service charge, as it applied to faculty housing, was increased to 50% of the tax rate.

Alternatives Examined by the Subcommittee

One of the first items of study by the Subcommittee was an examination of the in-lieu-of tax established by other states to determine whether Virginia should entirely rewrite its service charge provisions in light of experiences of other states. The various approaches utilized by such states can be placed in three different categories:

- (1) As related to the costs of providing services;
- (2) As determined by tax base loss;
- (3) As established by uniform millage formula.

A document entitled "The Optional Service Charge Law" dated March 11, 1977, published by the Legislative Commission on Expenditure Review of the State of New York provides an excellent description of the functional operation of these three distinct types of charges and is used extensively in the material that follows.

Two of the states that have established a service charge law based on the cost of providing services are Wisconsin and Virginia. In 1973, Wisconsin enacted the Payments for Municipal Services plan (PMS) to "make equitable annual payment to municipalities, from a special state appropriation, in recognition of critical services directly provided to state facilities." Wisconsin Statutes, Section 70.119 established this program framework in response to the reality of State facilities often creating a high demand for services but making little or no contribution toward payment of the costs. The State Department of Administration both promulgates and administers program guidelines, and makes the annual payments, subject to approval by the State Board of Government Operations, a legislative committee authorized to adjust appropriations or make appropriations under certain exigencies. The board is composed of heads of the Senate and Assembly finance committees plus two senators and three assemblymen. Board action is subject to review by the Governor.

The 1976 appropriation was \$5.125 million. Payments are restricted to ongoing fire, police, and solid waste handling services, with additional charges permitted for municipal claims for "extraordinary police service" caused by a riot or prolonged civil disturbance. If the total of all proposed payments exceeds the annual State appropriation, payments are prorated accordingly among the municipalities.

Police, fire and solid waste handling were selected as reimbursable in the recognition that while some service costs, such as sanitary sewer, water, street lighting or paving might be recoverable through user fees or special assessments against both taxable and tax exempt properties, these services are traditionally financed from the real estate tax. State agencies would make, from agency

appropriations, separate payments at reasonable, established rates for water, sewer, and perhaps other services financed out of special charges or user fees.

The program formula entails three elements: the actual net cost of a local service, the part of the cost paid out of property taxes, and the proportionate State share of service function costs attributable to the net local property tax. From the gross operating cost of the function is subtracted the total amount of direct federal and State aid, local charges, and directly related subsidies to arrive at the net operating cost of the service. This amount is reduced by the percentage attributable to State and federal revenue sharing, giving the adjusted net cost (theoretically) attributable to the local property tax. The adjusted net cost then is multiplied by the ratio of the estimated full value of State buildings and in the municipality, excluding land values.

Administration is by one "program coordinator" plus approximately 300 hours of clerical help annually. Data processing, keypunch and computer operation time is purchased internally from the State Bureau of Data Processing. Payment voucher preparation and check-writing services are handled by existent administrative procedures.

On the basis of the preceding year's fiscal information, the program coordinator prepares a statement of estimated net entitlement for each eligible municipality which is then sent to each municipal clerk. If the municipality concurs in the estimate, it merely inserts the amount of estimated entitlement into its own budget projection. Should it not concur, the issue is negotiated. Apparently, negotiations occur with less than 15 percent of the municipalities. Administrative costs are further lessened because no payments are made for less than \$100.

In 1974, PMS provided \$3,749,950 to 97 communities to help alleviate the impact of some 633 State facilities. The State capital, Madison, received \$1,582,792 in 1974, enabling the city to reduce its property tax rate for municipal operations the equivalent of nine percent. Statewide the equivalent tax relief from PMS averaged six percent.

The annual appropriations for PMS has risen from \$3.75 million in 1974 to \$4.75 million in 1975 and \$5.125 million in 1976.

The PMS Coordinator reports that generally municipalities have responded quite favorably to the program.

The other state having a service charge law based on the cost of providing services is, of course, Virginia. Two states having a service charge which is determined by tax base loss are California and New Jersey.

The California Local Assistance Act, Chapter 358 of the 1973 Statutes of California, mandates that localities be reimbursed for the costs of State legislation and regulations, including the loss of tax base due to property tax exemption. Such tax losses may not include "potential revenue from property of a type which was not being assessed and taxed on January 1, 1973." The law prohibits any property tax exemption for more than a five year period and the exemption of more than 75 percent of the value of the property. It requires reimbursement "by the state for the 1973-1974 fiscal year and each year thereafter."

The impacts and reimbursement costs of the act, which extend far beyond simply property tax exemption, are estimated by a Local Mandated Program Unit in the State Department of Finance. Local governments submit their claims for reimbursement to the State Comptroller who, after approval, pays them. In 1976-1977, reimbursements to municipalities for legislative mandates totaled \$22.9 million, \$5.2 million of this amount for local government sales and property tax losses. Tax losses are computed based upon actual experience; however, in some instances a loss might not be eligible for reimbursement due to an offsetting economic benefit.

According to the U.S. Advisory Commission on Intergovernmental Relations (ACIR) the intent of the legislation "has been severely eroded in actual practice." The Legislature, ACIR reports, has not adhered to the reimbursement principle and has failed to recognize the initial and subsequent year costs, generally disclaiming responsibility for reimbursement. It was also indicated that the act's implementation has been impeded by administrative difficulties including the lack of unit cost standards and uniform accounting procedures.

New Jersey's reimbursement plan payments also are unrelated to the cost of services provided to exempt property. New Jersey Statutes Annotated, Title 54, permits localities to tax all State-owned lands, except State parks, forests and highways. The plan mandates that these lands be assessed at the value they had at the time of acquisition by the State, excluding improvements. The program, however, is utilized by only two municipalities because of the requirement that State-owned land must constitute nine percent of the total land area for a community to be eligible.

Two states which had adopted a uniform millage formula for levying the service charge are Connecticut and Massachusetts. General Statutes of Connecticut, Title 12, Chapter 201, Sections 12 through 19a-d provide for State reimbursement to towns and cities having State-owned property. The formula employs a ratio of the property taxes of a community to the total amount of property taxes across the State. This fraction is then multiplied by the value of State-owned property in the municipality; this resulting figure is then multiplied by ten times the local mill rate to arrive at the formula share. The grant paid to any town may not exceed \$600,000 nor be less than \$2,000. Also there is a grandfather clause requiring that the grant paid not fall below the 1968 payment.

In 1976, Connecticut paid \$3,859,998 in lieu of taxes to 165 towns. A major reaction to the in lieu program has been dissatisfaction of the larger cities for which the statutory ceiling of \$600,000 falls short of their formula entitlement, and inequity caused by the statutory \$2,000 minimum payment which is often in excess of the entitlement for smaller communities.

Massachusetts General Laws Annotated, Chapter 58, Section 13 provides that the State make in lieu of tax payments to municipalities containing State-owned lands. A State determined uniform mill rate is applied to the value of State land (excluding buildings, improvements, etc.) used for a fish hatchery, game preserve, military camp ground, State forest, university and for the public institutions under the departments of corrections, education, mental health, public health, public welfare and youth services. The mill rate is equal to the average of municipal mill rates. In fiscal year 1975, the municipalities received \$78.28 per thousand dollars of assessed value of State lands. The fiscal year 1977 appropriation was expected to be approximately \$14.6 million.

Evaluating the Massachusetts plan a recent University of Maine study commented:

Extreme cases have arisen in Massachusetts in which the Commonwealth pays large sums of money to small, essentially rural, communities in behalf of Commonwealth parklands or game preserves that have extremely high market value but impose very small demands on local budgets. In a sense, the revenue replacement approach in circumstances such as these, simply transfers what would have been a substantial subsidy paid by a taxable property owner to the state when the land becomes exempt.

A suggestion from the Secretary of Finance and Administration prompted the Subcommittee to examine the possibility of a flat grant to all localities having State property within their boundaries based upon the value of such State property located therein. The Advisory Commission on Intergovernmental Relations (ACIR) completed a study in 1978 entitled the "Adequacy of Federal Compensation to Local Governments for Tax Exempt Federal Lands" which evaluated the payment programs directed largely toward the western U.S. counties under various receipts sharing and guaranteed per acre payment programs as provided for under the Payments-In-Lieu-Of-Taxes Act of 1976. That study showed that the extensiveness of federal land within a locality had no negative influence on the tax burden of the citizenry located within the county or on the level of local expenditures including per capita general expenditures, per capita fire and police expenditures and per capita highway expenditures. This study was aimed, however, at essentially raw, unimproved land which comprises over 90% of all federally-owned properties. The Joint Subcommittee dismissed the grant approach as a reasonable alternative. Based on the proposition that an in-lieu-of-tax should expend no additional revenues than are currently expended under the service charge law, a grant approach would decrease revenue to localities having highly improved State property within their boundaries and increase revenues or give new revenues to localities which had heretofore not received nor requested charges for services provided to State facilities.

Recommendations

The Joint Subcommittee recommends to the Senate Finance Committee and House of Delegates Appropriations Committee that the present structure of the service charge law (§ 58-16.2) be retained in Virginia; however, the following changes should be made in the section:

(1) That State educational institutions and hospitals be totally exempted from the service charge law, since private educational institutions and not-for-profit hospitals are exempt from the real property tax and local service charge;

(2) That before a locality can levy the service charge on any other State-owned property that the assessed value of such State-owned property (excluding the value of a State educational institution or hospital) exceed three (3) percent of the value of all real estate located within the locality; and

(3) That regardless of the value of State property within a locality, faculty and staff housing of an educational institution located within a locality can be charged a service charge of up to, but not exceeding, 100% of the real estate tax that could have been levied on such housing were it not exempt from taxation.

(4) Also recommended is that faculty and staff housing of a privately-owned educational institution located within a locality can be charged a service charge not exceeding 100% of the real estate tax. The limitation presently in § 58-16.2 is 50% of the real estate tax.

(5) That the limitation on the service charge of 20 percent of the real estate tax rate be lifted. The charge would, therefore, be based solely on the cost of services provided by the locality to the State.

(See Appendix VII for suggested legislation to carry out the provisions of this recommendation.)

Respectfully submitted,

L. Cleaves Manning, Chairman
William F. Parkerson, Jr., Vice Chairman
Claude W. Anderson
Howard P. Anderson
Peter K. Babalas
Robert B. Ball, Sr.
Walter H. Emroch
Arthur R. Giesen, Jr.
Virgil H. Goode, Jr.
Owen B. Pickett*

*Does not approve report.

HOUSE JOINT RESOLUTION NO. 84

To establish a joint subcommittee of the House of Delegates and the Senate to study the service charges that are imposed on certain real property in lieu of property taxes.

Agreed to by the House of Delegates, March 8, 1980

Agreed to by the Senate, March 7, 1980

WHEREAS, the property tax is by far the major source of locally raised revenues in all of the localities of this Commonwealth; and

WHEREAS, the localities have been called upon to provide a greater level of services to its citizens which has caused localities to turn to their major source of revenue, specifically the property tax; and

WHEREAS, the amount and value of property owned by the Commonwealth has increased dramatically in some of the localities of the Commonwealth; and

WHEREAS, this has reduced the property tax base in these localities while not reducing the required services which must be provided for the occupants of such property; and

WHEREAS, the Commonwealth has recognized the costs that are imposed on a locality because of the associated police protection, fire protection, and other required services as well as the fact that it represents a loss of property tax revenue which would otherwise be received; and

WHEREAS, generally at present a locality can impose a maximum service charge of twenty per centum of the real estate tax rate; and

WHEREAS, this service charge rate maximum may or may not be the appropriate rate to cover a fair and equitable service charge for the services provided by such locality and may or may not be equitable for the Commonwealth in relation to the services that are being provided to the Commonwealth by the locality; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That a joint subcommittee of the House of Delegates and the Senate be appointed to study the service charges that are imposed on certain tax exempt real property in lieu of property taxes.

The joint subcommittee shall be composed of ten members who shall be appointed in the following manner: two members appointed by the Speaker of the House of Delegates from the membership thereof, two members appointed by the Chairman of the House Committee on Appropriations from the membership of that committee, two members appointed by the Chairman of the House Committee on Counties, Cities and Towns from the membership of that committee, two members appointed by the Chairman of the Senate Committee on Finance from the membership of that committee, and two members appointed by the Chairman of the Senate Committee on Local Government from the membership of that committee.

The members of the joint subcommittee shall receive such compensation as is authorized by law for members of the General Assembly and shall be reimbursed for their expenses incurred for the work of the joint subcommittee. The officials and employees of all State agencies shall cooperate fully with the joint subcommittee.

The joint subcommittee shall report its findings and recommendations to the Governor and the General Assembly not later than December one, nineteen hundred eighty.

APPENDIX II

§ 4-9.14 LOCAL SERVICE CHARGES

Notwithstanding any contrary provision of law, during the current biennium no State agency shall expend any public funds, out of appropriations in this or any other act, to a locality levying a local service charge pursuant to Section 58-16.2, Code of Virginia, unless:

(1) the ordinance of the locality shall have been enacted at least twelve months prior to the first day of the current biennium, or the State agency or agencies affected shall have been notified in writing prior to July 1, 1979 of the locality's intent to enact such an ordinance; and,

(2) the appropriations to the State agency or agencies are based upon computations which included specific provision for such local service charges; and

(3) the ordinance of the locality, retroactively or prospectively, applies the provisions of Sections 58-769.4 through 58-769.15:1, Code of Virginia, to any property within its jurisdiction owned directly or indirectly by the State agency which qualifies for a special assessment under the provisions of such sections.

Further, in the preparation of the Executive Budget for the biennium beginning July 1, 1982, neither any State agency nor the Governor shall include requests or recommendations to include in appropriations any public funds for local service charges pursuant to Section 58-16.2, Code of Virginia.

APPENDIX III

§ 58-16.2. Service charge on certain real property.— Notwithstanding the provisions of § 58-12 and subsequent sections of the Code of Virginia relating to exemption of property from taxation, the governing body of any county, town or city is authorized to impose and collect a service charge upon the owners of all real estate within its jurisdiction which is exempted under subsections (1), (3), (4), (6), (8), and (10)-(17) of § 58-12, and such sections of the Code of Virginia, except buildings with land they actually occupy, together with the additional adjacent land reasonably necessary for the convenient use of any such building located within such county, city or town: (i) lawfully owned and held by churches or religious bodies and wholly and exclusively used for religious worship or for the residence of the minister of any church or religious body or for use as a religious convent, nunnery, monastery, cloister or abbey, or (ii) used or operated exclusively for private educational or charitable purposes and not for profit other than faculty and staff housing of any such educational institution. Such service charge shall be based on the assessed value of the real estate and the amount which the county, city or town shall have expended in the year preceding the year such charge is assessed for the purpose of furnishing police and fire protection, for the collection and disposal of refuse and the cost of public school education in the case of faculty and staff housing of an educational institution, excluding any amount received from federal or State grants specifically designated for such purposes. The expenditures for services not provided for certain real estate shall not be applicable to the calculations of the service charge for such real estate, nor shall such expenditures be applicable when a service is currently funded by another service charge. The service charge shall not be applicable to public roadways or property held for future construction of such roadways. The service charge, which shall not exceed twenty per centum of the real estate tax rate or fifty per centum in the case of faculty and staff housing of an educational institution, shall be fixed by dividing the said expenditures by the assessed fair market value of all of the real estate within the county, city or town, except real estate owned by the United States government or any of its instrumentalities, expressed in hundred dollars, including nontaxable property, provided there first be listed and published by the commissioners of the revenue or other assessing officer in the land books of such county, city or town, in the same manner as taxable real estate, all the exempt real estate. In the valuation of exempt real estate for purposes of this section, artistic and historical significance shall not be taken into account.

Any person aggrieved by the assessment or the valuation of real estate for purposes of this section may apply to the commissioner of the revenue or other assessing officer for correction thereof. If the commissioner or other officer finds that the assessment or valuation is erroneous, he shall correct the same. Any person aggrieved by the decision of such officer may appeal to the court of record of the county or city, as provided in § 58-1145.

Such governing body may additionally exempt any class of organization set out in § 58-12 et seq.

APPENDIX IV

SUMMARY OF LOCAL SERVICE CHARGES BUDGETED

DISTRIBUTION BY LOCALITY

FOR 1980-82

1.	Albemarle	\$ 230,000
2.	Charlottesville	190,000
3.	Fredericksburg	202,740
4.	Harrisonburg	208,260
5.	Lexington	19,700
6.	Lynchburg	42,600
7.	Radford	160,000
8.	Richmond	2,180,840
9.	Roanoke	72,000
10.	Salem	6,200
11.	Staunton	39,620
12.	Virginia Beach	299,100
13.	Williamsburg	154,900
14.	Unallocated	120,380
	Total	\$3,926,340

EXPENDITURES AND APPROPRIATIONS: LOCAL SERVICE CHARGES IN LIEU OF TAXES

Agency	Expended 78-79 (6-30-79)	Expended 79-80 (6-30-80)	Total Expended 78-80	Appropriated 78-80	Appropriated 80-81	Appropriated 81-82	Appropriated 80-82
123 Department of Military Affairs	2,529	2,857	5,386	57,900	41,000	41,000	82,000
141 Attorney General and Department of Law	(472)	-0-	(472)	-0-	-0-	-0-	-0-
154 Division of Motor Vehicles	18,931	33,057	51,988	102,410	67,700	67,800	135,500
165 Department of Housing and Community Development	-0-	-0-	-0-	725	-0-	-0-	-0-
171 State Corporation Commission	3,125	5,927	9,052	14,575	6,670	7,000	13,750
182 Virginia Employment Commission	17,235	17,670	34,905	22,600	19,000	19,000	38,000
191 Industrial Commission	2,436	1,186	3,622	5,230	2,600	2,600	5,200
194 Department of General Services	203,532	249,961	453,493	461,100	442,470	478,020	920,490
204 College of William and Mary	63,187	63,187	126,374	147,250	74,600	80,300	154,900
206 Medical College of Virginia	40,308	-0-	40,308	-0-	-0-	175,000	175,000
207 University of Virginia	-0-	45,383	45,383	-0-	250,000	250,000	500,000
210 Virginia Truck and Ornamentals	-0-	-0-	-0-	-0-	3,000	3,500	6,500
211 Virginia Military Institute	7,904	7,684	15,588	-0-	9,100	9,600	18,700
215 Mary Washington College	85,625	82,804	168,429	177,530	95,300	100,600	195,900
216 James Madison University	90,347	100,464	190,811	189,560	100,000	100,000	200,000
217 Radford University	3,500	-0-	3,500	-0-	80,000	80,000	160,000
220 Melchers-Monroe Memorial	-0-	-0-	-0-	-0-	100	100	200
236 Virginia Commonwealth University	257,651	208,152	465,803	490,425	271,500	297,500	569,000
238 Virginia Museum of Fine Arts	63,665	59,240	122,905	159,265	77,100	84,800	161,900
283 J. Sargeant Reynolds Community College	2,085	1,108	3,193	6,195	2,600	42,800	45,400
286 Virginia Western Community College	9,628	25,162	34,790	-0-	31,200	32,800	64,000
292 Central Virginia Community College	9,938	10,599	20,537	-0-	13,500	14,900	28,400
295 Tidewater Community College	-0-	-0-	-0-	-0-	7,000	8,000	15,000
301 Department of Agriculture and Consumer Affairs	894	978	1,872	-0-	1,100	1,100	2,200
401 Department of Conservation and Economic Development	502	532	1,034	-0-	215,900	25,700	241,600
403 Commission of Game and Inland Fisheries	2,962	2,805	5,767	-0-	-0-	-0-	-0-
501 Department of Highways and Transportation	179,453	20,856	200,309	62,255	40,200	49,900	90,100
701 Department of Corrections	21,433	19,943	41,376	29,715	-0-	-0-	-0-
702 Virginia Commission for Visually Handicapped	2,740	1,388	4,128	6,070	1,700	1,800	3,500
706 Western State Hospital	12,057	14,737	26,794	24,855	14,100	15,200	29,300
711 Bureau of Industrial Enterprises	-0-	-0-	-0-	-0-	1,400	1,400	2,800
727 Virginia Treatment Center for Children	8,071	7,545	15,616	20,035	9,300	9,800	19,100
999 Department of Alcohol Beverage Control	19,784	21,793	41,577	54,200	22,900	25,000	47,900
Totals	1,129,050	1,005,018	2,134,068	2,031,895	1,901,040	2,025,300	3,926,340

APPENDIX IV (continued)

APPENDIX V

§ 58-14.1. Tax exemption information.—A. The appropriate county, city or town assessing officer shall make and maintain an inventory and assessment of all tax-exempt real property and all such property immune from real estate taxation within his county, city or town, excluding streets, highways and other roadways. Such official shall identify such property by a general site description indicating the owner thereof and report such information on the land book along with an assessment of the fair market value of such property, the total assessed valuation for each type of exemption and a computation of total tax which would be due if such property were not exempt. A total of such assessed valuations and a computation of the percentage such exempt and immune property represents in relation to all property assessed within the county, city or town shall be published annually by such local assessing officer and a copy thereof shall be filed with the Department of Taxation on forms prescribed by the Department. All costs incurred pursuant to this section shall be borne by the county, city or town.

B. The provisions of subsection A shall apply in each county, city or town upon completion of the next annual or general reassessment after July one, nineteen hundred seventy-five.

POTENTIAL LOCAL SERVICE CHARGES IN LIEU OF TAXES ON STATE OWNED PROPERTY (FY 1979)

(Unless Otherwise Indicated, Figures in \$1,000)

City	1977-78 Actual Expenditures				1979	1979	1979	1979	1979	1979	1979	
	Police Protection	Fire Protection	Refuse Services	Total	Total Assessed Value	U.S. Property Assessed Value	Net Assessed Value	Service Charge Rate (per \$100)	Property Tax Rate (per \$100)	20% Tax Rate (per \$100)	State Property Assessed Value	Local Service Charge
Alexandria	5596	4779	1954	12329	3060158	33026	3027132	.407	1.44	.288	21443	61.8
Bedford	242	25	75	342	123148	615	122533	.279	.66	.132	32	-0-
Bristol	589	506	192	1287	317154	719	316435	.407	1.14	.228	1663	3.8
Buena Vista	163	8	89	260	74830	334	74496	.349	1.00	.200	-0-	-0-
Charlottesville	2062	896	683	3641	725566	8958	716608	.508	1.16	.232	45716	106.1
Chesapeake	3643	2301	1261	7205	2053095	149155	1903940	.378	.93	.186	17559	32.7
Clifton Forge	159	50	53	262	41664	168	41496	.631	1.72	.344	-0-	-0-
Colonial Heights	416	50	-0-	466	289133	300	288833	.161	1.25	.250	200	.3
Covington	246	65	160	471	71801	860	70941	.664	1.66	.332	-0-	-0-
Danville	1701	1394	854	3949	436086	5596	430490	.917	1.00	.200	3788	7.6
Emporia	271	16	73	360	68156	242	67914	.530	.74	.148	1	-0-
Fairfax	1073	820	209	2102	586413	275	586138	.359	1.51	.302	502	1.5
Falls Church	739	394	212	1345	318406	-0-	318406	.422	1.19	.238	37	.1
Franklin	285	80	113	478	102111	2331	99780	.479	1.05	.210	4	-0-
Fredericksburg	648	226	120	994	293131	1682	291449	.341	1.28	.256	34157	87.4
Galax	253	38	98	389	108428	408	108020	.360	.82	.164	-0-	-0-
Hampton	4385	2504	1902	8791	1912116	245742	1666374	.528	1.56	.312	49372	154.0
Harrisonburg	494	215	173	882	389972	3259	386713	.228	.65	.130	78429	102.0
Hopewell	657	441	802	1900	341168	177	340991	.557	1.10	.220	180	-0-
Lexington	256	32	192	480	135992	345	135647	.354	.75	.150	179	-0-
Lynchburg	2809	2100	707	5624	1081732	5639	1076093	.523	1.24	.248	6728	16.7
Manassas	526	139	217	882	351607	1266	350341	.252	1.30	.260	-0-	-0-
Manassas Park	190	62	56	308	75296	-0-	75296	.112	2.40	.480	-0-	-0-
Martinsville	746	355	164	1265	276685	381	276304	.458	.99	.198	1107	2.2
Newport News	4687	2769	3407	10863	2362841	174249	2188592	.496	1.34	.268	41421	111.0
Norfolk	11536	6163	5390	23089	4735178	1060859	3674319	.628	1.30	.260	116158	302.0
Norton	151	18	124	293	80633	251	80382	.365	.85	.170	90	-0-
Petersburg	1314	1240	523	3077	613645	6037	607608	.506	1.65	.330	468	1.5
Poquoson	184	109	13	306	135000	150	134850	.227	.77	.154	22	-0-
Portsmouth	5230	3116	1764	10110	2572994	1166002	1406992	.719	1.28	.256	1610	4.1
Radford	286	110	102	498	179350	308	179042	.278	1.10	.220	10	-0-
Richmond	14264	8833	5767	28864	3689144	21251	3667893	.787	1.66	.332	238550	792.0
Roanoke	2999	3184	1362	7545	1317466	3922	1313544	.574	1.50	.300	6494	19.5
Salem	753	521	647	1921	408201	21662	386619	.497	1.30	.260	1302	3.4
South Boston	265	119	146	530	86605	130	86475	.613	1.05	.210	16	-0-
Staunton	796	174	352	1322	355882	181	355701	.372	.95	.190	13603	25.8
Suffolk	1220	688	639	2547	741596	15540	726056	.351	1.14	.228	4825	11.0
Virginia Beach	9271	3035	3816	16122	5453191	766270	4686921	.344	.74	.148	22345	33.1
Waynesboro	562	240	24	826	291077	413	290664	.284	.90	.180	8	-0-
Williamsburg	424	365	144	933	296652	144	296508	.315	.72	.144	40525	55.3
Winchester	650	253	212	1115	428517	2019	426498	.261	1.00	.200	873	1.6

APPENDIX VI

TOTAL POTENTIAL SERVICE CHARGE, CITIES:

1936.5

POTENTIAL LOCAL SERVICE CHARGES IN LIEU OF TAXES ON STATE OWNED PROPERTY (FY 1979)

(Unless Otherwise Indicated, Figures in \$1,000)

APPENDIX VI (continued)

County	1977-78 Annual Expenditures			1978 Sheriff's Office Payment	1978 Net Expenditures	1979 Total Assessed Property Value	1979 U. S. Property Assessed Value	1979 Net Assessed Value	1979 Service Charge Rate (per \$100)	1979 Property Tax Rate (per \$100)	1979 20% Tax Rate (per \$100)	1979 State Property Assessed Value	1979 Local Service Charges
	Police Protection	Fire Protection	Total										
Accomack	246	65	311	135	176	91867	1610	90257	.195	.400	.080	2	-0-
Albemarle	644	269	913	319	594	1450612	3112	1447500	.041	.670	.134	217373	89.1
Alleghany													
Amelia	94	2	96	45	51	15250	7	15243	.335	.377	.075	28	-0-
Amherst	316	49	365	181	184	387521	15807	371714	.050	.560	.112	24387	12.2
Appomattox	179	8	187	101	86	160908	20491	140417	.061	.600	.120	440	.3
Arlington	11292	6683	17975	-0-	17975	5456543	679355	4777188	.376	1.290	.258	630	1.6
Augusta	64	155	799	327	472	927500	61549	875951	.054	.500	.100	52510	20.4
Bath	6	26	102	46	56	104183	19547	24636	.066	.600	.120	3600	2.4
Bedford	65	50	415	207	208	564293	11088	553205	.038	.580	.116	2800	1.1
Bland	55	6	61	27	34	89333	10518	78815	.043	.490	.098	4109	1.8
Botetourt	324	35	359	183	176	429497	12133	417364	.042	.650	.130	596	.3
Brunswick													
Buchanan													
Buckingham	137	34	171	71	100	191730	49	191681	.052	.370	.074	6593	3.4
Campbell													
Caroline	307	53	360	173	187	138910	74720	64190	.291	.436	.087	1767	.2
Carroll	249	50	299	132	167	89093	1777	87316	.191	.531	.106	1156	1.2
Charles City	70	9	79	44	35	112931	562	112369	.031	.680	.136	2897	.9
Charlotte	170	50	220	96	124	219417	-0-	219417	.057	.300	.060	159	.1
Chesterfield													
Clarke	205	10	215	99	116	241736	443	241293	.048	.600	.120	2103	1.0
Craig													
Culpeper													
Cumberland	81	5	86	42	44	84062	19	84043	.052	.350	.070	2624	1.4
Dickenson													
Dinwiddie	285	28	313	171	142	342705	7940	334765	.042	.400	.080	48110	20.2
Essex	135	24	159	67	92	252075	97	251978	.037	.450	.090	340	.1
Fairfax	19714	13547	33261	-0-	33261	15651449	612000	15039449	.221	1.540	.308	68951	152.4
Fauquier	359	62	421	186	235	1029302	35451	993851	.024	.480	.096	10356	2.5
Floyd	133	27	160	84	76	180537	546	179991	.042	.550	.110	354	.1
Fluvanna	92	4	96	55	41	191912	-0-	191912	.021	.600	.136	405	.1
Franklin	464	33	497	248	249	455297	778	454519	.055	.500	.100	322	.2
Frederick													
Giles	238	1	239	135	104	277821	11843	265978	.039	.470	.094	498	.2
Gloucester	153	16	169	97	72	383927	303	383624	.019	.650	.130	4175	.8
Goochland	192	82	274	116	158	307728	23	307705	.051	.590	.110	11774	6.0
Grayson	218	28	246	119	127	292536	12725	279811	.045	.311	.062	2440	1.5
Greene	97	12	109	53	56	124470	-0-	124470	.045	.480	.096	170	.1
Greensville	275	26	301	123	178	151052	17	151035	.118	.340	.068	140	.1

POTENTIAL LOCAL SERVICE CHARGES IN LIEU OF TAXES ON STATE OWNED PROPERTY (FY 1979)

(Unless Otherwise Indicated, Figures in \$1,000)

County	1977-78 Annual Expenditures			1978 Sheriff's Office Payment	1978 Net Expenditures	1979 Total Assessed Property Value	1979 U. S. Property Assessed Value	1979 Net Assessed Value	1979 Service Charge Rate (per \$100)	1979 Property Tax Rate (per \$100)	1979 20% Tax Rate (per \$100)	1979 State Property Assessed Value	1979 Local Service Charges
	Police Protection	Fire Protection	Total										
Scott	337	42	379	176	203	730316	7621	702695	.029	.400	.080	1,684	.5
Shenandoah													
Smyth													
Southampton	410	133	543	173	370	615934	9506	606428	.061	.650	.130	1,932	1.2
Spotsylvania													
Stafford	581	307	888	297	591	895994	1570	804424	.073	.900	.180	2,064	2.1
Surry													
Sussex	194	9	203	118	85	188177	-0-	188177	.045	.530	.106	110	-0-
Tazewell													
Warren	362	33	395	139	256	612631	13360	599271	.043	.500	.100	1068	.5
Washington													
Westmoreland	279	43	322	124	198	193829	1433	192396	.103	.880	.176	1,075	1.1
Wise													
Wythe	320	6	326	163	163	334756	9137	315619	.052	.610	.122	1,052	.5
York													

APPENDIX VI (continued)

Total Potential Service Charge, Counties Indicated:

481.9

APPENDIX VII

A BILL to amend and reenact § 58-16.2 of the Code of Virginia and to repeal § 4-9.14 of Chapter 760 of the 1980 Acts of Assembly, the amended and repealed sections providing a method of assessing service charges on certain tax exempt property.

Be it enacted by the General Assembly of Virginia:

1. That § 58-16.2 of the Code of Virginia is amended and reenacted as follows:

§ 58-16.2. Service charge on certain real property.— A. Notwithstanding the provisions of § 58-12 and subsequent sections of the Code of Virginia relating to exemption of property from taxation, the governing body of any county, town or city is authorized to impose and collect a service charge upon the owners of all real estate within its jurisdiction which is exempted from property taxation under ~~subsections~~ subsection (1), *except property owned by the Commonwealth, subsections (3), (4), (6), (8), and (10)-(17) of § 58-12, and such sections of the Code of Virginia except*. Buildings with land they actually occupy, together with the additional adjacent land reasonably necessary for the convenient use of any such building located within such county, city or town shall also be exempt from the service charge provided herein if the buildings are : (i) lawfully owned and held by churches or religious bodies and wholly and exclusively used for religious worship or for the residence of the minister of any church or religious body or for use as a religious convent, nunnery, monastery, cloister or abbey, or (ii) used or operated exclusively for private educational or charitable purposes and not for profit other than faculty and staff housing of any such educational institution. ~~Such~~ *The* service charge shall be based on the assessed value of the real estate and the amount which the county, city or town shall have expended in the year preceding the year such charge is assessed for the purpose of furnishing police and fire protection, for the collection and disposal of refuse and the cost of public school education in the case of faculty and staff housing of an educational institution, excluding any amount received from federal or state grants specifically designated for such purposes and assistance provided to localities pursuant to Article 10 of Title 14.1 of the Code of Virginia . The expenditures for services not provided for certain real estate shall not be applicable to the calculations of the service charge for such real estate, nor shall such expenditures be applicable when a service is currently funded by another service charge. The service charge shall not be applicable to public roadways or property held for future construction of such roadways. The service charge, which shall not exceed 20 percent of the real estate tax rate or ~~fifty per centum~~ in the case of faculty and staff housing of an educational institution *the amount of total real estate tax which would have been levied had such property been fully taxable* , shall be fixed by dividing the said expenditures by the assessed fair market value of all of the real estate within the county, city or town, except real estate owned by the United States government or any of its instrumentalities, expressed in hundred dollars, including nontaxable property, provided there first be listed and published by the commissioners of the revenue or other assessing officer in the land books of such county, city or town, in the same manner as taxable real estate, all the exempt real estate. In the valuation of exempt real estate for purposes of this section, artistic and historical significance shall not be taken into account.

B. *Notwithstanding the provisions of subsection A., a service charge may be levied on any state-owned real property, except hospitals, educational institutions, and public roadways or property held for the future construction of public highways, if the value of real estate owned by the Commonwealth within a county, city, or town, excluding such hospitals, educational institutions, or roadway property, exceeds three percent of the value of all real estate located within its boundaries. Such charge, however, may be levied on faculty and staff housing of state educational institutions regardless of the portion of state-owned property located within the county, city, or town. The amount of the service charge shall not exceed the real estate tax which would have been payable had such property been fully taxable. The service charge shall be based on the assessed value of the state-owned real estate and the amount which the county, city, or town shall have expended, in the year preceding the year such charge is assessed by the locality, for the furnishing of police and fire protection, for the collection and disposal of refuse and, in the case of faculty and staff housing of an educational institution, the cost of public school education, excluding from such amount any sums received by the locality from federal or state grants specifically designated for such purpose and assistance provided to localities pursuant to Article 10 of Title 14.1 of the Code of Virginia. The expenditures for services not provided for certain real estate shall not be applicable to the calculation of a service charge for such real estate nor shall such expenditures be applicable when a service is currently funded by another service charge. The*

charge shall be fixed by dividing the said expenditure by the assessed fair market value of all real estate within the county, city, or town except real estate owned by the United States government or any of its instrumentalities expressed in hundred dollars, including nontaxable property, provided there first be listed and published by the commissioner of revenue or other assessing officer in the land books of such county, city, or town, in the same manner as taxable real estate, all exempt real estate. In the valuation of exempt real estate for purposes of this section, artistic and historical significance shall not be taken into account. A county, city or town which enacts an ordinance levying the service charge on state-owned property after January 1, 1981, shall notify in writing the Governor and each state agency affected by such charge at least twelve months prior to the effective date of such local ordinance.

C. Any person aggrieved by the assessment or the valuation of real estate for purposes of this section may apply to the commissioner of the revenue or other assessing officer for correction thereof. If the commissioner or other officer finds that the assessment or valuation is erroneous, he shall correct the same. Any person aggrieved by the decision of such officer may appeal to the court of record of the county or city, as provided in § 58-1145.

D. Such governing body may additionally exempt any class of organization set out in § 58-12 et seq.

2. That § 4-9.14 of Chapter 760 of the 1980 Acts of Assembly is repealed.

