

State Budget Opportunities For the Next Session?

Virginia Association of Counties

FISCAL ANALYTICS, LTD.

NOVEMBER, 2019

2019 Session Review

- \$1.6 billion in additional 2018-20 biennium GF/Lottery appropriations compared to the 2018 Session.
 - Primarily due to \$553 mil. FY 18 GF surplus carryforward, which also increased the base of revenues for the 2018-20 biennium.
 - New internet sales tax collections were estimated to provide about \$150 mil. in new annual revenue – of which \$92 mil. is GF.
- Rainy Day Fund and Cash Reserves increased by \$835 million and **Medicaid/CHIP re-forecast required \$410 million** – accounting for the bulk of new spending.
- Separately, federal income tax reform was estimated to provide \$1.2 billion in new biennium revenues. Virginia tax relief actions returned or reserved \$1.0 billion – leaving an estimated \$230 mil. in the 2018-20 budget for spending.
- \$431 mil. in taxpayer refunds in October and \$24 mil. “Taxpayer Relief Fund” were off-budget and contingent on 5.9% FY 2019 GF revenue growth, not 3.3% revenue growth approved in the budget.
 - \$110 single/\$220 married refunds issued. “Taxpayer Relief Fund” created with any certified unreturned individual income tax revenues resulting from federal tax relief.

Major 2019 Session K-12 Budget Changes

- State K-12 direct aid spending **was increased by only \$85 mil.**, which included \$35 mil. of additional Lottery funds. Major changes:
 - Additional 2% teacher salary increase to 5% – \$73 mil. (9/1/19)
 - Additional at-risk add-on funding to 16% by FY 20 - \$25 mil.
 - Additional guidance counselors - \$12 mil.
 - Lottery flexible funding - \$35 mil.
 - Literary Fund - \$35 mil.
 - Additional sales tax - \$13 mil.
 - Continue VPI Plus slots - \$6 mil.
 - Additional school safety initiatives – Over \$10 mil.
 - *Lower* student counts and “technical” adjustments reduced funding by \$145 mil.
- *See Appendix for other budget changes of interest to local government*

2019 Session Adopted GF Budget (\$ Mil.)

	Previous	Adopted		Previous	Adopted		Biennium
	<u>FY 2019</u>	<u>FY 2019</u>	<u>Change</u>	<u>FY 2020</u>	<u>FY 2020</u>	<u>Change</u>	<u>Change</u>
Legislative and Executive	\$129.5	\$134.6	\$5.1	\$129.4	\$134.3	\$4.9	\$10.0
Judicial Dept.	\$495.7	\$495.7	\$0.0	\$505.1	\$507.3	\$2.2	\$2.2
Administration/Comp Board	\$738.0	\$736.1	(\$1.9)	\$740.2	\$740.0	(\$0.2)	(\$2.1)
Treasury Board Debt Service	\$759.1	\$735.2	(\$23.9)	\$807.6	\$776.4	(\$31.2)	(\$55.1)
Other Finance	\$184.2	\$184.4	\$0.2	\$179.4	\$182.0	\$2.6	\$2.8
Rainy Day Fund Deposit	\$0.0	\$0.0	\$0.0	\$0.0	\$360.5	\$360.5	\$360.5
Car Tax Reimbursement	\$950.0	\$950.0	\$0.0	\$950.0	\$950.0	\$0.0	\$0.0
Commerce and Trade	\$225.7	\$231.5	\$5.8	\$230.1	\$302.3	\$72.2	\$78.0
Agriculture / Nat. Resources	\$213.4	\$219.3	\$5.9	\$173.8	\$256.4	\$82.6	\$88.5
K-12 Education/DOE	\$6,334.4	\$6,320.6	(\$13.8)	\$6,512.6	\$6,581.4	\$68.8	\$55.0
Higher & Other Education	\$2,109.2	\$2,108.8	(\$0.4)	\$2,176.8	\$2,274.0	\$97.2	\$96.8
DMAS Medicaid	\$4,693.0	\$4,875.3	\$182.3	\$4,775.5	\$4,988.7	\$213.2	\$395.5
Other Health & Human Services	\$1,954.7	\$1,935.1	(\$19.6)	\$2,046.0	\$2,085.2	\$39.2	\$19.6
Public Safety & Veterans/HS	\$2,035.8	\$2,044.5	\$8.7	\$2,041.0	\$2,072.3	\$31.3	\$40.0
Transportation	\$41.0	\$41.0	\$0.0	\$41.0	\$41.0	\$0.0	\$0.0
Central Appropriations	\$81.3	\$87.8	\$6.5	\$288.8	\$273.5	(\$15.3)	(\$8.8)
Cash Reserve	\$45.5	\$342.7	\$297.2	\$45.5	\$222.8	\$177.3	\$474.5
Independent Agencies/Capital	<u>\$0.3</u>	<u>\$1.5</u>	<u>\$1.2</u>	<u>\$0.2</u>	<u>\$3.2</u>	<u>\$3.0</u>	<u>\$4.2</u>
Total GF Appropriations	\$20,990.8	\$21,444.1	\$453.3	\$21,643.0	\$22,751.3	\$1,108.3	\$1,561.6

GF Appropriations Growth Since 2014

	<u>FY 2014</u>	<u>FY 2020</u>	<u>\$ Change</u>	<u>% Change</u>
Legislative and Executive	\$103.2	\$134.3	\$31.1	30.1%
Judicial Dept.	\$425.2	\$507.3	\$82.1	19.3%
Administration/Comp Board	\$654.1	\$740.0	\$85.9	13.1%
Treasury Board Debt Service	\$608.5	\$776.4	\$167.9	27.6%
Other Finance	\$171.8	\$182.0	\$10.2	5.9%
Rainy Day Fund Deposit	\$339.6	\$360.5	\$20.9	6.2%
Car Tax Reimbursement	\$950.0	\$950.0	\$0.0	0.0%
Commerce and Trade	\$183.3	\$302.3	\$119.0	64.9%
Agriculture / Nat. Resources	\$144.0	\$256.4	\$112.4	78.1%
K-12 Education/DOE	\$5,292.7	\$6,581.4	\$1,288.8	24.3%
Higher & Other Education	\$1,782.1	\$2,274.0	\$491.9	27.6%
DMAS Medicaid	\$3,519.8	\$4,988.7	\$1,468.9	41.7%
Other Health & Human Services	\$1,541.5	\$2,085.2	\$543.7	35.3%
Public Safety & Veterans/HS	\$1,699.0	\$2,072.3	\$373.3	22.0%
Transportation	\$42.0	\$41.0	-\$1.0	-2.4%
Central Appropriations	\$247.2	\$273.5	\$26.3	10.6%
Cash Reserve	\$0.0	\$222.8	\$222.8	NM
Independent Agencies/Capital	<u>\$1.2</u>	<u>\$3.2</u>	<u>\$2.0</u>	<u>166.7%</u>
Total GF Appropriations	\$17,705.2	\$22,751.3	\$5,046.1	28.5%

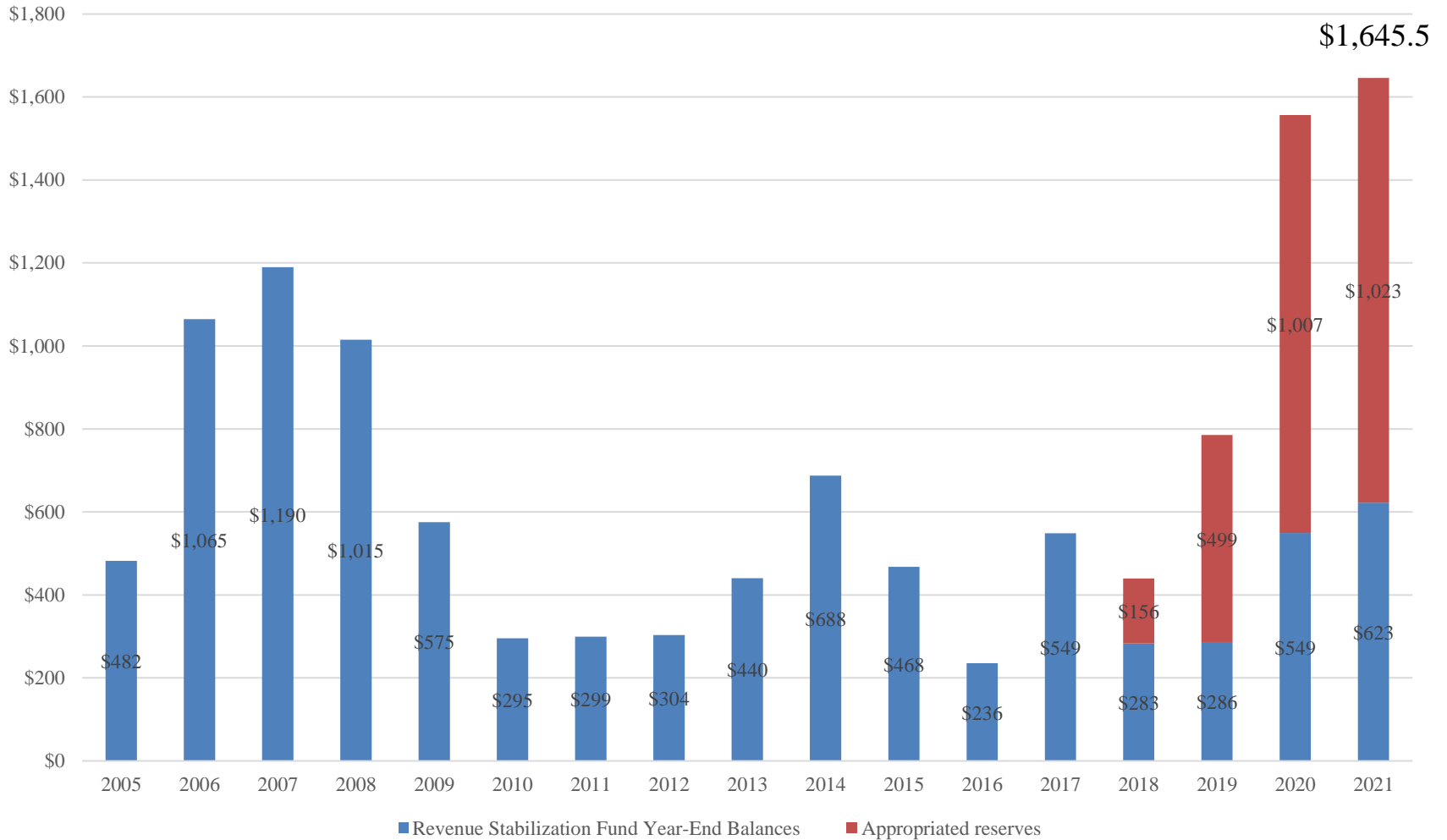
State Aid to Localities Continues to Decline as a Share of the GF Budget

GF State Aid to Localities (\$ Mil.)					
	<u>FY 2009</u>	<u>FY 2014</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Direct Aid to K-12	\$5,607.6	\$5,240.3	\$5,963.0	\$6,258.7	\$6,516.9
K-12 % of Total GF Appropriations	35.2%	29.6%	29.2%	29.2%	28.6%
Health and Human Services	888.4	791.7	951.0	1,000.7	1,046.6
<i>CSA</i>	299.7	217.2	279.9	292.7	302.6
<i>Community MH/SA Services</i>	249.4	269.3	350.4	371.4	411.7
<i>Local Social Services Staff</i>	117.4	115.3	122.1	124.6	125.4
<i>Community Health Programs</i>	117.6	107.2	117.9	130.5	125.1
<i>Welfare Services and Programs</i>	104.3	82.7	80.7	81.5	81.8
Public Safety	734.3	687.9	738.8	755.4	763.8
<i>Local Sheriffs Offices</i>	406.1	411.3	452.4	464.5	465.3
<i>Local Police Depts HB 599</i>	197.3	172.4	178.0	184.5	191.7
<i>Local Jail Per diem</i>	80.1	59.4	61.3	58.7	59.1
<i>Assistance for Juvenile Justice</i>	50.8	44.8	47.1	47.7	47.7
Econ. Dev/Housing/Libraries/Envir.	54.7	56.0	89.2	116.5	114.9
Constitutional Officers	155.3	145.8	158.0	161.5	163.2
Dept. of Accounts Transfers	49.3	49.3	49.6	48.9	48.9
Car Tax	950.0	950.0	950.0	950.0	950.0
Aid-to-Locality Reduction	(50.0)	-	-	-	-
Total Local GF Aid	\$8,389.6	\$7,921.0	\$8,899.6	\$9,291.7	\$9,604.3
Total GF Appropriations	\$15,943.0	\$17,705.2	\$20,449.9	\$21,444.1	\$22,751.3
Local Aid % of Total GF	52.0%	44.1%	43.5%	43.3%	42.2%

FY 2019: \$797 Mil. GF Surplus

- FY 19 forecasted GF revenue/transfers growth was 5.5% - 3.2% for appropriations, plus 2.3% to fund the Taxpayer Relief Fund.
- Actual announced FY 19 GF revenue/transfers growth was 7.1% resulting in a \$797 mil. surplus. \$431 million of the surplus is for refunds and \$24 million for additional tax relief.
- The remaining surplus and unspent balances reserved as follows:
 - \$34.5 mil. for a required WQIF deposit
 - \$73.6 mil. for a required Revenue Stabilization Fund deposit in FY 21.
 - \$270.8 mil. for a *proposed* voluntary Revenue Reserve deposit.

With 2019 Surplus, FY 2021 Reserves Increase to Over \$1.6 Bil.



Note: Approximately \$300 mil. more needed to reach 8% GF reserves by FY 2022

Major Issues for 2020-22 Budget

- Virginia economic growth estimates coming down compared to last year.
- Risk of a sharp downdraft in non-withholding income tax revenues.
 - *How much of FY 19 surplus is one-time revenue due to capital gains or taxpayer behavior changes from federal tax reform?*
- Continue making revenue reserve deposits to achieve 8% of GF?
- Should spending policies match short-term nature of TCJA federal individual income tax policy?
- Will permanent business revenue increases expected from TCJA federal tax policy changes materialize?
- Preliminary SOQ re-benchmarking cost increases = \$545M
- Medicaid and health care cost increases.
- Risk of downward VRS investment return rate assumptions
 - *Each 0.25% investment return reduction assumption raises annual state GF costs by \$90 mil. (approx. \$58 mil. GF for teacher pool)*
- Unregulated “games of skill” eating into Lottery profits.

Using a Reduced VRS Discount Rate of 6.75% Has Major Budget Implications

Plan	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2021</u>		Difference	Current Funded Status
	<i>7.0% Rate</i>	@7.0% Rate	@6.75% Rate		
State Employees	13.52%	13.12%	14.46%	1.34%	75.5%
SPORS	24.88%	23.88%	26.26%	2.38%	
VaLORS	21.61%	20.19%	21.88%	1.69%	
JRS	34.39%	27.76%	29.84%	2.08%	
Teachers	15.68%	15.00%	16.62%	1.62%	74.7%
Employer Contributions:					
General Fund	\$892,433,000	\$875,484,000	\$965,911,000	\$90,427,000	
Non- General Fund	\$1,125,674,000	\$1,112,072,000	\$1,229,994,000	\$117,922,000	

Source: VRS presentation to the Senate Finance Committee, Oct. 22, 2019

Expect Virginia Economy to Continue Underperforming the U.S., But Still Produce Respectable Wage Gains

(Percent Annualized Growth)

	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	<i>Forecast FY 2020*</i>	<i>Forecast FY 2021*</i>	<i>Forecast FY 2022*</i>
US Real GDP	1.7	1.5	1.7	1.2	0.8	0.7
US Consumer Spending	2.6	2.8	2.8	2.8	2.6	2.5
CPI (Inflation)	1.9	2.2	2.1	2.2	1.8	2.2
US Employment	1.7	1.5	1.7	1.2	0.8	0.7
VA Employment	1.0	1.2	1.2	0.7?	0.3?	0.2?
US Personal Income	3.5	5.4	5.1	4.5	4.3	4.4
VA Personal Income	2.7	4.6	4.9	3.9?	3.7?	3.8?
US Wages and Sal.	3.6	5.3	4.9	5.2	4.8	4.6
VA Wages and Sal.	3.3	4.3	4.4	4.6?	4.2?	4.0?
VA Income Tax WH	5.2	5.4	3.6	??	??	??

* Source: VA Dept. of Taxation and IHS Markit September US Forecast

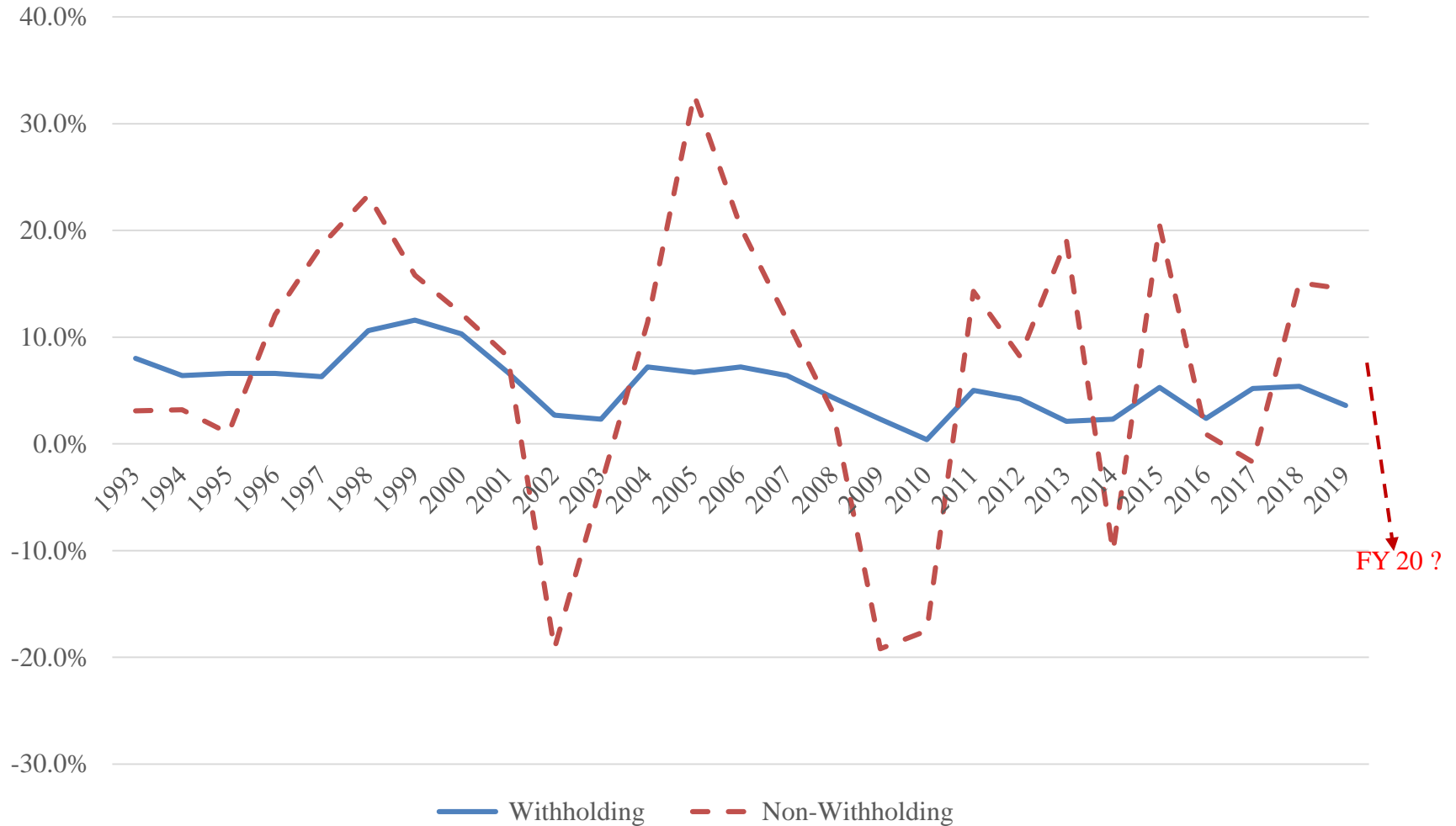
FY 20 General Fund Growth Looks Good So Far, But Policymakers Wary of Refunds, Final Payments in Apr-June

	% of GF	Official FY 20 Forecast (\$M)	% Growth Thru Sept.	% Growth Required for Forecast
Withholding	62.8%	\$13,539.7	5.8%	4.2%
Estimated Pay/Tax Dues	17.8%	3,837.9	16.5	(3.5)
Refunds	<u>-9.8%</u>	<u>(2,115.1)</u>	<u>15.0</u>	<u>21.7</u>
Net Individual Income	70.8%	15,262.5	7.2	0.2
Sales Taxes*	17.3%	3,729.5	7.8	4.2
Corporate Income	4.8%	1,030.8	8.5	9.3
Recordation	1.7%	386.6	25.4	(4.6)
All Other	<u>5.4%</u>	<u>1,147.3</u>		
Total GF Revenues	100.0%	\$21,556.7	8.2%	1.2%

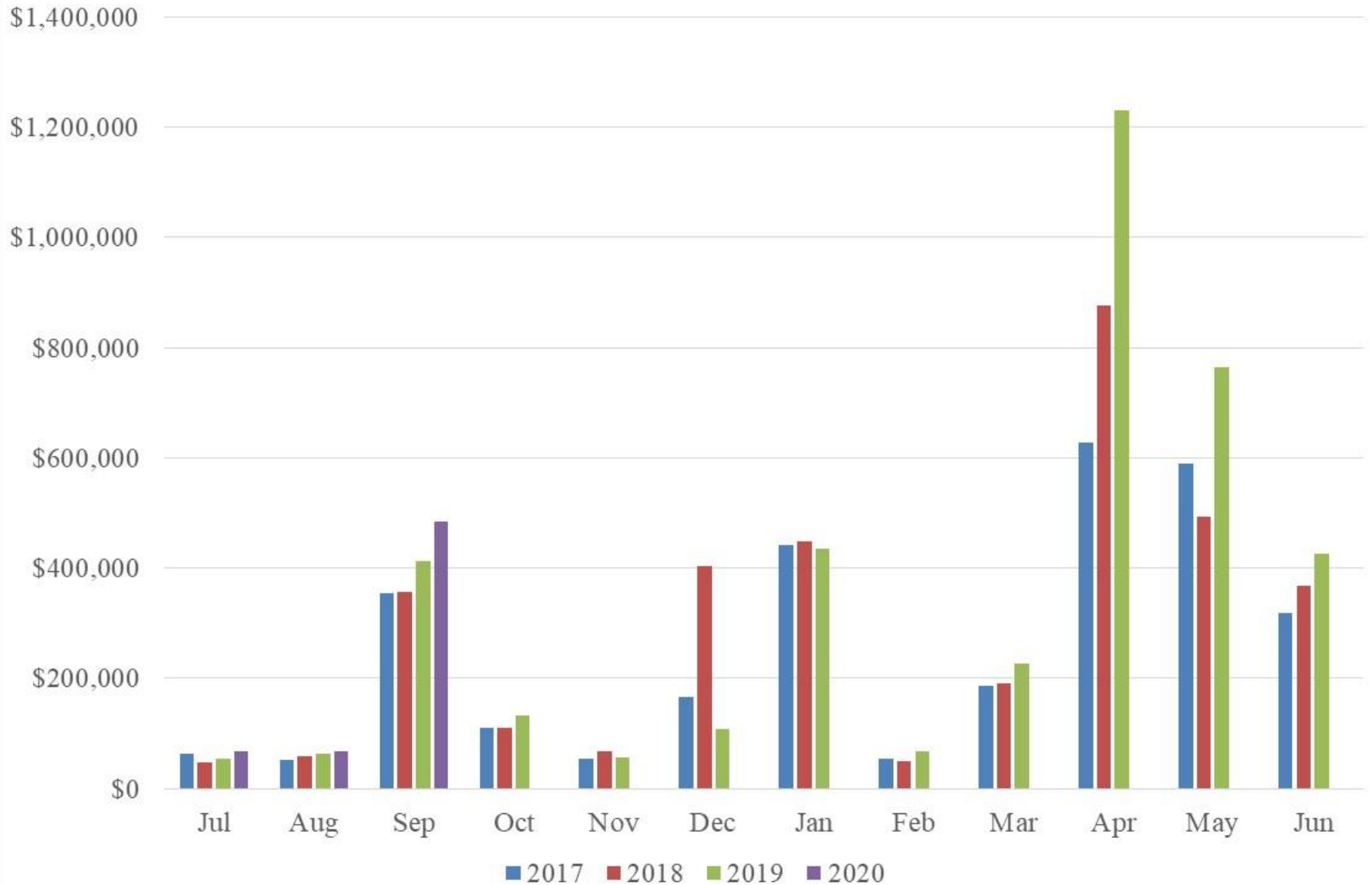
* Most sales tax growth is the result of July 1 start date for internet sales collections (Wayfair court decision)

Will Non-Withholding Income Tax Receipts Plummet in FY 2020?

Annual % Growth Rate in Withholding and Non-Withholding Income Tax



Non-Withholding Income Tax Collections (\$1,000's)



2019 Session Tax Relief is Unfinished

	Estimated Revenue Impact (\$ Mil.)					
	<i>FY 19</i> <i>Actual</i>	<i>FY 20</i>	<i>FY 21</i>	<i>FY 22</i>	<i>FY 23</i>	<i>FY 24</i>
TCJA Impact:						
<i>Individual Income</i>	\$399	\$444	\$467	\$493	\$520	\$546
<i>Business and International</i>	\$67	\$167	\$187	\$306	\$423	\$405
Total TCJA Est. Impact	\$466	\$611	\$654	\$799	\$943	\$951
State Tax Reform:						
\$110 S/\$220M Refund	(\$431)	\$0	\$0	\$0	\$0	\$0
50% Standard Deduction Increase, Unlimited Property Tax Deduction, Deconform Pease Limitation	\$0	(\$308)	(\$204)	(\$208)	(\$212)	(\$216)
International GILTI and 20% Net Interest Deduction	(\$11)	(\$23)	(\$24)	(\$26)	(\$27)	(\$28)
Taxpayer Relief Fund	(\$24)	(\$113)	(\$238)	(\$260)	(\$281)	(\$302)
Remaining for State GF	--	\$167	\$187	\$306	\$423	\$405



Can the 2020-22 Biennium Budget Restore Local Government Funding?

- FY 2019 revenue surplus already committed – mainly to reserves.
- **About 1% revenue growth needed in FY 2020 to meet current appropriations.** Income tax non-withholding and refunds are key having grown about 15% better than forecast in FY 2019. **Non-withholding can shrink 3.5% and still make its FY 20 forecast. Will it fall even more than forecast (like FY 14)?**
 - Income tax withholding and sales tax grew 3.8% and 3.7% respectively in FY 19, but need 4.2% growth each in FY 20 to make their forecasts.
 - Online sales tax gains appear to be greater than expected for FY 2020 – providing support for the existing forecast.
 - Will corporate income tax revenues increase as expected in FY 20?
- Over \$650 million in one-time spending in FY 2020 (RDF, cash reserves, WQIF) does provide structural balance and spending flexibility for the 2020-22 biennium.
- Retained additional business tax revenue from federal TCJA changes adds insurance to 2020-22 revenue growth projections.
- Will General Assembly provide additional tax relief?
- Given the length of the current economic expansion, already low unemployment in Virginia, and continued taxpayer behavior uncertainty related to federal TCJA, **expect revenue growth projections in December to be conservative.**
- **Many deferred budget demands - particularly in health and human services.**

Lowered December GF Revenue Forecast Would Allow Little 2020-22 Spending Flexibility

	<u>\$ Millions</u>
FY 2020 GF Appropriations (adjusted for Medicaid reduction)	\$22,748
Minus: FY 2020 RDF/Cash Reserves/WQIF	\$657
Above Net x 2 - (\$212 m Medicaid forecast adjustment) = 2020-22 Biennial Base GF Appropriations	\$44,181
2020-22 GF revenues: Assume FY 20 \$200m revenue reduction and growth of 2.0% FY 21 and 3.5% FY 22	\$45,630
Net New Spending Available	\$1,661
New 2020-22 Medicaid Spending Forecast	\$675
2020-22 K12 Rebenchmarking (3% growth)	\$546
VRS Investment Assumption Reduction to 6.75%	\$181
Est. Net Available For All Other Spending	\$259

“Normal” GF Revenue Growth Could Produce Some 2020-22 Spending Flexibility

	<u>\$ Millions</u>
FY 2020 GF Appropriations	\$22,748
Minus: FY 2020 RDF/Cash Reserves/WQIF	\$657
Above Net x 2 - (\$212 m Medicaid forecast adjustment) = 2020-22 Biennial Base GF Appropriations	\$44,181
2020-22 GF revenues: Assume FY 20 meets current forecast and 3.5% growth in both FY 21 and FY 22	\$46,703
Net New Spending Available	\$2,734
New 2020-22 Medicaid Spending Forecast	\$675
2020-22 K12 Rebenchmarking (3% growth)	\$546
VRS Investment Assumption Reduction to 6.75%	\$181
Est. Net Available For All Other Spending	\$1,332

Expect Medicaid to Grow 6% per Year in Out Years

Managed Care Rate Increases Setting the Pace

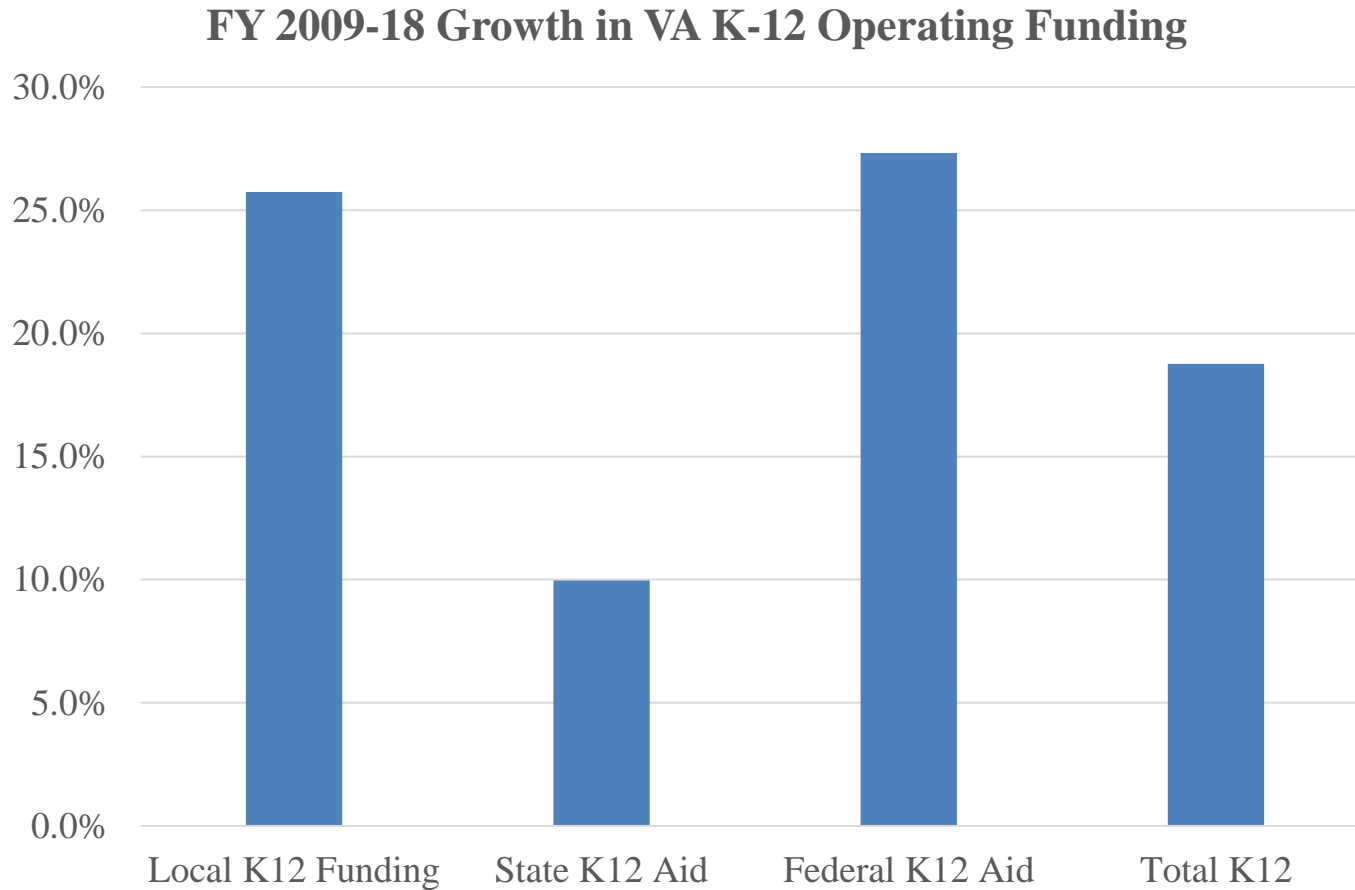
<u>Fiscal Years</u>	<u>GF Annual Growth</u>
2000-2009	8.8%
2010-2015	6.2%
2016	9.3%
2017	7.2%
2018	5.5%
2019	4.8%
<i>2020 Forecast*</i>	<i>-1.8%</i>
<i>2021 Forecast</i>	<i>7.6%</i>
<i>2022 Forecast</i>	<i>5.9%</i>

* GF (incl. Health Care Fund) growth rate influenced by shift of certain individuals to lower Medicaid state expansion rate

2019 Adopted State Per Pupil K-12 Direct Aid Funding Nominal and Inflation-Adjusted (CPI \$2005)

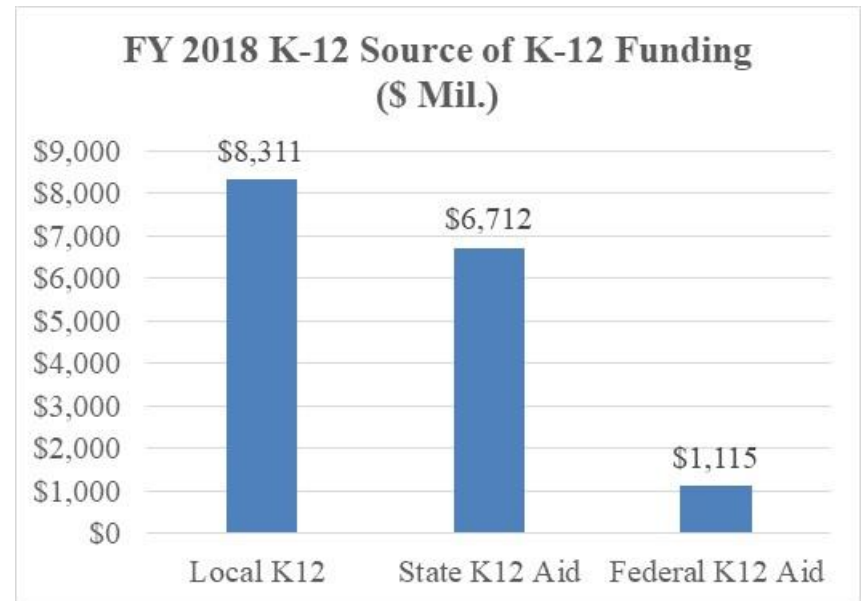
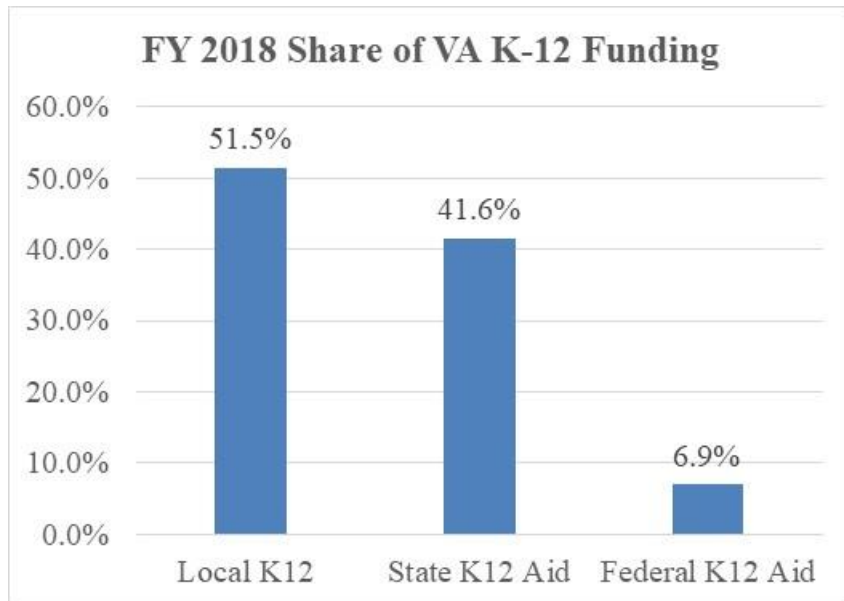


Local Expenditures Have Grown Much Faster Than State K-12 Aid Since FY 2009



Source: DOE Superintendents Annual Reports
http://www.doe.virginia.gov/statistics_reports/supts_annual_report/index.shtml

Local Government Is the Largest Source of K-12 Operating Funding in Virginia



Source: DOE Superintendents Annual Reports

http://www.doe.virginia.gov/statistics_reports/supts_annual_report/index.shtml

Board of Education SOQ Policy Revisions (About \$850 M/Yr.) Would Essentially Restore Recession-Era Cuts

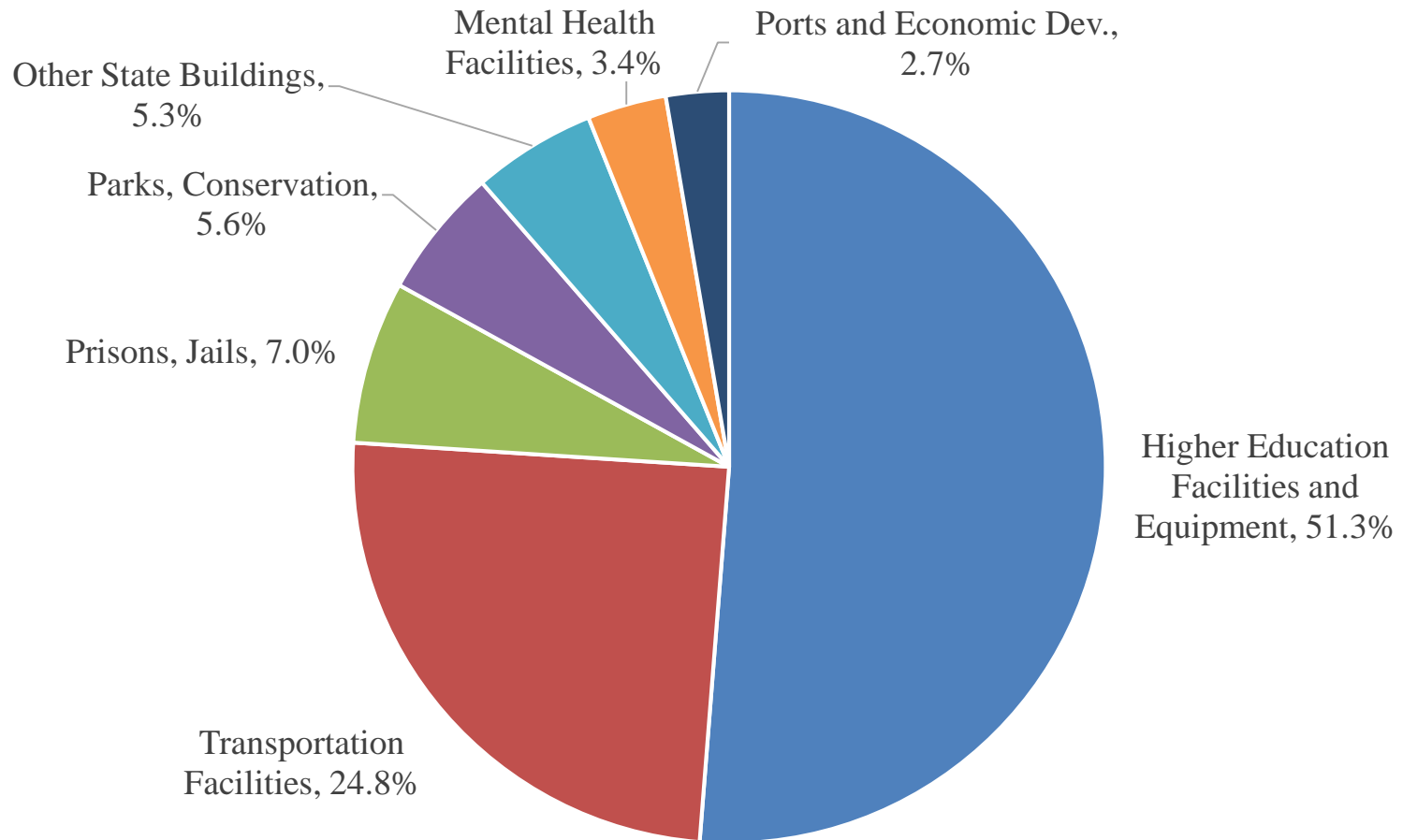
- Consolidated At-Risk Add-on/Prevention-Remediation Fund in SOQ (\$131M)
 - Most additional funding provided for new positions or teacher compensation to support at-risk students.
- Teacher Leaders/Mentors (\$102m) - One per 15 teachers with 2 year's experience and 1 per 50 with 3 or more years experience - 20% state prevailing salary boost.
- Increase ESL Teacher ratios depending on student proficiency levels (\$27m)
- Specialized Student Support Personnel (\$100m) - Employ at least 4 specialized student support positions per 1,000 students (social workers, psychologists, nurses)
- School Counselors (\$88m) - Reaffirm 2016 recommendation of 1 to 250 students. 2019 GA partially funded recommendation.
- Elementary School Principals (\$8m) - Reaffirm 2016 recommendation to employ principal even under 300 students.
- Assistant Principals (\$84m)- Reaffirm 2016 recommendation to employ Assistant Principals for each 400 students.
- Reaffirm 2016 recommendation to eliminate Support Position cap (\$372m minus "Specialized Student Support Personnel" item)
- Reading Specialists (\$37m)
- Workbase Learning Coordinators and Reading Specialists (\$1m).
- Principal Mentor Programs (\$1m)

FY 2019 Virginia Public School Construction and Renovation Costs (\$ Mil.)					
	<u>Number</u>	<u>Cost</u>	<u>Avg. Cost</u>		
New Elementary Schools	5	\$157.0	\$31.4		
New Middle Schools	4	\$198.0	\$49.5		
New High Schools	2	\$218.7	\$109.4		
New Combined or Other	1	\$81.5	\$81.5		
Additions/Renovations	<u>40</u>	<u>\$425.4</u>	\$10.6		
Total	57	\$1,080.6 mil.			

Source: http://www.doe.virginia.gov/support/facility_construction/school_construction/costs/

Note: While a few Literary Fund loans have been issued over the last year, most projects and interest rate subsidies have been on hold since the 2008 recession. Existing Priority List projects are old and most have already used other financing mechanisms. In the 2019 Session, the General Assembly provided \$5 million for a VPSA interest rate subsidy program guidelines being developed) and \$30 million for a Literary Fund loan program in fiscal year 2020 for projects that are on the Board of Education's First Priority Waiting List. If funding is available, projects on the Second Priority List can be addressed. Maximum Literary Fund loan is \$7.5 mil.

Difficult to Use State Debt Capacity for Local Schools FY 2009-18 Tax-Supported Debt Issued - \$11.0 Bil.



\$4.9 bil. in currently authorized, but unissued debt. DCAC estimates 10 year avg annual capacity of \$671 mil. in new debt and still keep debt service under 5% of blended revenues (No recession forecast).

Source: Debt Capacity Advisory Committee Report to the Governor, Dec. 19, 2018

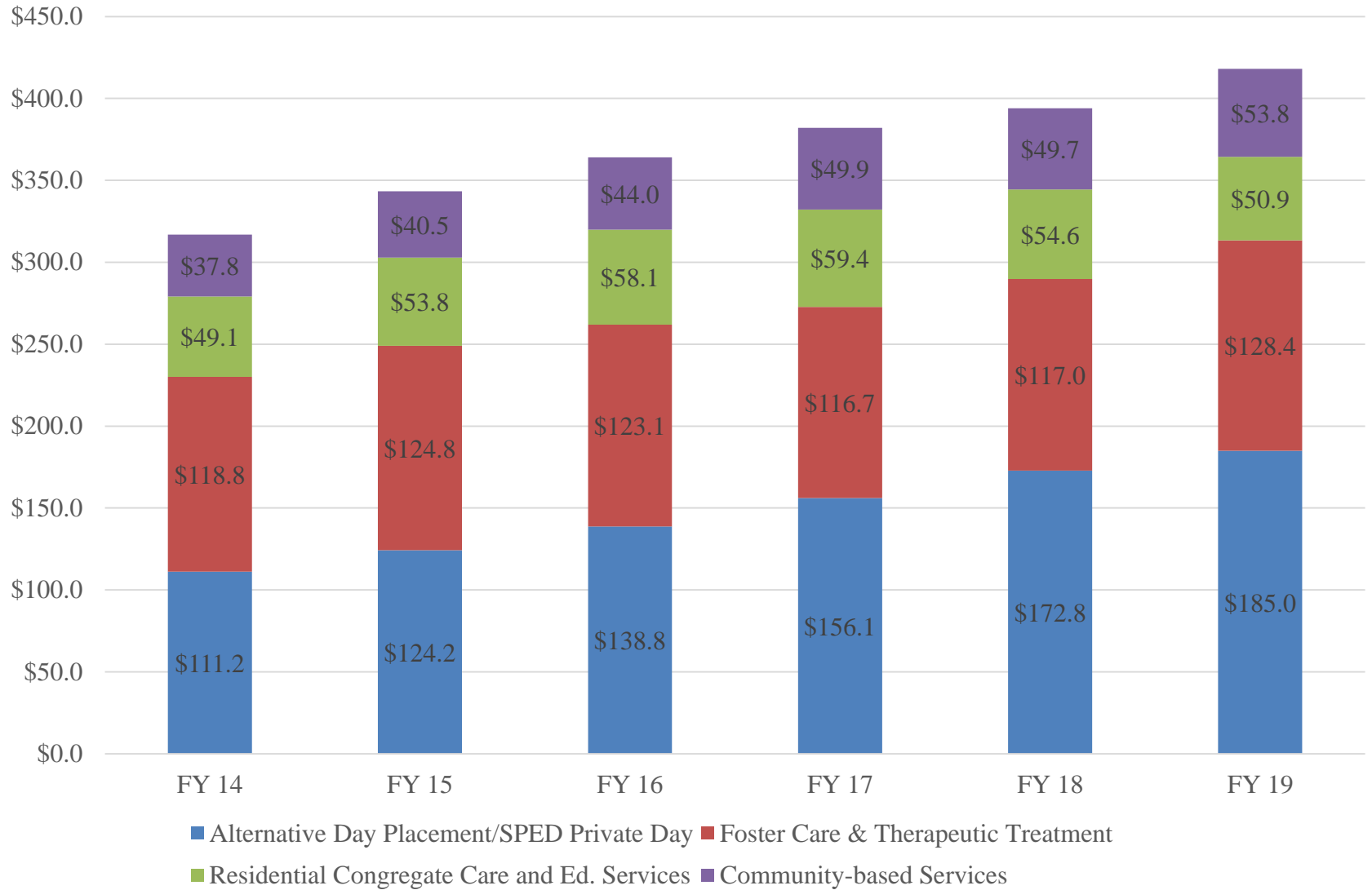
Major Health and Human Service Budget Needs for the 2020-22 Biennium (GF)

- STEP –VA Mental Health mandates and administration improvements - \$135m
- DSS child welfare package (improvements to foster care system, implementation of federal “Family First” requirements, etc.) - \$127m
- Reduction in federal match rate for Children’s Health Insurance Programs - \$120m
- Cover costs for Medicaid expansion work requirements - \$50m
- Expansion of waiver slots under DOJ settlement agreement - \$47m
- Projected Children Services Act growth - \$33m
- Comply with legal rulings requiring Departments of Corrections to provide treatment to all offenders that are Hepatitis C positive - \$28m
- Staffing behavioral health standards for jails?
- Alleviate state hospitals overcrowding. Require private hospitals to admit more TDO’s?
- Expand DMAS dental and vision benefits – up to \$91 mil.
- Expand DMAS home visiting programs – up to \$15 mil.

Sampling of Other High Priority Needs and Agency Requests for the 2020-22 Biennium (GF)

- K-12 SOQ covered position 1% salary increase each full year – \$120m
- State employee salary increases?
- HB 599 Aid to Police grown by 3.5% per year - \$20m
- Fund statutory 1:1500 sheriff compensation - \$18m
- Public defender workload increases - \$11m
- 25 percent of unfunded constitutional officer positions - \$20m
- Temporary positions for overcrowded local and regional jails - \$7m
- Micron Semiconductor Manufacturing Grant - \$20m
- Amazon HQ performance grant - \$8 mil.
- Housing Trust Fund increase - \$36 mil.
- Virginia Telecommunication (broadband) Initiative - \$63m
- Virginia Land Conservation Fund - \$15m
- Additional SLAF funding
- Capital outlay and maintenance of state facilities?
- Additional Higher Education Aid?
- Human Resource System replacement costs ?

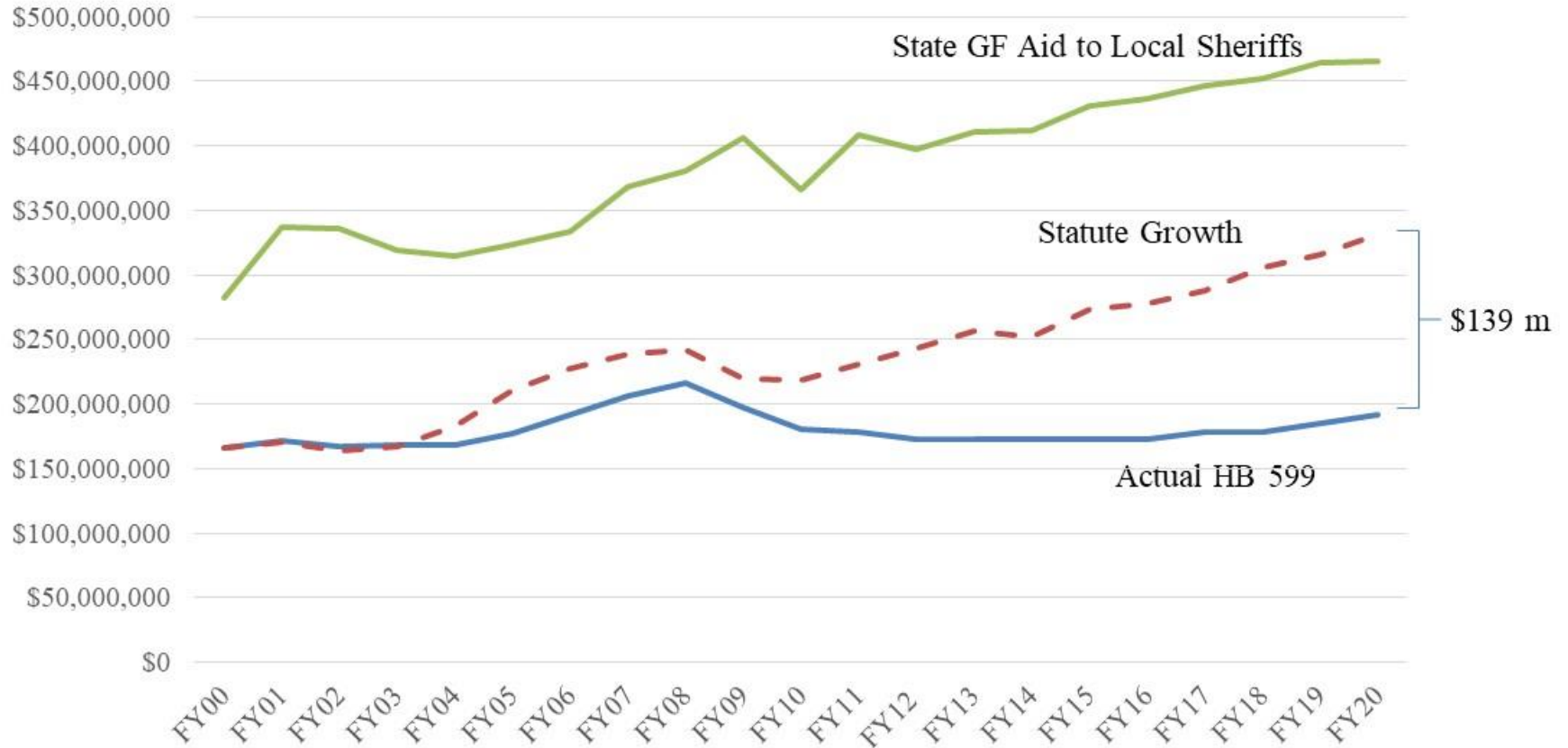
STATE CSA EXPENDITURE GROWTH



Aid-to-Police State GF Comparison

\$139 Mil. More Needed to Match GF Growth Since FY 2000

**Actual State HB 599 Funding vs. Local Sheriffs vs.
Increased by GF Revenue Growth (Statute)**

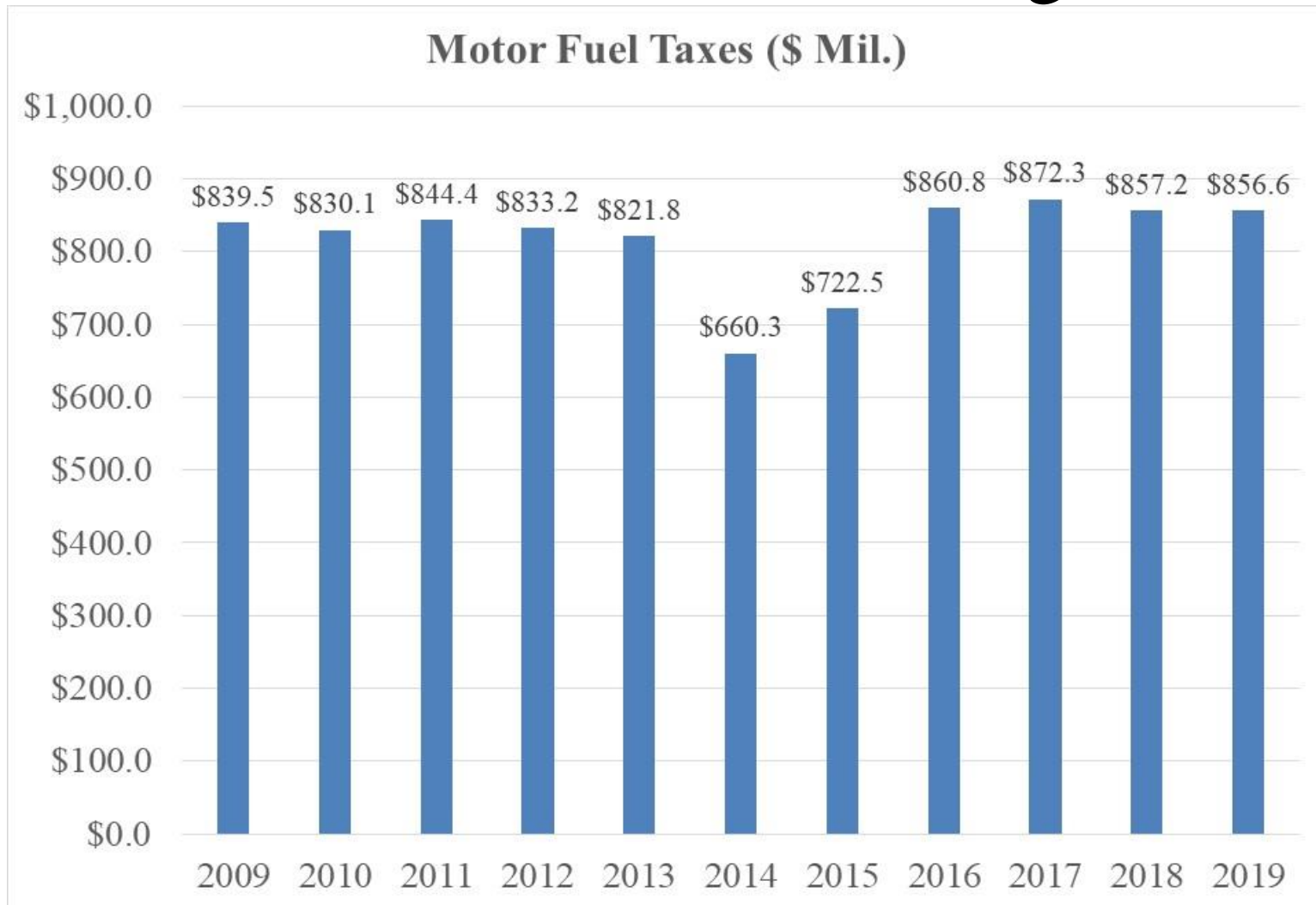


FY 20 \$191.7m appropriation: 39 cities (58.3%); 9 counties (35.4%); 128 towns (6.3%)

State Transportation Revenues Rely on Retail and Motor Vehicle Sales Taxes

	<u>FY 19 Actual</u>
Retail Sales (0.9%)	\$1,087.8
MV Sales (4.15%)	\$978.6
State Motor Fuels (incl. road tax and aviation)	\$856.6
Motor Vehicle Licenses	\$266.1
Insurance Premiums	\$168.7
Int'l Registration Plan	\$72.6
Recordation	\$47.1
MV Rental	\$42.4
All Other	<u>\$35.3</u>
Non-Toll State Revenue Sources	\$3,555.2

Fuel Efficiency and EV Penetration Will Make Gas Taxes a Declining Revenue

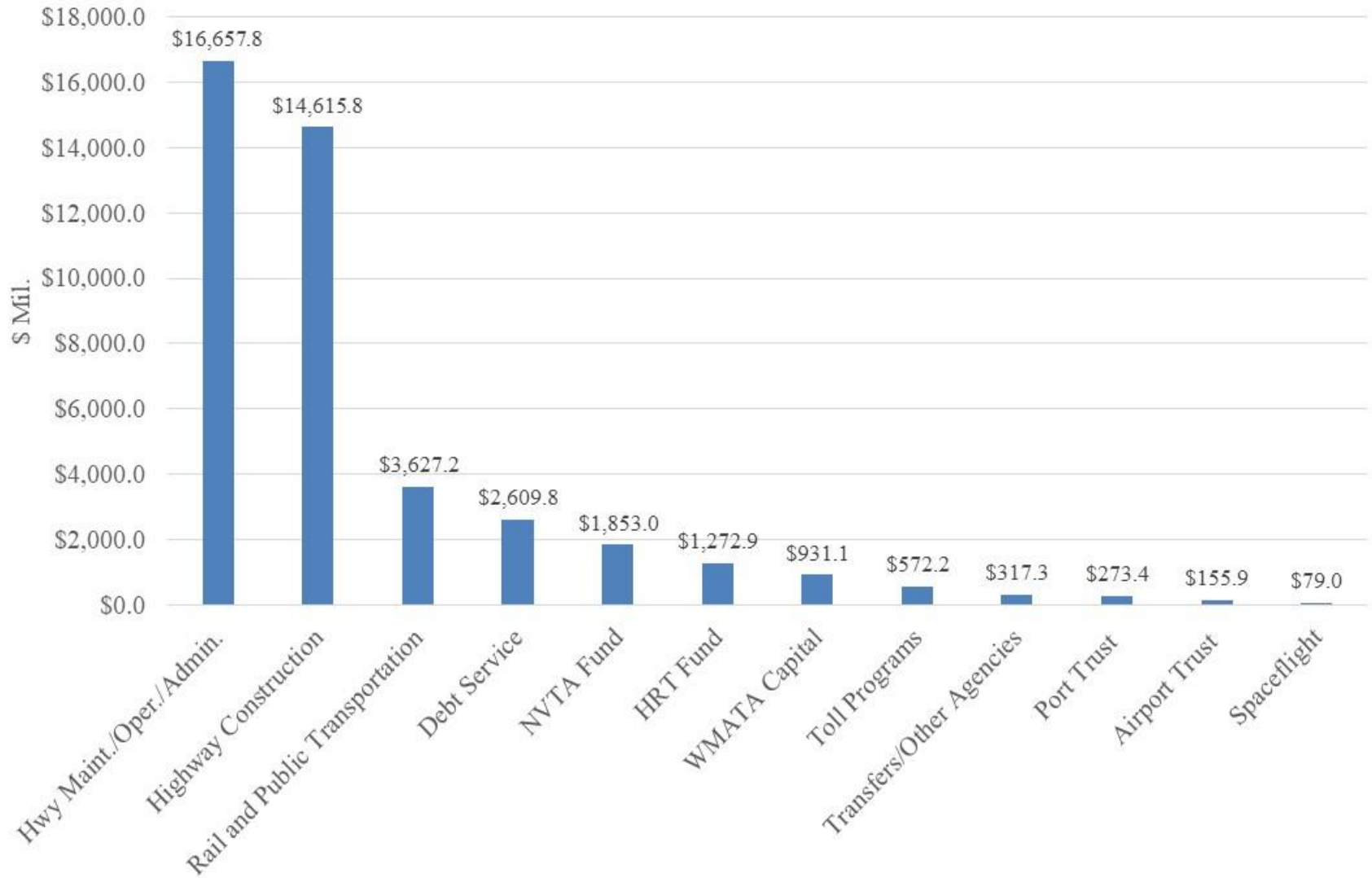


2020-25 SYIP Greater Than 2019-24 Due to HRBT Financing and I-81 Package, But Transportation Resource *Growth* Expected to Be Flat

(Current Adopted Transportation 2020-25 Six-Year Plan)

	<u>State*</u>	<u>Federal</u>	<u>Regional</u>	<u>WMATA Pass-Thru</u>	<u>Bonds</u>	<u>Total</u>
2020	\$5,091	\$1,175	\$485	\$134	\$302	\$7,187
2021	\$5,612	\$1,110	\$503	\$134	\$397	\$7,756
2022	\$5,195	\$1,128	\$519	\$135	\$76	\$7,053
2023	\$5,035	\$1,146	\$530	\$136	\$296	\$7,141
2024	\$4,990	\$1,165	\$539	\$136	\$125	\$6,956
2025	<u>\$4,868</u>	<u>\$1,184</u>	<u>\$550</u>	<u>\$136</u>	<u>\$134</u>	<u>\$6,872</u>
Total	\$30,791	\$6,908	\$3,126	\$811	\$1,330	\$42,965
<u>Change from 2019-24 SYIP</u>	\$5,657	\$152	\$225	(\$7)	(\$13)	\$6,013
* Includes new HRBT project financing and I-81 revenue						

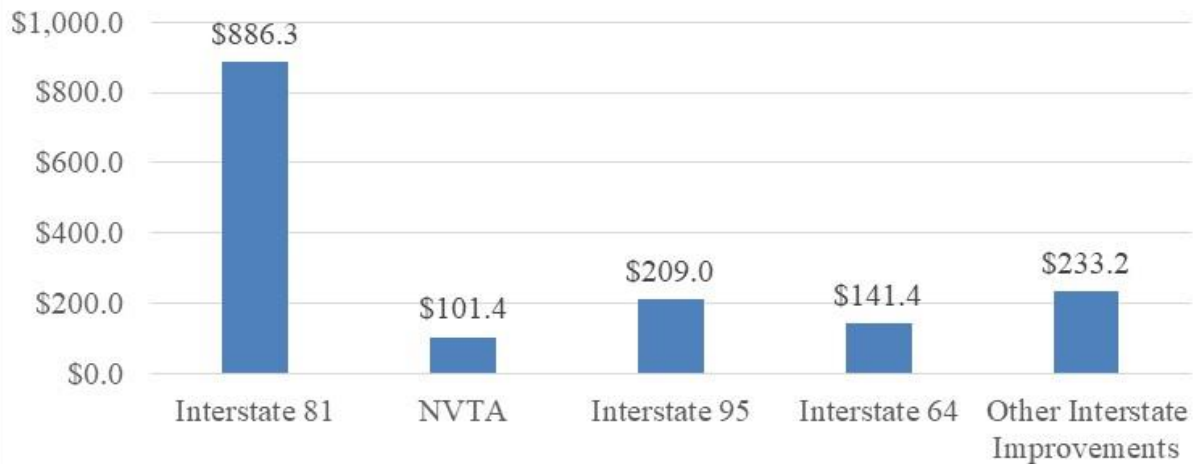
2020-25 Commonwealth Transportation Fund Planned Allocations



New I-81/Interstate Revenue Program 2020-25 SYIP \$ Mil.



New I-81/Interstate Allocations 2020-25 SYIP \$ Mil.



Appendices
Other 2019 Session Budget Changes of
Interest to Local Government

Budget Changes of Interest to Local Government

- Increased funding for constitutional officers and state-supported local employees' salaries from 2 percent to 3 percent, effective July 1, 2019.
- Mandatory \$73.8 mil. deposit to the Water Quality Improvement Fund (WQIF) in FY 2020. A one-time deposit of \$5.9 mil. GF in FY 2019 to the WQIF for livestock stream exclusion practices. Authorizes \$10 mil. in bond proceeds for stormwater assistance (SLAF).
- \$15 mil. GF increase in FY 2020 for the broadband initiative, for total funding of \$23 mil. over the biennium.
- Increases Enterprise Zone funding by \$1 mil. GF in FY 2020 to reduce pro-ration of the Real Property Improvement Grant. Also, clarifies that the installation of solar panels is an eligible expense, beginning on January 1, 2019, provided the investment is at least \$50,000.
- Provides \$2 mil. GF to identify, assess and develop industrial sites.
- \$1 mil. the second year GF for removing, renovating or modernizing port-related buildings and facilities in the cities of Portsmouth, Norfolk, Newport News, Richmond or Front Royal.
- Allows the Commonwealth Transportation Board to allocate supplemental operating funds in FY 2020, not to exceed \$3 million NGF, to transit operators that may otherwise lose operating funds as a result of the new performance-based allocation process developed in 2018.
- Raised \$280 mil. from a 2.1% I-81 corridor regional fuel tax, a statewide diesel tax, and truck registration fee increase to fund I-81 and other interstate improvements.

Budget Changes of Interest to Local Government

- Allows the Department of Behavioral Health and Developmental Services (DBHDS) to make funds available prior to the end of FY 2019 to Community Services Boards (CSBs) whose Medicaid billings for previously-uninsured clients have fallen more than 10 percent short of their GF reductions incorporated in the 2018 budget, and to require reporting on how the expected general fund savings compare to actual Medicaid payments for FY 2019 and in FY 2020, so that adjustments may be made for FY 2020 during the 2020 General Assembly session, if necessary.
- Provides \$7.8 million for crisis services pursuant to the STEP-VA plan adopted in 2017.
- Provides an additional \$2 million GF in FY 2020 for permanent supportive housing, as well as reallocating \$1 million from funding designated for crisis services in the introduced budget. Language requires DBHDS to report on usage of permanent supportive housing.
- Provides an additional \$5.5 million GF in FY 2019 and \$1.5 million in FY 2020 for the Housing Trust Fund, for a total increase of \$7 million over the biennium.
- Provides \$2.5 million in FY 2020 to extend jail mental health pilot programs for an additional 12 months.
- Delays the final report of the study of private day special education rates directed in the 2018 Appropriations Act from July until October 2019.
- Continued \$2 mil./yr diversion to state GF of Communication Sales and Use Trust Fund.

Adopted Recommendations of House Select Committee on School Safety

- Virginia is already seen as a school safety model, primarily due to its threat assessment teams – an expert mix of school and law enforcement, implemented after the 2007 VA Tech shooting and Newtown, CN.
- There were 24 priority recommendations for improved school safety during the 2019 General Assembly session in the areas of: 1) counseling & mental health; 2) training & school security improvements; and 3) miscellaneous locality recommendations, such as mutual aid agreements with other localities to provide emergency services; working with local fire marshals to ensure that any infrastructure improvement complies with the Statewide Fire Prevention Code; increasing collaboration among the various stakeholders in school safety audits and crisis management planning; and better processes for school design and security planning that include various experts.
- Legislation and funding was adopted to:
 - Increase number and realign counselors' roles to spend the majority of their time providing direct student services and relieve administrative duties.
 - Amended the VA Community Crime Control Act so that community services can be provided to juveniles before being brought to court.
 - Increase sharing and training of best practices.
 - Increase collaboration between schools, law enforcement and emergency service personnel.
 - Require school crisis, emergency management, and medical response plans to be developed and reviewed by school boards and first responders.
 - Increased funding for training and personnel.

School Security Funding Adopted in 2019 Session

- \$12 million for additional guidance counselors (\$36 mil. requested by Governor) to lower the school counselor ratios beginning in fiscal year 2020 as follows: from one school counselor per 500 students to one per 455 students in elementary, from one school counselor per 400 students to one per 370 students in middle, and from one school counselor per 350 students to one per 325 students in high schools.
- Increased the School Security Equipment Grant annual allocation from \$6 million to \$12 million beginning in FY 2020 - as recommended by the House Select Committee on School Safety.
- Provided a \$3 million GF increase (to \$4.7 mil.) in FY 2020 for the School Resource Officer Incentive Grant Fund, funding an additional 44 School Resource Officer positions - as recommended by the House Select Committee on School Safety.
- Provided \$280,000 GF in FY 2020 to the Department of Criminal Justice Services (DCJS) for Training and Standards would be used to provide annual active shooter trainings to school and communities, consistent with the recommendations of the House Select Committee on School Safety.
- Provided \$428,000 GF in FY 2020 to the DCJS for Training and Standards would be used for additional training to school resource officers and school security officers, consistent with the recommendations of the House Select Committee on School Safety.
- Provided \$721,000 GF in FY 2020 to the DCJS for Training and Standards would be used to expand training provided to local threat assessment team members, consistent with the recommendations of the House Select Committee on School Safety. The amendment also provides for the development of a threat assessment team case management system.
- Provided \$872,000 GF in FY 2020 to the DCJS for Training and Standards to enhance and expand the school safety training provided by the Department of Criminal Justice Services to Virginia school personnel, consistent with the recommendations of the House Select Committee on School Safety.

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