

Fiscal Realities for Virginia Local Government

Fiscal Analytics, Ltd

August 2016

Since Recession, Local Resources Have Not Kept Pace with Inflation/Population Growth

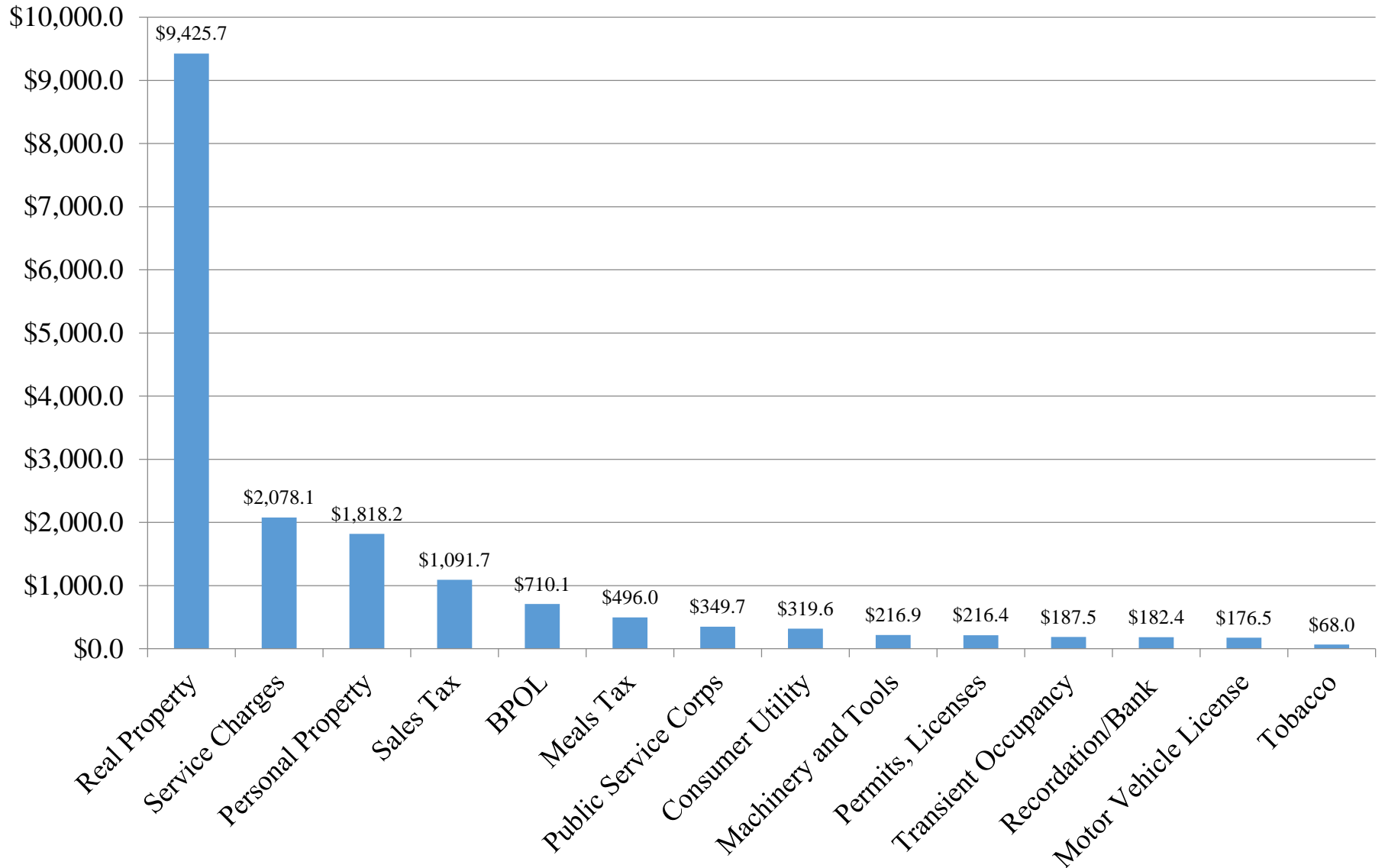
FY 2009 - FY 2015 VA Locality Revenue Growth

| | <u>Locally-Generated</u> | <u>State Sources</u> | <u>All Revenue</u> | Growth in Population/Inflation |
|---|---------------------------------|-----------------------------|---------------------------|---------------------------------------|
| All Localities | 12.0% | 6.6% | 9.6% | 16.8% |
| 46 Localities in 11 CSB's With Performance Contract Waivers | 10.5% | -2.3% | 3.4% | 12.1% |

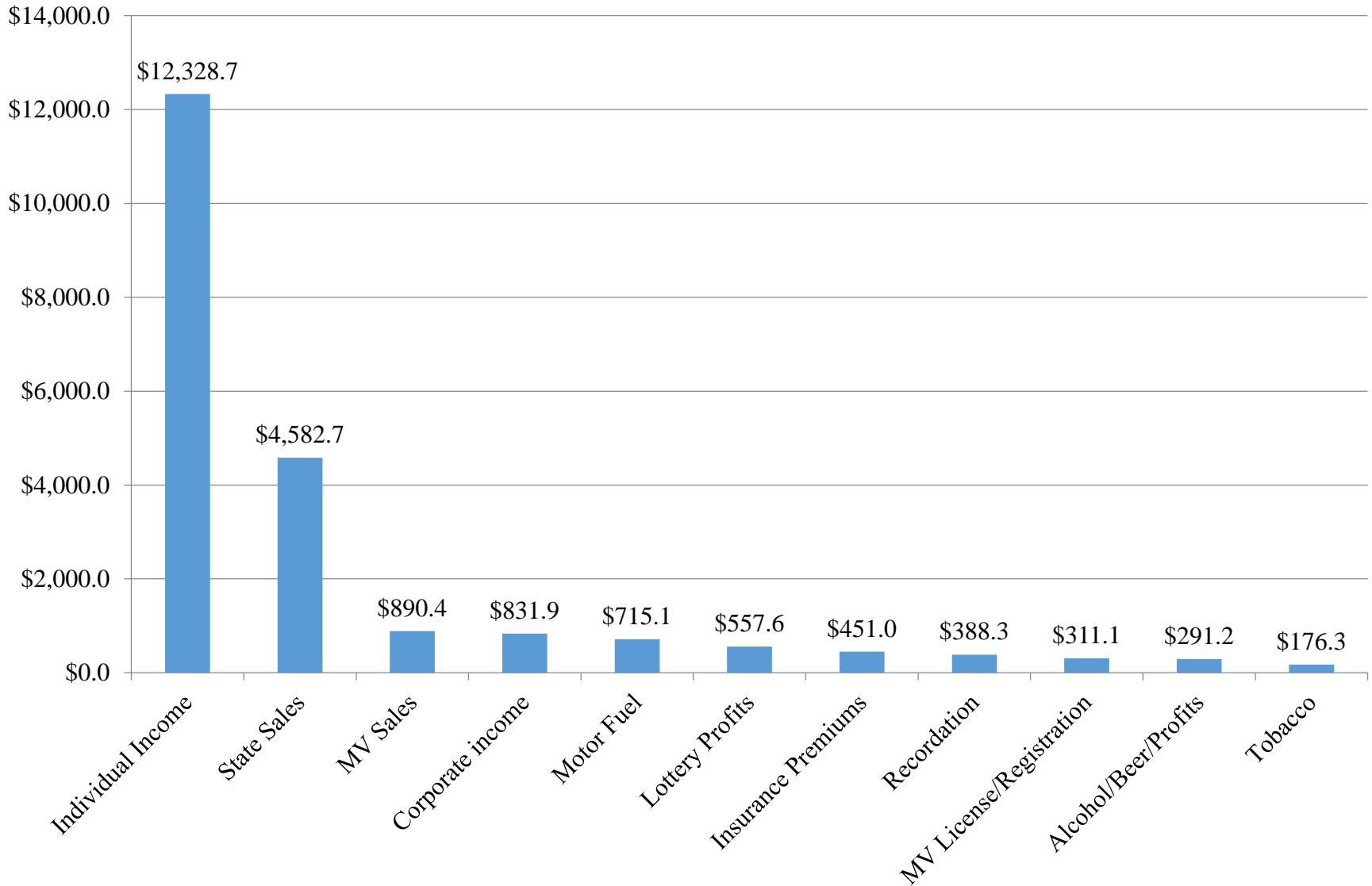
Note: CPI from fiscal years 2009-15 = 10.6%

Sources: Virginia Auditor of Public Accounts Comparative Revenue and Expenditure Reports,
U.S. Bureau of Labor Statistics

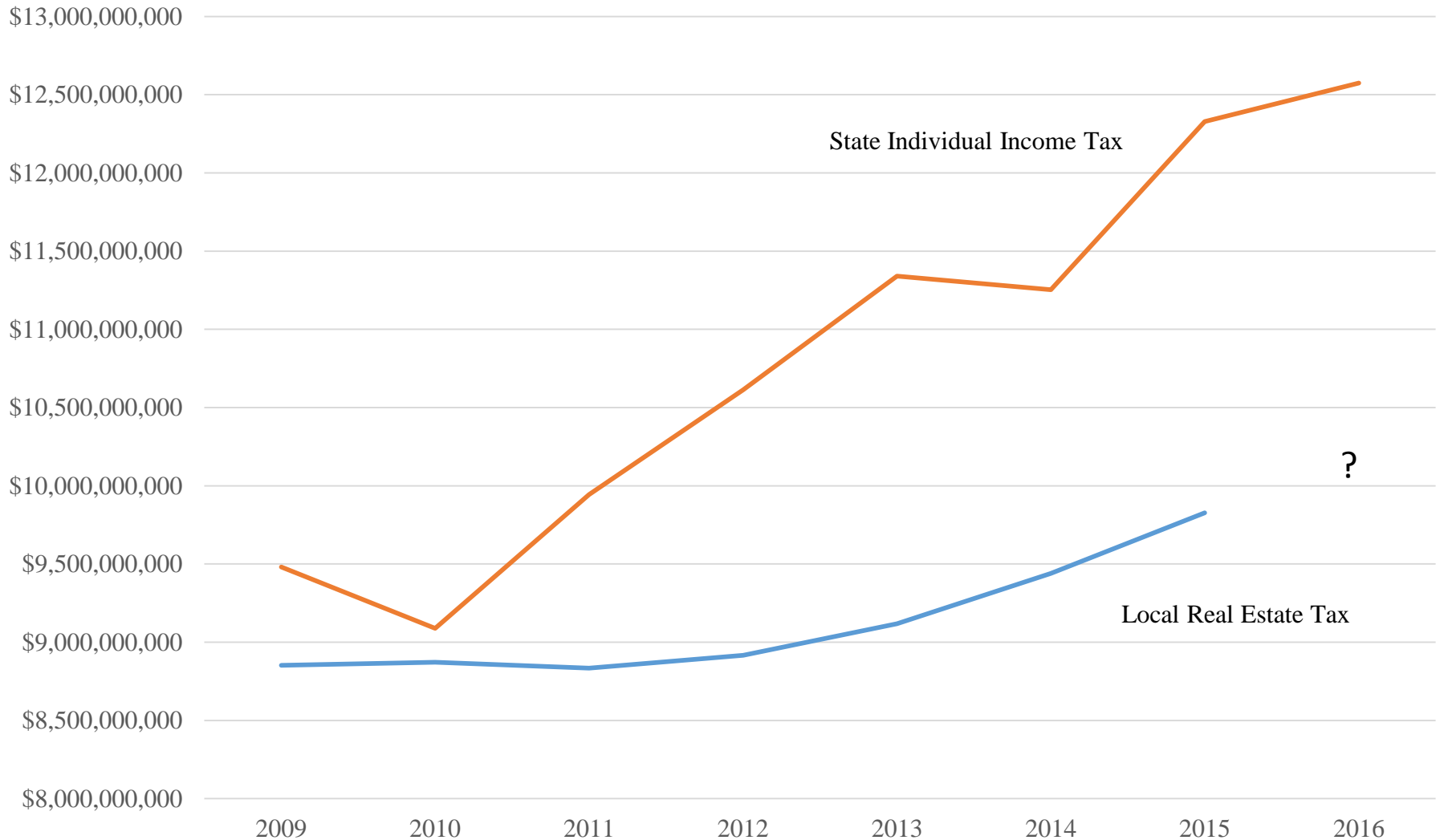
FY 2014 Major Local Revenue Sources (\$ Mil.)



FY 2015 Major State Revenue Sources (\$ Mil.)



Slow State Income Tax Growth Has Still Significantly Exceeded Local Real Estate Tax Growth Since Recession



Even Slow Real Property Revenue Growth Has Required Sharply Rising Rates

Median Real Estate Tax Rates in Virginia Localities*

| | <u>CY 2009/FY10</u> | <u>CY 2014/FY15</u> | <u>Change</u> |
|-----------------|---------------------|---------------------|---------------|
| Cities | 0.900 | 1.040 | 0.140 |
| Counties | 0.550 | 0.640 | 0.090 |
| Towns | 0.180 | 0.180 | - |

* Nominal rates per \$100 of assessed value. Source: Weldon Cooper Center, "Virginia Local Tax Rates"

State GF Appropriations to Localities (\$ Mil.)

| | <u>FY 2009</u> | <u>FY 2014</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Direct Aid to K-12 | \$5,607.6 | \$5,240.3 | \$5,527.0 | \$5,838.9 | \$6,131.9 |
| K-12 % of Total GF Appropriations | 35.2% | 29.6% | 28.9% | 28.7% | 30.2% |
| Health and Human Services | 888.4 | 791.7 | 867.5 | 883.4 | 886.6 |
| <i>CSA</i> | 299.7 | 217.2 | 237.2 | 235.9 | 235.0 |
| <i>Community MH/MR Services</i> | 249.4 | 269.3 | 318.0 | 331.1 | 335.4 |
| <i>Local Social Services Staff</i> | 117.4 | 115.3 | 114.4 | 117.5 | 117.5 |
| <i>Community Health Programs</i> | 117.6 | 107.2 | 115.1 | 117.8 | 117.6 |
| <i>Welfare Services and Programs</i> | 104.3 | 82.7 | 82.8 | 81.1 | 81.1 |
| Public Safety | 734.3 | 687.9 | 715.5 | 737.5 | 744.4 |
| <i>Local Sheriffs Offices</i> | 406.1 | 411.3 | 436.0 | 451.8 | 458.0 |
| <i>Local Police Depts HB 599</i> | 197.3 | 172.4 | 172.4 | 178.0 | 178.0 |
| <i>Local Jail Per diem</i> | 80.1 | 59.4 | 61.4 | 60.6 | 61.3 |
| <i>Assistance for Juvenile Justice</i> | 50.8 | 44.8 | 45.7 | 47.1 | 47.1 |
| Constitutional Officers | 155.3 | 145.8 | 152.5 | 157.5 | 158.3 |
| Dept. of Accounts Transfers | 49.3 | 49.3 | 49.5 | 49.6 | 49.6 |
| Car Tax | 950.0 | 950.0 | 950.0 | 950.0 | 950.0 |
| Aid-to-Locality Reduction | (50.0) | - | - | - | - |
| Total Local GF Aid | \$8,334.9 | \$7,865.0 | \$8,262.0 | \$8,616.9 | \$8,920.8 |
| Total GF Appropriations | \$15,943.0 | \$17,705.2 | \$19,102.0 | \$20,349.5 | \$20,285.0 |
| Local Aid % of Total GF | 52.0% | 44.1% | 43.3% | 42.3% | 44.0% |

2016 Session State Per Pupil K-12 Direct Aid Funding Nominal and Inflation-Adjusted (CPI \$2005)



Previous Tax Changes Annually Reduce GF Revenues by \$2 Bil.

| | <u>Enacted/Amended</u> | <u>FY 2016</u> |
|---|------------------------|------------------|
| Car Tax Reimbursement | 1997, 2003 | \$950 |
| Impose lower 2.5% Sales Tax on Food | 2004 | \$556 |
| Age Subtraction (net of 2004 means testing) | 1994 and 2004 | \$292 |
| Low Income Tax Relief, increase filing thresholds, exemptions, etc. | 2000, 2004, and 2007 | \$203 |
| 1/3 Insurance Premiums to Transportation | 2007 | \$150 |
| Estate Tax Repeal | 2009 | \$140 |
| 0.1% sales tax diversion to transportation | 2013 | \$101 |
| Land Preservation Tax Credit | 2003 | \$100 |
| Historic Rehab Tax Credit | 1999 | \$76 |
| Corp. double weighting sales and single sales factor | 1999, 2009 | \$74 |
| Sales tax exemption for data centers | 2010/2011 | \$51 |
| Sales tax exemption for non-prescription drugs | 1990 | \$39 |
| Subtraction for military wages and unemployment benefits | 1999 | \$37 |
| Coalfield Employment Tax Credits | 2000 | \$34 |
| All Other Tax Reductions Since 1999 | 1990-2014 | <u>\$121</u> |
| State GF Tax Reductions since 1994 | | (\$2,924) |
| Add 1/2 percent sales tax on non-food items | 2004 | \$500 |
| Recordation Tax Increase (net of 3 cents to transp.) | 2004/2007 | \$150 |
| Tobacco Tax Increase (Va Health Care Fund) | 2004 | \$146 |
| Close 2 Corp. Tax Loopholes/Eliminate ST Exem for Pub. Svc. Co. | 2004 | \$143 |
| Sales Tax Presence in Virginia Amazon | 2012 | \$22 |
| Sales tax on satellite TV equipment | 2014 | <u>\$10</u> |
| State Tax Increases since 1994 | | \$971 |
| Net State Tax Change Since 1994 | | (\$1,953) |

Source: Senate Finance Committee Retreat, Revenue Outlook, Nov. 19, 2015