

# **Tax Study Commission**

**SJR 347**

**September 25, 2003**

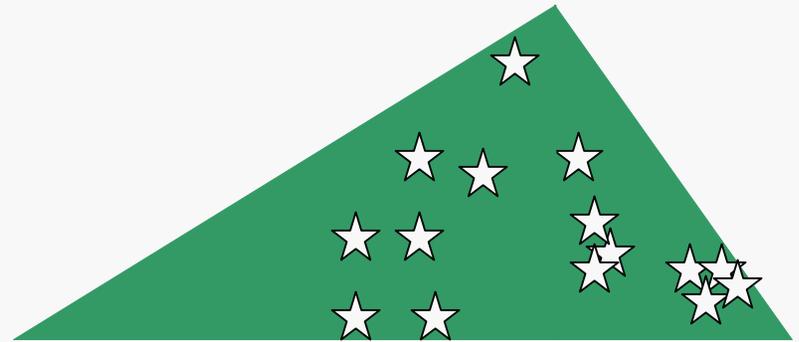


**Virginia First Cities Coalition**

**Connie Bawcum, Coordinator**

# Virginia First Cities

- **Charlottesville**
- **Danville**
- **Fredericksburg**
- **Hampton**
- **Hopewell**
- **Lynchburg**
- **Martinsville**
- **Newport News**
- **Norfolk**

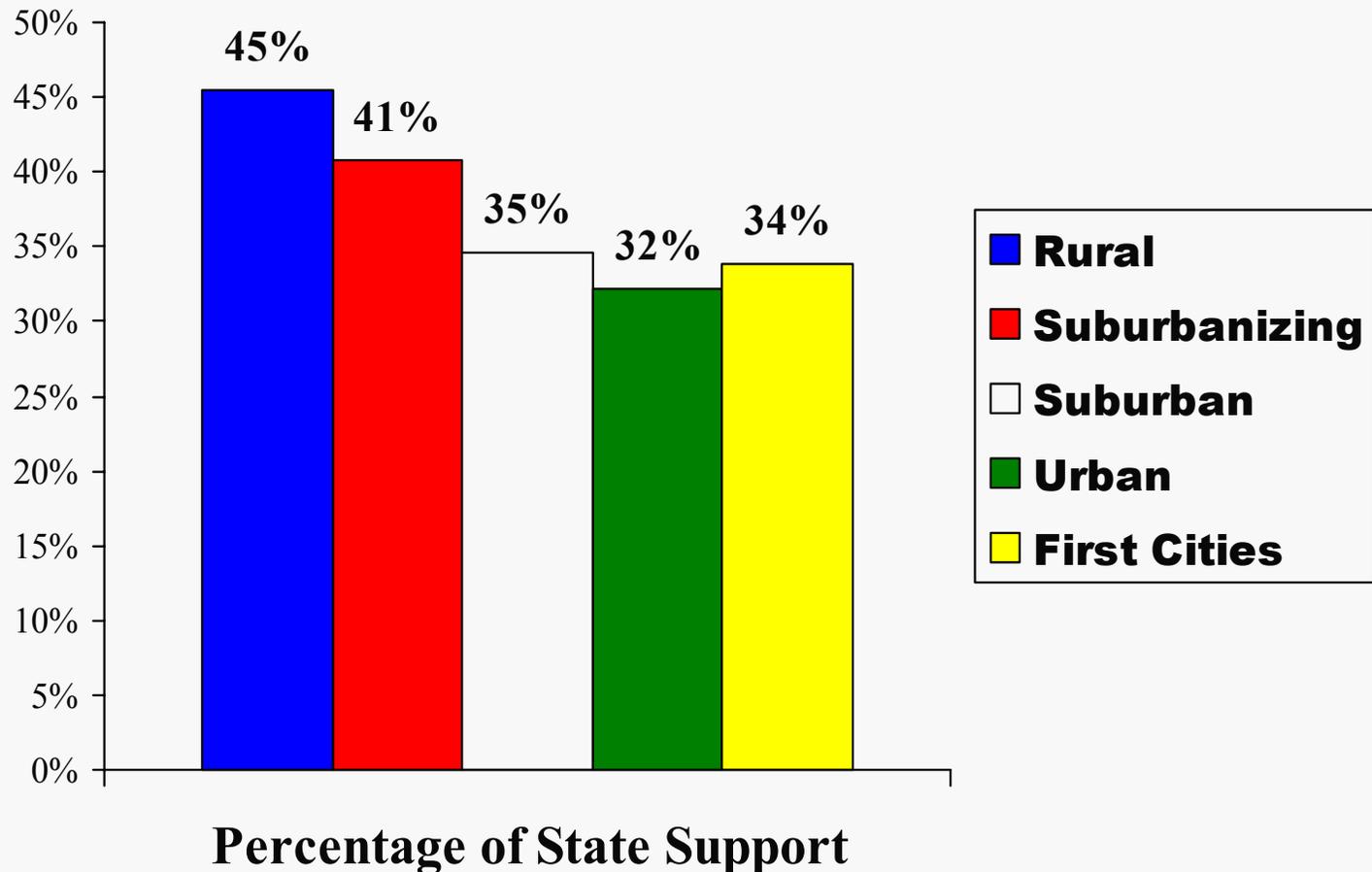


- **Petersburg**
- **Portsmouth**
- **Richmond**
- **Roanoke**
- **Staunton**
- **Winchester**

# First Cities Reality

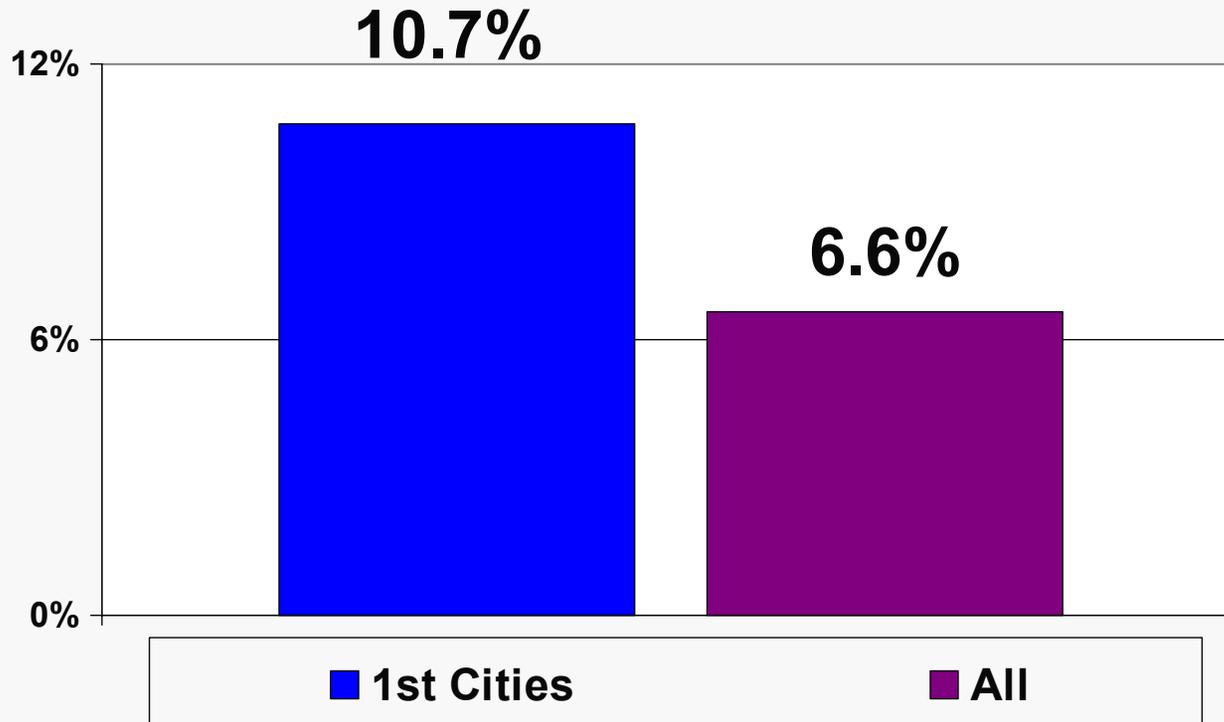
- **From 1990-2000 VFC:**
  - **lost 1.5% of population vs. 18.6% gain in the rest of the state**
  - **gained 9600+ jobs vs. 583,000+ in the rest of the state**
- **17% of VFC population are poor vs. 8% in rest of the state**
- **Home to 32% of State's Medicaid eligible population**
- **53% of students on free or reduced lunch vs. 27% in the rest of the state**
- **Median family income of \$32,500 vs. \$46,700 for the state**

# Despite High Fiscal Stress First Cities Receive Less State Support



# First Cities Reality

High revenue effort through taxes & fees as a % of adjusted gross revenue



# Why Tax Reform is Needed

## ➤ Equity

- Among tax payers, especially lower income families
- Balance funding for core services between State and Localities

## ➤ Adequacy

- Produce sufficient revenue for unmet State responsibilities and reduce undue burdens on localities with high concentrations of poverty
- Invest in the State's future

# K-12 Education

	<u>Biennial \$</u>
Rebenchmarking SOQs	\$ .5 billion
BOE Recommended SOQs	.6 billion
Unfunded JLARC Findings	<u>1.7 billion</u>
<b>TOTAL State Funds Needed</b>	<b>\$2.8 billion</b>

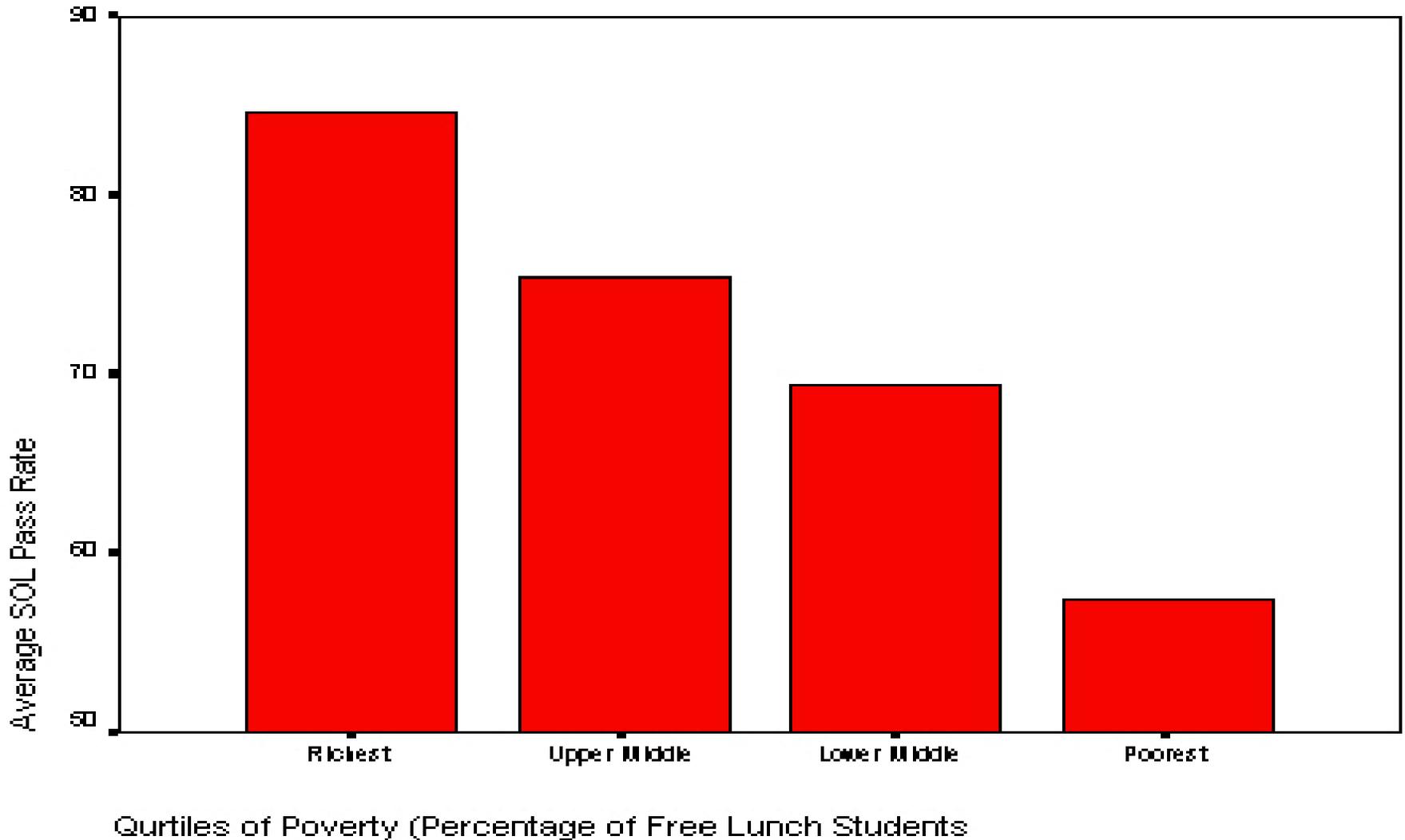
# Education Underfunding Impacts Children

- **Up to 15,000 seniors may not pass the SOL requirements to graduate\***
- **75,000 3<sup>rd</sup>, 5<sup>th</sup>, 8<sup>th</sup> and 12<sup>th</sup> grade students failed a required SOL\***
- **114 of 132 school districts failed to make Adequate Yearly Progress for No Child Left Behind**
- **Significant gap in SOLs pass rates for poor and minority students vs. the average**

\* Based upon 2002 SOL data

# Impact of Poverty on SOLs

By District



# Education Underfunding Impacts Local Taxpayers

- **Localities have higher local taxes to make up a portion of the State's shortfall (VFC max'ed out).**
- **VFC impacts:**
  - **Board of Education SOQ changes = \$67 million = average of 12 cents on real estate tax rate**
  - **JLARC Report All Options = \$318 million = average of 56 cents on real estate tax rate**

# Other Unmet Needs

**VFC must spend significant amounts for services that receive limited or inadequate State funding:**

- **Mandated Human Services (\$100 million per Morris Commission)**
- **Law Enforcement**
- **Street Maintenance**
- **Transit**
- **Medicaid**
- **Brownfields and Redevelopment**
- **Infrastructure**

# VFC Recommendations

- **Modernize tax system to reflect current economic drivers and to more equitably share the tax and service burden**
- **Then, establish tax rates to produce sufficient revenue to meet the State's obligations to core services and invest in the State's future**
- **Significantly expand the State's funding commitment to at-risk students**

**VFC has voted to support an increase in State funding/taxes to fulfill obligations for education, human services and transportation.**

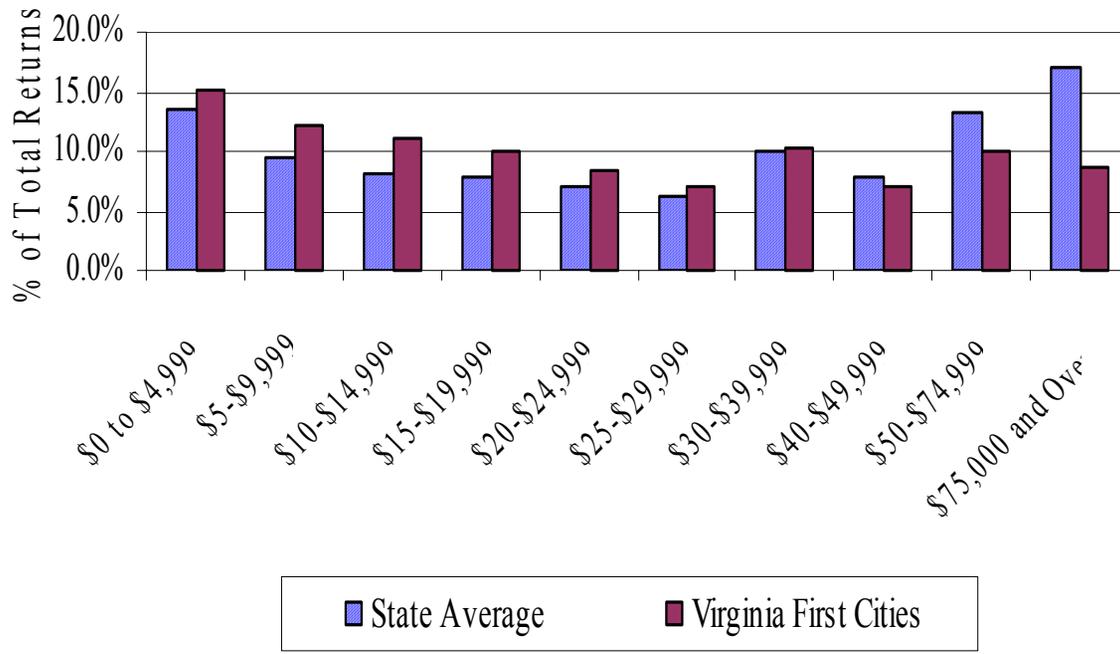
# **Additional Information**



# Income Tax Brackets Need Updating

## VFC Particularly Disadvantaged

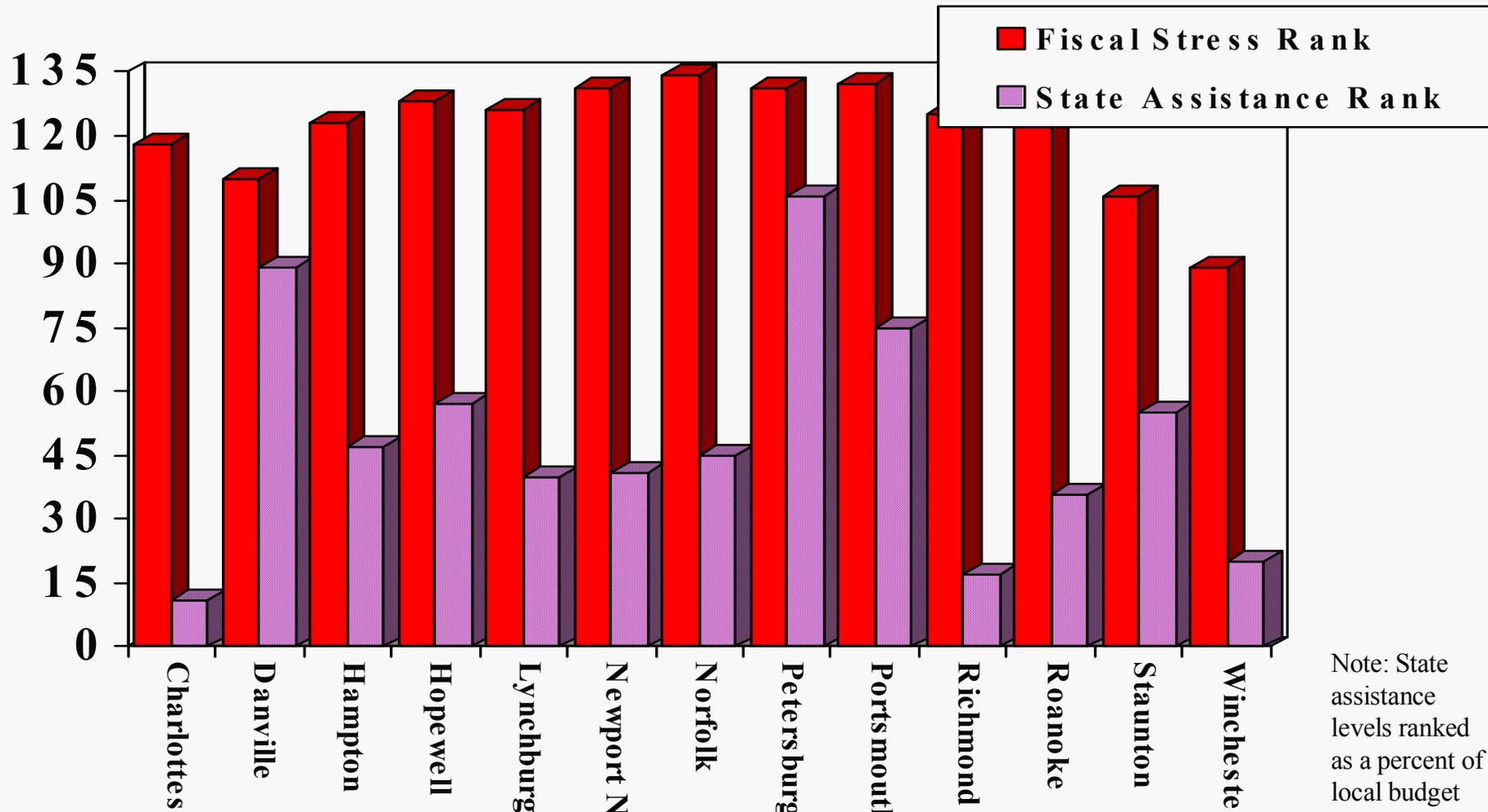
Numbers of Returns by Taxable Income - TY 2000



- **64% of First Cities returns are under \$30,000 (vs. 50% for the state)**

Note: Compared to the national median, Virginia has higher income taxes on taxpayers with under \$60k and lower income taxes on taxpayers over \$60k

# State Aid Levels Do Not Correspond to Fiscal Stress



Note: State assistance levels ranked as a percent of local budget