

# Virginia's Revenue and Budget Situation

## Issues and Unanswered Questions

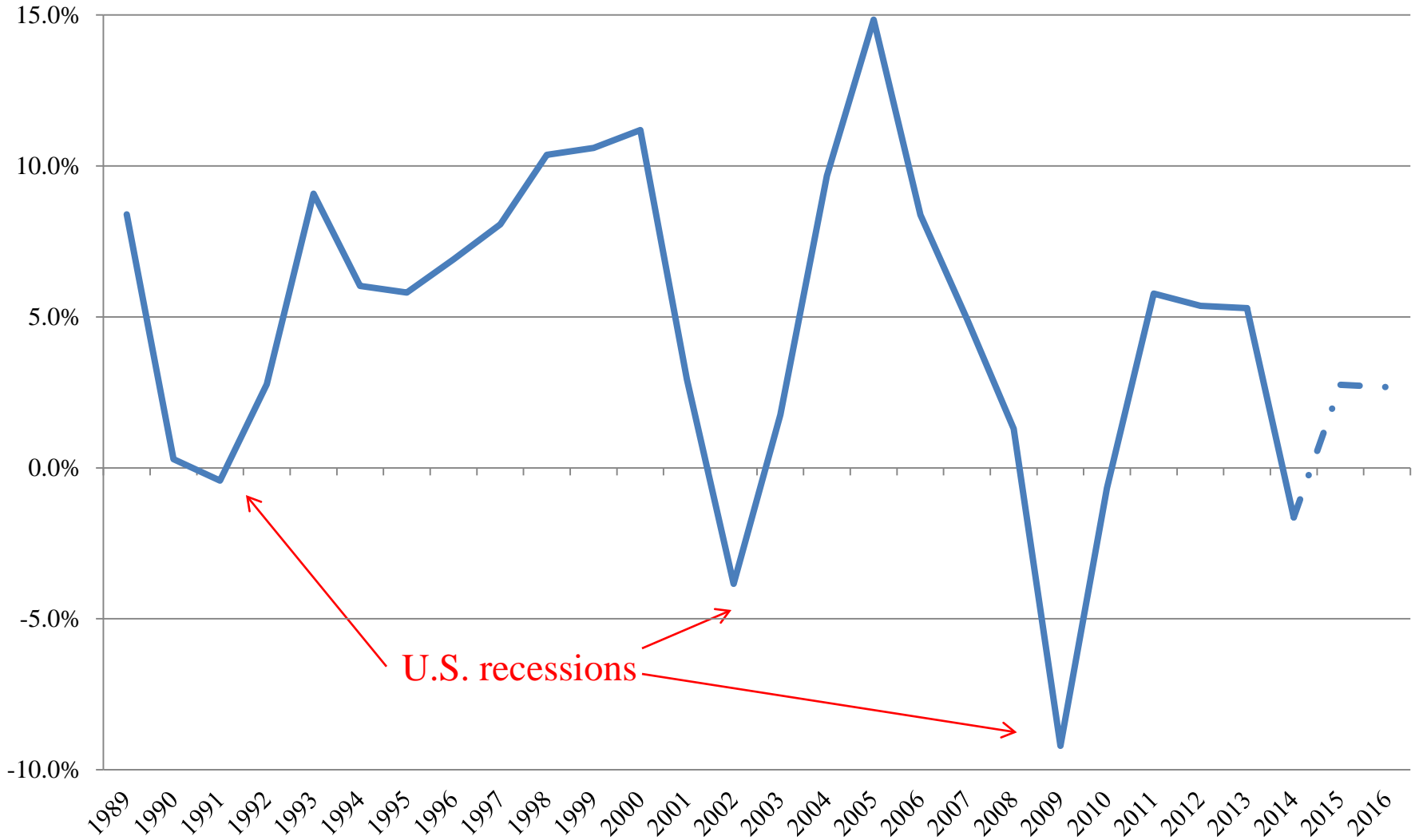
Presentation for the Virginia Association of Counties

Fiscal Analytics, Ltd.

November 10, 2014

# Virginia GF Revenue Declined 1.6% in FY 2014

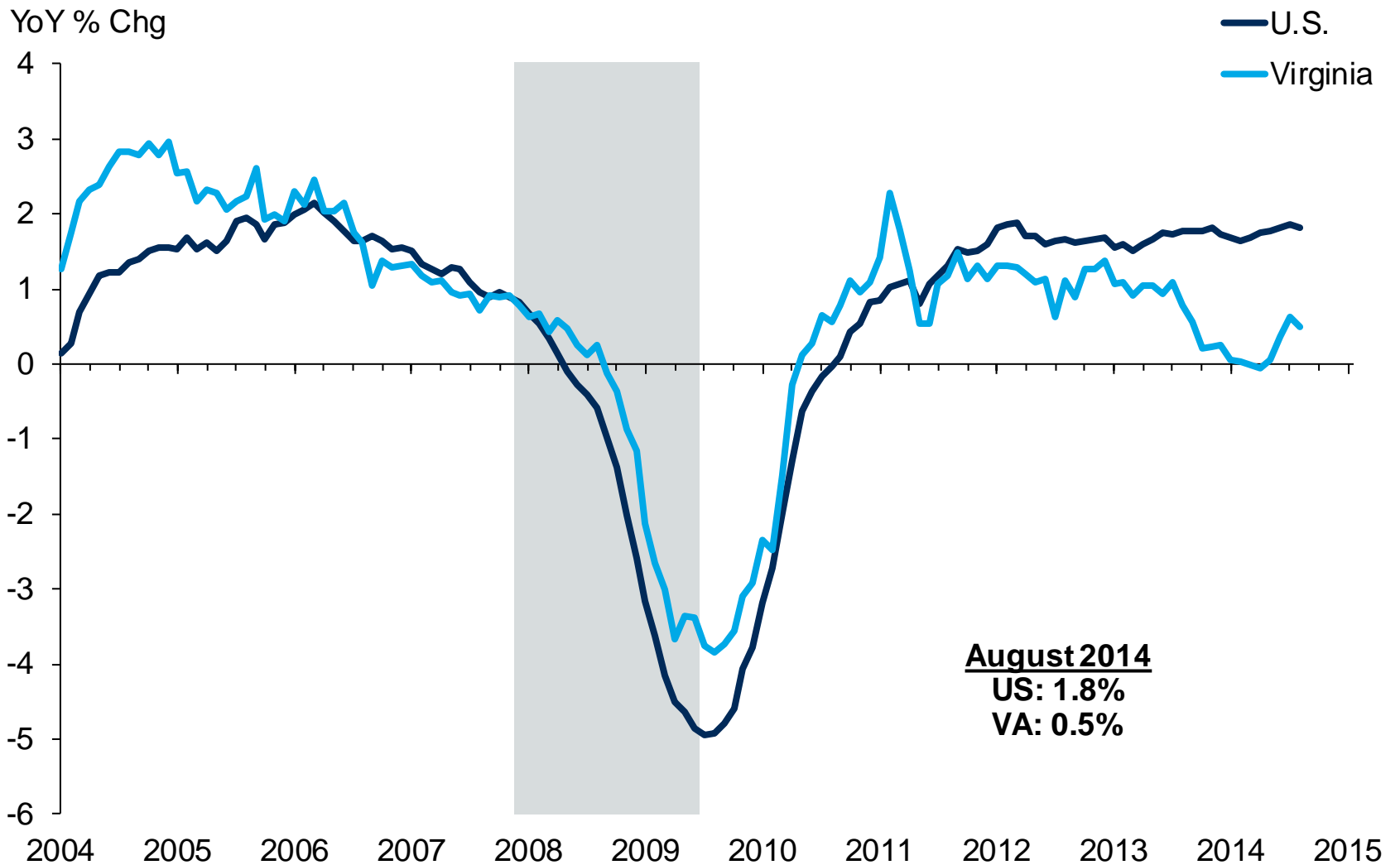
## 2.9% Growth/Yr Now Projected in 2014-16



# What Happened!

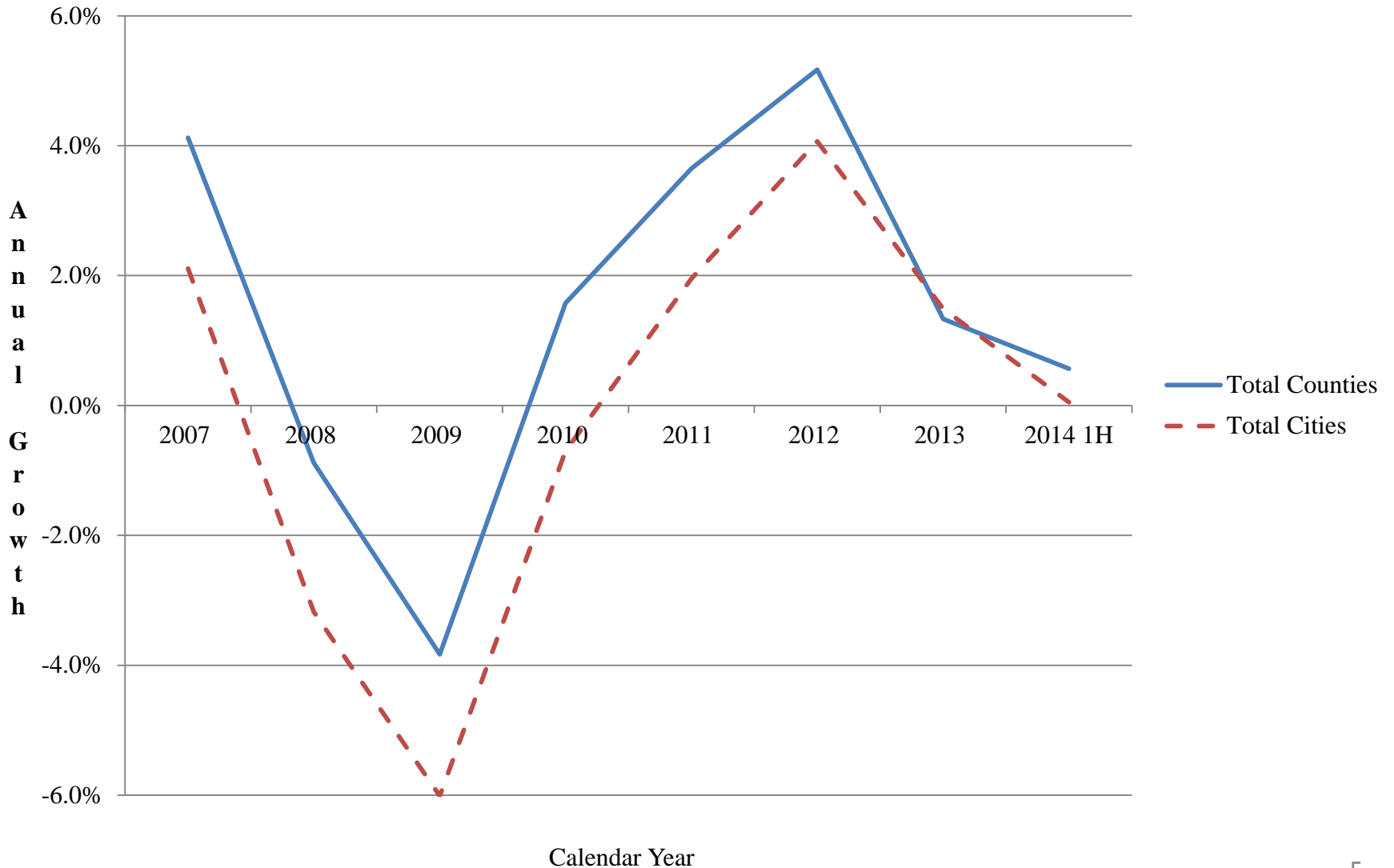
- Non-withholding final payments were \$342 million below the previous fiscal year, despite a 25 percent increase in the stock market in TY 2013.
  - Taxpayer behavior was altered due to federal tax increases in TY 2013.
- Income tax withholding (61% of GF revenues/transfers) grew only 2.3%, due to a slowdown in federal spending
  - particularly defense.
- Sales and corporate income taxes fell 4.8% and 4.9%.
  - Adjusted for AST, sales tax receipts grew 0.8 percent.

# Slow Virginia Payroll Employment Growth



Source: Bureau of Labor Statistics/Haver Analytics

# Taxable Sales Growth Approached Zero in FY 2014

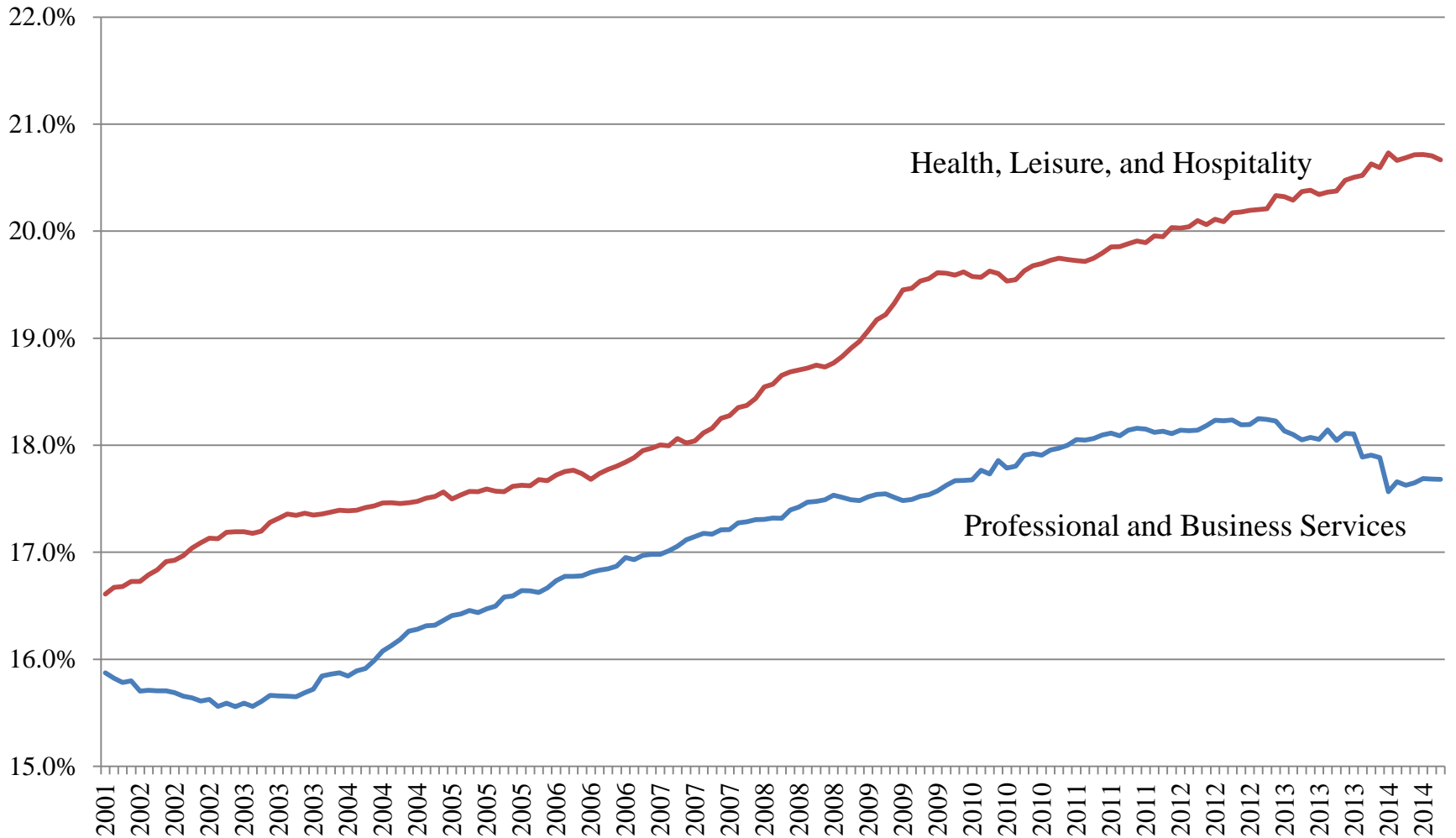


## Despite 5 Years of U.S. Economic Recovery, Defense Cutbacks Are Hurting Virginia's Economic Recovery

- Federal spending (\$136 B total; 44% DoD) is approximately 20 percent of \$700B VA economy. *JLARC – June 2014*
  - VA per capita federal spending ranks #2 total and #1 DoD.
- From CY 2000-10 federal spending in VA grew 107% versus 60% in total Virginia's gross state product.
- However, U.S. defense spending declining.
  - 7.2% FFY 2013
  - 4.9% FFY 2014
- DoD spending in Virginia down from \$54.8 billion in 2012 to \$41.4 billion in 2013. *(Source: Chmura Economics)*

# Virginia's Replacement of High Paying With Low Paying Jobs Helps Explain Slow Growth in Wages and Tax Revenues

(% of Total VA Employment)



# High Paying Business and Professional Jobs Generate Significant Tax Revenue

	<u>Avg. Weekly VA Wage</u>
Management of Companies and Enterprises	\$1,860
Professional, Scientific, and Technical Services	\$1,785
Information	\$1,491
Finance and Insurance	\$1,402
Wholesale Trade	\$1,366
Utilities	\$1,359
Public Administration	\$1,343
Mining, Quarrying, and Oil and Gas Extraction	\$1,213
Manufacturing	\$1,034
Transportation and Warehousing	\$934
Construction	\$924
Real Estate and Rental and Leasing	\$893
Health Care and Social Assistance	\$878
Educational Services	\$820
Other Services (except Public Administration)	\$728
Unclassified establishments	\$726
Administrative, Support and Waste Manageme	\$699
Agriculture, Forestry, Fishing and Hunting	\$542
Retail Trade	\$509
Arts, Entertainment, and Recreation	\$426
Accommodation and Food Services	\$332

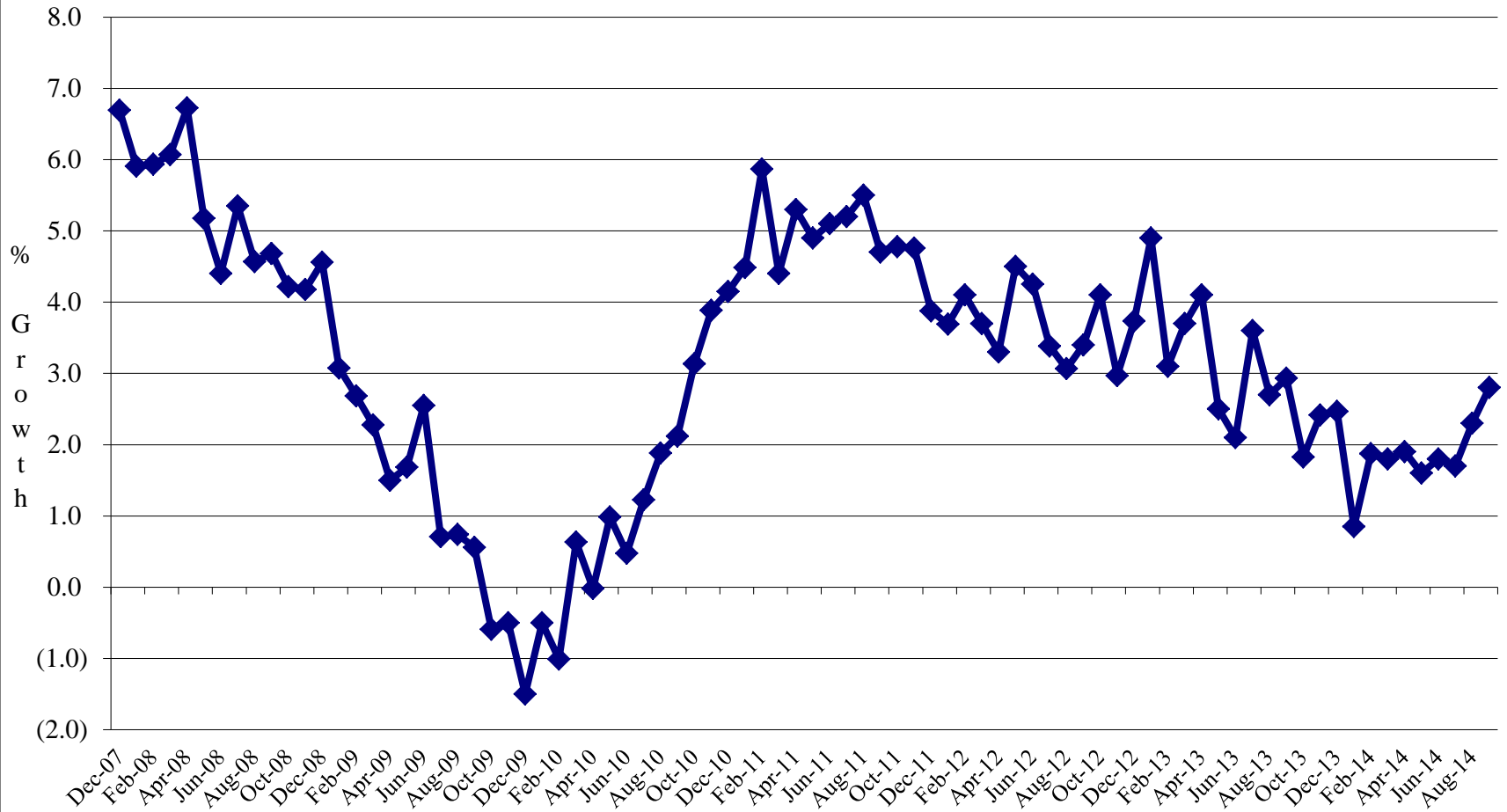


# Will GF Revenues Exceed the 2.9% Forecast?

	<b>1st Q FY 15</b>	<b>Official FY 2015 Forecast</b>
Withholding	6.3%	2.7%
Est Payments/Tax Dues	14.7%	6.3%
Refunds	<u>4.1%</u>	<u>3.6%</u>
Net Individual Income	7.6%	3.4%
Sales Taxes	4.6%	4.4%
Corporate Income	12.4%	-0.9%
Recordation	-6.1%	1.2%
<b>Total GF Revenues</b>	<b>6.7%</b>	<b>2.9%</b>

*Note: 1<sup>st</sup> Q FY 15 GF Collections = 23.5% of Official Forecast*

## Growth Recently Picked Up for Income Tax Withholding 12 Mo. Moving Avg (% Growth)



## ...However, 1<sup>st</sup> Q GF Gains Likely Overstated

- Last year we were sitting at 4.8% withholding growth through September and finished the year at 2.3%.
- Net one extra withholding deposit day this year and other deposit timing issues.
- Spill-over of \$40 mil. non-withholding payment from June to July.
- Possibly better tourism season.
- Hard to see how recent losses in high paying Professional Business and Federal Government jobs can be overcome by growth in lower paying service sector jobs.

## **\$2.4 Billion Budget Reduction Being Implemented**

- \$1.55 billion shortfall anticipated in June adopted 2014-16 budget.
  - Cuts implemented and placed in reserve account without changing revenue forecast in order to legally access Rainy Day Fund.
- New revenue forecast prepared in September with additional GF revenue reduction of \$882 million anticipated (\$346 m in FY 15 and \$536 m in FY 16). GF growth lowered to 2.9% from 4.5% in FY 15.
  - Non-withholding revenue forecast capped at 15 percent of total GF revenue collections.

# Major June Actions Taken to Save \$1.55B

- Assumed Rainy Day Fund withdrawals of \$705M over biennium.
- Removed almost all new funding for K-12 above rebenchmarking adjustments.
- Removed the majority of new funding above the base budget for higher education.
- Removed hospital and nursing home provider inflation adjustments.
- Removed increase in HB 599 funding.
- Reduced Commerce and Trade funding by \$39M over biennium, including all new tourism and economic development funding.
- Captured \$31.1 million in unspent balances from a GF appropriation made to transportation in 2007.
- Delayed AST phase-out for 125 large sales tax dealers.

# **September Actions Addressing Remaining \$882M GF Shortfall Left \$322 Mil. Budget Hole for Biennium, Plus \$100M in FY 16 Unresolved Executive Management Savings**

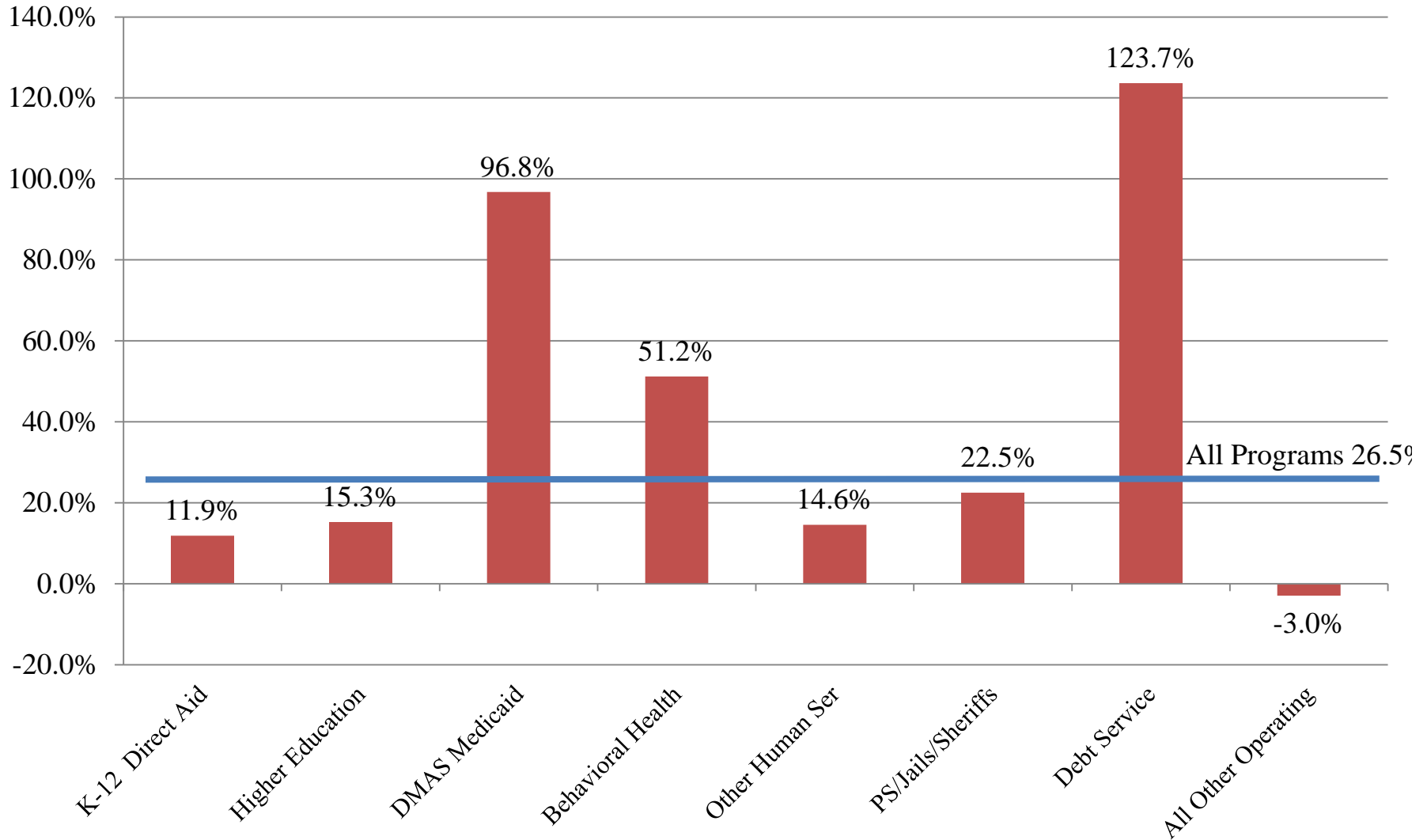
<u>Budget Balancing Items</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>Total</u>
Revenue: New Federal Debt Set-off program	\$12.0	\$4.0	\$16.0
<b><i>Revenue: Delay GF Sales Tax Transfer to HMOF (removed)</i></b>	<b><i>\$49.8</i></b>		<b><i>\$49.8</i></b>
Unobligated Balances	\$102.0		\$102.0
<b>Executive Agency Management Savings</b>	<b>\$92.4</b>	<b>\$100.0</b>	<b>\$192.4</b>
Higher Education Management Savings	\$45.0	\$45.0	\$90.0
Repeal of Higher Ed Reserve (Item 468.K)		\$20.0	\$20.0
<b>Local Government Reversions</b>	<b>\$30.0</b>	<b>\$30.0</b>	<b>\$60.0</b>
Additional Lottery Proceeds for K-12	\$28.1		\$28.1
Literary Fund Transfer for Teacher Retirement	\$15.0		\$15.0
Bond Refinancing Savings	\$3.2	\$23.0	\$26.2
Natural Resources Commitment Fund	\$1.0	\$1.0	\$2.0
Judicial Agency Balances	\$0.7		\$0.7
Legislative Balances	\$3.9		\$3.9
VASAP Balances	\$1.0		\$1.0
Repeal Transportation Funding Cash Flow §3-1.01 GG.1.	(\$30.0)	\$30.0	\$0.0
Delay Filling Judicial Appointments	<u>\$3.2</u>		<u>\$3.2</u>
Total Budget Balancing Actions	\$307.4	\$253.0	\$610.2
Total Budget Balancing Actions Needed	\$357.2	\$525.0	\$882.2
<b>Budget Actions Left for 2015 Session</b>	<b><u>49.8</u></b>	<b><u>\$272.0</u></b>	<b><u>\$321.8</u></b>

# **What Will the State Do to Close the Remaining Budget Gap?**

- Hope revenue growth exceeds current forecast of 2.9%.
- Use additional cash flow techniques, such as accelerated sales tax deposits? Find more balances?
- Additional state agency cuts (\$23 mil. per 1 percent cut)?  
Reduce state employee benefits?
- Reduce GF health care funding by adopting Medicaid expansion?
- Reduce K-12 re-benchmarking or Higher Ed funding?
- Reduce other aid for locally-administered programs?
- Modify tax preferences?

# Local Priorities Are Losing Ground

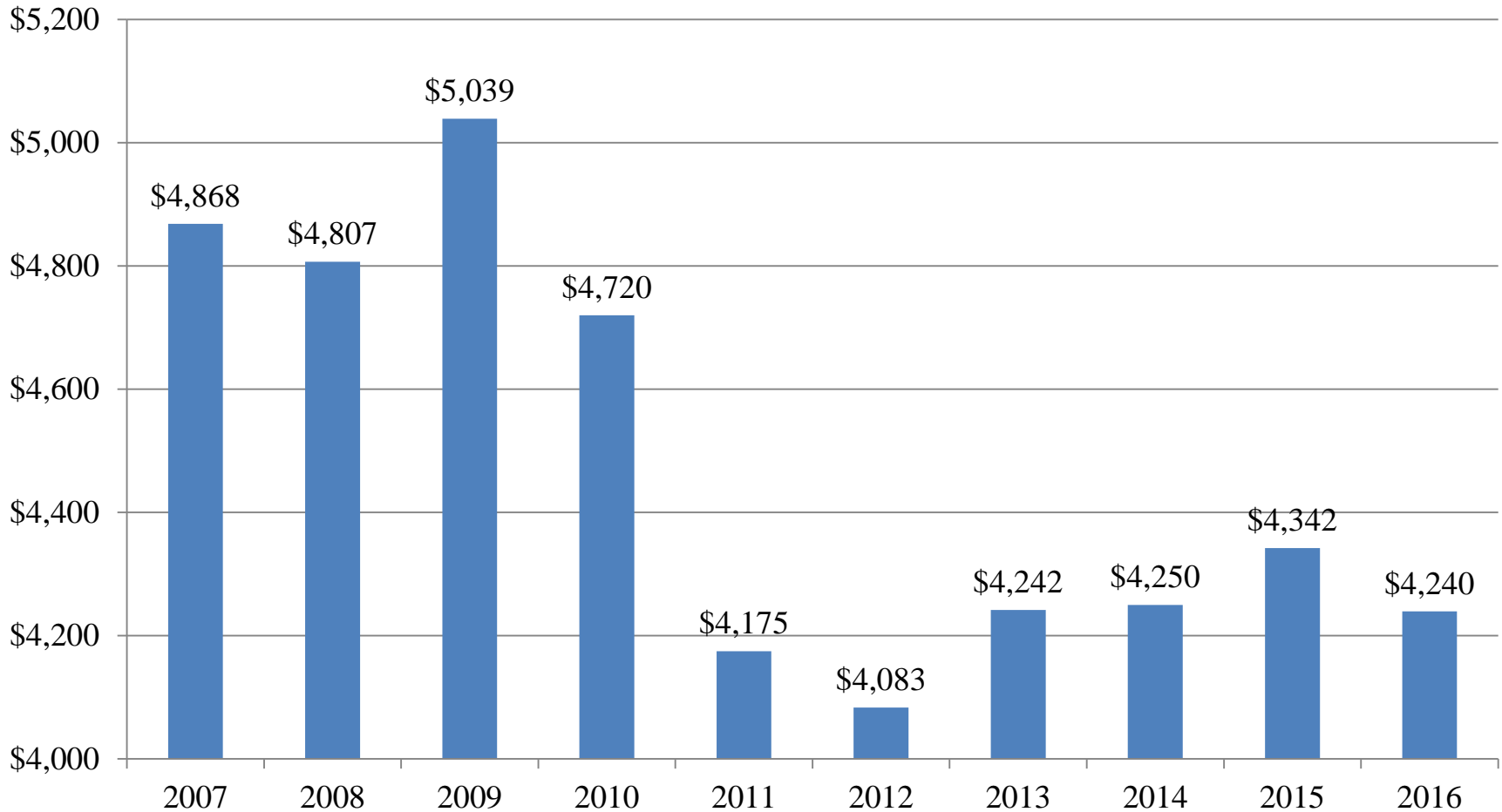
## Major GF Budget Drivers FY 2006-16



Note: Reflects June 2014 adopted budget for FY 16



# Inflation-Adjusted State Per Pupil K-12 Funding Reveals Large Declines in State Aid (2007 \$ - All State Appropriated Funds)



Includes GF, lottery profits, miscellaneous NGF, and state appropriated federal stimulus funds *adjusted by the CPI*

# State Funding for Localities Declining in Priority

## GF/Lottery State Funding for Localities

	<u>2008-10</u>	<u>2010-12</u>	<u>2012-14</u>	<u>2014-16</u>
Direct Aid to K-12	\$11,248.0	\$10,550.7	\$11,444.9	\$12,152.2
Health and Human Services	\$1,767.1	\$1,639.5	\$1,610.6	\$1,638.6
Public Safety	\$1,291.1	\$1,356.0	\$1,367.1	\$1,402.0
<i>HB 599 Aid to Police</i>	\$378.1	\$351.1	\$344.8	\$344.8
Constitutional Officers	\$297.5	\$288.0	\$289.3	\$304.9
Car Tax	\$1,900.0	\$1,900.0	\$1,900.0	\$1,900.0
Recordation/Rolling Stock/TVA	\$94.9	\$96.6	\$98.7	\$98.7
Aid-to-Locality Reduction	<u>(\$100.0)</u>	<u>(\$120.0)</u>	<u>(\$50.0)</u>	<u>(\$60.0)</u>
<i>Total Local Aid GF + Lottery</i>	<i>\$16,498.6</i>	<i>\$15,710.8</i>	<i>\$16,660.6</i>	<i>\$17,436.4</i>
<b>Total GF + Lottery Appropriations</b>	<b>\$31,600.8</b>	<b>\$32,922.6</b>	<b>\$35,861.4</b>	<b>\$37,448.4</b>
<i>Direct Aid to K-12 % of Total GF/Lottery</i>	<i>35.6%</i>	<i>32.0%</i>	<i>31.9%</i>	<i>32.6%</i>
<i>Total Local Aid % of Total GF/Lottery</i>	<i>52.2%</i>	<i>47.7%</i>	<i>46.5%</i>	<i>46.7%</i>

# There Are Headwinds for Meaningfully Increasing Future State Support to Localities

- Will the Virginia economy be able to transition to new industries with high paying jobs?
- \$322 million in budget cuts still required for FY 2016, plus \$100 million in unknown executive management savings for FY 16
- Hundreds of \$millions in one-time budget actions in 2014-16 September plan not available for future biennia.
- The FY 16 budget uses \$235 million in Rainy Day Fund balances for operating expenses that will not be available in 2016-18. **Also**, the current FY 15 revenue forecast triggers an additional deposit of \$156 million in FY 17.
- Medicaid program will continue to grow faster than GF revenues. Governor's *A Healthy Virginia* plan to cover uninsured Virginians with acute mental health may add 20,000 Virginian's to the Medicaid roles with a projected GF cost of \$80 mil. per year.
- 2014-16 VRS teacher rates rose 24 percent from 11.66% to 14.5%. Will VRS rates for teachers and state-supported employees continue to rise? If recent good VRS investment returns continue, the rate outlook will improve.
- State continues to incur more GF debt service due to lack of a pay-as-you-go capital program. Lower revenues impact new debt capacity.
- Additional GF for transportation still scheduled. Accelerated sales tax for largest payers still in force and a priority to remove.

# Should the State Look at Its Tax Preferences?

## Largest Virginia Tax Preferences

<u>Description of Largest Tax Preferences</u>	<u>Cost Est. (\$mil.)</u>
Sales Tax Exemptions	<i>See table next page</i>
Personal Property Tax Relief Act ("Car Tax")	\$950.0
Subtraction For Those Aged 65 or older and 62-64 (means tested)	\$284.9
Social Security and Railroad Retirement Subtraction	\$244.0
Estate Tax Elimination	\$140.0
Tax Credit for Families Below the Poverty Level	\$115.7
Tax Credit for Land Preservation (credits transferable)	\$100.0
Coalfield Employment and Production Incentive Tax Credits (\$3/Ton)	\$59.4
Tax Credit for Historic Rehabilitation	\$59.2
Single Sales Factor for Corporate Income Tax	\$59.0
Child and Dependent Care Deduction	\$28.4
Coalfield Employment Enhancement Tax Credits (\$1-2 per ton)	\$25.0
Subtraction for Unemployment Benefits	\$21.8
Virginia Education Savings Trust	\$17.9
Blind and Aged Personal Exemption	\$14.7
Deduction/Credit for Long Term Health Care Insurance	\$8.0
Subtraction for Military Wages -- Up to \$15,000	\$7.8
Tax Credit for Motion Pictures and Media Equipment	\$7.5
Neighborhood Assistance Tax Credit	\$6.2
Subtraction of Disability Income	\$5.8
Major Business Facility Job Tax Credit	\$4.3
Tax Credit for Equity and Subordinated Debt Investments	\$2.1

# Largest Sales Tax Exemptions

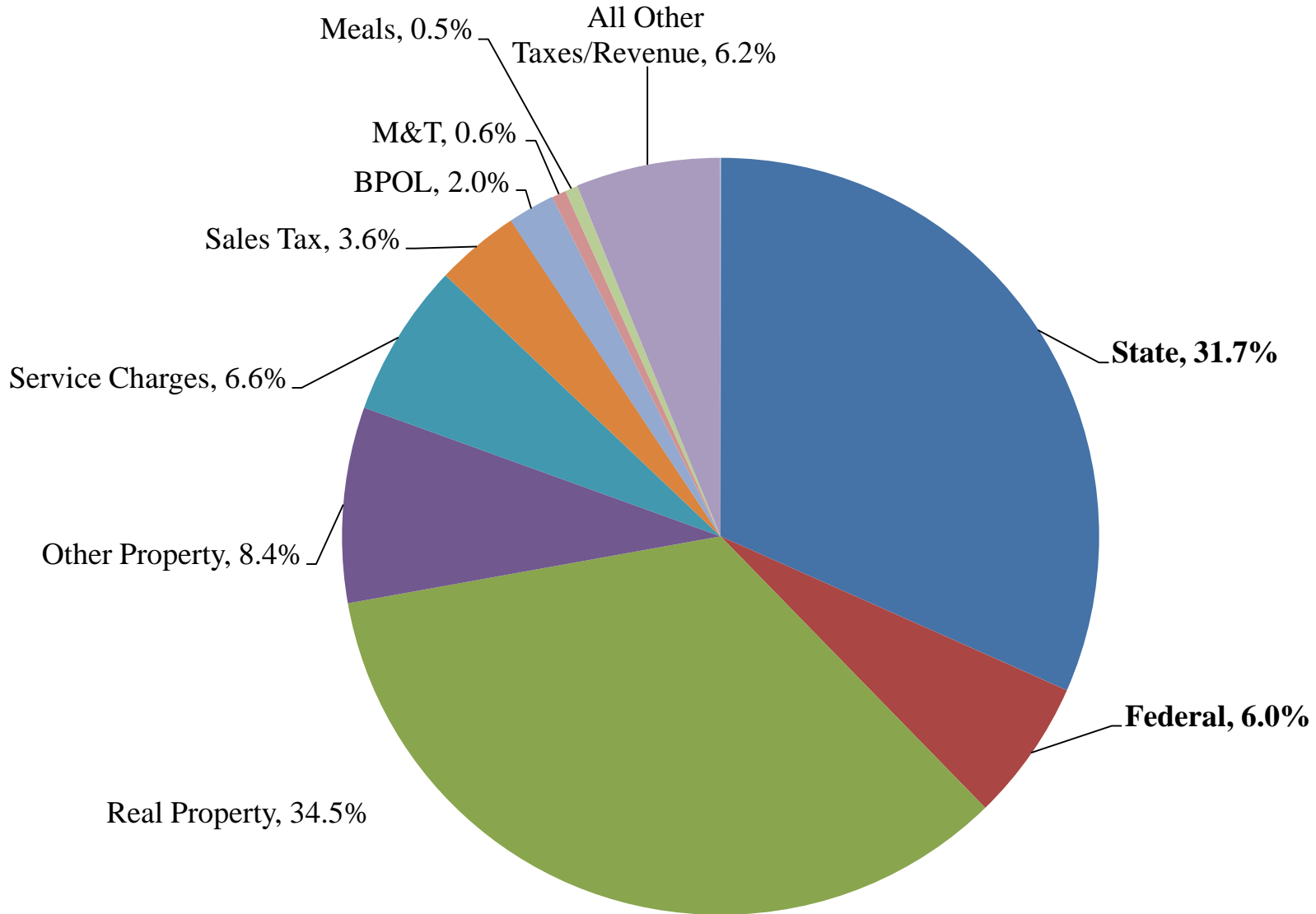
## Cost Est. (\$mil.)

Services Exemptions	\$ Varies by Service
Prescription Drugs	\$378.8
Partial Food for Home Consumption	\$346.2
Non-Profit Organizations (largely non-profit hospitals/medical)	\$208.4
Advertising	\$84.8
Transportation Services	\$83.8
Residential Heating Fuels	\$41.9
Research & Development	\$28.9
NonPrescription Drugs	\$26.7
Railroad Common Carriers	\$20.1
School Lunches	\$12.0
Airline Common Carrier	\$10.1
Movie Theatre and Broadcaster Purchases	\$7.5
Churches	\$6.0
Donations of Tangible Goods to Non-Profits	\$5.5
Media Provider Equipment	\$5.2
Printed Materials for Out-of-State Distribution	\$5.0
School Supplies Holiday	\$4.1
Forestry Equipment	\$3.8
Pollution Control Equipment	\$3.8
Ships and Vessels	\$2.8
Durable medical Equipment	\$2.3
Hurricane Preparedness Sales Tax Holiday	\$2.2

# Is TJ Institute Proposal to Broaden Sales Tax Base to Services Feasible?

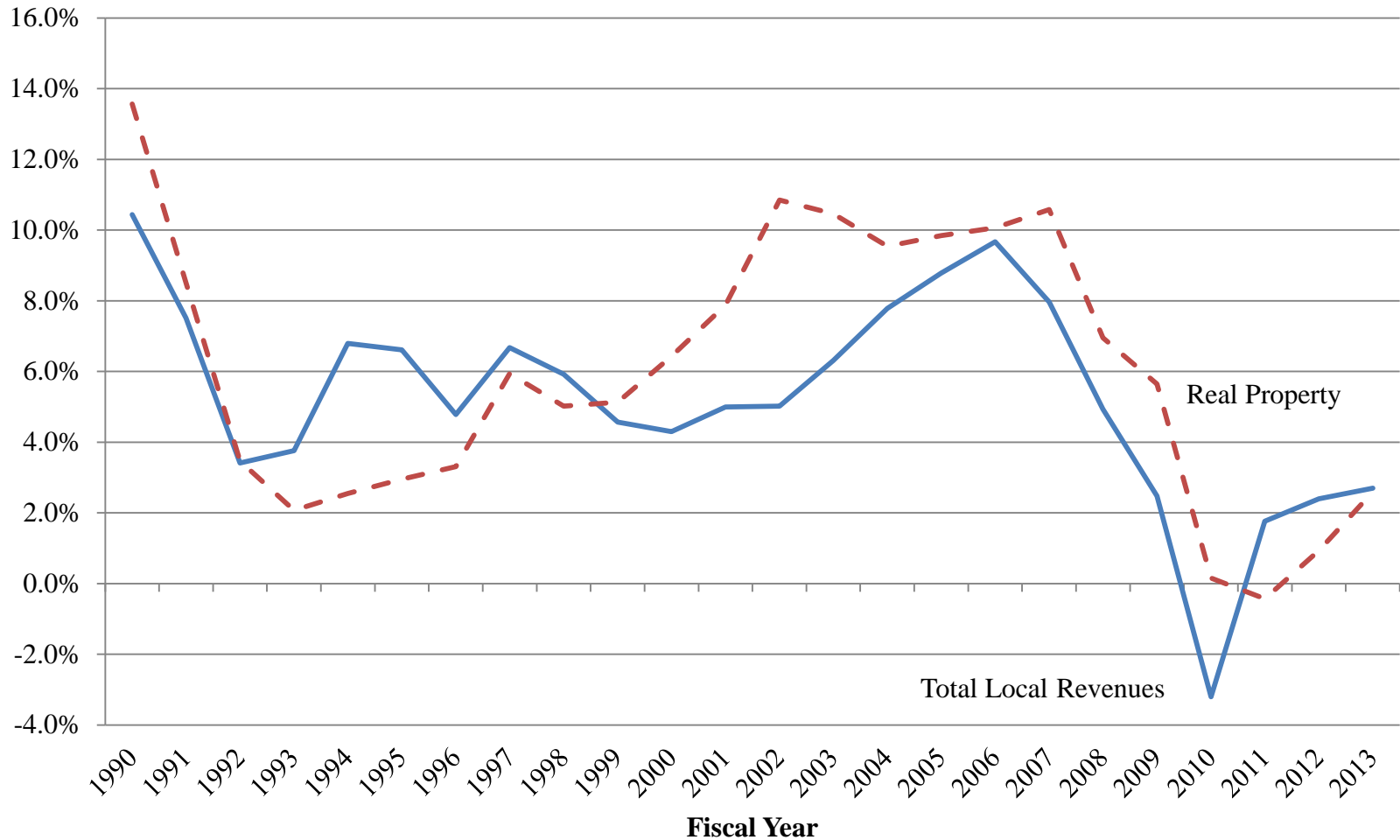
- Proposal looks to generate enough revenue to replace BPOL/M&T (\$900 mil.), lower sales or income tax rates, *and remain revenue neutral*.
- Proposal applies sales tax to all personal services (e.g., auto/other repair labor, landscaping, beauty, etc.), and legal, accounting, architectural/engineering services, real estate rentals & sales commissions, IT, truck/rail/water transportation, fitness centers, social services, entertainment, publishing, veterinary, mortuaries, hotels, etc.
- Business to business sales excluded.

# FY 2013 Revenue Sources for Virginia Counties



# Without Local Tax Increases, Local Revenues Not Likely to Offset State Funding Shortfall

## Local Revenue Trends





# BPOL Tax Revenue

- All 39 cities, 53 of 95 counties, and all towns levy a BPOL tax or fee in Virginia. In total, localities generated \$705 million from BPOL taxes or 4.0 percent of their **locally-generated** revenue in fiscal year 2013. Counties generated \$378 million in BPOL revenue in FY 2013, or 3.2% of their revenue.
- There is a wide range in reliance on BPOL revenues by localities -- up to 10 percent in cities and 6 percent in counties and 17 percent in large towns. Towns have the highest average reliance at 10.3%, cities at 5.3%, and counties at 3.2%.
- Generally, the larger, more populous areas of the state rely on the BPOL tax to a greater extent than smaller, rural areas. This is primarily due to their greater concentration of businesses. Hampton Roads, Northern Virginia, and the Richmond region all rely on BPOL taxes for more than four percent of their local revenue.
- On average, **Counties** would have to raise their real estate tax rates about 5 cents to equal an equivalent amount of BPOL revenue; **Cities** 11 cents for BPOL; **Towns** 1 cent for M&T revenue.

# M&T Tax Revenue

- 35 of 39 cities, 90 of 95 counties, and 23 of 36 largest towns levy a M&T tax in Virginia. In total, localities generated \$213 million from M&T taxes or 1.1 percent of their **locally-generated** revenue for fiscal year 2013. Counties generated \$119 million in M&T revenue in FY 2013.
- There is a wide range in reliance on M&T revenues by localities -- up to 29 percent in cities, 27 percent in counties, and 34 percent in towns. Cities and towns have the highest average reliance at 1.6% and counties at 1.0%
- M&T tax revenues as a percent of total local revenues are more concentrated outside the “golden crescent” of Northern Virginia, Hampton Roads, and Richmond regions. This is primarily due to the greater reliance on manufacturing facilities in rural parts of the state for their local economies. However, it should be noted that Hampton Roads and Richmond PDC’s have the two largest absolute dollar amounts of M&T revenues.
- On average, **Counties** would have to raise their real estate tax rates about 2 cents to equal an equivalent amount of M&T revenue; **Cities** 3 cents for M&T revenue; **Towns** 1 cent for M&T revenue.

# There is Wide Variation in Local Reliance on BPOL and M&T Taxes

<b>FY 2013 Local BPOL and M&amp;T Revenue Reliance (\$ Mil.)</b>							
# of Localities			Total <u>Local</u>	BPOL %	BPOL % of	M&T %	M&T % of
<u>Levying Tax</u>	<u>BPOL</u>	<u>M&amp;T</u>	<u>Revenue</u>	<u>FY 13 Rev.</u>	<u>Local Revenue</u>	<u>FY 13 Rev.</u>	<u>Local Revenue</u>
39 BPOL Cities; 36 M&T Cities	\$ 297.5	\$ 89.0	\$ 5,601.9	5.3%	0% to 10%	1.6%	0% to 29%
53 BPOL Counties; 90 M&T Counties	\$ 378.4	\$ 119.4	\$ 11,846.8	3.2%	0% to 6%	1.0%	0% to 27%
36 BPOL Towns; 23 M&T Towns	\$ 29.2	\$ 4.4	\$ 283.2	10.3%	0% to 17%	1.6%	0% to 34%
<b>Grand Total</b>	<b>\$ 705.0</b>	<b>\$ 212.7</b>	<b>\$ 17,731.9</b>	<b>4.0%</b>		<b>1.2%</b>	
Note: Out of 39 cities, 95 counties and 36 largest towns in Virginia							
Source: FY 2013 Auditor of Public Accounts Comparative Report of Revenues and Expenditures							

# BPOL Administration

- Localities authorized to impose BPOL unless they already levy a merchants capital tax.
- County BPOL does not apply in incorporated towns unless town grants the county authority.
- Each business classification has a specific maximum tax rate applied to gross receipts (See appendix slide 43).
- Revised guidelines in 1997 and 2000 made due dates, penalties, interest, appeals, and definitions of situs more uniform.
- In 2011, General Assembly allowed localities the option of imposing tax on either gross receipts or Virginia taxable income (§ 58.1-3702) and allowed localities to exempt new business from the tax for two years and allowed exemptions for unprofitable businesses (§ 58.1-3703).
- Localities can also impose a fee in lieu of tax up to a minimum threshold of gross receipts.

# M&T Administration

- Under state constitution, all property is taxable.
- The tax rate on machinery and tools is lower than the rate imposed on other classes of tangible personal property.
- Idle machinery is classified as intangible property and not subject to local taxation.
- VML/VACO supported 2012 legislation that passed the Senate providing a state grant for exempting new equipment for a certain time period.

# VML/VACO BPOL Survey Findings

- Businesses under \$100,000 in gross receipts (or under local threshold \$ amt) represent 61% of BPOL licenses and pay 1.5 percent of BPOL revenues. The average annual BPOL cost for these small businesses is well under \$100.
- Businesses over \$5 million in gross receipts represent 3 percent of business licenses and pay 61 percent of BPOL revenues.
- Businesses with high sales relative to profit margins business (generally retail) seem to be most concerned about BPOL taxes. These type businesses represent a relatively small proportion of BPOL licenses and revenue.
  - Retail businesses comprise about 25% of BPOL receipts.
  - 45% of retail licenses pay less than \$100 per year.
  - 5% of retail BPOL licenses pay two-thirds of retail BPOL revenue.
- One option for BPOL reform while protecting local revenues, is for the state to provide targeted relief to businesses with high BPOL costs relative to taxable income.

# 60 Percent of Business Licenses Pay Under \$100 per Year

Gross Receipts Level	<u># of Licenses</u>	<u>Percent</u>	<u>\$ Amount</u>	<u>Percent</u>	<u>Avg per License</u>
Flat Fee only	74,888	23.6%	\$4,134,673	0.7%	\$55
\$0-\$100,000	117,469	37.0%	\$4,841,153	0.8%	\$41
\$100,001-200,000	29,165	9.2%	\$9,273,349	1.6%	\$318
\$200,001-500,000	35,989	11.3%	\$27,652,331	4.8%	\$768
\$500,001-5,000,000	50,616	16.0%	\$177,978,987	30.8%	\$3,516
\$5,000,001-25,000,000	7,622	2.4%	\$174,518,999	30.2%	\$22,897
Over \$25,000,000	<u>1,456</u>	<u>0.5%</u>	<u>\$178,979,953</u>	<u>31.0%</u>	<u>\$122,926</u>
<b>Totals</b>	<b>317,205</b>	<b>100.0%</b>	<b>\$577,379,446</b>	<b>100.0%</b>	<b>\$1,280</b>

*Note: Survey results captured 85% of total FY 2012 BPOL revenues*

# 5% of Retail Establishments Pay Two-Thirds of Retail BPOL Levies

**Retail (max rate = 20 cents per \$100)**

<b>Gross Receipts</b>	<b><u># of Licenses</u></b>	<b><u>% of Licenses</u></b>	<b><u>\$ Amount</u></b>	<b><u>% of Amount</u></b>	<b><u>Avg. BPOL</u></b>
Flat Fee only*	9,722	16.3%	\$693,871	0.5%	\$71.37
\$0-\$100,000	17,748	29.8%	\$681,474	0.5%	\$38.40
\$100,001-200,000	5,064	8.5%	\$1,221,717	0.9%	\$241.26
\$200,001-500,000	8,519	14.3%	\$5,072,865	3.5%	\$595.48
\$500,001-5,000,000	15,650	26.2%	\$44,297,269	31.0%	\$2,830.50
\$5,000,001-25,000,000	2,411	4.0%	\$43,682,635	30.5%	\$18,118.06
Over \$25,000,000	<u>540</u>	<u>0.9%</u>	<u>\$47,454,181</u>	<u>33.2%</u>	<u>\$87,878.11</u>
<b>Total Retail</b>	<b>59,654</b>	<b>100.0%</b>	<b>\$143,104,012</b>	<b>100.0%</b>	<b>\$2,398.90</b>



# Transportation Will Still Be a Challenge

- New transportation revenues are about 10 percent lower than originally expected from HB 2313, mainly due to lower motor fuel prices. This translates into over \$1 billion less funding for the FY 2015 – 20 improvement program than originally expected.
  
- The projections for the new six-year improvement program mean fewer construction dollars.
  - Elimination of funds for urban and secondary roads through the construction formula.
  - Transfers from the construction budget to maintenance is projected at \$724.4 million for fiscal years 2015 – 2020.

# Public Transit Challenges

- If Congress fails to pass the Marketplace Fairness Act (MFA) by January 1, 2015, then the motor fuel tax at the “rack” increases by 1.6% to make up the revenue loss.
- However, the new increment would be used exclusively for road maintenance. Transit would have received a share of MFA revenue. Without MFA, DRPT expects \$20.0 million less revenue for transit projects.
- After the state bonds for transit are exhausted in FY 19, even with the HB 2313 revenues the state match for transit capital projects will drop to about 10.0 percent by FY 20. Dropping from \$160.0 million in FY15 to less than \$120.0 million in FY 2020 and to just over \$60.0 million by FY 2023.

# Local Funding Will Continue to be Needed for Transportation System

- Local urban street maintenance expenditures exceeded state payments by 32% in FY 2012.\*
  - Recent VDOT pavement condition survey found urban locality pavements in worse condition, despite spending a higher percent of funds on paving, than VDOT maintained roads.
- Including capital outlay expenditures, local unreimbursed expenditures for highways exceeded \$366 million in FY 2012, not including toll revenue, and debt service for transportation bonds.\*
- State revenue sharing increasing. \$181 mil. for 212 projects allocated to 79 localities in FY 15.
- Local general funds subsidizing public transit include \$265 million for operating assistance and \$58 million for capital in FY 2013.\*\*
- More special tax districts, such as commercial and industrial property in NVTD (up to 0.125 per \$100) for transportation.

\* FY 2012 Weldon Cooper Road, Street, and Highway Finance Survey

\*\* Dept. of Rail and Public Transportation SYIP

# Virginia Is a Wealthy, Relatively Low Tax State, With Higher Reliance on Locality Taxes

	<u>State Rank</u>
Per capita personal income	10
State and local taxes as a percentage of personal income	46
Per capita state taxes	34
Per capita local taxes	15
Individual income taxes as a percentage of state and local tax revenue	7
Per capita state and local debt outstanding	25

# Virginia Spending Rankings Reflect Tax Policies

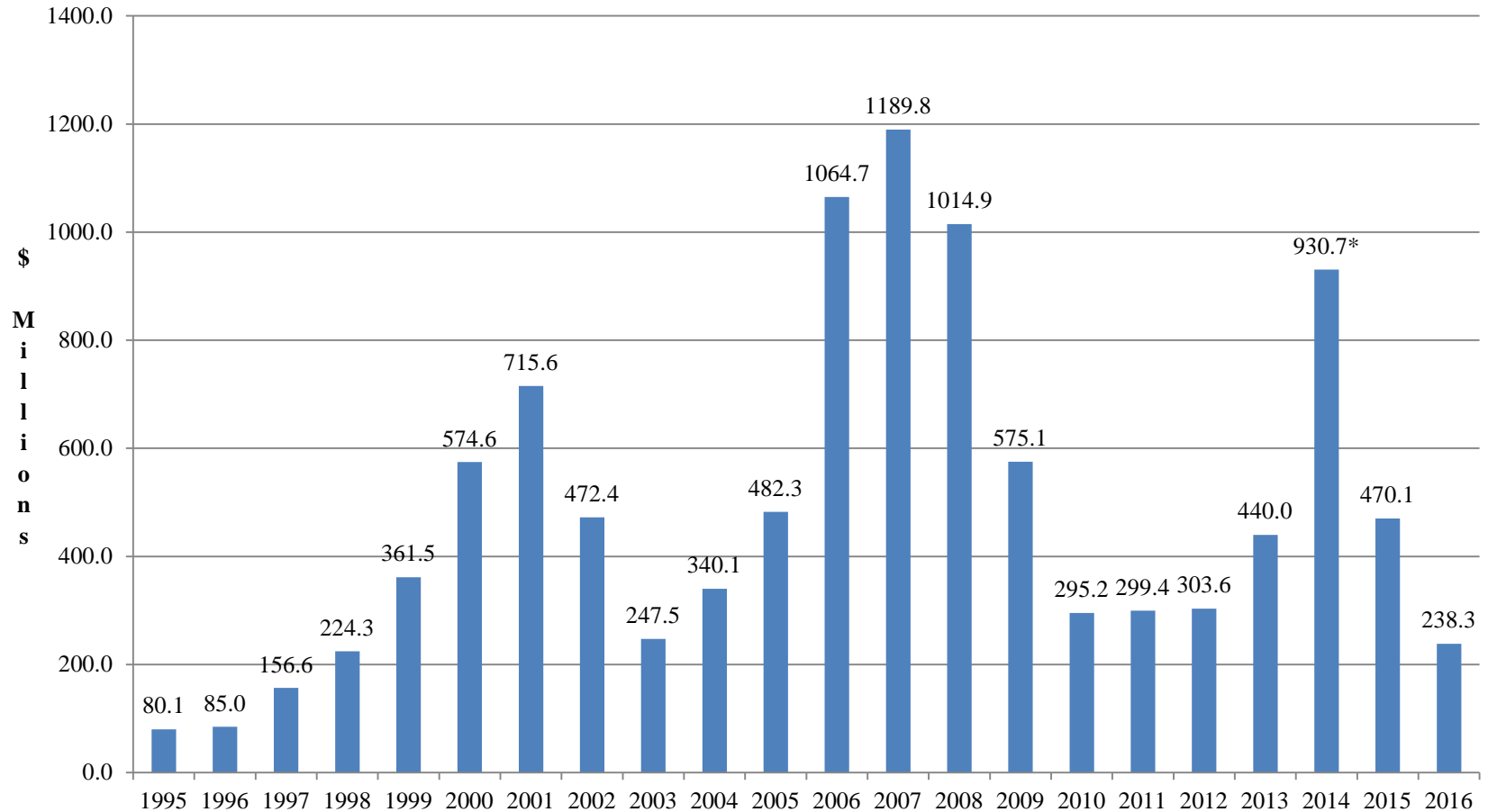
	<u>State Rank</u>
State Per Pupil Funding Pre-K-12	39
State and Local Per Pupil Funding	25
Average Salary of Public School Teachers	29
Per Capita Medicaid Expenditures	46
In-State Tuition and Fees at Public 4-Year Institutions	13
State Corrections Expenditures per Offender	13

Source: Virginia Compared to Other States, JLARC, 2014 Edition

# Appendices

# Better GF Revenues Require Refilling Rainy Day Fund Balances

## Revenue Stabilization Fund Year-End Balances



\* Includes mandatory FY 15 deposit of \$243.2 million from FY 13 revenues. RDF withdrawals in FY 15 and 16 of \$470m and \$235m expected.

# Rainy Day Fund Deposit Requirement Calculation for FY 2015

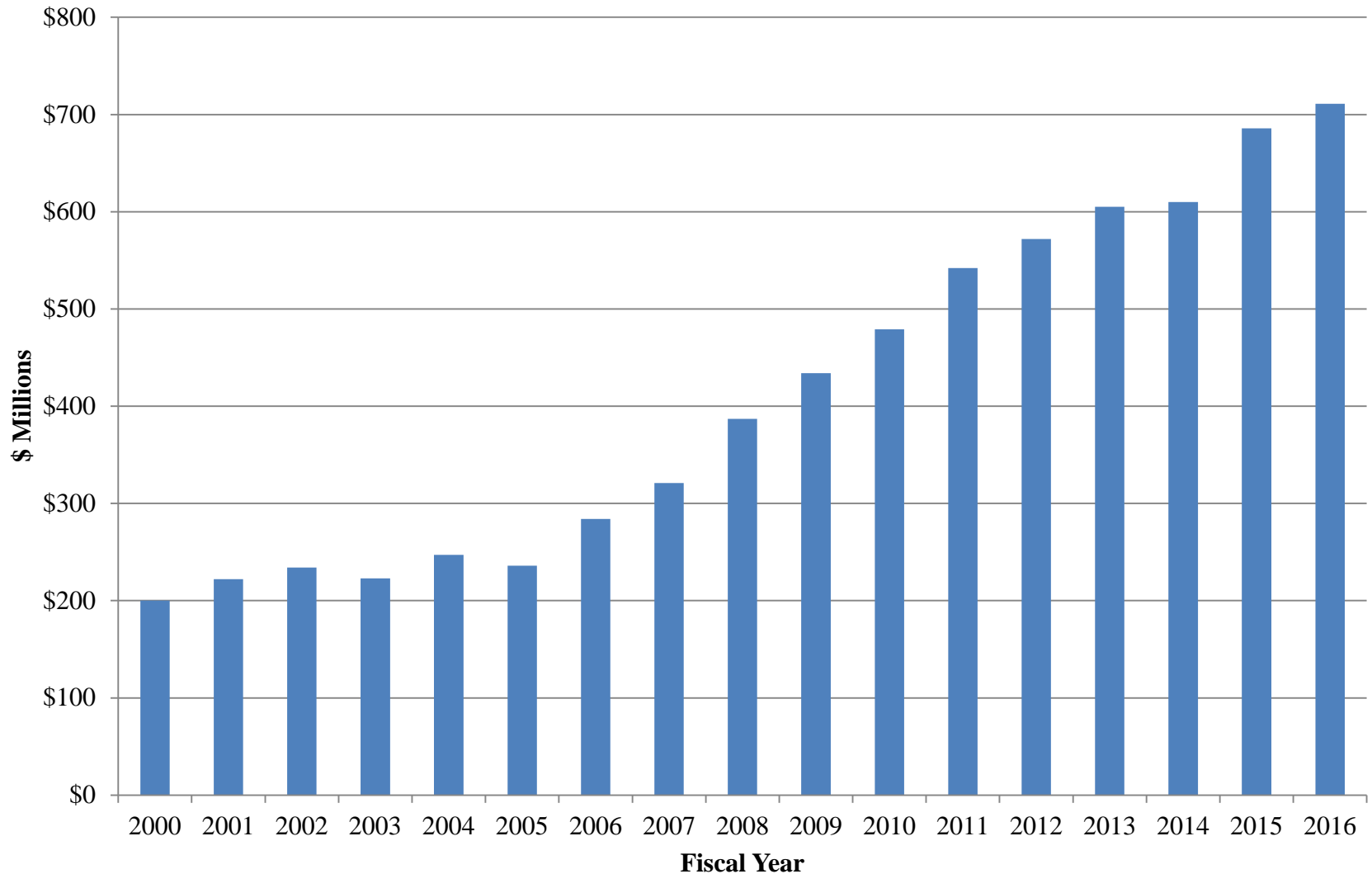
## General Fund Revenue Sources for Calculation (\$ 000's)

<b>FY</b>	<b>Individual</b>	<b>Corporate</b>	<b>Sales</b>	<b>Total</b>	<b>% Change</b>	<b>Preceding 6 yr avg</b>	<b>Deposit Requirement</b>
2008	10,117,132	807,852	3,302,181	14,227,165	2.05%		
2009	9,481,256	648,032	3,116,831	13,246,119	-6.90%		
2010	9,088,732	806,473	3,264,209	13,159,414	-0.65%		
2011	9,944,652	822,259	3,190,452	13,957,363	6.06%		
2012	10,612,918	859,923	3,314,677	14,787,518	5.95%		
2013	11,340,015	796,728	3,419,489	15,556,232	5.20%		
2014	11,253,348	757,491	3,400,456	15,411,295	-0.93%		
2015*	<i>11,636,500</i>	<i>750,900</i>	<i>3,551,200</i>	<i>15,938,600</i>	<i>3.42%</i>	1.45%	156,805

\* FY 15 revenues represent current official forecast. While normally reserved, deposit is not required until FY 17.



# State GF Debt Service Growing Rapidly



# Growth in Non-General Funds Have Far Exceeded General Fund Growth and Now Make Up 63% of the State Budget

**Non-general funds represent a variety revenue sources specifically earmarked to fund certain programs or activities.**

All federal grants and contracts, including the federal medicaid match, transportation, K-12, and higher education grants

State transportation revenues, including toll revenue

Institutional revenue, such as higher education tuition and fees, patient revenue at medical and mental hospitals, and corrections revenue

Unemployment compensation payroll taxes

Debt proceeds

Alcoholic beverage, lottery and other sales

Assessments and receipts for support of special services, such as child support enforcement payments

Virginia Health Care Fund revenues

Master tobacco settlement agreement funds

# Sources of BPOL Revenue by Business Type

	<b>% of Survey Revenue</b>	<b>Max. Rate Allowed/\$100</b>
Financial, RE, Prof. Svcs	31%	\$0.58
Repair, Personal & Business Svcs	26%	\$0.36
Retail	25%	\$0.20
Contracting	7%	\$0.16
Wholesale *	5%	\$0.05
Other	6%	varies

\* Some cities have higher grandfathered rates (see appendix)

# BPOL Receipts % by Location/Type

	Contracting	Retail	Repair, Personal & Bus. Svcs.	Financial, R.E. & Prof. Svcs.	Wholesale	Other
<i>Northern Virginia counties</i>	6.9%	16.9%	24.9%	41.9%	1.2%	8.2%
<i>Counties, not including No. Va.</i>	<u>10.4%</u>	<u>42.7%</u>	<u>23.4%</u>	<u>11.5%</u>	<u>6.3%</u>	<u>5.7%</u>
Total counties	7.8%	23.3%	24.5%	34.4%	2.5%	7.6%
Cities	7.2%	25.9%	28.8%	26.6%	7.9%	3.7%
Towns	5.5%	42.6%	14.7%	18.3%	2.2%	16.8%
<b>Grand total</b>	<b>7.5%</b>	<b>24.8%</b>	<b>26.2%</b>	<b>30.7%</b>	<b>4.8%</b>	<b>6.1%</b>