



Potential State and Local Budget Impacts  
from the  
Covid-19 Virus Business Shutdown

**VIRGINIA FIRST CITIES**

**JAMES J. REGIMBAL JR.**

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# A Nasty Reversal From Just a Few Months Ago

- U.S. GDP fell 4.8% in 1<sup>st</sup> quarter. Expect much worse for the 2<sup>nd</sup> quarter. National unemployment was 14.7% in April. Expect 20%+ in near future.
- Business shutdowns from Covid-19 has produced more than 625,000 unemployment claims in Virginia by May 8.
- Expect large reductions in income taxes, sales taxes, and corporate profits in Apr-June for the state.
  - Minus 26% growth in April GF revenues just the tip of the iceberg.
  - Probably \$1 bil. in state revenue losses for FY 20 versus adopted budget.
  - Losses could reach \$3 bil. in FY 2021 and \$2 bil. in FY 2022 compared to adopted budget revenue forecasts.
  - Available reserves include \$630 million in Rainy Day funds and over \$1.3 bil. in deposited or planned voluntary reserves.
- FY 20 locality revenues may decline by over \$500 mil. from losses in sales taxes, meals, transient occupancy, service fees and delinquent payments. FY 21 locality revenues could decline by \$1.5 bil. or more.

# Budget Outlook Unknown

- Expect a re-forecast of state GF revenues by August joint meeting. A Special Session could be called to access the Rainy Day Fund and cut the state budget further.
- Expect state transportation revenues to also decline significantly due to reliance on retail sales taxes, motor vehicle sales taxes, and motor fuel taxes.
- \$3.1 bil. in federal “Cares Act” help has only been provided for additional costs related to Covid-19, not revenue losses from business closures. Unknown at this time whether additional federal aid is forthcoming for state and local revenue losses.

# Overview of Unallotted State Appropriations

## Offer Clues to Further Budget Cuts

	Adopted <u>FY 2020</u>	Adopted <u>FY 2021</u>	<u>Increase</u>	FY 2021 <u>Unallotted</u>	% FY 21 <u>Unallotted</u>
Legislative and Executive	\$134.9	\$148.3	\$13.4	0.3	0.0%
Judicial Dept.	\$511.8	\$533.2	\$21.4	11.4	1.3%
Administration/Comp Board	\$740.1	\$787.7	\$47.6	13.8	1.6%
Treasury Board Debt Service	\$764.9	\$834.2	\$69.3	0.0	0.0%
Other Finance	\$182.1	\$167.4	(\$14.7)	0.1	0.0%
Rainy Day Fund Deposit	\$262.9	\$77.4	(\$185.5)	0.0	0.0%
Car Tax Reimbursement	\$950.0	\$950.0	\$0.0	0.0	0.0%
Commerce and Trade	\$309.4	\$366.7	\$57.3	63.9	7.5%
Agriculture / Nat. Resources	\$256.7	\$275.9	\$19.2	43.5	5.1%
K-12 Education/DOE	\$6,621.4	\$7,124.6	\$503.2	186.2	21.8%
Higher & Other Education	\$2,274.0	\$2,494.7	\$220.7	190.6	22.3%
DMAS Medicaid	\$4,727.0	\$5,139.2	\$412.2	79.6	9.3%
Other Health & Human Services	\$2,077.9	\$2,329.5	\$251.6	97.9	11.5%
Public Safety & Veterans/HS	\$2,084.8	\$2,242.3	\$157.5	36.7	4.3%
Transportation	\$41.0	\$0.0	(\$41.0)	0.0	0.0%
Central Appropriations	\$344.2	\$139.9	(\$204.3)	126.1	14.8%
Cash Reserve	\$0.0	\$0.0	\$0.0	0.0	0.0%
Independent Agencies/Capital	\$3.3	\$27.8	\$24.5	4.7	0.5%
<b>Total GF Appropriations</b>	<b>\$22,286.4</b>	<b>\$23,638.8</b>	<b>\$1,352.4</b>	<b>854.7</b>	<b>100.0%</b>

# FY 2019 Reliance on Local Revenue Sources

	<b>Real Property</b>	<b>Per. Property</b>	<b>Sales Tax</b>	<b>BPOL</b>	<b>Hotel</b>	<b>Meals</b>	<b>All Other</b>
Charlottesville	38.5%	3.8%	6.5%	4.7%	3.1%	6.7%	36.7%
Danville	23.1%	10.8%	11.4%	6.7%	1.4%	10.8%	35.8%
Hampton	43.2%	8.4%	5.0%	4.5%	1.3%	7.0%	30.7%
Harrisonburg	32.0%	9.2%	12.9%	6.4%	2.8%	12.8%	23.8%
Hopewell*	32.1%	6.0%	4.6%	3.8%	1.9%	4.2%	47.4%
Lexington	34.8%	5.4%	6.3%	4.0%	3.3%	8.9%	37.4%
Lynchburg	31.7%	8.2%	8.7%	5.2%	1.4%	8.2%	36.6%
Martinsville	25.1%	7.1%	7.6%	7.3%	0.1%	7.2%	45.6%
Newport News	41.0%	9.8%	5.7%	3.8%	1.0%	6.0%	32.8%
Norfolk	43.4%	8.5%	6.0%	5.3%	2.1%	7.0%	27.7%
Petersburg*	40.9%	9.6%	6.2%	5.0%	0.7%	4.8%	32.7%
Portsmouth*	46.7%	9.8%	3.8%	3.4%	0.4%	4.1%	31.9%
Richmond	42.1%	7.9%	5.4%	5.2%	1.3%	6.7%	31.3%
Staunton	35.5%	10.2%	8.3%	4.4%	1.6%	8.8%	31.2%
Williamsburg	27.7%	1.9%	17.0%	5.8%	10.9%	18.2%	18.5%
Winchester	34.8%	13.7%	12.0%	8.6%	1.2%	10.5%	19.1%
<b>VFC Average</b>	<b>40.1%</b>	<b>8.4%</b>	<b>6.5%</b>	<b>5.0%</b>	<b>1.6%</b>	<b>7.1%</b>	<b>31.3%</b>
<i>* FY 2018 data</i>							

# A First Guess at VFC Local Revenue Losses Are Assumptions Valid?

<b>FY 2020 Revenue Loss Assumptions</b>			<b>FY 2021 Revenue Loss Assumptions</b>		
Real Property	1%		Real Property	5%	
Personal Property	1%		Personal Property	5%	
Local Sales Tax	5%		Local Sales Tax	10%	
BPOL	2%		BPOL	15%	
Transient Occupancy	20%		Transient Occupancy	25%	
Meals	20%		Meals	25%	
All Other	2%		All Other	5%	

# A First Guess at VFC Local Revenue Losses

	<b>Est. FY 20</b>	<b>% of Total FY 20</b>	<b>Potential FY 21</b>	<b>% of Total FY 21</b>
	<b>Revenue Loss</b>	<b>Local Revenue</b>	<b>Revenue Loss</b>	<b>Local Revenue</b>
Charlottesville	6,111,038	3.6%	13,364,125	7.8%
Danville	3,053,598	4.2%	6,341,943	8.7%
Hampton	9,564,744	3.1%	22,681,343	7.2%
Harrisonburg	5,095,732	4.7%	10,057,020	9.4%
Hopewell	1,282,907	2.8%	3,074,281	6.8%
Lexington	653,721	4.0%	1,332,051	8.1%
Lynchburg	6,431,673	3.6%	14,084,975	7.9%
Martinsville	830,438	3.1%	1,985,106	7.5%
Newport News	12,691,647	2.9%	30,799,516	7.1%
Norfolk	17,767,671	3.3%	40,896,434	7.7%
Petersburg	1,578,060	2.7%	4,066,252	6.9%
Portsmouth	4,654,360	2.3%	12,727,137	6.4%
Richmond	19,076,768	2.9%	47,218,247	7.2%
Staunton	1,775,975	3.5%	3,950,025	7.7%
Williamsburg	2,856,431	7.6%	4,626,115	12.3%
Winchester	3,231,951	4.0%	7,113,500	8.8%
<b>VFC Total</b>	<b>96,656,715</b>	<b>3.2%</b>	<b>224,318,069</b>	<b>7.5%</b>

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

