



Virginia
FIRST CITIES



2015 Annual Meeting

CitySpace

Charlottesville

May 29, 2015

Virginia First Cities

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



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

VFC 2014-15

Administrative Priorities

- Hired a new Legislative Director – Laura Bateman, January 2015 (William Johnson, Linda McMinimy, Bryan Pennington)
- Promoted VFC in City Visits– Stuarton, Martinsville, Newport News, Lynchburg, Winchester
- Educate membership about what we are doing

2015 VFC Legislative Priorities

- Education- Struggling Schools
- Public Safety- Police Department Funding (preserve and increase - concern about raiding)
- Street Maintenance – Protect Resources

VFC Legislative Success

- Extended Year Schools Funding (Year Round Schools) - **\$4.9 Million**
 - Added additional funding due to overwhelming demand and proration problems
 - Increased the amount available per school to **\$400,000**
 - Planning Grants prioritize applicants
- VCU Teacher Residency Program-**\$500,000** Planning Expansion to Petersburg and Norfolk
- Pre-k Funding Hold Harmless – VFC helped protect VPI slots
- Enterprise Zone Program - **\$650,000**
- Enterprise Zone Study - **\$80,000**
 - Defeated legislative efforts to amend the program adverse to our interests
- Brownfields Program Funding - **\$750,000** (\$50k per locality)

Extended Year Schools (Year Round Schools) VFC Legislative Success

- JLARC study on Year Round Schools indicates it improves SOL scores of certain groups: African American students, At-Risk Students, Hispanic and ESL students (74% of Afr. Am. Students improved SOL scores faster and scored higher than predicted)
- VFC 2014 Request - \$3.4 million awarded for planning and implementation grants over biennium
- \$1 million for current year has been oversubscribed and priority goes to distressed communities with greatest need (\$1.6 M distributed)
- Petersburg received implementation grants for 2 schools and is currently implementing
- Recipients: Richmond, Petersburg, Roanoke, Lynchburg, Harrisonburg, Galax, Gloucester, Goochland, Henrico, Loudon, Manassas Park, Radford all receiving planning or implementation grants
- VFC receives 53% percent of these grants
- DOE agrees that more funds will be required and VFC will increase our request

Enterprise Zone Program

- Virginia First Cities is the primary advocate for the enhancement and preservation of the State Enterprise Zone Program.
 - EZ's continue to be an important economic development tool in distressed localities
 - Rural Counties are allies.
- VFC has grown and maintained EZ funding
 - Protected the program for distressed localities and pushed back attempts to expand the program to localities that are not distressed.
 - 2011, 2012, 2013 several legislative attempts to allow for status based on distress factors in a particular area of their locality, not locality-wide distress.
 - Del. James (Portsmouth, Norfolk, Suffolk) withdrew his by request bill and asked that VFC participate in a work group to analyze the program going forward; concern that the program needs adjustment to grow
- In 2015 the number of EZ zones will start to shrink from 57 to 30
 - Lynchburg, Hampton, Roanoke existing zones expire

VFC Request - Study of Enterprise Zones

- John Accordino, VCU Professor and Director, Center for Urban and Regional Analysis-CURA, recently authored a study on the economic impacts of State and Federal Historic Rehabilitation Tax Credits (Preservation Virginia) and the Virginia Main Street Program (Preservation Virginia)
- Comprehensive Study gives justification and benefits of the program (could help cities like ours)
- Proposal to intensively study the EZ program, benefits, revenue, possibility of expansion, requirements, etc.
- Timely study because of cuts and dwindling of funds
- Interest by other localities with “pockets of poverty”, not locality wide distress
- Could examine whether this is a good option and how much funding would be necessary to make it viable

On the Horizon

- **Brownfields Webinar** – DEQ and EDP assessment grants
- **Extended Year Schools Webinar** – encourage members to participate if your school system has any interest at all
- **EZ Study** – VFC active participant
- **Pre-K Study** to determine eligibility for participants and other issues
- Impact of **Disproportionate Felonization of City Residents** is dramatic, strategies (certain non-violent drug or other crimes, restorative justice)
- Potential **City Meeting** Partnering with the Sec of Commerce and Trade

The Outlook for State Aid to Virginia First Cities

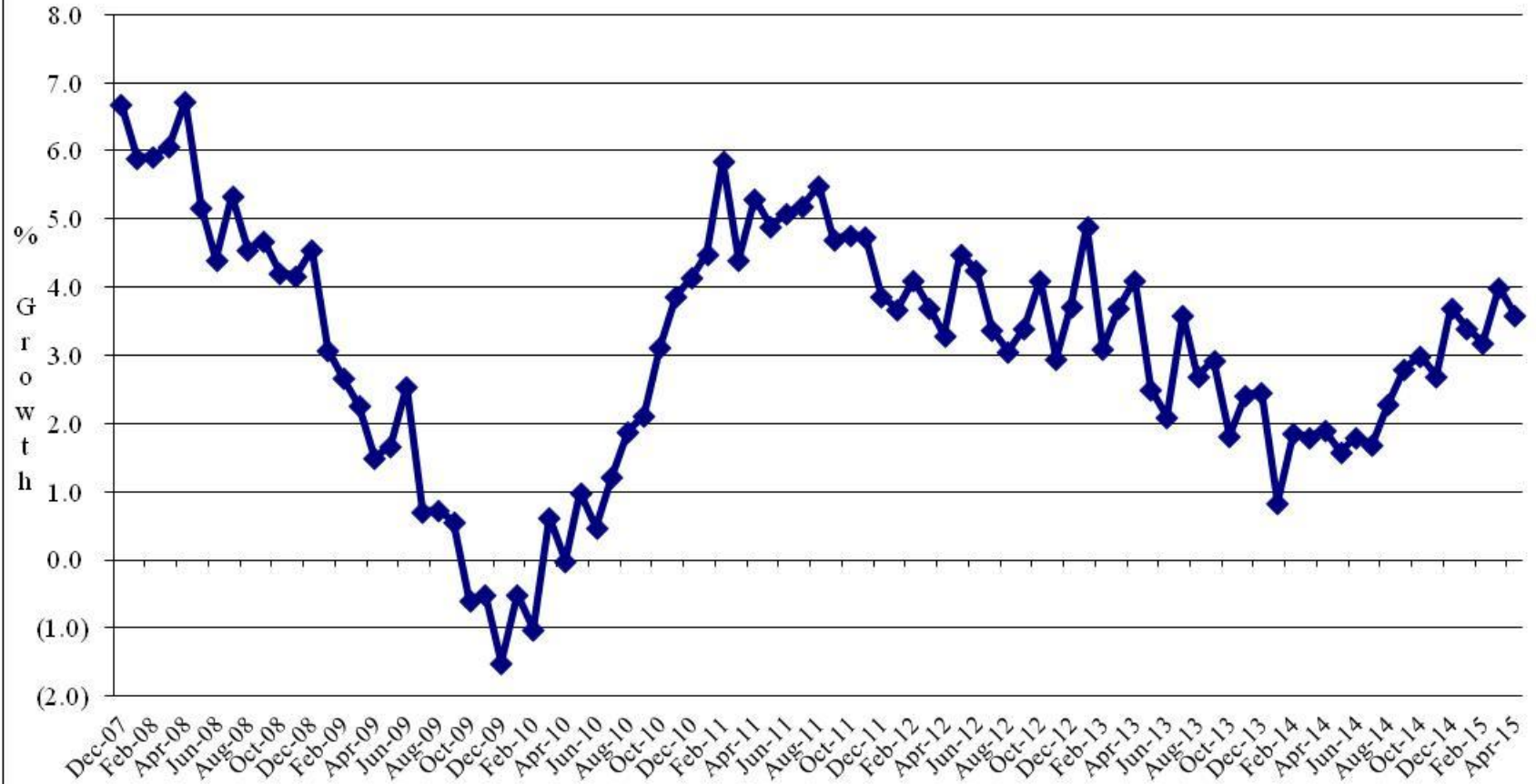
Fiscal Analytics, Ltd.

May 2015

FY 2015 GF Revenues Likely to Show a Large Surplus *Negative 6.0% Remaining Growth Needed (May–June)*

	<u>Official Growth</u>	<u>YTD Growth thru April</u>	Remaining Growth Needed
<i>Withholding</i>	4.0%	4.7%	0.2%
<i>Est Payments/Tax Dues</i>	7.9%	19.8%	-23.5%
<i>Refunds</i>	<u>3.2%</u>	<u>-1.2%</u>	<u>39.8%</u>
Net Individual Income	5.0%	8.8%	-10.9%
Sales Taxes	4.9%	4.2%	7.6%
Corporate Income	11.0%	14.4%	0.5%
Total GF Revenues	4.7%	7.5%	-6.0%

Improving Growth in Individual Income Tax Withholding 12 Mo. Moving Avg (% Growth)



May 2015 Income Tax Dues Appear to Be Rebounding Closer to May 2013 Levels

Income Tax Est Payments/Tax Dues (\$Mil.)

<u>May 2012</u>	<u>May 2013</u>	<u>May 2014</u>	<u>May 2015</u>
\$444.2	\$776.1	\$433.2	??

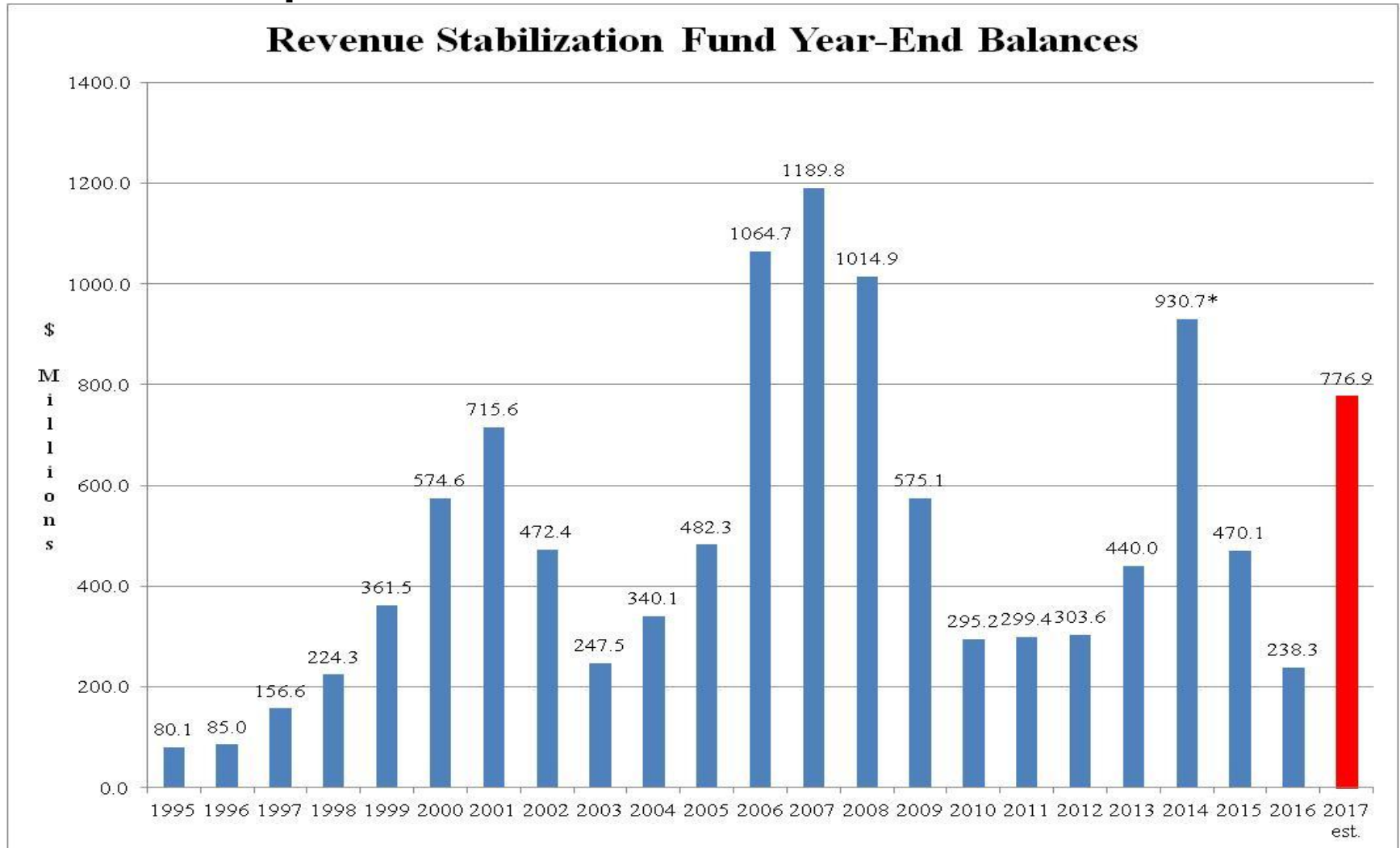
FY 2015 Surplus Can Ripple Into Out-years

Estimate of General Fund Revenues (\$ Mil.) *

Fiscal Year	Official Growth	Official GF Revenues	FA Est. Growth	FA GF Revenues	Difference
2014	-1.6%	\$16,411.4	-1.6%	\$16,411.4	\$0.0
2015	4.7%	\$17,186.0	7.3%	\$17,614.5	\$428.5
2016	3.1%	\$17,720.7	3.1%	\$18,157.8	\$437.1
2107	2.1%	\$18,091.8	2.1%	\$18,531.3	\$439.5
2018	3.7%	<u>\$18,754.8</u>	3.7%	<u>\$19,201.5</u>	<u>\$446.7</u>
Total		\$88,164.7		\$89,916.4	\$1,751.7

* Does not include GF transfers

A Large Rainy Day Fund Deposit Will Be Required From FY 2015 Revenues



* Includes mandatory FY 15 deposit of \$243.2 million from FY 13 revenues. RDF withdrawals in FY 15 and 16 of \$470m and \$235m appropriated. GA reserved \$129.5 mil for FY 2017 deposit.

Rainy Day Fund Will Consume FY 2015 Surplus, But Not Out-Years

General Fund Revenue Sources for Calculation (\$000)

FY	Individual	Corporate	Sales	Total	% Change	Preceding 6 Yr Avg	Deposit Required
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	12,225,890	871,125	3,536,474	16,633,489	7.93%	1.45%	\$538,640
2016	12,638,474	871,125	3,653,178	17,162,777	3.18%	3.93%	\$0
2017	13,073,917	871,125	3,678,750	17,623,793	2.69%	4.57%	\$0

* Uses FA estimates for FY 2015-17. Only \$129.5 mil. reserved in budget for FY 15 deposit requirement due in FY 17

	<u>2015 Session Adopted Budget</u>			<u>FY14-16 over FY14 x 2</u>
	FY 2014 Budget	FY 2015 Budget	FY 2016 Budget	
Legislative and Executive Dept's	103.2	109.0	107.7	10.3
Judicial Dept.	425.2	452.6	455.4	57.6
Administration/Comp Board	654.1	689.6	680.5	61.8
Treasury Board GF Debt Service	608.5	672.1	683.7	138.7
Other Finance/Technology	171.8	179.8	181.5	17.5
Rainy Day Fund	339.6	372.7	-	(306.5)
Car Tax Reimbursement	950.0	950.0	950.0	-
Commerce and Trade	183.3	181.9	197.0	12.3
Agriculture / Nat. Resources	144.0	184.3	174.4	70.7
K-12 Education/Central Office	5,292.7	5,456.5	5,615.3	486.5
Higher & Other Education	1,782.1	1,813.6	1,865.5	114.9
DMAS Medicaid	3,519.8	3,694.4	3,987.2	642.0
Other Health & Human Services	1,541.5	1,646.1	1,658.1	221.1
Public Safety & Veterans/HS	1,699.0	1,802.8	1,836.1	240.8
Transportation	42.0	13.2	69.1	(1.7)
Central Appropriations	247.2	20.4	160.2	(313.8)
Independent Agencies/Capital	<u>1.2</u>	<u>1.4</u>	<u>142.6</u>	<u>141.6</u>
Total GF Appropriations	\$ 17,705.2	\$ 18,240.2	\$ 18,764.2	1,593.9
GF Resources	\$ 17,304.1	\$ 18,301.0	\$ 18,767.3	
Balances		\$ 186.4	\$ 1.9	
Unspent Balance		\$ 247.2	\$ 5.1	

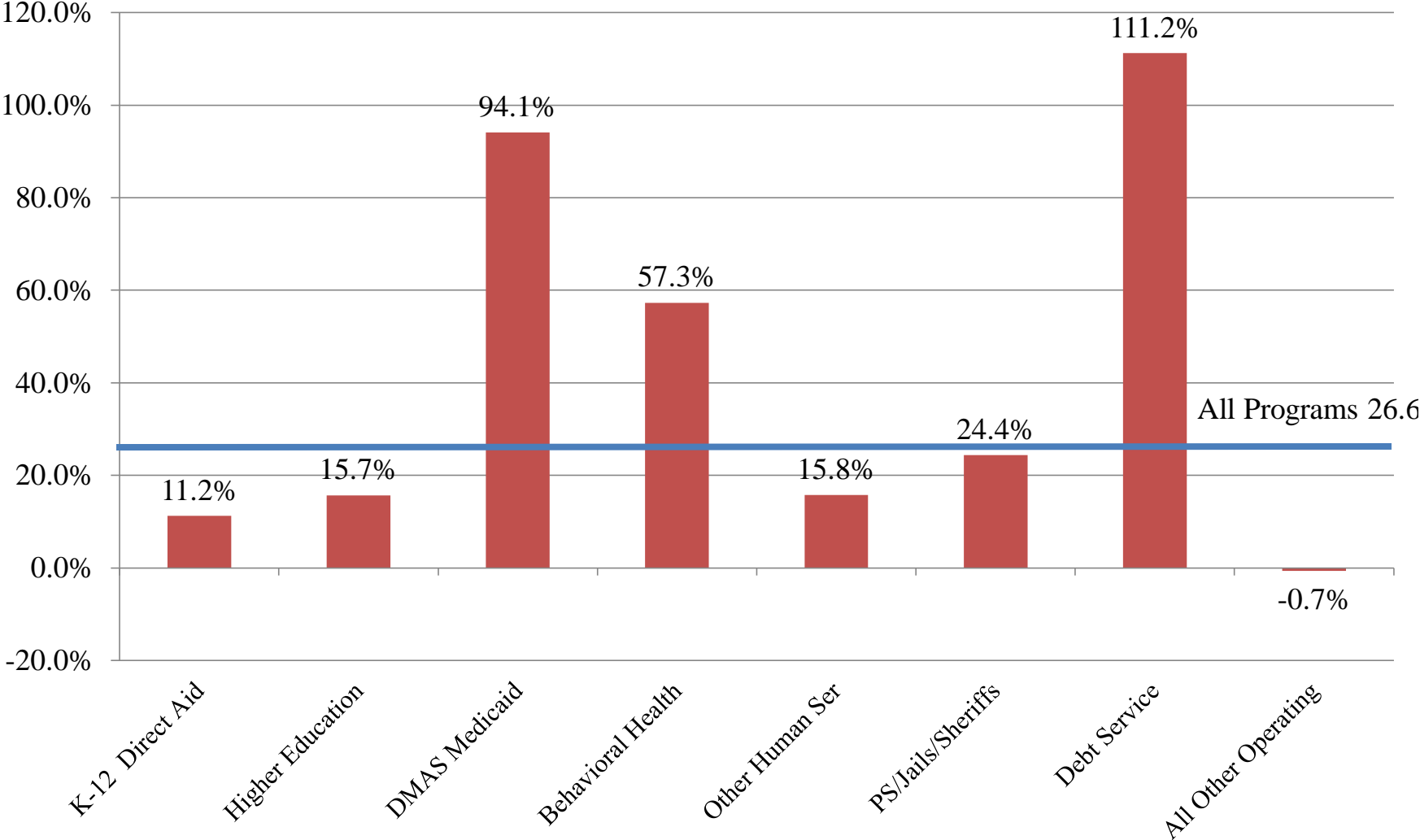
State Aid to Localities Continues to Decline as a Percent of the GF Budget

GF State Aid to Localities (\$ Mil.)

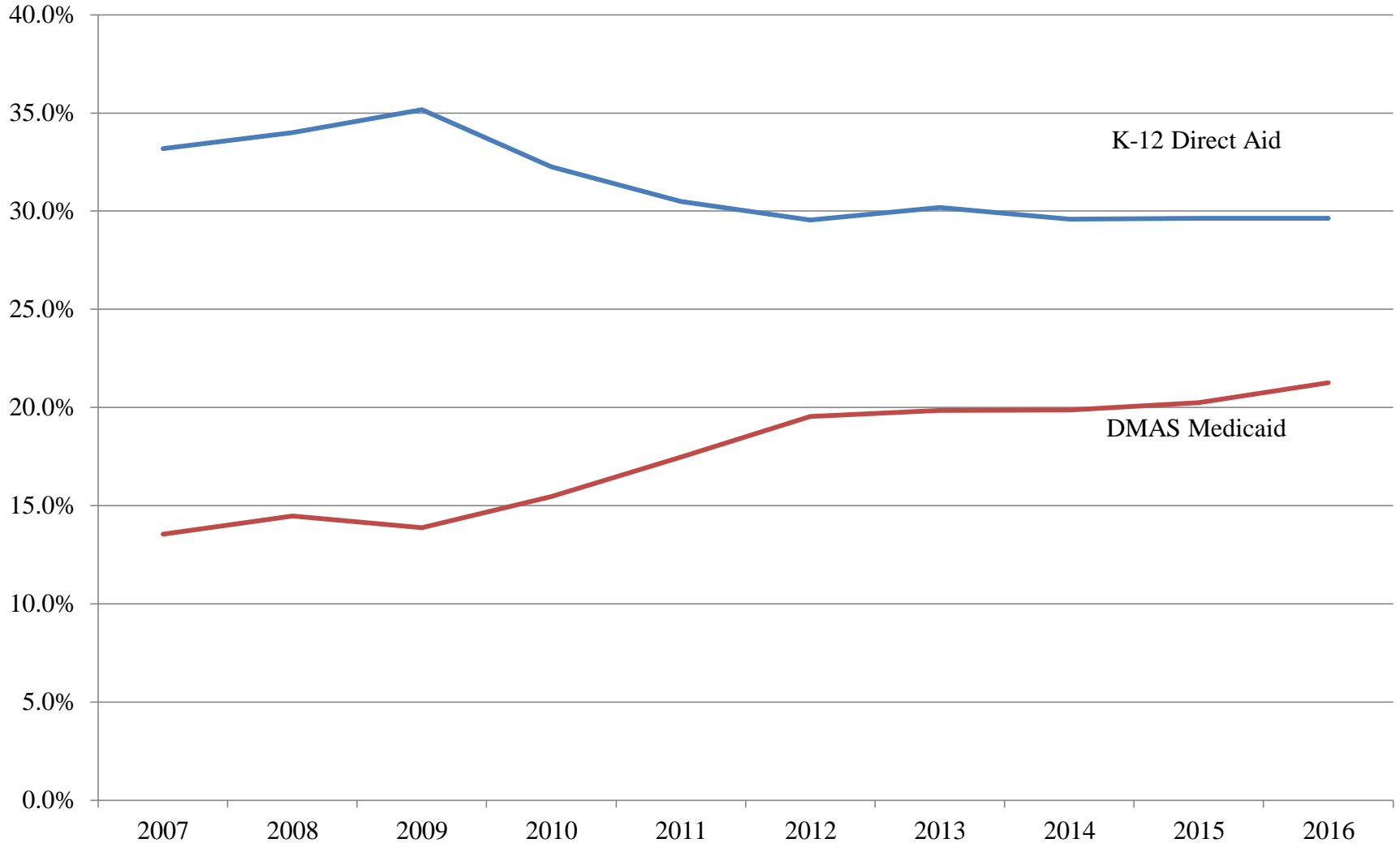
	<u>FY 2009</u>	<u>FY 2012</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Direct Aid to K-12	\$5,607.6	\$4,903.1	\$5,240.3	\$5,405.4	\$5,560.3
Health and Human Services	888.4	822.7	791.7	810.1	846.8
<i>CSA</i>	299.7	245.2	217.2	217.4	217.4
<i>Community MH/MR Services</i>	249.4	269.0	269.3	287.3	317.1
<i>Local Social Services Staff</i>	117.4	111.4	115.3	112.1	114.4
<i>Community Health Programs</i>	117.6	109.3	107.2	110.6	115.1
<i>Welfare Services and Programs</i>	104.3	87.8	82.7	82.7	82.8
Public Safety	734.3	670.0	687.9	713.2	704.2
<i>Local Sheriffs Offices</i>	406.1	396.9	411.3	431.2	436.0
<i>Local Police Depts HB 599</i>	197.3	172.4	172.4	172.4	172.4
<i>Local Jail Per diem</i>	80.1	54.5	59.4	63.9	50.1
<i>Assistance for Juvenile Justice</i>	50.8	46.2	44.8	45.7	45.7
Constitutional Officers	\$155.3	\$143.8	\$145.8	\$152.4	\$152.5
Car Tax	950.0	950.0	950.0	950.0	950.0
Aid-to-Locality Reduction	<u>(50.0)</u>	<u>(60.0)</u>	<u>0.0</u>	<u>(30.0)</u>	<u>0.0</u>
Total Local GF Aid	\$8,285.6	\$7,429.6	\$7,815.7	\$8,001.1	\$8,213.7
Total GF Appropriations	\$15,943.0	\$16,556.9	\$17,705.2	\$18,240.2	\$18,764.2
	52.0%	44.8%	44.1%	43.9%	43.8%

Local Priorities Losing Ground

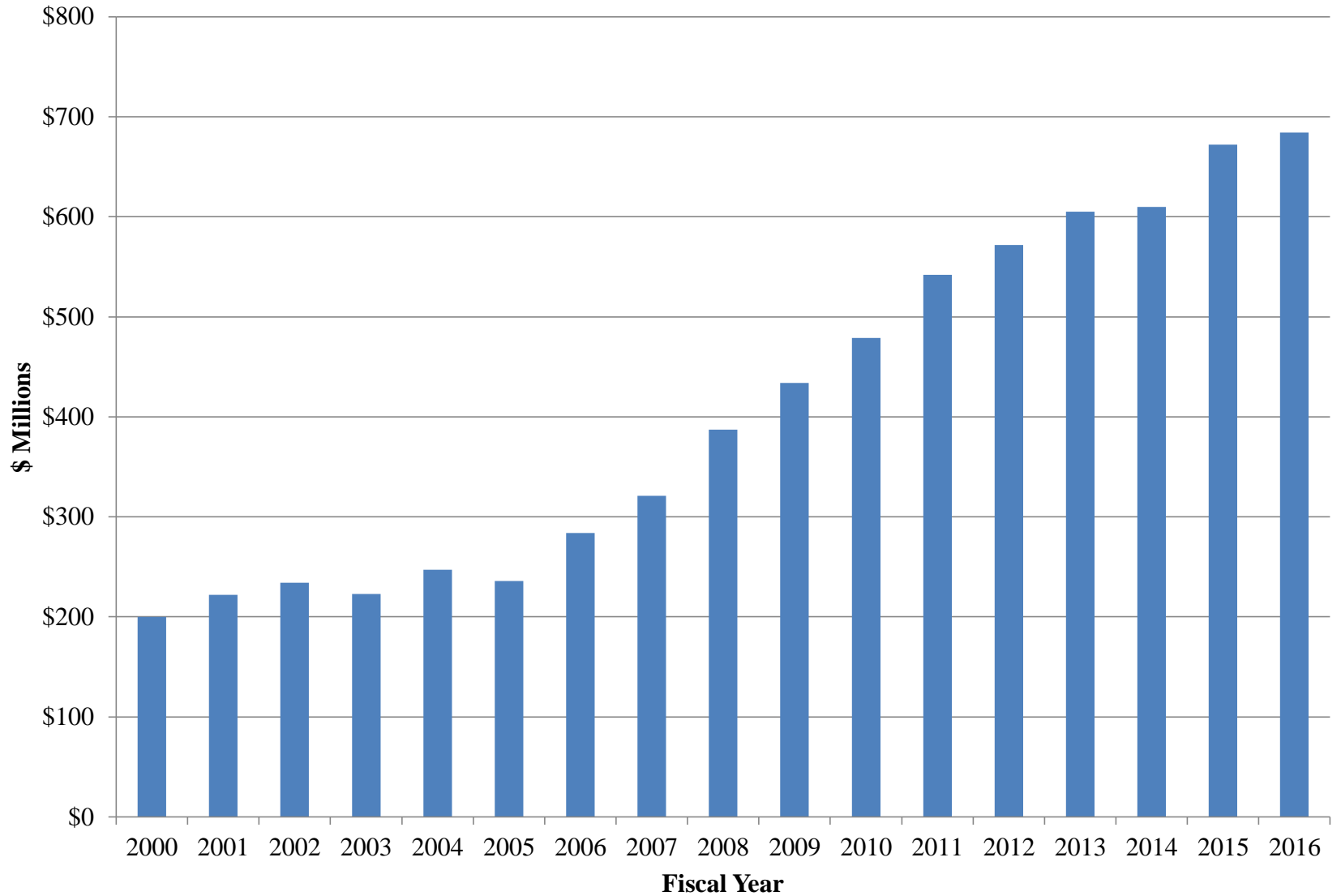
Major GF Budget Drivers FY 2006-16



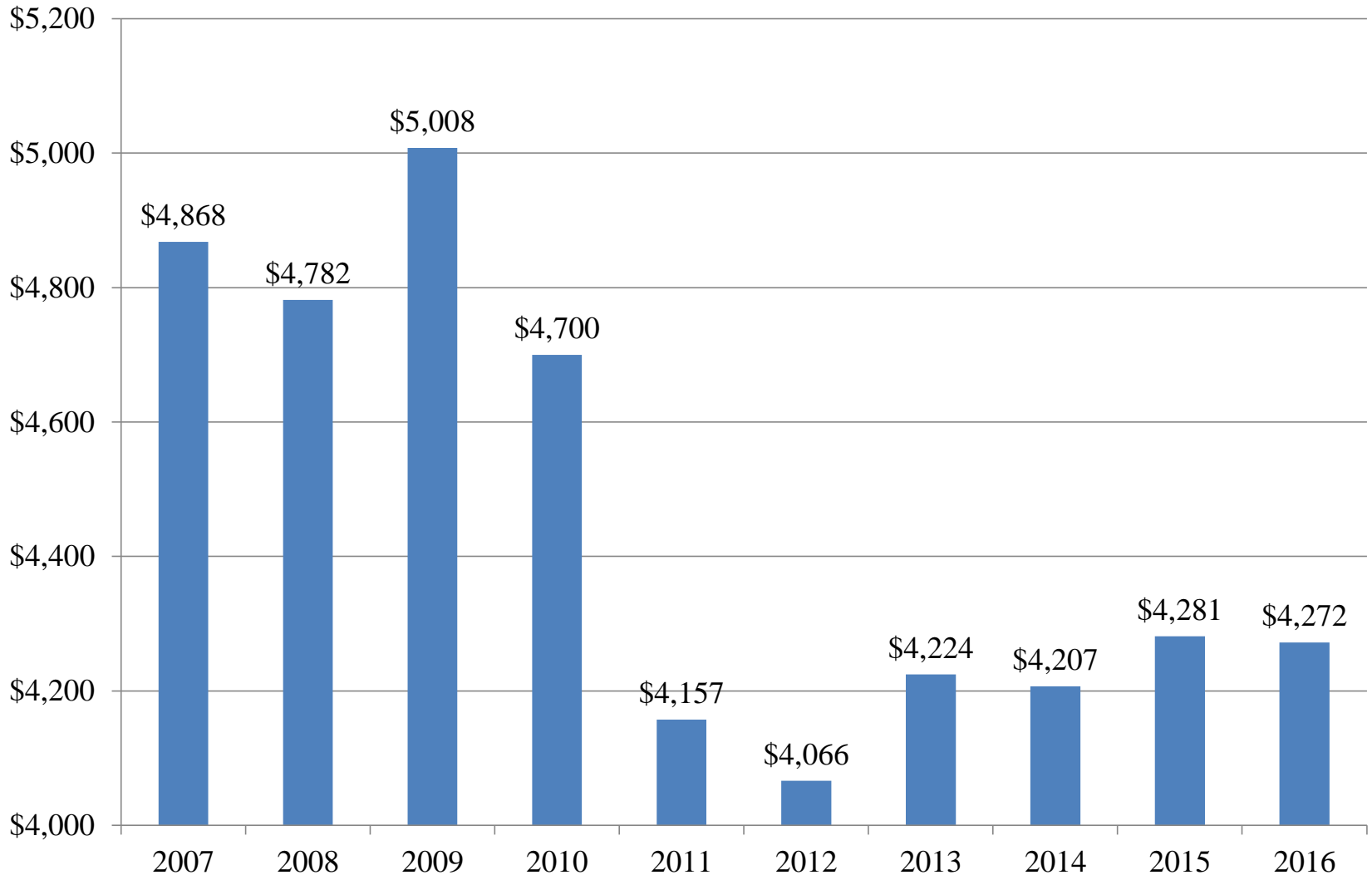
Medicaid Is Squeezing K-12 Funding (% of State GF)



... As is Growing State GF Debt Service



Inflation-Adjusted State Per Pupil K-12 Funding (2007\$ - All State Appropriated Funds)



Note: Actual state per pupil funding: FY 2009 = \$5,274; FY 2016 = \$5,083

Free Lunch Eligibility Has Grown Dramatically

	<u>2008</u>	<u>2011</u>	<u>2015</u>
CHARLOTTESVILLE	45.3%	47.6%	48.3%
HAMPTON	35.3%	42.8%	51.0%
HOPEWELL	54.3%	64.1%	65.9%
LYNCHBURG	45.2%	53.2%	56.0%
MARTINSVILLE	54.2%	63.1%	71.5%
NEWPORT NEWS	40.0%	46.5%	55.5%
NORFOLK	47.4%	56.3%	59.3%
PETERSBURG	52.6%	70.4%	100.0%
PORTSMOUTH	45.5%	54.0%	58.2%
RICHMOND CITY	64.1%	68.0%	97.6%
ROANOKE CITY	54.2%	61.1%	68.6%
STAUNTON	37.2%	46.0%	46.4%
WINCHESTER	<u>36.0%</u>	<u>46.1%</u>	<u>51.4%</u>
VFC Average	47.0%	55.3%	63.8%
Statewide	25.8%	32.0%	35.2%

Unfunded State Aid to Police (HB 599) Since FY 2000*

	Current Appropriation	Annual Loss in FY 2016	Cumulative Loss Since FY 2000
Charlottesville	\$2,012,665	\$1,119,748	\$7,900,954
Hampton	\$6,523,451	\$3,629,328	\$25,409,511
Hopewell	\$1,267,000	\$704,897	\$4,939,084
Lynchburg	\$2,930,790	\$1,630,548	\$11,372,778
Martinsville	\$841,560	\$468,203	\$3,213,158
Newport News	\$8,742,111	\$4,863,682	\$34,191,033
Norfolk	\$11,174,995	\$6,217,220	\$44,601,973
Petersburg	\$2,022,234	\$1,125,072	\$7,921,662
Portsmouth	\$5,786,667	\$3,219,418	\$23,082,817
Richmond	\$13,894,018	\$7,729,951	\$55,675,952
Roanoke	\$5,339,407	\$2,970,585	\$20,525,555
Staunton	\$858,609	\$477,688	\$3,326,919
Winchester	<u>\$812,804</u>	<u>\$452,204</u>	<u>\$3,184,566</u>
Total VFC	\$62,206,312	\$34,608,543	\$245,345,961
Total State	\$172,412,837	\$87,853,786	\$583,951,450

* As compared to the statutory requirement
to fund at the rate of growth in GF revenues

VFC Criminal Justice and Social Welfare Data

	2013 Median Household Income	Non-Marital Births %	2013 All Poverty Rate	2013 Child Poverty Rate	2014 On-Time HS Graduation	2011-13 Violent Crime per 100,000	2011-13 Property Crime per 100,000	2011-13 Drug Arrests per 100,000	Crime Change from 2007-09
Charlottesville	\$45,320	33.7%	22.9%	25.3%	88.8%	446	3,370	584	Down (Drug up)
Hampton	\$45,293	47.1%	15.6%	21.0%	84.0%	236	3,513	739	Down
Hopewell	\$39,440	65.8%	22.6%	31.4%	79.5%	493	3,891	886	Down (Drug up)
Lynchburg	\$39,918	40.7%	22.6%	28.0%	81.2%	376	2,826	522	Down (Drug up)
Martinsville	\$31,046	67.6%	25.8%	37.8%	86.7%	342	3,417	506	Down (Drug up)
Newport News	\$47,421	49.2%	17.5%	26.7%	88.0%	437	3,180	1,024	Down
Norfolk	\$42,949	48.1%	23.3%	33.1%	78.9%	562	4,645	410	Down (Drug up)
Petersburg	\$32,623	70.7%	28.1%	51.8%	82.6%	507	3,986	1,958	Down (Drug up)
Portsmouth	\$43,041	54.8%	20.9%	33.7%	85.1%	553	5,337	649	Down
Richmond	\$39,249	64.4%	25.4%	36.6%	80.5%	649	4,175	956	Down
Roanoke	\$37,223	55.9%	23.3%	35.6%	83.4%	537	4,724	1,212	Down
Staunton	\$39,712	44.9%	15.8%	24.1%	90.0%	187	2,264	754	Down
Winchester	\$43,943	51.9%	14.1%	22.2%	90.2%	245	4,117	1,101	Down (Drug up)
Total State	\$62,745	34.6%	11.7%	14.4%	89.9%	191	2,139	533	Down (Drug up)

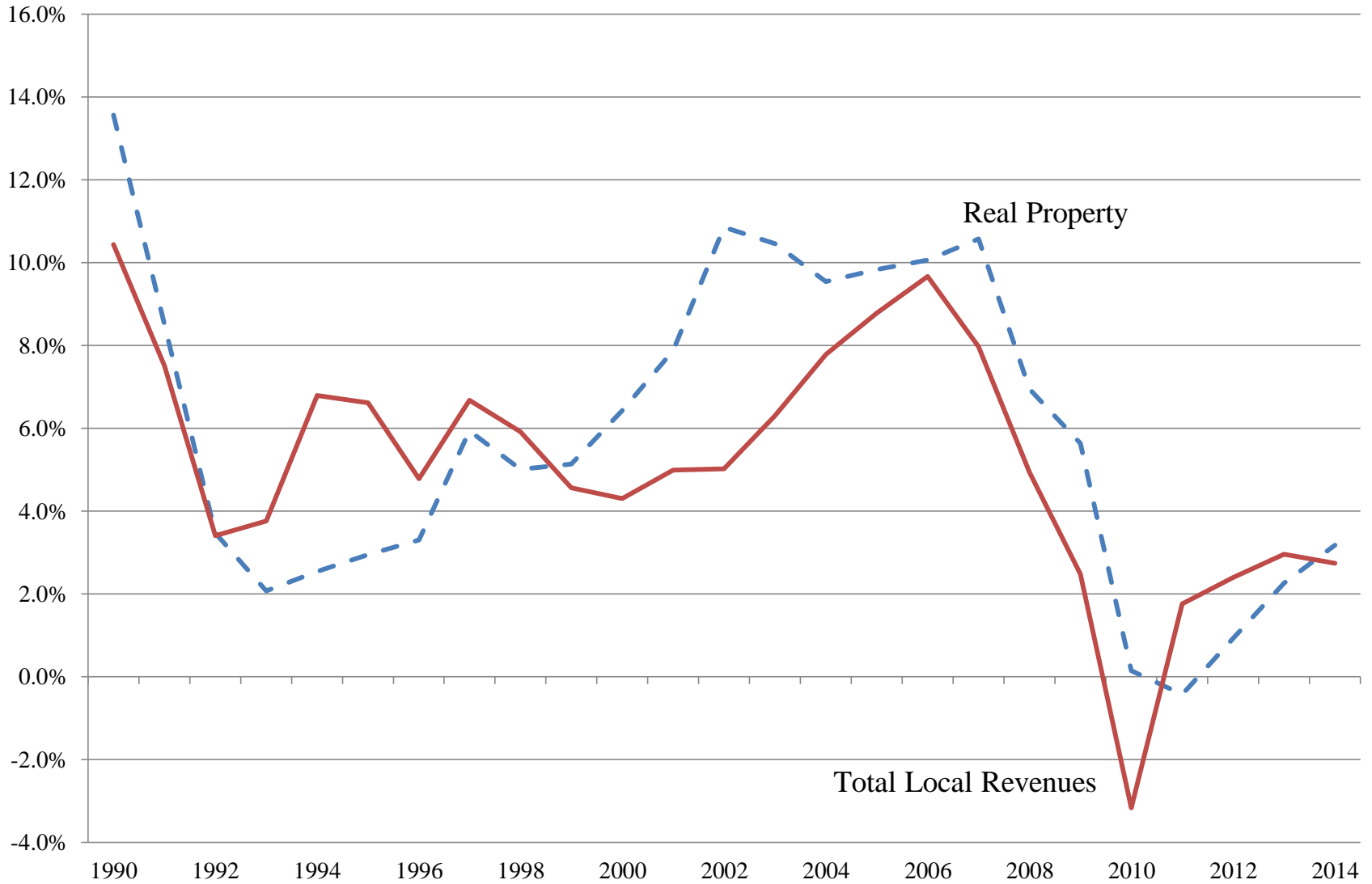
HB 599 Change in FY05-06 to FY 15-16 HB 599 Formula Factor Inputs

	<u>Population</u>	<u>Density</u>	<u>Avg Crime Rates *</u>	<u>Social Welfare Rate **</u>
VFC Average	3.0%	3.0%	-23.1%	-28.4%
Other Cities	9.0%	8.9%	-13.0%	-21.0%
Counties	19.6%	21.0%	-27.5%	-14.0%
Towns	15.6%	n/a	n/a	n/a
Charlottesville C	10.4%	10.7%	-25.6%	-28.2%
Hampton C	-6.0%	-5.3%	-4.0%	-28.8%
Hopewell C	-0.2%	-0.6%	-17.5%	-30.5%
Lynchburg C	17.9%	18.5%	-14.7%	-31.9%
Martinsville C	-10.2%	-10.2%	-25.3%	-35.4%
Newport News C	0.7%	0.1%	-28.5%	-29.0%
Norfolk C	5.0%	4.3%	-14.2%	-28.2%
Petersburg C	-2.2%	-2.4%	-39.7%	-28.7%
Portsmouth C	-2.5%	-3.9%	-11.1%	-23.9%
Richmond C	7.5%	8.0%	-44.9%	-16.2%
Roanoke C	2.6%	3.4%	-2.4%	-15.8%
Staunton C	1.8%	0.4%	-31.8%	-17.6%
Winchester C	11.5%	12.7%	-20.5%	-16.3%

"Average crime rate" is violent and property index crimes per 100,000 persons

** Total TANF, Foster Care, and General Relief recipients per 100,000 pop.

Localities Only Beginning to Recover from Real Estate Recession



Note: real property tax rate changes from FY 13-15: 20 cities increased , 2 decreased; 57 counties increased , 7 decreased .

Virginia First Cities Revenue Sources Have Not Kept Pace With Inflation/Population

Virginia First Cities Revenue Growth

	<u>Real Property Tax</u>	<u>Total Local Revenue</u>	<u>All Revenue</u>
FY 2009	\$1,068,456,137	\$2,626,738,101	\$4,856,504,054
FY 2014 *	\$1,063,723,291	\$2,632,716,367	\$4,794,929,501
Growth	-0.44%	0.23%	-1.3%

** Includes FY 2013 revenue data for Richmond and Hopewell*

Note: “All Revenue” includes local, state, and federal revenue sources.
 Inflation as measured by the CPI grew 10.5% from FY 2009-14

FY 2009 - FY 2014 Growth Comparison				
	Locally-Generated Revenue	All Local Revenue Sources	O&M Expenditures	Population
Charlottesville	5.8%	3.7%	-1.1%	15.6%
Hampton	5.1%	1.4%	-1.0%	-3.9%
Hopewell **	14.8%	6.3%	1.5%	-2.7%
Lynchburg	11.6%	6.2%	3.6%	6.9%
Martinsville	-0.5%	0.9%	-2.2%	-7.7%
Newport News	-0.2%	-3.8%	-2.2%	0.4%
Norfolk	-1.7%	-1.6%	-6.9%	3.6%
Petersburg	-2.9%	-5.4%	-2.2%	7.4%
Portsmouth	-4.2%	-3.2%	-9.5%	-1.3%
Richmond **	-4.2%	-4.9%	-5.8%	6.6%
Roanoke	-1.8%	-1.3%	3.0%	6.0%
Staunton	3.0%	3.7%	0.1%	4.7%
Winchester	<u>7.3%</u>	<u>11.7%</u>	<u>4.7%</u>	<u>2.2%</u>
Total VFC	0.2%	-1.3%	-3.3%	2.9%
All Cities	3.9%	1.7%	0.1%	3.7%
All Counties	9.0%	8.2%	8.3%	5.3%
** FY 13 used instead of FY 14 data				

Initial Analysis of 2016-18 State GF Budget: State Needs Could Take a Big Bite Out of New Revenues

- 2016-18 biennial base GF budget about \$37.5 billion. Possible available GF resources of about \$39 billion. Additions to base budget costs could include:
 - Rebenchmarked K-12 costs (\$600 million?)
 - Medicaid inflation and utilization (\$500 million?)
 - Additional debt service for already authorized debt. Cash for capital?
 - Repeal accelerated sales tax, other tax policy shifts?
 - Restore agency cuts? Increased employee health care costs?
 - Salary increases for state employees, faculty?
 - Accelerate full funding of VRS?
 - Voluntary deposit to Rainy Day Fund?

VFC Legislative Agenda

State Budget Issues - 2016 General Assembly

Budget-Education

- Increasing funding for at-risk student programs to help eliminate the achievement gap.
- Virginia Pre-School Initiative eligibility rules and increasing stagnant per student Pre-K funding levels.

Budget-Public Safety

- Restore Aid to Police Funding (HB 599), which has been flat since FY 2012, despite growth in state general fund revenues.
- Increase funding for felon re-entry programs to reduce recidivism.
- Restore funding for local community-based juvenile justice programs.
- Local fines and forfeitures, formula mandating remittance back to the state removed from budget.

Budget-Economic Development/Environment

- Restore Enterprise Zone program funding to eliminate real property grant proration.
- Provide adequate funding for local administration of health and human services.

2016 General Assembly Bills for Consideration??

- What are your major concerns?
- How can we best support you?
- Does it make sense to group budget asks and specific legislative asks into a legislative program “City Empowerment or City Wealth Building, for example, that would continue our holistic message:
 - At-Risk Education
 - Felon Re-Entry
 - Community Redevelopment/Investment
 - Allowing localities to use their fines and forfeitures for education, public safety, etc.
 - Package as pro-business, economic necessity