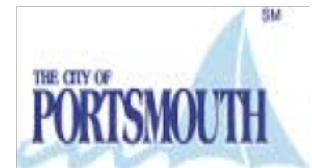
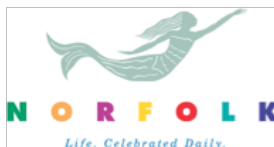


# FY 2016 Annual Report Community Wealth Building Program





## Table of Contents

<b>Executive Committee/Board of Directors and Staff</b>	<b>Page 1</b>
<b>Executive Director's Letter</b>	<b>Page 2</b>
<b>2016 General Assembly Achievements</b>	<b>Page 4</b>
<b>At-Risk Education</b>	<b>Page 5</b>
<b>Economic Development Accomplishments</b>	<b>Page 8</b>
<b>Public Safety</b>	<b>Page 10</b>
<b>Rationale for the VFC Coalition</b>	<b>Page 11</b>
<b>Economic and Financial Condition of VFC Localities</b>	<b>Page 15</b>
<b>Ongoing VFC Priorities</b>	<b>Page 17</b>
<b>New Membership Opportunities</b>	<b>Page 20</b>
<b>Appendices</b>	<b>Page 21</b>
Employment and Job Growth * Individual State Income Taxes * Taxable Sales * FY15 Growth in Local Revenues * Real Property Tax Rates * Local Composite Index * FY16 K-12 Education Funding * Eligible Free Lunch Students	

# Executive Committee/Board of Directors and Staff

## **Executive Committee**

The Honorable Kristin Szakos, Council Member, City of Charlottesville (**Chair**)  
The Honorable Ceasor Johnson, Vice President, City of Lynchburg (**Vice Chair**)  
The Honorable George Wallace, Mayor, City of Hampton (**Immediate Past Chair**)  
Mr. William Johnson III, City Manager, City of Petersburg (**Secretary**)  
Mr. L. Kimball Payne, City Manager, City of Lynchburg (**Treasurer**)  
Mr. Chris Morrill, City Manager, City of Roanoke (**Member at Large**)  
The Honorable Ellen F. Robertson, Council Member, City of Richmond (**Member at Large**)

## **Board of Directors**

Mr. Maurice Jones, City Manager, City of Charlottesville  
Ms Mary Bunting, City Manager, City of Hampton  
The Honorable Tony Zevgolis, Council Member, City of Hopewell  
Mr. Mark Haley, City Manager, City of Hopewell  
The Honorable Mark Stroud, Council Member, City of Martinsville  
Mr. Leon Towarnicki, City Manager, City of Martinsville  
The Honorable McKinley Price, Mayor, City of Newport News  
Mr. James Bourey, City Manager, City of Newport News  
The Honorable Mamie Johnson, Council Member, City of Norfolk  
Mr. Marcus Jones, City Manager, City of Norfolk  
The Honorable Howard Myers, Mayor, City of Petersburg  
Ms Dironna Moore Belton, Interim City Manager, City of Petersburg  
The Honorable Paige Cherry, Council Member, City of Portsmouth  
Dr. L. Pettis Patton, City Manager, City of Portsmouth  
Ms Selena Cuffee-Glenn, Chief Administrative Officer, City of Richmond  
The Honorable Court Rosen, Council Member, City of Roanoke  
The Honorable Ophie Kier, Vice Mayor, City of Staunton  
The Honorable Elizabeth Minor, Mayor, City of Winchester  
Ms Eden Freeman, City Manager, City of Winchester



## **Staff**

Ms Kelly Harris-Braxton, Executive Director  
Mr. James Regimbal, Policy Director, Fiscal Analytics, Ltd.  
Ms Laura Bateman, Legislative Director, Bateman Consulting, LLC  
Ms Jamie Crawford, Program Coordinator

# Message from the Executive Director



**Kelly Harris-Braxton**

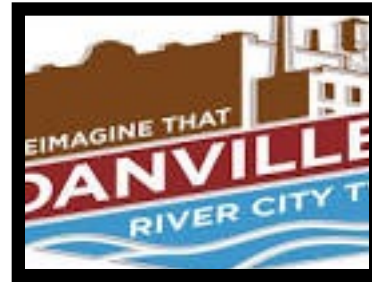
To the members of the Board of Directors of Virginia First Cities (VFC) and supporters, I thank you for your commitment to our coalition of historic Virginia cities. The members of VFC face unique and changing demographics and patterns that many other Virginia localities do not.

Virginia First Cities is the only statewide organization that can advocate for the unique needs of core cities. Your coalition maintains a constant, yearlong presence before the Governor, cabinet-level legislators, and serves as an information resource for committees at the General Assembly. Our proactive, studied approach has been central to our success in developing beneficial policies for our cities.

Virginia First Cities is increasing its influence within the Commonwealth and had an unprecedented positive impact on our communities during fiscal year 2016. There were several major successful advocacy efforts this year within our community wealth building-themed legislative program, including funding for challenged schools through targeted programs (Extended Year Schools, Master Teacher Residency, and a new Teacher Improvement Fund) and an overdue increase in the per-pupil allocation for the Virginia Preschool Initiative; dramatically increased Brownfields funding; and additional Enterprise Zone funding to attract and finance business development in our communities. Through our shared advocacy, Virginia First Cities successfully benefited each of our cities through our incremental financial and policy successes over the years.

Our coalition looks forward to the challenges of 2017, where we will build on our 2016 Community Wealth Building theme. For example, VFC plans to continue educating the administration and legislators about the need for a state-local Community Wealth Building Fund that will provide a holistic approach to increasing economic development and a

reduction in concentrated poverty in our communities. We also anticipate the need to educate members of the General Assembly about the tremendous value the Historic Rehabilitation Tax Credit program provides for the rehabilitation and desirability of living and working in our central cities. This tax credit has been widely acclaimed as instrumental in the re-birth of our cities and now is not the time for a reduction in this valuable resource. In the same vein, we also eagerly await the results of the study requested by VFC during the 2015 General Assembly Session on the value of Enterprise Zones in the Commonwealth.



In recognition of the benefits that Virginia First Cities brings to its members, the City of Danville decided to re-join VFC. We enthusiastically welcome the City of Danville back to the fold. Although we recently learned that the City of Roanoke will not participate next year in the VFC coalition, we hope to renew this long-time mutually beneficial relationship in the near future.



Again, we thank you for your support of VFC's efforts and invite your active participation in our advocacy. A new and improved VFC website is on the way, with a new look and operability to help in this regard. We stand ready to assist you as you work to improve the lives of your citizens and your communities.



## **Achievements**

### **Summary of 2016 General Assembly**

“Community Wealth Building” was the theme for the Virginia First Cities coalition’s efforts in fiscal year 2016. Specifically, VFC continued to promote efforts for improving at-risk student education programs, economic development efforts targeted to our cities, and improvements to juvenile justice and prisoner re-entry programs. VFC is promoting community wealth building to help our member localities that have concentrated levels of poverty implement comprehensive poverty reduction strategies that tie together multiple, complementary initiatives in workforce development, economic development, education, housing, and transportation. The goal is to harness local resources (public, private and nonprofit) into effective, high-impact plans to extend opportunities and reduce social and economic isolation. They will also help overcome policy silos and develop integrated, innovative approaches to longstanding challenges to reducing poverty. We know that chief among the factors affecting poverty are educational attainment, economic opportunity, and family status. There is a strong and direct relationship between educational attainment and earnings and employability. For all these reasons, it makes sense that VFC focus on this comprehensive economic development approach to poverty eradication.

In the 2016 General Assembly Session, VFC was able to build on programs successfully championed in prior years and seed new programs in areas of common member interest. In all, VFC asked for eight different budget amendments as well as one specific piece of legislation. VFC successfully made its case to provide additional funding for at-risk education needs, targeted economic development programs, and public safety improvements, as detailed in the following pages.

Despite our best efforts, VFC was unable to get the 2016 General Assembly to fund a new matching program where the state would partner with local comprehensive efforts to reduce systemic poverty. However, great strides were made encouraging this issue; more work is necessary to fund this ground breaking, all-encompassing anti-poverty initiative. Often, good ideas must be seeded before they take root.









## At-Risk Education Accomplishments

### At-Risk Education

Virginia First Cities targets legislative efforts and appropriations specifically to our 13 school divisions that have a disproportionate number of challenged schools. Looking for legislative and budgetary actions that will yield the biggest turnaround in our schools, VFC specific efforts have been concentrated on:

<b>Extended Day/Year Schools</b>		<b>\$7.15 million/year</b>
<b>Teacher Residency</b>		<b>\$1 million/year</b>
<b>Teacher Improvement Fund</b>		<b>\$50,000 FY17</b> <b>\$2.075 million FY18</b>
<b>VPI Access and Funding</b>		<b>Adds \$2.9 million/2 years</b>

Virginia First Cities targets legislative efforts and appropriations specifically to our 13 school divisions that have a disproportionate number of challenged schools. Looking for legislative and budgetary actions that will yield the biggest turnaround in our schools, VFC's specific efforts in the 2016 General Assembly were:

- Building on its 2014 and 2015 success in giving school divisions the option of extending their school year to target schools with an achievement gap, VFC successfully pushed for 2016-2018 biennium funding of \$7.15 million each year to help schools implement extended school year plans. In FY16, there were 54 schools implementing or planning for extended school day/year schools, including 35 schools in VFC school divisions.

- In 2015, VFC was successful in getting a \$500,000 grant for the City of Norfolk Public Schools to partner with Old Dominion University in a Master Teacher Residency Program. During the 2016 General Assembly session, VFC again met with success by getting an up to \$1 million per year appropriation for either: 1) grants for teacher residency partnerships between university teacher preparation programs and Petersburg, Richmond, and Norfolk school divisions; or 2) grants to other teacher residency programs in universities that recruit, prepare, and support teaching in challenged schools. Additionally, if there are unused dollars in the Teach for America program, they can be made available for teacher residency programs.
- Reacting to a Virginia First Cities budget amendment proposal, the General Assembly adopted the first increase in Virginia Preschool Initiative (VPI) per pupil payments since FY 2008, from \$6,000 per child to \$6,125. In addition, VFC was part of a coalition that successfully urged adoption of language to allow additional flexibility in student eligibility requirements for qualifying VPI child slots. Virginia First Cities believes that localities need flexible rules for at-risk child placements. Virginia First Cities will continue to work with the ongoing General Assembly's Virginia Preschool Initiative Joint Subcommittee to craft recommendations that improve the VPI program.



- Virginia First Cities was instrumental in advocating for an increase in K-12 At-Risk Add-on Funding. The Add-on provides a basic-aid funding boost for school divisions based on their concentration and number of free-lunch eligible students. In FY 2016, the formula provides a 1-12% boost in basic aid payments per free lunch student. The lowest concentration school divisions receive a 1 percent boost per free lunch student, while the highest concentration school divisions receive a 12 percent boost. One of the defining characteristics of Virginia First Cities' school divisions is that they have high concentrations of free lunch students. Therefore, they receive the high end of the basic aid boost per free lunch student. For FY 2017 and thereafter, VFC was able to get the General Assembly to increase the top end of the formula to a 13 percent basic aid boost per free lunch student. This resulted in a \$2.9 million increase in K-12 funding to VFC school divisions in FY 2017.



- Finally, VFC was able to propose and get \$2.1 million in funding in the 2016-18 biennium for the new Teacher Improvement Fund. This funding is designed to initiate and support efforts to attract, train, and retain quality teachers in hard-to-staff schools. The funding will provide competitive multi-year grants to help initiate change to more dynamic teacher compensation systems designed to increase teacher quality, effectiveness, and satisfaction, and generate higher student achievement. High-need schools will be defined, in part, as schools not achieving full accreditation and schools with high numbers of at-risk students needing qualified teachers in hard-to-staff subjects.



# Economic Development Accomplishments

The great news for Virginia and Virginia First Cities is that our cities are being rediscovered. However, the challenge that VFC continues to tackle is the higher demand for services in cities and lower relative state aid. This, in part, explains why tax rates are higher in our central cities than they are in surrounding counties. This places our cities at a competitive disadvantage for economic development.

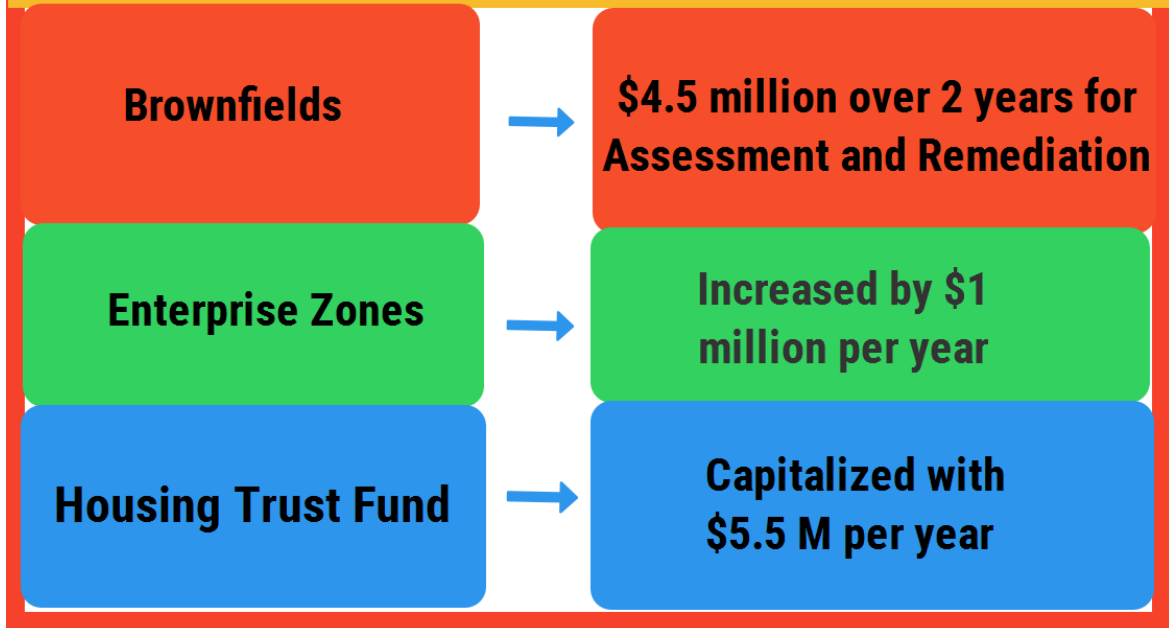
Our core cities are more often than not where housing, health and welfare services, and public transportation are brought together to meet the needs of lower income families and the disadvantaged. At the same time, our core cities are also the “hip” places to locate micro-breweries, high-end farm-to-table restaurants, boutique hotels and art galleries.

Many of the problems of urban poverty are rooted in a complex tangle of resource and capacity constraints that are exacerbated by the Dillon Rule, which restricts local action. The challenges of urban poverty and urban economic development will only worsen in many places if not addressed more aggressively. For these reasons, VFC has promoted funding for Brownfield restoration, recognizing that our inner cities need assistance getting these abandoned and, in many cases, urban properties, back on the tax rolls. As we planned for the 2016 General Assembly, we

heard our members saying that now they need assistance to move beyond assessment and into remediation. Fortunately, the General Assembly agreed. We now have \$2.25 million in each year from which to potentially draw. Again, we listened to you and hope that your city will evaluate those properties that can best make use of grant funds to get them back on the tax rolls.



# Economic Development Advocacy



- The Virginia Brownfield Restoration and Economic Development Assistance Fund was substantially capitalized with \$4.5 million in the 2016-18 biennium. This was by far the largest infusion of funding for this program and now allows for not only site assessment, but funding of up to \$500,000 for site remediation. The Virginia First Cities coalition has been the champion for funding this program.
- Enterprise Zone Program funding was increased by \$1 million per year, due in large part to the efforts of the Virginia First Cities coalition. These monies will help reduce the proration of real property improvement grants that limit the impact of the Enterprise Zone

Program benefits. In addition, VFC is looking forward to the results of the Enterprise Zone program study being conducted at our request by the VCU Center for Urban and Regional Analysis later this year. We hope this study will help demonstrate the Enterprise Zone Program's value in revitalizing distressed urban areas. As stated on page 57 of the 2016 Senate Document 5, Virginia Sustained Growth Study: Understanding How Businesses Expand and How Economic Development Can Help, Enterprise Zones received the most praise from businesses able to sustain their growth.

- The Housing Trust Fund was capitalized with \$5.5 million per year due to the efforts of many, including Virginia First Cities.

# Public Safety Accomplishments

- VFC was successful in helping to advocate for increases in state Aid for Local Police Departments (HB 599). VFC localities will now receive \$66.8 million per year in the 2016-18 biennium, a \$2.1 million boost. This is the first increase since FY 2008. Virginia First Cities has also worked to ensure that when new funding is added, that a formula re-calculation does not negatively impact our localities.
- VFC also supported the Department of Juvenile Justice's efforts to close outdated state juvenile justice facilities and move juveniles closer to their communities in either smaller modern facilities or community-based treatment facilities. In 2016, the General Assembly created an Inter-Agency Task Force to consider the future capital and operational requirements for Virginia's juvenile correctional centers, including the construction of a new facility in the City of Chesapeake. Funding was provided for this new facility effective 30 days after the November 1, 2016 interim task force report. Planning money for a second facility was also provided, but is contingent on the final task force report in the following year. VFC staff has already publicly commented to the Inter-Agency Task Force and will stay tuned to further Task Force deliberations.

- VFC will continue to work for restoring state funding for community day reporting and diversion centers which will give judges alternatives to incarceration for non-violent/substance abuse and mental health offenders.

## Public Safety



# Rationale for Virginia First Cities

The Virginia First Cities (VFC) coalition is focused on mutual policy concerns and advocates for the unique needs of core cities by concentrating on those issues with a disproportionate impact on our 13 member cities. VFC is proactive in providing evidence-based solutions to city-specific problems, inequitable state policies, and funding levels. The role of VFC is to convince Virginia that it is in the best interest of the Commonwealth to implement policies that support and encourage urban health and revitalization.

VFC continues to be at the cutting edge of policy changes that concern core urban cities in Virginia, whether it be in improving the educational opportunities of at-risk children, improving health and human service programs, championing reform of our public safety system, or improving economic development programs targeted to the needs of our urban centers.

As cultural and job centers, cities must maintain complex infrastructure and provide attractive public amenities, all of which necessitate high levels of expenditures beyond the specific needs of residents. Core cities are also where housing, health and welfare services, and public transportation are brought together to meet the needs of lower income families and the disadvantaged. Thus, a large number of people needing these services live in cities, resulting in higher levels of poverty and a weaker tax base than surrounding suburbs.



*Delegate Delores McQuinn (City of Richmond) and Kelly Harris-Braxton (VFC Executive Director), House Appropriations Subcommittee Hearing, January 2016*

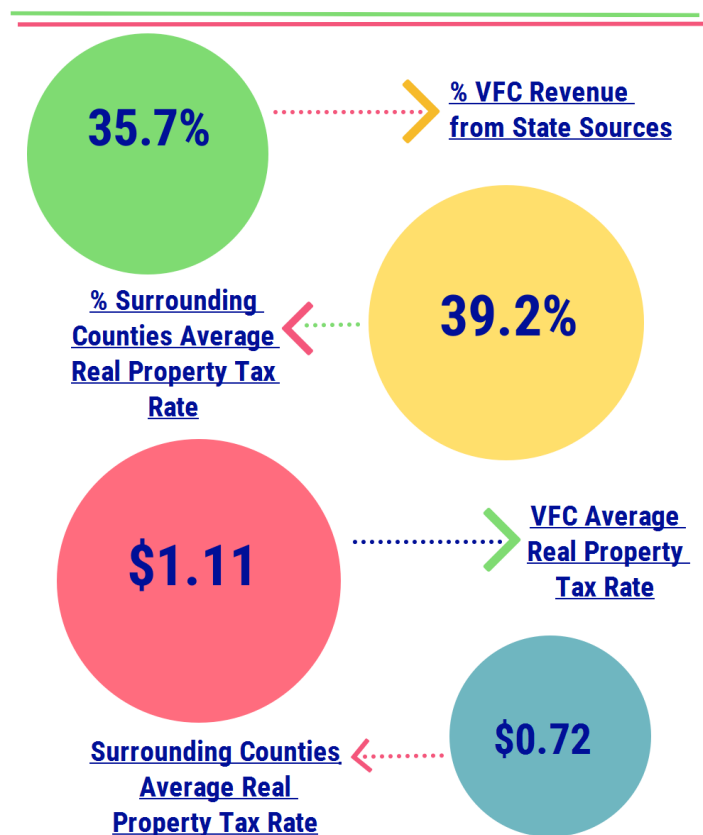
Even prior to the recession, Virginia cities received relatively little state aid in serving this dual role of economic engine and service provider for the elderly and poor. Since the last recession, state aid continues to be scarce for all localities. Most state programs supporting locally provided services are still lower than before the recession. The largest program, K-12 support, is only at the per-pupil level of 2007, unadjusted for inflation.



Furthermore, K-12 education state aid to localities is based on per-student formulas. Unfortunately, most core cities have been losing students. Other local budget needs that are critical to cities - law enforcement, health and welfare, and public infrastructure - receive relatively little state assistance and have also been reduced.

This requires our central cities to rely on local “own-source” revenues in excess of surrounding jurisdictions, despite the fact the tax base of the cities is narrow and weak. The higher demand for services and lower relative state aid explains why tax rates are higher in the central cities than the surrounding counties, placing cities at a competitive disadvantage for economic development.<sup>1</sup>

## TAX BASE VFC versus Surrounding Counties



<sup>1</sup> Surrounding counties include Albemarle, Augusta, Bedford, Campbell, Chesterfield, Frederick, Henrico, Henry, James City, Pittsylvania, Prince George, Roanoke, and York

On a positive note, the trend towards city revitalization is occurring because the economic value, efficiency, and fun of cities is being re-discovered, especially by young people and empty nesters. To further this trend, there is common interest with the VFC coalition in concentrating economic development efforts in cities to leverage the value of our urban assets and historical traditions.

For example, state transportation policy is still weighted toward suburbanizing development. The Virginia Department of Transportation (VDOT) reserves its highest priority for building and maintaining a commuter highway system. On the other hand, the cities are largely responsible for their own roads and for the public transportation systems necessary to serve their populations. State aid formulas for city street maintenance assistance do not take into account the age, complexity and usage levels of older cities' streets. Despite successful VFC efforts to increase VDOT street maintenance payment increases to the same level as VDOT road maintenance increases, VFC localities still must spend 20 percent more on normal street maintenance than VDOT street maintenance payments provide.<sup>1</sup>

State aid for public transportation is also insufficient, requiring significant local funding to operate, and provides little money for expansion. The same cities that are already squeezed for revenue are required to maintain a viable public transportation system.

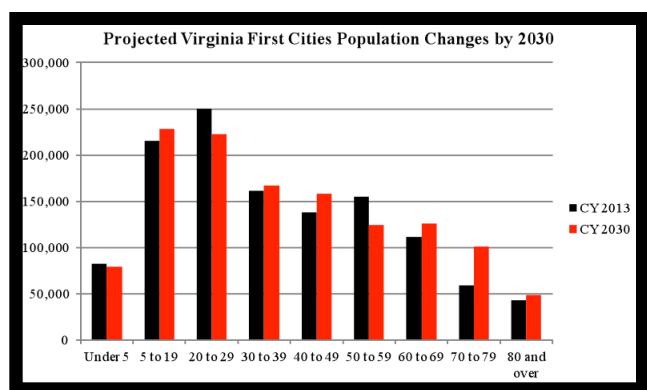
Local land-use and state tax policies also encourage low-income housing concentrations in cities. Instead of state

policies that encourage urban rehabilitation and middle class housing in cities, state policies encourage development trends in suburbs. The result is expensive new suburban infrastructure demands, ever-increasing vehicle-miles traveled, and state and local budget pressures in education and transportation.

It is clear that the economic and fiscal health of our state is intertwined with the economic and fiscal health of our cities and urban areas. State policies must be modernized if Virginia is going to remain an attractive place to live and work.

Virginia First Cities localities are also where services for seniors are concentrated. The projections for the average age of VFC member cities' all point to an increase. (See Chart 2 below.) Our current cohort of 20-to 29-year-olds will age into their 30s and 40s, while our older populations over the age of 60 will increase dramatically over the several decades as baby boomers age.

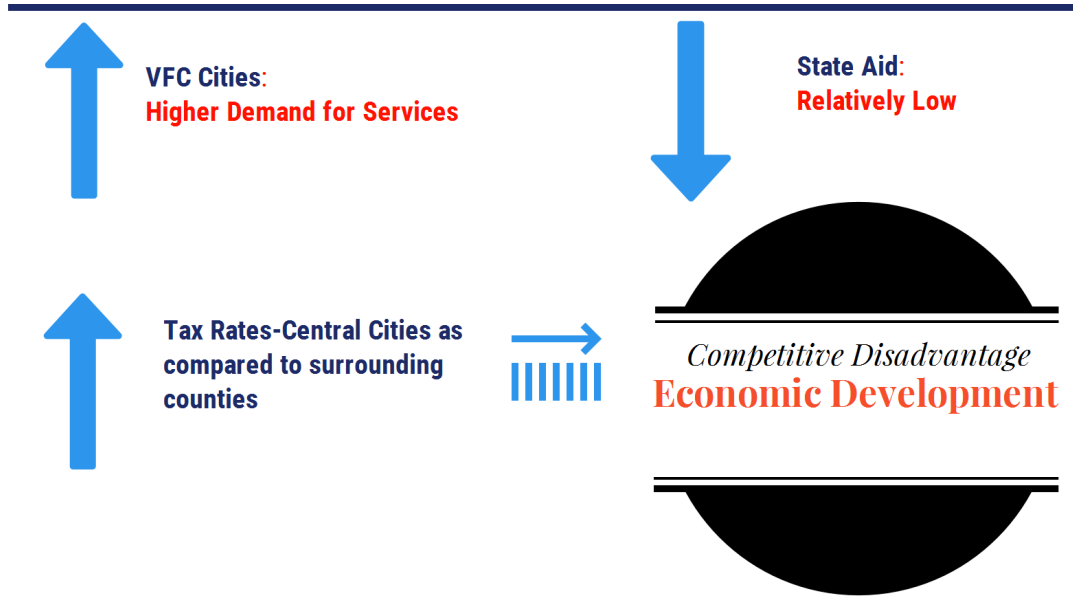
**Chart 2**



Source: <http://www.coopercenter.org/demographics/population-data>

<sup>1</sup> [http://www.virginiadot.org/business/resources/local\\_assistance/Fiscal\\_Year\\_2014\\_Weldon\\_Cooper\\_Highway\\_Finance\\_Survey.pdf](http://www.virginiadot.org/business/resources/local_assistance/Fiscal_Year_2014_Weldon_Cooper_Highway_Finance_Survey.pdf)

# Why Virginia First Cities



## Virginia First Cities Have:

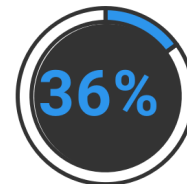
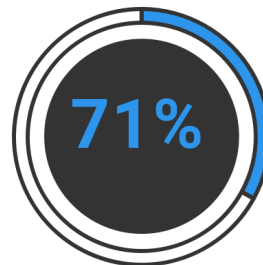
- Significantly lower median household incomes
- Lower average owner-occupied property values
- Lower average levels of educational attainment
- Much higher levels of fiscal stress than statewide averages
- Lower life expectancy

U.S. Census Bureau, Commission on Local Government Fiscal Stress Index

## Free-Lunch Eligibility FY 2016

VFC Localities

Statewide



## VFC Cities' Economic and Financial Condition

The most recent comparative financial information from the U.S. Census Bureau and Commission on Local Government Fiscal Stress Index reveals VFC localities continue to have significantly lower median household incomes, lower average owner-occupied property values, lower average levels of educational attainment, and significantly higher levels of fiscal stress than statewide averages.

	<b>2014 Median Household Income</b>	<b>Median Owner-Occupied House Value</b>	<b>Bachelor's Degree or Higher</b>	<b>FY14 CLG Fiscal Stress Rank</b>
Charlottesville	\$47,218	\$283,100	40.3%	33
Danville	\$32,173	\$88,300	17.2%	17
Hampton	\$49,879	\$191,800	23.3%	14
Hopewell	\$19,156	\$129,600	10.9%	9
Lynchburg	\$39,391	\$147,900	32.3%	7
Martinsville	\$27,746	\$85,000	16.6%	4
Newport News	\$51,000	\$194,600	24.1%	16
Norfolk	\$44,150	\$196,700	25.6%	13
Petersburg	\$33,927	\$114,100	14.9%	3
Portsmouth	\$46,239	\$173,700	19.5%	12
Richmond/City	\$41,331	\$195,000	35.4%	26
Roanoke/City	\$39,530	\$135,600	24.1%	19
Staunton	\$39,982	\$167,700	31.5%	23
Winchester	\$44,731	\$219,700	28.1%	34
<b>VFC Average</b>	<b>\$40,329</b>	<b>\$171,946</b>	<b>25.8%</b>	<b>16</b>
<b>State</b>	<b>\$64,792</b>	<b>243,500</b>	<b>35.8%</b>	
<i>Source: U.S. Census Bureau, State &amp; County Quick Facts</i>				

Virginia First Cities' employment grew modestly from third quarter 2014 to the third quarter 2015 (1.3%), but slower than the state (2.6%). VFC locality wage growth (6.0%) over the same time-period was even stronger than the state (5.1%). Virginia First Cities localities unemployment rate dropped from 5.7% to 5.2% from last year, but is still a full one percent above the state rate (4.2%). Taxable sales growth improved to 3.6%, slightly trailing the statewide growth of 4.1%. These economic statistics reveal the progress VFC is making, but also the necessity for VFC to continue placing a high priority on core urban revitalization efforts.

## 2015 Economic Growth Comparison

	<b><u>VFC</u></b>	<b><u>State</u></b>
<b>Annualized Employment Growth</b>	<b>1.3%</b>	<b>2.6%</b>
<b>Annualized Wage Growth</b>	<b>6.0%</b>	<b>5.1%</b>
<b>Unemployment Rate (March 2016)</b>	<b>5.2%</b>	<b>4.2%</b>
<b>Taxable Sales Growth (2015)</b>	<b>3.6%</b>	<b>4.1%</b>

*Source: Virginia Employment Commission, VA Tax Department*



# Ongoing VFC Priorities

## **Help Remove Barriers to City Growth and Economic Vitality**

Cities often have to make significant expenditures before economic development can take place. Blighted land, old infrastructure and environmental issues need to be addressed. Lack of developable land and site assembly for larger projects can be difficult. Job opportunities for city residents are often in the surrounding suburbs. Virginia First Cities strongly urges the Virginia General Assembly to adopt a Community Wealth Building Fund to match local efforts in reducing concentrated poverty by bringing together multiple, complementary initiatives in: 1) workforce development; 2) economic development; 3) education; and 4) housing and transportation. Such a strategy would aim to leverage local resources (public, private, and nonprofit) into effective, high-impact plans to extend opportunities and reduce social and economic isolation. These strategies would seek to overcome policy silos and develop integrated, innovative approaches to longstanding challenges. Continue to expand the Brownfield Revitalization program to include site assessment and clean-up assistance. Adequately fund the Derelict Structures Program. Entice more qualified businesses to locate in cities using a fully funded Virginia Enterprise Zone Program and Governor's Opportunity Fund program to realize the full power of the programs to renew urban areas in need of revitalization. Use Virginia Housing Development Authority and other Virginia Economic Development Partnership programs to strengthen housing and economic development efforts in cities. Ensure public transportation can reach all major regional employment centers. Meaningfully extend affordable housing beyond the city boundary to help reduce concentrated poverty in cities.

## **Close the Achievement Gap for At-Risk Students**

The Standards of Quality and the local composite index ability-to-pay measure do not explicitly recognize the additional costs of educating at-risk students. At-risk student education funding comprises only about 7 percent of total state public education aid. Virginia First Cities' localities have 75 percent of their students free lunch qualified, or 26 percent of the statewide total. Research consistently shows a direct link between SOL test scores and poverty and confirms that it takes significantly more funding to adequately educate at-risk students. In the 2014-2015 school year, there was a 20-to 25-point SOL gap between the highest achieving subgroups and economically-disadvantaged students. Additional state support is needed to prepare at-risk 4-year-olds for school, attract and retain quality teachers in VFC cities, reduce class sizes and fund remediation, mentoring and adult education efforts.

	<b><u>VFC NUMBER</u></b>	<b><u>% OF STATE</u></b>
<b>Population</b>	<b>1,227,018</b>	<b>14.6%</b>
<b>K-12 ADM (FY 16)</b>	<b>160,198</b>	<b>12.9%</b>
<b>Free Lunch Program (FY16)</b>	<b>119,098</b>	<b>26.1%</b>

**Reduce the Fiscal and Service Burden on Cities**

State aid to cities is inadequate given their demographics realities. This includes disproportionately low state aid for public safety to cities even though violent crime rates and other public safety issues are much greater than suburban and rural localities. Cities and counties with police departments receive 10 percent of their total public safety budgets from the state mainly through HB 599 funding, while counties without police departments receive about 30 percent of their total public safety budgets from the state, mainly through Compensation Board payments for sheriffs. Other examples of inadequate state aid include cities having to provide local funds to operate necessary public transportation services. In FY 2013, over 30 percent of total public transportation operating funds (\$260 million) had to be supplied from local general fund sources. Significant local funding is also necessary to maintain city streets and infrastructure. Virginia First Cities consistently provide over 20 percent of the total funding to maintain their local roads. Local match funding for human services, such as CSA and Auxiliary Grant beds, also fall disproportionately on cities.

Virginia First Cities taxpayers also have a greater percentage of their income tax returns in lower tax brackets than the statewide average (see Appendix). Despite a few small changes in 2004, Virginia’s income tax deductions, exemptions and bracket levels have changed little over the last 30 years. Virginia should continue to strengthen its low-income tax credit and help ensure all Virginians who qualify receive their federal Earned Income Tax Credits. Virginia First Cities made a valiant effort to advance the low-income tax credit in the 2016 General Assembly and the legislation was carried over until the 2017 General Assembly Session.

**Percentage of State Aid Programs Received by VFC Localities  
FY 2016**

	<u>VFC Amount</u>	<u>VFC of State</u>
<b>Total State K-12 Aid</b>	<b>\$1,009,300,696</b>	<b>16.2%</b>
<b>Major K-12 At-Risk Program</b>	<b>\$130,907,626</b>	<b>32.6%</b>
<b>Street Maintenance Payments</b>	<b>\$183,510,220</b>	<b>42.6%</b>
<b>HB 599 Aid to Police</b>	<b>\$66,815,368</b>	<b>37.5%</b>

**Continue Work with Coalitions and Form Strategic Partnerships**

**Strategic Relationships and Coalitions**



**Alliance for  
Virginia's  
Students**

**VIRGINIA  
CITIES  
NETWORK**



HealthyFoodVA.heart.org

**#CloserTo  
MyGrocer**

## Organizational Growth: New Membership Opportunities for VFC

VFC welcomes new members consistent with the underlying demographics of its charter. The following is a list of cities that have at least some of the characteristics of existing VFC members.

	<b>Population</b>	<b>% Free Lunch</b>	<b>2014 Median Household Income</b>	<b>FY 2014 CLG Fiscal Stress Rank</b>
Bristol City	17,141	72.9%	\$33,616	11
Buena Vista	6,618	41.0%	\$32,789	2
Covington	5,658	47.3%	\$38,176	5
Emporia	5,496	72.6%	\$30,240	1
Franklin City	8,490	94.0%	\$33,133	8
Fredericksburg*	28,118	53.8%	\$49,454	60
Galax	6,914	58.7%	\$30,430	6
Harrisonburg*	52,538	63.3%	\$38,807	18
Norton	3,939	60.6%	\$36,148	15
Radford	17,403	35.7%	\$30,284	10
Salem	25,432	24.0%	\$50,590	29
Suffolk	88,161	41.4%	\$66,822	58
Waynesboro	21,491	49.3%	\$45,499	28

\* *Denotes Former VFC Members*

# APPENDICES



# VFC Employment and Job Growth

Growth in employment was slower, while wage growth was faster in VFC localities over the past year than the state as a whole. However, there was much variation by specific locality.

	Employment 3q 2015	Wages 3q 2015	Employment 3q 2014	Wages 3q 2014	% Growth Employ	% Growth Wages
Charlottesville	39,391	\$530,656,714	37,528	\$437,011,356	5.0%	21.4%
Danville	26,403	\$225,653,680	26,173	\$215,612,943	0.9%	4.7%
Hampton	53,043	\$600,779,332	52,986	\$593,355,189	0.1%	1.3%
Hopewell	7,665	\$92,420,672	8,047	\$95,406,199	-4.7%	-3.1%
Lynchburg	51,438	\$534,493,524	51,085	\$517,481,010	0.7%	3.3%
Martinsville	9,611	\$76,430,224	9,754	\$74,255,869	-1.5%	2.9%
Newport News	97,428	\$1,209,627,953	97,552	\$1,177,195,593	-0.1%	2.8%
Norfolk	139,613	\$1,820,962,548	134,189	\$1,639,555,397	4.0%	11.1%
Petersburg	12,821	\$123,072,629	12,779	\$127,374,369	0.3%	-3.4%
Portsmouth	44,279	\$571,646,711	43,920	\$554,773,249	0.8%	3.0%
Richmond	150,837	\$2,135,056,833	149,242	\$2,019,986,777	1.1%	5.7%
Roanoke	66,666	\$727,998,088	66,842	\$702,906,667	-0.3%	3.6%
Staunton	11,126	\$91,417,971	10,938	\$88,024,994	1.7%	3.9%
Winchester	24,847	\$278,638,221	24,554	\$270,105,181	1.2%	3.2%
<b>Subtotal VFC</b>	735,168	\$9,018,855,100	725,589	\$8,513,044,793	1.3%	5.9%
<b>Total State</b>	3,754,591	\$49,431,138,197	3,658,311	\$47,048,270,099	2.6%	5.1%
<b>VFC % of Total</b>	19.6%	18.2%	19.8%	18.1%		

Source: Virginia Employment Commission Labor Market Information

# VFC Individual State Income Taxes

VFC localities have a much smaller share of state adjusted gross income -- 9.6%, and particularly high earners -- 6.7%, than the 15.2% VFC share of Virginia total population.

## FY 2013 Percent of State Income Taxes

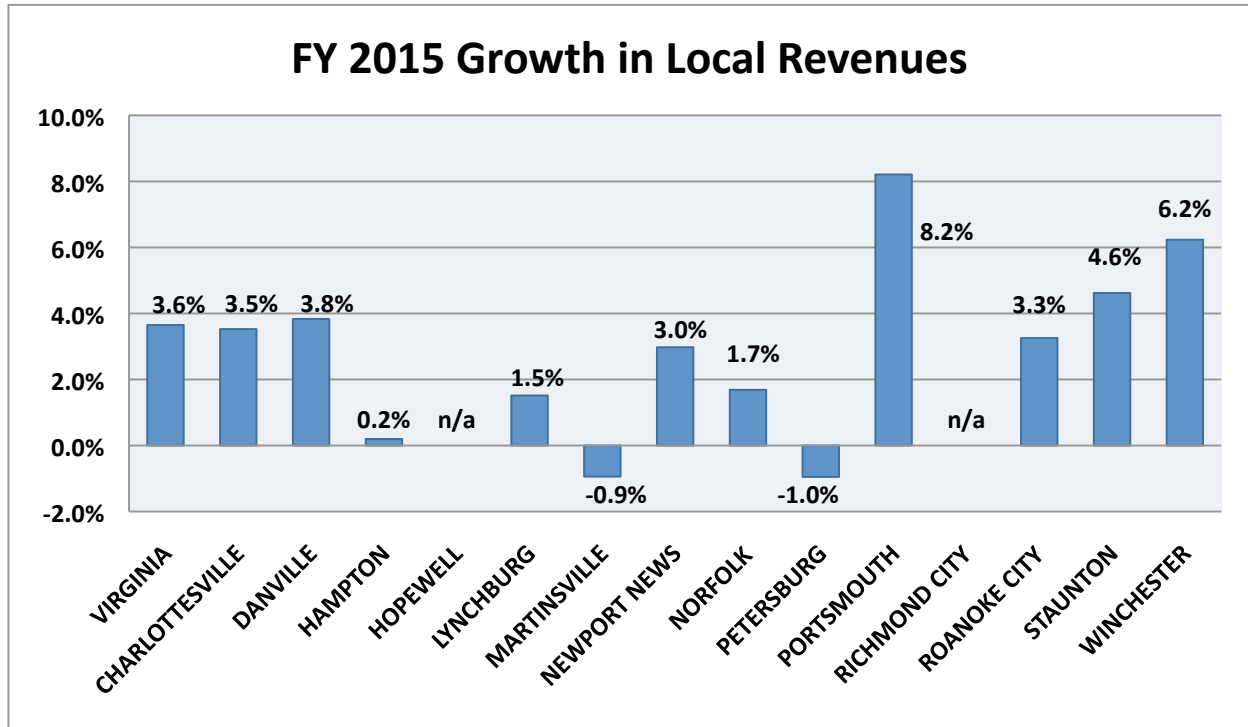
	Population	Over \$100,000 Adj. Gross Inc.	Total Adj. Gross Inc.	Total Income Tax Liability
Charlottesville	0.57%	0.47%	0.48%	0.49%
Danville	0.51%	0.15%	0.29%	0.26%
Hampton	1.66%	0.51%	0.97%	0.85%
Hopewell	0.27%	0.04%	0.13%	0.11%
Lynchburg	0.94%	0.41%	0.57%	0.53%
Martinsville	0.17%	0.05%	0.09%	0.08%
Newport News	2.20%	0.74%	1.32%	1.20%
Norfolk	2.96%	1.04%	1.54%	1.41%
Petersburg	0.39%	0.05%	0.18%	0.14%
Portsmouth	1.16%	0.26%	0.63%	0.54%
Richmond	2.56%	2.14%	2.21%	2.25%
Roanoke	1.19%	0.48%	0.75%	0.70%
Staunton	0.30%	0.11%	0.19%	0.17%
Winchester	0.33%	0.20%	0.26%	0.25%
<b>Virginia First Cities</b>	<b>15.21%</b>	<b>6.65%</b>	<b>9.61%</b>	<b>8.98%</b>
<b>All Cities</b>	<b>30.61%</b>	<b>19.43%</b>	<b>23.57%</b>	<b>22.85%</b>
<b>Counties</b>	<b>69.39%</b>	<b>78.60%</b>	<b>74.36%</b>	<b>74.70%</b>
<b>Unassigned</b>		<b>1.97%</b>	<b>2.07%</b>	<b>2.44%</b>

## VFC Taxable Sales

VFC localities have a slightly higher share of taxable sales — 15.3%, than their share of state population — 14.7%. In total, VFC sales grew slightly less than the state in CY 2015.

<b>Locality</b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>% Growth</u></b>
CHARLOTTESVILLE	\$959,435,496	\$942,420,773	<b>1.81%</b>
DANVILLE	\$770,375,644	\$737,900,623	<b>4.40%</b>
HAMPTON	\$1,396,275,490	\$1,365,676,976	<b>2.24%</b>
HOPEWELL	\$171,716,895	\$171,866,743	<b>-0.09%</b>
LYNCHBURG	\$1,353,815,269	\$1,279,815,746	<b>5.78%</b>
MARTINSVILLE	\$155,265,380	\$149,170,084	<b>4.09%</b>
NEWPORT NEWS	\$2,082,466,488	\$2,018,911,218	<b>3.15%</b>
NORFOLK	\$2,671,631,730	\$2,621,266,232	<b>1.92%</b>
PETERSBURG	\$302,220,886	\$296,276,637	<b>2.01%</b>
PORTSMOUTH	\$619,199,125	\$613,854,126	<b>0.87%</b>
RICHMOND CITY	\$2,672,499,739	\$2,465,691,544	<b>8.39%</b>
ROANOKE CITY	\$1,843,019,507	\$1,785,467,436	<b>3.22%</b>
STAUNTON	\$364,671,683	\$346,995,741	<b>5.09%</b>
WINCHESTER	<u>\$779,790,233</u>	<u>\$778,776,375</u>	<b><u>0.13%</u></b>
<b>VFC Total</b>	<b>\$16,142,383,565</b>	<b>\$15,574,090,254</b>	<b>3.65%</b>
<b>Statewide</b>	<b>\$100,219,956,703</b>	<b>\$96,243,826,673</b>	<b>4.13%</b>
<b>VFC % of State</b>	<b>15.30%</b>	<b>15.40%</b>	

# Growth in VFC FY15 Revenues



# VFC Real Property Tax Rates

	<u>CY 2006</u>	<u>CY 12/FY 13</u>	<u>CY 13/FY 14</u>	<u>CY 14/FY 15</u>	<u>CY 15/FY 16</u>
Charlottesville	0.99	0.95	0.95	0.95	0.95
Danville	0.77	0.73	0.73	0.73	0.73
Hampton	1.20	1.04	1.24	1.24	1.24
Hopewell	1.20	1.02	1.08	1.11	<b>1.13</b>
Lynchburg	1.11	1.11	1.11	1.11	1.11
Martinsville	1.08	1.02	1.06	1.06	1.06
Newport News	1.20	1.10	1.22	1.22	1.22
Norfolk	1.27	1.11	1.11	1.15	1.15
Petersburg	1.38	1.35	1.35	1.35	1.35
Portsmouth	1.44	1.24	1.24	1.21	1.30
Richmond City	1.29	1.20	1.20	1.20	1.20
Roanoke City	1.21	1.19	1.19	1.19	1.22
Staunton	0.96	0.90	0.95	0.95	0.95
Winchester	0.69	0.95	0.95	0.95	0.91



# VFC Local Composite Index (LCI) State Education Factor for Funding

LCI has declined for all VFC localities since 2012-14 biennium

## Change in the 2016-18 Local Composite Index for School Divisions

	Actual 2012-14	Actual 2014-16	Actual 2016-18	Change 2012-14	Change 2014-16
CHARLOTTESVILLE	0.6861	0.6680	0.6586	(0.0275)	(0.0094)
DANVILLE	0.2653	0.2649	0.2629	(0.0024)	(0.0020)
HAMPTON	0.2912	0.2949	0.2772	(0.0140)	(0.0177)
HOPEWELL	0.2376	0.2298	0.2107	(0.0269)	(0.0191)
LYNCHBURG	0.3727	0.3679	0.3628	(0.0099)	(0.0051)
MARTINSVILLE	0.2175	0.2221	0.2110	(0.0065)	(0.0111)
NEWPORT NEWS	0.2934	0.2907	0.2819	(0.0115)	(0.0088)
NORFOLK	0.3102	0.3122	0.2986	(0.0116)	(0.0136)
PETERSBURG	0.2516	0.2473	0.2364	(0.0152)	(0.0109)
PORTSMOUTH	0.2755	0.2677	0.2505	(0.0250)	(0.0172)
RICHMOND CITY	0.4779	0.4635	0.4756	(0.0023)	0.0121
ROANOKE CITY	0.3728	0.3591	0.3442	(0.0286)	(0.0149)
STAUNTON	0.3987	0.3922	0.3825	(0.0162)	(0.0097)
WINCHESTER	0.4645	0.4374	0.4324	(0.0321)	(0.0050)

# FY 2016 K-12 Education Funding

VFC localities have a smaller share of K-12 students, but due to a much higher share of state at-risk student funding and relatively low local composite indexes, receive a larger proportion of state aid to K-12.

	ADM	Total State K-12	Major At-Risk K-12 Programs *	At-Risk % of Total
CHARLOTTESVILLE	4,055	18,658,022	1,537,082	8.2%
DANVILLE	5,918	40,772,744	6,644,972	16.3%
HAMPTON	19,779	121,830,215	12,366,999	10.2%
HOPEWELL	4,012	26,878,821	4,448,883	16.6%
LYNCHBURG	8,142	50,104,639	5,783,533	11.5%
MARTINSVILLE	2,046	14,527,377	2,236,009	15.4%
NEWPORT NEWS	27,447	174,561,526	20,093,614	11.5%
NORFOLK	29,575	188,187,823	26,986,294	14.3%
PETERSBURG	3,857	27,839,848	4,971,067	17.9%
PORTSMOUTH	14,025	90,771,679	12,398,853	13.7%
RICHMOND CITY	21,863	134,092,442	18,733,494	14.0%
ROANOKE CITY	12,757	81,951,192	11,296,557	13.8%
STAUNTON	2,515	17,123,143	1,364,039	8.0%
WINCHESTER	4,207	22,001,226	2,046,230	9.3%
<b>VFC Total</b>	160,198	1,009,300,696	130,907,626	13.0%
<b>Statewide</b>	1,239,594	6,216,475,157	402,051,569	6.5%
<b>VFC % of State</b>	12.9%	16.2%	32.6%	
* Includes SOQ PIR, At-Risk, VPI, K-3 Class Size, Early Reading, Algebra Readiness				

## VFC Percent of Eligible Free Lunch K-12 Students

	<u>FY 2008</u>	<u>FY 2011</u>	<u>FY 2016</u>
CHARLOTTESVILLE	45.3%	47.6%	47.9%
DANVILLE	60.3%	66.9%	94.8%
HAMPTON	35.3%	42.8%	51.4%
HOPEWELL	54.3%	64.1%	82.0%
LYNCHBURG	45.2%	53.2%	66.8%
MARTINSVILLE	54.2%	63.1%	80.0%
NEWPORT NEWS	40.0%	46.5%	54.8%
NORFOLK	47.4%	56.3%	65.9%
PETERSBURG	52.6%	70.4%	100.0%
PORTSMOUTH	45.5%	54.0%	66.8%
RICHMOND CITY	64.1%	68.0%	97.6%
ROANOKE CITY	54.2%	61.1%	83.6%
STAUNTON	37.2%	46.0%	46.5%
WINCHESTER	<u>36.0%</u>	<u>46.1%</u>	<u>53.0%</u>
VFC Average	<b>48.0%</b>	<b>56.1%</b>	<b>70.8%</b>
Statewide	<b>25.8%</b>	<b>32.0%</b>	<b>35.9%</b>

**This Page Intentionally Left Blank - Notes**

**Virginia First Cities**  
**1108 East Main Street, Suite 601**  
**Phone: 804-249-7950**  
**Fax: 804-249-7951**