

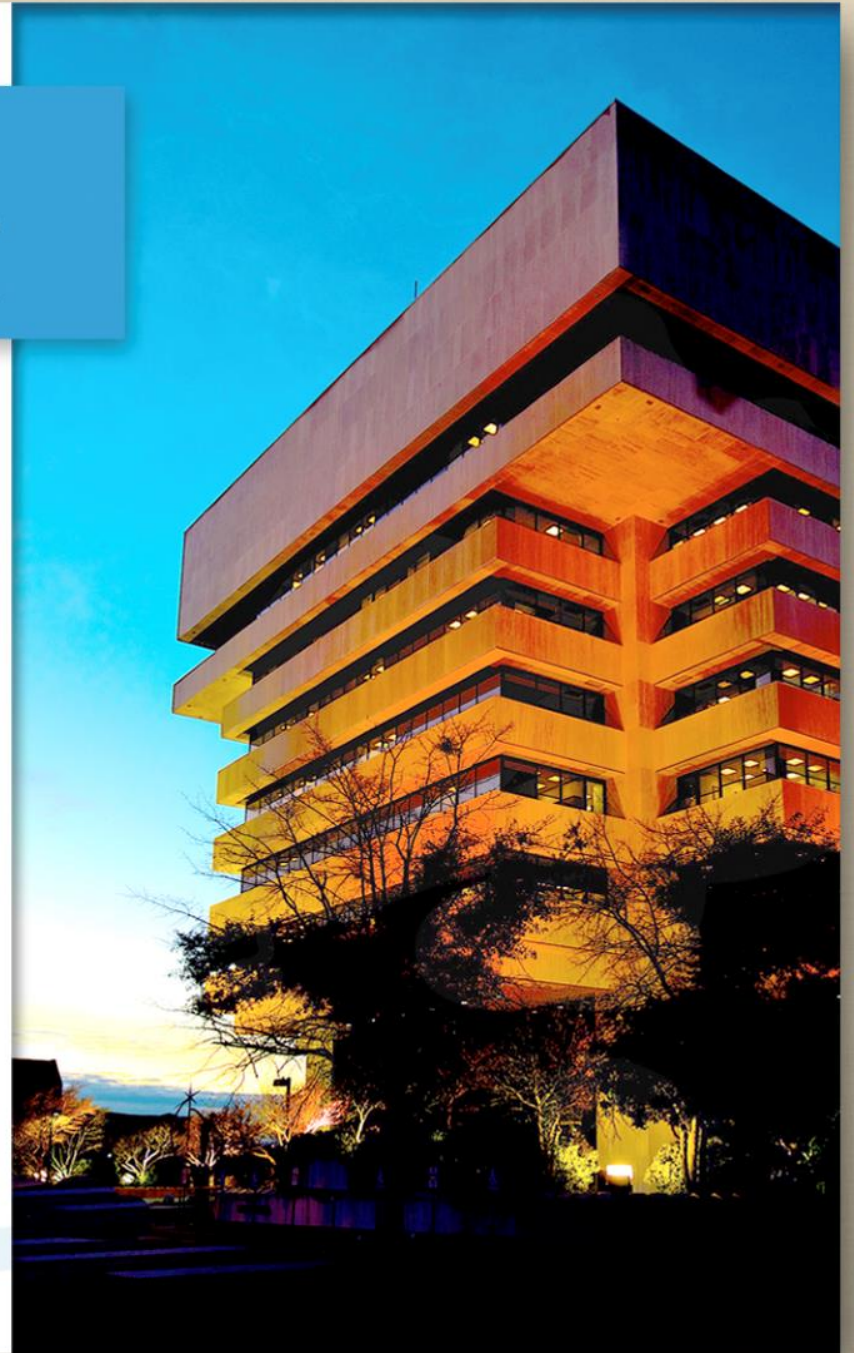
HAMPTON VA

State Budget Update

Hampton City Council

February 8, 2017

FY18 Budget



Background

- December 16, 2016 – Governor Released Proposed Budget Amendments
 - Various budget cuts and other budget balancing strategies have been recommended
- House and Senate Released their budget amendments February 5, 2017
- General Assembly needs to pass budget by February 25, 2017 and act on any additional changes made by the Governor during their reconvened session on April 5, 2017

State Budget ~

Governor's Proposed Amendments

- \$567.2 million in Rainy Day funds
- \$347.2 million in eliminated contingent pay increases
- \$377.5 million in increased revenues by raising the FY 2017 revenue estimates from 1.7% to 3.2%
 - Increased revenue estimate is partly the result of \$138 million in proposed policy changes, including:
 - Tax amnesty program
 - Reinstating the accelerated sales tax requirement on larger dealers, requiring certain internet sellers with warehouse to collect sales taxes,
 - Capping historic rehabilitation and land preservation tax credits
- \$74.4 million in additional transfers (such as ABC profits and Attorney General settlement funds)

State Budget ~ Governor's Proposed Amendments

Other major budget balancing items included:

- \$150 million in unspent agency appropriations
- \$128 million from converting capital balances to cash
- \$146 million in additional Lottery (\$52.4m), Literary (\$50m), and Virginia Health Care (\$44.5m) funds to offset general funds
- Selected operating appropriation reductions
 - Five percent \$76 million reduction to higher education appropriations in FY 2018
 - \$53 million reduction in various economic development incentive programs
 - \$21 million savings from delaying opening the Culpeper women's prison

State Budget ~

Governor's Proposed Amendments

- Reduced some local program funding based on existing state policies, primarily
 - Net reductions in distributions for K-12 public education from lower than expected sales tax collections (after the partial basic aid offset - \$40.1m)
 - Lower student population counts (\$35.3m)
- Other smaller K-12 reductions
 - K-3 class size funding cuts \$9.7m
 - Special Education Regional Tuition reduced by \$6.0m
 - Eliminating Teacher Improvement funds \$2.0m
- Proposed \$15m reduction to the new Go Virginia local economic development initiative
- \$1.5m reduction to the Brownfields Rehabilitation Program
- \$1.8m reduction to the Virginia Enterprise Zone Program

State Budget ~

Governor's Proposed Amendments

Governor proposed spending increases

- \$255m for unforeseen Medicaid cost increases
- \$111.5m for a FY 2018 1.5 percent bonus plan for state employees and K-12 SOQ-covered positions
 - \$55.5m portion of the FY 2018 1.5 percent bonus plan is based on the state share of SOQ recognized employees.
 - ❖ Localities would have to raise significant additional local resources to provide a full 1.5 percent bonus for all school employees
 - ❖ Other salary increases are also proposed for sheriff's offices and local and regional jails, district court clerks and state police

State Budget ~

Governor's Proposed Amendments

Governor proposed spending increases (cont'd):

- \$86.0m for the sum sufficient Children Services Act
 - Local governments match approximately one-third of all CSA funding increases
- \$31.7m in new mental health funding for additional “same-day-access” intake and evaluation staff at 25 CSBs to provide various service enhancements
- Early reading intervention increased by \$3.8m, foster care increased by \$3.0m, and school breakfast increased by \$2.3m

Hampton Specific Impacts 2016-2018 Biennial Budget

- Hampton City Schools will see a decrease of over \$4.2 million in state support over the 2016-2018 biennium
 - HCS already gave 2% raises this year (FY17) and were able to cover it with one time savings and a 30% reduction to non-personnel line items, despite the State cuts
 - VRS increase also impacting budget gap
 - However, there is a challenge next year to fund these raises, let alone give new raises
- HCS is looking at a \$4 million shortfall in FY18 due to state cuts and other funding challenges, even before planning for teacher raises
- Other specific impacts not available

General Assembly Actions

- Teacher Raises (evaluating actual funding impacts)
 - 2% in Senate Budget, plus funding for divisions experiencing enrollment loss
 - House Budget provides additional money/lottery funds to be used at discretion of local school divisions
- Other State Supported Positions (sheriffs, regional jails, constitutional officers, etc.)
 - 2% in Senate and House Budgets effective August 1, 2017
 - House did not include career development money for constitutional officers but the Senate did
- House & Senate provide compression adjustments for Sheriffs and regional jail staff
 - \$80 per year of service for sworn and \$65 for non-sworn
- State employees receive a 3% increase in House & Senate budgets

General Assembly Actions

- Several cuts that Governor proposed are proposed to be restored by the House and Senate: Brownfields redevelopment, Enterprise Zone proration, GO Virginia (1/2 ~ \$7.5m)
- Supplemental education assistance programs are funded in all budgets (Governor, House & Senate)
 - Virginia Air & Space Center is scheduled to receive \$682,000 in FY18 from this program

Looking Ahead

- As is customary, the Governor's amendments to the introduced budget have been significantly changed by the House and Senate
- Teacher pay plan needs to be reconciled between the budgets
- Neither the House nor the Senate budget amendments included increased funding/aid for local police departments (HB599)

General Assembly Legislation with Potential Budget Impacts

- Narrowed exemption for wholesale manufacturing defense contractors from local license taxes – *(evaluating impact on Hampton)*
- Machinery & Tools Tax bill would enable taxpayer to circumvent local revenue assessment officer and appeal directly to State Tax Commissioner - *defeated*
- Eliminates Commissioner of Revenue and Treasurer's access to "law enforcement databases" (i.e., DMV database) to assess Motor Vehicle License Tax - *defeated*
 - *Would have been a \$4.3 million impact on Hampton if passed*

Key Upcoming Dates

- Hampton Public Input Sessions
 - Budget Information & Input
 - Tuesday, February 21, 6:30PM – Kecoughtan High School
 - CIP Input
 - Tuesday, February 28, 6:30PM – Hampton High School
 - Operating Budget Input
 - Monday , March 6, 6:30PM – Bethel High School



Key Upcoming Dates

- February 25: Last day of General Assembly/state budget passage
- April 5: Veto Session; General Assembly acts on Gov. changes
- April 15: Manager recommends budget to Council
- May 3: 1st Reading
- May 10: 2nd Reading & Adopt the budget

