


This briefing will be updated  
based on Senate & House  
Amendments scheduled to be  
released Sunday,  
February 5, 2017



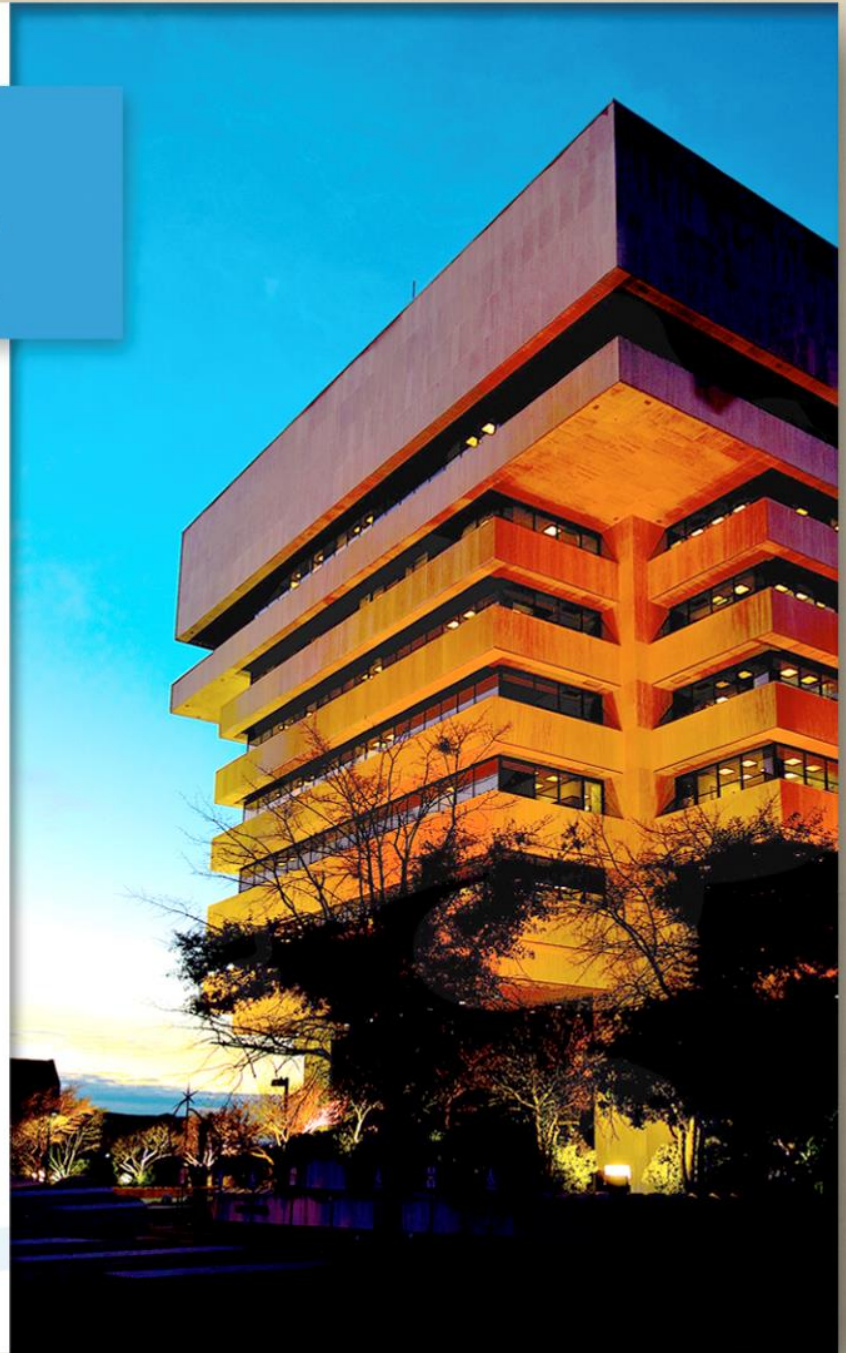
HAMPTON VA

# State Budget Update

Hampton City Council

February 2, 2017

FY18 Budget



# Background

- December 16, 2016 – Governor Released Proposed Budget Amendments
- Various budget cuts and other budget balancing strategies have been recommended
- General Assembly needs to pass budget by February 25, 2017 and act on any additional changes made by the Governor during their reconvene 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 \$6 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, despite the State cuts
  - 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

# Looking Ahead

- Governor's budget will be changed by the House and Senate
- GOP sent early communications signaling their intent to restore funding to support some level of increase for state troopers and state employees
- Absent was a plan to address teacher increases

# Looking Ahead (Cont.)

- History has shown that the state tends to cut funding to localities in all kinds of places, but especially:
  - 599 funds supporting local police
  - General state aid (local aid to state payments)
- We expect/hope for a boost in the January 2017 revenues

# General Assembly Signals

- Senate and House amendments to Governor's budget come out Sunday, February 5
- Several member budget amendments would restore cuts that Governor proposed to important programs to the City: historic rehabilitation tax credits, Brownfields redevelopment, Enterprise Zone proration
- Amendment to eliminate supplemental education assistance programs in FY18
  - \$682,000 impact on the Virginia Air & Space Center

# General Assembly Legislation with Potential Budget Impacts

- Exemption for wholesale manufacturing defense contractors from local license taxes
- 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**
  - \$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: General Assembly passes budget
- April 5: Veto Session; General Assembly acts on Gov. changes
- April 15: Manager recommends budget to Council
- May 3: 1<sup>st</sup> Reading
- May 10: 2<sup>nd</sup> Reading & Adopt the budget

