New Budget Prediction Sheds Light on the Disparity Between Virginia’s Revenues and Community Needs

Report estimates state budget writers will have $750 million in available revenue during the next budget period, but that’s far from enough to address the real needs of Virginians

RICHMOND, VA – Virginia will have $750 million more in revenue over the next two years than the cost of continuing current inadequate levels of public investment during those same two years, according to a new report by The Commonwealth Institute for Fiscal Analysis. But that is a far cry from the money required to get Virginia back on the track to economic growth and broad prosperity.

That’s the bottom line from the second in a series of two reports by The Commonwealth Institute for Fiscal Analysis about Virginia’s state budget. The first paper focused on Virginia’s budget decisions over the past several years. Both reports are available at www.thecommonwealthinstitute.org.

“Growing revenue is a positive development, but optimism needs to be tempered. Having more money than in previous years is not the same as having enough money to adequately address the needs of Virginians” says Michael Cassidy, President and CEO of the Institute.

Using the current insufficient budget as a baseline, estimating reasonable revenue growth over the next two years, and assuming cautious cost increases to meeting Virginia’s basic obligations, Virginia should bring in $3.4 billion in additional revenue during the next budget period. But $2.67 billion is needed to meet the state’s basic requirements in education and health care because of a growing population. If expected leftover balances from the current year are included, that leaves $750 million.

Among the report’s key findings:
General fund revenue is projected to grow 3.1 percent this year, 2.8 percent in the budget year starting July 1, 2016, and 3.7 percent in the budget year after -- that would give Virginia $3.4 billion in additional general fund revenues, but only $750 million of that is above what’s required to meet budget obligations under current policy.

That $750 million is dwarfed by the real needs of the state.
  ○ Restoring per-pupil K-12 direct aid to pre-recession levels--just before the state began ignoring whole categories of costs--would require $1.1 billion.
  ○ Virginia is providing 28 percent less this year in per in-state student public support for colleges and universities. It would cost $1.2 billion, more than one-and-a-half times the $750 million, in order to return per-pupil higher education funding to fiscal year 2007 levels assuming level enrollment and adjusting for inflation.
  ○ Minor increases in funding, not even enough to return to pre-recession levels, for state parks, social services, and other areas would require $650 million.

“Growing revenue is a welcome change after Virginia’s recent budget shortfall. But the $750 million in projected revenue above required spending is based on a budget robbed by years of cuts to Virginia’s colleges, communities, and public services,” says Cassidy. “And the additional revenue is far from enough to address the important needs of Virginians.”


####

**About The Commonwealth Institute**
The Commonwealth Institute for Fiscal Analysis provides credible, independent, and accessible information and analyses of fiscal and economic issues with particular attention to the impacts on low- and moderate-income persons. Our products inform fiscal and budget policy debates and contribute to sound decisions that improve the well-being of individuals, communities and Virginia as a whole. Visit [www.thecommonwealthinstitute.org](http://www.thecommonwealthinstitute.org) for more information.