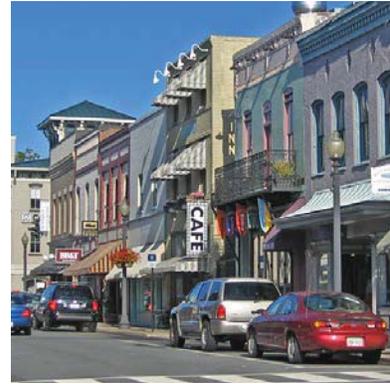


# Building Opportunity

## A Toolkit for Virginia's Future



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Our products inform state economic, fiscal, and budget policy debates and contribute to sound decisions that improve the well-being of individuals, communities and Virginia as a whole.

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# Building Opportunity

A Toolkit for Virginia's Future



**Responsibility. Hard work. Opportunity.**

**These are values we share across the state – from the Clinch River Valley to the Eastern Shore, from Northern Virginia to Southside.**

We all want to believe that if we meet our obligations – we take care of our family, we manage our finances – and if we work hard at the things we choose to do – our education, our careers – that we'll be rewarded with the opportunities we seek to get ahead, to make a life for ourselves that builds on the generations that have come before us.

And for many in Virginia that works, and works well. Virginia overall is among the richest states in the nation. But for many of our neighbors – in every community across the state – the promise of opportunity, the hope to build a bright future, remains just a blueprint of ideas despite hard work, despite playing by the rules.

That's not right. It's not fair. And it's time for us to build up and build out better opportunity for ourselves and for those who will follow.

It can happen if we invest in the things we know build up strong families and communities, things like education and health care. It can happen if we invest in the things that build out a thriving economy, things like infrastructure and workforce training.

It can happen if the people in this state take a stand against those who stall progress – those who disinvest, underfund, and ignore our needs. It can happen if communities press their leaders to address real problems – like crumbling schools in crumbling neighborhoods near shiny new schools in neighboring ZIP codes. It can happen if we see that our own opportunities are tied to the opportunities of others.

It can happen if we unroll those blueprints and start building that future right now. In some cases, we need to lay a foundation. In others, we need to shore up what we already have. And in others, we need new means of opportunity that will drive future new growth.

In Virginia we know how to build: from ships to trusses, from furniture to IT systems. Now we need to build a better state. One that works for everyone.

# Economy

**Virginia can and should be a place where everyone who works hard can raise their kids in a decent home, put nutritious food on the table, and set a little aside for their kids' college educations and their own retirement.**

And by working together, Virginians have made a lot of progress – starting innovative new businesses, investing in their own and their children's skills, coming together to build and upgrade critical infrastructure such as the Port of Virginia, creating great schools and colleges, and fighting to make sure everyone has the chance to fully participate in those schools and workplace opportunities.

As a result of this hard work and investment, the state's economy is strong. And yet it's still not working for everyone.

Virginia workers have increased their skills and education in recent years. Sixty-nine percent of people working in Virginia now have at least some college education, up from 59 percent a decade ago and 40 percent in 1979. Still, real median wages have stagnated, and low-wage workers have actually seen losses compared to a decade ago. Only Virginians with a bachelor's degree or higher have seen real wage increases in the past decade. And in too many places, there are still fewer jobs than a decade ago.

Building an economy that works for everyone, in every corner of the state, means tackling the tough issues. It means working together to make sure everyone is prepared for, and can afford, the training and education they need. It means building and maintaining the physical underpinnings of a strong economy. When Virginians came together to improve the Port of Virginia in Hampton Roads and build the Inland Port in Front Royal, we were making an investment in all of our future that's paid off in good jobs. We can and should continue coming together to make sure everyone, in every corner of the state, has every opportunity to reach their potential.



Photo: Missy Schmidt

**Virginia's economy is strong. And yet it's still not working for everyone.**



## Smart investments to build communities that work

By making smart investments in the building blocks of strong, dynamic economies, we can create jobs today and set up all communities for success. That's part of our history. In 1816 the General Assembly created the nation's first board of public works to build roads and canals, and later cities invested in safe drinking water systems to make sure people could live and work safely in growing centers of commerce.

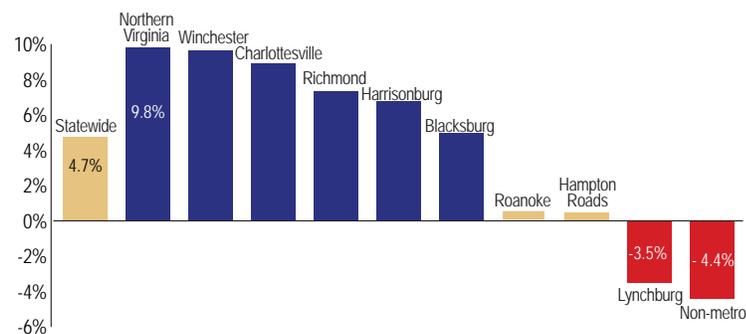
Today, Virginia boasts many of the fundamental building blocks that allow strong communities, commerce, and innovation to thrive, such as functioning road, rail, and water systems. However, some of those systems are wearing out from age. There are 1,200 Virginia bridges that are structurally deficient, some stressed by overuse as new suburban development has put heavy demands on networks built for rural communities. And other systems that could help Virginia excel have yet to be built, such as modern telecommunications capacity in every Virginia community.

Meanwhile, the past decades of unbalanced growth have created challenges that we must come together to address. In some parts of Virginia, the growing economy has also brought gridlock, leaving commuters stuck in traffic, and young people unable to buy a home, while the construction industry has yet to recover to job levels of a decade ago. In other parts of the state, the loss of jobs and population leave the dream of a better future out of reach. And across many communities, infrequent and unreliable bus service too often leaves working

people stranded by the side of the road. By working with local communities to identify areas where new growth can be accommodated, including opportunities for infill development in areas that are already served by roads, transit, sewers, and schools, and then partnering with the local communities to reform outdated zoning laws that are barriers to modern smart communities, Virginia can help young families build their future while also strengthening neighborhoods.

## Uneven Jobs Growth: Some Metro Areas Are Still Down

Percent change in number of employees from Q4 2007 to Q1 2017



Source: TCI analysis of BLS CES data

## Tools

### \$ Repair the infrastructure legacy that was built by prior generations.

Through vision and hard work, people in Virginia came together in the past to build the basic systems that allow healthy communities and modern businesses to function. Too many of those systems – from the DC Metro to the drinking water systems of many communities – are crumbling, however. Repairing and modernizing these systems for today's economy and communities will provide good jobs in the short term and prevent catastrophe in the future.

### \$ Make sure everyone, in every part of the state, has access to high-speed, affordable internet.

In most of Virginia, entrepreneurs and families can choose from a variety of high-speed internet access options. In some places, however, there may be no options, or only one provider that charges very high prices. By partnering with local communities using tools like community broadband, access can be expanded to families and businesses in underserved areas.

### \$ Make smart, targeted investments to make sure people in all parts of Virginia can get to work, get home, and afford to raise a family.

Through targeted use of federal transportation funds, providing low-cost loans to local school divisions seeking to modernize facilities, and encouraging local governments to reform zoning practices, state policymakers can help solve some of the challenges created by unbalanced growth. This includes investing in better transit along dense suburban corridors, working with local communities to focus new housing and employment where it's most needed and where basic infrastructure already exists, and modernizing outdated schools in older communities to improve the quality of life for hard-working families and to strengthen struggling neighborhoods.

## Creating an inclusive economy and communities where everyone can reach their full potential

Whether they are born here or move here, people value that Virginia is a good place to raise a family. Many families are able to afford a decent home in an area with good schools. And for the growing share of workers in Virginia who have a college degree, wages have increased significantly over the past decade, helping lift up themselves, their families, and their communities.

Although many workers in the state are doing well, too many hard-working families are struggling. Virginia's

troubling history of racial segregation, the exclusion of Black families from mortgage loans, and decades of underinvestment in schools that serve primarily Black students has created pockets of disinvestment and poverty in Virginia's older cities and suburbs. Meanwhile, in rural southside and southwest Virginia, technological advancements and shifting global trade patterns have decimated communities of coal miners and textile workers. Too many young people in the state look around and see little hope for a bright future, despite the affluence of other parts of the state. And even those folks who are able to overcome the challenges of troubled communities too often face barriers, whether that's difficulty obtaining a loan

to start a new business, the inability to get a job due to overly restrictive licensing requirements, unfair competition from businesses that break the rules, or language barriers that make it hard to navigate confusing systems.

In order to foster broad-based prosperity and a thriving middle class, to create jobs today and an economy that continues to be strong far into the future, we need to come together and adopt policies that lead to strategic investments, integrate the economically and socially marginalized, and eliminate unnecessary barriers to employment and innovation.

## Tools

### **\$ Partner with local communities to tackle the toughest challenges and create real opportunity for all.**

Many of Virginia's communities are making strides in supporting families by tackling the challenges that come with highly concentrated poverty. The state should support these local efforts that seek to build sustainable ladders to opportunity for today's and tomorrow's generations, and help local leaders in other parts of the state learn from the successes of the early experiments.

### **\$ Crack down on businesses that break the rules by better enforcing Virginia's employment laws.**

When companies cut corners and misclassify employees as independent contractors or fail to pay the wages that their workers are owed, everyone else is forced to foot the bill. Workers are cheated out of vital wages, benefits, and protections. Responsible employers lose business opportunities. State and federal governments lose out on important tax revenue for K-12 education, health care, colleges, police and fire protection, and other services.

### **\$ Empower immigrants to further contribute to the economy.**

Immigrants play an important part in Virginia's communities and economy. Policies that allow and encourage immigrants to reach their full potential benefit everyone. That includes allowing more folks to play by Virginia's rules by broadening access to driver's licenses and providing help to everyone in navigating complicated systems such as applying for a business license.

### **\$ Help entrepreneurs overcome barriers to starting businesses through a state development bank.**

Families and small businesses – even those with the strongest track record – can find it hard to borrow to start or expand their business. State development banks team up with local banks and credit unions to invest public dollars in local business initiatives. For the past 98 years, North Dakota has operated a state development bank to provide steady, reliable access to capital for local businesses, farmers, and banks, no matter what was happening at the big financial institutions in New York. The same could be done in Virginia.

### **\$ Reduce barriers to employment by examining Virginia's professional licensing requirements.**

Some occupational licenses are important for protecting employers, employees, and customers, but others are used to stifle competition and create barriers for workers trying to find jobs. A survey by the Institute for Justice found the educational/experience requirements for 102 lower-and middle-skill occupations averaged 462 days in Virginia, which is more than all but seven states. Similarly, non-compete agreements by companies like Jimmy John's can create barriers for low-skill workers looking to find different or better opportunities. Virginia should more rigorously review new and existing occupational licenses, reduce education and experience requirements where appropriate, and make it easier for licenses to transfer across state lines.

# Health Care

**Healthy children can learn and grow, and healthy workers can better care for their families. For too many Virginians, affordable access to medical care, and to mental health and substance abuse programs, is still out of reach – or is at risk.**



Access to health coverage helps Virginians live stronger, more productive lives. Over the past decade, since the implementation of the Affordable Care Act (ACA), more Virginians have gained access to health coverage. Still, almost 750,000 Virginians, including nearly 100,000 children, remain without health insurance. And our state's restrictive Medicaid program prevents many low-income individuals from accessing coverage. For members of our communities who have a mental health illness or substance use disorder, access to care is particularly crucial – but without affordable care and coverage, needed help remains out of reach.

Repeal of the ACA is one of the gravest threats to the progress that has been made to insure more families struggling to make ends meet. At this time, we must both protect the gains we have made and come together to expand access to health coverage for more Virginians.



## Health Insurance Matters

The debate surrounding the expansion of Virginia's Medicaid insurance program has focused on costs, but has ignored an equally important issue: the value of health insurance. Three recent studies show just what kind of value health care coverage delivers for individuals and communities.



**80%**  
less likely to have catastrophic medical expenses

**50%**  
less likely to borrow money or fail to pay other bills because of medical debt

Results compare people with gained coverage in Oregon versus those who didn't who are uninsured.

**48.3%**  
decrease in average health care costs per year



Results compare people without health insurance who gained coverage through a VCU program for 1 year versus 3 years. Those insured for 3 years had fewer emergency room and more regular doctor visits.

**4.5%**  
reduction in potentially preventable deaths

**235**  
fewer deaths in Virginia by 2018

Results compare the reduction in mortality when people in Massachusetts gained coverage with similar localities in other states where people didn't gain coverage.

Sources: The New England Journal of Medicine, Health Affairs, Annals of Internal Medicine

## Protecting and improving access to health insurance

When people have access to health coverage and can take care of their medical needs, they are more likely to get needed care, more financially secure, and more productive. Unfortunately, hundreds of thousands of Virginians remain without insurance and are stuck in the health coverage gap because they make too little to qualify for current subsidies on the Marketplace and too much to qualify for our state's Medicaid program. And that means many can't get the care they need to go to work, take care of their kids, and be healthy, productive members of our communities.

Still, over the past decade the Affordable Care Act (ACA) has provided many Virginians with access and affordability that they hadn't had before. The ACA has allowed about 59,000 young adults

**Unfortunately,  
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between the ages of 18 to 26 to remain on their parents insurance plans, leading to a 63 percent reduction in the number of Virginians in that age group with no health insurance. In 2014 and 2015, for the first time in years, there were increases in the share of non-elderly Virginians with health coverage through employer-sponsored insurance. This increase has

likely been spurred on by provisions in the ACA that began in 2015, requiring more businesses to offer insurance to their employees or pay a fine.

Additionally, many Virginians have benefited from changes to insurance rules such as a ban on discrimination based on pre-existing conditions (which nearly half of Virginians have), an end to annual and lifetime limits (meaning insurers can't drop a customer when they need their coverage the most), free preventive care (like flu shots and cancer screenings), and a ban on charging women more for coverage because of their gender. Backtracking on these important protections and provisions would put all Virginians at risk, especially low-income families struggling to get by.

In an effort to protect and improve the access to and affordability of health care for Virginians, there are policy options that state legislators can undertake.

## Tools



### **Assess the impact of any federal legislation related to private health insurance, Medicare, and Medicaid on the state's economic security and on the health of Virginians.**

Federal legislation to repeal the ACA could result in substantial economic losses for our state, including the loss of many jobs, and hinder the progress we have made to provide coverage for individuals and families. The Joint Subcommittee for Health and Human Resources Oversight should lead this assessment with input from families, communities, and health care providers.



### **Build on innovative local partnerships such as Virginia Coordinated Care (VCC) to provide access for more uninsured Virginians throughout the state.**

VCC is a local initiative that provides access to affordable health care for uninsured individuals living in the greater Richmond and tri-cities areas. Building upon its success by partnering with local communities and providers throughout the state to establish similar programs could mean more families have access to health care services to help them live healthy and productive lives.



### **Build on the successes of Virginia's Medicaid program to provide health coverage for low-income individuals and families and strengthen critical safety-net services.**

Virginia's Medicaid program provides critical access to care, and yet the state's low investment in the program – 46<sup>th</sup> in the nation for per capita expenditures – cuts out too many who need help. Expanding our state's Medicaid program could provide access to health coverage for hundreds of thousands of Virginians. And by using federal dollars to pay for many health care services that Virginia now provides with state dollars, we could free up savings to invest in vital programs such as substance abuse and mental health treatments.

## Investing in mental health and substance abuse treatments

Part of having a strong economy that makes good use of everyone’s skills and interests is making sure those who have a mental illness or substance use disorder can access the services they need to get back on their feet and back in the workforce. We can do this by coming together and investing in services for our neighbors who need help. For too long, however, policymakers have moved from crisis to crisis and plan to plan without making the significant, sustained investments that are needed to transform Virginia’s behavioral health system into one that we can look to with pride and assurance. The Virginia Tech shooting in 2007, the tragedy with the son of Senator Creigh Deeds in 2013, and the recent death of Jamycheal Mitchell in Hampton Roads Regional Jail in 2016 all were met with strong words and promises by legislators to do more, yet study after study has been completed with little follow-through.

Now, even after all these crises have shocked the state, Virginia has a mental health system with results well below the national average. Mental Health America ranks Virginia 45<sup>th</sup> out of all states for mental health services and outcomes for youth, and 38<sup>th</sup> overall. Despite being a top 10 state for median household income, Virginia is stingy when it comes to

mental health spending, ranking 31<sup>st</sup> in per capita expenditure out of all states.

Health coverage can make a life or death difference for those with a mental illness or substance use disorder. And opioid and related substance addictions have reached epidemic proportions that need to be addressed. Neighboring states that expanded Medicaid saw their share of addiction-related hospital stays by uninsured patients shrink by 69 to 86 percent between 2013 and 2015. Meanwhile, Virginia saw its rate go up by 17 percent. Today there are around 102,000 individuals in communities around Virginia with a substance use disorder or mental illness who could become eligible for Medicaid coverage if lawmakers decided to

accept federal funds to expand – as 31 other states and D.C. have already done.

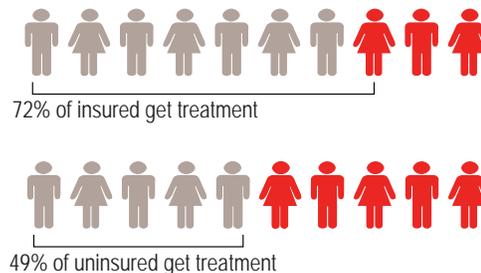
We know that those living with mental illness or substance use disorder actively utilize health services when they gain health insurance coverage. Our neighboring state, Kentucky, saw a 700 percent increase in Medicaid beneficiaries using addiction services after expansion. Overall, Medicaid expansion has been associated with reducing unmet needs for substance abuse treatment by 18.3 percent.

While expansion continues to be the best option for addressing mental illness and substance use disorder in Virginia, there are several other policy options that the state can undertake to improve outcomes.

### Coverage and Treatment are Linked

Virginians who don’t have insurance are 32% less likely than Virginians with insurance to get treatment for addiction or mental illness.

*Percent of Virginians with mental illness or addiction who are receiving treatment:*



Source: TCI analysis of Department of Health and Human Services data

## Tools

### Fully fund the recommendations from the bipartisan Joint Subcommittee Studying Mental Health Services in the Commonwealth in the 21<sup>st</sup> Century to modernize the state’s mental health system.

Meeting the subcommittee’s mission of providing “consistent access to the full array of comprehensive, high-quality mental health services to individuals of all ages regardless of their geographic location or their ability to pay” would cost around \$184 million, with many of the costs recurring on a yearly basis.

### Ensure same day access to critical services at all Community Service Boards (CSBs), rather than only a handful of pilot sites.

The tragedy with the son of Senator Creigh Deeds in 2013 has made the consequences of our failure on this measure painfully clear. This provision

is a key pillar of the recommendations of the Joint Subcommittee Studying Mental Health Services in the Commonwealth in the 21<sup>st</sup> Century.

### Increase funding and training for Crisis Intervention Teams, which help law enforcement officers identify and divert individuals with substance use disorders or mental illness to treatment programs instead of the criminal justice system.

Diversion programs like the one in Hampton and Newport News are leading to more individuals with behavioral health issues receiving treatment instead of ending up in the criminal justice system. This program has saved these localities millions of dollars and diverted hundreds of individuals from jails.

# Education

**Virginians in every ZIP code need access to strong, well-supported education and training programs – from children entering preschool to adults looking to retool their skills.**

Our future depends on having a talented, well-educated workforce that attracts and creates opportunities. To accomplish that, Virginians of every age need access to strong, well-supported education and training programs. The strength of our schools and training programs is what builds the foundation on which our communities and economy grow.

While some areas of training have seen renewed interest and support in recent years, such as Virginia’s apprenticeship programs and non-credit credentialing, not all areas have seen this same commitment. The centerpiece for education and training – Virginia’s preK-12 schools – had dramatic reductions in state support during and after the recession that equaled over one billion dollars in real dollars at the height of the cuts in 2012. Only about 40 percent of the per student cuts in real dollars have been restored since then.

Most alarming, these cuts hit areas of the state with the highest school-aged poverty rates particularly hard – almost three times larger in the highest poverty communities compared to the lowest poverty communities. That means the state took the most out of schools where localities have the least ability to fill in for state cuts and where families have limited means to supplement instruction.

For Virginia to grow a strong workforce and economy, we need a strong foundation, and that starts with our investments with preK-12 schools. Doing so will provide all Virginians with real opportunities to achieve their goals and career ambitions and will lift the state as a whole to new heights.



**The strength of our schools and training programs is what builds the foundation for our communities and economy to grow upon.**

## Strengthen Virginia's early education

Students that start behind in the classroom tend to stay behind, and this poses a serious hurdle for teachers and parents trying to help all children reach their potential. Early childhood education is a proven, cost-effective strategy that helps lift students up so that they can enter elementary school better prepared to succeed. Here in Virginia, the Virginia Preschool Initiative (VPI) has long-demonstrated success in serving at-risk 4-year-olds by providing high quality early education.

VPI is a proven strategy for improving educational outcomes and a worthwhile investment to ensure all students are empowered to reach their potential. Yet, over 7,400 at-risk children did not get the opportunity to attend VPI in 2016 because there was not sufficient state and local funding to support them or because of insufficient space. In Virginia, less than half of students living in low-income families are enrolled in school when they are 3 to 4 years old. That is a missed opportunity to invest in Virginia's students early and gain improved outcomes down the line.

**Virginia Preschool Initiative is a proven strategy for improving educational outcomes and a worthwhile investment.**

## Tools

### **Boost investment in the Virginia Preschool Initiative to maximize participation.**

Outdated state estimates of preschool costs leave local school divisions on the hook for more than their fare share. The result is schools aren't using all available VPI slots. Using the most recent estimate of preschool costs to boost state support would create the right incentives for local school divisions to participate and start to fill more seats.

### **Encourage partnerships with high-quality private providers.**

Sometimes it's not a cost issue, but a space one. Partnering with high quality private providers can foster more opportunities for kids to have a preschool education.



## Investing in Virginia's students and future workforce

It takes commitment from leaders to fully support its schools and students for Virginia to be at the forefront of innovation and economic opportunity. Sustained investment in K-12 schools has been shown to improve children's performance in the classroom and increase their future earnings, with students from low income families showing more pronounced benefits. Increased state spending also raises students' performance and narrows the achievement gap between low-income and wealthier school divisions.

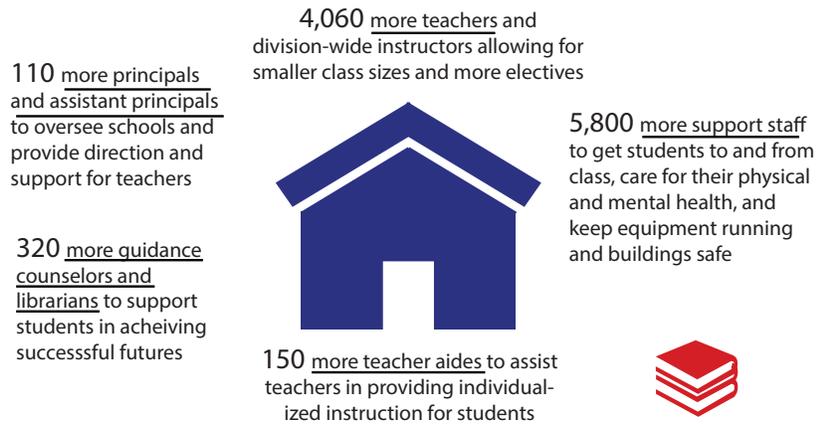
Yet Virginia made dramatic cuts to its support for K-12 schools during and after the recession and these cuts disproportionately impacted school divisions in high poverty communities where heightened funding can have the greatest impact. Even worse, Virginia has consistently been ranked among the worst in the fairness of how its funding is distributed. In Virginia, state and local governments spend 14 percent less per student in Virginia's highest poverty school divisions compared to the lowest poverty divisions. That means we're investing less in schools with students that start out with less and have the

playing field tilted against them. That's not fair and it's no wonder the national report gave Virginia an "F" grade for the fairness of our school funding.

We can fix these problems. We just need to find the will to make these needed and crucial investments that are so vital to the strength of Virginia communities and the future of our families.

### The Cost of Cutting Corners

If staffing levels had been kept constant since the 2008-2009 school year, then there would be 10,400 more teachers and other staff in our schools:



Note: Missing positions indicate a combination of schools eliminating positions and not hiring staff to keep up with growing student enrollment.

Source: TCI analysis of VDOE Superintendent's Annual Report (Tables 17, 18), FY 2009 -2016

## Tools

### Fund the blueprint laid out by Virginia's Board of Education for ensuring that Virginia schools have the staff they need to be successful.

State education leaders unanimously approved new standards in October of 2016 to increase critical staff in Virginia schools like school counselors, nurses, principals, assistant principals, and other support staff. Now it's up to lawmakers to fund these staffing improvements to ensure that schools run smoothly and students are put in position to succeed.

### Better target resources to high-poverty school divisions so every student has the opportunity to succeed in the classroom.

Students with fewer supports outside the classroom should get more from schools, not less. To better align resources with needs, Virginia should put their at-risk funding more in line with other states.

### Make teacher pay competitive so that we can recruit and retain the best in the profession.

High-quality teachers are critical for classroom success, but Virginia ranks 46<sup>th</sup> out of 50 states and DC in competitiveness of teacher salaries. Virginia needs to increase teacher compensation so that we can recruit and retain the best in the profession.

### Increase availability of free meals to keep all students healthy.

There is a great opportunity for schools to provide free breakfast and lunch at no charge to students, while reducing administrative work for the school. It's called Community Eligibility. Unfortunately, not all eligible schools in Virginia are taking advantage of this opportunity. They can and should.

## Reducing barriers for students and helping adults retool to meet tomorrow's challenges

Access to education or training after high school is critical to succeed in today's economy and it will be even more important in the future. Here in Virginia we have built a world-class system of higher education that's helped hundreds of thousands of Virginians learn the skills they need to succeed, while also nurturing new ideas and innovation that help drive our economy forward.

Yet too many cannot afford to access that system without taking on crushing debt. Funding cuts to higher education have increased tuition and mandatory fees across the state, making college less affordable and jeopardizing the ability of many students

to receive the college education they need. We should reinvest in our higher education institutions and boost financial aid to ensure all Virginians have the opportunity to pursue promising careers.

At the same time, not everyone needs a college degree to find and to succeed at work. Still, more and more fields require skills beyond those taught in secondary schools.

The passage of the Workforce Innovation and Opportunity Act (WIOA) in 2014 created an opportunity for all states to revamp workforce training and education programs by encouraging partnerships with employers, coordinated education and training opportunities, and common accountability and assessment tools. It also directs states to target services and opportunities to those individuals with

the greatest barriers to employment so that everyone can earn a paycheck.

We've started down the path of implementing stronger training programs. Virginia leaders have shown initiative in setting new expectations for business leaders to have a voice at the table and for targeting training opportunities to in-demand fields. Yet, in other areas, we have fallen behind some of our neighbors. For example, other jurisdictions have spelled out clear expectations for staffing bilingual specialists and translating key documents at their workforce centers and set performance benchmarks for targeting services to low-income individuals and high-need adults to make sure these individuals aren't left out. We can strengthen our employment and training opportunities so that all Virginians can earn a paycheck and grow our economy.

## Tools



### **Set benchmarks for offering employment services to low-income individuals and other high-need adults to ensure everyone has the opportunity to earn a paycheck.**

WIOA requires states to give priority to low-income individuals and other high need adults. Virginia has not yet mapped out how they are going to target services to these individuals. This is needed to make sure they have access to workforce training services so all Virginians can earn a paycheck.



### **Increase financial assistance and investments in higher education so students can afford postsecondary schooling and noncredit training.**

Virginia is in the top third of states in the country with the most severe reductions in per-student state investment from 2016 to 2008. This has forced schools to increase tuition and mandatory fees, which have skyrocketed across Virginia's public two-year and four-year colleges and universities from 33 percent all the way to 123 percent. This places a greater burden on students and their families. We can fix this problem by restoring support for our higher education institutions, including our community colleges, and boosting financial aid.



### **Make a two-year community college degree debt-free for all Virginians.**

Education and training beyond high school is becoming the expectation for job seekers and that is only going to increase. Two-thirds of jobs are projected to require some level of post-secondary education in Virginia by 2020. We need to shift our thinking on education to meet this changing expectation. Other states like Arkansas, Kentucky, Minnesota, Nevada, Oregon, and Tennessee have already taken that next step by creating programs that offer free community college to eligible students. Here in Virginia we can take this step too and make sure we're in position to meet the needs of tomorrow



### **Offer translation services at all Virginia workforce centers to harness the skills and talent of all our workforce.**

Virginia's current WIOA plan does not provide direction to local workforce development boards in which translation services they should offer or bilingual staffing they should provide. The state should take the lead in helping all workforce centers provide these essential services.



# Revenue

**The future of Virginia’s economy depends on our investment in education, health care, and infrastructure that families and businesses rely on. But our system for raising the resources we need to meet these ongoing public needs was designed for an economy that just doesn’t exist anymore.**



Because Virginia’s tax brackets haven’t been updated in 30 years and still reflect income levels from the late 1980s, there is a growing gap between our revenues and our needs. Compounding the problem, consumer and business purchasing patterns have changed such that much of today’s spending on services isn’t taxed at all. And the addition of loopholes and other tax breaks have made it possible for many corporations to pay nothing in income tax. As a result, the state has faced budget shortfalls in periods of both economic expansion and recession over the last decade. And, it has become harder and harder to make the critical investments we need to help working families today and to build toward the future.

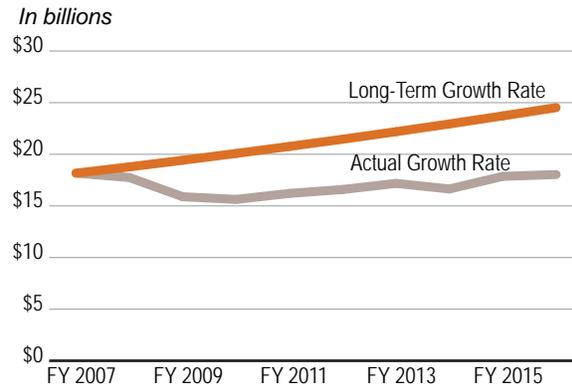
Lawmakers are going to have to grapple with the underlying problems in our current revenue system to make sure we have the resources to support our schools and communities.

Although most recent experience shows a lack of willingness to commit to serious public investments, it is possible to work together to address important needs. It’s happened before. In 2004, a common commitment to do what was needed for Virginia’s K-12 schools resulted in a significant boost in revenue to support adequate funding for classrooms and students across the state.

It’s time to work together again, for the sake of our communities, families, and businesses.

## Off the Path

Actual general fund revenue vs general fund revenue at long-term growth rate, FY2007 - FY2016 (adjusted for inflation).



Note: Assumes growth based on compound annual growth rate between FY1990 and FY2007

Sources: TCI analysis of Virginia Secretary of Finance data and CPI data from BLS



## Reform Virginia's tax code for today's economy

In Virginia's upside-down tax system, an average family pays a higher share of their income to state and local taxes than the wealthiest do. Lawmakers used to update the state's income tax brackets every three to four years on average to reflect changes in income

and inflation. However, the last update occurred in 1987. As a result, Virginia's top tax rate still kicks in at just \$17,000. Median household income was \$30,000 in 1987, while today it is around \$61,000.

Without periodic updates, more and more hardworking families become subject to the top marginal tax rate. In effect, regular

families now pay more toward the costs of public services than they did in the past. That's out of balance. Strengthening the state earned income tax credit by making it refundable would provide a boost to working families and address some of this imbalance. And by modernizing Virginia's tax brackets, we can bring our tax system into the 21<sup>st</sup> century.

### Tools

#### **Strengthen the state's earned income tax credit to help working families.**

Too many of Virginia's families are struggling to make ends meet. At the same time, they're paying a higher share of their income to state and local taxes than the wealthiest. A refundable state earned income tax credit helps families, boosts earnings, and provides opportunity for the next generation of Virginians.

#### **Update the state income tax rate structure so average Virginians don't pay the same rate as millionaires.**

Modernizing the brackets, instituting a new top rate, and creating a mechanism to automatically adjust the rates in response to inflation would make Virginia's income tax system fairer now and in the future.

## A cleaned-up tax code that works for all

Over the years, powerful special interests have lobbied lawmakers to create more tax breaks and loopholes that only benefit the select few. In the past, Virginia's corporate income tax was a larger revenue source for investments in our communities. However, large corporations with accountants and tax attorneys have been able to use loopholes and gimmicks to avoid paying their fair share. Today, many corporations

pay no corporate income tax at all. As a result, average families are working hard, paying more, and struggling to make ends meet, and we can't meet our commitments to schools and other public services across our communities.

At the same time, our economy has changed, especially when it comes to what we are buying. As consumer spending has shifted from buying goods to buying services, sales tax revenues aren't providing the resources needed to fund important

priorities. Because many services are not subject to sales tax, Virginia has an uneven playing field between businesses that primarily sell retail goods and those that specialize in services.

Cleaning up our tax code by eliminating wasteful handouts and modernizing the state sales tax will allow us to make the investments necessary for thriving communities.

### Tools

#### **Attach sunset provisions to tax breaks.**

Wealthy and powerful interests have successfully lobbied for tax loopholes and other giveaways. Many of these provisions aren't regularly monitored and remain in the tax code indefinitely. We can create a fairer and more transparent tax code by phasing out wasteful and ineffective tax breaks.

#### **Modernize the state sales tax to reflect a changing economy.**

People's spending habits have changed, and our tax system hasn't. The result is an uneven playing field between different types of businesses and a sales tax system that isn't keeping pace with consumer spending.

If Virginia were to tax all feasibly-taxable services, sales tax revenues could increase substantially, raising more money for public investments.

#### **Close corporate tax loopholes, including single-sales factor apportionment and the use of "nowhere income."**

Large manufacturers are allowed to choose the tax system they'd prefer, while evidence tells us the promised jobs from this tax break are unlikely to materialize. Meanwhile multi-state corporations are able to shift profits to other states to avoid paying taxes. As a result, too many corporations aren't paying their fair share toward the investments that benefit all Virginians.



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