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Virginia’s Budget is An Underused Tool to Build Opportunity for All

New report assesses Virginia’s most recent state budget in the context of lingering recessionary cuts and opportunities to dismantle barriers for communities of color

RICHMOND, VA – As a top-10 state when it comes to median household income, Virginia has the capacity to invest in dismantling barriers for communities of color and low-income Virginians. Yet Virginia is in the bottom 10 states when it comes to state investment in preK-12 education, per-student support for higher education, and Medicaid.

A new report from The Commonwealth Institute for Fiscal Analysis, “Standing at the Crossroads: Virginia has an Opportunity to Invest in an Equitable Future” details how Virginia could undo lingering recession-era cuts that continue to harm Virginia families and local communities, and highlights how new investments could tear down barriers to opportunity, such as underfunded schools, that continue to face many communities of color in Virginia.

“State budgets can advance the adequacy and equity of our investments or further entrench barriers to opportunity for every community, particularly for communities of color,” said Laura Goren, Research Director at The Commonwealth Institute for Fiscal Analysis. “Every new investment, funding cut, and change in policy language represents a decision about what and who Virginia values.”

Restoring state general fund revenue to mid-2000s rates could provide the resources to make these investments. Despite the ongoing economic expansion, general fund revenue is still expected to be $2 billion per year below its pre-recession average as a share of state personal income, which is one measure of the state’s economy and the capacity of state residents to support investments in a stronger future. The report details specific tax policy proposals that could raise needed revenue to invest in a more equitable future, including ways to make sure out-of-state corporations and wealthy, well-connected individuals pay their fair share.

“As Virginia’s General Assembly candidates debate the issues facing the commonwealth, that conversation needs to be grounded in facts and include an honest look at where Virginia stands right
now so we can better inform where we want to go together in the future” says Michael Cassidy, President and CEO of the Institute.

The new paper looks at both the short-term story—what happened this past year—and where Virginia stands in the bigger picture looking back nearly a decade, as well as new opportunities for the future.

In the short term, a state revenue windfall from federal tax changes provided the opportunity during the 2019 legislative session to make up for some of the recession-era cuts and invest in new priorities. Legislators did choose to make some needed fixes, such as partially undoing the arbitrary limits on state funding for school counselors, improving funding for high-needs schools, and putting a small amount of money toward affordable housing. However, state lawmakers and the administration chose to use about $800 million—about half—toward tax cuts and another $160 million was set aside with the intent of using it for future tax cuts.

Over the longer term, the small progress made during this legislative session fails to undo the damage from policymakers repeatedly slashing public support for critical functions during and after the 2007-2009 recession.

Among the report’s key findings:

- State K-12 funding is still down 8 percent per student, adjusting for inflation, since 2008-2009, a loss of $580 million in direct aid to public schools during the 2019-2020 school year. As a result, many schools have been forced to cut back. Staffing statewide is still down since 2008-2009, while enrollment has grown by more than 55,000 students.
- State higher education funding is also still down dramatically (16.5 percent per student) since 2008, adjusting for inflation, and the state is failing to meet its own policy for sharing costs with students and families. The State Council of Higher Education for Virginia estimates that if the state met its stated goal of covering 67 percent of the cost of education, tuition costs would be as much as $3,000 lower.
- Virginia is not well prepared for when hard times next hit. The current economic expansion is already the second longest one on record, yet even when combining Virginia's traditional rainy day fund and new, more flexible reserve fund we are below where we should be and below where we were before the prior recession.

The report offers specific policy solutions to address some of these challenges, as well as ways the state can dismantle barriers facing communities of color. These include:

- Strengthening support for high-needs schools through the “At-Risk Add-On” that directs funds to school divisions with high concentrations of poverty to provide students with programs and services like counseling, drop-out prevention, and college access programs. Improving the formula to be in line with most other states would take an investment of about $64 million annually from the state.
- Removing the extra barriers facing lawfully present immigrants with permanent residency before becoming eligible for Medicaid. Virginia is one of only six states to maintain the “40-quarter” work history requirement. If lawmakers act to remove this obstacle, the state
would receive an additional $16.6 million in federal funding, which would need to be matched by $6.6 million in state funding, according to one recent estimate.

- Paying state employees and employees of state contractors a living wage of at least $15 an hour. Public employment has long been a key pathway into the middle class for immigrant communities and, at times, African American communities. Yet some public employees and workers of public contractors are not paid enough to make ends meet. Raising the wage to $15 an hour for state employees and employees of state contractors would have a real cost—at least $176 million per year in general fund costs—yet would also have real benefits for Virginia families and communities, particularly Black and Hispanic workers who are typically paid less than white workers in Virginia.

The full report, "Standing at the Crossroads: Virginia has an Opportunity to Invest in an Equitable Future," is available at [www.thecommonwealthinstitute.org](http://www.thecommonwealthinstitute.org)

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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.