



2019 General Assembly Update

Delegate Steve Heretick
79th House District of Virginia

2019 General Assembly Update

- 3100+ Pieces of Legislation
- 45 Days (“Short” Session)
- Delayed Passage of Tax Conformity
 - Would effectively increase personal taxes
 - Would require two separate sets of tax filings
 - Required unusual scrutiny
 - Resulted in \$797 Million In Unappropriated Revenue
- Budget Adjustments
 - Teacher Raises, State Employee Raises
 - College Tuition Rise Stabilized, For Now

- Virginia Has GOOD Fiscal Health
- AAA Bond Rating Maintained
- #1 State To Do Business In The United States
- \$20.3 Billion In New Economic Investment
 - \$2.7 Billion in Distressed Communities
 - Amazon!
- 378 New Economic Development Projects
- 51,000 New Jobs
 - 8,700 In Distressed Communities

- Unemployment at 2.9%
- 306,000 New Virginians Enrolled in Medicare
- 12th Straight Year of Economic Expansion
- New Emphasis in Renewable Energy Resource Development
- Central State Hospital To Be Rebuilt
- 27 Million Tons of Coal Ash To Be Remediated
- Significant Additional Resources For School Safety Enhancements

BUT:

- Economic Downturns Increasingly Forecast
- Federal Debt Now Over \$22 Trillion
- Trade Wars Injuring Virginia Agriculture, Shipping
 - Agricultural Exports To China Have Lot Two-Thirds Of Their Value
- Sequestration Off The Table For Now, But...
- Sea Level Rise Threatens Coastal Regions, Commerce, and Military
- Healthcare, Prescriptions, Food Costs Continue To Rise

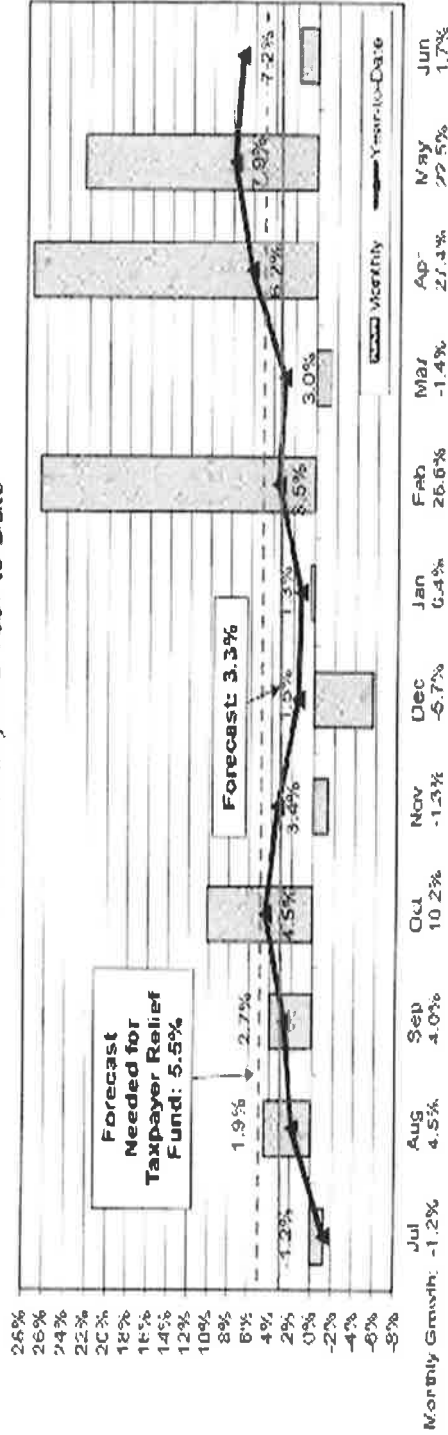
- US Economy Performing At Expectation – Virginia Is Not
 - GDP Overall Performing at 3.0% - In Line With Economic Forecasting
- Virginia's Growth In Employment, Personal Income, and Wages
 - All Below Forecasts:
 - Employment – 2.9% Forecast, 2.7% Actual
 - Personal Income – 4.4% Forecast, 4.2% Actual
 - Wages and Salaries – 4.6% Forecast, 3.8% Actual
- Defense Spending
- Slower Economic Growth In NOVA
- Flat Economic Growth in Hampton Roads
- “Graying” Of Virginia

- General Fund Revenue Grew 7.2%
 - Ahead Of Annual Forecast of 3.3%
- Payroll Withholding Increased At 3.6%
 - Down From Projected Growth Of 3.8%
- Individual Income Tax Nonwithholding Collections At \$557.6 Million
 - 16.3% Ahead Of FY'19 Projections
- Sales And Use Tax Collections Short Of Projections By \$1.7 Million
 - 0.3% Below FY'19 Projections
- CTF Collections Ended FY'19 With \$57.7 Million Surplus- Vehicle Sales

- Corporate Income Tax, Recordation Tax, and Insurance Premium Tax
Below Projections
 - Corporate Income Tax Below Forecast By \$68.8 Million
 - Recordation Tax Below Forecast By \$17.9 Million
 - Insurance Premium Tax Below Forecast By \$13.3 Million
- Motor Fuels Tax Below Forecast By 5.2%
- Road Use Tax Below Forecast By 19%
- Vehicle Sales Tax Above Forecast By 6.8% - Electric Vehicles
- Bottom Line: We're Still In The Black – Revenue Overall Grew By 7.2%

FY 2019 General Fund Revenue Grew 7.2 Percent

Growth in Total General Fund Revenue Collections
 FY19 Monthly and Year-to-Date



- Total general fund revenues increased 1.7 percent in June.
- Fiscal-year-to-date total general fund revenues increased 7.2 percent, ahead of the annual forecast of a 3.3 percent increase.

TAX CONFORMITY

- Conformity Not Automatic In '19 Session
 - Federal Tax Cuts and Jobs Act (TCJA) Would Result In Increases In Most State Income Tax
- 728,000 Individuals Switched From Itemized To Standard Deductions
- Net Revenue Increases Of \$466 Million From Individual Filers
 - Average Tax Increase of \$125 per filer
 - Average Tax Increase For AGI \$50K-\$75K = \$110
 - Average Tax Increase For AGI \$125K-\$150K = \$242
 - Average Tax Increase For AGI More Than \$1 Million = \$6,491
- Net Revenue Decreases Of \$11 Million From Corporate Filers

- Anticipated Tax “Revenue In Excess Of Appropriations” = \$797 Million

But Don’t Plan To Spend It Just Yet:

- \$344.4 Million Will Go Into Revenue Stabilization Fund
 - Rate Stabilization Fund On Track To Hit \$600 Million By FY’21
 - Revenue Reserves Overall On Track To Hit \$1.64 Billion By FY’21
- \$431 Million Will Go Back To Taxpayers
 - \$110 Individual/\$220 Joint
 - Must Have Filed By July 1
 - Refunds Due October 1 – October 15 By Statute

Known Funding Commitments and Future Risks

- Medicaid Forecasts
- SOQ Rebenchmarking
- VRS Discount Rate
- Transportation Funding
- Federal Actions – Grants Funding, Disallowances
- Lottery Revenues
- Capital Allocations for Deferred Maintenance, Construction Increases

Fall Budget Prep and Economic Forecasting

- House Appropriations and Finance Committees Retreat
 - Norfolk – November 19-20
- Assembly Returns To Richmond In Special Session November 19
- Governor's 2020 – 2022 Biennial Budget Announcement To Joint House and Senate Money Committees in December
- Prefiling of 2020 Session Legislation in December

2020 Session

- Balance Of Power In House And Senate At Stake On November 5th
 - 51 - 48 In House Currently
 - 21 - 19 In Senate Currently
- Change In Party Control Will Affect Committee Structure At Every Level
- Change In Party Control Will Affect Policy Approaches
- 60 Day “Long” Session
- Budget, Gun Safety, Energy, Criminal Justice Reform Will All Be Key Issues

- Budget Requests Should Be Submitted As Early As Possible
 - PLEASE Don't Wait Until January!
 - New Projects Will Be Tight
 - Administration Budget Will Be Finalized By December
 - Possible To Seek Budget Amendments, But Extremely Difficult
 - Remember, Every Dollar Comes From Somewhere
 - Remember, Every Dollar To Any Line Takes A Dollar From Another Line
- Legislative Suggestions Should Be In For Drafting By Mid-November
 - Consider Submitting Bills For Drafting As Early As Possible
 - Election May Delay Bill Prep/Filing
 - Carefully Consider Patrons
- Be Ready To Help Work Your Bills!

Questions, Comments, Ideas

Please feel free to submit questions, comments, ideas, and major campaign contributions (just kidding!) to:

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