

The Outlook for K-12 Education Funding and How to Improve Virginia's Fiscal Situation

Fiscal Analytics, Ltd.

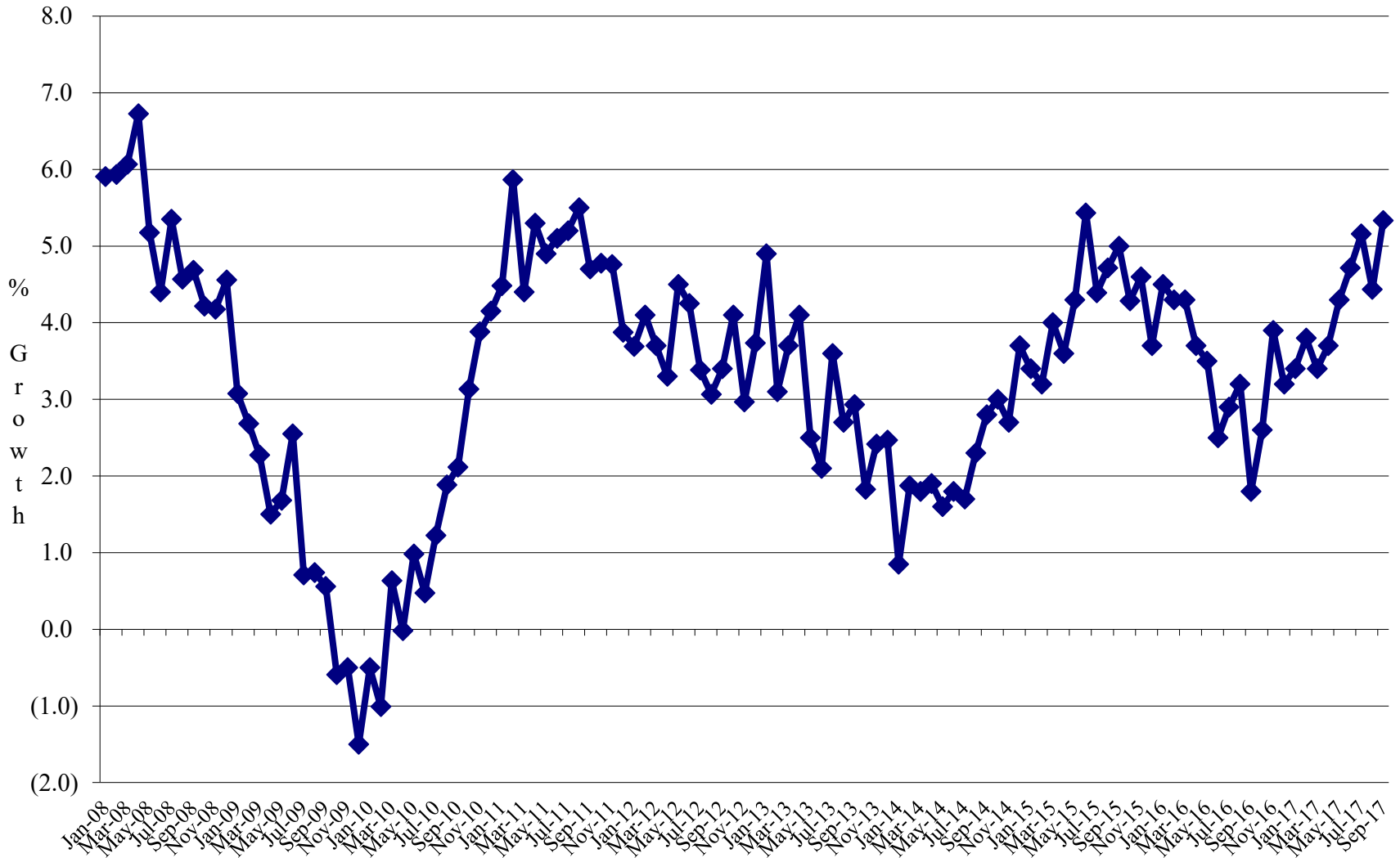
October, 2017

Despite FY 17 Surplus, GF Revenue Growth Has Been Historically Low

<u>Fiscal Years</u>	<u>Avg. Annual GF Growth*</u>
1990-1999	5.9%
2000-2008	5.7%
2009-2010	-5.0%
2011-2016	4.1%
2017	3.6%
<i>2018 Forecast</i>	<i>3.2%</i>

* Does not include GF transfers

Income Tax Withholding Growth is Improving 12 Mo. Moving Avg (% Growth)



Will Medicaid Spending Continue Rapid Growth?

<u>Fiscal Years</u>	<u>Avg. Annual Growth</u>
2000-2009	8.8%
2010-2015	6.2%
2016	9.3%
2017	7.2%
<i>2018 Forecast</i>	4.1% ??

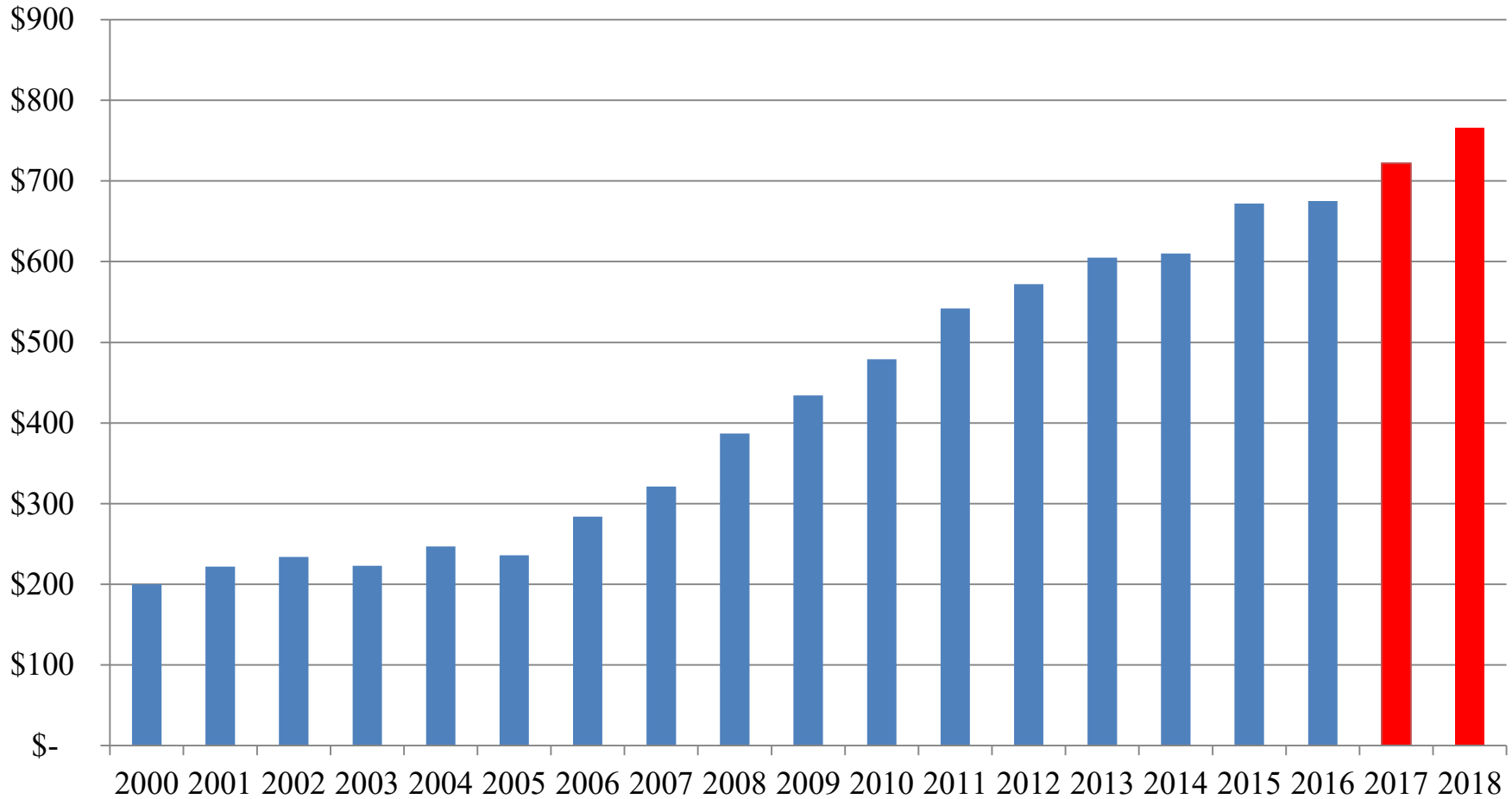
Major Fall 2016 forecast spending changes were in:

- 1) Behavioral adult rehabilitation services and intensive in-home services for children
- 2) Medicare Part A, B and Part D premium increases
- 3) Medicaid fee-for-service expenditures

Steadily Rising Elderly Population Ensures Medicaid Growth

	Total Projected VA Population	Pop. 65 years and over	% of Total Pop. Age 65 and Over	Pop. 85 years and over	% of Total Pop. Age 85 and Over
2010	8,001,024	976,937	12.2%	122,403	1.5%
2020	8,744,273	1,392,849	15.9%	149,399	1.7%
2030	9,546,958	1,803,403	18.9%	194,658	2.0%
2040	10,201,530	1,925,149	18.9%	283,507	2.8%

Continued Growth in GF Debt Service (\$ Mil.)



Note: \$3.8 bil. in authorized, but unissued GF tax supported debt (VPBA, VCBA) planned from FY 2017-22.

General Fund Operating Appropriation Growth (\$ Mil.)

	<u>2001</u>	<u>2018</u>	<u>Growth</u>	<u>Annualized Growth</u>
Medicaid (DMAS)	\$1,384.2	\$4,605.7	232.7%	7.3%
GF Debt Service	\$243.1	\$763.7	214.2%	7.0%
Behavioral Health	\$430.2	\$772.6	79.6%	3.5%
Other H&HS	\$648.9	\$1,059.0	63.2%	2.9%
K-12 Public Education	\$3,942.4	\$6,030.0	53.0%	2.5%
Public Safety/Comp Board	\$1,949.1	\$2,588.3	32.8%	1.7%
Higher Education	\$1,634.2	\$2,014.5	23.3%	1.2%
Natural Resources	\$152.1	\$128.5	-15.5%	-1.0%
All Other	<u>\$1,899.4</u>	<u>\$2,392.3</u>	<u>25.9%</u>	<u>1.4%</u>
Total GF Operating	\$12,283.6	\$20,354.6	65.7%	3.0%

Note: Since 2001, the Consumer Price Index has averaged 2.0%.

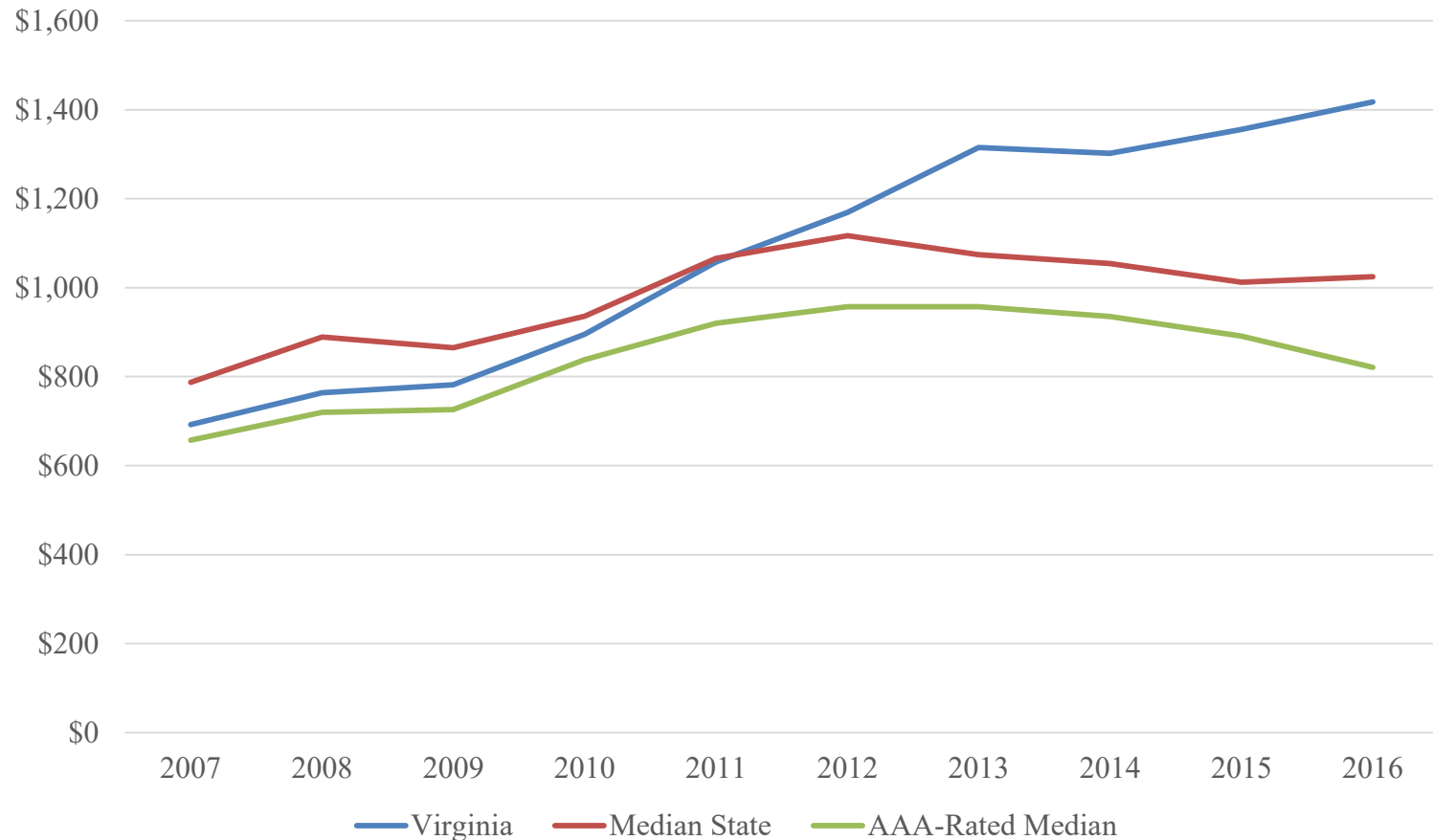
Likely GF Revenue Growth Insufficient for New State Commitments

Est. Net New GF Revenue for 2018-20 Biennium (assumes 3%-4% growth)	\$1.4-2.0 B
Reserve 2017 Surplus	(\$136.6)
Remove 2018 RDF	(\$272.5)
Remove 2018 Amnesty	(\$90)
2018-20 Medicaid Growth @ 6%	(\$600)
2018-20 K-12 Rebenchmarking	(\$450)
Biennium Debt Service Increases	(\$80)
Net Available for All Other	(\$300) - \$300 Mil.

Note: FY 2018 GF Rainy Day Fund requirements begin at 4.0%

...And Virginia Has Little Room for More Borrowing and Stay AAA-Rated

Virginia Debt per Capita Compared to Other States



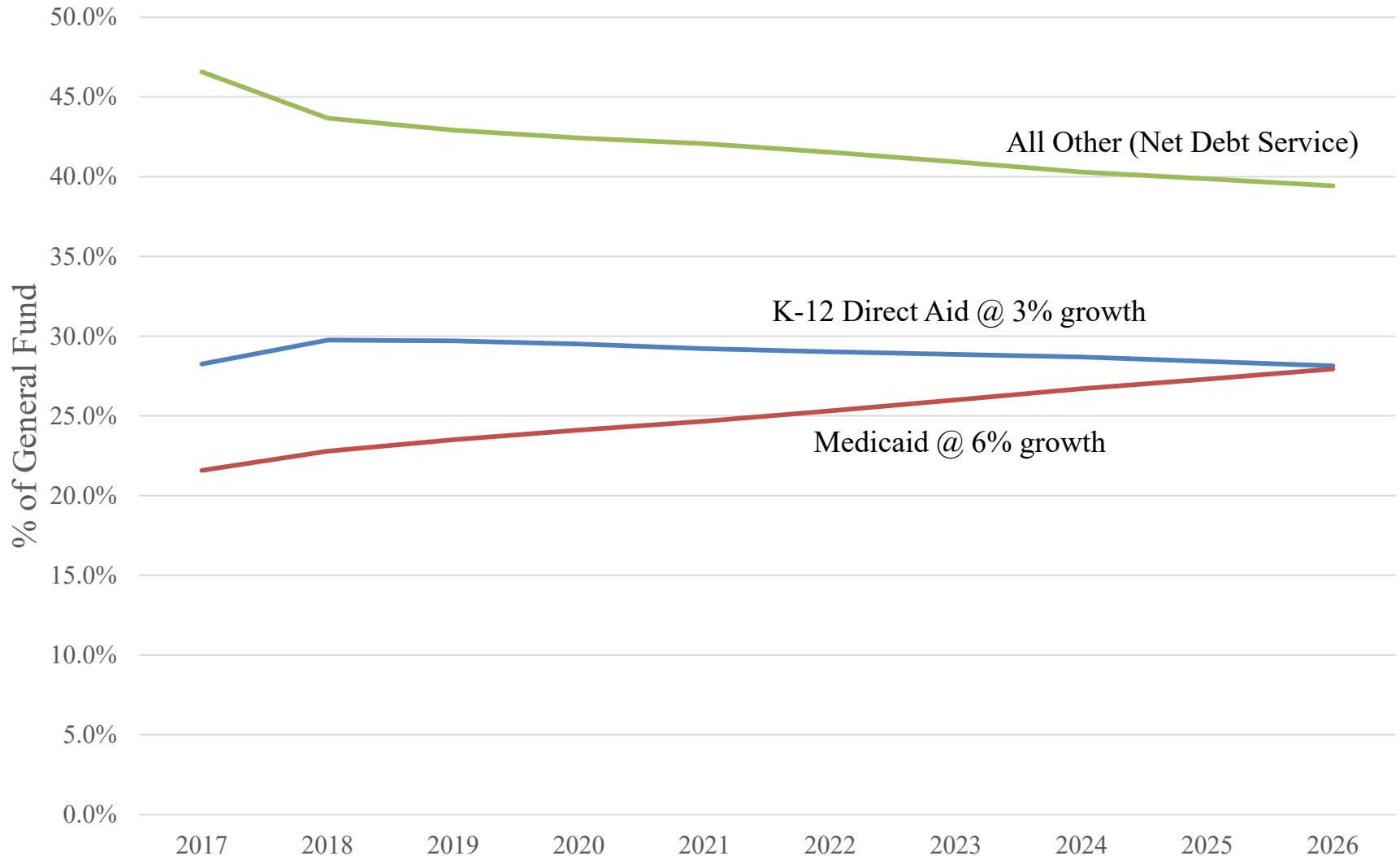
Source: Virginia Debt Capacity Advisory Board, Dec. 2016

Note: Current debt service payments already above self-imposed cap of 5% of GF + transportation revenues.

Any additional debt capacity is based on back-loaded 10 year average – currently about \$500 m per year.

Are GF Spending Patterns Unsustainable?

(Assumes 3.4% Avg. Annual Revenue Growth)



...But Where Will Spending Change?

	GF Budget Accounting					
		2016 Session		2017 Session		Biennial
	<u>FY 16</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>Change</u>
Legislative and Executive	107.7	115.5	115.5	115.7	119.4	4.1
Judicial Dept.	456.0	484.5	485.2	482.9	485.6	(1.2)
Administration/Comp Board	691.7	711.8	718.7	705.2	715.4	(9.9)
Treasury Board Debt Service	675.0	734.9	766.3	722.1	763.7	(15.4)
Other Finance/Technology	181.6	191.6	188.6	189.1	186.0	(5.1)
Rainy Day Fund	-	605.6	-	605.6	-	-
Car Tax Reimbursement	950.0	950.0	950.0	950.0	950.0	-
Commerce and Trade	197.0	203.8	217.3	188.3	205.6	(27.2)
Agriculture / Nat. Resources	174.7	237.7	172.2	234.2	163.7	(12.1)
K-12 Education/Central Office	5,576.0	5,900.0	6,190.6	5,735.6	6,088.5	(266.5)
Higher & Other Education	1,865.5	2,046.6	2,081.1	2,040.0	2,015.2	(72.5)
DMAS Medicaid	4,159.5	4,293.9	4,421.0	4,332.8	4,605.7	223.6
Other Health & Human Services	1,682.6	1,759.3	1,764.8	1,799.9	1,831.6	107.4
Public Safety & Veterans/HS	1,837.5	1,921.8	1,949.4	1,907.1	1,932.9	(31.2)
Transportation	69.1	41.0	41.0	41.0	41.0	-
Central Appropriations	334.8	139.5	223.0	63.5	214.9	(84.0)
Cash Reserve	-	-	-	-	35.0	35.0
Independent Agencies/Capital	143.2	12.0	0.3	2.2	0.3	(9.8)
Total GF Appropriations	19,102.0	20,349.5	20,285.0	20,115.2	20,354.6	(164.7)
GF Revenues/Transfers	19,119.3	19,481.2	20,230.3	19,210.6	19,835.4	(665.5)
Rainy Day Fund Withdrawal				294.7	272.5	567.2
Balances	932.1	946.2	(0.5)	736.3	128.2	(81.2)
Unreserved Balance	265.3	77.9	22.6	126.4	7.9	

GF State Aid to Localities (\$ Mil.)

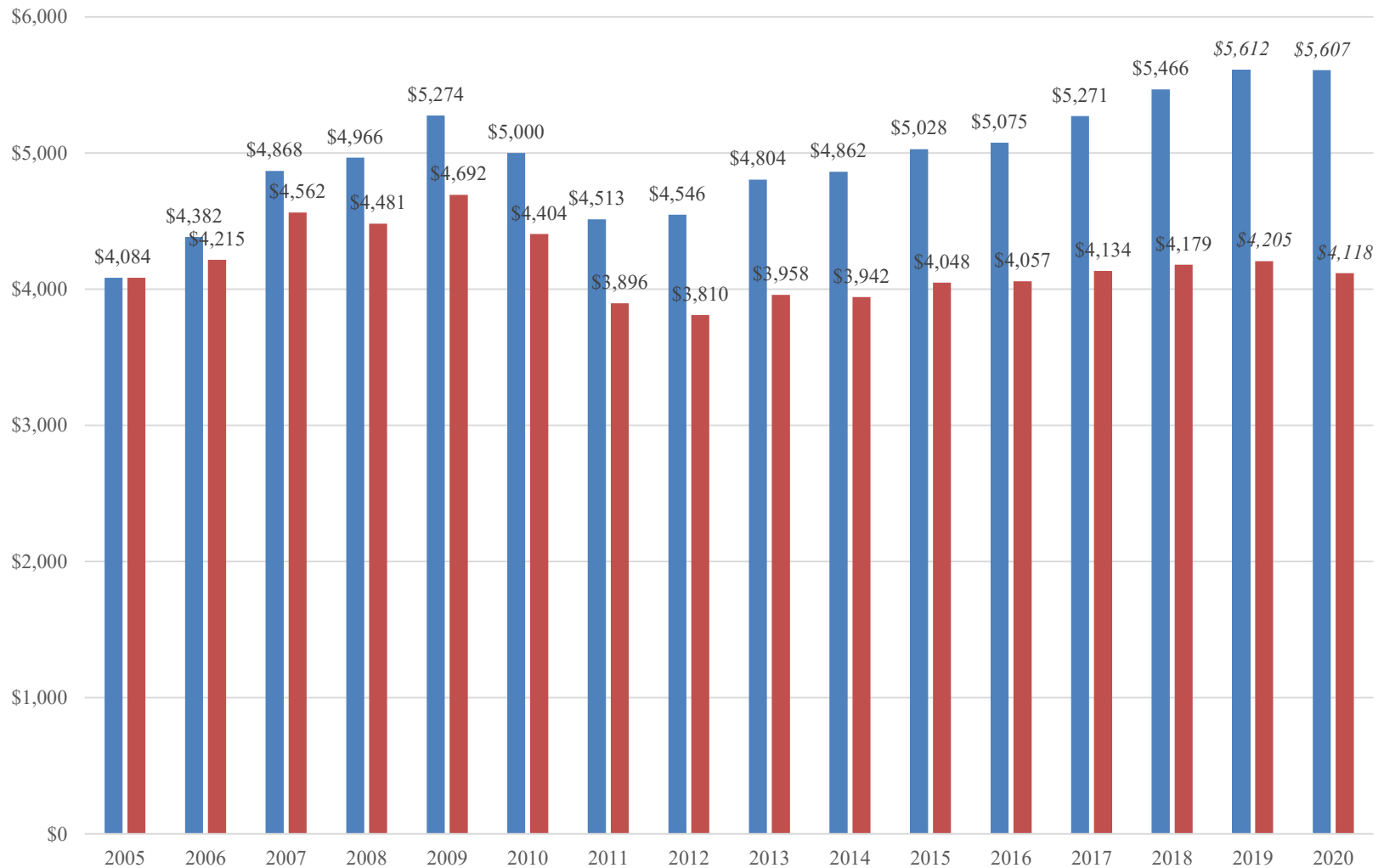
	<u>FY 2009</u>	<u>FY 2014</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Direct Aid to K-12	\$5,607.6	\$5,240.3	\$5,520.9	\$5,675.3	\$6,030.0
K-12 % of Total GF Appropriations	35.2%	29.6%	28.9%	28.2%	29.6%
Health and Human Services	888.4	791.7	867.5	926.0	951.5
<i>CSA</i>	<i>299.7</i>	<i>217.2</i>	<i>237.2</i>	<i>278.9</i>	<i>279.5</i>
<i>Community MH/MR Services</i>	<i>249.4</i>	<i>269.3</i>	<i>318.0</i>	<i>330.8</i>	<i>351.6</i>
<i>Local Social Services Staff</i>	<i>117.4</i>	<i>115.3</i>	<i>114.4</i>	<i>117.5</i>	<i>122.1</i>
<i>Community Health Programs</i>	<i>117.6</i>	<i>107.2</i>	<i>115.1</i>	<i>117.7</i>	<i>117.6</i>
<i>Welfare Services and Programs</i>	<i>104.3</i>	<i>82.7</i>	<i>82.8</i>	<i>81.1</i>	<i>80.7</i>
Public Safety	734.3	687.9	715.5	732.1	743.4
<i>Local Sheriffs Offices</i>	<i>406.1</i>	<i>411.3</i>	<i>436.0</i>	<i>447.2</i>	<i>457.0</i>
<i>Local Police Depts HB 599</i>	<i>197.3</i>	<i>172.4</i>	<i>172.4</i>	<i>178.0</i>	<i>178.0</i>
<i>Local Jail Per diem</i>	<i>80.1</i>	<i>59.4</i>	<i>61.4</i>	<i>60.6</i>	<i>61.3</i>
<i>Assistance for Juvenile Justice</i>	<i>50.8</i>	<i>44.8</i>	<i>45.7</i>	<i>46.3</i>	<i>47.1</i>
Constitutional Officers	155.3	145.8	152.5	156.7	158.0
Dept. of Accounts Transfers	49.3	49.3	49.5	49.6	49.6
Car Tax	950.0	950.0	950.0	950.0	950.0
Aid-to-Locality Reduction	(50.0)	-	-	-	-
Total Local GF Aid	\$8,334.9	\$7,865.0	\$8,255.9	\$8,489.7	\$8,882.5
Total GF Appropriations	\$15,943.0	\$17,705.2	\$19,102.0	\$20,115.2	\$20,354.6
Local Aid % of Total GF	52.0%	44.1%	43.2%	42.2%	43.6%

Initial 2018-20 Biennium K-12 Rebenchmarking Increases State Funding by About 3 Percent

- FY 2019 = \$210.8 m; FY 2020 = \$232.6 m; Total = \$443.4 m
(Net 25.4% non-participation for VA Pre-School Initiative, Not including VRS rate reduction from 16.32% to 15.68%)

Major Cost Increases:	<u>Biennial Cost</u> (\$ Mil)	Major Cost Decreases:	<u>Biennial Cost</u> (\$ Mil)
Recognize Full Year Cost of 2.0% State Salary Increase and Instructional/Support Prevailing Costs	\$169.5	Pupil Transportation Costs	(\$24.1)
Non-personal Support Prevailing and Inflation Costs (<i>largest factor: substitute teachers up 9.3%</i>)	\$161.3	3-Year Avg. FL Rates for CEP Schools	(\$21.0)
Health Care Premium (<i>up 10%</i>)	\$58.0	Support Position Cap Ratio (4.27-1)	(\$18.9)
Update Lottery Accounts	\$43.7	Textbook Costs	(\$14.4)
Projected Enrollment Counts	\$38.4	Federal Revenue Deduct	(\$2.3)
ESL, CTE, Remedial Summer School, Categorical, Superintendents, School Board, Nurse Costs	\$22.7	Other	(\$1.7)
SOL Test Failure Rate Data	\$17.5	Total Decreases	(\$82.4)
Special Ed Child Counts	<u>\$14.6</u>		
Total Increases	\$525.7		

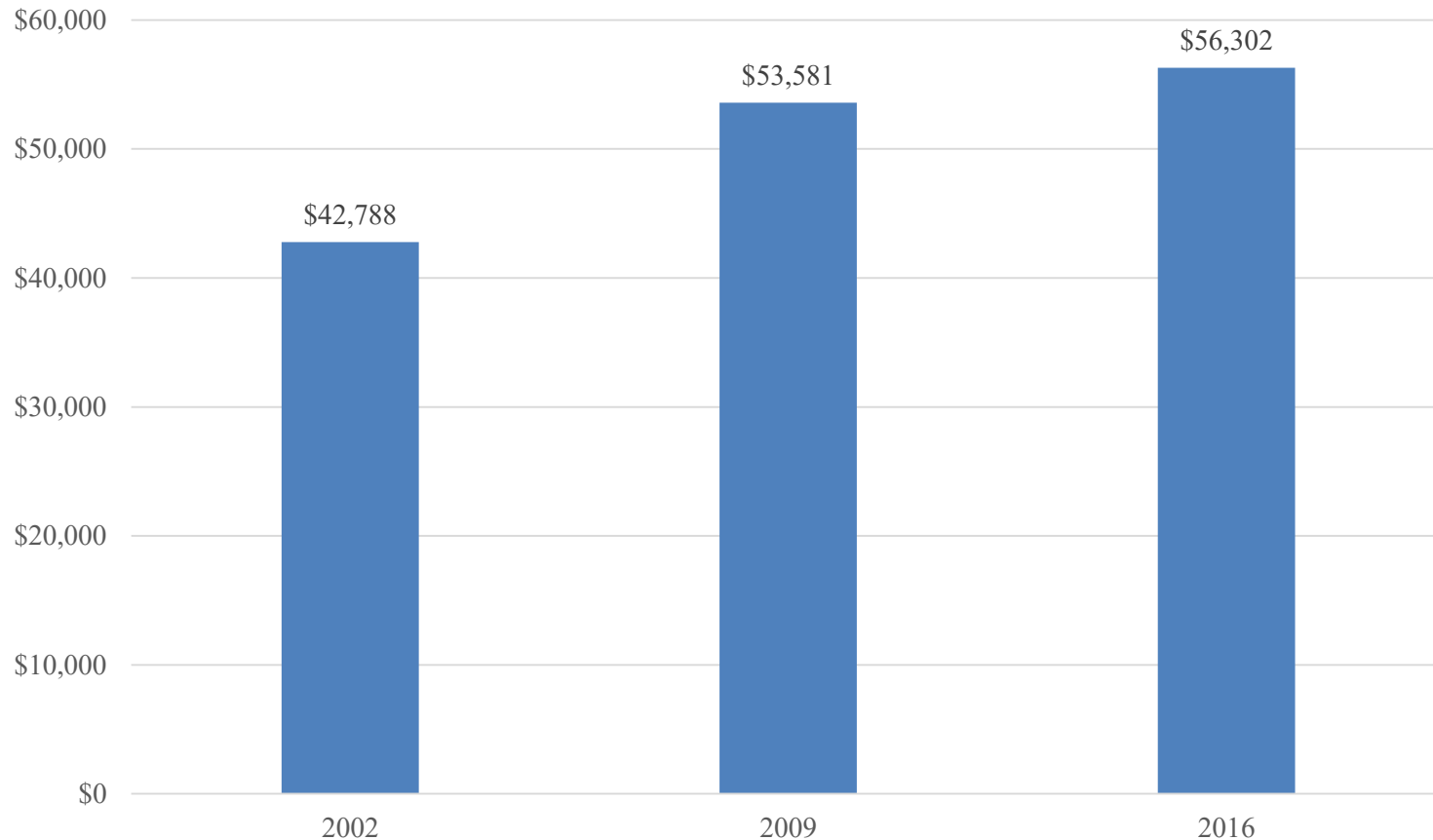
Real State Per Pupil K-12 FY 18 Funding \$520 Below FY 09* Nominal and Inflation-Adjusted Direct Aid (CPI \$2005)



* 2018-20 funding levels assume initial \$211m and \$233m rebenchmarking amounts only and 2.0% inflation each year.

Instructional Pay Increases Have Slowed Considerably Since 2009

Average Salary - All Instructional Positions*

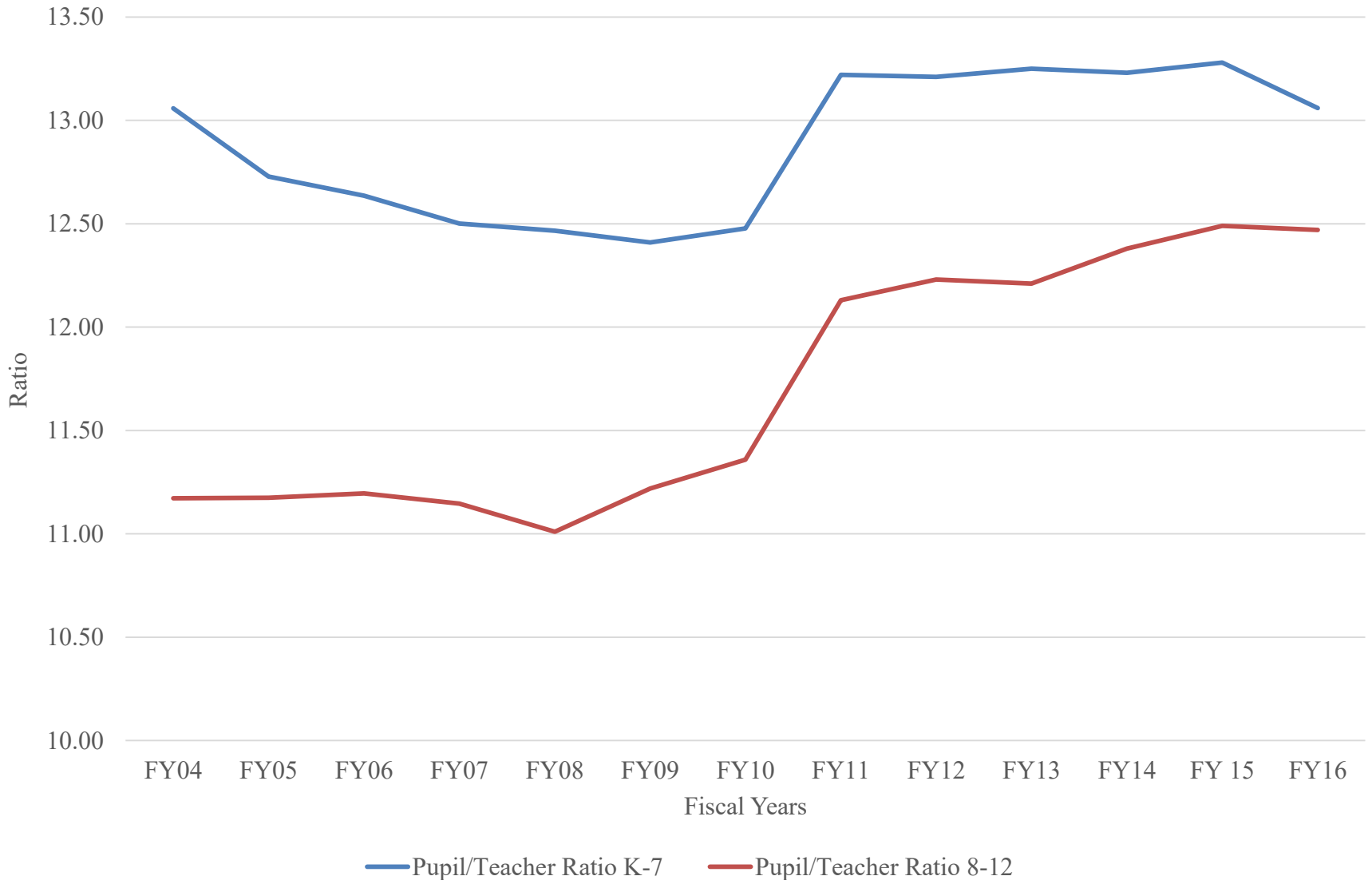


Source: Superintendent's Annual Report.

* All instructional positions include classroom teachers, guidance counselors, librarians, principals, and assistant principals.

Note: Average instructional pay would have been \$59,872 in 2016 if grown at the rate of the CPI from 2009.

Efforts To Lower Pupil/Teacher Ratios Stall After Recession



Note: March 31 ADM increased by 3.6%, while K-12 positions decreased by 2,889 or 1.7%, from FY 2009-16.

Source: Superintendents Annual Report

State Standards of Quality Do Not Reflect True Costs for Local K-12 Divisions

- Only 136,000 out of 200,000 K-12 positions (68 percent) employed by local school divisions are recognized by the SOQ; many support positions and other support costs de-funded after 2009; the “linear weighted average” methodology underfunds teacher’s salaries; real-time costs not reflected in re-benchmarking.
 - Raising teacher salaries from 29th (*JLARC 2017*) to the national average and funding prevailing support costs requires an additional \$750 million GF/year.
- Localities on average spend about double, or \$3.9 bil. beyond state requirements to meet SOL and SOA requirement in FY 16. All 134 local school divisions exceeded Required Local Effort (RLE) in FY 16.

Divisions up to 25% Above RLE	16
Divisions Exceeding 25% to 75%	45
Divisions Exceeding 76% to 100%	30
Divisions Exceeding 100% RLE	43

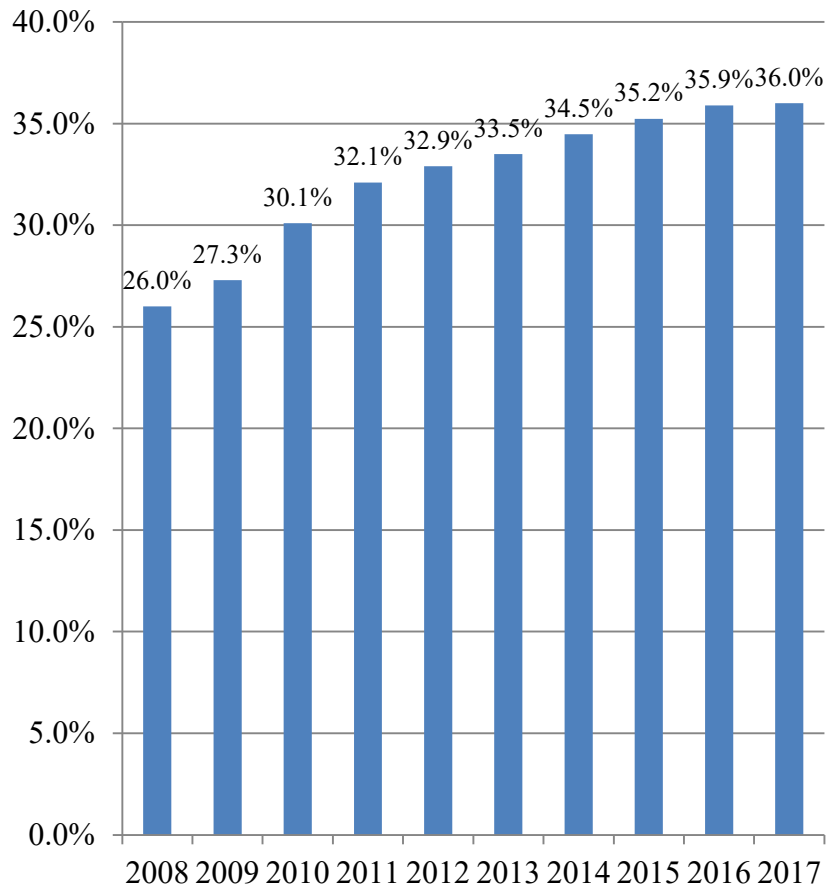
Virginia Board of Education Recommends \$600 Mil./Year in Standards of Quality Upgrades

- In 2016, BOE recommended SOQ funding changes - first since the early 2000's. Examined where local practices overwhelmingly exceeded state recognized staffing practices.
- The Board of Education recommended the following changes to the SOQ:
 - Restoring the funding of support positions using prevailing practices rather than the 2009 enacted support position cap (1 support per 4.17 SOQ funded teachers).
 - A staffing ratio of 1 to 400 students for assistant principals.
 - One full-time principal in each elementary school. 12 percent of schools have under 299 students and are only provided funding for a part-time principal.
 - Staffing ratios for school counselors (1 to 250); school psychologists (1 to 1,000); school nurses (1 to 1,000); and school social workers (1 to 1,000).

More Difficult and Diverse Student Population to Educate

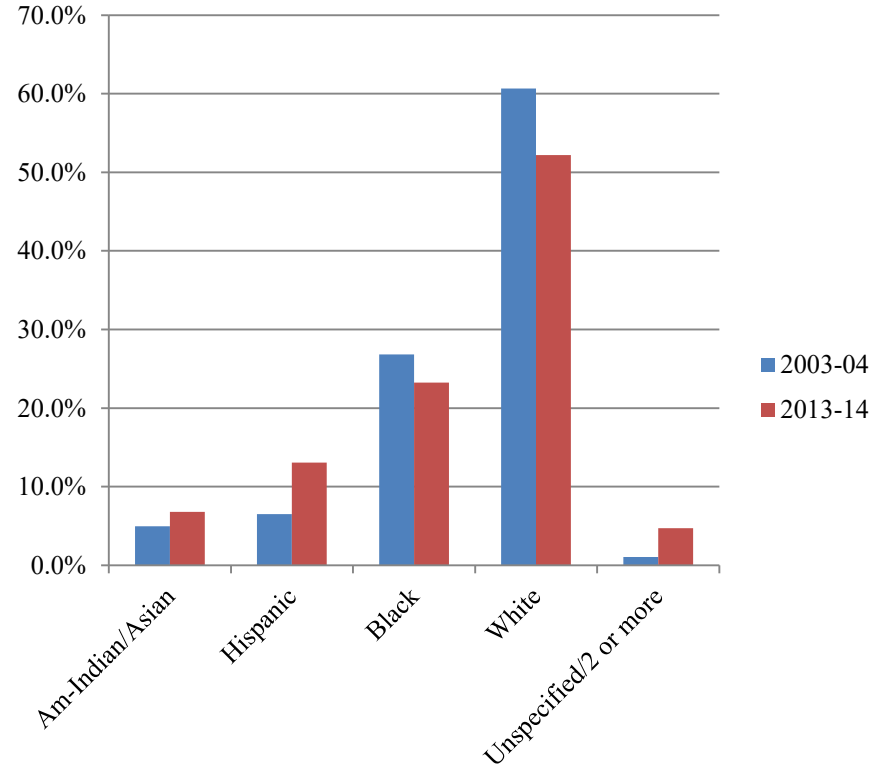
- Changing Demographics – ESL increased 63% over last 10 years

% Free Lunch Students Growing



Source: Virginia Dept. of Education

VA Public K-12 Student Population by Race



The Achievement Gap Persists

SOL Pass Rates (2016-17)			
	<u>English</u>	<u>Math</u>	
Asian	91	93	
White	86	86	
Hispanic	71	71	
Black	67	66	
Economically Disadvantaged	67	68	
Limited English Proficiency	64	68	

Source: http://www.doe.virginia.gov/statistics_reports/school_report_card/index.shtml

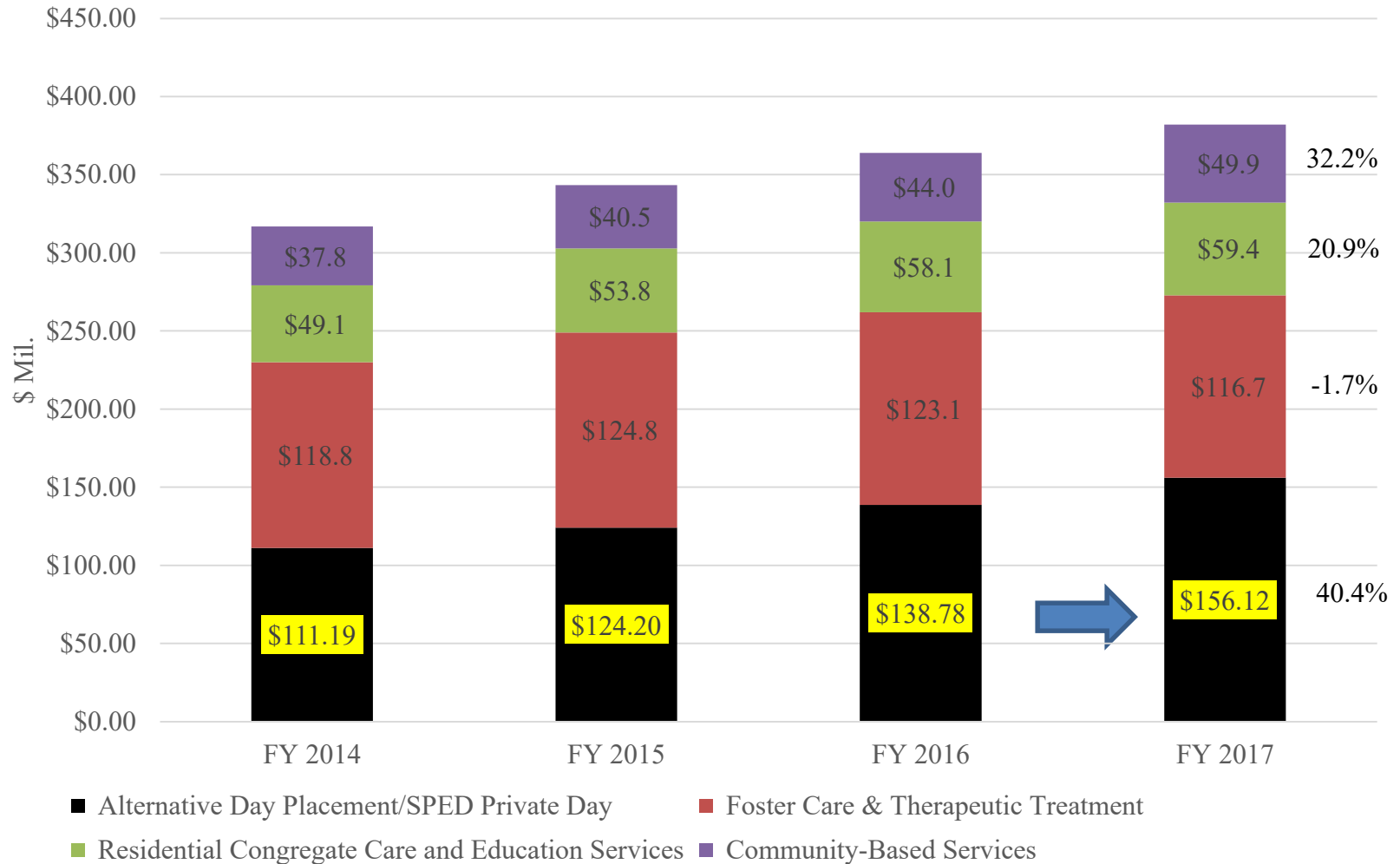
Has the State Funded Its Share of Special Education Costs (Mil. \$)?

	State Appropriations (\$ Mil.)		
	<u>FY 2009</u>	<u>FY 2018</u>	<u>Growth</u>
SOQ Special Education	\$372.7	\$382.9	2.7%
Special Education Regional Tuition	\$64.2	\$87.6	36.4%
All Other Special Ed Programs	<u>\$39.1</u>	<u>\$43.8</u>	<u>12.0%</u>
Total State Special Education Funds	\$476.0	\$514.3	8.0%

Note: Special Education child count rose 1.9% from 165,874 in FY 2009 to 168,943 in FY 2016.

CSA Special Education Day Placement Costs Are Growing

CSA EXPENDITURE GROWTH



Since Recession, Locality Resources Have Not Kept Pace with Inflation/Population Growth

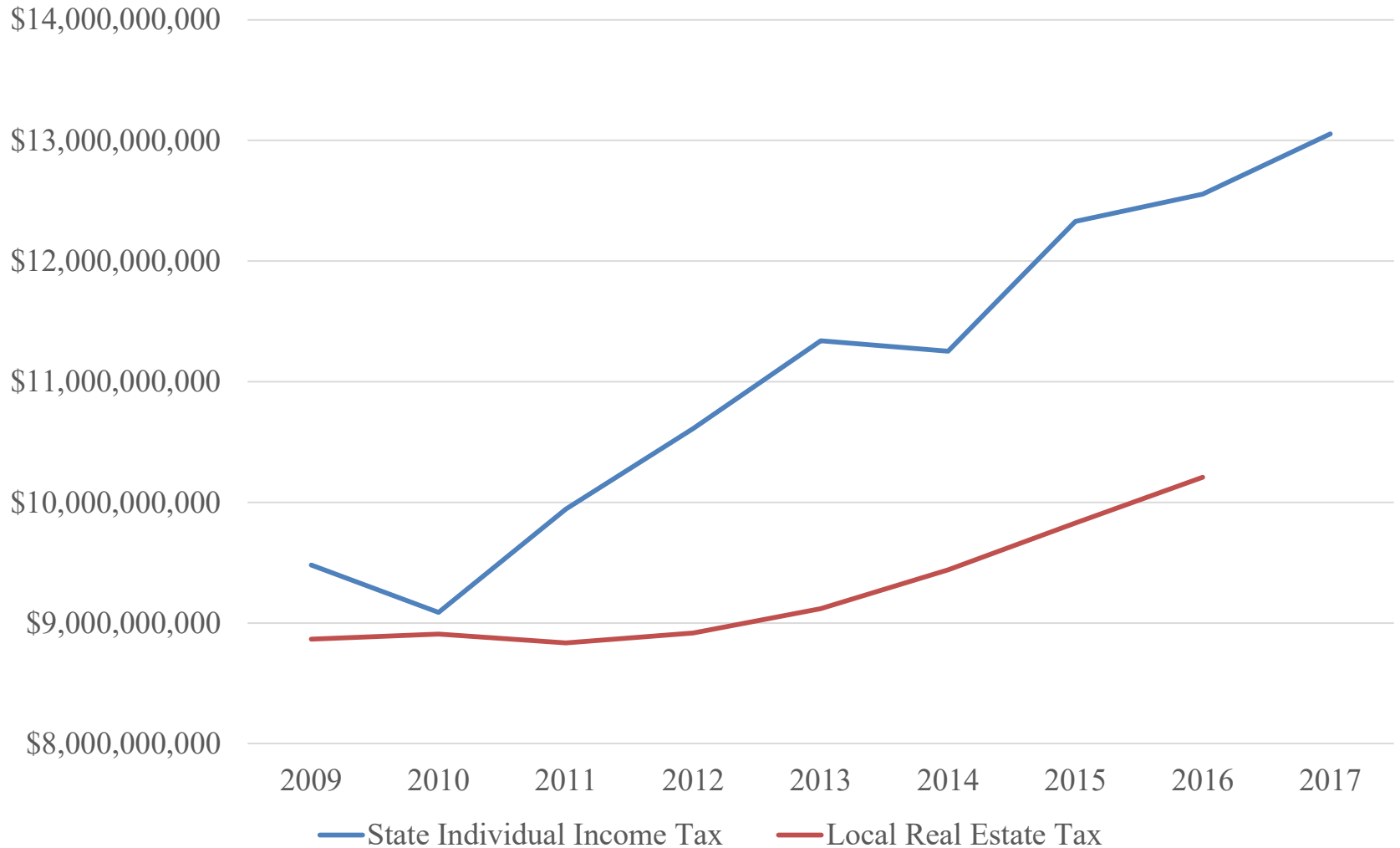
	FY 2009 - FY 2016 Growth Comparison				
	Locally-Generated Revenue	State/Federal Revenue for Localities	All Revenue for Localities	Population	Population /Inflation
VA Cities*	11.8%	2.2%	7.8%	6.4%	18.1%
VA Counties	18.4%	11.8%	15.9%	7.3%	19.0%

** Net of Cities of Richmond and Hopewell*

Note: Consumer Price Index from fiscal years 2009-16 = 11.7%

Sources: Virginia Auditor of Public Accounts Comparative Revenue and Expenditure Reports,
U.S. Bureau of Labor Statistics

State Income Tax Growth Has Significantly Exceeded Local Real Estate Tax Growth Since Recession



Even Slow Real Property Revenue Growth Has Required Sharply Rising Rates

Median Real Estate Tax Rates in Virginia Localities*

	<u>CY 2009</u>	<u>CY 2016</u>	<u>Change</u>
Cities	0.90	1.07	0.17
Counties	0.55	0.66	0.11
Towns	0.18	0.18	-

* Nominal rates per \$100 of assessed value. Source: Weldon Cooper Center, “Virginia Local Tax Rates”

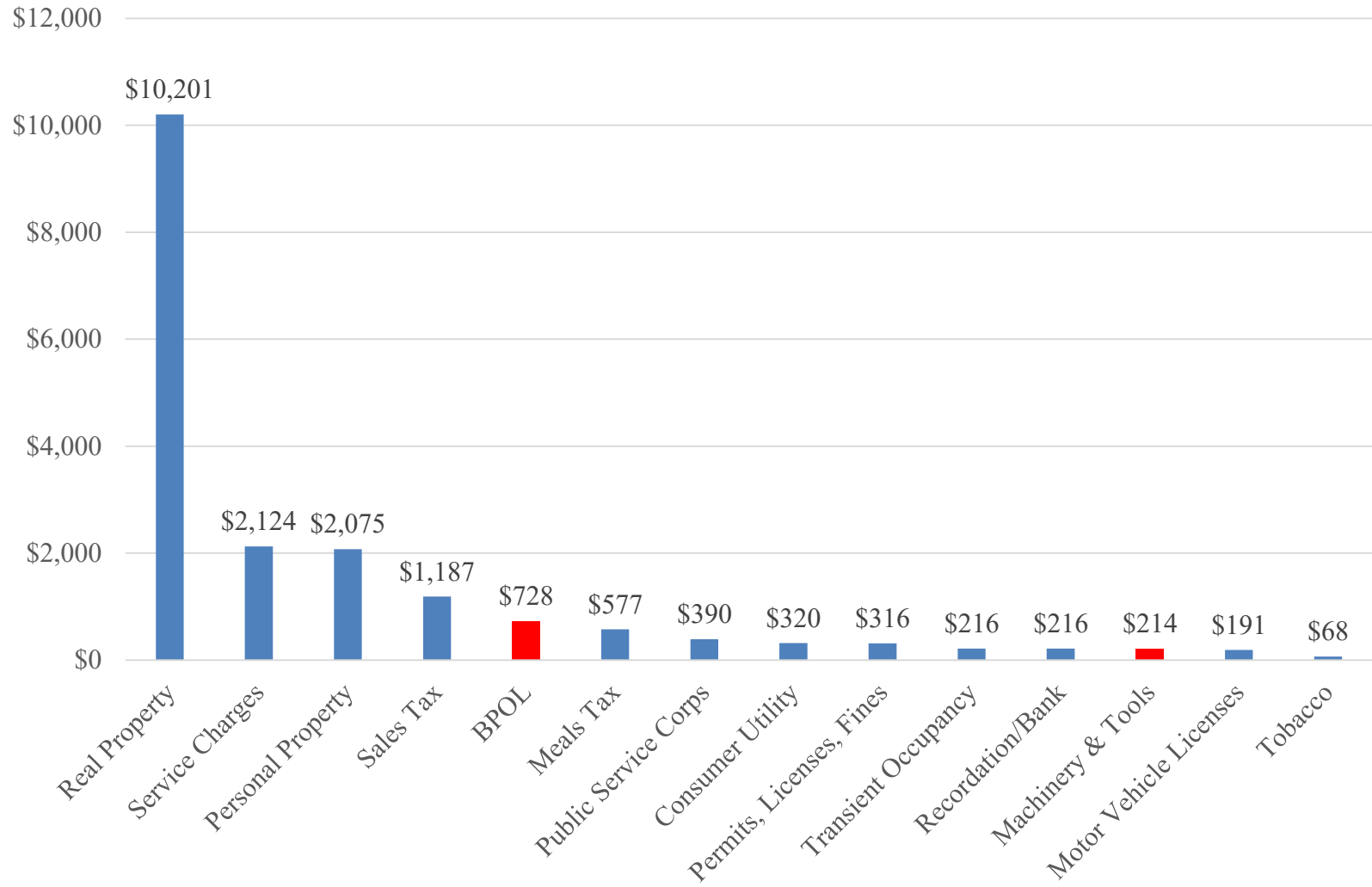
Despite Local Fiscal Issues, the Burden of the State-Local Fiscal Partnership is on Localities

	<u>2012 JLARC Ranking</u>	<u>2017 JLARC Ranking</u>
Per capita personal income	8	11
State and local <i>taxes</i> as a percentage of personal income	43	44
Per capita state taxes	34	36
Per capita local taxes	13	15
State Per Pupil Funding	35	38
State and Local Per Pupil Funding	17	26
Average Salary of Public School Teachers	28	29

Source: Virginia Compared to Other States, JLARC, 2012, 2017 Editions

Business Taxes Are Important Local Revenue Sources

Major Local Revenue Sources (\$ Mil. - FY 2016)



60 Percent of Business Licenses Pay Under \$100 per Year*

<u>Gross Receipts Level</u>	<u># of Licenses</u>	<u>Percent</u>	<u>\$ Amount</u>	<u>Percent</u>	<u>Avg per License</u>
Flat Fee only	74,888	23.6%	\$4,134,673	0.7%	\$55
\$0-\$100,000	117,469	37.0%	\$4,841,153	0.8%	\$41
\$100,001-200,000	29,165	9.2%	\$9,273,349	1.6%	\$318
\$200,001-500,000	35,989	11.3%	\$27,652,331	4.8%	\$768
\$500,001-5,000,000	50,616	16.0%	\$177,978,987	30.8%	\$3,516
\$5,000,001-25,000,000	7,622	2.4%	\$174,518,999	30.2%	\$22,897
Over \$25,000,000	<u>1,456</u>	<u>0.5%</u>	<u>\$178,979,953</u>	<u>31.0%</u>	<u>\$122,926</u>
Survey Totals	317,205	100.0%	\$577,379,446	100.0%	\$1,280

* Survey responses covered about 85% of total BPOL levies collected in FY 12.

Note: Mid-size low margin retail businesses (\$500k-\$5 mil.) pay about \$50 mil. in BPOL levies averaging \$2,800/yr.

M&T Taxes Are Concentrated in Localities

		Total FY 2016 M&T \$	Effective 1st Yr Tax Rate/\$100		M&T as % of Total Local Revenue	Effective 1st Yr Tax Rate/\$100	
1	Newport News	\$20,312,830	\$1.25	1	Alleghany	23.20%	\$0.89
2	Richmond City*	12,838,347	\$2.07	2	Covington	19.10%	\$0.83
3	Rockingham	8,693,745	\$2.30	3	Giles	17.70%	\$1.06
4	Frederick	6,895,312	\$1.20	4	Buchanan	15.90%	\$1.56
5	Norfolk	6,063,521	\$1.70	5	Hopewell**	12.10%	\$0.76
6	Alleghany	5,876,975	\$0.89	6	Henry	9.10%	\$1.44
7	James City	5,792,203	\$1.00	7	Campbell	8.60%	\$0.81
8	Buchanan	5,697,213	\$1.56	8	Southampton	8.00%	\$1.92
9	Campbell	5,618,130	\$0.81	9	Rockingham	7.80%	\$2.30
10	Hopewell**	5,066,978	\$0.76	10	Botetourt	7.30%	\$0.90
11	Manassas	4,909,651	\$1.68	11	Sussex	7.00%	\$2.43
12	Lynchburg	4,731,874	\$0.90	12	Greensville	6.80%	\$0.80
13	Chesterfield	4,564,090	\$0.25	13	Pulaski	6.50%	\$0.72
14	Henry	4,468,853	\$1.44	14	Isle of Wight	5.90%	\$0.70
15	Isle of Wight	4,121,487	\$0.70	15	King William	5.60%	\$0.56
16	Giles	3,812,525	\$1.06	16	Amherst	5.50%	\$0.50
17	Augusta	3,649,048	\$0.40	17	Galax	4.90%	\$0.75
18	Botetourt	3,438,291	\$0.90	18	Newport News	4.80%	\$1.25
19	Pulaski	3,372,366	\$0.72	19	Frederick	4.70%	\$1.20
20	Bedford	3,114,881	\$1.20	20	Accomack	4.60%	\$1.67
21	Roanoke City	3,028,795	\$2.07	21	Manassas	4.50%	\$1.68
22	Salem	2,931,060	\$2.24	22	Augusta	4.20%	\$0.40
23	Covington	2,874,828	\$0.83	23	Washington	4.20%	\$1.55
24	Washington	2,821,283	\$1.55	24	Salem	4.20%	\$2.24
25	Chesapeake	2,803,960	\$0.63	25	Shenandoah	4.10%	\$1.73

* FY 2015, ** FY 2014

Conclusion

- Low growth in GF revenues and continued high growth in Medicaid and debt service could mean a continued degradation in state support for locally-administered state-mandated programs.
- The 2009-10 recession took a big bite out of K-12 education funding that has yet to be fully restored. Most other locally-mandated programs for health, welfare, public safety, etc., have been level funded or reduced since FY2009.
- Local revenues -- already straining to provide the state's critical services -- need modernization.
- The state should either shoulder more funding responsibility or provide localities with much greater revenue generating capacity.

What Can State Government Do to Improve Economic Growth?

- Enact policies to close the skills gap:
 - Get serious about addressing the K-12 achievement gap; turn community colleges into career factories linked to industry/company needs; encourage a modern affordable Higher Ed curriculum and invest in research.
- Incentivize a more entrepreneurial economy:
 - Encourage more venture capital and gap financing - turning ideas into startups and helping successful companies grow.
 - Foster more human synergies and critical mass.
- Focus state policy on obvious infrastructure issues:
 - Transportation bottlenecks and high speed connections
 - Broadband and technology access
 - Providing cheap, abundant, clean energy

Modernize the State/Local Tax Base

- Reduce individual/corporate income and sales tax preferences.
- Start to capture the growing service economy with sales taxes.
- Create a level playing field by requiring internet sellers not collecting Virginia sales tax to inform the purchaser and Tax Department for use tax payment purposes.
- Modernize the local communications sales tax for audio and video streaming services and prepaid calling services and raise the rate to current retail sales and use tax.
- Expand the 0.7 percent regional sales tax for transportation to other regions.
- Allow counties the same taxing authority *by ordinance* as cities for meals, tobacco, and transient occupancy taxes.

Fiscal Stress (CLG) versus Fiscal Stewardship (FAM)

CLG Fiscal Stress Rank	2016 FAM Score	2009 RE Tax Revenues	2016 RE Tax Revenues	Growth FY09-16	VA GF Exceeds Local RE Growth?
<i>Virginia (Total GF)</i>		<i>\$14,315,100,000</i>	<i>\$18,040,100,000</i>	<i>26.0%</i>	
1 Emporia	75.3%	\$2,704,096	\$3,231,115	19.5%	Yes
2 Buena Vista	18.1%	\$3,337,299	\$3,982,630	19.3%	Yes
3 Petersburg	4.5%	\$23,651,270	\$25,523,837	7.9%	Yes
4 Martinsville	41.1%	\$6,887,656	\$6,609,824	-4.0%	Yes
5 Covington	35.6%	\$1,845,129	\$2,114,507	14.6	Yes
6 Galax	20.7%	\$2,306,898	\$3,413,186	48.0%	No
7 Lynchburg	35.2%	\$48,391,257	\$56,475,151	16.7%	Yes
8 Franklin City	34.9%	\$4,922,643	\$5,558,277	12.9%	Yes
9 Hopewell	N/A	\$12,829,945	N/A	-	N/A
10 Radford	35.2%	\$5,335,962	\$6,105,625	14.4%	Yes
11 Bristol	4.2%	\$9,593,966	\$12,246,361	27.6%	No
12 Portsmouth	49.0%	\$90,174,449	\$90,944,523	0.9%	Yes
13 Norfolk	20.7%	\$206,319,083	\$217,125,915	5.2%	Yes
14 Hampton	42.8%	\$121,510,087	\$135,302,923	11.4%	Yes
15 Norton	17.9%	\$1,601,572	\$2,062,943	28.8%	No
16 Newport News	25.6%	\$167,606,717	\$174,097,563	3.9%	Yes
17 Danville	76.8%	\$16,134,891	\$16,364,473	1.4%	Yes
18 Harisonburg	43.6%	\$20,253,878	\$28,256,206	39.5%	No
19 Roanoke City	21.4%	\$78,417,254	\$81,997,230	4.6%	Yes
20 Greensville County	51.7%	\$3,014,889	\$4,147,984	37.6%	No
21 Buchanan County	66.8%	\$7,624,465	\$9,260,576	21.5%	Yes
22 Lexington	72.4%	\$3,651,580	\$5,560,264	52.3%	No
23 Staunton	63.1%	\$16,500,114	\$16,974,204	2.9%	Yes
24 Smyth County	38.5%	\$7,422,198	\$10,624,941	43.2%	No
25 Sussex County	61.0%	\$4,221,374	\$4,633,591	9.8%	Yes
26 Richmond City	13.7%	\$222,174,092	N/A	-	N/A
27 Dickenson County	36.4%	\$5,658,058	\$7,709,242	36.3%	No
28 Waynesboro	51.9%	\$12,190,852	\$13,523,760	10.9%	Yes
29 Salem	45.3%	\$22,701,024	\$24,430,486	7.6%	Yes
30 Scott County	30.1%	\$7,057,811	\$8,094,350	14.7%	Yes

Provide More Local Structure Options

- Incentivize increased local and regional cooperation. For example, consider giving a county that does not oppose a city reversion to town status the ability to raise revenue similar to the city it incorporates.
 - Provide other incentives for regional cooperation, particularly for school consolidation.
- Create a new category of reversion called “dependent city” -- combining county-city school districts, but no town annexation authority.

Options to Reduce Critical Local Stress

- Challenged Schools and Teacher Recruitment
- Community Wealth Building/Workforce Development to Overcome Chronic Poverty
- Improve Tax Policy for Low-Income Taxpayers, e.g., higher threshold, indexed standard deduction, refundable EITC
- Economic Development Incentives Targeted to Critically Stressed Localities
 - Enterprise Zone Enhancements, Brownfield Funding
 - “Stressed Locality Strategic Opportunity Fund”: generate increased local revenue by incentivizing and accelerating anchor tenants, millennial attractions, and innovative businesses and technology with gap financing; increase business recruitment and collaborations; leverage other economic development funds.