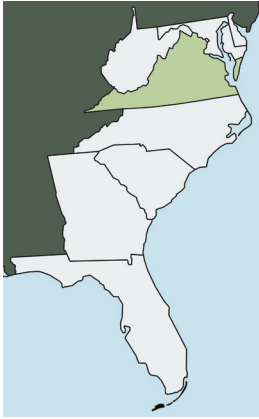


VIRGINIA Budget Report Card



VIRGINIA SCORED STRAIGHT As in budget forecasting and reserve funds for fiscal 2016 through 2018. While the marks were fitting for a state with triple-A general obligation credit ratings, its performance in the three other categories showed how even a state with impeccable credit has room to improve its budgetary process.

Take legacy costs, in which Virginia averaged a D. It fell short of meeting actuarial recommendations for funding other postemployment benefits, chiefly health care, for all three years studied. The state also failed to match actuarial recommendations for funding pensions in fiscal 2016 and 2017. It succeeded in making the recommended contribution in 2018, however, which lifted its mark that year to a C.

Virginia averaged a C in transparency. Like forty-five other states, it failed to disclose deferred infrastructure replacement costs in 2018. It also neglected to produce regular tax expenditure reports. A measure requiring the Department of Taxation to report the fiscal, economic, and policy impact of sales and use tax exemptions was repealed in 2012. Although the legislature’s Joint Subcommittee to Evaluate Tax Preferences publishes updates on the topic on its website, disclosures are neither consistent nor complete.

Virginia earned an A average in reserve funds by having policies in place that govern fund disbursement and replenishment and that link rainy day fund deposits to revenue volatility.

The state’s top grade in forecasting stemmed from its consensus revenue estimates. They are prepared by the Joint Advisory Board of Economists and Governor’s Advisory Council on Revenue Estimates, both of which are composed of gubernatorial and legislative members and outside experts. Economic outlooks from two consulting firms are adapted to reflect the state’s economy using revenue data from the Virginia Department of Taxation, including the historical trend of general fund collections and applicable tax law changes. Meanwhile, the Department of Planning and Budget produces six-year revenue and expenditure forecasts.


SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	B	B	B
Maryland	A	C	D	C	B
North Carolina	A	B	B	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	C	B	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


VIRGINIA Budget Report Card

BUDGET FORECASTING					
		2016	2017	2018	
	CATEGORY GRADE	A	A	A	
	Consensus Revenue Forecasts	✓	✓	✓	
	Multiyear Expenditure Forecasts	✓	✓	✓	
	Multiyear Revenue Forecasts	✓	✓	✓	
	Revenue Growth Projections	✓	✓	✓	
3-YEAR AVERAGE A			3-YEAR TREND —		

BUDGET MANEUVERS					
		2016	2017	2018	
	CATEGORY GRADE	D	C	C	
	Deferring Recurring Expenditures	✓	✓	✓	
	Revenue and Cost Shifting	✗	✗	✗	
	Funding Recurring Expenditures with Debt	✗	✓	✓	
	Using Asset Sales and Up-Front Revenues	✗	✗	✗	
3-YEAR AVERAGE C			3-YEAR TREND ↗		

LEGACY COSTS					
		2016	2017	2018	
	CATEGORY GRADE	D	D	C	
	Public Employee OPEB Funding	✗	✗	✗	
	Public Employee Pension Funding	✗	✗	✓	
	Public Employee Pension Funded Ratio*	72%	77%	77%	
3-YEAR AVERAGE D			3-YEAR TREND ↗		

RESERVE FUNDS					
		2016	2017	2018	
	CATEGORY GRADE	A	A	A	
	Positive Reserve or General Fund Balance	✓	✓	✓	
	Reserve Funds Disbursement Policy	✓	✓	✓	
	Reserve Funds Replenishment Policy	✓	✓	✓	
	Reserves Tied to Revenue Volatility	✓	✓	✓	
3-YEAR AVERAGE A			3-YEAR TREND —		

TRANSPARENCY					
		2016	2017	2018	
	CATEGORY GRADE	C	C	C	
	Consolidated Budget Website	✓	✓	✓	
	Provides Debt Tables	✓	✓	✓	
	Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	
	Discloses Tax Expenditures	✗	✗	✗	
3-YEAR AVERAGE C			3-YEAR TREND —		

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* SOURCE Bloomberg; 2017 data also used for 2018.