

FY27 Preliminary Budget Considerations (Not All-Inclusive)

Anticipated Operational Expenditure Changes:

K-12 Education (Governor Youngkin's Introduced Budget) Changes are likely from the incoming administration (TBD).

- K-12 Education Increase in Local Composite Index for 2026-2028 from **.6645 to .7269: Increase in local funding of approximately \$897,060**
- K-12 Education SOQ Costs Re-benchmarking: **expected increase in local funding of approximately \$250,000-\$300,000**
- Proposed 2% Salary Increase effective July 1, 2026 and 2% Salary Increase effective July 1, 2026 for State supported positions subject to the LCI – **local Costs TBD**
- Reduction in VRS contribution rates for public school teachers for FY27 and FY28; **local cost savings TBD**
- **LCI and SOQ Cost Re-benchmarking occurs every 2 years. The LCI is formula driven and is based upon the previous 2 year's data for the formula components. The LCI cap is currently .8000 which we are fast approaching.**

ACRJ Operations and Debt Service

- **TBD** anticipated increase in operational expenditures due to expected increase in 5-year average rate of utilization
- **TBD** - previous estimates for FY27 show \$368,813 vs. FY26 of \$58,752 **an increase of \$310,061**

Children's Services Act (CSA)

- **TBD** projected state increases in Children's Services Act (CSA) which have a local match of 34.31%
- **TBD** a 10% reduction in state match rate for community-based services and 2.5% reduction to the cap on state expenditure growth in private day services; requires localities to assume more share of these costs.

Miscellaneous

- **TBD** Inflationary costs for all departments
- **TBD** Anticipated increase in Region 2000 Authority member tipping fees
- **TBD** Salary and benefits changes
- **TBD** One-time CIP and Capital Outlay

Anticipated Expenditures Committed for Approved Projects/Items:

- Lovington TAP Sidewalk Improvement Project Local Match Estimate **\$1,376,495: Update from VDOT FY26: PE \$75,600, FY27: ROW \$212,248, FY29: Construction \$1,088,647.** These are project estimates and VDOT will update them in Spring 2027 and once Construction costs are known. (one-time cost)
- 80% Cost Share of Piney River Fire Truck: **\$645,795 (one-time cost)**
- Revenue guarantee provided for NCSA Lovington sewer system rehabilitation project: **approximately \$30,000/year** – project status unknown, update needed from NCSA (ongoing related to project debt service)

Anticipated Operational Revenue Changes (Local):

- **Local Economy Driven Revenues:** are expected to flatten or slightly decline – interest earnings, meals and lodging, permitting fees, and sales tax for example.
- **Real Property Tax Revenue:** Real Property tax revenue changes are TBD dependent upon consideration of the 2026 Reassessment.
- **Personal Property Tax Revenue:** A Microsoft Copilot AI inquiry about this for Virginia reported 2026 vehicle values are expected to show a slight decrease or remain stable for used vehicle values and show a slight increase or remain stable for new vehicle values, with no major swings overall. The references cited were a Car Edge article on 2026 used car price forecasts, a Kelley Blue Book Report from 8-11-25, and a USA Today article on the 2026 car market outlook from 12-30-25. Staff will monitor this with the Commissioner's Office as data becomes available.

Future Potential/Anticipated Local Revenue:

- **Additional Optional 1% Sales tax for New School Capital/Construction Projects:** There is the potential for State adoption under the new Governor's Administration which would allow localities to conduct a local referendum for implementation. The potential timeline for earliest consideration: November 2026 Referendum, if approved by voters, tax would be realized in July 2027/FY28. Based on FY26 budgeted revenues for the current 1% Sales Tax this could yield approximately \$2.3 Million in revenues dedicated for new School capital/construction.
- **Wild Rose Solar Project Revenue:** Under the Siting Agreement in place, and the most recent timeline provided by Wild Rose Solar, the County is positioned to realize the following revenue. The Board has previously indicated its desire that these funds be used to benefit the citizens of Gladstone.
 - \$112,000 – At Siting Agreement Approval (Funds Received)
 - \$1,000,000 – Site Plan Approval (April – September 2028) FY28
 - \$1,000,000 - Building Permit Issuance (April – September 2028) FY28
 - Construction Start July-September 2028 (Q3 2028)
 - Commercial Operation (October – December 2029) Q4 2029
 - Approximately \$1,000,000/year in years 1-7 (2030-2037)
 - Approximately \$200,000/year in years 8-40 (2038-2070)
 - Total One-time funds of \$7,122,000 (\$715,000/year included in years 1-7)
 - Total recurring funds of \$16,000,048 (years 1-40)

Operational Revenue Enhancement Opportunities (Local Non-Property Related):

- **Building Inspections Fees** are established in County Code, Chapter 4, Article 2, Division 1, Section 4-29 and were last updated by adopted Ordinance on December 9, 2003. The Building Code Official has been working on an update of this fee schedule for the Board's consideration. **The FY26 budgeted amount of these fees is \$419,100.**

- EMS Revenue Recovery Rates are based upon a % of the annual Medicare MFS Rates as set by the Board of Supervisors. EMS/MC has provided the County with their annual proposed rate schedule for the Board's consideration. These rates were last adjusted in January of 2025. **The FY26 budgeted amount of this revenue is \$844,000.**
- Admissions Tax of up to 10% of the admission charged authorized by VA Code §58.1-3818. The County last proposed this tax in 2018. A public hearing was held on May 8, 2018 on an Ordinance O2018-02 establishing a 5% tax and no action was taken by the Board following the hearing. The approved minutes of the Board's May 29, 2018 meeting reflect that "there was no consensus to pursue the Admissions Tax at this time." **Estimated anticipated revenue at the time was approximately \$235,060 - \$240,579 and would need to be re-evaluated.**
- Cigarette Tax authorized by VA Code §58.1-3830-3832. The County last proposed implementation of this tax and participation in a Regional Cigarette Tax Board in 2021. A public hearing was held on November 9, 2021 and the proposed Ordinance O2021-09 to enact the tax in an amount not to exceed \$.40/pack was not adopted and notice was given to the Blue Ridge Cigarette Tax Board of the County's withdrawal from that entity. **Estimated anticipated revenue at the time was approximately \$132,000-\$158,000 and would need to be re-evaluated.**
- Business License Tax is currently a maximum annual fee of \$30 as authorized by VA Code §58.1-3703 and is based on population of <50,000. The County could transition to a Business, Professional, and Occupational License (BPOL) Tax as authorized by §58.1-3706 and this would be based on gross receipts of business entities. Analysis of the fiscal impacts of this has not been done. **The FY26 budgeted amount of this tax is \$54,000.**
- Disposable Plastic Bag Tax is a tax of \$.05 as authorized by VA Code §58.1-1745 for each disposable plastic bag provided to a consumer of tangible personal property by retailers in grocery stores, convenience stores, or drugstores. Proceeds are restricted to be appropriated for the purposes of environmental cleanup, providing education programs designed to reduce environmental waste, mitigating pollution and litter, or providing reusable bags to recipients of Supplemental Nutrition Assistance Program (SNAP) or Women, Infants, and Children Program (WIC) benefits.