



GENERAL ASSEMBLY 2023

GOVERNMENT + POLITICS

## Republicans and Democrats both want to make life cheaper for Virginians. They disagree on how.

BY: **GRAHAM MOOMAW AND SARAH VOGELSONG** - FEBRUARY 23, 2023 4:04 PM



 A storm passes over the Capitol. (Ned Oliver/Virginia Mercury – Sept. 11, 2018)

Right before the 2023 General Assembly session began, a [Virginia Commonwealth University poll](#) found inflation was still a top issue Virginians want their elected officials to address.

Because statehouses don't have much control over national monetary policy, state legislators have spent much of the last six weeks debating what they can do to ease financial hardship for struggling Virginians. Heading into a high-stakes General Assembly election year, Democrats and Republicans have dueling philosophies on how to achieve that.

Gov. Glenn Youngkin – who argues high costs of living are a key driver of migration trends showing more people leaving Virginia than coming – has continued to push for broad tax cuts for individuals and businesses, with Republican lawmakers mostly behind him.

“The writing on the wall couldn’t be more simple: The people of Virginia are overtaxed,” Youngkin said in his State of the Commonwealth speech as the session began. “It’s their money, not the government’s, and they are voting with their feet and their wallets.”

The GOP’s approach “hasn’t changed any” from last year, when the politically divided General Assembly approved \$4 billion in tax relief, said House Appropriations Chairman Barry Knight, R-Virginia Beach.

“We wanted to give money back to people,” Knight said. “We wanted to lessen the tax burden on people. And we wanted to make it easier to get a higher-paying job in Virginia.”

Democrats have resisted several aspects of this year’s tax-cutting push, particularly Youngkin’s call to cut the corporate tax rate from 6% to 5%, and have argued the state should use its still-strong revenues for more targeted relief efforts and bigger budgets for core public services, particularly K-12 schools.

None of the roughly \$1 billion in tax cuts Youngkin included in his budget proposal were included in the budget plan approved by the Democratic-controlled state Senate, setting up another negotiating standoff casting uncertainty over the entire process. The legislature is supposed to adjourn Saturday, but if there’s no budget deal, the state could be in line for a special session to allow talks to continue. Some lawmakers have pointed out they technically don’t have to pass a new budget plan this year, since they’re only making amendments in the second year of a two-year budget cycle.

House Minority Leader Don Scott, D-Portsmouth, said Youngkin and the GOP are making a “risky bet” that cutting corporate taxes will lead to economic growth down the line.

“He could’ve made a bet on our kids and our future and education,” Scott said. “But he chose to make a bet on old, tired trickle-down economics.”

Republican lawmakers say their tax legislation could add up to hundreds of dollars for the typical Virginia family.

“It’s very real money when people are really struggling. It’s significant,” Del. Joe McNamara, R-Roanoke, said as he presented a bill that would have lowered the state’s top individual income tax rate from 5.75% to 5.5% and raised the standard deduction from \$8,000 to \$9,000 for individual filers and \$16,000 to \$18,000 for joint filers. That legislation passed the GOP-controlled House of Delegates but failed in the Senate.

The state’s highest income tax bracket starts at \$17,000 in taxable income, and some Democrats have said the [state needs to take a harder look at the fairness of its tax code](#) before making any more major changes.

In response to McNamara’s proposal, Del. Vivian Watts, D-Fairfax, said talking about “typical” taxpayers doesn’t get at the fact that “we are talking about a lot of different people at a lot of different income levels.”

“It has been literally decades since we have had changes to Virginia’s income tax. And we need to have them,” Watts said at a committee hearing on Republican tax bills. “But during those decades, the rich have gotten richer. And the poor have gotten poorer.”

Watts said she was more supportive of raising the standard deduction because it helps a broader segment of taxpayers. But cutting the top rate, she said, “is one of the most regressive changes we could make” because it disproportionately helps high-income earners.

## Virginia's highest tax bracket starts at \$17K. Some say it's time for an update.



Under Virginia's state income tax system, the highest tax bracket starts at just \$17,000, a number that hasn't changed since 1990. Because the brackets stayed the same as incomes rose over three decades of inflation, more and more of the money Virginians make is now taxed at the highest rate of

5.75%, according to a ... [Continue reading](#)



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McNamara said the GOP's expansive tax-cutting vision is part of creating a low-cost environment that will bring more businesses to the state and, by extension, more jobs for people who might otherwise leave for opportunities elsewhere.

"Of course we have needs," McNamara said. "But at some point, government is crowding out private investment."

Republicans and Youngkin have argued one high cost dampening Virginia's growth is energy prices, which they say have been unnecessarily inflated by Democratic laws ordering the state's utilities to begin transitioning to renewables. Many Democrats, however, say the high energy bills Virginians face are due to the state's laws governing utility regulation rather than efforts to decrease carbon emissions.

The parties have passed one reform measure this session that explicitly gives state regulators the power to set future electric rates as they see fit, a bipartisan proposal [pitched as a way to keep the utilities from overearning](#). Other legislation backed by Dominion Energy would make a series of changes to utility laws that the company says would lower customer bills, although some ratepayer groups remain skeptical and [negotiations still continue](#).

"The question is how much will that bill do," said Sen. Jennifer McClellan, D-Richmond, at a January press conference on Senate Democrats' "commitment to lower costs for Virginians."



📷 Sen. Jennifer McClellan, D-Richmond, smiles during a press conference following the General Assembly's passage of bills giving regulators the explicit authority to reduce electric rates. Behind her from left to right are Dels. Lee Ware, R-Powhatan, Sally Hudson, D-Charlottesville, and Rip Sullivan, D-Arlington.

In contrast to the Republicans' focus on tax cuts, Democrats this session proposed a range of spending measures aimed at providing targeted relief to cash-strapped families, from a child tax credit to new mechanisms that could put upper limits on rent and prescription drug price increases.

At the January press conference, Senate Democrats touted three proposals: a state child tax credit, the creation of a Prescription Drug Affordability Board and directives for the state to conduct a statewide housing needs assessment and housing plan.

"I believe in capitalism. I have no problem with people making money, especially me," said Sen. Chap Petersen, D-Fairfax. "But at the end of the day, we've got to protect our people, we've got to protect our consumers and we've got to protect our taxpayers."

But in a divided legislature with sharply divergent views on how to help Virginians, those bills have had varied success.

Following bipartisan support in the Senate, the Prescription Drug Affordability Board was [halted by a Republican-controlled House committee](#). The board – a concept adopted in six other states including Maryland but opposed by the Youngkin administration – would have had the power to review and in some cases set upper price limits on certain prescription drugs whose cost had risen sharply.

“We are also very concerned about the cost of prescription drugs,” said Chair Kathy Byron, R-Bedford. “We may not necessarily agree about the way to get at it in this short session.”

The state child tax credit would have offered a \$500 refundable tax credit for families making less than \$100,000 per year. Backers said the proposal would help fill the gap left by the expiration of federal COVID-19 policies that expanded the federal child tax credit and, according to researchers, [decreased child poverty nationwide](#). Today, 12 states have their own versions of the credit, [according to the National Conference of State Legislatures](#).

“Parents should not just be a talking point,” said McClellan, the patron of the Senate version of the bill, this January. “We should be investing in our families and our children, and rather than putting money in the hands of big corporations and the wealthy, we need to put it back in the pockets of Virginians who need it most.”

McClellan ultimately downgraded her proposal to a study of the concept by Virginia’s Joint Subcommittee on Tax Policy.

“It is very expensive and I’m a pragmatist,” she said.

While the legislature agreed to send a letter to the panel asking it to study the proposal, a House version of the original bill died on a party-line vote in a Republican-controlled committee, with Del. Bobby Orrick, R-Spotsylvania, saying a state credit could lead to people “double dipping because they’re getting a credit at two different levels of government.”

Housing proposals also showed mixed success. Both Republicans and Democrats unanimously backed bills to craft a statewide housing needs assessment and housing plan, a [recommendation of the state’s legislative watchdog agency](#) in a report on Virginia’s affordable housing shortage.


But Republicans and Senate Democrats were less enthusiastic about legislation that would have allowed but not required local governments to develop rent stabilization programs to prevent larger landlords from increasing rent annually by an amount greater than the rise in the consumer price index. (Because Virginia is a Dillon Rule state, local governments are prohibited from exercising any authority not explicitly granted them by the state.)

The bill would have exempted new construction, as well as smaller landlords and other facilities like assisted living homes, from any

limits.

“Today in Virginia, there is no limit on the rent increase imposed by a landlord,” said Del. Nadarius Clark, D-Portsmouth, who carried the House version of the bill this January. “Setting a reasonable limit on the amount a tenant’s rent can increase year over year would directly address this issue of rising rent in the commonwealth.”



 In early July 2020, Virginia courts had a backlog of more than 12,000 eviction cases as a statewide moratorium expired, with many judges apparently declining a last-minute request from Gov. Ralph Northam to continue the stay at the local level. (Ned Oliver/Virginia Mercury)

Virginia rents rose about 10% on average over the past year, with some localities like Richmond seeing jumps as high as [22% over the past two years](#). Loudoun County and the city of Alexandria, both of which have struggled with rising housing prices, supported the proposal, said Senate patron Jennifer Boysko, D-Fairfax.

“We are confident that this is a great step in stabilizing the year-over-year rent increases that not only Loudoun is seeing but the commonwealth in totality,” said Loudoun legislative liaison Jonathan Freeman during a January hearing on Boysko’s bill.

Some Democrats seemed wary: Sen. Adam Ebbin, D-Alexandria, said he was “sympathetic” but worried limiting rent increases could prevent owners from conducting necessary renovations and maintenance.

“I’m wondering if it’s perhaps something that should be studied in the [Virginia] Housing Commission in a little bit more detail and

time,” he said.

The Senate General Laws Committee ultimately agreed to send the proposal to the commission for further study.

Republicans opposed the legislation in both chambers.

“I think an owner should have the ability to say what their property is worth, consider how much they paid for it and set a rent that would be mutually beneficial to both the tenant and the owner,” said Del. Phillip Scott, R-Fredericksburg, at a Jan. 20 hearing. “With COVID and the housing shortage, housing costs have gone up, and if I were to buy a house today, I would be paying a heck of a lot more than I would have paid four years ago, and the rent should be reflective of that.”

Sen. Richard Stuart, R-Westmoreland, flatly called rent control “one of the worst ideas you could introduce into the state of Virginia.”

“I hope we don’t even study it,” he said. “The worst way to improve living conditions is to introduce rent controls because these buildings are going to fall into slums.”



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## As Virginia budget negotiations drag on, here's what hangs in the balance

Tax relief, mental health reforms, bigger teacher raises and more

BY: **SARAH VOGELSONG AND GRAHAM MOOMAW** - MARCH 30, 2023 12:04 AM



 The Virginia General Assembly convened for its 2023 session in Richmond Jan. 11, 2023. (Sarah Vogel song / Virginia Mercury)

In normal years, Virginia's budget plan is supposed to be pretty much done by April except for any late changes recommended by the governor.

But for the second year in row, the politically split General Assembly is heading into spring under a cloud of uncertainty over when the budget will get done and what will be in it.

According to House Appropriations Chairman Barry Knight, R-Virginia Beach, budget negotiators are taking a deliberately cautious

approach to get a better feel for the status of the broader economy.

## 'Buckle up': Youngkin budget proposal includes another \$1B in tax cuts



Gov. Glenn Youngkin rolled out a budget plan Thursday that includes \$1 billion in tax cuts for Virginia residents and businesses, telling the General Assembly to “buckle up” because his administration wants the state to “start going faster and getting more done.”

Building on roughly \$4 billion in tax cuts

included in a bipartisan budget ... Continue reading



Virginia Mercury

“We are taking our time and being very deliberate with the stock market volatility, revenues softening some and to see if the bank situation doesn’t proliferate,” Knight said in an email Wednesday, referring to possible ripple effects of the failure of Silicon Valley Bank this month.

Lawmakers are set to return to Richmond on April 12 to take up vetoes and legislative amendments from Gov. Glenn Youngkin. If there’s no budget to vote on by then, the next big deadline is June 30, when the state’s current budget year ends.

Some legislators have pointed out the General Assembly technically isn’t required to pass a budget this year. Because the state is approaching the middle of its two-year budget cycle, lawmakers are modifying an existing plan, not creating an entirely new budget.

Still, there are several key priorities that won’t get funded if the two parties can’t come to an agreement over the next few months. Here are a few of them:

### **Tax relief**

For a second year in a row, Youngkin and his Republican allies have made broad tax cuts a top priority, and Democrats have again been trying to use their negotiating power to lock in more targeted relief that would help lower-income Virginians.

Democrats have made clear Youngkin's proposal to cut the corporate tax rate from 6% to 5% is a non-starter for them. But they've expressed more openness to broader forms of relief for individual taxpayers, such as raising the standard income tax deduction.

Signs of strength or weakness in state revenues could be a major factor in determining how much tax relief is feasible, because Youngkin has indicated he will only pursue tax cuts the state can comfortably afford.

Legislators have also floated the idea of doing another round of one-time tax rebates instead of making more structural tax cuts meant to be long term. As part of last year's bipartisan budget deal, the state sent out millions of [tax rebate payments](#) worth up to \$250 per person.

## **Mental health investments**

Following years of financial and staffing strain that culminated in five of Virginia's state-run mental hospitals closing to new admissions in July 2021, Youngkin this December laid out a broad package of [\\$230 million in reforms to the government behavioral health system](#).

While some of the aims in the governor's "Right Help, Right Now" proposal can be achieved by consolidating current programs, said Virginia Department of Health Chief Operating Officer Christopher Lindsay, the numerous amendments to the current budget would be a "significant contributor" to those goals, which are generally backed by both parties. Those include money for a school-based mental health pilot, the expansion of local crisis centers that provide an alternative to hospitals for people seeking help and higher Medicaid reimbursement rates for certain behavioral health providers.

Both budgets would also increase pay for staff at the state's community services boards, the locally based bodies that are the primary providers of behavioral health and developmental disability services in Virginia. The [House](#) calls for an extra \$37 million, and the [Senate](#) an extra \$50 million.



📷 Gov. Glenn Youngkin unveils his Right Help, Right Now plan for reforming Virginia's behavioral health system at Henrico Doctors Hospital Dec. 14, 2022. (Sarah Vogelsong / Virginia Mercury)

## Teacher raises

Virginia, like other states, is suffering from teacher shortages, with many policymakers pointing to low pay as one driver of the vacancies. A [2019 report from the state's legislative watchdog agency](#) found Virginia ranked 33rd among the states in average salary for K-12 public teachers.

The [House](#) and [Senate](#) are both proposing even bigger raises for public school teachers than the existing budget provides. Under the current budget, teachers get 5% raises, while this year's amendments would push those up to 7%. Both chambers are also recommending that \$50 million in proposed teacher performance bonuses be redirected to other goals, with the House specifically putting that money toward bigger salary bumps and calling for a workgroup to set "appropriate metrics" for teacher compensation.

## Help with Richmond's massive sewer project

Both the House and the Senate are backing a request from Youngkin to put \$100 million toward the city of [Richmond's ongoing struggle to fix its 19th-century combined sewer overflow system](#), which routes storm runoff and sewage through the same pipes. CSO systems, which were built over a century ago in many historic East Coast cities including Richmond and Lynchburg, cause

sewage overflows into waterways whenever heavy rainfall overwhelms the network.

Lynchburg has almost completed its CSO conversion, and Alexandria's is in full swing. But with an estimated cost of over \$1.3 billion, Richmond's project far outstrips its counterparts in both price and complexity, and the high percentage of residents living below the poverty line has limited the city's ability to cover costs through rate increases.



📷 The James River in Richmond near Brown's Island. (Sarah Vogelsong / Virginia Mercury)

## **Hiring more reading and literacy specialists**

After sharp drops in reading test results during the pandemic, both chambers have proposed hiring more literacy coaches and reading specialists to help students. [House](#) and [Senate](#) amendments would allocate \$6.7 million to expand the state's literacy program, which currently covers students up to grade 3, through eighth grade. Both also call for the hiring of more reading specialists, with the [Senate](#) proposing more than \$27 million and the [House](#) almost \$14 million for the initiative.

## **Increased funding for the state's Business Ready Sites Program**

One of Youngkin's biggest spending priorities was \$450 million to boost the state's supply of economic development sites that could

make the state more attractive to big employers looking for somewhere to build.

That funding became a sticking point for budget negotiators late in the regular session, [according to the Richmond Times-Dispatch](#), and it remains unclear how legislators will resolve their differences.

## School security grants

Both budgets call for ramped-up spending on school security. The [Senate](#) is proposing an extra \$50 million in grants for that purpose, while the House is [suggesting \\$12 million](#) be diverted from the Lottery Fund for school security grants, [\\$8 million](#) go toward hiring more school resource and school security officers and [\\$1.5 million](#) go toward security renovations at two elementary schools in Newport News, including Richneck Elementary, where [a 6-year-old shot his teacher in January](#).

## Statewide housing needs assessments

While their numbers differ, the House and Senate budgets both provide funding for a statewide housing needs assessment. As home prices rise faster than inflation and many areas of the state see ongoing shortages of affordable housing, the two chambers backed legislation this session to direct the Department of Housing and Community Development to conduct a comprehensive review of the state's housing stock and needs every five years. The [Senate](#) proposes \$400,000 for the effort, while the [House](#) proposes \$500,000.



## An inland port in Southwest Virginia

Both budgets include substantial new funding for the Virginia Port Authority to begin the process of building an inland port in Southwest Virginia's Mount Rogers Planning District.

The state currently has an inland port in the northern Shenandoah Valley, and proponents of adding a second logistics hub in Southwest Virginia say it could increase the flow of cargo and boost business development in the area.

The House budget includes \$55 million for the project. The Senate budget allocates \$10 million.

## Jury duty pay

Lawmakers passed a proposal this session to raise jury duty pay from \$30 per day to \$50 per day after initially considering compensation as high as \$100 per day.

Youngkin signed the bill setting the new amount at \$50, but nearly \$1.4 million in new funding to help the courts system cover those costs depends on the budget being approved.

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## Norment says political primaries are factor in Virginia's unresolved budget impasse

'Some of the leaders have been distracted'

BY: **GRAHAM MOOMAW** - JUNE 14, 2023 12:04 AM



State Sen. Tommy Norment, R-James City.

In early May, Virginia lawmakers negotiating the state's overdue budget pointed to the federal debt ceiling fight as a reason to delay action on the state's spending plans.

A feared financial catastrophe never came to pass because Congress reached a bipartisan deal to raise the country's borrowing limit. But Virginia legislators have shown little eagerness to return to Richmond to pass a budget deal of their own.



On Tuesday, the Senate Finance and Appropriations Committee met to hear updates on state revenues, Medicaid and Gov. Glenn Youngkin's push for lab schools. There was little public discussion among the committee members, many of whom are facing competitive primaries that will be decided next week, about the status of the unfinished budget.

In an interview after the meeting, Senate Minority Leader Tommy Norment, R-James City, suggested the delay is less about macroeconomic trends and more about the pressures of electoral politics.

"I think that the impasse on the budget has been more because of primaries, political considerations," Norment said. "And that some of the leaders have been distracted."

Sens. Janet Howell, D-Fairfax, and George Barker, D-Fairfax – the two lawmakers leading budget negotiations on behalf of Senate Democrats – quibbled with Norment's characterization.

"We've had a lot of other issues," Barker said, pointing to the possibility of economic recession as a significant factor. Howell is retiring, but Barker is facing a robust primary challenge from Fairfax County School Board member Stella Pekarsky.

Barker and Howell noted the General Assembly doesn't have the same pressing June 30 deadline to act on the budget as it did last year, when [a deal](#) wasn't approved until early June. Because Virginia operates on a two-year budget cycle that started in 2022, they said, the existing budget can continue to stand and lawmakers can return later this year to approve any amendments that can pass muster with the Republican-led House of Delegates, the Democratic-controlled Senate and Republican Gov. Glenn Youngkin.

Norment, who chose not to seek reelection this year to avoid a primary fight of his own, predicted the budget talks will see a "reinvigoration after June 20."

"Senator Barker and Senator Howell are keenly aware that local governments have been holding their breath in anticipation of this impasse being resolved. Because they've got funding issues. They've got taxation issues," Norment said. "I'm confident they're sensitive to that and that we will come together."

The Senate Finance and Appropriations Committee, which handles budgetary matters and tax policy for the upper chamber, is getting a

major overhaul after the recent redistricting process, which forced several incumbents into retirement or competitive primaries. Nearly half of the lawmakers on the 15-person committee are stepping down after this year, and five more will have to win primaries next week in order to remain.

In addition to Barker, the finance committee members facing primaries next week are Sens. Louise Lucas, D-Portsmouth, Creigh Deeds, D-Charlottesville, Chap Petersen, D-Fairfax and Dave Marsden, D-Fairfax.

Disagreement over tax cuts sought by Youngkin and whether the state can afford them has been at the heart of the budget dispute for the first two years of the governor's terms. Senate Democrats have supported some forms of tax relief, but have balked at other proposals they see as disproportionately benefiting the wealthy or corporations.

During Tuesday's discussion of the latest state revenue numbers, Norment asked Secretary of Finance Stephen Cummings if he was seeing any warning signs making the Youngkin administration reconsider whether its current proposal of \$1 billion in tax cuts is financially viable.

"We feel really good about where we are," Cummings replied, adding the state still has the resources to "execute on the plan."

Though the state technically doesn't have to pass a new budget this year, [big-ticket items with bipartisan support](#), like Youngkin's call for a \$230 million overhaul of Virginia's overwhelmed mental health system, are largely contingent on the General Assembly appropriating funding for them. The mental health proposal includes \$9 million in new funding to help students who may be struggling in K-12 schools or colleges, an issue both parties have portrayed as an urgent priority.

With the budget still an open question, left-leaning groups have also launched messaging campaigns meant to promote Senate Democrats' spending plans as superior to the alternatives pursued by Youngkin and the House GOP. A nonprofit activist group called Freedom Virginia created a mobile billboard urging legislators to reject Youngkin's proposed reduction in the state's corporate tax rate and instead boost funding for public schools.

At the event, Sen. Lamont Bagby, D-Henrico, said he disagreed with the attitude of "wait until after the election to get a budget," but he

claimed the governor was to blame. Emphasizing that he was speaking only for himself, Bagby said he'd rather not pass a budget than use state dollars on some of the items Republicans want.

“I would prefer we not have a budget at all than send the money of hard-working Virginians to millionaires and corporations,” Bagby said.



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**GRAHAM MOOMAW**



A veteran Virginia politics reporter, Graham grew up in Hillsville and Lynchburg, graduating from James Madison University and earning a master's degree in journalism from the University of Maryland. Before joining the Mercury in 2019, he spent six years at the Richmond Times-Dispatch, most of that time covering the governor's office, the General Assembly and state politics. He also covered city hall and politics at The Daily Progress in Charlottesville.

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## What caused Virginia's budget breakdown? Accounts differ.

'Barry Knight has one version of what happened in that conversation. George Barker has another.'

BY: **GRAHAM MOOMAW AND SARAH VOGELSONG** - JUNE 28, 2023 7:45 PM



The Virginia Capitol under construction in March 2023. (Sarah Vogel song / Virginia Mercury)

Virginia's budget negotiators don't agree on whether they did or didn't agree to a preliminary deal months ago.

House Appropriations Chairman Barry Knight, R-Virginia Beach, and Sen. George Barker, D-Fairfax, emerged this week from their budget talks – which the General Assembly conducts mostly in private until a deal is reached – with two starkly different accounts of how negotiations progressed this year before falling apart on Tuesday.

Knight has sketched out the details of a proposed compromise that makes several concessions to Democrats, such as dropping Gov. Glenn Youngkin's plan to lower the corporate tax rate and adjusting the state's income tax brackets, which haven't changed since 1990, in a way that benefits lower-income filers instead of the highest earners.

In Knight's telling, Senate negotiators had already agreed to those terms but wanted to delay moving forward on the deal until after last week's primaries.

"They said they were fine with it," Knight said.

When meetings in Richmond restarted this week, Knight said, Barker – who lost his primary last Tuesday – insisted there was no deal and would not let Knight explain his proposal to other senators working on the budget.

Senate negotiators in turn have said there was never a firm deal struck in February, and it's Knight and the House that tanked an evolving deal by insisting any agreement had to involve longer-term tax cuts rather than accepting an offer of nearly \$900 million in one-time rebates.

"We were in the middle of negotiations and they actually walked away from the table," said Sen. Mamie Locke, D-Hampton.

Sen. Creigh Deeds, D-Charlottesville, characterized the breakdown in talks as stemming from "a basic disagreement about a conversation that occurred between the chairs."

"Barry Knight has one version of what happened in that conversation. George Barker has another," he said.

Because Virginia operates on a two-year budget cycle, the state can continue operating past the June 30 end of the current fiscal year without disruption. But the lack of the new budget bill has caused uncertainty for other public bodies that make decisions based on how much money they can expect from the state. The extended budgetary limbo also means roughly \$3.6 billion in surplus funds still cannot be allocated to bipartisan priorities like teacher pay raises and more funding for the struggling mental health system.

## As Virginia budget negotiations drag on, here's what hangs in the balance



In normal years, Virginia's budget plan is supposed to be pretty much done by April except for any late changes recommended by the governor. But for the second year in row, the politically split General Assembly is heading into spring under a cloud of uncertainty over when the budget will get

done and what will ... Continue reading



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Tax policy has been the main area of friction between Democrats and Republicans. The Democratic-controlled Senate has balked at many of Youngkin's proposed tax cuts, characterizing them as overly generous to the wealthy and corporations and potentially hazardous to the state's long-term fiscal health. Republicans have argued state revenues are strong enough the government can afford to give all taxpayers a break while spending significantly more in key areas.

The impasse is a long-running one, but it broke into the public this week in dramatic fashion when Knight announced Democrats had "decided to abandon" a deal he said the parties had reached in February but put off announcing due to a stiff primary challenge Barker was facing. On Tuesday, [according to The Washington Post](#), Youngkin said he believed the stalemate was "a massive failing from the leadership in the Democrat party in the Senate."

Republicans say uncertainty over who's in charge of the Senate Democratic Caucus has contributed to the budget confusion, with both Senate Majority Leader Dick Saslaw, D-Fairfax and Sen. Janet Howell, D-Fairfax, who co-chairs the chamber's budget committee, heading into retirement. Sen. Louise Lucas, D-Portsmouth, just campaigned heavily on the idea that she's next in line to run the budget committee, and the odds moved in her favor last week when she won her primary and Barker lost.

Knight said he feels more progress could be made if other Senate Democrats could be involved, since Barker is now a “lame duck.”

“The only thing that’s changed is Janet was not there Monday because she’s in Japan on a trip she’s had planned for a year,” Knight said. “And George lost his election.”

Knight suggested Howell could verify there was an initial agreement. In remarks [reported by the Washington Post](#), Barker indicated Howell was “a little more open” to the GOP’s offer than he was. Howell’s office did not respond to a request for comment Wednesday.

It’s unclear how many other Democrats are fully in the loop on what Knight was offering. Deeds said other Senate negotiators didn’t see the tax bracket proposal until Tuesday.

“Barry Knight says he told George and Janet about it in February, but it was not communicated to us,” he said.

In an interview, Barker said the Senate conferees are “operating as a team” just like their House counterparts.

“I don’t think it’s necessarily appropriate to have him come in and try to say things that are not necessarily completely true,” Barker said in response to Knight’s attempt to present his plan to more senators.

Sen. Scott Surovell, D-Fairfax, said the caucus as a whole has not been briefed on any proposed deal.

“I think tax cuts would be a hard sell to my caucus,” Surovell said. “It sounds like George has made that clear in multiple rounds. But the Republicans have continued to cater to the governor’s demand for tax cuts.”

## **A closed-door process**

The varied accounts highlight the opaqueness of Virginia’s budget process, much of which is conducted behind closed doors by an inner circle of negotiators.

“They don’t brief members outside of the Appropriations Committee about this at all,” said Del. Danica Roem, D-Manassas. “We find out about stuff like this through news reports.”

Many lawmakers in Richmond say the complexity of budget negotiations and the requirement that the state balance its books make it necessary for smaller groups of legislators to hammer out the final details of an agreement.

“It’s logically infeasible to imagine all 140 members casting line item votes on every budget item,” said Del. Sally Hudson, D-Charlottesville, who recently lost a tight primary against Sen. Creigh Deeds, D-Charlottesville, one of the Senate’s budget conferees. “At some point you do need a set of people to sit down and close the gap between the House and the Senate versions.”

In Virginia’s system – which Roem says was “originally designed to be done in a smoke-filled back room” – those negotiations unfold almost entirely in private. Once the chambers choose the conferees who will participate in talks, no formal public meetings are typically held until the chief negotiators announce a deal and the House and Senate vote on the completed version.

That can lead to conflicts like the one that has emerged in Richmond this week, where there’s little ability to verify what was agreed to and when.

## **The House proposal**

The three major components of the roughly \$900 million tax relief plan sketched out by Knight are another increase to the state’s standard deduction for income taxes, tax rebate checks of \$100 for single filers and \$200 for joint filers and changes to the state’s income tax brackets that closely mirror a recommendation from the Joint Legislative Audit and Review Commission.

Youngkin had proposed dropping the state’s top tax bracket, which kicks in at \$17,000 of taxable income, from 5.75% to 5%. Knight’s proposal wouldn’t lower the top rate but instead adjusts all the brackets to have the top rate apply to income over \$30,000.

The proposed bracket structure aligns with a JLARC recommendation to tweak the brackets to account for inflation since 1990. Leaving the brackets the same creates so-called “bracket creep,” where the tax burden for low- and middle-income filers grows faster than their income because more of the money they make is taxed at the highest rate.

Knight said the numbers crunched on his plan show it “helps lower-income people a whole lot better than what we have today.”



“It was a recommendation of JLARC to do that,” Knight said. Documents outlining the proposal suggest the bracket changes were seen as a way to make the tax code “more progressive” without raising taxes on the rich.

By fiscal year 2025, the bracket adjustments would make up \$655 million of the roughly \$911 million impact on the budget. The standard deduction increase would cost \$200 million, with smaller tax breaks for military retirement pay and business interest making up the rest.

Knight said he’s ready to meet with any other Senate Democratic leaders to discuss the proposal.

“I want a budget deal,” he said. “I am operating with them in good faith.”

## **What the Senate wants**

Senate negotiators have instead pushed for one-time tax relief, largely in the form of rebates, while rejecting structural tax cuts that many say could imperil Virginia’s financial stability as federal COVID-era funds are spent down.

“We’re fortunate that we do have additional revenue,” said Sen. Emmett Hanger, R-Augusta. “But the thing that I’ll continue to cite is you have to look at where that came from.”

Instead, Senate negotiators say they are prioritizing one-time investments in services like education and behavioral health, pointing to shortfalls like the [estimated \\$25 billion needed to modernize and construct school buildings](#) around Virginia and the state’s troubled mental health system, which in 2021 was forced to temporarily close admissions at five facilities. Youngkin has made the overhaul of that system a signature priority, rolling out an ambitious \$230 million “Right Help, Right Now” proposal this December that has garnered bipartisan support.

“The reality from my perspective is we have starved some of our services for far too long,” said Deeds.

Barker’s counter-proposal was a bigger round of one-time tax rebates without structural tax cuts. Senate negotiators said they put forward two proposals this week: an initial \$670 million tax relief plan that was rejected, followed by an \$890 million plan that would

have included a \$200 rebate payment for single filers and \$400 for couples as well as other tax changes.

“It gets money in the hands of the people of Virginia at a time where we have the resources to be able to do it,” Barker said, without “locking” the state into structural cuts that could cause budgetary damage if a recession occurs.

The proposal to alter the tax brackets has sparked tentative interest. Deeds said it “probably makes sense, but I think in order to make sure it’s revenue-neutral, you have to add another bracket at the top.” Hanger said while he’s in favor of changing the brackets, the policy needs to be evaluated more broadly.

“If you’re going to have a progressive tax code structure, the people who can afford it need to pay more than those who can’t afford it,” he said.

Both Hanger and Deeds emphasized the need to resume talks, although Deeds said the situation was not unprecedented, pointing to a 2001 standoff between then-Gov. Jim Gilmore and the Senate that ultimately kept the General Assembly from amending its biennial budget.

“It’s totally unacceptable to not produce a budget,” said Hanger. “That is totally inadequate to the needs of the commonwealth.”



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GENERAL ASSEMBLY 2023

## Virginia budget negotiators say deal likely by end of week

Youngkin urges General Assembly to ‘move fast’ on long-delayed amendments

BY: **SARAH VOGELSONG** - AUGUST 23, 2023 1:05 PM



 Budget negotiators Sen. George Barker, D-Fairfax, Del. Barry Knight, R-Virginia Beach, and Sen. Janet Howell, D-Fairfax, in Richmond Aug. 23, 2023. (Sarah Vogelsong /Virginia Mercury)

Virginia budget negotiators said Wednesday they hope to reach a deal on long-awaited amendments to the state’s two-year spending plan by the end of the week.

The signs of progress, which have followed months of on-again, off-again talks between budget leaders in the Democratic-controlled Senate and Republican-controlled House of Delegates, came as Gov. Glenn Youngkin urged the General Assembly to reach agreement.

“Our course for the current budget is clear,” Youngkin told the joint money committees of both chambers in an address in Richmond Wednesday morning. “Please send me one.”

Speaking with reporters after his speech, Youngkin said lawmakers needed to “move fast” to reach a deal, pointing out he will soon begin work on his proposal for the next two-year budget, which is traditionally presented to the committees in June.

“Eventually this just becomes a moment where we say, ‘You can’t reach a deal, fine. We’ll just take care of it in January,’” he said. “And that clock is ticking.”

Sen. Janet Howell, D-Fairfax, who along with Sen. George Barker is leading negotiations for Senate Democrats, said she was “quite sure we’re going to have a deal probably by the end of this week.”

Lead House negotiator Del. Barry Knight, R-Virginia Beach, said all of the parties “concur on that.”

“We’re all working as hard as we can on that. Nobody’s stalling anybody. We’re all getting along. We’re meeting. Last night it was well after 10 o’clock when we broke up,” he said.

Virginia operates on a two-year budget cycle, with lawmakers traditionally revising the plan in off years during the winter legislative session to account for not only changing fiscal circumstances, but also new legislation. This year’s extended budget impasse has left billions in surplus funds unallocated while also stalling other initiatives greenlit by the legislature, such as new positions to [enforce stricter rules on hemp products](#), [additional teacher raises](#) and major investments in the state’s struggling behavioral health system.

## As Virginia budget negotiations drag on, here's what hangs in the balance



In normal years, Virginia's budget plan is supposed to be pretty much done by April except for any late changes recommended by the governor. But for the second year in row, the politically split General Assembly is heading into spring under a cloud of uncertainty over when the budget will get

done and what will ... Continue reading

 Virginia Mercury

Democrats and Republicans have largely presented the disagreement as being over whether the surplus should go toward greater investments in state services like education or should be seen as an example of excess taxation and returned to residents through long-term tax cuts.

On Tuesday, negotiators told [The Richmond Times-Dispatch](#) and [Virginian-Pilot](#) they may have reached a deal that would provide one-time tax rebates of \$200 to individuals and \$400 for companies as well as increases to the standard deduction and teacher raises.

Despite that reporting, Howell, Knight and Barker on Wednesday would not confirm any of the terms of a potential agreement, saying only that they were close to a deal but had several unspecified "sticking points" to work out.

"We have the answers to your questions, we're just not going to tell you right now until we have a finished product," Knight told reporters.

Howell characterized the ongoing talks as "very productive and very cordial" and characterized some delays as due to legislators' varied schedules.

"So many people have travel plans and vacation plans," she said. "It's hard to get everybody back, and that's creating some consternation."

This week's apparent breakthrough followed a [public breakdown in talks in July](#), when Knight announced Democrats had “decided to abandon” a deal he said the parties had reached in February but decided to delay announcing due to the stiff primary challenge Barker was facing. ([Barker lost his primary in June](#).) Democrats in turn said there had never been a firm February agreement and that the Republicans had walked away from the table over their insistence on long-term tax cuts.

Asked about the potential deal reported by the Times-Dispatch that would provide one-time tax rebates instead of more permanent cuts, Youngkin said he thought it was “a moment where we’re going to come together around the reality that we can provide one-time tax relief in refunds but also begin to get at some of the more permanent tax relief.”

“I’m looking for a billion dollars in tax relief,” he said. “I know that we can afford permanent cuts, and if we take a moment here and provide the one-time tax relief and we move forward for permanent cuts next year, that’s a compromise that I’d be willing to accept.”



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SARAH VOGELSONG



Sarah is Editor-in-Chief of the Mercury and previously its environment and energy reporter. She has worked for multiple Virginia and regional publications, including Chesapeake Bay Journal, The Progress-Index and The Caroline Progress. Her reporting has won awards from groups such as the Society of Environmental Journalists and Virginia Press Association, and she is an alumna of the Columbia Energy Journalism Initiative and Metcalf Institute Science Immersion Workshop for Journalists.



GENERAL ASSEMBLY 2023

GOVERNMENT + POLITICS

## Virginia budget negotiators announce deal on tax rebates, new education investments

While full details of agreement still aren't public, deal will include rebates of \$200 for individuals and \$400 for families

BY: **SARAH VOGELSONG** - AUGUST 25, 2023 1:45 PM



Virginia's state flag flies in Richmond. (Ned Oliver/ Virginia Mercury)

Virginia budget negotiators announced Friday they have reached a deal on amendments to the state's two-year budget, signaling an end to a months-long process that has delayed numerous state investments.

"The deal is one that provides Virginians with additional tax relief and unprecedented investments in education, natural resources, and behavioral health," said the Aug. 25 release from Sen. Janet Howell,

D-Fairfax, Sen. George Barker, D-Fairfax, and Del. Barry Knight, R-Virginia Beach. “It is a win-win for the citizens of Virginia.”

## Virginia budget negotiators say deal likely by end of week



Virginia budget negotiators said Wednesday they hope to reach a deal on long-awaited amendments to the state’s two-year spending plan by the end of the week. The signs of progress, which have followed months of on-again, off-again talks between budget leaders

in the Democratic-controlled Senate and Republican-controlled House of Delegates, came as Gov. Glenn Youngkin ... Continue reading



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While the negotiators said they are still “completing the final touches” on the agreement, they said the final version will include a one-time tax rebate of \$200 for individuals and \$400 for families and increase the standard deduction to \$8,500 for individuals and \$17,000 for joint filers. It will also reinstate the state sales tax holiday, which [lawmakers allowed to lapse](#), and remove the age requirement for the military retiree subtraction.

Firm numbers weren’t provided for spending on state services, but Friday’s release noted the final budget will prioritize educational investments and provide additional operating support and financial aid to colleges and universities “to ensure access is not limited due to family income.”

“We were able to negotiate these investments while maintaining an eye on Virginia’s continued budgetary integrity,” Howell, Barker and Knight wrote. “Virginia remains in a strong fiscal position based on these actions, which will continue to protect our triple-AAA bond rating.”

Following a Wednesday meeting of the money committees of the Democratic-controlled Senate and Republican-controlled House, [the budget negotiators said they expected to reach a deal Friday](#).



This year's unusually long talks over changes to the biennial spending plan have been due to disagreements between Republicans and Democrats over how Virginia should spend its billions in surplus funds. While Republicans have pushed for longer-term tax cuts, Democrats have called for greater spending on state services like education.

In July, negotiations [appeared briefly to have broken down](#) over a dispute about the terms of a deal Republicans said had been made in February and Democrats denied had been firmly resolved. However, talks resumed later in the summer.

On Wednesday, Gov. Glenn Youngkin, who will have to sign the final budget deal for it to go into effect, said he was "willing to accept" a compromise that rested on one-time tax relief and signaled he intends to push for more permanent cuts in future legislative sessions.

Both Republicans and Democrats praised Friday's announcement of a deal.

House Speaker Todd Gilbert called the development "encouraging" and noted a special session will need to be called for both chambers to review the final agreement.

"We're closer than ever before to providing real tax relief to Virginia families who are being squeezed by inflation and other skyrocketing costs, and providing historic levels of support for our schools," he said in a statement.

House Democrats characterized the deal as a "budget victory," emphasizing the Republican-controlled House's initial plan calling for the corporate tax rate to be cut from 6% to 5%. Knight, the lead Republican negotiator, has [previously said that proposal was dropped in late February](#).

"The right course of action won today," said House Minority Leader Don Scott, D-Portsmouth, in a statement. "This budget invests in our kids, not corporations, taking the commonwealth forward, and not backwards like the VA GOP are attempting to do."



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GENERAL ASSEMBLY 2023

## What's in Virginia's long-delayed 2023 budget deal

Teacher and state employee raises, hemp enforcement, crisis response investments and more

BY: **SARAH VOGELSONG** - SEPTEMBER 5, 2023 12:04 AM



 The Virginia Capitol under construction in March 2023. (Sarah Vogelsong / Virginia Mercury)

Ahead of the General Assembly's return to Richmond for a special session Wednesday, budget negotiators this weekend released full details of how they believe the state should spend billions in surplus funds over the remainder of the fiscal year.

The [long-delayed deal was announced Aug. 25](#), but lawmakers at the time provided few specifics beyond key tax reduction proposals, saying they were still “completing the final touches.”



## Virginia General Assembly to return to Richmond next week to resolve budget

The Virginia General Assembly will return to Richmond Sept. 6 to complete work on long-delayed amendments to the state budget following a proclamation by Gov. Glenn Youngkin Tuesday evening. “Today, I am calling Virginia’s lawmakers back to Richmond to reach a resolution on the state budget,” Youngkin said in a release. “Virginians deserve it. To ...  
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 Virginia Mercury

On Saturday, [House Bill 6001](#) and [Senate Bill 6001](#) filled in the blanks. The deal is [reminiscent of the 2022 agreement](#), which provided one-time state tax rebates to Virginians, increased the standard deduction, issued raises for teachers and state employees and funneled COVID-era surpluses into a variety of programs. This year’s plan has many of the same features, although a House Appropriations Committee [budget document](#) notes that negotiators, “understanding that revenue growth may be subsiding, focused on funding one-time initiatives instead of building up ongoing programs to the extent possible.”

Altogether, the House calculates the proposed budget will route an additional \$1.1 billion to ongoing programs, with roughly \$1.5 billion going to new one-time funding.

While the 758-page document is chock-a-block with information, here are some of the key proposals to know.

## Tax reductions: Mostly one-time rebates, more standard deduction adjustments

The final deal includes \$1.05 billion in tax reductions, most of which – \$906 million – will come from [one-time tax rebates](#). This year, individual Virginians will get up to \$200 in tax rebates, and joint filers will get up to \$400.

The second largest pot of reductions, \$48 million, will come from a short-term change to Virginia’s standard deduction, the amount the government [allows people to subtract from their taxable income every year](#) to account for expenses and ease the tax burden without asking any questions. The higher the standard deduction is, the smaller the pool of income people have to pay taxes on – meaning that they end up paying less.

While Gov. Glenn Youngkin has so far been unable to achieve the major tax cuts he’s pushed for during his time in the governor’s office, during his administration Virginia has greatly increased its standard deduction. The [2022 budget deal raised the standard deduction](#) from \$4,500 to \$8,000 for individuals and from \$9,000 to \$16,000 for married couples, [albeit with some restrictions](#): The change was set to end in 2026, and the deductions would decrease slightly if state revenue growth didn’t hit certain targets.

This year’s deal will bump the standard deduction up to \$8,500 for individuals and \$17,000 for couples for the 2024 and 2025 tax years.

## Teacher raises, more support jobs and learning loss dollars

The deal includes \$645 million in additional state funding for public education. Of that, almost \$55 million will go toward the state’s share of an additional 2% salary increase for public school teachers expected to go into effect Jan. 1. When combined with an already planned 5% salary increase, the newest funding will result in an overall 7% salary bump for teachers over the past two years.

Over \$152 million will go toward additional support and instructional positions. [Almost \\$420 million](#) will go toward “flexible one-time payments” to school divisions for learning loss recovery, operating and infrastructure support, and preparation for [the rollout of the Virginia Literacy Act](#), which beginning in the 2024-25 school year will require stepped-up literacy instruction for Virginia students in kindergarten through fifth grade. Notably, the

flexible payments will not require matching funds from districts, and each school division will receive at least \$150,000.

## Higher education

Virginia colleges and universities will get an additional \$190 million, with \$75 million earmarked to “support the growing need for student support services; address increased costs resulting from inflation; refine or create programs that meet current and future workforce needs; and minimize student costs.”

Of that, the biggest allocations will be an extra \$14.6 million to the Virginia Community College System, \$10.4 million to Virginia Commonwealth University in Richmond and \$9.2 million to Virginia Tech.

Another \$62.5 million will go toward need-based undergraduate financial aid at public colleges and universities, and almost \$5.8 million will go toward increased compensation for faculty at nursing schools to help stem nursing shortages.



## Hemp retailers start seeing big fines as Virginia's tougher THC law takes effect

Several Virginia businesses have been hit with five-figure fines this month as state officials start enforcing stricter new rules on the contents and labeling of hemp products to try to crack down on alternatives to marijuana. The Virginia Department of Agriculture and Consumer Services had sent five non-compliance letters as of July 24, assessing penalties ...

[Continue reading](#)

## More enforcement of new hemp laws

With Virginia [tightening up its rules about the contents and labeling of hemp products](#), lawmakers are again committing to funding new enforcement positions at the Virginia Department of Agriculture and Consumer Services.

Last December, the Youngkin administration proposed roughly [\\$2.1 million in spending for a new hemp registration and inspection program](#) staffed by 15 people. The current budget deal calls for [\\$1.1 million and 15 positions](#) for that purpose.

At the same time, the deal [decreases funding for the Virginia Cannabis Control Authority](#) for this fiscal year while allowing the Department of Planning and Budget to transfer it up to \$2.5 million “to cover one-time costs of a seed-to-sale tracking system.”

## Mental health investments

The deal includes major investments in mental health infrastructure in line with Youngkin’s “Right Help, Right Now” plan [to overhaul the state’s beleaguered behavioral health system](#). In particular, it calls for \$58 million to expand and modernize Virginia’s crisis services system, including spending on stabilization units and receiving centers, facilities intended to offer people undergoing a crisis more rapid and accessible treatment to care than is available at hospital emergency departments. An additional \$10 million would go toward establishing mobile crisis services in underserved areas.

Staff at community services boards, which provide local, community-based behavioral health and developmental disability services, will also get pay raises from an additional \$18 million in spending. The expenditure is [less than proposals made by both the House and the Senate](#) earlier this year, which called for an extra \$37 million and \$50 million, respectively.



📷 Budget negotiators Sen. George Barker, D-Fairfax, Del. Barry Knight, R-Virginia Beach, and Sen. Janet Howell, D-Fairfax, in Richmond Aug. 23, 2023. (Sarah Vogelsong /Virginia Mercury)

More than \$5 million is also being proposed on a one-time basis for the Department of Criminal Justice Services [to contract with local law enforcement agencies](#) to provide transportation for or assume custody of people in crisis who have been placed under a temporary detention or emergency custody order but haven't yet been admitted to a hospital.

### **State employee raises**

Teachers aren't the only ones poised to see bigger paychecks. The spending plan also includes \$44 million in state employee raises that would go into effect Dec. 1 for state-supported local positions and Dec. 10 for state employees. Targeted increases would also be allocated for public defenders, deputy sheriffs, commonwealth's attorneys, general district court clerks and others.

### **Pollution cleanup: Big dollars for agricultural assistance**

Hundreds of millions of dollars are earmarked for the state's [Water Quality Improvement Fund](#), a permanent fund created in 1997 to provide grants to local governments, soil and water conservation districts, state agencies, colleges and universities and others for pollution control and cleanup efforts. State law requires that 10% of annual state general fund revenues that are above official estimates and 10% of unrestricted and uncommitted general fund balances at the end of the fiscal year be deposited in the fund.

An [extra \\$286 million is designated for matching grants for farmers](#) who engage in agricultural best management practices, actions like installing fences or forested buffers around waterways to reduce water pollution.

Virginia has tried to incentivize farmers to adopt such practices largely because of its commitments under the Chesapeake Bay Watershed Agreement. About three-quarters of the remaining pollution reductions the state has to achieve under that agreement are expected to come from the agriculture sector. In recognition of that, the General Assembly allotted [record funding in 2022 to Virginia's cost-share program](#). However, with state and federal officials acknowledging that the [2025 cleanup deadline isn't likely to be met](#), the legislature last session also [delayed state deadlines](#) for farmers to voluntarily fence cattle out of streams until 2028 and tied that target to agricultural assistance funding.

Big money is also headed for Virginia's Enhanced Nutrient Removal Certainty Program, which was created in 2021 to speed up remaining wastewater treatment plant improvements to reduce pollution. The budget deal would put an extra \$151 million toward that program, as well as an extra \$30 million to a fund that provides assistance to local governments to deal with stormwater, another major source of pollution.



 Cattle in Highland County. (Sarah Vogelsong/Virginia Mercury)

## Community safety



Lawmakers are proposing a \$10 million Safer Communities Program that would give Norfolk, Portsmouth and Richmond at least \$2.5 million each to hire a full-time person to oversee community violence reduction strategies that “address the root causes and conditions” of community violence. A new Office of Safer Communities will also be created in the Department of Criminal Justice Services to serve as a hub for intervention efforts.

Additionally, [the state’s Operation Ceasefire Grant Program](#), an initiative modeled after a Boston project from the 1990s that focused on deterring young people and gangs from engaging in firearm violence, will get an additional \$15 million.

## **Climate change resilience**

Another \$100 million under the deal is slated for the Resilient Virginia Revolving Loan Fund, a pool of money that was created in 2022 [to provide greater flexibility for the state to funnel assistance](#) to both local governments and individual property owners impacted by flooding.

The Youngkin administration has been positioning the fund as an alternative to the Community Flood Preparedness Fund, which was created by Democrat-backed legislation in 2020 and funded with state revenues linked to Virginia’s participation in the Regional Greenhouse Gas Initiative, a multistate carbon reduction program. The Flood Fund became Virginia’s first dedicated source of large-scale flood assistance for local governments, but Youngkin’s push to withdraw Virginia from RGGI has jeopardized the revenue stream the state has relied on for the past three years.

In December, Youngkin proposed putting [an additional \\$200 million](#) over the next two years into the Revolving Loan Fund.

## **Grants for more data center development**

Virginia is home to the largest concentration of data centers in the world, and the budget deal includes [up to \\$140 million in grants for “a data center operator”](#) from [the newly created Cloud Computing Cluster Infrastructure Grant Fund](#). The budget notes that the operator was approved for grant funding by the state’s Major Economic Investment Project Approval Commission on Dec. 13, 2022. In January, the Youngkin administration announced that Amazon Web Services plans to invest \$35 billion in Virginia by 2040 “to establish multiple data center campuses across Virginia.”

The release noted AWS would be eligible to receive an MEI grant of up to \$140 million subject to approval by the General Assembly.

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### **Business-ready site spending**

Youngkin has repeatedly emphasized the need for Virginia to increase the number and quality of sites it has available for major economic development projects. Officials have said Virginia's lagging performance in the site readiness sphere have [led to the loss of numerous big-ticket projects to other states](#).

This year's budget deal would funnel an extra \$125 million to the state's Business Ready Sites Program Fund and \$75 million to the new Business Ready Sites Acquisition Program and Fund "to expand Virginia's portfolio of industrial properties for large-scale economic development projects."

### **A study of sports team relocation**

In what appears to be a nod to the General Assembly's on-again, off-again interest in luring the Washington Commanders to Virginia, the budget includes \$250,000 for the Secretary of Finance to "develop relevant capabilities, conduct planning, and evaluate potential economic incentives to attract sports teams to the state."

The commonwealth, the budget continues, "is prepared to consider economic development proposals that are in the best interest of Virginia taxpayers to assist in relocating sports teams and their associated facilities to the state."



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GENERAL ASSEMBLY 2023

## After six-month delay, Virginia General Assembly passes budget bill

‘Compromise’ legislation awaiting approval from Youngkin would provide tax rebates and major education, mental health spending

BY: **SARAH VOGELSONG** - SEPTEMBER 6, 2023 6:33 PM



📷 Sen. Janet Howell, D-Fairfax, one of Virginia's chief budget negotiators, talks about the General Assembly's 2023 deal in Richmond Sept. 6. (Sarah Vogelsong/Virginia Mercury)

The Virginia General Assembly passed long-delayed amendments to the two-year state budget Wednesday, ending a six-month stalemate and sending the document to Republican Gov. Glenn Youngkin for his signature.

The [budget deal](#), which many in Richmond had worried would not be reached after negotiations [briefly collapsed in July](#), combines major short-term tax reductions with significant one-time and

ongoing spending on priorities such as education, behavioral health and pollution reduction investments.

“There are things in this budget to like, and there are of course things that we may not like, we may not embrace,” said Sen. Barbara Favola, D-Fairfax, Wednesday. “But this is a compromise document, and that is the definition of a compromise: give and take.”

Sen. Steve Newman, R-Bedford, called the final agreement “probably as fiscally responsible a bill as I’ve ever seen.”

## What’s in Virginia’s long-delayed 2023 budget deal



Ahead of the General Assembly’s return to Richmond for a special session Wednesday, budget negotiators this weekend released full details of how they believe the state should spend billions in surplus funds over the remainder of the fiscal year. The long-delayed deal was announced Aug. 25, but lawmakers at the time provided few specifics beyond ... Continue reading



Virginia Mercury

While Republicans praised the plan’s emphasis on one-time spending – including almost \$420 million in flexible payments to school divisions, \$200 million to programs to prepare sites for industrial development and \$58 million for expansion and modernization of state crisis services facilities – Democrats applauded its reliance on one-time tax relief in the form of rebates rather than longer-term tax cuts.

“This budget is a bipartisan, bicameral compromise,” said Del. Barry Knight, R-Virginia Beach, who along with Sens. Janet Howell, D-Fairfax, and George Barker, D-Fairfax, served as chief negotiator on the agreement. “Nothing is one-sided around here.”

House Minority Leader Don Scott, D-Portsmouth, struck a more partisan tone in a speech that leaned heavily on Democratic campaign issues like abortion and criticized earlier proposals from

the Republican-controlled House that would have cut the state's corporate tax rate, a plan Knight has said the chamber dropped early in negotiations.

“Virginians cannot afford to fund any outrageous or aggressive tax breaks the MAGA extremists wanted to suggest we can to big corporations,” Scott said.

The most significant area of debate Wednesday concerned a procedural resolution put forward by leadership of both the Republican House and Democratic-controlled Senate that forbade any consideration of amendments to the budget deal, full details of which were first released Saturday.

Several members of both parties voiced concerns about the precedent the resolution might set for future debate about the state budget.

“Is this now the accepted way that we do things?” asked Sen. Bill Stanley, R-Franklin. “We just wait until session is over and a gentle few of the chosen go inside and make those decisions for themselves, and then come out and say, ‘Here it is! And oh, by the way, you can’t amend it, you can’t participate for your constituents. You have to vote up or down.’”

Sen. John Cosgrove, R-Chesapeake, argued that resolutions can be put forward during any session to change the procedures the chambers follow.

“We should have had a budget months ago,” he said. “We should have done the people’s work months ago. We have the opportunity now to vote on this resolution so we can pass a budget.”

Following the passage of the bill Wednesday, Democrats sent out press releases characterizing the deal as a Democratic victory over what the Senate caucus described as “Governor Youngkin’s ill-advised, nearly \$1 billion tax giveaway plan.”



📷 Virginia senators review the 2023 budget deal in Richmond Sept. 6. (Sarah Vogelsong/Virginia Mercury)

“Democrats fought tirelessly to preserve funding for crucial services such as public education, healthcare, mental health services, and affordable housing,” the caucus wrote. “We believe that a budget is a reflection of our values and priorities, and this budget gives our children the resources they need to succeed.”

House Republican messages meanwhile portrayed the tax provisions as providing “relief for Virginians struggling with rising costs of everyday expenses due to failed federal policies” and sharply faulted Democrats for not accepting a proposal to adjust the state’s tax brackets.

*[Read more: [Virginia’s highest tax bracket starts at \\$17K. Some say it’s time for an update.](#)]*

“Had Senate Democrats not been terrified of their primary voters, we could have made historic reforms to our income tax system that would have put more money back into the pockets of those who need it most,” said Speaker Todd Gilbert, R-Shenandoah, in a statement. “Those who make minimum wage don’t belong in Virginia’s highest tax bracket.”

**In July**, Knight said a preliminary deal the two parties reached earlier in the year would have updated the more than three-decade-old brackets, although some Democrats said they hadn’t heard about the offer until the summer. A state report released in November found that since 1990, the state’s median income rose 108% but

taxes owed by single filers making the median income went up 173%.

At the time, Del. Joe McNamara, R-Salem, who previously introduced legislation to begin indexing the tax brackets to inflation, said he thought the General Assembly would either focus on adjusting the brackets or increasing the standard deduction but **wouldn't have “an appetite to do both.”**

This year's budget deal temporarily raised the standard deduction for the second time in two years, pushing it to \$8,500 for individuals and \$17,000 for joint filers.

The budget will now go to Youngkin for his signature.

“While the process took longer than needed, more than \$1 billion in tax relief is on the way to Virginia veterans, working families and businesses,” the governor said in a statement following the bill's passage. “Additionally, this collaborative effort ensured the funding of our shared priorities: investing in students and teachers, supporting our law enforcement community and transforming the way behavioral health care is delivered in the Commonwealth.”

*Mercury reporter Charlie Paullin contributed to this story.*



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GENERAL ASSEMBLY 2023

## Youngkin signs Virginia budget offering tax reductions, major new spending

BY: SARAH VOGELSONG - SEPTEMBER 14, 2023 2:43 PM



Gov. Glenn Youngkin prepares to sign amendments to Virginia's two-year budget in Richmond on Sept. 14, 2023. (Sarah Vogelsong / Virginia Mercury)

Gov. Glenn Youngkin signed long-delayed amendments to Virginia's two-year budget on the steps of the state capitol Thursday, concluding a six-month process that has left many local and state agency initiatives in limbo.

"You waited a long time for this day – too long, candidly," Youngkin said. "But we came together and got it done."

Thanks to billions in surplus funds, the budget amendments negotiated by the Republican-controlled House and Democratic-controlled Senate offered both parties wins: almost \$1 billion in tax reductions for Republicans, largely produced by one-time tax rebates, and major new investments in state programs for Democrats, with a reliance on one-time spending.



## What's in Virginia's long-delayed 2023 budget deal



Ahead of the General Assembly's return to Richmond for a special session Wednesday, budget negotiators this weekend released full details of how they believe the state should spend billions in surplus funds over the remainder of the fiscal year. The long-delayed deal was announced Aug. 25, but lawmakers at the time provided few specifics beyond ... Continue reading



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“When we put politics down and pick common sense up, look at what we can accomplish together,” said Youngkin Thursday in a speech that both disavowed politics and pointedly criticized Democratic policies and prior administrations – a combination that has become the governor’s signature.

“Right now we’re in the middle of change: change to the way Virginia operates, change to a culture of winning, and change to governing in a way that reflects real results. This represents the reawakening of that spirit of Virginia,” Youngkin said, using a phrase that he has adopted for his Spirit of Virginia PAC.

While Youngkin’s desire to institute long-term tax cuts has mostly been stymied by Democrats during his first 20 months in office, the governor on Thursday touted the state’s “historic” \$5 billion in tax reductions over the past two budgets, an amount he said has produced \$2,200 in tax relief to a typical Virginia family.

Much of that has or will come in the form of tax rebates, but the past two spending plans have also included major short-term changes to the standard deduction, which has nearly doubled from \$4,500 to \$8,500 for individuals and \$9,000 to \$17,000 for joint filers. The increases are scheduled to end in 2026.

Other investments highlighted by the governor Thursday included \$200 million to help prepare sites for large-scale economic

development projects, \$653 million in new education spending, \$170 million in behavioral health investments to further Youngkin's "Right Help, Right Now" plan and \$671 million in natural resources spending.

Sen. George Barker, D-Fairfax, one of the Democrats' chief budget negotiators, said after the signing that many of the new investments were proposals from Senate Democrats, with some – like the extra 2% salary bump for teachers – supported by both parties in the legislature.

Youngkin was particularly supportive of mental health spending, said Barker, who recounted an episode where Senate negotiators told the governor they intended to push for major investments in the area. Youngkin last December had [announced his own plan](#) for \$230 million to overhaul Virginia's struggling behavioral health system.

"He said, to his credit, 'I'm not going to object to anything you put in on mental health,'" Barker said.

Despite both Democrats and Republicans backing major behavioral health spending, the budget signed Thursday includes only \$18 million for pay raises for staff at community services boards, the local agencies that provide community-based behavioral health and developmental disability services. Earlier proposals by the House and Senate would have put \$37 million or \$50 million, respectively, toward CSB staff raises.

"We did what we could," Barker said. "We had to be able to fund a lot of different things."

A [December 2021 report](#) by Virginia's legislative watchdog agency found "uncompetitive salaries" were a key driver of high turnover and staffing problems at CSBs.

"More than 80 percent of CSB executive directors reported that compensation was one of the top three factors that made it difficult for their CSB to recruit and hire qualified staff for behavioral health services," the report noted before recommending that the General Assembly provide regular salary increases for CSB staff who provide direct care to residents.



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