

# Capitol Contact

## Virginia General Assembly

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Tuesday, March 2, 2021

## General Assembly Adopts Budget Compromise

Legislators approved a set of revisions to the biennium budget on Saturday evening, agreeing to the budget compromise by a vote of 29-10 in the Senate and 67-32 in the House. A key element of budget negotiations was the tax treatment of business expenses that were funded with federal Paycheck Protection Program loans that were forgiven; while the forgiven loans are excluded from Virginia income tax, there was significant discussion earlier in the session about the degree to which businesses that received such a loan should also be able to deduct business expenses that were funded with these loans. This issue needed to be resolved before a budget could be finalized as state revenue projections must be adjusted to reflect the effect of allowing the deductions. Ultimately, conferees settled on allowing up to \$100,000 in deductions for these expenses for tax year 2020, as well as income tax subtractions of up to \$100,000 for businesses that received Rebuild Virginia grants in order to provide parity between businesses that received assistance from different sources.

Shared spending priorities for both chambers included compensation for teachers and state and state-supported local employees; protecting K-12 education from losses associated with pandemic-related enrollment fluctuations and addressing learning loss; restoring priority spending items that had been “unallotted” in April 2020 as a result of the pandemic; and continuing to make progress on water quality requirements.

Below is a summary of the key provisions of the budget conference report of interest to county governments. In addition, an analysis of the conference report’s provisions related to Constitutional officers prepared by the Executive Secretary of the Compensation Board is available [at this link](#). Estimated direct aid distributions to school divisions may be found at [this link](#). VACo will provide FY 2022 estimates of local option sales and use tax distributions as soon as those estimates are available from the Department of Taxation.

The Governor's deadline to act on the budget and bills that passed the legislature in the last week of the special session is midnight on March 31. The legislature will consider gubernatorial amendments and vetoes at the reconvened session on April 7. A handful of bills that passed in the 2021 regular session (which adjourned February 8) also await gubernatorial action, the deadline for which is March 10; if the Governor proposes any amendments or vetoes to these bills, a reconvened session will be held March 17.

## **K-12 Education**

- Maintains \$443 million over the biennium to ensure no school division receives less funding as compared to their distributions in Chapter 56 (the budget adopted during the 2020 special session) in both fiscal years after adjusting for other spending actions. Various amendments reflect adjustments to mid-session sales tax reforecast and use of gray machine revenues to supplant General Funds. ([Item 145 #20c](#), [Item 145 #19c](#), [Item 145 #9c](#), and [Item 145 #18c](#))
- Provides \$23.2 million Non-General Funds (NGF) in FY 2021 for Direct Aid to Education to adjust the Lottery Proceeds forecast to \$708.2 million the first year. ([Item 145 #21c](#))
- Provides \$20.1 million General Funds (GF) in FY 2021 and \$9.9 million GF in FY 2022 to ensure 40 percent of Lottery Proceeds are dedicated to Infrastructure and Operations Per Pupil Payments, formerly known as Supplemental Lottery Per Pupil Allocations. The additional funding increases these Per Pupil Payments by approximately \$30 per pupil the first year and \$15 per pupil the second year. ([Item 145 #13c](#))
- Provides \$40 million GF in FY 2021 from the Lottery Proceeds Fund the first year to support one-time programs and initiatives to address learning loss experienced by students due to the COVID-19 pandemic. No local match is required, and unexpended funds from the first year shall remain available in the second year. ([Item 145 #8c](#))
- Provides \$30 million GF in FY 2022 from federal Elementary and Secondary School Emergency Relief funds authorized in the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 to provide grants to address COVID-19 related learning loss and other student support needs. ([Item 146 #2c](#))
- Provides \$49.2 million GF in FY 2022 to fund the state's share of three specialized student support positions per 1,000 students. Specialized student support positions, consistent with [SB 1257 \(McClellan\)](#), include school social workers, school psychologists, school nurses, licensed behavior analysts, licensed assistant behavior analysts, and other licensed health and behavioral positions. ([Item 145 #2c](#))
- Provides \$8.8 million NGF in FY 2022 from federal Elementary and Secondary School Emergency Relief funds authorized in the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 to implement the provisions of [HB 2027 \(Coyner\)](#) and [SB 1357 \(Dunnavant\)](#) to restructure Standards of Learning assessments for mathematics and reading in grades 3-8 from a single end-of-year assessment to a growth assessment system that measures student progress above, at, and below grade level. ([Item 139 #1c](#))

- Provides \$6.5 million NGF in FY 2022 from federal Elementary and Secondary School Emergency Relief funds authorized in the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 to provide the state share of the cost and costs that do not qualify under the federal Individuals with Disabilities Education Act for one additional year of education for students with disabilities who were 19 years of age or older and enrolled during the 2020-21 school year. ([Item 146 #1c](#))
- Provides \$14.6 million GF in FY 2022 to increase the Cost of Competing Adjustment (COCA) for support positions in the school divisions in Planning District 8 and certain adjacent divisions. ([Item 145 #12c](#))
- Captures \$2.8 million GF in FY 2022 by removing Accomack and Northampton counties from the full cost of competing adjustment as included in the introduced budget. ([Item 145 #7c](#))
- Provides \$2 million GF in FY 2022 from the Lottery Proceeds Fund the second year to provide one-time support to Accomack and Northampton school divisions for recruitment and retention efforts. These funds are contingent on the local school division providing the full 5.0 percent compensation supplement. ([Item 145 #1c](#))
- Captures \$2.5 million GF in FY 2021 from the school meals expansion initiative. The U.S. Department of Agriculture issued a waiver allowing all students to receive free meals for the 2020-2021 school year, regardless of income eligibility. ([Item 145 #6c](#))
- Provides \$1.2 million GF in FY 2022 as incentive payments for Alleghany County and Covington City school divisions to consolidate to be followed by three payments of \$600,000 in the three subsequent fiscal years. The Board of Education approved the consolidation of these divisions to be effective July 1, 2022. ([Item 145 #3c](#))
- Provides \$120,000 GF in FY 2022 to support the purchase of albuterol and spacers for public schools in Virginia. [HB 2019 \(McQuinn\)](#) will require undesignated stock albuterol inhalers to be maintained in every public school. ([Item 145 #10c](#))
- Includes language that directs the Superintendent of Public Instruction to convene a workgroup to make recommendations to the General Assembly on the required qualifications and training for school personnel providing health services in schools. ([Item 137 #4c](#)).
- Includes language that directs the Department of Education to develop a plan to implement an effective and appropriately-resourced school improvement program based on recommendations 8, 9 and 10 from the JLARC report "Operations and Performance of the Virginia Department of Education." ([Item 140 #1c](#))
- Includes language that directs the Department of Education to revise the state's special education complaint procedures and practices consistent with recommendation 21 from the 2020 JLARC report on "K-12 Special Education in Virginia." ([Item 138 #3c](#))

## **Compensation**

- Redirects funding for the proposed bonus payment included in the introduced budget and adds \$153.6 million GF in FY 2022 to provide the state's share of a 5 percent salary increase for SOQ instructional and support positions, effective July 1, 2021. A local match based on the composite index is required. The state share of funding for the compensation increase will be prorated for school divisions providing less than a 5 percent salary increase during the biennium; however, a school division must provide at least an average 2 percent salary increase during the biennium to qualify for the funds. ([Item 145 #11c](#))
- Redirects funding for the proposed bonus payment included in the introduced budget and provides an additional \$146.1 million GF in FY 2022 to fund a 5 percent salary increase for state employees and state-supported local employees, effective July 1, 2021. Also provides \$4.5 million GF in FY 2022 for an additional 3 percent salary increase and \$3.2 million to address salary compression among sworn employees of the Virginia State Police. ([Item 477 #2c](#))

## **Judiciary/Public Safety**

- Provides \$1.8 million GF in FY 2022 for public defender and support positions for the Indigent Defense Commission ([Item 48 #2c](#))
- Provides \$333,200 GF in FY 2022 to fund new requirements imposed by [HB 2110 \(Herring\)](#)/[SB 1391 \(Lucas\)](#) for the Virginia Criminal Sentencing Commission to collect and disseminate certain statewide and locality-level data regarding adults charged with a crime, to include demographic and criminal history data and information regarding supervision by probation or pretrial services. ([Item 49 #1c](#)). Companion amendment [Item 406 #1c](#) strikes language regarding pre-trial data collection on a pilot basis by the Department of Criminal Justice Services as this responsibility is being assumed by the Virginia Criminal Sentencing Commission.
- Directs the Department of Social Services to establish an interagency working group to develop recommendations for implementation of local criminal justice diversion programs, to include two-generation strategies that meet families' needs by addressing issues related to poverty. ([Item 359 #3c](#))
- Provides an additional \$2.5 million GF in FY 2022 for the Emergency Shelter Upgrade Assistance Fund, which aids local governments in preparing for emergency sheltering situation. ([Item 410 #1c](#))

## **Constitutional Officers**

- Directs the Compensation Board to work with the Virginia Association of Commonwealth's Attorneys to examine staffing standards for Commonwealth's Attorneys' offices, to include the use of diversion programs and specialty dockets. Provides \$250,000 GF in FY 2022 for the National Center for State Courts to perform a time study of Commonwealth's Attorneys' duties. Directs the Compensation Board to develop a revised staffing model based on the results of

the study; an interim report is due November 1, 2021, and a final report is due November 1, 2022. ([Item 75 #1c](#))

- Directs the Compensation Board to review the plan developed by the Department of Criminal Justice Services outlining law enforcement participation in the Marcus Alert system enacted during the special session and to survey sheriffs' offices to determine anticipated staffing and training costs to comply with the plan. A report is due November 1, 2021. ([Item 75 #2c](#))
- Retains the restoration of unallotted staffing and compensation adjustments for Constitutional officers included in the introduced budget:
  - \$2.6 million GF in FY 2022 to adjust entry-level salaries for regional jail officers, similar to the increase provided in 2019 for entry-level deputy sheriffs, effective July 1, 2021.
  - Funding for 25 percent of the staffing needs for sworn court services positions;
  - Funding for 25 percent of the staffing needs in Commonwealth's Attorneys' offices;
  - Funding to align deputy Circuit Court Clerks' salaries with those of district court clerks;
  - Funding to establish a minimum of three staff positions in each Circuit Court Clerk's office;
  - \$1 million GF for Circuit Court Clerks' operating budgets in order to reduce the amount of technology trust fund monies that are currently used to support operating budgets as a result of previous budget reductions;
  - \$752,608 GF in FY 2022 for unfunded and underfunded positions in Treasurers' offices;
  - \$950,656 GF in FY 2022 for unfunded and underfunded positions in offices of the Commissioners of the Revenue;
  - \$359,715 GF in FY 2022 to adjust Constitutional officer salaries based on changes in locality populations

## **Elections**

- Authorizes candidates for local office, offices of the General Assembly, statewide offices, and constitutional offices to collect petition signatures through an online form developed by the Department of Elections; this alternative procedure is allowed in 2021 during the COVID-19 state of emergency. ([Item 86 #1c](#))
- Extends the applicability of provisions governing the absentee ballot "cure" process, use of drop off locations for absentee ballots, and the inclusion of prepaid postage with absentee ballots to special elections and primaries held prior to July 1, 2021 (when legislation making these provisions permanent would take effect). These provisions were first incorporated in the budget passed during the special session and applied to the November 2020 general election. ([Item 86 #2c](#))
- Directs the Department of Elections to use funds remaining from the appropriation provided in the special session to continue to reimburse localities for costs associated with providing prepaid postage with absentee ballots. VACo



has advocated for continued state support for this state policy goal. ([Item 86 #3c](#))

- Provides \$3.5 million GF in FY 2022 to increase salaries for general registrars to place them on par with those of treasurers. VACo had advocated for funding for full reimbursement to localities for compensation of general registrars and electoral board members and is seeking clarity as to the percentage of reimbursement that would be covered by this appropriation. ([Item 87 #1c](#))
- Directs the Chairs of the Virginia Redistricting Commission to keep legislative leadership and the Governor informed regarding the availability of U.S. Census data and its effect on House of Delegates elections. ([Item 4-14 #2c](#))

## **Agriculture and Forestry**

- Provides an additional \$750,000 GF in FY 2022 for the Virginia Farmland Preservation Fund, bringing the total to \$1 million for the year. ([Item 97 #2c](#))
- Provides an additional \$2 million GF in FY 2021 for the Virginia Food Access Investment Program, which brings the total appropriation to \$3.1 million GF for the year. VACo was involved in the establishment of this program, which offers grants and loans to expand access to grocery stores and small food retailers in historically marginalized communities. ([Item 97 #3c](#))
- Directs the Department of Forestry to convene a stakeholder workgroup to make recommendations to state and local governments on policies which encourage the conservation of mature trees and tree cover on sites being developed, increase tree canopy cover in communities, and encourage the planting of trees. VACo has been part of the group of stakeholders advocating for this initiative. ([Item 107 #1c](#))

## **Economic Development/Workforce**

- Provides \$10 million GF in FY 2022 to establish a special, non-reverting Virginia Community Development Financial Institutions Fund to provide grants to community development financial institutions, community development enterprises, or similar entities whose primary purpose is to provide financing in the form of loans, grants or forgivable loans to small businesses or community revitalization real estate projects in Virginia. ([Item 114 #8c](#))
- Restores \$250,000 GF in FY 2022 for enterprise zones, which was unallotted in April 2020 and subsequently reduced during the special session. ([Item 115 #1c](#))
- Directs the Department of Mines, Minerals, and Energy to establish a work group to determine the feasibility and approach of creating a Virginia Residential Property-Assessed Clean Energy (R-PACE) Program. A report is due December 1, 2021. ([Item 125 #1c](#))
- Provides \$300,000 GF in FY 2022 for the Virginia Employment Commission to complete an actuarial study of the costs associated with the implementation of a paid family and medical leave program in Virginia. ([Item 131 #2c](#))

- Provides \$18.9 million GF in FY 2022 to support costs for the Virginia Employment Commission to forgive the overpayment of unemployment insurance benefits under certain conditions. ([Item 131 #3c](#))
- Directs \$25 million in revenues from “gray machines” to be used for grants to small businesses through the Rebuild Virginia Program. ([Item 479.10 #4c](#))
- Retains Governor’s restoration of \$36 million GF in FY 2022 for the G3 (Get Skilled, Get a Job, Give Back) program, which assists with community college tuition and other costs for students meeting certain eligibility criteria who are enrolled in programs preparing them for careers in certain high-demand fields. Conference report includes language defining a high-demand field and specifying the process through which additional fields will be added in the future; specifies that health care workers, first responders, and other essential workers are eligible for the program at no cost during the state of emergency and for two years thereafter. ([Item 221 #1c](#))
- Retains several other items from introduced budget:
  - Restoration of \$2 million GF in FY 2022 for the Virginia Jobs Investment Program. VACo supports this program, which assists businesses with workforce training costs.
  - Restoration of \$5 million GF in FY 2022 for the Virginia Business Ready Sites program.
  - \$500,000 GF in FY 2022 to create the Office of Education and Labor Market Alignment within the Virginia Economic Development Partnership. Conference report adds language directing the Office to serve as a resource for education and workforce programs administered by state government to better inform programmatic decisions on workforce education and training and to assist in determining strategic education and workforce investments.
  - \$10 million GF in one-time funding in FY 2022 to increase staffing for processing of unemployment insurance claims.
  - \$5 million GF in one-time funding in FY 2022 to integrate federal CARES Act programs into the state’s modernized unemployment insurance system.

## **Broadband**

- Provides \$424,000 GF in FY 2022 for the creation of a statewide broadband map. VACo supported this item. ([Item 114 #2c](#))
- Directs the Department of Housing and Community Development to establish a pilot program within the Virginia Telecommunication Initiative (VATI) for which public broadband authorities may apply without a private sector partner, with awards not to exceed 10 percent of total available VATI funds. VACo supports removing the requirement that VATI funds only be made available to local governments with a private sector partner. ([Item 114 #9c](#))
- Provides \$500,000 GF in FY 2022 for initiatives designed to expand education and telehealth access in the Lenowisco Planning District Commission and Cumberland Plateau Planning District Commission. ([Item 114 #10c](#))

- Directs the Department of Social Services to design a program to provide a subsidy for broadband service costs for select households participating in the Supplemental Nutrition Assistance Program. A report on the potential program is due by November 1, 2021. ([Item 359 #2c](#))
- Retains the Governor’s proposal to provide an additional \$15.25 million GF for VATI, for a total of \$49.7 million in the VATI program in FY 2022 and \$250,000 in administrative support. VACo supports this additional financial assistance to counties to build the necessary telecommunications infrastructure for unserved areas.

## **Housing**

- Provides \$50,000 GF in FY 2022 for costs associated with a workgroup to be convened by the Department of Housing and Community Development to develop recommendations on increasing local development of accessory dwelling units on single-family lots. ([Item 113 #1c](#))
- Updates language regarding rental assistance and specifies the process through which a landlord may apply for rental assistance on behalf of a tenant, as well as the circumstances under which the landlord may take action to obtain possession of the dwelling unit. ([Item 4-14 #4c](#))
- Retains the Governor’s proposal to deposit \$15.7 million GF in FY 2021 and \$25 million GF in FY 2022 in the Housing Trust Fund, with direction that the FY 2021 deposit be dedicated to continuing the Virginia Rent and Mortgage Relief Program after the expiration of federal Coronavirus Relief Funds that are currently supporting the program. Also retains Governor’s proposal to restore \$3.3 million GF in FY 2022 to continue the Eviction Prevention and Diversion Pilot Program, which supports local or regional programs that link clients to local departments of social services and legal aid.

## **Child Care/Early Childhood**

- Captures \$15.9 million GF in FY 2021 from the Virginia Preschool Initiative (VPI) based on actual enrollment reported in the 2020-2021 school year. ([Item 145 #4c](#))
- Retains Governor’s language authorizing the use of unspent VPI funds to supplement certain other early childhood initiatives; conference report directs the Department of Education to prioritize serving at-risk four-year-olds in reallocating funds among components of VPI. ([Item 145 #14c](#))
- Appropriates \$52.5 million in federal Child Care and Development Fund (CCDF) dollars in FY 2022 to temporarily expand the Child Care Subsidy Program in accordance with legislation passed by the General Assembly. ([Item 137 #2c](#)) Related amendment [Item 350 #6c](#) appropriates \$9.6 million in CCDF funds in FY 2021.
- Retains Governor’s proposal to increase the VPI per-pupil amount from \$6,326 to \$7,655 by providing \$11.1 million GF in FY 2022; retains Governor’s proposal to restore \$5 million GF in FY 2022 for incentive payments to retain early



childhood educators. Retains Governor's proposed \$164,174 GF in FY 2022 for a Deputy Superintendent of Early Childhood position in the Department of Education.

### **Aid to Local Public Libraries**

- Restores \$1 million GF in FY 2022 in state aid to local public libraries that was unallotted in April 2020. VACo supported the restoration of this funding. ([Item 247 #1c](#))

### **Study of Local Property Tax Exemptions**

- Directs the Commission on Local Government to review the effects of mandatory property tax exemptions on local finances, to include recommendations to mitigate the impacts on local budgets. This language was a request of VACo. ([Item 114 #4c](#))

### **Children's Services Act**

- Directs the Department of Education to collect and report data on staff credentials, accreditation status, and incidents of restraint and seclusion in private special education day schools and directs the Board of Education to promulgate regulations for private special education day schools on restraint and seclusion that establish the same requirements as those for public schools. These proposals are recommendations of JLARC in its November 2020 report. ([Item 138 #2c](#))
- Includes \$121,443 GF in FY 2022 to fund an additional position in the Office of Children's Services (OCS) to support the additional responsibilities to be undertaken by the agency as a result of legislation passed by the General Assembly, which incorporated JLARC recommendations for the agency to be more involved in ensuring effective local implementation of the Children's Services Act. Requires OCS to develop a plan to modify its staffing and operations to carry out these responsibilities and to collect information from local CSA programs regarding staffing and funding levels in order to target technical assistance, both also recommendations of JLARC. ([Item 293 #1c](#))
- Eliminates the annual two percent rate cap on increases that localities may pay for private day special services under the Children's Services Act in FY 2022 in anticipation of the completion of a report on rate-setting in September 2021 and rate-setting beginning July 1, 2022. ([Item 292 #1c](#))
- Eliminates language that was added to the budget during the special session to make clear that local Children's Services Act programs must continue to fund services associated with a child's placement in a private school pursuant to an individualized education plan, but may adjust rates paid to account for virtual or distance learning such that rates reflect the level of service being provided. ([Item 292 #2c](#))

- Provides \$305,357 GF in FY 2022 to support CSA costs associated with the State Kinship Guardianship Assistance Program established in legislation this session, which provides financial assistance to relatives and fictive kin (non-relatives who have an established relationship with a child or his/her family) who assume custody of a child who would otherwise be in foster care. ([Item 292 #3c](#))
- Retains actions in the Governor’s budget that reflect the shifting of costs from Title IV-E to Medicaid for children in psychiatric residential treatment facilities. The Department of Medical Assistance Services has indicated that these costs are no longer to be covered by Title IV-E, which is a state-federal cost-share, and will instead be covered by Medicaid, which includes a local match.

## **Health**

- Designates \$956,377 in federal grant funds in FY 2022 to implement legislation passed this session that would provide for the development and implementation of a system for sharing information regarding confirmed cases of communicable diseases of public health threat with emergency medical services agencies in real time during a declared public health emergency. ([Item 299 #3c](#))
- Provides \$2.7 million GF in FY 2022 to support 23 additional epidemiologist and communicable disease nurse positions in local health departments, in addition to the 24 positions funded with \$3.1 million in the introduced budget. ([Item 302 #1c](#))
- Modifies a proposal in the introduced budget to update the revenue capacity data in the funding formula for the Cooperative Health Budget (which funds local health departments). As introduced, the formula would be updated in FY 2022, and \$10.2 million in state funding would be provided in FY 2022 to cover the additional state share of funds required for localities that would see their local match rates decrease and to hold localities harmless that would be required to contribute an additional local match. The conference report would instead phase in the formula update over three years and provide \$2.8 million in FY 2022 for the additional state contribution for localities with decreasing local match rates. ([Item 302 #2c](#))
- Provides \$276,897 GF in FY 2022 for increases in rent for local health departments (which includes funding for rent increases that was unallotted in April 2020). Directs the Virginia Department of Health to prepare annual requests for funding for rent increases for potential inclusion in the Governor’s introduced budget. ([Item 302 #4c](#))
- Provides \$2.7 million GF and \$4.2 million in federal Medicaid funding for the costs of remote patient monitoring services provided via telemedicine for Medicaid recipients with medically necessary conditions in accordance with legislation passed this session. VACo has historically supported expanding options for telemedicine. ([Item 313 #21c](#))

## **Behavioral Health**

- Directs the Department of Behavioral Health and Developmental Services (DBHDS) to continue the workgroup established last year to consider expanding the categories of individuals who may conduct evaluations for Temporary Detention Orders. ([Item 320 #1c](#))
- Directs DBHDS to establish a workgroup to review the current processes and barriers to sharing relevant patient information between community hospitals and Community Services Boards (CSBs) for shared patients subject to an Emergency Custody Order and under evaluation for a Temporary Detention Order. ([Item 320 #2c](#))
- Provides \$3.8 million GF in FY 2022 to fully restore funding for pilot projects to reduce census pressures on state hospitals. (A total of \$7.5 million each year was approved in the 2020 Regular Session, but was unallotted in April 2020; half of the funding was restored during the special session and this action restores the remainder.) Language also provides that pilot projects could also include the option to build community capacity for patients on the Extraordinary Barriers List in order to relieve census pressure. ([Item 320 #5c](#))
- Directs DBHDS, in collaboration with the Virginia Treatment Center for Children (VTCC), to develop strategies to better utilize VTCC in assisting with the census pressures on the Commonwealth Center for Children and Adolescents (CCCA). ([Item 320 #7c](#))
- Directs DBHDS, in cooperation with the Department of Medical Assistance Services, the Medicaid managed care organizations, and CSBs to report on current efforts to provide early psychosis intervention and coordinated specialty care for children, adolescents and young adults in need of services. ([Item 320 #8c](#))
- Removes the additional \$2.5 million GF for discharge assistance planning that was included in the introduced budget. ([Item 321 #1c](#))
- Restores \$150,000 GF in FY 2022 to assist with the transportation costs of patients discharged from state hospitals who were admitted under a Temporary Detention Order (these funds were unallotted in April 2020). ([Item 321 #3c](#))
- Includes language clarifying that funding for purchase of acute inpatient or community-based psychiatric services at private facilities shall continue to be allocated to Community Services Boards so as not to disrupt local service contracts. The Governor's budget transfers this funding from the Grants to Localities item in the budget to the DBHDS central office. ([Item 321 #6c](#))
- Provides \$250,000 GF in FY 2022 in additional support to recovery residences organizations. ([Item 321 #7c](#))
- Provides \$2.1 million GF in FY 2022 to restore previously-unallotted funding for forensic discharge planning in jails. ([Item 322 #1c](#))
- Retains Governor's proposal for \$3.5 million GF in FY 2022 to support the diversion and discharge of individuals with dementia from state hospitals, to include contracts to support serving individuals in private settings and funding for a pilot mobile crisis program targeted toward individuals with a diagnosis of dementia. Directs the Secretary of Health and Human Resources to convene a

workgroup to make recommendations for the use of evidence-based services for individuals with dementia to improve quality of care and reduce hospitalizations. Conference report directs the workgroup to include an evaluation of the Northern Virginia Regional Older Adult Facilities Mental Health Support Team in its analysis. ([Item 321 #5c](#))

## **Social Services**

- Provides a 10 percent increase in Temporary Assistance to Needy Families (TANF) and directs the Department of Social Services to develop a plan to increase the standards of assistance by 10 percent annually until the standards equal 50 percent of the federal poverty level. ([Item 350 #2c](#))
- Provides \$2.1 million in TANF funding in FY 2022 to implement a program so that TANF-eligible individuals may save funds in an individual development account established for the purposes of home purchase, education, starting a business, transportation, or self-sufficiency. ([Item 350 #4c](#))
- Reduces the proposed expansion of Supplemental Nutrition Assistance Program Employment and Training programs. The Governor had proposed providing \$2 million GF and \$2.9 million in federal funding to expand the programs to 95 additional local departments of social services; the conference report would instead provide \$1 million GF and \$1.4 million in federal funds. ([Item 350 #5c](#))
- Provides \$2.2 million GF and \$2.2 million NGF in FY 2022 to increase the minimum pay band for local departments of social services positions. The pay band minimum would increase by 20 percent for family services positions and 15 percent for all other benefit program services positions, self-sufficiency services positions, and administration positions that are currently below the new minimum threshold. ([Item 351 #1c](#))
- Provides \$4.4 million GF in FY 2022 to increase the Auxiliary Grant (AG) rate by 10 percent. Auxiliary Grants require a 20 percent local match. ([Item 353 #1c](#))
- Retains Governor's proposal to provide \$9.2 million GF and \$5 million in federal funds in FY 2022 for prevention services for children at imminent risk of entering foster care, in keeping with the Family First Prevention Services Act.

## **Natural Resources**

- Provides an additional \$30 million GF in FY 2022 for agricultural best management practices, in addition to the \$13.6 million in the Governor's budget. ([Item 373 #4c](#))
- Provides \$25 million GF for the Stormwater Local Assistance Fund in FY 2022. This funding is in addition to the \$50 million in bond authorization included in the 2020 Appropriation Act. VACo has historically supported funding for this program. ([Item 379 #1c](#))
- Provides \$50 million GF and \$50 million in bond authorization for the Enhanced Nutrient Removal Certainty Program. This is in addition to the \$50 million in bond authorization provided by the General Assembly last year (so there will be \$150 million available as of July 1, 2021). This funding was strongly supported

by VACo and will help implement the Enhanced Nutrient Removal Certainty Program, as established by [HB 2129 \(Lopez\)](#) and [SB 1354 \(Hanger\)](#). ([Item C-70.50 #1c](#))

- Deposits \$1.1 million GF in the Virginia Stormwater Management Fund in FY 2022. Directs the State Water Control Board to adopt a schedule that sets fees at an amount of at least 60 percent (and no more than 62 percent) of the direct costs for the Department of Environmental Quality's administration, compliance, and enforcement activities in its stormwater management programs. This new fee schedule will affect Virginia Pollutant Discharge Elimination System Permits for Discharges of Stormwater from Construction Activities and municipal separate storm sewer system permits. According to the Virginia Municipal Stormwater Association, MS4 permit fees currently are at 54.5 percent. Most of the impact will be on construction permitting. ([Item 377 #2c](#))
- Provides \$115,000 GF in FY 2022 to fund one position at the Department of Environmental Quality to administer permit-by-rule applications for energy storage projects pursuant to the provisions of [HB 2148 \(Willett\)](#) and [SB 1207 \(Barker\)](#). ([Item 377 #3c](#))
- Provides \$230,000 GF in FY 2022 to fund staffing dedicated to the erosion and sediment control program to review erosion and sediment control plans for solar project permitting upon the request of a locality pursuant to the provisions of [SB 1258 \(Marsden\)](#). Establishes a working group for the purpose of developing an annual or project-based fee schedule for the review of erosion and sediment control plans related to solar energy project applications. The working group is to include representatives of (i) private sector companies that own or operate solar energy facilities, (ii) local governments that permit solar facilities, and (iii) other stakeholders determined by the Department to be necessary to the development of the fee schedule. ([Item 377 #4c](#))
- Creates a multi-agency workgroup to review the practice of retiring agricultural land for the generation of nutrient credits and determine its impact on agricultural sustainability, farmland retention, farmland preservation, and functions of the nutrient credit exchange in the Virginia portion of the Chesapeake Bay watershed and its subwatersheds. ([Item 377 #5c](#))
- Directs the Department of Environmental Quality, the Virginia Department of Agriculture and Consumer Services, and the Virginia Department of Health to convene a joint workgroup to analyze the factors that lead to the formation and occurrence of harmful algae blooms and to make recommendations for plans and strategies for state agencies to lead or support appropriate mitigation efforts. ([Item 377 #6c](#))
- Directs the Department of Environmental Quality to study advanced recycling, which includes processes that convert certain plastic waste into hydrocarbon raw materials. The study is to include a survey of other states' approaches to regulation of advanced recycling and recommendations for regulation of the industry in Virginia. ([Item 376 #1c](#))
- Delays by one fiscal year the authority of the Department of Wildlife Resources to assess fees for access to boat ramps it owns or manages, and directs the Department to study the costs and benefits of such access fees. ([Item 382 #1c](#))



## **Transportation**

- Dedicates \$3.6 million in the Transit Ridership Incentive Program for regional connectivity programs focused on congestion reduction and mitigation through provision of long-distance commuter routes. Appropriates \$233.4 million in federal funding, \$20 million in uncommitted balances from the Transportation Partnership Opportunity Fund, \$15 million in other uncommitted balances previously allocated for Financial Assistance for Planning, Access Road, and Special Projects in FY 2021, and \$55 million GF in FY 2022 for specified initiatives, including:
  - \$83.5 million to extend passenger rail service from Roanoke to the Blacksburg-Christiansburg area and increase the frequency of passenger rail service along the I-81/Route 29 corridor from Washington, DC
  - \$83.5 million to improve commuter rail service on the Virginia Railway Express Manassas line
  - \$93.1 million for improvements to the I-64 corridor
  - \$32.4 million for the state's share of dedicated regional funding for the Washington Metropolitan Area Transit Authority
  - \$10 million for regional trails
  - \$10.9 million for pilot programs for fare-free transit with urban and rural transit providers
  - \$10 million for a connected infrastructure redevelopment demonstration project in the City of Falls Church
  - Funds not allocated by June 1, 2022, will support additional pavement and bridge maintenance projects. Language provides that the GF appropriation shall be unallotted if additional federal funds are provided prior to June 30, 2021. ([Item 447.10 #1c](#) and [Item 430 #1c](#))
- Provides localities who have received funding through the Economic Development Access Program a 48-month moratorium before repayment would be required. ([Item 451 #1c](#))

## **Reserves**

- Makes an additional voluntary deposit of \$250 million to the revenue reserve fund in FY 2021. Retains the Governor's proposed deposit of \$650 million in FY 2022. ([Item 275 #1c](#))

## **Utility Assistance**

- Allows utility assistance program funds derived from the Coronavirus Relief Fund to be applied to a customer's account more than once. Also updates language regarding the Governor's ability to shift funds among Coronavirus Relief Fund allocations given the extension of time allowed to expend the funds. ([Item 479.10 #1c](#))

## **Support for Planning District Commissions**

- Restores \$294,000 GF in FY 2022 in support for planning district commissions; this funding had been unallotted in April 2020. ([Item 114 #6c](#))

## **Other Items of Interest**

- Establishes a Joint Subcommittee on Tax Policy, which is tasked with evaluating the fiscal impact of changes to the individual income tax system, as well as the fairness, certainty, neutrality, and economic efficiency of the Commonwealth's tax policies and making recommendations for any changes to the Code. ([Item 1 #5c](#))
- Creates a public body procurement workgroup to review and study proposed changes to the Code of Virginia in areas of non-technology goods and services, technology goods and services, construction, transportation, and professional services procurements. ([Item 82 #1c](#))
- Provides \$2 million GF in FY 2021 and \$76,000 GF in FY 2022 for state costs associated with legislation establishing a presumption that COVID-19 is a work-related disease for first responders under the Workers' Compensation Act ([HB 2207](#) and [SB 1375](#)) and legislation giving localities the option of adding EMS workers to the workers' compensation presumption for hypertension or heart disease ([HB 1818](#) and [SB 1275](#)). ([Item 477 #3c](#))
- Establishes the Assistance for COVID-19 Trust Fund and requires that any new federal assistance provided to assist the Commonwealth with the revenue and economic impacts resulting from the pandemic be deposited to the Fund; bars any expenditure from the Fund that is not specifically appropriated in a general appropriation act. ([Item 479.10 #3c](#))

**VACo Contacts:** [VACo Legislative Team](#)

## **General Assembly votes to legalize marijuana**

After months of debate and over a year of preliminary study and analysis, the General Assembly has voted to legalize marijuana in the Commonwealth.

[HB 2312 \(Herring\)](#) and [SB 1406 \(Ebbin\)](#) passed the House of Delegates and Senate late on Saturday, February 27, paving the way for the legalization and subsequent commercialization of marijuana throughout Virginia. In a virtual legislative session marked by countless twists, turns and challenges, these bills were amongst the most difficult for the General Assembly to grapple with. By the time a final vote was taken in each chamber, the bills had already been heard by three subcommittees and six full committees in the House and Senate, not to mention the many days of rigorous debate heard on the floor of each chamber.

Ultimately, a [compromise version of HB 2312/SB 1406](#) passed with lengthy delays incorporated in the legislation. As it currently stands, both the legalization of possession of marijuana as well as the establishment of retail sales are delayed until January 1, 2024. The Commonwealth can begin to act as of July 1, 2021, to establish and develop the Virginia Cannabis Control Authority, the regulatory body that will provide oversight to this new industry.

As with earlier drafts, the final legislation agreed to is sweeping in nature, covering numerous topics (ranging from criminal code revisions to tax policy) and clocking in at 264 pages. For the sake of brevity, three main local government concerns will be addressed here: local option, tax, and land use.

## **Local Option for Retail Stores**

*§ 4.1-629, Lines 6816-6849*

The approved legislation provides that a local referendum may be held on the possible prohibition of retail marijuana stores in each locality. Per **§ 4.1-629**, the governing body of a locality may, by resolution, petition the circuit court for the locality for a referendum on the question of whether retail marijuana stores should be prohibited in the locality.

If a majority of the voters in such referendum vote "No," retail marijuana stores shall be permitted to operate within the locality 60 days after the results are certified or on January 1, 2024, whichever is later. Additionally, no subsequent referendum may be held pursuant to this section within such locality. If, however, a majority of voters vote "Yes" on the question, retail marijuana stores shall be prohibited in the locality effective January 1 of the year immediately following the referendum. A referendum on the same question may be held subsequent to a vote to prohibit retail marijuana stores, but not earlier than four years following the date of the previous referendum. Any subsequent referendum shall be held pursuant to the provisions of this section.

When any referendum is held pursuant to this section in a town, separate and apart from the county in which such town or a part thereof is located, such town shall be treated as being separate and apart from such county. When any referendum is held pursuant to this section in a county, any town located within such county, shall be treated as being part of such county.

Finally, Enactment Clause #22 of the legislation stipulates that the initial referendum authorized under § 4.1-629 shall be held and results certified by **December 31, 2022**. A referendum on such question shall not be permitted in a locality after January 1, 2023, unless such referendum follows a referendum held prior to December 31, 2022, and any subsequent referendum, in which a majority of voters voted "Yes" to prohibit the operation of retail marijuana stores.

## **Tax and Revenue**

*§ 4.1-614, Lines 6639-6665; § 4.1-1003, Lines 7520-7533; § 4.1-1004, Lines 7534-7553*

Per **§ 4.1-1003** of HB 2312/SB 1406, a **tax of 21 percent** shall be levied on the sale of retail marijuana, retail marijuana products, marijuana paraphernalia sold by a retail marijuana store, non-retail marijuana, and non-retail marijuana product. This new tax shall be *in addition* to any tax imposed under Chapter 6 (§ 58.1-600 et seq.) of Title 58.1 or any other provision of federal, state, or local law.

The revenue from this 21 percent tax is already accounted for in the legislation. **Per § 4.1-614:**

- Forty percent of the revenue is allocated for pre-kindergarten programs for at-risk three-year-olds and four-year-olds;
- Thirty percent is allocated to the Cannabis Equity Reinvestment Fund (established pursuant to § 2.2-2499.4 of the legislation);
- Twenty-five percent is allocated to the Department of Behavioral Health and Developmental Services (DBHDS), to be distributed to community services boards (CSBs) for the purpose of administering substance use disorder prevention and treatment programs; and
- Five percent is allocated to public health programs.

Pursuant to **§ 4.1-1004**, there is also an **optional three percent local tax** that may be levied on any sale taxable under § 4.1-1003. The legislation clarifies that this new local tax shall be in addition to any other local sales tax imposed under Chapter 6 (§ 58.1-600 et seq.) of Title 58.1, any food and beverage tax imposed under Article 7.1 (§ 58.1-3833 et seq.) of Chapter 38 of Title 58.1, and any excise tax imposed on meals under § 58.1-3840. This three percent tax may be levied by ordinance. If a town imposes a tax under this section, any tax imposed by its surrounding county under this section shall not apply within the limits of the town (to prevent an accidental double-tax).

All local tax revenues collected under § 4.1-1004 shall be paid into the state treasury and credited to a special fund called "Collections of Local Marijuana Taxes." The revenues shall be credited to the account of the locality in which they were collected. If revenues were collected from a marijuana establishment located in more than one locality by reason of the boundary line or lines passing through the marijuana establishment, tax revenues shall be distributed pro rata among the localities. Payments shall be made to each locality on a quarterly basis.

### **Land Use Authority**

*§ 4.1-630, Lines 6850-6865; § 4.1-631, Lines 6866-6876*

A consistent theme in the debate over these bills was the extent to which local governments had authority over the commercialization of marijuana. Simply put, the legislation does seek to broadly limit the authority a locality has to adopt future ordinances or resolutions regarding the cultivation, manufacture, possession, sale,

wholesale distribution, handling, transportation, consumption, use, advertising, or dispensing of retail marijuana or retail marijuana products in the Commonwealth. Despite this language, however, the legislation does provide several key provisions that help local governments:

First, as described in depth earlier, localities do have the option to hold a referendum on the prohibition of retail sales of marijuana.

Second, any county, city, or town may adopt an ordinance (i) that prohibits the acts described in § 4.1-1108, or the acts described in § 4.1-1109, and may provide a penalty for violation thereof; and (ii) that regulates or prohibits the possession of opened retail marijuana or retail marijuana products containers in its local public parks, playgrounds, public streets, and any sidewalk adjoining any public streets.

Additionally, the legislation does include language (**§ 4.1-630(C)**) that was proposed by VACo and other local government representatives that clarifies that “nothing in this chapter shall be construed to supersede or limit the authority of a locality to adopt and enforce local ordinances to regulate businesses licensed pursuant to this chapter, including local zoning and land use requirements and business license requirements.”

Finally, **§ 4.1-631** authorizes counties, cities, and towns to adopt ordinances that regulate the hours during which retail marijuana and marijuana products may be sold.

## **Next Steps**

Having now passed both the House and Senate, HB 2312/SB 1406 will be communicated to the Governor for analysis and eventual action. While not highlighted in this particular write-up, there are numerous questions and issues that stakeholders – both supporters and opponents of the legislation – have continued to raise, particularly related to the criminal justice aspects of this legislation (especially in regard to the 2024 legalization date). It is unclear what – if any – amendments the Governor may send back to the General Assembly.

VACo will continue to monitor this legislation and will provide updates, as necessary.

**VACo Contact:** [Chris McDonald, Esq.](#)

## **Conference report agreed to on COVID-19 workers' compensation presumption legislation**

The House and Senate adopted recommendations from two committees of conference on legislation that would establish COVID-19 as a presumptive illness. As previously



[reported](#), [SB 1375 \(Saslaw\)](#) and [HB 2207 \(Jones\)](#) would establish a presumption that COVID-19 causing the death or disability of firefighters, EMS personnel, law-enforcement officers, and correctional officers and regional jail officers is an occupational disease compensable under the Workers' Compensation Act. The Senate originally stipulated a prospective presumption effective July 1, 2021, whereas the House originally stipulated a retroactive presumption eligible to March 2020. VACo urged the conferees to support the prospective version of the bill, which would have less fiscal impact to local governments than the estimated \$15 million that would be felt if the retroactive presumption favored by the House were enacted.

VACo thanks everyone who responded to our action alert on this legislation to speak with the conferees: Senators Saslaw, Norment, Petersen, Barker and Newman and Delegates Jones, Hurst, and Kilgore.

The conference committee proposed amendments to both bills that included a retroactive presumption application, but only effective to September 1, 2020. This is not ideal, but the six months difference between the compromise date and the originally proposed date of March 12, 2020, will hopefully have less fiscal impact to local governments, though still more than a prospective eligibility date effective July 1, 2021. In explaining the reason for the compromise date, Senator Saslaw indicated that it would still provide retroactive coverage to eligible employees, but hopefully not have as much fiscal impact as would a March 12, 2020 retroactivity. Both the House and Senate passed the bills as amended by the conference committee unanimously, with one abstention in the House.

VACo is appreciative that the conferees did not extend retroactive coverage back to March 12, 2020, however any expansion of retroactive coverage without additional state or federal funding will not only have fiscal impact to local governments, but also likely lead to lengthy and contentious adjudication of workers' compensation claims for eligible employees. This stems from the reinsurance contracts for risk insurance providers. Additional state or federal funding provided to local governments and risk insurers would likely negate any of these contract issues and facilitate adjudication of retroactive claims.

**VACo Contact:** [Jeremy R. Bennett](#)

## **Bill to incentivize procurement of electric school buses runs out of fuel**

In the waning moments of the 2021 special legislative session, attempts to authorize Dominion Energy to implement an ambitious capital project to replace existing K-12 diesel buses with electrically powered vehicles failed. This is the second year in a row such legislation was defeated by the House of Delegates. Building on the 2019 launch of a pilot [program](#) to bring 50 electric school buses to a number of localities within

Dominion's service area, the utility seeks to scale up this endeavor to more than 1,000 vehicles.

As previously [reported](#), as introduced, [SB 1380 \(Lucas\)](#) would expand the existing program to allow local school divisions to partner with Dominion to purchase up to 1,250 additional electric school buses. School divisions would be reimbursed for the purchase of the school buses and charging infrastructure. The use of electric school buses would serve as electric grid stabilizers by allowing the batteries needed to charge the buses to store and inject energy into the grid during periods of high demand when the buses are not being used for the transport of students. The incentive for Dominion to embark on this investment would be express authorization to seek rate adjustments to cover the costs of implementing this program.

Late Saturday, as deliberations on all remaining legislation were ending, the House rejected a modified version of the bill by a vote of [49 to 41](#). While the bill had the support from several school divisions and the Virginia Association of School Superintendents (VASS), opposition from several environmental groups expressing equity concerns over Dominion recouping the costs of the projects from rate payers lead to its demise.

**VACo Contacts:** [Joe Lerch, AICP](#) and [Jeremy R. Bennett](#)

## **Regulation regarding state intervention in local departments of social services open for public comment**

The State Board of Social Services is considering a proposed regulation that would authorize the Commissioner of the Virginia Department of Social Services to intervene in situations where a local department is failing to provide public assistance or social services. Current Code allows the Board to authorize the Commissioner to step in and provide for these services to be carried out if a county or city fails or refuses to do so. The same statute also provides that in circumstances where a locality "fails to operate public assistance programs or social service programs in accordance with state laws or regulations or fails to provide the necessary staff for the implementation of such programs," the Board may authorize the Commissioner to withhold (in whole or in part) the locality's reimbursement for administrative expenditures.

This Code section has been in place for many years, but it provides that this authority shall be exercised "under regulations of the Board," and regulations had not been adopted when this issue was revisited in 2018. Emergency regulations were put in place in 2018 and were originally set to expire in June 2020, but were extended until December 2020. The State Board of Social Services discussed the issue in summer 2019; VACo made public comment at the Board's meeting encouraging the Board to

spell out the parameters around when this authority would be invoked and incorporate certain protections for localities. VACo and VML met with staff at the Virginia Department of Social Services in fall 2019 to discuss these concerns.

Permanent regulations are now under consideration and a public comment period is open until March 19. The proposed text may be found at [this link](#). Comments may be submitted at [this link](#). VACo's comments are available at [this link](#) and largely recapitulate the need for specificity on how the authority will be exercised. VACo has suggested that procedures for implementing this authority be vetted through the regulatory process and spell out the metrics through which failure to provide services will be documented; provide for notice to the locality that it risks state oversight and the opportunity for the locality to develop a corrective action plan and demonstrate improvement; allow for the local department and local governing body to appear before the State Board of Social Services; provide for local participation in the development of the plan for reimbursement of the Commonwealth's expenditures in providing services within the local department; and provide clarity on how withholding of reimbursement for administrative expenditures would be carried out.

**VACo Contact:** [Katie Boyle](#)

## Opioid Abatement Authority bills pass House and Senate

[HB 2322 \(Herring\)](#) and [SB 1469 \(Barker\)](#) have passed both houses and are expected to be signed into law by the Governor. This legislation creates a new body called the Opioid Abatement Authority as a means of receiving, approving and disbursing funds that are forthcoming as a result of potential opioid litigation settlements involving Virginia state and local public bodies. The legislation does a number of things including creating a fund, appointing authority members, establishing the powers and duties of the authority, creating a method for disbursement of funds, and establishing reporting requirements.

The Authority would receive money from settlements, judgments, verdicts court orders and the like related to litigation involving the manufacture, marketing, distribution, and sale of opioids. The money will be used to provide grants and loans to Virginia agencies and localities for the purpose of treating, preventing, and reducing opioid use. Under the legislation the Office of the Attorney General shall assist with administration of the fund including an apportionment formula.

The Board of Directors would consist of 11 members to include (i) the Secretary of Health and Human Resources or his designee; (ii) the Chair of the Senate Committee on Finance and Appropriations or his designee and the Chair of the House Committee on Appropriations or his designee; (iii) an elected member of the governing body of a participating locality, to be selected from a list of three submitted jointly by the Virginia Association of Counties and the Virginia Municipal League; (iv)

one representative of a community services board or behavioral health authority serving an urban or suburban region containing participating localities and one representative of a community services board or behavioral health authority serving a rural region containing participating localities, each to be selected from lists of three submitted by the Virginia Association of Community Services Boards; (v) one sheriff of a participating locality, to be selected from a list of three submitted by the Virginia Sheriffs' Association; (vi) one licensed, practicing county or city attorney of a participating locality, to be selected from a list of three submitted by the Local Government Attorneys of Virginia; (vii) two medical professionals with expertise in public and behavioral health administration or opioid use disorders and their treatment; and (viii) one representative of the addiction and recovery community.

The Authority would establish criteria to evaluate and make awards from the fund, employ staff for the Authority and report annually on its activity. The allocations listed in the bill include for every deposit to the Fund, the Authority shall allocate a portion to the following purposes:

1. Fifteen percent shall be restricted for use by state agencies;
2. Fifteen percent shall be restricted for use by participating localities, provided that if the terms of a settlement, judgment, verdict, or other court order, or any agreement related thereto between the Attorney General and participating localities, require this portion to be distributed according to a local apportionment formula, this portion shall be distributed in accordance with such formula;
3. Thirty-five percent shall be restricted for use for regional efforts; and
4. Thirty-five percent shall be unrestricted. Unrestricted funds may be used to fund the Authority's staffing and administrative costs and may be distributed for use by state agencies, by participating localities, or for regional efforts in addition to the amounts set forth in subdivisions 1, 2, and 3, provided that the Authority shall ensure that such funds are used to accomplish the purposes of this article or invested under subsection F.

Although the litigation has not yet been settled, the idea would be that any local entity that agrees to the settlement of the cases ( whether they actually filed suit or not, if they agree to the settlement) would be able to benefit from grants and loans from the Authority.

**VACo Contact:** [Phyllis Errico, Esq., CAE](#)