

Capitol Contact

Virginia General Assembly

Virginia Association of Counties • 1207 E. Main Street, Suite 300 • Richmond, VA 23219
www.vaco.org • 804.788.6652

Thursday, January 27, 2022

Grocery Tax Elimination under Consideration

Five bills have been introduced to eliminate the sales and use tax on groceries and essential personal hygiene products. Currently, food purchased for human consumption and essential hygiene products are taxed at 2.5 percent, a reduced rate relative to the general sales tax applied to other purchases. The 2.5 percent is composed of a 1.5 percent state sales tax and a 1 percent local option sales tax. From the 1.5 percent state portion, 1 percent is distributed to localities, based on school-age population, for school funding needs, and 0.5 percent is deposited to the Commonwealth Transportation Fund. Estimates developed by the state Department of Taxation indicate that the elimination of the sales tax on groceries and essential hygiene products would reduce revenues in FY 2023 by \$238.5 million for the 1 percent local option, \$236.1 million for the school-age population distribution, and \$119.3 million for the Commonwealth Transportation Fund. The loss of the school-age population distribution funding would be partially offset by an increase in state basic aid funding, although this additional aid would be distributed based on the Local Composite Index.

The introduced budget provided for the elimination of the state portion of the tax on groceries, effective January 1, 2023, with a one-time hold-harmless appropriation in each year of the biennium associated with the school-age population distribution.

As introduced, the bills take two different approaches to this issue:

[HB 1008 \(Durant\)](#), [SB 571 \(Newman\)](#), and [SB 609 \(DeSteph\)](#) would eliminate the state and local sales tax on groceries and essential personal hygiene products, effective July 1, 2022. As introduced, the bills do not provide for revenue replacement.

[HB 90 \(McNamara\)](#) and [SB 380 \(McDougle\)](#) would eliminate the state and local sales tax on groceries and essential personal hygiene products, effective July 1, 2022. The bills would compensate for the lost revenue by requiring an annual supplemental school payment to be made to each county and city. In FY 2023, this payment would be the amount the county or city received in FY 2022 from the local school age population distribution, plus the amount of local-option sales tax revenue attributable to taxes on groceries and essential personal hygiene products. For FY 2024 and thereafter, the supplemental school payment would be indexed to the growth in sales tax revenues in the county or city. The supplemental school payment revenues are derived from the unrestricted general fund portion of the state sales tax.

HB 90 and HB 1008 have been referred to [House Finance](#); SB 380, SB 571, and SB 609 have been referred to [Senate Finance and Appropriations](#).

VACo encourages members to be in contact with your legislators about these bills.

KEY POINTS

- Sales and use taxes provide significant revenues to local governments that would be extremely difficult to replace based on other revenue sources that are available to localities. While varying by locality, exempting groceries from sales taxes would reduce the taxable sales base by an estimated statewide average of 17 percent.
- VACo takes no position on the question of elimination of the sales tax on groceries; however, if the state pursues this policy option, localities must be made whole for the lost revenue.
- Revenue must be replaced on an ongoing basis, via a direct distribution to localities in statute, with a mechanism that allows for growth.

VACo Contact: [Katie Boyle](#)

School Construction Bill to be Heard Tomorrow Morning – Call House Finance Subcommittee Members to Support the Bills

[HB 531 \(Hudson\)](#) and [HB 1099 \(LaRock\)](#) would permit any county or city to impose an additional local sales and use tax of up to 1 percent, if initiated by a resolution of the

local governing body and approved by voters at a local referendum. The revenues of such a local tax would be used solely for capital projects for the construction or renovation of schools. Any tax imposed shall expire when the costs for capital projects are to be repaid and shall not be more than 20 years after the date of the resolution passed. Currently, this authority is limited to the qualifying localities of Charlotte, Gloucester, Halifax, Henry, Mecklenburg, Northampton, Patrick, and Pittsylvania Counties and the City of Danville. [HB 63 \(Edmunds\)](#) and [HB 545 \(Hudson\)](#) would expand this authority to Prince Edward County and the City of Charlottesville respectively and are also supported by VACo.

These bills allow counties to exercise a local voter approved option to meet their community needs.

ACTION REQUIRED – Call your legislators who serve on the [House Finance Committee's Subcommittee #3](#) now to encourage their support of these measures. Please let VACo know how your legislators respond to your request.

These bills will be heard tomorrow at 7:30 a.m. in the House Finance Committee's Subcommittee #3. Please contact members **TODAY** to urge them to support, HB 531, HB 1099, HB 63, and HB 545.

KEY POINTS

- Funding for school construction and renovation is one of the biggest concerns and responsibilities of local governments in the Commonwealth and has been almost solely a local responsibility for decades. The condition of the facilities in which children are educated has a direct impact on their ability to learn.
- Many localities face significant challenges in raising sufficient funds to undertake these projects. These challenges include over-reliance on real property taxes to generate revenue, which can have vastly different yields depending on the locality and disproportionately burden a subset of taxpayers within a jurisdiction. This raises concerns over equity and diversity of revenues.
- According to the [Commission on School Construction and Modernization](#), more than half of K-12 school buildings in Virginia are more than 50 years old. The amount of funding needed to replace these buildings is estimated to cost \$24.8 billion. The Commission reported \$3 billion in needed renovations beyond existing Capital Improvement Plans, which indicates that fully addressing this problem will take a multi-billion-dollar effort.
- This legislation is a unanimous recommendation by the Commission on School Construction and Modernization.
- VACo is supportive of the other [recommendations](#) made by the Commission on School Construction and Modernization to improve K-12 school infrastructure across the Commonwealth.

- This bill is not a tax increase. It would merely create a local option and another tool in the toolbox of local government, which would only be enacted by local referendum.

KEY CONTACTS

[House Finance Committee's Subcommittee #3: Byron \(Chair\), Orrock, Freitas, Robinson, Runion, Murphy, Hudson, Scott, D.L.](#)

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

Legislation Providing Local Flexibility in Marcus Alert Implementation Reported from Senate Committee

[SB 361 \(Stuart\)](#), as reported by the Senate Education and Health Committee, would provide local flexibility for smaller jurisdictions with respect to participation in the Marcus Alert system. This system was created via legislation passed in special session in 2020, and generally seeks to ensure that the behavioral health system responds to behavioral health crises to the extent possible, and that when law enforcement must be the first responders, the response is specialized and informed by additional training. As part of the 2020 legislation, localities are required to develop a plan by July 1, 2022, that outlines protocols for transferring calls from 911 to the 988 regional call centers (these protocols must integrate a framework to triage urgency that was developed by a statewide working group in 2021), protocols for law enforcement who will serve as backup to regional mobile crisis teams, and protocols for a specialized response from law enforcement when responding to a behavioral health emergency. Localities must also outline their plans for achieving community coverage through the four-level urgency framework, with some localities expected to rely on mobile crisis teams developed through the Department of Behavioral Health and Developmental Services and deployed on a regional basis, while others may provide additional teams to ensure faster response times. The first five Community Services Boards were required to implement protocols and ensure community coverage by December 1, 2021, with the following five areas implementing community coverage by July 1, 2023, and additional areas implementing in 2024, 2025, and 2026, with statewide coverage achieved by July 1, 2026.

As introduced, the legislation provided that participation in the system would be optional for all localities. The bill was amended in subcommittee to provide this flexibility for localities with populations of less than 80,000. VACo supports this

legislation and spoke in favor in subcommittee. The Senate Education and Health Committee heard the bill on January 27, and reported it unanimously.

A companion bill in the House, [HB 1191 \(Ransone\)](#), has been referred to the [House Public Safety Committee](#).

VACo Contact: [Katie Boyle](#)

Key Dates for the 2022 General Assembly

As part of its organizational work on the first day of the 2022 session, the General Assembly adopted a procedural resolution on January 12 that sets out important dates and deadlines for the 2022 legislative session.

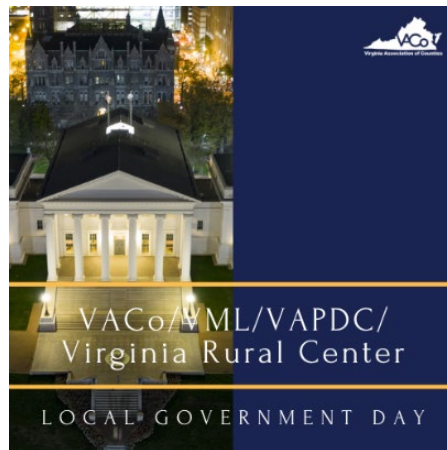
Key dates for the 2022 Session

- **January 12:** General Assembly convened at noon. Bills that were “prefiled” were due to be submitted by 10 a.m. All bills and regulations affecting the Virginia Retirement System or creating or continuing a study were required to be filed before adjournment. Governor Northam delivered the State of the Commonwealth address at 7 p.m.
- **January 14:** Deadline for submission of budget amendments
- **January 15:** Joint Assembly for inaugural ceremonies
- **January 17:** Joint Assembly for address by Governor Youngkin
- **January 21:** Deadline for all bills or joint resolutions to be filed by 3 p.m. (with some exceptions, such as legislation introduced at the request of the Governor or legislation allowed to be introduced after deadlines by unanimous consent)
- **February 15:** “Crossover” deadline for each chamber to complete work on legislation originating in that chamber (except for the budget bill)
- **February 20:** Money committees report budgets by midnight
- **February 22:** Money committee budget proposals available by noon

- **February 24:** Houses of introduction must complete work on budget
- **March 2:** Deadline for each chamber to complete work on other chamber's budget proposal and revenue bills and appoint conferees
- **March 7:** Deadline for committee action on legislation by midnight
- **March 12:** Scheduled adjournment *sine die*
- **April 27:** Reconvened session for consideration of Governor's amendments and vetoes

VACo Contact: [Katie Boyle](#)

**Advocate for your locality at the
VACo Local Government Day**
In Partnership with VML, VAPDC and the Virginia Rural Center



Thursday, February 3, 2022 | [Omni Richmond Hotel](#) | [REGISTRATION FORM](#) | [REGISTER ONLINE](#)

Local Government Day

It's a day for all of us. Counties. Cities. Towns. Planning Districts. It's a day for us to learn how the decisions being made by the General Assembly might affect us. And it's a

day to make our voices heard. Attend Local Government Day. Then visit the Capitol to meet with your legislators and observe committee meetings. Later join us for a reception.

Registration Fee

\$100 Day Briefing only (Noon – 2pm)

\$100 Reception only (530pm)

\$150 for both | \$175 late registration

Agenda

- Welcome, Introductions, and Lunch
- Governor-Elect Glenn Youngkin (Invited)
- Team Legislative Reports
- Visit Capitol to speak with Legislators
- Legislative Reception

For information on how to reach your representatives, see the [Virginia House of Delegates](#) and the [Senate of Virginia](#) member websites. Find information about VACo's positions in the [2022 Legislative Program](#). We will distribute the Local Government Day Bulletin before the event.

Be a part of the legislative process at the 2022 General Assembly Session.

Register for the event at [VACo Local Government Day Online](#) or fax the [Registration Form](#) to 804.788.0083.

Hotel Reservation Details

Lodging costs are not covered in the registration fee. Local Government Day is held at the Omni Richmond Hotel, 100 South 12th Street, Richmond, VA 23219. Room rates start at \$162 (single room occupancy). To reserve a hotel room, call 804.344.7000 by January 24, 2022, with this code: **Government Legislative Day 2022 Group** or reserve a room at this [Omni Richmond Hotel link](#).

VACo Contact: [Valerie Russell](#)