

Capitol Contact

Virginia General Assembly

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Money Committee Chairs Announce State Budget Compromise Reached; VACo to Review and to Provide Updates Soon

Senate Finance and Appropriations Committee Chair Louise Lucas and House Appropriations Committee Chair Luke Torian announced today that the conference committee negotiating differences between the House and Senate budgets has reached a compromise agreement. The text of this agreement will be released later today in advance of an expected floor vote on March 9, the scheduled date of sine die or the end of the 60-day session. House rules require 48 hours' notice on the state budget before voting can occur.

VACo will review the budget and will soon provide analysis and updates.

Below is a statement released today from Chair Lucas and Chair Torian.

***RICHMOND, VA** – We are pleased to announce that we have an agreement on the budget. We have worked well together, and the General Assembly will adjourn on time – which hasn't happened in a number of years.*

We have preserved our shared priorities in education, health and human resources, public safety, and in protecting Virginia's environment.

*In education, we were able to provide raises of three percent in each year for teachers. These increases are well deserved, and we are committed to ensuring that Virginia's teachers' pay will be above other states by the end of the next biennium. **In addition, we maintained our commitment to backfill the revenue loss from the elimination of the sales tax on groceries.** The conference report also contains unprecedented funding for other important programs including At Risk and English Language Learners. These investments will ensure that we will have an educated workforce in the future and that our students will be successful.*

We were also able to allocate funding for three percent raises for state and state-supported local employees in each year of the biennium and make investments in state government to meet our current commitments. This budget includes additional investments in health and human resources to address behavioral health and in public safety to make communities safer through funding for violence prevention and supports for victims of crime. We have also ensured guaranteed funding for WMATA as we work to find a long-term solution for their continued financial viability. Other investments include toll relief to those who desperately need it and funding for deferred capital maintenance.

In conclusion, this budget is in the best interest of the Commonwealth and we look forward to sharing the details with you.

By the end of the day, the amendments will be posted to the state budget webpage on the legislative information system and members will receive an email link to the conference report. This will allow for a vote to be held on this conference report on Saturday prior to the timely conclusion of the Session.

VACo Contact: [VACo Legislative Team](#)

Resources for Jails a Continued Area of Legislative Interest

[HB 912 \(Shin\)](#), which initially proposed to limit or eliminate certain fees charged within jails, cap prices for items sold in jail commissaries, and require jails to provide telephone calls to a limited number of recipients at no cost, was substantially revised this session and has now passed both chambers. Similar bills were considered in 2022 and in 2023. In 2022, due to the complexity of the issues involved and the potential financial impact on jail operations, the legislation was converted to a study directive, with a workgroup charged with making recommendations regarding the reduction or elimination of certain fees. The 2022 workgroup failed to reach consensus or to develop detailed data on fee revenue or expenditures. The 2022 legislation was reintroduced in 2023, where it was tabled in both chambers amid committee discussions on the need to provide more state

support to jails so that programming can be funded through public dollars rather than fee revenue (the revised state budget approved in September 2023 included an increase in the local-responsible per diem rate from \$4 to \$5).

As passed by the General Assembly, HB 912 revises the statutes that currently govern the use of net profits from stores within local and regional jails. Current law requires the net profits from the operation of stores within regional jails to be used within each facility for “educational, recreational, or other beneficial purposes as may be prescribed by the superintendent.” Language governing the use of net profits from stores in local jails contains similar provisions, but also allows profits to be used for the general operation of the sheriff’s office. HB 912 adds inmate medical care, to include behavioral health, substance abuse, reentry, and rehabilitative services, as an allowable use of net profits, and eliminates the language allowing the use of profits for “other beneficial purposes as may be prescribed by the superintendent” and for the general operation of the sheriff’s office. The bill also includes similar language prescribing the use of net profits from the operation of telephonic communication or electronic visitation or messaging systems. VACo had expressed concerns about the original version of HB 912, but now has no position on the amended version.

[SB 41 \(Peake\)](#), a helpful bill that would require the Department of Corrections to compensate local jails for the actual cost of housing state-responsible inmates (individuals convicted of felonies with sentences of one year or more), as calculated in the Compensation Board’s annual Jail Cost Report, was passed by indefinitely in Senate Finance and Appropriations. VACo has historically supported this legislation and appreciates the continued consideration of additional resources for jails; VACo staff spoke in support of the measure when it was heard in the Senate Rehabilitation and Social Services Committee earlier in the session.

VACo worked with advocacy partners to submit budget amendments again this session to increase local-responsible per diem rates. While another per diem increase is unlikely this session, additional resources for substance use disorder treatment in jails are under consideration. The introduced budget included \$500,000 in FY 2025 from the state’s opioid settlement funds to provide jail-based substance use disorder treatment, and both the House and Senate budgets propose to increase this amount (to \$2 million in the House and to \$1.5 million in the Senate) and to transfer the funding from the Compensation Board to the Department of Criminal Justice Services for deposit into the Virginia Opioid Use Reduction and Jail-Based Substance Use Disorder Treatment and Transition Fund. This Fund was established in legislation passed in 2023, and will be used to make grants to local and regional jails for the planning or operation of substance use disorder treatment services and transition services; VACo supported the 2023 legislation and supports these proposed budget actions to provide resources to the Fund.

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

Real Property Tax Exemption Constitutional Amendments Moving Forward toward Expected November Referendum

Constitutional amendments must pass in identical form once prior to a General Assembly election and once afterwards prior to being placed before the voters for approval via referendum. A pair of amendments, [HJ 45 \(Tran\)](#) and [SJ 3 \(McPike\)](#), passed in 2023 and have advanced in both chambers this session. These amendments expand the current real property tax exemption for the surviving spouses of servicemembers who are killed in action to the surviving spouses of servicemembers who die in the line of duty, with a Line of Duty determination from the United States Department of Defense. [HB 558 \(Hernandez\)/SB 4 \(McPike\)](#) place the amendments on the November 2024 ballot, and [SB 240 \(McPike\)](#) implements the expanded exemption, effective January 1, 2025, contingent on voter approval of the referendum in November 2024.

Other Constitutional amendments will not move forward this session since the traditional cycle for the initial consideration of an amendment would begin in the 2025 session. A measure of interest to local governments, [HJ 58 \(Carr\)](#), was stricken in House Privileges and Elections (a version of this amendment passed the Senate in 2023 but failed in the House). This proposal would have allowed the General Assembly to authorize local governing bodies to provide for a total or partial real property tax exemption for certain long-time low-income homeowners. The amendment would require the authorizing legislation to stipulate that the real property was designed for single-family habitation and owned and occupied as the owner's sole dwelling for a minimum number of years, that the assessment had increased by a prescribed percentage, and that the taxes were current, or that the owner had entered into a plan for payment of any delinquent taxes. The implementing legislation would also establish the annual household income limits to qualify for the exemption.

VACo Contact: [Katie Boyle](#)

Fiscal Distress Legislation Heading to the Governor's Desk, Scope Limited

[SB 645 \(Aird\)](#), which addresses situations of local fiscal distress, has undergone significant modifications on its journey through the legislative process, and major provisions were substantially narrowed in scope in its most recent iteration. The bill builds on existing budget language that creates a process for state review of local fiscal distress and enables the state to appoint an emergency fiscal manager in situations where a locality is "unwilling or unable to comply with the conditions necessary to address its fiscal distress." As modified in the House (and approved by

the Senate), the provisions allowing the appointment of an emergency fiscal manager now apply only to localities in Planning District 19.

In its current form, SB 645 contains the following provisions:

- The Auditor of Public Accounts is directed to develop criteria for a preliminary determination that a locality may be in fiscal distress. The criteria must be based on information regularly collected by the Commonwealth or otherwise regularly made public by the locality and the locality's annual audited financial reporting. Similar provisions are currently in budget language.
- The Auditor is required to establish a prioritized early warning system based on these criteria and to set up a regular process for review of audited financial data and other relevant factors and qualitative information to make a preliminary determination that a locality may meet the criteria for fiscal distress. Similar provisions are currently in budget language.
- If a locality has not submitted its audited annual financial report within 18 months of its deadline or provided a plan to do so, the Auditor must notify the Governor, the Secretary of Finance, and the Chairs of key legislative committees; this delay automatically triggers the provisions whereby the Auditor makes a preliminary determination that the locality may meet the criteria for fiscal distress. This language is not currently in the budget.
- For a locality where the Auditor has made a preliminary determination of fiscal distress, the Auditor must notify the local governing body; in coordination with the local governing body or chief executive officer, the Auditor may conduct a review and request documents and data from the locality. The locality must acknowledge such a request and ensure that a response is provided within reasonable timeframes. The bill adds new language not currently in the budget to stipulate that if the locality is unresponsive, the Auditor must notify the Governor, the Secretary of Finance, and legislative committee chairs.
- After the review, if the local governing body or chief executive officer requests assistance or if the Auditor is of the opinion that state assistance, oversight, or targeted intervention is needed, the Auditor must notify the Governor and legislative committee chairs (this language is similar to the existing budget provisions, but adds a provision, at the suggestion of local governments, to create a pathway for localities to request assistance). After receiving this notification, the Governor must consult with the money committee chairs about a plan for state assistance, oversight, or intervention, which may be funded with up to \$750,000 from certain unexpended balances. The governing body and the local constitutional officers are required to assist state-appointed staff conducting assistance, oversight, or intervention efforts. These provisions largely mimic existing budget language.

- New language in the bill provides that the Commission on Local Government will act in an oversight capacity to determine whether a locality has taken appropriate action to address its fiscal distress, and will report its findings to the Governor and appropriate legislative committee chairs.
- As amended in the most recent version of the bill, if the Commission concludes that a locality within Planning District 19 is unwilling or unable to address its fiscal distress, the Commission must appoint an emergency fiscal manager and implement a remediation plan (as introduced, the bill allowed the Governor to make this appointment and included sweeping language, to which VACo and other local government advocates objected, allowing the Governor to “use all powers available to him to intervene for the purpose of addressing such fiscal distress”). During the duration of state remediation, the local governing body and chief executive officer may not exercise powers related to local finances, except as spelled out in the remediation plan, which would be adopted by the Commission after public notice and comment. At the request of VACo and other local government advocates, language was added to the bill earlier in the session to require that the plan specify the purpose of remediation efforts, the roles and responsibilities of the governing body and chief executive officer, and the benchmarks that will allow a locality to exit the remediation plan; language was also added at the request of VACo and other advocates to require that the Commission (rather than the emergency fiscal manager) determine when the locality has met the benchmarks approved in the remediation plan.

The House companion, [HB 655 \(Coyner\)](#), failed on the House floor prior to crossover.

Given the amendments made to SB 645 earlier in the session and VACo’s expectation that these interventions would be made in rare, dire circumstances, VACo has no position on the bill.

VACo Contact: [Katie Boyle](#) and [Joe Lerch, AICP](#)

Key Dates for the 2024 General Assembly

As part of its organizational work on the first day of the 2024 session, the General Assembly adopted a procedural resolution on January 10 that sets out important dates and deadlines for the 2024 legislative session.

- **January 10:** General Assembly convened at noon. Bills that were “prefiled” were due to be submitted by 10:00 a.m. Bills affecting the Virginia Retirement System, or creating or continuing a study, were required to be filed by adjournment of the floor session.

- **January 12:** Deadline for submission of member budget amendments.
- **January 19:** 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 13:** “Crossover” deadline for each chamber to complete work on legislation originating in that chamber (except for the budget bill).
- **February 18:** “Budget Sunday,” the deadline for the “money committees” to report their respective budgets by midnight.
- **February 22:** Deadline for each chamber to complete consideration of its budget bill.
- **February 28:** Deadline for each chamber to complete consideration of the other chamber’s budget bill and revenue bills.
- **March 4:** Deadline for committee consideration of legislation, by midnight.
- **March 9:** Scheduled adjournment *sine die*.
- **April 17:** Reconvened session for consideration of Governor’s amendments and vetoes.

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