



## A Look Back on the 2025 General Assembly

## A Look Forward to the 2026 General Assembly

VFC Annual Meeting  
May 9, 2025



# State Budget Update and Outlook

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- Governor Youngkin's last budget that he gets to implement
- Going into 2025 General Assembly, \$4.7 billion surplus was unevenly divided between FY 2025 and FY 2026 – *Explains why so many programs were slated for funding increases in FY 25 and why the Governor vetoed several new line-item programs in the budget*
- Governor proposed a record-breaking 205 budget amendments and 8 vetoes to the FY 25/26 state budget.
- Governor proposed \$300 million more funding for reserves by cutting virtually all new General Assembly programs. The Governor said, “there are some short-term risks as President Trump resets both fiscal spending in Washington and trade policies that require us to be prudent and not spend all of the projected surplus before we bank it,” Youngkin wrote.





# 2025 VFC Legislative Program Budget Update

## Housing/Economic Gardening

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- **Urban Public Private Partnership Redevelopment** Statute and Fund – Gov vetoed a swath of new, FY25 funding requests. \$2.5 M FY 25 + bill making statute changes did not advance
- **Industrial Revitalization Fund** – No new money
- **Community Development Financial Institution Fund (CDFI)** – Recapitalized at \$2.65 M for FY 2025 + revolving loan component
- **Brownfields Redevelopment** – No change
- **Enterprise Zones** – Work group to review the utilization of current EZs, make recommendations on renewals or terminations of zone. Findings due by November 1, 2025



# 2025 VFC Legislative Program Budget Update

## Pre-K-12 Education

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- **Support cap** lifted in state budget after 14 years of cuts (Great Recession irony)
- **At-risk** school divisions and at-risk funding prioritized in state budget
- **School construction and modernization** funding – Governor vetoed bill to allow local government referendum to raise sales tax specifically for school construction/ modernization
- **Teacher salary boost** and bonus (One-time bonus of \$1000 for SOQ-funded instructional and support positions. No local match required)



# 2025 VFC Legislative Program Budget Update

## Community Wealth Building/Health & Human Resources/Public Safety

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- **Employment for TANF** grant rounds combined into one pot. \$9 million FY 26
- Tax relief for lower income Virginians via the EITC 20% credit
- Budget adds \$3.8 million in FY 26 for 8 additional **Marcus Alert** sites
- **STEP-VA** increased funding to account for inflation, increased crisis services, case management, military/veteran services/ psychiatric rehab services
- Eliminates Governor's language that would have authorized withholding of state funding for local law enforcement for failure to cooperate with federal ICE
- Governor line-item veto removes new funding for the **Safer Communities** violence prevention program in Hampton, Newport News
- Provides \$1 million FY 25 for grants to local law enforcement & other first responders to replace **drones** manufactured by foreign adversaries. governments
- Unfortunately, no increase for HB 599 Aid to Local Police

# Consequential Bills that Passed, Failed, & Some that May Be Back

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## Housing, Land Use, Community Development

### Passed

- HB 2245 Callsen – Requires assessments for afford. housing to use the income approach (if generating income) for assessments post-January 1, 2026. Work group to come up with agreed upon reporting form
- SB 1476 Pillion – Provides local government options and “teeth” when dealing with vacant and blighted or derelict property
- HB 2128 Walker – Includes commercial and industrial properties as those that can impose a civil penalty not to exceed \$500 for derelict
- SB 1267 Aird – Allows enhanced civil penalties for zoning violations involving property zoned or used for multifamily residential purposes.
- HB 2153 Carr – Study: Requires locality to include in comp plan input on strategies to support affordable housing on religious organizations property.

### Failed

- HB 2438 Mundon-King – Solar siting standards, streamlining of requirements. WBB
- SB 975 VanValkenburg – Requires localities to increase total housing stock every year. WBB

# Bill Updates (Continued)

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## Early Childhood/Pre K-12 Education

### Passed But Ultimately Failed

- SB 1307 McPike – Would allow local government referendum to raise sales tax specifically for school construction/modernization. WBB
- HB 2231 (Cherry) SB 1346 Jordan – Va Opportunity Scholarship Grant Program for grants for up to 10,000 public school students for private education needs, including textbooks and uniforms

## Other of Interest

### Failed, but Interesting:

- HJ 442 Orrock – Affordable housing tax policies, VHDC to explain and examine all available tax policies
- SB 1326 Perry – Would direct VDEM to study the reliance of localities on federal grants
- HB 2485 Krizek/SB 970 Rouse – Establishing a recreational market regulatory framework for **Cannabis** (vetoed by Governor) WBB.

# Between Now and January 2026

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- Energy/Solar discussions on changes to the Virginia Clean Economy Act (VCEA) and solar energy development
- Virginia Housing Commission will meet several times to look at legislation referred (and legislation endorsed but vetoed by Governor
- Elections – 2-year study on moving some or all of state/local elections to coincide with federal elections (State Constitutional Amendment would be necessary)
- Joint Subcommittee on Elementary & Secondary School Funding will continue its work
- The House Emergency Committee on the Impacts of Federal Workforce and Funding Reductions and the Senate Special Committee on Federal Impacts to Resources – Reports, research & analysis on Virginia economy, workforce, impacts to the rapidly changing federal arena.





## A Look Forward

# 2026 General Assembly Legislative Program



# Changing Federal/State Relationship

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- Significant changes in the last 100+ days to the federal-local partnership and other shared responsibilities that exist between federal, state and local governments.
- Four legislative efforts: Budget Reconciliation, the new Tax Bill, a Spending Recissions bill and Appropriations for FY2026
- President Trump's FY 2026 budget has been presented to Congress. Very important:  
*“We also considered, for each program, whether the governmental service provided could be provided better by State or local governments (if provided at all). Just as the Federal Government has intruded on matters best left to American families, it has intruded on matters best left to the levels of government closest to the people, who understand and respect the needs and desires of their communities far better than the Federal Government ever could.”*
- All 4 have major impacts to state/local governments. NLC letter to U.S. House/Senate leadership  
[https://www.nlc.org/wp-content/uploads/2025/05/NLC-FY25-Federal-Budget-Priorities-for-Congress\\_FINAL.pdf](https://www.nlc.org/wp-content/uploads/2025/05/NLC-FY25-Federal-Budget-Priorities-for-Congress_FINAL.pdf)



# Virginia Election 2025

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- **Statewide election** November 2025 in which the Governor, Lt. Governor, and Attorney General are on the ballot, along with 100 members of the House of Delegates.
- Governor Youngkin will present his **final budget** (which he will not implement) December 2025; Come January 2026 a new Governor in the driver's seat, along with a new HoD class. Current General Assembly breaks House: 51-D 49-R; Senate: 21-D 19-R.
- Governor Youngkin recognized the **federal actions and Virginia budget impacts** when he wrote, *“there are some short-term risks as President Trump resets both fiscal spending in Washington and trade policies that require us to be prudent and not spend all of the projected surplus before we bank it.”* Thus, he retained \$900.4 million of the projected \$3.2 billion surplus as a cushion

# Governor's Last Budget – Project 2025 Virginia Edition?

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- How will Governor account for the gush of federal programming and funding that may or may not devolve to the Commonwealth?
- How do our institutionally, fiscally-stressed cities relate to human services, housing, public education if DC punts to the state? Certainly, it gives the Catalog of State and Federal Mandates on Local Government a whole new importance.
- Is there an opportunity to reimagine the entire state/local construct? Independent Cities? How to grow city tax base since annexation is not a thing? Dillon Rule?

# VFC Responding & Working in Federal Space

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- Communications on city impacts; city limitations
- Advocacy
- We know we must be disruptors for our members ---- helping you identify unmet needs, finding and scaling innovative solutions, and navigating the uncertainty with resilience