



Glenn A. Youngkin  
Governor

Caren Merrick  
Secretary of  
Commerce and Trade

# COMMONWEALTH of VIRGINIA

Bryan W. Horn  
Director

## DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

### AGENDA

**Commission on Local Government  
Regular Meeting: 11:00 a.m., March 10, 2022  
Henrico County Economic Development Authority  
Board Room  
4300 E. Parham Road  
Richmond, Virginia 23228**

**For the public,  
Commission on Local Government Meeting  
Thursday, March 10, 2022 · 11:00am – 1:00pm  
Google Meet joining info**

**Video call link: [meet.google.com/jdx-fbzb-hgz](https://meet.google.com/jdx-fbzb-hgz)  
Or dial: (US) +1 617-675-4444 PIN: 246 389 085 6721#**

1. Occupancy for the meeting space is limited, so the Commission encourages members of the public to observe the meeting through the Google Meet link provided above. Please contact Grace Wheaton ([grace.wheaton@dhcd.virginia.gov](mailto:grace.wheaton@dhcd.virginia.gov)) for information on how to connect to the meeting using this method.
2. Members of the public viewing the meeting through the Google Meet option are required to mute themselves during the meeting unless called upon by the Commission Chair to speak. The CLG reserves the right to remove from its virtual meetings anyone who does not abide by these rules.
3. Access to meeting materials for members of the public is available on the corresponding meeting page of the [Virginia Regulatory Town Hall website](#) and on [Commonwealth Calendar](#).

### Call to Order

#### **I. Administration**

- |  |                 |
|--|-----------------|
| A. Approval of the Draft Meeting Agenda                          | (Ms. Linderman) |
| B. Approval of Minutes of the Regular Meeting on January 6, 2022 | (Ms. Linderman) |
| C. Public Comment Period   | (Ms. Linderman) |
| D. Staff Report  | (Ms. Wheaton)   |

#### **II. Assessment of State and Federal Mandates on Local Government**

- |                       |               |
|-----------------------|---------------|
| A. Staff Presentation | (Ms. Wheaton) |
|-----------------------|---------------|



- B. Commission Deliberation and Action (Ms. Linderman)
- III. **2022 General Assembly Session Update**
  - A. Fiscal Impact Statements (Ms. Wheaton)
  - B. Bills of Interest (Ms. Wheaton)
  - C. Budget (Ms. Wheaton)
  - D. Commission Studies (Ms. Wheaton)
- IV. **Fiscal Stress Report for 2020**
  - A. Staff Presentation (Ms. Wheaton)
- V. **Schedule of Regular Meetings**
  - A. Staff Presentation (Ms. Wheaton)
- VI. **Adjournment**

DRAFT





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## DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

### **Commission on Local Government January 6, 2022 11:00 A.M. Henrico, Virginia**

#### Members Present

Stephanie Davis, PhD, Chair  
Diane M. Linderman, PE,  
Rosemary M. Mahan, Vice Chair  
Edwin S. Rosado

#### Members Absent

Ceasor T. Johnson, D.Min

#### Call to Order

The Commission on Local Government (CLG) Chair, Dr. Stephanie Davis, called the meeting to order at 11:10 a.m.

#### Election of Officers

Mr. Anderson opened the floor for nominations for the position of Chair. Ms. Davis nominated Ms. Linderman for the position of Chair. Mr. Rosado seconded the nomination. There were no other nominations made. The floor was closed. Ms. Linderman was elected to the position of Chair.

Ms. Linderman opened the floor for nominations for the position of Vice Chair. Ms. Davis nominated Mr. Johnson for the position of Vice Chair. Mr. Rosado seconded the nomination. There were no further nominations made. The floor was closed. Mr. Johnson was elected to the position of Vice Chair.

#### Administration

After discussion, the draft agenda was approved by the Commission.

Ms. Linderman opened the floor for the public comment period. No members of the public appeared before the Commission for the public comment period. The public comment period was closed.

At this point, Commissioner Johnson joined the meeting virtually. Pursuant to the Commission's electronic participation policy, Mr. Johnson noted that he was attending the meeting from 4211 Fort



Avenue, Lynchburg, Virginia. Mr. Johnson noted that he was attending virtually for personal reasons.

Mr. Anderson welcomed Commissioner Edwin Rosado, who was attending the first meeting of his newly appointed term on the Commission on Local Government.

Mr. Anderson expressed to the Commission the gratefulness of staff for Mr. David Conmy, who had served on Commission staff for a number of years. Mr. Anderson noted that staff would prepare commending resolutions for both Mr. Conmy and Commissioner Michael Amyx, whose term expired on December 31, and that those resolutions should be available for Commission review at their March meeting. Upon adoption, the Commission and staff would like to invite both Mr. Conmy and Mr. Amyx back to formally receive those resolutions.

Mr. Anderson gave a brief update on the status of the Martinsville-Henry County reversion Voluntary Settlement Agreement (VSA). While Martinsville was able to again pass the VSA, which is the final step prior to sending it to a three judge panel for review, Henry County failed to pass the VSA. Henry County has publicly stated that they no longer support the reversion of Martinsville City to town status after receiving feedback from constituents of both Henry County and Martinsville City. Henry County has vowed to fight against the reversion via legislative means.

Mr. Anderson provided the Commission an update on the Municipal Utility Assistance Program. This program, which is similar to the Municipal Utility Relief Program that staff administered the previous fall and winter, utilizes ARPA funding to help customers adversely affected by the COVID-19 pandemic.

Mr. Anderson informed the Commission that in their packet there were several articles pertaining to taxing authority, the Martinsville-Henry VSA, and boundary line adjustments.

A motion was made by Ms. Mahan and seconded by Ms. Davis to approve the minutes of the November 4 meeting of the Commission. The motion passed.

## Municipal Utility Data Report

Mr. Anderson provided an overview of the Municipal Utility Data Report, which includes arrearage data between September 1, 2021 and December 16, 2021. Mr. Anderson noted that the report had already been



sent to the General Assembly because the due date of the report did not conform with the regular meeting schedule of the Commission. The Commission would be approving the report retroactively.

A motion was made by Ms. Mahan and seconded by Ms. Davis to approve the Municipal Utility Data Report. The motion passed.

FY20 Fiscal Stress Report  
Status Update

Ms. Grace Wheaton, Senior Policy Analyst for DHCD, presented an update on the Fiscal Stress Report. She noted that because data from Bedford County, Emporia City, Hopewell City, and Lee County had not been submitted, the report is not ready to be presented to the Commission. Ms. Wheaton explained that these localities have a six month grace period to submit their data to the Department of Accounts, so staff anticipates being able to submit the report to the Commission for review in either May or July.

2022 General Assembly  
Session

Ms. Wheaton presented to the Commission an overview of the General Assembly session, including the Fiscal Impact Statement process that staff conducts, the budget adoption process, and pre-filed legislations that directly impacts the mission of the Commission.

Schedule of Regular  
Meetings

Mr. Anderson noted to the Commission that the next regular meeting would take place on March 10, followed by a meeting on May 12, as well as July 14.

Other

There was no other business.

Adjournment

A motion was made by Ms. Linderman and seconded by Ms. Mahan for adjournment. The motion passed.



TOP STORY

## City moves ahead with reversion

**Bill Wyatt**

Feb 18, 2022

**D**espite two reversion bills advancing in the General Assembly putting the matter to a vote, Martinsville has pressed on, under current law, of reverting from a city to a town.

Just as this year's legislative session reaches the halfway point, new details have emerged showing Martinsville has filed to proceed with reversion under existing law, and Henry County claims they violated the process in doing so.

Documents on file in the Martinsville Circuit Court Clerk's Office show that Judge G. Carter Greer certified a petition on Feb. 7 by the City of Martinsville to revert to a town within Henry County. That petition officially requests the appointment of a three-judge panel to rule on the matter.

In the Henry County Circuit Court Clerk's Office, documents on file there show that Greer, on Jan. 27, ordered all judges of the twenty-first judicial circuit be disqualified to preside over a trial involving Henry County and Martinsville regarding reversion.

The Bulletin has obtained a copy of a letter from Martinsville's Special Outside Counsel on Reversion Stephen Piepgrass to Chief Justice of the Supreme Court of Virginia S. Bernard Goodwyn, dated Feb. 11, asking that Martinsville's petition for a three-judge panel be appointed, and that a second case where the City of Martinsville accuses the County of violating a Voluntary Settlement Agreement on reversion both be referred to the same Special Court.

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- 1 **Victim in Radford abduction, sex assault case is in federal protection, prosecutor says**
  - 2 **Arrest made, thanks to a goat**
  - 3 **Patrick County crash claims life of Stuart man**
  - 4 **Drug trafficker caught with 212 grams of fentanyl, 5 guns, \$43K in cash gets 15-year federal term**
- 

“Martinsville respectfully requests that these two cases be referred to the same Special Court because the Special Court is the judicial body designated to hear all matters related to reversion and having the Special Court hear both matters will serve the interest of judicial economy and avoid potentially inconsistent judicial decisions,” wrote Piepgrass.

Piepgrass also noted in his letter that the City “conferred with Henry County, who has indicated that the County does not consent to our request.”

Henry County Attorney George Lyle told the Bulletin on Friday that his office was in the process of drafting a formal response to the City’s reversion filing in Martinsville Circuit Court that will contain more details about the County’s position and why it thinks Martinsville’s filing is not authorized by statute.

“It is disappointing that City officials lobbied against legislation to allow more public involvement from their own residents, and now that the legislation authorizing a referendum on the matter is closer to becoming law, the City continues to pursue having an arbitrator decide the matter or expedite the appointment of a Special Court to enter an order, all in an apparent effort to thwart the will of the General Assembly and deny their citizens a right to vote on the matter,” said Lyle.

The Bulletin obtained a copy of a letter Lyle wrote to Goodwyn, also dated Feb. 11, contending that state law did not support the appointment of a Special Court to hear either of the two pending cases.

“While the local judges have properly recused themselves in both matters, neither case currently meets the statutory requirement for appointment of a Special Court at this time,” wrote Lyle. “We would request this Court designate a judge to rule on preliminary matters including whether a Special Court is authorized at this time.

“Neither filing is ripe for consideration by a Special Court at this time, nor is a Special Court authorized by statute at this time.”

Lyle explains in his letter that Henry County never adopted the Voluntary Settlement Agreement that the City claims they violated.

“The Code requires adoption by both local government parties to the agreement before the case can be submitted to circuit court and a Special Court requested,” Lyle wrote.

Lyle also accused the City of not following the law when it filed a request for Greer to certify calling for the appointment of a three-judge panel.

“The petition requesting the granting of town status which is currently pending in Martinsville Circuit Court has been filed prematurely, without meeting statutorily required prerequisites.”

Lyle did not say specifically what those prerequisites were either in his letter or when he was asked directly by the Bulletin, but Virginia Code Section 15.2-4101-B states that before instituting a proceeding for a grant of town status “a copy of the notice and ordinance, or a descriptive summary of the notice and ordinance and a reference to the place within the city or adjoining county where copies of the notice and ordinance may be examined, shall be published at least once a week for four successive weeks in some newspaper having general circulation in the city and adjoining county.”

There is no indication the City advertised notice in the Martinsville Bulletin, but Piepgrass said the City chose to advertise in another newspaper.



“The City is interested in supporting all regional businesses, particularly since the City is continuing with the reversion process, which will result in it becoming a town that is part of Henry County,” wrote Piepgrass by email.

When asked for details of the City’s process in light of the reversion bills, Piepgrass wrote: “We cannot comment on our litigation strategy.”

### **Reversion bills proceed in Richmond**

The reversion bills in the General Assembly would have the voters of Martinsville, not Henry County, deciding if reversion goes forward.

Richmond lawmakers had until the end of the day on Tuesday to make sure those bills in their respective chambers crossed to the opposite chamber for consideration, a process that occurs on “crossover day,” marking the midterm of the session.

Two bills, sponsored by Del. Danny Marshall (R-Danville) in the House and Sen. Bill Stanley (R-Moneta) in the Senate, require a vote by referendum in Martinsville before the City could revert to a town in Henry County.

Those bills passed in the chambers where they originated, but they must also pass in the opposite chamber before reaching the Governor’s desk for his signature.

Both bills are identical with one exception: Stanley’s bill includes a sunset provision, meaning that the provisions of his bill will terminate on July 1, 2026.

Marshall’s House Bill 173 was referred to the Senate Committee on Local Government on Feb. 7 and is scheduled on their docket for Monday.

If Stanley’s Senate Bill 85 follows the same process in the House as Marshall’s bill did, it will be referred first to the Counties, Cities and Towns Committee and possibly to a subcommittee.

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If **reversion** is such a good thing for the people of Martinsville and Henry County, then who comes out ahead?

That's the question that doesn't have a quick answer.

**Reversion** seemed to be on the fast track until the county Board of Supervisors failed to approve an agreement with **City Council** in November and then outright rejected it last week. Now the Martinsville mayor is threatening legal action and the whole matter, once thought to have been settled, is in flux.

Certainly Henry County claims it will not be the better because of **reversion**; their best guess is that it will cost Henry County taxpayers \$5 million more in the first year — and that's not including moving expenses.

"This is an — undeniably — a negative financial event for the county," said Henry County Attorney George Lyle back in May to Virginia Business, an independent monthly magazine covering economic news in the state. "We think the annual expense will start off at \$5 million a year."

Martinsville taxpayers appear to come out even, but not ahead. Outside counsel on **reversion** for the **city** proposes a reduction in **city** taxes only enough to keep overall taxes level after the county begins taxing the new town residents.

So where does the \$5 million go?

There is nothing to indicate it costs more to operate government services and schools in Henry County than it does in the **city**, so if the number is accurate then it could be said \$5 million is the extra amount or the difference that **reversion** creates for Martinsville.

But the residents and the businesses in the new town will not realize any of that reduction in their tax bills.

With an aging infrastructure the **city** administration and council members have all conceded the future of Martinsville will continue to be more expensive and if a means to create some additional cash doesn't occur, then its taxpayers eventually will see either a hike in their tax bills or noticeable reductions in services.

Henry County takes the position that it's unfair to be forced to pay that portion of expenses that Martinsville can legally shed merely by changing its status.

"The more I've thought about **reversion**, the one thing that educators don't like is a bully," said Iriswood District Supervisor Dr. David Martin at the Dec. 7 regular meeting of the Henry County Board of Supervisors. "The state is bullying us."

Martin is also a former superintendent of Henry County and Patrick County public schools.

"It's disheartening to me to think you could put the two largest employers together this quickly. Even though I believe there is a benefit, we've not had an opportunity to sit down with the school boards," said Martin.

Henry County and Martinsville public schools combined employ between 2,000 and 2,500 people, according to the Martinsville and Henry County Economic Development Corporation, and **reversion**, as it is proposed, would consolidate the two systems.

### City vs. town

There are 38 independent cities in the United States; all of them are in Virginia, the only state in the country to permit independent cities, and Martinsville is one of them.

By comparison, there are 190 towns in the state.

For over 30 years independent cities in Virginia have been permitted to revert to towns, a process that results in the **city** shedding itself of significant expense at the cost of the surrounding county.

Although other cities have considered it, only three have actually reverted from a **city** to a town: South Boston in 1995; Clifton Forge in 2001; and Bedford in 2013.

Outside counsel for both Henry County and Martinsville have said the **reversion** of Martinsville is by far the most complicated **reversion** in the history of Virginia, primarily due to the number of people involved.

The population of Clifton Forge is 3,581; that of Bedford is 6,562; and South Boston's is 7,762 people. Martinsville had a population of 12,852 as of 2019.

### Schools were left out

Martinsville **City** Council, at a suggestion by Mayor Kathy Lawson, decided to schedule monthly meetings to answer questions about **reversion** from the public.

The rules limited the number of speakers to a dozen, and they were required to register prior to attending.

Only one person registered for the first meeting in November, Martinsville Commissioner of Revenue Ruth Easley, and the meeting that had been set for December was canceled due to "low response regarding interest in attending," an announcement from Executive Assistant to the **City** Manager and Clerk of **City** Council Karen Roberts stated.

But last week two residents of Henry County registered to speak before the Henry County Board of Supervisors on the matter.

"The two school systems were left out," said former Henry County School Board member Mary Martin. "Vote to shut down this voluntary settlement agreement. The citizens didn't volunteer."

Between a memorandum of understanding and the agreement, the process requires both City Council and the Board of Supervisors to approve **reversion** by public vote three times.

Martinsville did so, but Henry County balked on the third occasion, striking the agreement down by a 4-2 vote.

"What is the board's overall plan for dealing with **reversion**?" Rev. Tyler Millner of the Iriswood District asked. "What do you hope for the outcome to be when this is all over? How do you see the citizen being part of the process going forward?"

Millner prefaced his questions by encouraging the board members to be more statesman-like, bring divisions together and "turn down the rhetoric and meet minds."

"We'll have better government and community if more citizens were engaged," said Millner.

### Avoiding court

Lyle reminded the county board before they voted that the agreement avoided the process playing out in court, a road that would present greater risks.

"I know the sentiment in the county is they don't like it," Lyle said. "The Commission on Local Government made it clear that **reversion** is in the best interest of this community and the state, and I don't think their opinion would change at all if fully litigated."

Lawson also said as much in a letter on Dec. 15 to Henry County Board Chairman Jim Adams and delivered to by Martinsville police to Henry County Administrator Tim Hall.

"We anticipate that such a contested **reversion**, although painful for the parties, ultimately will result in an outcome more favorable to the **city** and less favorable to the county than the results already obtained in the voluntary settlement agreement," Lawson wrote. "Such an outcome is particularly likely, given that the Commission on Local Government and any panel appointed to review its recommendation will not take a favorable view of the actions by the county in abandoning a settlement agreement at the eleventh hour—despite having voted not once, but twice in favor of that agreement, and despite having represented to the Commission repeatedly that the agreement was in the interests of both parties and the Commonwealth."

### The plan

Henry County has a two-pronged attack to thwart City Council's push to **reversion**.

The first is to petition the General Assembly to intervene on behalf of the county when the session begins on Jan. 12, and the second is to stretch and stall Martinsville's pursuit of **reversion** until the next election cycle on **city** council that occurs in November 2022.

Collinsville District Supervisor Joe Bryant explained during his campaign for re-election earlier this year how the strategy would work.

With or without an agreement, an approval to revert from a **city** to a town comes with a requirement that the **city** accept the offer in 21 days.

Of the five current **city** council members, four have supported **reversion** and one has not.

The seats for two of the supporters for **reversion**, Vice-Mayor Jennifer Bowles and Council Member Danny Turner, are up for election in November 2022.

If opposition were strong enough within the **city** to elect two new council members opposed to **reversion**, the **city** council would have a majority against **reversion**.

Bryant explained this possibility as one of the reasons the current **city** council and administration are anxious to push **reversion** through while they still maintain a fragile majority.

Martinsville's plan, as explained by Lawson in her letter to Adams, is to have "its legal team take steps to immediately enforce" the agreement between the **city** and the county, and failing that, proceed with litigation to revert from a **city** to a town without an agreement.

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[https://richmond.com/news/state-and-regional/govt-and-politics/senate-budget-sweetens-teacher-state-worker-pay-house-lowers-raise-split-on-size-of-tax/article\\_771dbbaf-b306-5f8c-9d6c-d702d2f47339.html](https://richmond.com/news/state-and-regional/govt-and-politics/senate-budget-sweetens-teacher-state-worker-pay-house-lowers-raise-split-on-size-of-tax/article_771dbbaf-b306-5f8c-9d6c-d702d2f47339.html)

ALERT

## Senate budget sweetens teacher, state worker pay, House lowers raise; split on size of tax cuts

**Michael Martz**

Feb 20, 2022



Del. Barry Knight, R-Virginia Beach, left, chair of the House Appropriations Committee, shook hands Monday with G Henrico, center, looked on at the state Capitol.

BOB BROWN/TIMES-DISPATCH

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Michael Martz

Public schools would get big boosts in the state budgets the General Assembly money committees approved on Sunday, from restoring state funding for school support employees to a proposed loan-rebate program to generate up to \$2 billion to replace or modernize obsolete public school buildings.

But the House Appropriations and the Senate Finance and Appropriations committees went in different directions on pay raises for teachers and other public employees, for whom then-Gov. Ralph Northam proposed 5% raises in each year of the two-year budget he proposed in December before leaving office.

The House proposed to split the proposed increase between 4% raises and 1% bonuses in each year, while the Senate kept the 5% raises and added a \$1,000 bonus for teachers and other school workers, state employees and state-supported local employees, effective June 1.

“They shouldn’t take credit for reducing a salary increase for our hard-working state employees and teachers” from what Northam proposed, said Sen. Adam Ebbin, D-Alexandria, after the Senate committee unanimously adopted budgets for this year and the next two years.

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  - 4 **Senate budget sweetens teacher, state worker pay, House lowers raise; split on size of tax cuts**
-

Despite record increases in revenues, the budgets adopted by the two committees are hard to compare because the House is operating with almost \$3 billion less. That is because it approved certain tax cuts proposed by Gov. Glenn Youngkin that the Senate did not during the first half of the General Assembly session.

### Tax cuts

The biggest differences in revenues come from the Senate's decisions to defer action for a year on Youngkin's proposal to double the standard deduction for state income tax filers at a cost of \$2.1 billion, protect the 1% local option sales tax on groceries and reject a 5-cent-per-gallon cut in the gasoline tax over 12 months.

The Senate has approved a \$1.2 billion one-time tax refund — which would send \$300 back to individual filers and \$600 back to joint filers — most of it already included in Northam's proposed budget. The Senate also backs eliminating 1.5% of the grocery tax, leaving untouched the 1% local portion.

It proposes to use state funds to replace money from the sales tax that would be distributed to school divisions, but will not replace \$190 million in lost transportation funds. However, the Senate budget includes \$190 million to widen 9 miles of Interstate 64 from New Kent County to James City County. The House budget includes \$30 million to widen the interstate, using money diverted from a proposal Northam made to greatly expand Virginia's trail system.

The Senate also expanded Northam's proposal to make a portion of the earned income tax credit refundable to low-income families, a proposal the House rejected in the budget and in separate legislation.

After the House and Senate vote on the proposed budgets on Thursday, a conference committee will negotiate the differences, with Youngkin waiting in the wings with likely amendments.



With an eye toward those negotiations, the House proposed to deposit \$150 million in a taxpayer relief fund created three years ago and then abandoned after Democrats took control of the assembly in 2020. The relief fund also could hold revenues while the legislature studies changes in tax policy.

“I’m really adamant about having all of these tax cuts and tax credits studied so we can figure out their long-term implications,” said Senate Finance Chair Janet Howell, D-Fairfax, who has proposed to create a joint subcommittee to study comprehensive changes to state and local government tax policy.

Youngkin praised the House budget in a statement on Sunday and said, “While it does not include nearly enough tax relief, the Senate budget proposal also includes common sense, bipartisan priorities on which we can find common ground.”

“I know Senator Howell and Senate Leadership are eager to work in good faith on these and other important priorities,” he said. “Despite the major differences outlined [Sunday], there’s a clear path forward.”

As a result of the gap in available revenues, the House and Senate budget proposals differ more in scale than in purpose.

### K-12 education

Both make K-12 public education their top priorities, including restoring state funding of some school support positions that the General Assembly had capped in the Standards of Quality in 2010 because of big revenue losses during the Great Recession.

The House included \$170 million over two years to help school divisions pay for principals, assistant principals and reading specialists. The Senate proposed \$272 million to increase state funding of school support positions in what Majority Leader Dick Saslaw, D-Fairfax, called “a step toward eliminating the funding cap.”

“This will be the largest education budget ever,” said House Appropriations Chair Barry Knight, R-Virginia Beach, before the committee unanimously adopted a pair of revised budgets.

### School buildings

The biggest surprise in the House budget is a proposal to use a combination of more than \$500 million in state tax funds and money from the Literary Fund to establish a loan-rebate program that would leverage up to \$2 billion in bonds to help localities replace or modernize school buildings.

Del. Glenn Davis, R-Virginia Beach, chair of the elementary and secondary school subcommittee — and chair of the House Education Committee — said a tour of dilapidated school buildings across Virginia made a convincing case for the state to intervene in what has historically been a local government responsibility.

“These schools, among far too many others, faced horrible conditions that our children do not deserve,” said Davis, citing leaking roofs; failing heating, cooling and ventilation systems; and deteriorating pipes. “This is a health and safety matter, and is unacceptable.”

The Senate budget endorses Northam’s proposal of \$500 million in state general funds, but Knight said the House committee fashioned a solution that would use about \$292 million in general tax funds and \$250 million from the Literary Fund.

The money would leverage the issuance of bonds for two tiers of public school buildings, based on local ability to pay. In the long term, a portion of proceeds from four — and potentially five — casinos would go into the fund.

“I take the approach that schools need to be replaced, but it is not a state function,” he said in an interview. “It has never been a state function. I didn’t want to set a precedent.”

During this session, the House killed most proposals to address the issue, including sales tax increases subject to local referendums, but approved a bill proposed by Del. Israel O’Quinn, R-Washington County, to create a school construction fund that Knight wants to use to launch the loan-rebate program.

The Senate has approved five bills to help localities with school construction and modernization, including creation of a school construction fund. The others would allow localities to impose a 1% sales tax with voter approval, expand availability of low-cost loans from the Literary Fund, assess the condition of school buildings, and use unspent budget funds to address those needs.

### Retirement plans

Both committees took steps to lower long-term liabilities in teacher and state employee retirement plans, but the Senate went further by proposing to deposit \$1 billion into the Virginia Retirement System, which Sen. Chap Petersen, D-Fairfax City, estimated would save state and local governments \$1.7 billion “over the coming years.”

Northam had proposed \$924 million for VRS. The House budget would deposit \$500 million to raise the funded status of the teacher and state employee plans.

The House version of the budget also includes almost \$197 million in targeted pay increases for law enforcement officers — state police, correctional officers, deputy sheriffs, regional jail officers, and probation and parole officers — but no additional money for local police officers through so-called 599 funds for localities with police departments.

The Senate proposed \$50 million for local police departments over three years, in addition to \$223 million in targeted compensation for law enforcement. It also proposed \$5.6 million over two years to boost compensation of Capitol Police and staff at the Division of Legislative Services.

The House budget also includes almost \$164 million to raise pay for employees in state behavioral health facilities and community services boards (including the Richmond Behavioral Health Authority). The Senate budget would provide \$80 million in the second year for direct care staff in state hospitals, on top of \$68 million in federal aid in the first year.

## Colleges

The budgets take different approaches to funding higher education, with the House proposing \$240 million to keep tuition from increasing by more than 3% at public colleges and universities, while the Senate focused on expanded financial aid.

Both budgets would make big deposits in the rainy day fund, using at least \$500 million of the \$1.25 billion in additional revenues that Youngkin made available on Friday. The additional deposit would swell Virginia's combined financial reserves to \$4.4 billion by mid-2024.

The budgets also would bolster the Virginia Unemployment Insurance Trust Fund — \$180 million in the House version and \$110 million in the Senate, on top of the \$862 million that Northam and the General Assembly provided last year from federal aid in the American Rescue Plan Act.

“Keeping [payroll] taxes low is good for businesses and good for our economy,” Knight said.

**[mmartz@timesdispatch.com](mailto:mmartz@timesdispatch.com)**

(804) 649-6964

**By Michael Martz**

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Posted: Feb 4, 2022 / 04:45 PM EST  
Updated: Feb 4, 2022 / 06:20 PM EST

SHARE



POUND, Va. (WJHL) – A unanimous vote from a subcommittee in the Virginia General Assembly has advanced a bill that would repeal the Town of Pound’s charter.

According to the General Assembly website, all nine members of a House subcommittee voted in favor of passing House Bill 904 on Friday. The bill was introduced by Delegate Terry Kilgore (R-Gate City) on Jan. 12.

### **Town of Pound officials respond to legislation filed to revoke town’s charter**



A provision was added to the bill giving Pound until July 1, 2023 to correct its issues or lose its charter. Pound’s charter was enacted in 1984. For the charter to be repealed, House Bill 904 must pass committee, the House Floor and the Virginia Senate.

Kilgore filed the bill stating that the Town of Pound was failing to provide basic services to its citizens like water and public safety. On Jan. 14, Kilgore told News Channel 11 in a statement that his “genuine hope is that this serves as a wake-up call.”

Stacey Carson, the Mayor of Pound, previously told News Channel 11 **she is doing her best to reorganize the town** and possibly reassemble its police force. The **entire town’s police department was terminated** after a vote by the Pound Town Council in May 2021.

### **Future of Pound discussed at town meeting**



Pound was also the focus of a **sewage issue earlier in 2021** when Dickenson County threatened legal action against the town following a health advisory from the Virginia Department of Health that said **untreated waste water was entering the Pound River.**



Ultimately, **Pound consolidated its water services** with Wise County in order to avoid litigation.

You can read the entirety of the bill to repeal the town charter by [clicking here](#).

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# Capitol Contact

## Virginia General Assembly

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Monday, February 21, 2022

# Money Committees Report Budgets

The House Appropriations and Senate Finance and Appropriations Committees met on Sunday, February 20, and reported their respective amendments to the introduced budget. Preliminary information on the proposed amendments was made available to the public on Sunday, with the actual text of budget amendments to be unveiled on Tuesday, February 22. The full House and Senate will vote on the proposed budgets on Thursday, February 24.

The two budgets differ significantly in their available revenues, as the House budget includes several tax proposals that the Senate has opted to defer or to advance in scaled-back form, such as elimination of the grocery tax (the Senate retains the 1 percent local option), doubling of the standard deduction (the Senate carried over its version for study), and an income tax subtraction for military retirement (the Senate's legislation would allow a smaller subtraction). House Appropriations Committee Chairman Barry Knight outlined the priorities for the House budget in his opening remarks, including enhancing reserves and ensuring structural integrity for the budget, providing tax relief, assisting localities with K-12 needs and school improvements, supporting strategic investments in health and human services, improving college affordability, and providing employee compensation increases. Senate Finance and Appropriations Chair Janet Howell emphasized the Senate budget's focus on meeting previously-deferred spending commitments and obligations, citing the budget's investments in education, natural resources, public safety, and human services.

VACo staff will be reviewing the full text of budget amendments when they are released on Tuesday. A preliminary overview of the key features of the two committee budgets, based on information provided on Sunday, follows below.

## **K-12**

### **House Appropriations**

- Sets up a School Construction Loan Rebate Program with \$291.7 million GF and \$250 million from the Literary Fund.
- Provides funding for the state share of one full-time principal position for each elementary school.
- Provides funding for the state share of one assistant principal position per every 500 students.
- Repurposes proposed funding in the introduced budget to expand Early Reading Intervention to additional grades to instead provide one reading specialist for every 550 students in kindergarten through third grade.
- Provides \$150 million GF in FY 2023 to support College Partnership Laboratory Schools.

### **Senate Finance and Appropriations**

- Retains \$500 million school construction and modernization appropriation in introduced budget. Information provided Sunday indicates that each division would receive a base allocation of \$1 million, with the remaining funds allocated based on average daily membership, weighted by the Local Composite Index.
- Increases state funding for support positions from its current level of 17.75 support positions per 1000 students to 20 positions in the first year and 21 positions in the second year.
- Funds one reading specialist per every 550 students.
- Uses \$15 million in ARPA funds for teacher recruitment incentive payments.

## **Compensation**

### **House Appropriations**

- Instead of the 5 percent salary increase proposed in the introduced budget in each year of the biennium for funded SOQ instructional and support positions, proposes a 4 percent increase in each year of the biennium, along with a 1 percent bonus in each year of the biennium.
- Instead of the 5 percent salary increase proposed in the introduced budget in each year of the biennium for Constitutional officers and state-supported local employees, provides a 4 percent increase in each year of the biennium. Also proposes a 1 percent bonus in each year of the biennium for Constitutional officers and state-supported local employees. Employees receiving targeted salary increases in excess of 7.5 percent in FY 2023 are excluded from the first year salary increase and bonus.



### **Senate Finance and Appropriations**

- Retains salary increase proposal for funded SOQ instructional and support staff from the introduced budget. Uses \$137 million in American Rescue Plan Act funding to provide instructional and support staff with a bonus of approximately \$1000 in June, with no local match required.
- Retains salary increase proposal for state employees and state-supported local employees. Includes a \$1000 bonus for state employees.

### **Public Safety**

#### **House Appropriations**

- Directs \$100 million in ARPA funds for one-time grants to state and local law enforcement agencies for training and equipment.

#### **Senate Finance and Appropriations**

- Provides \$2.3 million in FY 2022 and approximately \$47 million over the biennium for aid to local police departments (“HB 599”).

### **Jails**

#### **House Appropriations**

- Increases per diem payments for state-responsible inmates by \$4 (from \$12 to \$16).

#### **Senate Finance and Appropriations**

- Increases per diem payments for local-responsible inmates by \$1 (from \$4 to \$5) and for state-responsible inmates by \$2 (from \$12 to \$14 per day).

### **Economic Development/Workforce**

#### **House Appropriations**

- Deposits \$180 million in ARPA funds in the Unemployment Insurance Trust Fund in the caboose budget and sets the fund building rate for employers for calendar year 2023 at the rate in effect for calendar year 2024.

#### **Senate Finance and Appropriations**

- Deposits \$110 million in ARPA funds in the Unemployment Trust Fund and includes similar language regarding the fund building rate for employers.

### **Virginia Retirement System**

#### **House Appropriations**

- Instead of the introduced budget’s proposed \$923 million deposit to the Virginia Retirement System in FY 2023, makes a \$500 million deposit in FY 2022.

#### **Senate Finance and Appropriations**

- Retains the introduced budget’s proposed \$923 million deposit to the Virginia Retirement System and adds \$76 million in FY 2023.

Further analysis will be provided in Capitol Contact later this week once the full versions of the committee proposals are available.

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

## 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](#)

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## eNews: Special Edition February 21, 2022



Monday, February 21, 2022 - 05:05pm

The House and Senate released very different budget proposals on Sunday, Feb. 20. Many of the details of these proposals are still to be released – all detailed amendments for each budget proposal will appear on the General Assembly’s budget website after 12 noon on Tuesday, Feb. 22. What we heard and saw on Sunday was just highlights of what each Committee has been working on since the General Assembly convened on Jan. 12.

The articles in this issue of eNews are glimpses into what is contained in the competing budgets. Some items contain more information than others, depending on how much each chamber chose to release on Sunday.

After all the amendments are released, VML staff will analyze the amendments and provide further information on the budget amendments of interest to local governments.

## **In this issue:**

- [\*\*A billion here, a billion there? There's plenty of daylight between the House and Senate budgets.\*\*](#)
- [\*\*Transportation\*\*](#)
- [\*\*Natural Resources\*\*](#)
- [\*\*Local Law Enforcement\*\*](#)
- [\*\*Jail Per Diems\*\*](#)
- [\*\*K-12 Education\*\*](#)

See also "[Budget Sunday: Grocery Tax update](#)" from yesterday's Special Edition of *eNews*.

## **A billion here, a billion there? There's plenty of daylight between the House and Senate budgets.**

With one-third of the 2022 Regular Session left to go, the House of Delegates and Senate of Virginia have just announced their preferred approaches for revisions to the state budget, which means it's time to get down to business!

Last Friday, Governor Youngkin announced a mid-session revenue reforecast of an additional \$1.2 billion in state revenues for Fiscal Year 2022 – the current state fiscal year that will end June 30, 2022. General Assembly watchers expected a reforecast by Governor Youngkin as an effort to strengthen his argument to the General Assembly for adopting tax relief legislation this session.

On Sunday, the House Appropriations Committee (HAC) and the Senate Finance and Appropriations Committee (SFAC) reported their amendments to former Governor Northam's outgoing budget. As expected, the conflicting actions taken

weeks ago by SFAC and HAC on tax cut bills have contributed to a discrepancy between the two chambers' budgets of about \$3 billion.

Over the next few weeks, the revenue chasm will need to be bridged through compromise by House and Senate budget leaders before they can send a balanced budget to Governor Youngkin for his consideration.

Assuming the General Assembly adjourns within seven days of passing the budget, Governor Youngkin will have 30 days after adjournment that he and his team can review the conference budget and propose amendments.

VML staff will be closely monitoring this process and will use every available opportunity to remind legislators and our members that it is important to protect local funding for core services and to replace any local revenue lost because of state changes to sales taxes.

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## Transportation

In SB29 for FY22 the Senate included \$30 million of additional funding for street maintenance payments, \$10 million for distance-based commuter bus service for the Transit Ridership Incentive (TRIP) Fund, \$50 million to establish a state trails office in the Virginia Department of Transportation to enhance state and local multi-use trails, and \$5 million to remediate wildlife habitat impacted by construction of the Hampton Roads Bridge Tunnel.

The Senate budget reduces Commonwealth Transportation Fund revenues by \$190.1 million over the FY23-FY24 biennium in recognition of the elimination of the state share of the sales tax on food (as passed by the Senate in SB451) and does not backfill this revenue loss citing increased general fund and federal revenues which are used to offset this loss of dedicated funding.

The House budget also reduces Commonwealth Transportation Fund revenues over the FY23-FY24 biennium from the elimination of the sales tax on food with a yet unspecified impact over the biennium and provides no additional funding

for street maintenance payments while providing some funds for multi-use trails.

The House and Senate both included language in the caboose and biennial budgets to hold local road maintenance funding harmless (as proposed in amendments introduced on behalf of VML and local governments) while VDOT conducts a study of local pavement conditions.

**VML Contact:** Mitchell Smiley, [msmiley@vml.org](mailto:msmiley@vml.org).

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## Natural Resources

The House and Senate propose similar appropriations to the Water Quality Improvement Fund of \$313 million in FY23 with the bulk directed towards agricultural best management practices to assist with continued efforts to clean up the waters of the Commonwealth. The goal of this funding is to aid the agricultural sector in an effort to meet Virginia's goal of cleaning up the Chesapeake Bay. This WQIF funding is a mandatory deposit due to the revenue surplus in the current fiscal year. The Senate budget also includes \$65.5 million for dam safety improvements including \$20 million for non-state-owned dams.

Additionally, the Senate proposes \$30 million in investments over the FY23-24 biennium to reduce Virginia's dependence on carbon-based power sources by investing in electric vehicle charging stations and homeowner solar installation incentives. This funding will also be used to address the impacts of flooding by investing in the remediation of flood prone areas of Virginia.

The Senate budget also anticipates continued funds from Regional Greenhouse Gas Initiative (RGGI) auctions of \$371 million that are directed to energy efficiency programs and the Community Flood Preparedness Fund while the House budget anticipates the elimination of RGGI and any resulting revenues entirely.

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## Local Law Enforcement

While all the amendments are still to be released, it appears that the House and Senate are taking very different approaches to state assistance for local law enforcement funding (HB 599).

The introduced budget did not increase funding to the program at all for the current year (FY22) or for the new biennium (FY23 and FY24).

The House budget does not appear to increase funding to the program through the traditional route (i.e., funding through the Department of Criminal Justice Services, which is responsible for the HB 599 grant program). Instead, the House allocates no less than \$80 million in federal funds (ARPA) in FY23 only for one-time grants to local law enforcement agencies for such purposes as training and purchasing equipment & supplies to support law enforcement-related activities including operating and maintaining body cameras, vehicles, tablets for patrol vehicles, tactical equipment, specialty and protective gear, and body armor. No local match would be required.

The Senate includes increases in funding to the HB 599 program in the current fiscal year (\$2.35 million); in FY23 (\$19.05 million); and in FY24 (\$27.90 million). While less than what local government sought through budget amendments, these funding increases are a great improvement over the introduced budget and would be welcomed by localities, which face recruitment and retention challenges as well as continuing operating and equipment needs.

**VML Contact:** Janet Areson, [jareson@vml.org](mailto:jareson@vml.org)

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## Jail Per Diems

It appears that the long pause in increases for local and regional jail per diem rates may be ending. Jail per diems were reduced in 2010 during the Great Recession and have been frozen since that time, despite efforts for several years running by VML and local partners to increase the per diem rates.

Both the House and Senate budget proposals provide some increase to per diem levels as follows:



The House would institute increases in each year of the new biennium, increasing payments for state-responsible inmates housed in local and regional jails by \$4 a day, from the current \$12 to \$16 per day, which is close to the amount needed to pay for food/other basic needs per day.

The Senate would take a more comprehensive approach during the new biennium, increasing the per diem for local responsible inmates with state charges from the current rate of \$4 to \$5 per day; increasing the per diem for inmates at jail farms from \$18 to \$19 per day; and increasing the per diems for state responsible inmates in local and regional jails from \$12 to \$14 per day.

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## K-12 Education

Both the House and Senate budgets include many items affecting K-12 education. Here is a sample of what we know so far from Sunday's budget presentations:

**Additional revenue:** Given the revenue update issued just prior to the budget release on Sunday, both the House and Senate budgets added \$34.8 million in available revenue for K-12 education needs.

**SOQ positions – salary increases:** The introduced budget included a five percent salary increase each year for Standards of Quality-funded (SOQ) instructional and support positions with a local matching requirement of a minimum of a two and a half percent salary increase each year of the biennium to access the state funding.

The House budget (Item 137#3h) reduces the salary increase to four percent each year of the biennium. Additionally, a one-time bonus equivalent to one percent of the base pay rate would be provided each year for SOQ-funded instructional and support positions. It would require a two and a half percent local match requirement each year to access the state funding.

The Senate appears to maintain the five percent salary increase each year of the biennium as proposed in the introduced budget, but details are not yet available. For the

current fiscal year (FY22), the Senate budget proposes a \$1,000 Bonus for SOQ Instructional and Support Positions using federal ARPA funds. These funds would not require a local match.

**School construction:** The House budget includes an item (Item 137 #19) that establishes the School Construction Fund to award grants on a competitive basis for localities with poor school conditions. Grants would be awarded based on commitment, need, and school building conditions as defined in [HB563](#) (O'Quinn) which passed the House and is now before the Senate. The amendment provides \$291.7 million GF and \$250 million from the Literary Fund in FY23 to provide initial seed money for this School Construction Fund.

The Senate budget will include a language amendment regarding the School Construction Grants Program. That language will be available when the Senate releases all its amendments on Tuesday.

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