September 11, 2025

Federal Spending Realignment and Virginia's Uncertain Future

Emergency Committee on the Impacts of Federal Workforce and Funding Reductions

Bipartisan membership consisting of 12 members of the House of Delegates

- Established February 4, 2025 by Speaker Don Scott to monitor the scope and scale of reduced federal spending through funding cuts and workforce reductions and solicit input from stakeholders and the public on how best to address the challenges created by a shifting federal landscape

Delegate David Bulova (Chair) Delegate Rob Bloxom (Vice Chair)	
Delegate Marcus Simon	Delegate Anne Ferrell Tata
Delegate Vivian Watts	Delegate Hillary Pugh Kent
Delegate Michael Feggans	Delegate Tony Wilt
Delegate Bonita Anthony	Delegate Ellen Campbell
Delegate Joshua Cole	
Delegate Josh Thomas	

Emergency Committee held 5 meetings from March to August 2025

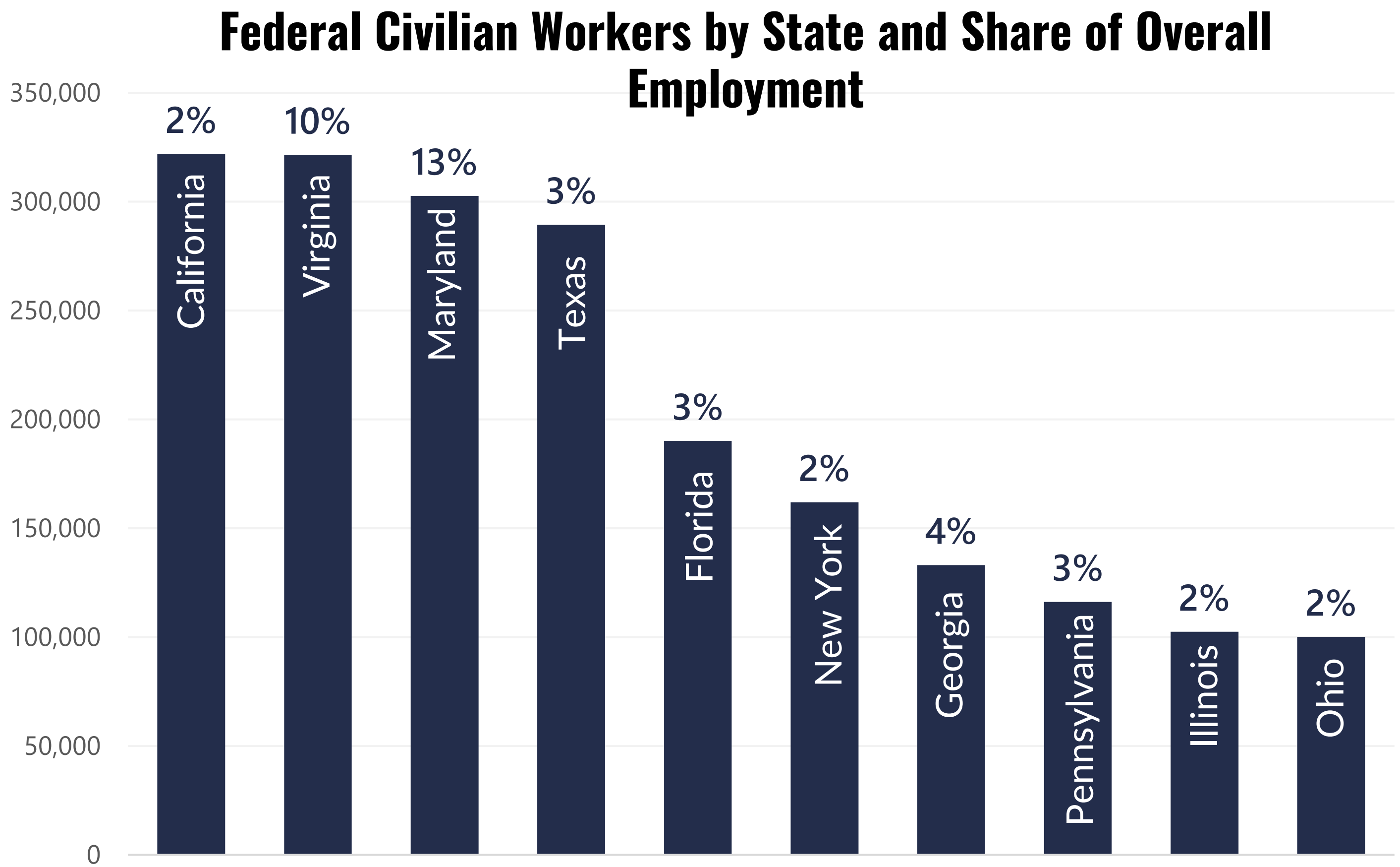
February	April	May	June	August
Federal Workforce Unemployment Insurance Federal Funding in the State Budget Federal Funding in Local Budgets	Federal Workforce and Economic Impacts Northern Virginia Perspective Federal Budgeting 101 Higher Education Research NOVAnext workforce training program	Medicaid Patient Care in Rural VA Economic Development Tourism & Community Development Ag. Industry Food Security	Federal Budget Process Update Hampton Roads Perspective Coastal Resiliency Emergency Management Housing Programs Tariffs & Port Operations K-12 Funding	Reconciliation Bill Overview Medicaid Update Higher Education

The Federal Government's Importance to Virginia

Virginia is Heavily Reliant on Federal Spending

- About 24% of Virginia's economy relies on federal spending
- The federal government contributes as an **employer** through civilian and military jobs
- The federal government spends money in Virginia as a **consumer** of goods and services through contracts with the private sector
- The federal government spends money as an **investor** in core government services and programs through grants to state and local governments, and other entities and direct payments to individuals (social security)

Over $26 Billion Spent on Federal Employee Wages

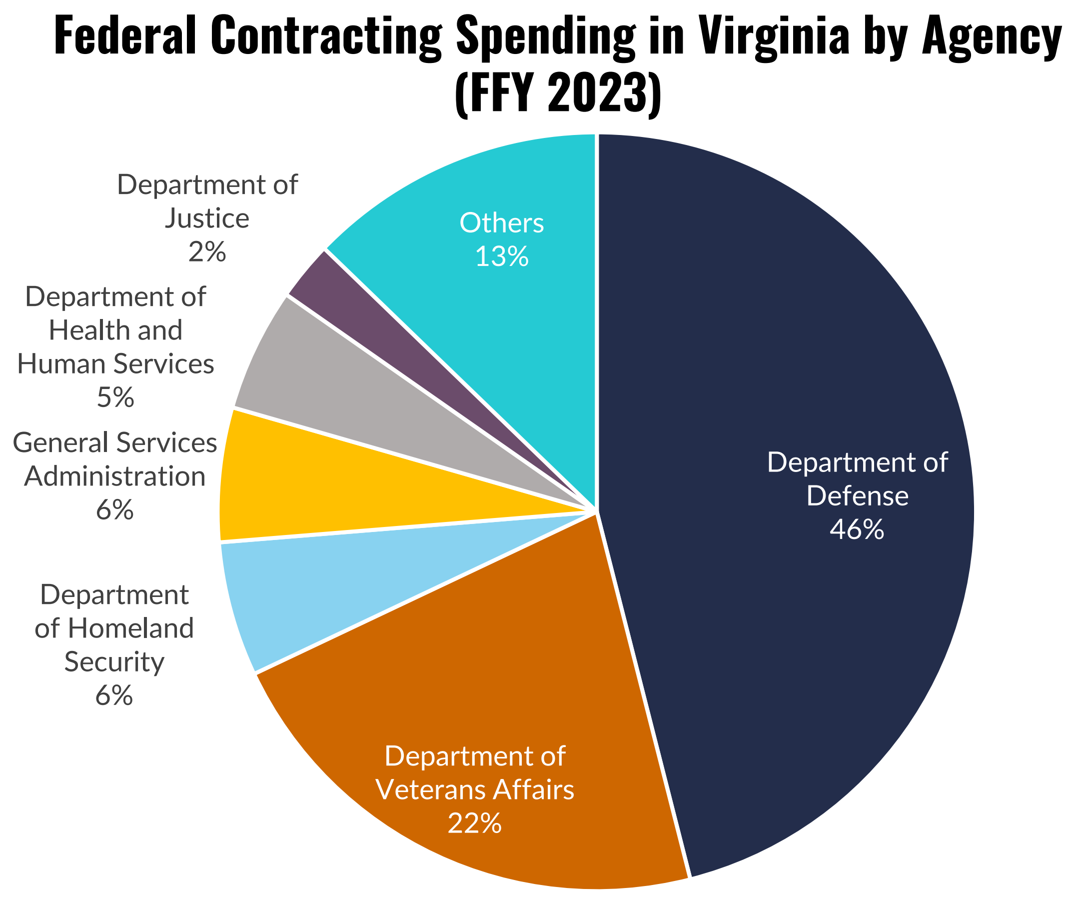


Source: Weldon Cooper Center for Public Service and Wage Estimate from FFY 2022 Rockefeller Institute of Government Report

$109 Billion Spent with Virginia's Private Sector Employers

$1 in every $7 of federal contract money is spent in Virginia, primarily with the Department of Defense and Department of Veterans Affairs

Half of federal contracting dollars go to businesses in the professional, scientific, and technical services industry



Source: Weldon Cooper Center for Public Service

$24 Billion in Support for Virginia's State Budget

FY 2024 State Spending by Revenue Source

$29.1 Billion

GENERAL FUNDS

$31.2 Billion

OTHER NONGENERAL FUNDS

$23.7 Billion

FEDERAL FUNDS

Note: This is a preliminary estimate of state spending based on data from the Auditor of Public Accounts and represents information only processed through Cardinal (the state's accounting system).

$4 Billion in Support for Virginia's Local Governments

Federal Funding to Local Governments (FY 2023, $ in millions)

	Cities	Counties	Towns	Total
Federal pass-through	$1,235.1	$1,728.7	$29.3	$2,993.1
Direct federal aid	$512.9	$843.3	$33.9	$1,390.1
Total	**$1,748.0**	**$2,572.0**	**$63.2**	**$4,383.2***
% of Revenues	12.6%	8.6%	10.3%	9.9%

Source: Auditor of Public Accounts, 2023 Comparative Report on Local Government Revenues and Expenditures, May 2024
(*) Note: This estimate is likely overstated by 6-10% due to the inclusion of COVID-19 money in the data received by local governments.

$52 Billion in Direct Payments to Individuals

$33.0 Billion | Social Security Retirements

$7.7 Billion | Veterans Benefits

$5.0 Billion | Supplemental Security Income and Social Security Disability

$2.1 Billion | Medicare

$1.5 Billion | Supplemental Nutrition Assistance Program

$918.6 Million | Affordable Housing

$804.0 Million | Pell and Work Study

Consequences of Reduced Federal Spending

- Job Losses (public + private)
- Decreased tax revenues for state budgets (payroll taxes)
- Decreased tax revenues for local budgets (payroll taxes)
- Economic conditions (unemployment, higher prices, etc.)
- Reduction of core government services that cannot be absorbed by other public sector budgets

Current State

Cutting Federal Spending Happens in Many Ways

- Every process and procedure is being utilized by federal leadership to reduce federal spending, making it incredibly difficult to assess the overall impact to states and plan for near- and long-term needs

Executive Orders	Restructuring and Layoffs	Regulations	Guidance
FY 2025 Spending Plans	“Pauses”	Rescissions	Cancellations
Eliminations	Reconciliation	Debt Ceiling	FY 2026 Appropriations

Source: Federal Funds Information for States

H.R.1 | Reconciliation Bill: What was it used for?

- Increase/reduce mandatory spending
- Modify mandatory programs, including SNAP, Medicaid, ACA
- Rescind unobligated Inflation Reduction Act (IRA) balances
- Repeal IRA tax provisions
- Cancel/eliminate IRA programs
- Extend Tax Cuts and Jobs Act (TCJA)
- Tax breaks for business expensing, overtime, senior bonus, car loan interest, tip income
- Raise the debt limit

H.R. 1: Current Understanding of its Implications

- Signature of H.R. 1 into law gives us the most concrete information to date from the federal government in terms of its spending priorities over the next several years, but even with its passage, we don’t know its full impact yet
- Work is underway by state agencies, stakeholders, and money committee staff to evaluate the repercussions of significant programmatic policy changes included in the federal reconciliation bill, including reduced service levels for Virginians and associated costs for the state, local, college and university, nonprofit, and household budgets
- Federal rulemaking will add another layer as policy-makers at state and local levels begin to understand the impact of the changes included in H.R. 1

H.R. 1 Major Areas of Concern for State Lawmakers

- SNAP
- Medicaid
- Premium Tax Credit
- Higher Education Access and Affordability
- Federal Tax Policy Changes

H.R. 1 and the SNAP Program

Policy Change	Effective Date	Impact	Cost
Establishes a new SNAP state matching requirement based on state's error rate (currently no state match is required)	October 1, 2027	General Fund Resources	$270 million in FY 2028 based on state's current error rate of 11.5%
Increases the state's administrative cost share for the SNAP program by 25%	October 1, 2026	General Fund Resources	$90 million in FY 2027
Expands work requirements for participation in the SNAP program by extending the age range to individuals 18 - 64, lowering dependent exemption to children under 14, and eliminating work requirements for certain populations	Effective immediately	Workload for DSS and local social service offices; program enrollments	Unknown cost for any system updates required to implement changes
Limits program eligibility for lawfully present individuals, such as refugees and those granted asylum	Effective immediately	Enrollment	
Prohibits USDA from increasing the cost of the Thrifty Food Plan used to determine SNAP benefit levels	Effective immediately	Benefit amount with increasing food costs	

H.R. 1 and the Medicaid Program

Policy Change	Effective Date	Impact	Cost
Eligibility redeterminations every 6 months for Medicaid expansion population	January 1, 2027	Enrollment; workload on DMAS and local DSS Offices	Unknown; expansion hospital assessment and federal matching funds
Requires Medicaid expansion population to participate in work, community service, or education programs at least 80 hours per month	December 31, 2026 (or 2 years later with waiver)	Enrollment; workload on DMAS and local DSS Offices	Unknown; expansion hospital assessment and federal matching funds
Requires copays for Medicaid expansion enrollees with incomes above 100% of federal poverty level	October 1, 2028		Unknown

- Likely, state general fund resources will not be needed to implement these new Medicaid program provisions as the costs will be covered by the hospital assessment and federal funding
- Changes are expected to reduce Medicaid enrollments for the expansion population
- Significant IT improvements are expected to accommodate new federal provisions for SNAP and Medicaid programs

H.R. 1 and Medicaid Hospital Payments

Current State

- 63 private acute care hospitals are taxed at 6% of net patient revenue in Virginia
- Used to fund Virginia's share of Medicaid expansion ($650 million per year or 2% of the tax)
- Provides a higher Medicaid reimbursement rate for hospital services ($1.0 billion per year or 4% of the tax)

Policy Changes

- Effective October 1, 2027 through September 30, 2032, H.R. 1 requires a reduction in this tax by 0.5% per year until it reaches 3.5%
- Effective July 1, 2028, reduces existing Medicaid payments for services by 10% a year until payments are equal to 100% of the Medicare rate

Impact

- Reduction in the provider tax will NOT impact Virginia's ability to fund its share of the Medicaid expansion program
- Reduction in the provider tax will impact hospital revenues, particularly for hospitals that operate at a loss and rely on the redistribution of hospital resources through the provider tax –this may be partially offset by new Rural Health Transformation Program

Absent in H.R. 1: the Premium Tax Credit for Health Insurance

- There are 2 tax credits that work to lower monthly health insurance premiums offered on the state healthcare marketplace: (i) the premium health tax credit for families below 400% of the federal poverty level and (ii) the enhanced premium health tax credits for families regardless of income
- Tax credits based on income go directly to health insurers who then lower monthly premiums charged for plans offered on state health insurance marketplaces
- **Policy Change:** Congress did not extend the enhanced premium tax credits offered to individuals and families used to purchase insurance on the marketplace in H.R. 1
  - Set to expire December 31, 2025 and likely will not be available for the 2026 plan year unless Congress extends them
- Loss of premium health care tax credit will lead to higher monthly premiums for participants in the state's healthcare marketplace (estimated to impact 200,000 households), making health care coverage unaffordable for some families (2.1% to 4.2% increase for families below 150% of the federal poverty level in 2026)
- $250 million would be needed for Virginia to assume responsibility for providing an identical tax credit to families above and below 400% of the federal poverty level

H.R. 1 and Higher Education Access and Affordability

- Student loan changes, PELL eligibility provisions, and new accountability measures may impact higher education access and affordability over the next several years
- Of the policy areas addressed in H.R. 1, the impact across Virginia's system of higher education will be different for each institution due to their student population and program offerings
- Some of the most concerning higher education proposals were not included in the final reconciliation bill, such as changing the definition of a full-time student for the purposes of Pell eligibility, eliminating the subsidized federal loan program for undergraduate students, and recalculating student need based on median national program cost versus institution program cost

H.R. 1 and Higher Education Access and Affordability

Pell Eligibility

- Excludes students with a Student Aid Index greater than or equal to twice the maximum Pell Grant award from program participation (about $14,000)
- Expands eligibility for workforce programs
- SAI Pell exclusion impacts families with adjusted gross income of about $95,000 (1 dependent) to $125,000 (4 dependents). Under previous EFC methodology, Pell Grant awards dropped off significantly after family income of $70,000 to $80,000

Student Loan Changes

- Establishes several aggregate annual limits on federal student loans including a lifetime cap of $257,500 for students, caps the parent PLUS program ($20k per year | $65k aggregate), eliminates the GRAD Plus program, caps graduate education borrowing ($20.5k per year | $100k aggregate for graduate students, double for professional students)
- While the percent of student borrowers at four-year public institutions has decreased from 56% to 50%, loan caps and program eliminations will likely have a significant impact on all students, especially in graduate and professional programs. About 2,350 in-state graduate and professional students borrowed $55 million through GRAD Plus program in 2024

Accountability Measures

- Effective in the 2028 – 2029 academic year, academic programs will lose eligibility to participate in the federal direct student loan program if they fail for 2 consecutive years to produce an earnings premium for undergraduate and graduate students
- SCHEV estimates 123 out of 374 academic programs at the associate's level are at-risk and 174 out of 1,100 academic programs at the 4-year level are at-risk

Relationship of Virginia and Federal Tax Laws

- Virginia traditionally has been what is called a “fixed date conformity” state meaning that action by the General Assembly is required to move forward the date by which we conform to most provisions of the federal tax Code
- This changed in 2023 when legislation was adopted implementing “rolling conformity” whereby state law automatically conforms to “above the line” provisions that impact the calculation of FAGI (federally adjusted gross income)
  - Provisions were included in Code limiting rolling conformity to provisions that cost less than $15 million for individual provisions or $75 million annually for combined provisions
- In anticipation of federal action under the new Administration, the 12th enactment of HB 1600, 2025 Session of the General Assembly, paused conformity to tax changes made in calendar years 2025 and 2026 except for federal tax law extenders
  - This was intended to give the General Assembly the opportunity to evaluate the impact of the changes instead of automatically mirroring them

H.R. 1 Tax Policy Changes

- Because of the complexity of tax policy discussions, we will not go into detail on this topic and leave that for future consideration by the House Finance Committee
- The Department of Taxation has not released Virginia specific information on the revenue impacts of H.R.1's tax provisions
- The following slides outline the major categories of changes and describe which ones impact Virginia's revenue streams and will require legislative action either to conform to or deconform from

H.R.1 Tax Policy Changes

- H.R.1 includes individual and business tax policy changes that can be placed in 3 major categories
- The first is extensions to existing tax policy – the largest being the Tax Cuts and Jobs Act (TCJA) which was set to expire at the end of 2025
- The TCJA-related individual provisions comprise most of the value of the tax cuts in the legislation
- H.R. 1 makes the 2017 tax changes permanent, including the larger standard deduction, more generous child tax credit, lower tax rates, and tighter limitations to certain itemized deductions such as the deduction for home mortgage interest
- Virginia will automatically conform to these provisions and they will have no impact on state revenues as the forecast assumed the federal government would extend these provisions

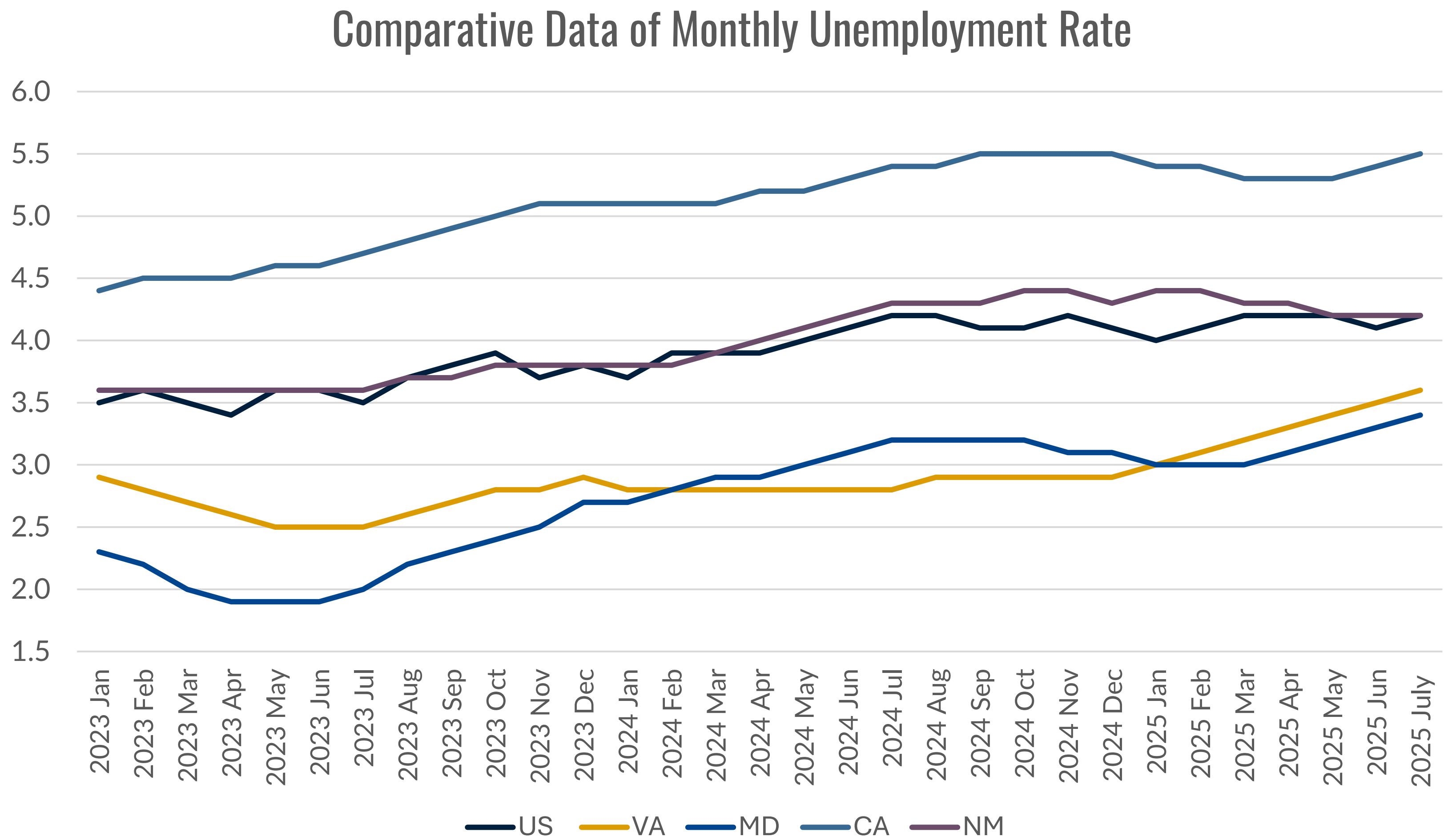
H.R.1 Tax Policy Changes

- The second category contains new adjustments to "above the line" individual and business tax deductions and exclusions. These items adjust Federal Adjusted Gross Income.
  - These provisions will flow through to Virginia returns only if legislation is adopted to move forward Virginia's conformity date at which point they would impact Virginia's revenue collections
  - Choosing not to conform would result in administrative changes because of our reliance on FAGI as a starting point
  - Included in this category are temporary items like the additional senior deduction and changes to the SALT cap, as well as a more generous child tax credit and itemizing charitable deductions on top of taking the standard deduction
- The third and final category includes new "below the line" deductions. These items are deducted after Federal Adjusted Gross Income is determined.
  - Within this category are both itemized deductions, which typically flow through at the state level, and,
  - Non-itemized deductions, which would not impact Virginia even if conformity legislation is adopted. To mirror these policies, Virginia would have to adopt stand-alone legislation creating similar programs
  - Items of note within this category are new first-year business expensing provisions, taxes on overtime, deducting car loan interest, and not taxing all tip income
  - Because these are calculated after determining FAGI, not conforming would not increase any administrative burdens at the state level

Restructuring and Layoffs; Fall Likely To Provide a Better Picture of Employment Situation

- On July 8, 2025, the Supreme Court overturned a lower-court's national injunction preventing the implementation of an executive order calling for broad layoffs across federal agencies
- There will be ongoing litigation over the legality of individual agency reduction-in-force plans
- Data on reduction-in-force plans is incomplete in terms of who will be let go in what state, and the total impact on Virginia remains unclear
- Unemployment, unemployment insurance claims and estimates from the Weldon Cooper Center provide some insight on the potential impact to federal workers in the state
- Virginia ranks number 1 among states in total federal contract spending per capita, making Virginia particularly vulnerable to layoffs in private sector companies because of reduced federal spending on goods and services

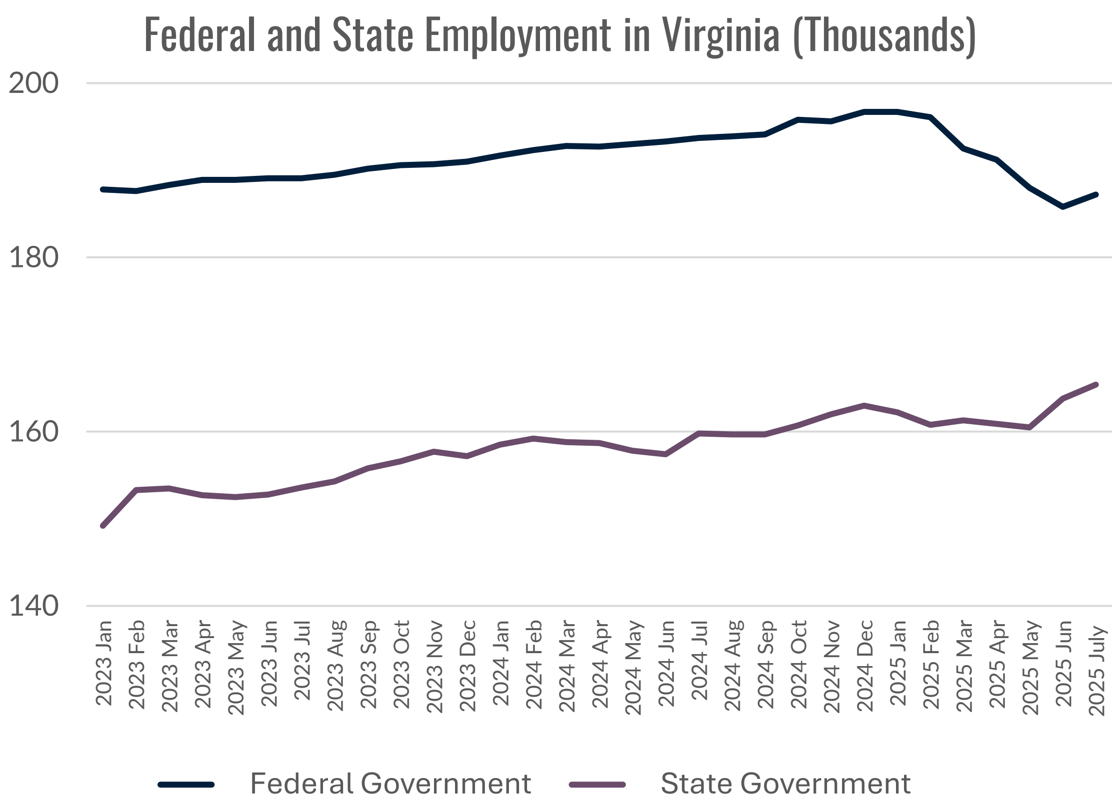
Virginia's Unemployment is Below the National Average, But Worsening



Federal Government Employment in Virginia is Shrinking

Month-to-Month employment data is starting to reveal job losses in the federal sector with impact continuing to emerge in month-to-month job numbers throughout the fall.

Additionally, as of August 30th, 1,645 federal workers have filed for unemployment insurance in the state. UI claims are likely to rise in the fall with deferred resignations set to end September 30, 2025

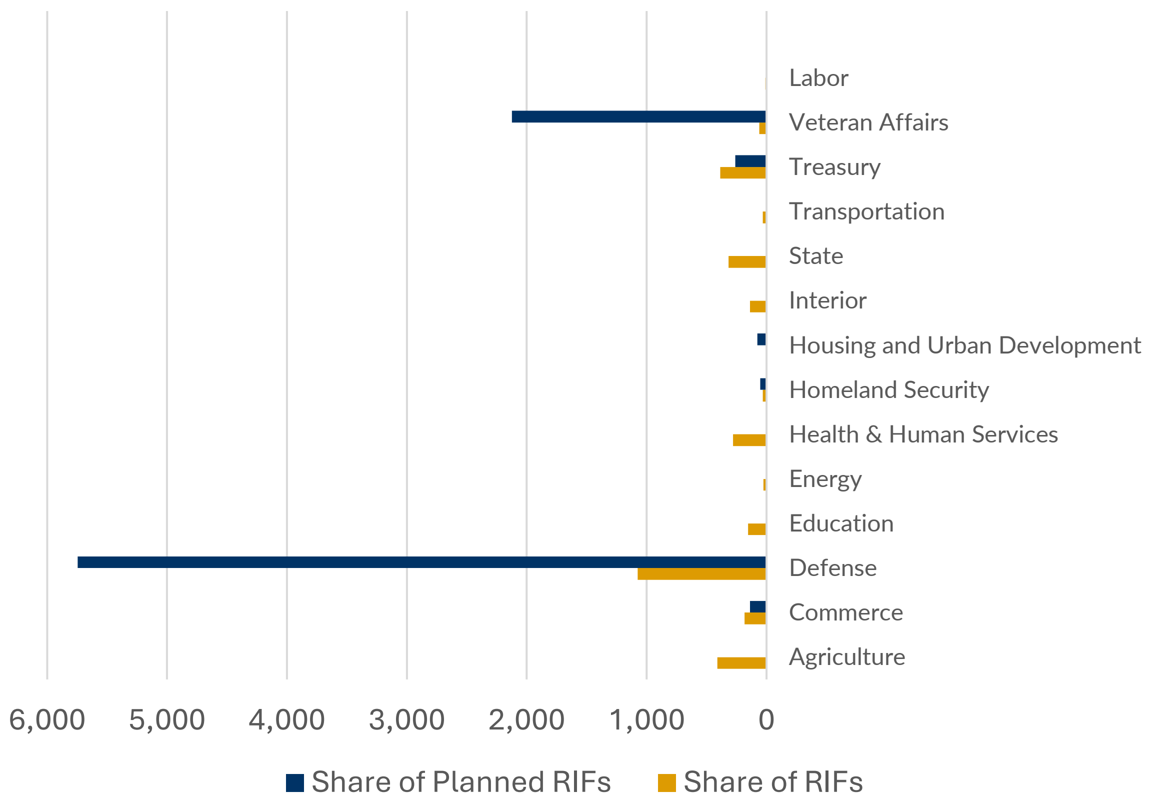


DOD Workforce Reductions Pose the Greatest Threat to Virginians

At the time of this report, the Weldon Cooper Center estimates 171,600 layoffs by the federal government with an additional 162,300 jobs planned for elimination (based on public reports). This translates to potentially 11,100 federal civilian jobs in Virginia already impacted and additional 10,500 positions potentially at risk

The fall will bring greater certainty in terms of the direct employment impact to the Commonwealth

Weldon Cooper Center's Estimates of Virginia's Share of Current and Planned RIFs



Grant Cancellations, Rescissions and Eliminations

- Very limited information is known about the scope and scale of federal grant cancellations, rescissions and eliminations in the Commonwealth
- The Secretary of Finance is tracking this information as it relates to federal money that flows to Virginia agencies. In a presentation to the joint money committees in August, the Governor indicated about $420 million in paused federal grants to the state ($300 million tied to COVID-19 grants)
  - Money committee chairs requested the details in June, and this information has yet to be shared
- Grant cancellations, rescissions, and eliminations not only impact federal pass-through programs to state agencies, they also are directly affecting federal awards to localities, nonprofits, and other recipients

Grant Cancellations, Rescissions and Eliminations – Examples in Virginia

Building Resilient Infrastructure Communities Canceled (BRIC program) – FEMA

- Allocates grants to states and localities for mitigation projects that prevent harm to humans and avoid economic losses from floods, wildfires, and other disasters ($750 million program nationwide)
- 2 Virginia projects lost funding: $24.2 million for the City of Portsmouth for remediation and enhancement projects at Lake Meade Dam and $12 million for the City of Richmond to improve its water treatment plant

Environmental and Climate Justice Community Changes Grant program – EPA

- Part of $2.0 billion of Inflation Reduction Act funding to help communities fund projects that reduce pollution, increase climate resilience, and build capacity to address challenges
- 1 Virginia project lost funding: $20.0 million for the City of Hampton to support investments in the historic Aberdeen Gardens district

Port Infrastructure Development Program – PIDP

- $679 million across the country canceled by the U.S. Department of Transportation for 12 offshore wind projects
- 2 Virginia projects lost funding: $39.27 million for development of the Norfolk Offshore Wind Logistics Park and $20 million for upgrades to the Portsmouth Marine Terminal (this $20 million had already been spent)

Grant Cancellations, Rescissions and Eliminations – Examples in Virginia

Virginia Humanities

- On April 3rd, Virginia Humanities received a letter from the Department of Government Efficiency terminating their annual operating grant from the National Endowment of the Humanities
- Annual grant represented 20% of Virginia Humanities budget
- Required staff layoffs (25%), reduced grant spending, and vacated office space

Teacher Pipeline Programs

- Supporting Effective Educator Development (SEED) and Teacher Quality Partnership (TQP) grants are used by a consortia of colleges to build and improve the teacher workforce in high need schools
- In February 2025, the administration cancelled $600 million nationally from these two programs

Current Federal Appropriations Process

- Congress is actively working on the annual appropriations process for Federal Fiscal Year 2026, which begins October 1, 2025
- Congress is on a tight timeline to complete the appropriations process before the end of the fiscal year
  - Failure to pass may result in federal government shutdown if no continuing resolution is adopted
  - Unlike reconciliation bill, appropriations bills are subject to 60 vote threshold in the Senate
- Both Committees have for the most part rejected many of the dramatic proposals proposed by the President to eliminate funding for programs like the Community Development Block Grant, Community Development Services Block Grant Program, Low Income Home Energy Assistance Program, or consolidate programs into block grants for the state to manage like federal rental assistance and federal K12 funding (assessment is subject to change as the appropriations process continues)

FY 2026 Appropriations Progress

	Status	
Appropriations Subcommittee	**House**	**Senate**
Defense	Passed	On Floor
Energy and Water	Passed	
Labor/HHS/Education	In Committee	On Floor
State/Foreign Operations	On Floor	
Agriculture	On Floor	On Floor
Commerce/Justice/Science	In Committee	On Floor
Interior and Environment	On Floor	On Floor
Military Construction/Veterans	Passed	On Floor
Transportation/HUD	On Floor	On Floor
Legislative Branch	On Floor	On Floor
Financial Services/General Gov.	On Floor	
Homeland Security	On Floor	

Data as of September 2, 2025

K-12 Current Status: Funding Pause Created Uncertainty

- The U.S. Department of Education notified states on June 30th that it would not release $6.8 billion in federal FY 2025 funds, pending a programmatic review
  - States and school divisions anticipated the funds would be available on the following day, July 1st for the upcoming school year
  - For Virginia, about $123.5 million was withheld – representing about 14% of the FY 2025 federal formula funds anticipated
- The delay created uncertainty for impacted programs, such as: English language acquisition, Adult education, Migrant education, Student support and enrichment, 21st Century Community Learning Centers, and Supporting effective instruction
- By July 25th, the administration released all withheld funds

K-12 Current Status: FY 2026 Federal Appropriations Process

House Proposal
in Appropriations Committee

- Overall, reduces federal support for K-12 by about 27%, or $9.9 billion
- Reduces Title I support by about 34%, or $4.7 billion
- Eliminates funding for several programs:
  - Supporting effective instruction
  - English language acquisition
  - Adult education & literacy
  - Migrant students
  - Homeless students
- Rescinds $2.6 billion from current appropriation

Senate Proposal
on Senate floor

- Maintains same general level of support provided in FY 2025
- Does not reduce or eliminate any programs
- Includes provision requiring administration to release formula grants on time, to prevent future funding pauses

Key State Economic Metrics Are Concerning; Overall Impact Unclear

- Virginia's unemployment rate has steadily been rising since the beginning of this year, and currently stands at 3.6% and is predicted to rise to 4.2% by the Weldon Cooper Center
- Employment growth in Virginia is slowing. Virginia gained 600 jobs between June and July of this year, placing it 31st among states in month-to-month job growth
  - From January to July of this year, Virginia has added just over 4,500 jobs to its economy. Gains in other industries have offset losses in professional, scientific and technical services (10,800) and the federal government (9,500)
- The state's labor force participation rate is decreasing from month-to-month, starting at 65.8% in January 2025 and shrinking to 64.9% in July 2025
- Unclear what impacts evolving tariff policy changes will have on Virginia's overall economic health and revenue collections
  - Virginia consumers, businesses, and agricultural producers have varying exposures to market changes driven by tariff policy

Key Takeaways

- While there is some certainty around the potential implications of H.R.1, uncertainty remains related to the overall economic and societal impacts of H.R.1; workforce restructuring efforts and federal layoffs; continued reduced spending through rescission, elimination, cancellation, and appropriations processes; and the broader economic implications of reduced spending and employment for Virginia's economy
- Impact of major policy changes included in H.R.1 and other federal actions (reduced spending, layoffs, executive actions) will be experienced over the next several state budget cycles; allowing multiple opportunities for the General Assembly to plan, identify, and prioritize areas for continued support through state resources (marathon not a sprint)
- While Virginia remains on a healthy trajectory in terms of its month-to-month revenue collections, rising unemployment and slowing employment growth in the state signal the need for caution as General Assembly leaders determine their spending (tax policy + programmatic investments) priorities for the upcoming biennium
- State and local budgets only have but so much elasticity to backfill declining federal revenues, and prioritization will be key for decision makers.
  - This will become extremely difficult if economic conditions worsen. High unemployment typically increases demand for core government services
  - Unlike previous revenue downturns such as the Great Recession and COVID-19 pandemic, it is unclear what, if any, federal support would be provided to assist State and local government responses

Potential Actions for Decision Makers Based on Current Landscape

Need Better and More Complete Data for Informed Decision Making

- Direct the Department of Planning and Budget to start collecting and sharing information on the federal grants canceled, eliminated, or rescinded that pass through to state agencies and local governments and the federal grants that support nonprofit programming and organizations
- Continue to monitor economic conditions in the state to determine the potential impact of rising unemployment and decreased federal spending on state and local revenue collections
  - Direct the Virginia Economic Development Partnership to update its Economic Data Book to track comparative economic information from the beginning of January 2025 – the start of federal budget realignment
- Continue to monitor the FFY 2026 appropriations process and identify potential challenges for state and local budgets

Data Required for Informed Decision Making

- Continue to work with Virginia's state agencies, money committee staff, and issue area experts to determine the magnitude and timing of policy changes included in H.R. 1

Department of Medical Assistance Services

- Provide costs estimates related to the redetermination provisions of H.R. 1
- Estimate the impact of redetermination, community engagement requirements, and copays on Medicaid expansion enrollment
- Estimate impact of changes to the provider tax on hospital revenues each year of step-down period while accounting for any offset from the Rural Health Transformation Program

Department of Social Services

- Cost estimates of any technological upgrades required to redetermine Medicaid and SNAP eligibility every 6 months
- Determine root cause of Virginia's SNAP error rate
- Create standards for data entry across all local social services offices and deploy accessible technology solutions to help reduce Virginia's SNAP error rate

Data Required for Informed Decision Making

Higher Education Institutions

- Require every public institution of higher education (4-years and community colleges) to provide estimates on the student and revenue impacts from changes to the Pell Grant program, caps on student loan programs, and elimination of the Grad PLUS and Parent PLUS programs

Department of Taxation

- Publish and share publicly information on the related revenue impacts of conformity with the tax provisions of H.R. 1

Federal Workforce Reductions and Rising Unemployment, Potential Actions

Housing Security

- Add a provision in the Virginia Landlord and Tenant act that would allow laid off workers to end leases early
- Provide additional assistance for the Virginia Eviction Reduction Program
- Create a rental assistance and/or mortgage assistance program to help federal workers with housing costs

Unemployment Insurance

- Temporarily extend the UI benefit in Virginia to 26 weeks
- Temporarily increase the maximum weekly UI benefit levels in the state
- Provide a reemployment bonus to all Virginia residents who receive UI benefits and accept and retain a job in Virginia

Federal Workforce Reductions and Rising Unemployment, Potential Actions

Workforce Training and Assistance

- Pay for community members to gain access to the Mason Career Academy and Mason Career Academy Plus programs
- Expand the NOVAnext program statewide, which provides short-term credentials to laid off federal workers and is an extension of the state's fast forward program
- Explore the creation of an incentive or tax credit for employers to hire former federal employees
- Continue to support displaced workers in getting connected to new jobs in Virginia through the Virginia Has Jobs initiative

Economic Resilience

- Explore incentives to assist localities in retrofitting, refurbishing, and rehabilitating underutilized office space
- Enhance the state's current incentive offerings to attract new business investment
- Safeguard policy investments that provide the foundation for economic growth (K-12 Education, Child Care, Housing, etc.)

Backfilling Lost Federal Funding; Prioritization will be Key

- It is too early to predict how much federal support (grants + income from wages) the Commonwealth will lose in the upcoming biennium with the revenue forecasting process occurring primarily in the Fall of this year. Revenue collections remain on track; however, early warning signs indicate decision makers should proceed with caution
- Prioritization will be key for lawmakers moving forward in determining how to use existing state resources to offset lost federal funding and support new programs designed to help mitigate smaller federal footprint
    - SNAP-related spending is not optional given the cost share and new match requirements. Even reducing the SNAP error rate to avoid a 15% match will likely require investing in personnel and systems.
    - Requests to backfill lost grants from localities and nonprofits are likely to come through the member budget request process this year
    - Many of the ideas to help support federal workers will have a general fund cost
    - Many new programs designed to help with economic diversification will have a cost
    - All of this will occur in the context of additional mandatory spending required for K-12 education (re-benchmarking) and Medicaid (reforecasting)
- Revenue Reserve Fund and unappropriated balance can help backfill losses this session, but are not a solution for ongoing commitments and their use should be limited to one-time spending
- Increasing state revenues to provide ongoing support for federal programs is an option and those policy choices will need to be evaluated by the House Finance Committee

Final Thoughts