Federal Budget Realignment and Implications for Virginia

A Report of the Emergency Committee on the Impacts of Federal Workforce and Funding Reductions

September 11, 2025

Report of the Emergency Committee on the Impacts of Federal Workforce and Funding Reductions

Introduction

The Virginia House of Delegates' Emergency Committee on the Impacts of Federal Workforce and Funding Reductions hosted a series of meetings throughout the Commonwealth from February to August 2025 to discuss the implications of the ongoing federal budget realignment process. This report summarizes the Emergency Committee's work, its findings to date, and near-term actions for the General Assembly's consideration.

This report is not intended to be exhaustive, as it is almost impossible to document every action taken by the Trump Administration, Congress, or both with regard to reshaping the federal government's workforce and spending levels. The following narrative captures why realignment of the federal government is particularly challenging for Virginia and highlights key issues for Virginia legislators to monitor and address during the upcoming legislative session.

Emergency Committee Background and Activities

Organization and Purpose

On February 4, 2025, Speaker Don Scott established the Emergency Committee on the Impacts of Federal Workforce and Funding Reductions. The Speaker appointed 12 members of the House of Delegates to serve on this bipartisan Emergency Committee. The table below includes the Emergency Committee's membership.

Emergency Committee Membership

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	

The Speaker charged the Emergency Committee with "collecting data on the potential scope of workforce and funding cuts, analyzing the likely impacts of these cuts on Virginia's economy and budget should they be partially or fully realized, inviting stakeholders across a wide-range of interests to provide their perspectives and to share potential ways to mitigate the impacts and make Virginia's economy more resilient, and to make recommendations for how Virginia can proactively address these challenges."

Activities of the Emergency Committee

The Emergency Committee held a series of five meetings to gather information, hear from affected stakeholders and communities, and solicit input from subject matter experts. The dates and locations of these meetings were:

- February 22, 2025 in the City of Richmond
- April 8, 2025 in the City of Alexandria
- May 12, 2025 in the City of Wytheville
- June 20, 2025 in the City of Norfolk
- August 14, 2025 in the City of Richmond

Each meeting of the Emergency Committee covered a broad range of topics from a variety of presenters with a focus on understanding the scope and scale of Virginia's federal workforce and specific federal spending areas with the largest potential impact on state and local budgets. The table below summarizes the topics covered at each meeting.

Emergency Committee Meetings and Topics Covered

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

Each meeting was designed to inform members of areas potentially impacted by federal funding decisions, provide details on decisions made by the federal government related to spending or workforce reductions, and give additional information demonstrating Virginia's unique reliance on the federal government. The organization and design of each meeting recognized that much of the Emergency Committee's work has occurred concurrently with federal decision making on its workforce, spending levels, and program redesign.

The Emergency Committee actively solicited public comments and input to identify challenges related to changes in federal spending and potential solutions for these challenges. The Emergency Committee collected testimony from over 100 Virginians and stakeholder groups representing a variety of interests. Continuing Medicaid coverage, particularly for individuals served by an ID/DD Medicaid waiver, was the most common concern that surfaced in public testimony. The public testimony provided to the Emergency Committee at its Northern Virginia meeting featured individuals directly impacted by federal layoffs. These individuals advocated for rental and mortgage assistance, preferences in hiring for public sector jobs, and enhanced unemployment benefits. In addition to the public testimony available on SPEAK (the House of Delegate's public testimony site), Appendix A includes formal letters submitted to the Emergency Committee that voice concerns and ideas for consideration moving forward.

The Federal Government's Importance to Virginia

As described in the Committee's organizing letter, the federal government is a critical component of Virginia's economy. The federal government contributes to Virginia's economy in three ways: as an employer of people, a consumer of goods and services, and an investor in core government services and programs through the distribution of grants to state and local governments and other entities and direct payments to individuals. Employment losses, declining state and local tax revenues, and reductions in core government services are all potential consequences of the a changing federal government.

Federal Spending is a Key Component in Virginia's Economy

About 24% of Virginia's economy relies on federal spending. This includes direct payments to individuals, grants to state and local government and other entities, contract spending, and wages. Virginia consistently ranks first among all states in total federal spending on a per capita basis, and the Commonwealth is unmatched by other states in the volume of federal contract spending that occurs in it. Virginia's federal contracting expenditure per capita was greater than $12,000 in 2023, which is more than 50% higher than the second-ranked state in the nation.

The federal government's role as a consumer of goods and services has a meaningful impact on Virginia's economy. In 2023, the federal government spent more than $109 billion on contracts in Virginia, a majority of which were through the Department of Defense and Department of Veterans Affairs. Of this amount, nearly 50% of federal contact spending is in the professional, scientific, and technical services industry ($53.7 billion). Largely as a result of this federal spending, professional, science, and technical services comprise about 11% of total employment in Virginia.

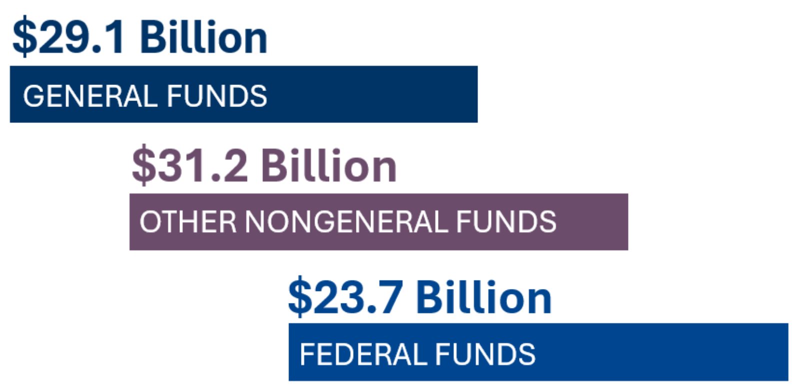
Federal Spending is an Important Part of Virginia's Public Sector Budgets

Federal spending underpins numerous services provided to Virginia residents by state and local governments and is an integral part of Virginia's economy.

Federal spending is a major component of the Commonwealth's budget. In FY 2024, federal funds represented approximately one-third of state spending, totaling $23.7 billion.

More than 90% of federal funds spent by the state occurs in five agencies. By far the greatest amount of federally supported spending occurs within the state's Medicaid program, totaling $14.6 billion in FY 2024.

FY 2024 Virginia Spending by Revenue Source



Federal spending is also an important part of local budgets in Virginia. According to the Auditor of Public Accounts, in FY 2023 federal pass-through spending and direct federal aid represented 10% of local budgets. FY 2023 levels of federal support to localities may be inflated due to substantial COVID-19 spending but has long been more than 6% of local budgets. The importance of federal support for local budgets varies widely across the state, with 12 Virginia localities receiving more than 20% of their annual budget from federal pass-through or direct federal spending.

Federal Spending Contributes to Household Budgets in Virginia

The federal government provides direct payments to Virginians through numerous programs, including social security, veterans disability benefits, and Supplemental Nutrition Assistance Program payments (SNAP). Many Virginians rely on these resources to support their basic costs of living (housing, food, and utilities). Additionally, low-income students rely on direct assistance from the federal government to pursue higher education through the federal Pell Grant and work study programs. The federal government in 2024 spent $52.3 billion to support Virginians through direct assistance. The largest share of this spending is through the social security program to support retirement incomes at $33.0 billion. Of note, $1.5 billion was spent to provide food assistance to low-income families through the SNAP program, and $804 million was spent to support higher education access for low-income students. Both of these programs will be discussed later in the report due to program changes included in the recent reconciliation bill.

Direct Federal Assistance to Virginia Families FFY 2024

- $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

Federal Spending Supports Substantial Portion of Virginia's Workforce

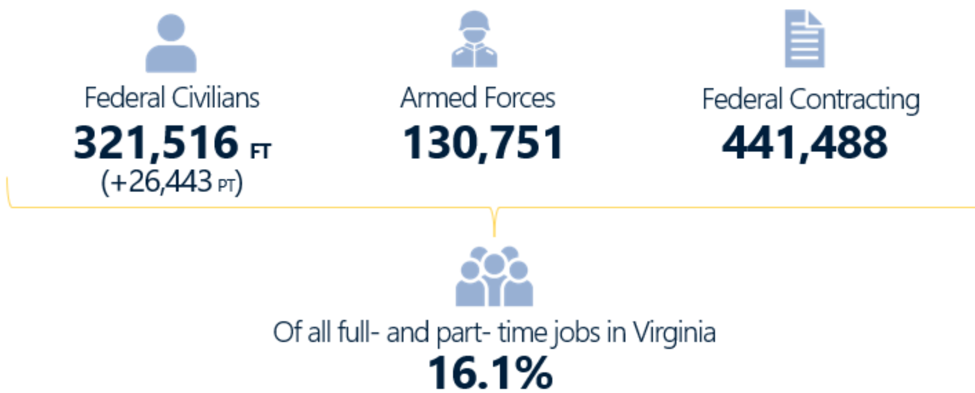
The federal government supports employment in the state through its roles as an employer, consumer, and investor. With more than 321,000 full-time and 26,000 part-time federal employees, Virginia has more federal employees than any other state but California.

These employees represent roughly 10% of Virginia's workforce. Virginia's federal workforce is heavily concentrated in Northern Virginia and Hampton Roads. Northern Virginia is home to 50% of federal employees living in Virginia, with another 20% living in Hampton Roads. Direct federal employees in Virginia earn substantially higher salaries than the private sector. In 2022, Virginia federal employees made an average salary of

$150,000, approximately 2.5 times greater than the statewide private sector average salary of $60,000.

As a consumer, the federal government supports an even greater number of jobs in the state through contract spending. Weldon Cooper Center estimates more than 441,000 jobs tied to federal contract spending in Virginia. More than 55% of these jobs are found in the professional, scientific, and technical services industry, with other major industries including finance and insurance, trade and transportation, and manufacturing.

Total Number of Jobs in Virginia Supported by the Federal Government



Source: Weldon Cooper Center for Public Service

As an investor in core government services, the federal government supports public sector jobs at the state and local levels of government through grant spending. Although there is not an estimate available on the number of state government jobs supported by federal spending, Weldon Cooper Center estimates that the $4.4 billion in federal spending flowing to local governments in FY 2023 resulted in 35,000 jobs across the Commonwealth.

What Does This All Mean?

Federal government spending — whether it be as an employer, investor, or consumer — is inextricably linked to Virginia's economy. Any shifts in spending through any one of these roles will put pressure on the state's economy. Employment declines due to a shrinking federal workforce or reduced federal contract spending threaten the revenue collections of the state. More importantly, higher levels of unemployment increase demands for core government services, including health insurance via Medicaid or the state's healthcare exchange, unemployment insurance, or basic food benefits.

These services rely heavily on federal funding to support them and reduced spending in any area may affect access for Virginians currently benefiting from these programs or in need of these programs. State and local budgets cannot easily supplant reductions in federal support for core government services using state and local revenues and may even be more limited if revenue collections decline due to increasing unemployment levels.

All these factors make monitoring an important task for state officials to immediately address any changing economic conditions. The fallout from federal realignment is still very much in its early days, and continuous monitoring will be important for the state moving forward due to its heavy reliance on the federal government.

Federal Policymakers Have a Variety of Ways to Affect Federal Spending Levels

While it exceeds the scope of this report to cover them all, federal policy-makers have used a variety of legislative and administrative actions over the past year that will, in aggregate, have the effect of reducing spending on core government services in Virginia.

Cutting Federal Spending Happens in Many Ways

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

The table above highlights the tools that have been used by federal policy-makers to reduce the federal civilian workforce or reduce spending across federal agencies. The boxes in dark blue show the actions being used by the President to shift federal priorities, which include executive actions, layoffs, regulations, guidance, FY 2025 spending plans, and grant pauses. The boxes in the lighter blue display actions that both Congress and the President are using to reshape federal spending, which include grant rescissions, cancellations, and eliminations. The boxes in purple – reconciliation, debt ceiling, FY 2026 appropriations – represent the mechanisms Congress is using to reshape federal policy, workforce, and spending.

This report covers the recent use of the reconciliation bill, the FFY 2026 appropriations process, executive actions around layoffs, as well as grant rescissions, cancellations, and eliminations. Data and information related to the implications for H.R. 1, the FFY 2026 appropriations process, and grant rescissions, federal workforce reductions, cancellations and eliminations activities continue to evolve.

Federal Actions Have Created Uncertainty for Federal Workers

Since the beginning of 2025, federal agencies have undertaken a number of far-reaching initiatives to reduce federal employment and spending outside of traditional legislative and administrative rule-making processes. This has created uncertainty for, and in some cases, harm to, individuals, state and local governments, and non-governmental organizations within the Commonwealth.

Far-Reaching Federal Layoffs

On July 8, 2025, the Supreme Court overturned a lower-court's national injunction preventing implementation of an executive order calling for broad layoffs across federal agencies. In the ensuing weeks, several agencies announced their plans for layoffs.

However, there is ongoing litigation over the legality of individual agency reduction in force plans. This data is incomplete and the total impact on the nation and Virginia remains unclear.

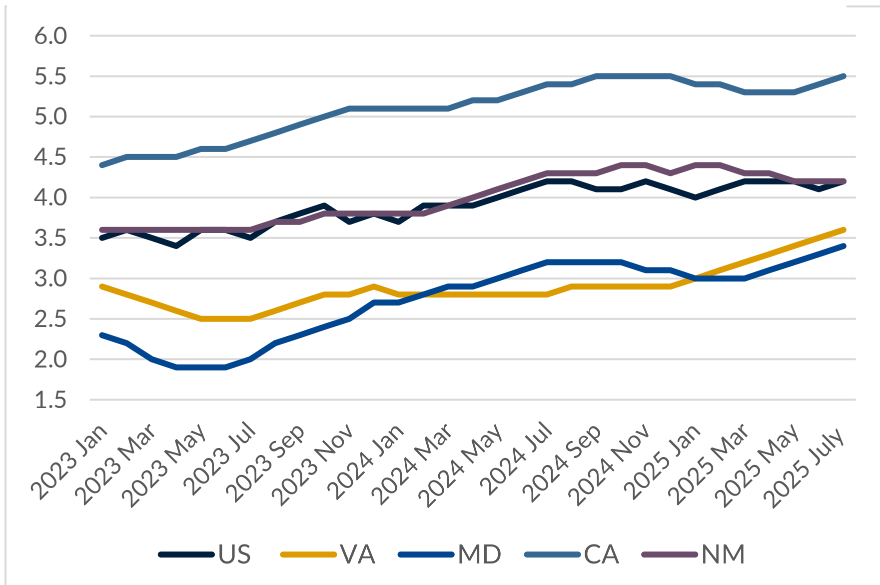
The Weldon Cooper Center for Public Service has been tracking federal workers fired or targeted for layoffs. Weldon Cooper has reported an estimated 171,600 layoffs nationwide, with an additional 162,300 layoffs planned. The numbers published by the Weldon Cooper Center rely on public announcements and include individuals that participated in the deferred resignation program. The Weldon Cooper Center estimates that 11,100 federal civilian jobs in Virginia already have been affected, with an additional 10,500 positions at risk for elimination going forward. Realignment of the civilian workforce at the Department of Defense has already cost Virginia an estimated 1,000 positions in the state with another 5,700 potential layoffs on the horizon.

Lawmakers will have a clearer picture of the employment situation in the Fall of this year, with deferred resignations set to end on September 30, 2025. In the meantime, unemployment, employment, and unemployment insurance claims provide some insight into the early impact of reduced federal spending on Virginia's workforce.

Unemployment, Employment and Unemployment Insurance Claims

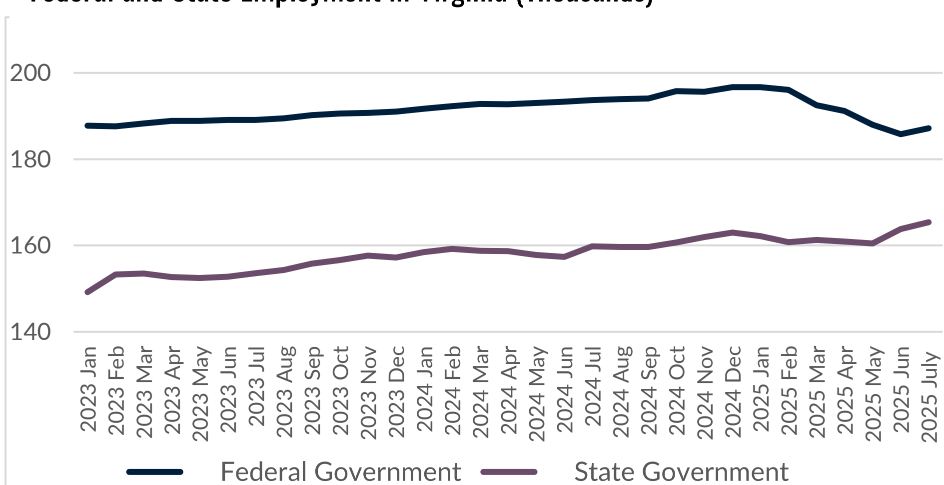
Virginia's unemployment rate increased through 2025, rising to 3.6% in July from 3.0% in January. Virginia's unemployment rate remains below the national average, which has been relatively flat over the last 7 months. In comparison to Maryland, which also depends heavily on federal employment and expenditures for goods and services, Virginia exhibits a higher unemployment rate that has increased more rapidly than that of Maryland.

Monthly Unemployment Rate for U.S., Viriginia and Select States



Month-to-month employment data from the Current Employment Survey produced by the Bureau of Labor Statistics shows job losses in the federal sector of over 9,500 jobs lost in Virginia between January and July 2024. On a month-to-month basis, from June to July 2025, the federal government has added 1,400 jobs,

Federal and State Employment in Virginia (Thousands)



which is an outlier from an overall decline in federal jobs since January of this year. In comparison, employment in state government has remained relatively flat, even showing some growth.

As of August 30, just over 1,645 federal workers have filed for unemployment insurance in Virginia, and this number is expected to rise in the Fall with the initial deferred resignation program for federal workers set to conclude on September 30. Week-to-week new unemployment insurance claims rose by 19.9% (522) from August 9 to August 16 with 3,146 new claims filed. Continued claims are also rising in Virginia based on the latest unemployment insurance data, which means citizens who have filed for unemployment insurance are staying on unemployment insurance longer. For the week ending August 16, 2025, there were 21,225 continued claims for unemployment insurance compared to 16,290 continued claims for the same period in 2024.

Private Sector Layoffs

The Worker Adjustment and Retraining (WARN) Act requires employers to provide workers with advanced notice of pending layoffs. This notice must be provided 60 calendar days prior to a plant closing or mass layoff event (50 – 499 employees if 33% of workforce or over 500 employees). When an employer provides this notice, it triggers workforce transition services through the state's rapid response program. In addition to unemployment, employment, and weekly unemployment insurance claims, WARN notices from employers provide some additional insight into how federal realignment is impacting Virginia private sector employers. A few companies that rely heavily on their vendor relationship with the federal government — including Leidos, MITRE Corporation, and Pantheon Data — have all announced layoffs in 2025. As of August 30, 2,580 Virginians have filed for unemployment insurance from the top 100 companies that do business with the federal government.

Federal Reconciliation Bill (H.R. 1) Will Reduce Spending on Core Government Services

The 2025 budget reconciliation act was signed into law on July 4, 2025. The act contains hundreds of provisions affecting a broad range of areas, including individual income taxes, health care taxes, Medicaid and SNAP revenues, and student loans and Pell Grants. Congress uses the reconciliation process to change mandatory spending, revenues, or the debt ceiling, using expedited rules. This section identifies and briefly analyzes key issue areas that may require General Assembly action over the next several legislative sessions with a particular focus on changes to mandatory federal programs and tax policy.

Changes to the Medicaid Program

The reconciliation act made several changes to the Medicaid program, with effective dates staggered over the next three calendar years. Many of these changes will require further federal guidance before fiscal and policy impacts are known with certainty.

Medicaid Expansion Eligibility Redeterminations

Effective January 1, 2027, the reconciliation act requires eligibility redetermination to be completed every six months for individuals enrolled in the Medicaid expansion program. Current law requires eligibility redeterminations to be made annually. The costs of additional eligibility redeterminations on DMAS and local departments of social services are not currently known but will be borne by the Medicaid expansion hospital assessment and federal matching funds.

Medicaid Expansion Community Engagement and Work Requirements

Effective December 31, 2026 (or December 31, 2028 with an exemption granted by the U.S. Secretary of Health and Human Services), the reconciliation act requires individuals applying for or enrolled in Medicaid expansion to participate in work, community service, or education for at least 80 hours per month. Exemptions are provided for certain populations, such as pregnant or post-partum women, foster and former foster care individuals, disabled veterans, and individuals with serious mental health or substance use disorder treatments.

DMAS and local departments of social services will be responsible for verifying individual compliance at application and every six months thereafter. No preliminary cost estimates for this provision have been provided, but costs will be borne by the Medicaid expansion hospital assessment and federal matching funds.

Medicaid Expansion Enrollee Cost Sharing

Effective October 1, 2028, the reconciliation act requires cost sharing greater than $0 for Medicaid expansion enrollees with incomes above 100 percent of the federal poverty level, with a limit of up to $35 per service. Exceptions are provided for primary care, mental health services, and substance use disorder services.

Medicaid Hospital Payments

The reconciliation act contains provisions placing new limits on provider taxes and state directed Medicaid payments.

Currently, 63 private acute care hospitals in Virginia are taxed at 6% of net patient revenue. These proceeds are used to fund Virginia's share of Medicaid expansion costs (approximately 2% of the 6% tax, or $650 million annually), as well as enhanced hospital payments designed to fill the gap between Medicaid payments and the cost of care provided to Medicaid recipients (about 4% of the 6% tax, or $1.0 billion annually).

The reconciliation act bans the assessment of new provider taxes by states. Effective October 1, 2027 through September 30, 2032, the act mandates the reduction of the hospital provider tax rate by 0.5% each federal fiscal year until it reaches 3.5%. This will not impact the ability of Virginia to fund its Medicaid expansion costs, as it represents 2% of the Commonwealth's current 6% tax.

The act also caps any new state directed Medicaid payments at 100% of the Medicare rate. Effective July 1, 2028, it reduces existing payments by 10% annually until payments are equal to 100% of the Medicare rate. While the precise impact of these changes is not known, they will result in a substantial reduction in hospital revenues in the Commonwealth. This will be particularly challenging for facilities currently operating at a loss. The Rural Health Transformation program, created by H.R. 1 may offset some of these losses, but it is too early to tell if and when Virginia will receive funding.

Information Technology Needs to Execute New Changes

Changes to the state's Medicaid program related to redetermination frequency and work requirements will require investments in the technology infrastructure. Local departments of social services will need upgraded systems to process applications for Medicaid and other public assistance programs like the Supplemental Nutrition Assistance Program. The costs of these improvements are not yet known; however, they are likely to be significant given the current system was built in the early 2000s. A report from the Government Accountability Office that explored the administrative costs associated with states implementing work requirements in the Medicaid program shows IT costs ranging from $4.5 million (New Hampshire) to $221 million (Kentucky).

Expiration of Enhanced Premium Tax Credits for Health Insurance Marketplace Plans

The reconciliation act notably did not extend premium tax credits offered to help individuals and families purchase insurance on the health insurance marketplaces. These tax credits will expire effective December 31, 2025, and be unavailable for the 2026 plan year.

Under the Affordable Care Act (ACA), a premium tax credit has been provided to families with income between 100% and 400% of the federal poverty level (FPL) to assist in their purchase of health insurance on the state exchange. Under the American Rescue Plan Act (ARPA), an additional enhanced premium tax credit was offered to families above 400% of FPL. The credits are based on a sliding income scale, with the IRS determining the applicable percentage of household income an individual must pay towards the premium for the second-lowest cost Silver plan. Also under ARPA, the enhanced premium tax credit made $0 premium plans available for families with incomes under 150% of FPL, and capped premiums at 8.5% of household income for families with incomes above 400% of FPL.

The expiration of the premium tax credit will affect the out of pocket costs of more than 200,000 households in Virginia, including more than 190,000 households earning less than 400% of FPL.

Statewide Impact of Expiring Enhanced Premium Tax Credits

Income by FPL	Total Enrolled Households	Average Household Income	2025 Average Premium Before Tax Credit	2026 Estimated Average Premium Before Tax Credit	2025 Average Net Premium After Tax Credit	2026 Estimated Average Net Premium Increase
100-133%	31,694	$20,362.00	$668.00	$792.00	$27.00	+$36.00
133-150%	44,394	$27,703.00	$652.00	$792.00	$28.00	+$72.00
150-200%	51,571	$34,215.00	$682.00	$792.00	$59.00	+$119.00
200-250%	29,942	$47,384.00	$816.00	$997.00	$126.00	+$182.00
250-300%	19,312	$56,324.00	$845.00	$997.00	$219.00	+$208.00
300-400%	16,965	$71,234.00	$949.00	$1,140.00	$401.00	+$235.00
>400%	9,179	$110,410.00	$1,199.00	$1,440.00	$748.00	+$692.00

Source: State Corporation Commission

The expiration of the tax credit will result in these households being expected to pay larger percentages of household income to purchase insurance from the state exchange. For example, households under 150% of FPL will see their out of pocket premium costs increase from 0% of household income in 2025 to between 2.1% and 4.2% in 2026.

After the passage of enhanced premium tax credits in 2021, enrollment in state marketplace health insurance plans increased across all income levels, most substantially at the lowest and highest levels of income eligibility. While it is outside the scope of this report to project potential impacts of the expiration of the enhanced premium tax credit on enrollment, it stands to reason that the removal of a subsidy that increased enrollment will ultimately result in lower enrollment in marketplace health insurance plans. The cost of Virginia implementing its own state-level version of the enhanced premium tax credit program is greater than $250 million annually.

Changes to the Supplemental Nutrition Assistance Program (SNAP)

The reconciliation act included a number of changes to the Supplemental Nutrition Assistance Program (SNAP) that will have substantial fiscal impacts on Virginia. Given the effective date of the changes included in the bill, with some taking effect as early as October 1, 2026, the General Assembly will be required to take action during its 2026 legislative session to address the fiscal and policy consequences of these changes. The changes, their effective date, and their potential fiscal impacts are addressed below.

Establishes New SNAP State Matching Requirements for Benefit Allotments

Effective October 1, 2027, the reconciliation act includes new state matching requirements for SNAP benefit allotments related to each state's SNAP Quality Control Payment Error Rate (PER). According to the most recent PER results, Virginia has an error rate of 11.5%. Without a reduction in its payment error rate, the new matching provision will require Virginia to provide a 15% match to receive its SNAP benefit allotment beginning in state FY 2028, with an estimated annual fiscal impact of $270 million. In addition to assuming this cost share amount, Virginia will likely be required to make additional investments in systems and personnel to lower its payment error rate, and by extension, the cost of its required match.

Reconciliation Bill Required Match Based on SNAP Error Rate

Error Rate	Required State Match	Virginia GF Impact ($ in millions)
< 6%	0%	$0
6% – 7.99%	5%	$90
8% – 9.99%	10%	$180
10% or above	15%	$270

Increases Administrative Cost Sharing for States

Beginning October 1, 2026, the reconciliation act requires states to assume a larger share of the administrative cost for the SNAP program, with the state share of administrative costs increasing from 50% to 75%. This will result in Virginia paying an additional $90 million per year for SNAP administration, cost allocation, and local administration costs, beginning in state FY 2027.

Expands Work and Education Requirements for SNAP Eligibility

The reconciliation act also makes changes to the definition of Able-Bodied Adults Without Dependents (ABAWD) and the SNAP general work requirement. To receive SNAP benefits under H.R. 1, individuals aged 18-64 must meet general work requirements by registering for work or participating in SNAP Employment and Training. Individuals may be exempt from the general work requirements for a variety of reasons, such as if they are caring for a dependent (under the age of 14) or incapable of work. If an individual is physically and mentally capable of working and does not have a child in their care, they are considered an "Able Bodied Adult Without Dependents" (ABAWD) and must meet the general work requirement to receive SNAP benefits and additional ABAWD work requirements, such as participating in an eligible work program for at least 80 hours per month. ABAWD individuals must meet these additional work requirements to receive SNAP for more than three months in three years.

Previous law provided an exception to the general work requirements for individuals with dependents under the age of 18. The reconciliation act lowers the age to 14 and further eliminates exceptions to the general work requirement for veterans, homeless individuals, and youth aging out of foster care. Finally, previous law allowed for temporary waivers to ABAWD requirements in areas with high unemployment or areas with an insufficient number of jobs. Under the reconciliation act, this waiver will be restricted to localities with an unemployment rate over 10%, regardless of the availability of employment.

Virginia DSS has not yet received guidance on when the SNAP work requirements will take effect. These changes will create an additional administrative burden for Virginia and its localities and will collectively restrict eligibility for the program. However, estimates of the fiscal impacts of these changes and their impact on SNAP enrollment in Virginia are not currently available.

Prohibits USDA from Increasing the Cost of the Thrifty Food Plan

The Thrifty Food Plan (TFP) is a model developed by the United States Department of Agriculture (USDA) to determine the cost of nutritious groceries for a family of four and is used to determine SNAP maximum monthly benefit amounts. A provision of the 2018 Farm Bill required the USDA to review the adequacy of the TFP every five years, with the next review scheduled in 2027 to have an effective date of 2028. The reconciliation act prohibits USDA from increasing the cost of TFP, which will result in the maximum SNAP benefit falling further behind the cost of groceries due to inflation.

Higher Education

The final reconciliation bill made several changes that may impact student affordability and higher education funding.

Pell Grant Changes

The reconciliation act did not make changes to the overall Pell Grant award or change the definition of full-time student. The act did, however, make some changes to the use of the Student Aid Index (SAI) and its relationship to eligibility for the program, which may increase or decrease access to the program for some individuals. It also excludes students with an SAI greater than or equal to twice the maximum Pell Grant award from program participation (about $14,000). The reconciliation act also provided an additional $10 billion in FFY 2026 to address a projected Pell Grant shortfall while at the same time expanding access to the program to short-term credentialing options.

Student Loan Changes

The reconciliation act establishes several aggregate limits on federal student loans, which may limit the ability of institutions to increase tuition in future years because of constraints on the ability of students to finance college through borrowing. The limits on borrowing are:

- $50,000 aggregate for undergraduate students
- $20,500 annually and $100,000 in aggregate for graduate students
- $50,000 annually and $200,000 in aggregate for first professional students
- $20,000 annually and $65,000 aggregate for Parent PLUS Loans
- $257,500 aggregate cap on all federal student loans
- Eliminates the Grad PLUS program which was used for costs not covered by financial aid for students in graduate and professional programs

Accountability Measures

The reconciliation act establishes new financial value transparency measures for higher education institutions that will become effective in the 2028-29 academic year. For each institution, reporting will compare (i) the median earnings for completers of undergraduate programs to earnings of working adults with only a high school degree and (ii) the median earnings of graduate program completers in the first four years after completion with earnings of working adults with only a bachelor's degree. Programs failing to meet prescribed thresholds in two out of three consecutive years will lose eligibility to participate in federal direct student loans, with the option to reapply for participation after two years. SCHEV estimates 123 of 374 academic programs at the associate's level are at-risk of failure and 174 of 1,100 academic programs at the 4-year level are at-risk for failure. Institutions are further required to provide disclosure to students after one year of failure, effective July 1, 2026.

The table below summarizes the potential state costs associated with the programmatic changes discussed in this section.

Select H.R. 1 Spending Provision and Potential Costs

Spending Related Provision	Cost and Fund Source
SNAP Match	$360 million (+/-) (GF)
SNAP Administrative Cost Share	$90 million (+/-) (GF)

Spending Related Provision	Cost and Fund Source
IT Systems Changes for New Medicaid and SNAP Requirements	Unknown (GF + NGF)
Enhanced Premium Tax Credit for Health Insurance on Marketplace	$250 million (+/-) (GF)
Medicaid Redetermination	Unknown (NGF)
Medicaid Work Requirements	Unknown (NGF)
Hospital Revenue Loss (Provider Tax + Rural Health Transformation Program + Medicaid Rates)	Unknown (GF)
Pell Grant Changes	Unknown (Unknown)
Student Loan Changes (caps + elimination of 2 programs)	Unknown (Unknown)
New Higher Education Accountability Measures	Unknown (Unknown)

Federal Tax Policy in H.R.1 Could Reduce Virginia Tax Revenue

While much attention has been given to the programmatic reductions included in H.R. 1, the majority of the fiscal costs of the legislation are related to the reduction of federal revenues through tax policy changes. The reconciliation act continued in identical and modified forms several key provisions of the Tax Cut and Jobs Act (TJCA) for individual and business taxes as well as enacting broad-sweeping new changes. Potential revenue impacts for Virginia would be limited to whether, and to what extent, Virginia chooses to conform with these provisions. As of this report's writing, the Virginia Department of Taxation has not released precise Virginia revenue impacts of conforming to these myriad of changes.

Rolling vs. Fixed Date Conformity

Virginia has traditionally been what is called a "fixed date conformity" state, meaning that General Assembly action is required to move forward the date by which the Commonwealth conforms to most provisions of the federal tax code. In 2023, legislation was adopted implementing "rolling conformity," whereby state law automatically conforms to provisions that impact the calculation of Federally Adjusted Gross Income (FAGI). This meant that, if individual provisions were below $15 million in impact or $75 million in aggregate, the Commonwealth would automatically conform to the changes in federal tax law.

In anticipation of major changes to federal tax law, the 2025 Session of the General Assembly paused conformity to federal tax changes other than routine extensions made in calendar years 2025 and 2026. This pause to rolling conformity was intended to provide the General Assembly sufficient time to evaluate the potential impacts of changed federal provisions, including those listed in the following sections.

Tax policy theorists posit that it is better to decouple from specific tax provisions than to pause conformity, a consideration for the legislature to contemplate as they move forward with their 2026 Session work.

Types of Tax Policy Changes

The reconciliation act includes individual and business tax policy changes that can be placed into three major categories. Within each of these categories are provisions that are permanent – like the extension of many of the TCJA provisions – as well as temporary items, like the increased deduction for senior citizens and State and Local Tax (SALT) deduction cap.

The first category includes extensions to existing tax policy to which Virginia already conforms. The greater portion of this category includes the extension of TCJA provisions, which were set to expire at the end of 2025. The reconciliation act makes these TCJA provisions permanent, including the larger standard deduction and lower tax rates. Virginia will automatically conform to the provisions it already conformed to, and they will have no substantial impact on state revenues as the adopted forecast presumed the federal government would extend these provisions.

The second category of reconciliation act tax policy changes are those items which affect the calculation of Federal Adjusted Gross Income through adjustments to individual and business tax deductions and exclusions. These provisions will only affect Virginia revenue collections if legislation moving forward Virginia's conformity date is adopted. While not conforming to these provisions would avoid revenue impacts for Virginia, failure to conform would result in administrative changes and costs because Virginia uses Federal Adjusted Gross Income as a starting point for calculating state income tax returns. Major items included in this category of changes include several temporary provisions, including the increased standard deduction for seniors, increasing the SALT cap, and $200 per child increase in the child tax credit.

The third category of changes include provisions that do not affect the calculation of Federal Adjusted Gross Income. Within this category there are both itemized deductions (which typically are conformed to) and non-itemized deductions (which would not impact Virginia even if conformity legislation is adopted because they are deducted after the calculation of FAGI). Provisions of note within this category are new first-year business expensing provisions, taxes on overtime, deducting car loan interest, and exemptions to some portions of income from tips. Because provisions do not affect the calculation of Federal Adjusted Gross Income, moving the conformity date would not effectuate these provisions for Virginia.

Individual Income Tax Provisions

Bonus Senior Deduction. H.R. 1 includes a temporary $6,000 enhancement to the deduction for qualified senior citizens for TYs 2025-2028. This is an income-based deduction that phases out at $75,000 for individual filers and $150,000 for joint filers.

No Tax on Tips. H.R. 1 exempts qualified tips from income taxation for TYs 2025-2028. While not fully defined, tips are limited to those "who traditionally and customarily received tips on or before December 31, 2024" and it includes exclusions for highly paid employees. Virginia would not incorporate this deduction by moving its conformity date because it is calculated after FAGI.

No Tax on Car Loan Interest. Under H.R. 1, personal passenger vehicle loan interest is deductible up to $10,000 per year, with a phaseout beginning at $100,000 for individual and $200,000 for joint filers. Again, because it is calculated after FAGI, moving Virginia's conformity date would not make this deduction apply to Virginia tax filers.

No Tax on Overtime Pay. The new law makes overtime pay deductible up to $12,500 for both itemizers and non-itemizers for TYs 2025-2028, with exclusions for highly paid individuals. The deduction applies only to the 0.5 increment for "time and a half" pay. It appears Virginia would have to adopt stand-alone legislation for this provision to apply.

SALT Cap Increase. The act temporary expands the State and Local Tax (SALT) deduction cap from $10,000 to $40,000, phasing out between $500,000 and $600,000 in household income through TY 2029. While Virginia does not align its local property tax deductions with the federal cap, if a taxpayer chooses to take the standard deduction at the federal level they must do the same at the Virginia level. Because the SALT cap increase will make it more likely that citizens itemize at the federal level, this could increase the number of Virginians that itemize their taxes and reduce state income tax revenues as a result.

Charitable Deductions. H.R. 1 contains two provisions impacting charitable deductions. The first sets a new 0.5% of income floor before taxpayers can claim an itemized deduction for charitable deductions. The second change adds a new charitable deduction worth $1,000 ($2,000 for joint filers) available to itemizers and non-itemizers. This second change makes the deduction available to a much larger group of taxpayers.

Business Tax Provisions

§168(k) Full Expensing for Machinery, Equipment and Other Tangible Personal Property. Virginia Code already contains provisions decoupling Virginia's tax law from the federal §168(k) full expensing for machinery and equipment and thus the Commonwealth is not impacted by any federal changes to these provisions.

§174 R & D Amortization. H.R. 1 reverses a recent shift to mandatory 5-year amortization of research and development expenses, restoring immediate cost recovery. Returning to the pre-TCJA immediate expensing provisions will result in a reduction in Virginia's tax revenues. This provision is permanent.

§168(n) First Year Expensing of Factories. The reconciliation act creates a short-term provision allowing for first-year expenses for production property (factories) through TY 2028. Because Virginia currently conforms to this section of federal tax law (with specific decoupling provisions outlined above) this would result in decreased state tax revenues in the short run.

§179 Expensing Deduction for Small Businesses. H.R. 1 raises the cap on small business expensing from $1 million to $2.5 million. Because those figures are subject to an inflation adjustment, the actual cap is $3.13 million compared to $2.5 million previously. This provision is available not just to C corporations, but also to pass-through businesses. Again, Virginia conforms to this federal provision and thus would see reduced revenue if conformity is updated. This provision is permanent.

Third Party Estimate of Tax Policy Changes for Virginia

Although the Virginia Department of Taxation has not released Virginia-specific analysis, the Tax Foundation has published data estimating state-level impacts of some of the provisions of H.R. 1, as listed to the right.

These have not been refined based on state-level knowledge of unique aspects of Virginia's population and tax law but give a sense of magnitude of the individual provisions.

Initial Cost Estimates of Tax Policy Changes (if Adopted)

Provision (VA Cost in Millions if Provision Adopted)	TF Est. TY 2026 Cost
No Tax on Tips	$67.3
No Tax Car Interest	$324.0
No Tax Overtime	$88.1
Senior SD Increase	$239.5
Subtotal - Individual Provs.	**$718.8**
Bonus Depreciation §168(k)	VA Decoupled Already
Small Business Expensing	$21.0
Research Cost Recovery	$254.0
Manufacturing Structures Ded.	$39.0
Subtotal - Business Provs.	**$314.0**

Canceled Grants, Rescissions and Appropriations Bills May Bring Further Changes Requiring State Response

The Emergency Committee received testimony identifying examples of canceled, rescinded, or eliminated federal grants over the course of its meetings. There is very little comprehensive information on the scope and scale of canceled federal grants. Federal grants can flow to Virginia through state government agencies, directly to local governments through competitive or formula-based distributions, or non-profits through competitive or formula-based distributions.

Pass-Through Funds to State Agencies

Chapter 15 of Title 2.2 of the Code of Virginia creates the Department of Planning and Budget (DPB), and charges DPB with, among other things, assessing "the impact of federal funds on state government by reviewing, analyzing, monitoring, and evaluating the federal budget, as well as solicitations, applications, and awards for federal financial aid programs on behalf of state agencies."

The Secretary of Finance has addressed this responsibility by working with state agencies to track federal funds flowing into Virginia state agencies that have been subject to the cancellation process. Based on information shared by Governor Youngkin during his annual August address to members of the House Appropriations, House Finance, and Senate Finance and Appropriations Committees, the federal government has paused about $420 million in grants to Virginia state agencies, with $300 million attributed to COVID-19 related grants.

The Chairs of the House Appropriations and Senate Finance and Appropriations Committees requested the Governor and Secretary of Finance share this information in detail in June of this year and has yet to receive a formal response from the Governor's Office. This information will be critical to help General Assembly leaders plan and prioritize spending for the upcoming biennium.

Grant Cancellation Examples from Localities, Nonprofits, and Universities

FEMA BRIC Program Cancellation case study (Executive Actions)

On April 4, 2025, the Federal Emergency Management Agency (FEMA) announced the cancellation of the Building Resilient Infrastructure Communities (BRIC) program. The BRIC program was a pre-disaster mitigation program established by Congress in 2018 to allocate grants to states and localities for mitigation projects that prevent harm to humans and avoid economic losses from floods, wildfires, and other disasters. In all, the cancellation of BRIC grants eliminated funding opportunities totaling $750 million nationwide.

In Virginia, two notable projects lost funding due to the cancellation. First, the City of Portsmouth lost a BRIC grant totaling $24.2 million for remediation and enhancement projects at Lake Meade Dam, which provides drinking water to households and businesses in Portsmouth, Suffolk, and Chesapeake. The City of Richmond also lost access to $12 million for restoration and improvement efforts at its water treatment plant. As of this report's writing, alternative sources of funding for these projects have not been identified by the localities.

EPA Flood Mitigation Grant case study (Executive Actions)

In 2024, the Environmental Protection Agency (EPA) announced the award of 105 grants through its Environmental and Climate Justice Community Changes Grants Program. The Program was a part of more than $2 billion in Inflation Reduction Act funds made available to communities for projects reducing pollution, increasing climate resilience, and building capacity to address challenges. In December of 2024, the EPA awarded the City of Hampton $20 million to support investments in the historic Aberdeen Gardens district. In June of 2025, Hampton was informed that EPA was cancelling the grant award because of government-wide grant program reviews undertaken by the Trump administration.

Offshore Wind Funding (Executive Action)

On August 29, 2025, the U.S. Department of Transportation terminated a total of $679 million in funding dedicated to 12 offshore wind projects with the rationale that these projects were not aligned with the President's priorities to focus on traditional forms of energy. The Norfolk Offshore Winds Logistic Port project will lose $39.27 million because of this action, which is a private development to transform the marine terminal at Fairwinds Landing into an offshore wind logistics facility. Developers and the City of Norfolk planned to use this funding to improve and expand capabilities for berthing at the site. There are several businesses already located on the property: the Dominion Energy Offshore Wind Operations Center, L3 Harris, and Newport News Shipbuilding. The state has invested $3.6 million in the site from the Virginia Business Ready Sites Fund to prepare it for additional business investment. The other project under threat because of this action is $20 million to assist with improvements at Portsmouth Marine Terminal to stage Dominion Energy's Coastal Virginia Offshore Wind project. The Port of Virginia already expended these funds as a part of its larger $223 million development effort.

Virginia Humanities (Executive Action)

On April 3, 2025, Virginia Humanities received a letter from the Department of Government Efficiency terminating their annual operating grant from the National Endowment of Humanities, which totals approximately $1.4 million a year. This represented 20% of the organization's annual operating budget, and has funded grants like Encyclopedia Virginia, With Good Reason radio, and the Virginia Folklife Program. Without these funds, Virginia Humanities has laid off 25% of its staff, ended their lease for office space, and reduced grantmaking and programming.

Teacher Pipeline Programs (Executive Action)

In February 2025, the administration canceled the Supporting Effective Educator Development (SEED) and Teacher Quality Partnership (TQP) grant programs that support partnerships between high-need school districts and nonprofits or colleges and universities to assist with teacher preparation, teacher residencies, and professional development. In Virginia, two five-year grants totaling $17.2 million were canceled, supporting two partnerships among Virginia Commonwealth University and Norfolk State University and 13 high-need urban and rural school divisions across the state.

Virginia's Food Access Programs (Executive Action)

A series of actions over the summer delayed, canceled, or paused funding for several USDA funded programs to ensure individuals have access to food through local food banks and schools. In March 2025, the USDA cancelled 130 orders, representing $3.5 million from The Emergency Food Assistance Program. This program provides resources to Virginia's 7 food banks, which serve over 400 food pantries. H.R. 1 level-funded this program for the upcoming year, but the loss from this summer required food banks, like Feed More, to use reserve funding to compensate for the loss.

The Local Food Purchase Assistance (LFPA) Cooperative Agreement program connects farmers to local feeding programs. In March 2025, the federal government froze money for this program and then subsequently released all obligated funds to the program. However, future funding for this program has been terminated, representing a $7.3 million loss for Virginia. A bill, *Local Farmers Feeding our Communities Act* is currently under consideration by Congress to establish a very similar program to this and other cooperative-based programs affected by executive action.

K-12 Funding (Executive Action)

On June 30, the US Department of Education notified states via email that $6.8 billion in federal education funds for the upcoming 2025-2026 school year would not be released July 1 as planned. For Virginia, about $123.5 million would be withheld from the state and school divisions, representing about 13.9% of the state's FY 2025 federal formula K-

12 funds. The administration stated it needed time to review these funding streams to ensure program purposes align with the administration's priorities.

The withheld funds included: Supporting effective instruction (Title II-A), Student support and academic enrichment (Title IV-A), 21st Century Community Learning Centers (Title IV-B), Migrant education (Title I-C), Adult basic education and literacy (AEFLA) and English language acquisition (Title III-A).

On July 18, the administration announced the release of funds supporting 21st Century Community Learning Centers funds, then on July 25, the administration announced all remaining withheld funds would be released. However, the unexpected delays in releasing the funds have created uncertainty for the future with regard to their continued availability.

President's Proposed Budget and the FY 2026 Appropriations Process

Congress is currently working on the annual appropriations process for Federal Fiscal Year 2026, which begins on October 1, 2025. As of the release of this report, Congress will have 19 days left to complete the appropriations process before the end of the fiscal year. Congress may need to pass a continuing resolution to prevent a government shutdown if it cannot complete its work on time. Passage of appropriations bills require a 60-vote threshold in the Senate, which is more burdensome than the simple majority required for a reconciliation bill. As of the writing of this report, 12 of 12 appropriations bills have at least advanced to full committee in the House with 8 of 12 bills advancing to full committee in the Senate.

The examples below discuss many of the proposals put forward by the President for consideration by Congress that have a direct tie to state budget funding, and their status in the mark-up process. For the most part, Congress has rejected many of the most far-reaching proposals put forward by the President to eliminate and consolidate programs.

Housing and Community Development

The President's proposed budget for the upcoming fiscal year eliminated funding for the Community Development Block Grant program, the HOME Investment Partnership program, and Neighbor Works America. Additionally, the President's budget proposal included the conversion of several federal rental assistance programs to block grants for states to manage. To date, both the House and Senate mark-ups for FFY 2026 retain funding for the Community Development Block Grant program with both bodies authorizing just over $3.0 billion for this program. This is a 10% reduction compared to current funding of $3.3 billion. This program allows state and localities to fund a wide array of projects to improve their communities. Virginia receives about $58 million a year from this program, $39 million of which flows directly to 31 localities in the state as an entitlement. Any future loss of these funds would prevent Virginia's communities from completing projects that include affordable housing developments, public infrastructure upgrades, and downtown revitalization projects.

The HOME Investment Partnership Program supports housing projects that include the preservation and production of affordable rental housing, the development of single-family homes, and rehabilitation of rental assistance facilities. In Virginia, federal HOME Partnership Funds are blended with other federal dollars and state general funds to support Affordable and Special Needs Housing projects. Additionally, funding from this program goes directly to several Virginia localities. The U.S. House Appropriations Committee proposes to eliminate funding for this program while the Senate proposes to level-fund the program at $1.25 billion for the upcoming fiscal year. Virginia received $9.5 million in federal funding from this program to be distributed to localities by the Department of Housing and Community Development. An additional $14.5 million of funding flowed directly to Virginia localities. Virginia does have its own program for affordable housing construction projects through the Virginia Housing Trust Fund, which in recent years has benefited from historic levels of funding with its most recent appropriation at $87.5 million.

The mark-ups released by the House and Senate reject the President's proposal to transform rental assistance and homelessness assistance programs into block grants. Both bodies differ on funding levels provided for rental assistance programs, particularly the Housing Choice Voucher Program.

Low-Income Energy Assistance Program (LIHEAP)

Funding for the LIHEAP program is distributed by the U.S. Department of Health and Human Services (HHS) individually to states, who are then responsible for administration of the program. LIHEAP is used to assist eligible low-income households with their heating and cooling costs, energy costs, weatherization, and minor energy-related home repairs. Through LIHEAP, in FY 2024 Virginia distributed $114.3 million for benefits, $16 million for weatherization reimbursement, and incurred administrative costs of $29 million. That year, through LIHEAP funding, 117,000 Virginia households received fuel assistance, 14,000 received crisis assistance, and 85,000 received cooling assistance. The President's budget proposed to eliminate the LIHEAP program in its entirety; however, committee mark-ups to date have retained funding for this program.

In April 2025, the entire staff responsible for administering the LIHEAP program was laid off, and it remains unclear who at the federal level will be responsible for distributing LIHEAP funding to states in the coming year.

Community Development Services Block Grant Program

The Community Development Services Block Grant Program (CSBG) provides funding to implement community-based services focused on poverty reduction, community building, and assistance to individuals with low incomes to reach self-sufficiency. CSBG has been used for housing, nutrition, utility, and transportation assistance, as well as employment and education services. In Virginia, funding from the CSBG is passed through to the Commonwealth's 31 local community action agencies to provide services to their community members. In FY 2025, Virginia received a CSBG award totaling $12.3 million. The President's proposed budget would eliminate CSBG; however, the mark-ups released by Congress have retained funding for this program.

K-12 Funding

The President's K-12 proposal represents a $7.3 billion, or 15% reduction from the $46.9 billion current funding level. About $2.0 billion of these reductions are accomplished by eliminating federal support for migrant students, English learners, and adult education programs. An additional reduction of approximately $4.5 billion is proposed through consolidating several programs currently funded at about $6.5 billion and replacing them with a $2.0 billion flexible funding stream.

The House's markup for the education budget is currently before the full House Appropriations Committee and proposes a reduction of about $9.9 billion, or 27% from the current funding level. The House markup accepts the administration's proposal to cut $2.0 billion by eliminating support for migrant students, English learners and adult education programs. Additional reductions are accomplished through cutting support for Title I programs by $4.7 billion, a 34% reduction, and eliminating support for several other programs. Finally, the House markup rescinds about $2.6 billion from existing appropriations the state and school divisions have already been awarded.

The Senate's markup is currently on the chamber floor and generally maintains existing levels of support for all formula-aid and does not eliminate, consolidate or redirect funding for any programs as proposed by the administration. The Senate's version also includes a provision to ensure the administration releases formula funds on time to avoid future uncertainty for states and localities.

With regard to special education, the President's budget request and the House and Senate markups all suggest maintaining existing funding to implement the Individuals with Disabilities Education Act (IDEA).

Key State Economic Metrics Are Concerning, Overall Impact Unclear

Virginia's unemployment rate has been rising steadily since the beginning of this year, with the Weldon Cooper Center projecting unemployment to rise to 4.2% by the end of 2025. Employment growth is slowing in the state, with only 600 jobs added between June and July of this year, placing Virginia 31st amongst states on this economic growth metric. Virginia's labor participation rate is decreasing month-to-month, starting at 65.8% in January 2025 and shrinking to 64.9% by July 2025. Virginia recently fell from number 1 to number 4 in CNBC's ranking of the top states for business, due to economic uncertainty surrounding federal workforce reductions, rising unemployment, and slowing job growth. CNBCs analysis can be accessed here.

Virginia remains on a healthy trajectory in terms of its month-to-month revenue collections; however, these indicators signal the need for caution as General Assembly leaders determine their spending (tax policy and programmatic investments) priorities for the upcoming biennium. Rising unemployment usually corresponds to reduced state revenue collections. Based on modeling from the Weldon Cooper Center for Public Service, a 5% reduction of Virginia's federal civilian workforce could translate to an over $120 million revenue loss for the state.

Policy Choices Based on What We Know Now

While the passage of H.R. 1 provides greater clarity regarding its impacts on Virginia, there is still uncertainty concerning the broader economic and societal effects of the bill, workforce restructuring and potential federal layoffs, ongoing reductions in spending through rescissions, eliminations, cancellations, and appropriations, as well as the overall implications of decreased government spending and employment for Virginia's economy. Consequently, addressing the challenges arising from these federal actions remains a complex process.

The impacts of the policy changes included in H.R. 1 and other federal actions will be experienced over the next several General Assembly sessions and budget cycles; allowing multiple opportunities for the General Assembly to plan, identify, and prioritize areas for continued support through state resources. During this process, prioritization is going to be key for decision makers – state and local budgets only have but so much elasticity to backfill declining federal revenues when economic conditions are positive. In a scenario where worsening economic revenues start to negatively impact state revenue collections, it will be extremely difficult to offset federal funding losses while at the same time addressing demand for core government services in a high unemployment climate.

There are a few policy options in the near-term that the General Assembly may want to consider for the upcoming legislative session to address high unemployment, economic diversification, and workforce training, and collect better data for more informed decision making.

Data Required for Informed Decision Making

Virginia policymakers need more complete data to help with decision making moving forward with respect to backfilling lost federal funding, implications and costs associated with major programmatic changes to the SNAP and Medicaid programs, lost revenue estimates from Virginia's colleges and universities as a result of Pell Grant and student loan program changes; and, understanding the magnitude of lost federal funding as a result of grant cancelations and elimination through executive action.

The table below summarizes a few immediate action items for the General Assembly to consider in gathering more accurate information for their decision making. The General Assembly could request this information through a formal letter by the appropriate Committee chair, or through a budget amendment or a bill.

Immediate Data Collection Related Actions for Virginia's Lawmakers

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 and costs
- Estimate impact of changes to the provider tax on hospital revenues each year of the 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

Colleges and Universities

- 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 program

Department of Taxation

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

In addition to more direct actions, there will be a need for the General Assembly to continue to monitor the changing federal landscape, including the ongoing congressional appropriations process, so as to identify issues as they emerge. Likewise, policymakers will need to continue to monitor economic conditions to determine the potential impact of rising unemployment and decreased federal spending on state and local revenue collections. The General Assembly may want to direct the Virginia Economic Development Partnership Authority to update its Economic Data Book to track comparative economic information from the beginning of January 2025 – the start of the federal budget realignment.

Potential Actions for Federal Workforce Reductions and Rising Unemployment

A critical part of the Emergency Committee's work was to identify potential actions to support workers laid off by the federal government, mitigate the short-term impacts to Virginia's economy, and make Virginia more resilient in the long-term through economic diversification. The following sections summarize key concepts submitted by presenters and through public comment by affected stakeholders.

Housing Related Options

The General Assembly could add a provision to the Virginia Landlord and Tenant act that would allow a federal worker laid off by the federal government to end leases for rental properties early without any penalty. The Code of Virginia already contains 2 exemptions that allow military personnel and victims of abuse or stalking to terminate their leases without penalty. This option would not require state funding resources to implement.

The General Assembly could consider adding funding for the Virginia Eviction Reduction Program. This program provides funding to local and regional nonprofits to prevent evictions. The program receives $3.5 million a year in state funding. Currently, the program does not operate in Northern Virginia. In considering this potential investment, the General Assembly could limit new funding for VERP to a one-time payment to support the Northern Virginia and Hampton Roads regions of the state, which have the highest concentration of federal workers. The funding could further be targeted towards assisting federal workers impacted by lay-offs.

Another housing related option includes a rental assistance and/or mortgage assistance program to help impacted federal workers cover this expense. The Department of Housing and Community Development administered the Virginia Rental Relief program during the COVID-19 pandemic with support from federal dollars. This program allowed both tenants and landlords to apply for funding and included income and rental restrictions for eligibility. Any new program to provide rental relief for federal workers would need to be capitalized with general fund dollars. Virginia Housing administered the Virginia Mortgage Relief program during the COVID-19 pandemic with support from federal dollars. This program was restricted to individuals classified as socially disadvantaged, which was based on income. Virginia spent over $700 million of federal funding on these 2 programs during the COVID-19 pandemic. Cost estimates for similar programs targeted to federal workers could be generated using data from these 2 COVID-19 programs.

The table below summarizes these policy choices for consideration.

Housing Related Actions to Assist Former Federal Workers

- 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

Changes to Unemployment Insurance

Adjustments to the state's unemployment insurance (UI) program can provide support to unemployed workers in Virginia, including those laid off because of federal actions. The General Assembly may want to consider providing all workers in the state with up to 26 weeks of unemployment benefits. Currently, unemployment insurance benefit duration is determined by a worker's base period earnings, resulting in eligibility for the program from anywhere from 12 to 26 weeks. This could be done on a permanent or temporary basis. The General Assembly considered House Bill 1767 during the 2025 session to permanently increase benefit duration to 26 weeks. Kansas increased the unemployment insurance benefit duration during the COVID-19 pandemic temporarily and included a sunset date on the bill.

The General Assembly could consider increasing the maximum weekly benefit levels for the unemployment insurance program. Virginia recently increased the maximum weekly benefit level by $52 this past General Assembly Session, resulting in a maximum weekly UI benefit of $430 starting on January 1, 2026. The General Assembly could consider increasing the unemployment insurance benefit levels permanently or temporarily. North Carolina recently increased its weekly maximum UI benefit level to $600 from $350 to help with Hurricane Helene recovery, which remained in effect throughout the state of emergency. Higher benefits with a longer duration would require additional payments from the UI Trust Fund. The Federal Government is a reimbursable employer, meaning the funding does not come from the state's UI Trust Fund, but rather the federal government when unemployed federal workers apply for and receive unemployment. The Virginia Employment Commission estimates that the additional $52 added to

Virginia's maximum weekly benefit level this past session will cost about $82 million a year in additional disbursements from the UI Trust Fund.

Any changes to either the maximum weekly benefit levels or the duration of unemployment insurance benefits will impact the UI Trust Fund. Unemployment benefits are paid to workers from the Unemployment Insurance Trust Fund, which is funded through employer taxes at a rate set by the Virginia Employment Commission per instructions in the Code of Virginia. The more an employer uses the state's unemployment insurance system, the higher the tax rate they will likely have to pay. This is often referred to as the "base rate," which is based on an employer's experience rating. The Code of Virginia sets the maximum rate an employer can pay at 6.2%. There are 2 other unemployment insurance taxes – the pool charge and the fund builder. The pool charge is a flat tax charged to all employers to cover benefit costs that cannot be recovered from an individual employer like a reimbursable employer (which does not pay taxes into the UI Trust Fund) or a business that has closed. The fund builder is a 0.2% tax that becomes effective when Trust Fund solvency is 50% less. This tax is not currently in effect in Virginia. The UI Trust Fund has approximately $1.5 billion with a solvency rate of 57.2% with this rate expected to rise next year, as more pandemic era claims are excluded from this calculation.

The table below summarizes these policy choices for consideration.

Unemployment Insurance Actions to Help Unemployed Workers

- Temporarily extend the UI benefit in Virginia to 26 weeks
- Temporarily increase the maximum weekly UI benefit levels in the state

Workforce and Employment Programs

The General Assembly could consider a new program to incentivize workers to find and retain work in Virginia. Such an approach may be important since many highly skilled federal workers are also very mobile – which could result in significant talent leaving Virginia. This reemployment bonus would be available to all Virginia residents that receive unemployment benefits and accept and maintain a job in Virginia. This program could be done on a temporary basis. State general fund dollars would be needed to capitalize the program. Cost estimates are in progress and will be based on program specifics (bonus cost, average UI recipients' retention rate in the state, duration, etc.), all of which can be scaled to accommodate available resources.

The Emergency Committee received several workforce training and assistance ideas to help federal workers re-skill. Northern Virginia Community College created the "NOVAnext" program, which is free of charge to eligible former federal workers and offers certification and skills training as well as virtual career related workshops to participants. The General Assembly could consider replicating this model across the state, leveraging its current Fast Forward program that offers low-cost certification and skills training to community college students. Additionally, George Mason University has made over 1,000 spots available to its students and the community for certifications and skills training through the Mason Career Academy. Currently, there is a charge for participation in the program for community members ($20 for basic access and $200 for plus programming). The Academy offers over 80 online training courses and industry recognized certifications through Coursera. The 2-year contract with Coursera costs about $650,000. The General Assembly could consider covering the entire cost of this program with the provision that access be provided for free to unemployed workers.

Like the reemployment bonus discussed above, the General Assembly could create an incentive or tax credit for employers to hire former federal workers. Virginia has a similar program managed by the Department of Veterans Services. Companies that hire a veteran can earn a $1,000 grant for each veteran hired, up to $10,000. Virginia has already mobilized a number of initiatives designed to get federal workers to jobs through its local workforce investments boards, like career fairs, and the new Virginia Has a Jobs Platform. The General Assembly may want to consider continuing these initiatives and investing additional resources in them.

The table below summarizes these policy choices for consideration.

Workforce Training and Employment Related Actions to Help Unemployed Workers

- Provide a reemployment bonus to all Virginia residents who receive UI benefits and accept and retain a job in VirginiaPay for community members to gain access to the Mason Career Academy and Mason Career Academy Plus program
- 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 employeesContinue to support displaced workers in getting connected to new jobs in Virginia through the Virginia Has Jobs initiative

In addition to ideas to help support federal workers, there are some near-term considerations for the General Assembly related to economic resilience. The General Assembly may consider boosting the lead generation capabilities for VEDP to recruit new business investment opportunities to the state to locate in shuttered federal government offices buildings. The General Assembly could consider creating a new grant program to help local governments, particularly in Northern Virginia, redevelop or repurpose vacant and obsolete office buildings, or capitalize the Urban Public-Private Partnership Redevelopment Fund, which was created in the early 2000s to help offset the high costs of developing urban land. Equally as important to economic development is the need to safeguard core policy investments that provide a foundation for economic growth and make Virginia an attractive place for a business to locate. These foundations of economic development include investments in K-12 education, transportation, childcare, housing, and health care.

New State Budget and Backfilling Lost Federal Funding

It is too early to predict how much federal support the Commonwealth will lose in the upcoming biennium with the revenue forecasting process occurring in the Fall. Revenue collections have so far remained on track; however, economic metrics discussed earlier in this report indicate caution in overcommitting resources too soon for ongoing expenditures.

Prioritization will be important for the General Assembly as it develops a new state budget for the 2026-2028 biennium. SNAP-related spending is not optional given the cost share and new matching requirements, and the General Assembly will be required to obligate an estimated $360 million for this program in the next biennium. The General Assembly will have decide whether to continue expired federal programs using state resources, such as the enhanced premium tax credit for health insurance sold on the state marketplace. Latest estimates show the cost for continuing this program without any changes to be about $250 million. Several large new obligations taken on by Virginia to offset federal spending can add up very quickly, resulting in difficulties in addressing tax policy changes or other spending priorities.

Additionally, localities and nonprofit organizations will likely be requesting funds from the state to offset federal funding losses. As discussed earlier, there is no estimate of the magnitude of losses across local governments and nonprofits. Funding new ideas to help federal workers will also come with a cost. Any new state spending obligations to backfill a loss of federal funds must be considered within the context of increases in mandatory spending for existing programs, in particular the state's obligations for K-12 and the Medicaid program. Early estimates indicate mandatory costs of these two programs alone will be a minimum of $1.75 billion.

Can the Rainy-Day Fund, Revenue Reserve Fund, and Unappropriated Balance Solve Our Problems?

The Governor vetoed several budget items approved by the General Assembly in the 2025 Session, leaving an unappropriated balance of approximately $900 million in the current state budget. These resources will be available for spending in the upcoming biennium.

The state has a healthy reserve balance in the State Revenue Stabilization Fund (Rainy Day Fund) and Revenue Reserve Fund with $4.5 billion in combined funding. However, both Funds were established to address revenue shortfalls, not spending pressures. The Constitution limits access to the Rainy Day Fund. To trigger an allowable withdrawal from the fund, there must be a revenue forecast shortfall equal to at least 2% of the previous year's actual collections for individual, corporate, and sales taxes. In other words, the General Assembly cannot access the funds to address spending needs in a new biennial budget, nor can it be used to backfill lost federal funds. Virginia would not be able to access dollars in the Rainy Day Fund until there is a 2% shortfall against an adopted revenue forecast – which could occur no earlier than the close of FY 2026.

Similarly, the Revenue Reserve Fund requires a 1% shortfall under this same measure. However, because those provisions are in the Code and not the Constitution, they could be overridden in the budget. This means that the state could potentially utilize the Revenue Reserve Fund to help address spending pressures caused by federal funding reductions, and offset federal funding losses for the state, localities, and nonprofit organizations. However, these resources are not a solution for ongoing commitments, and their use should be limited to one-time spending, as prudent fiscal policy aims to fund ongoing commitments with reoccurring revenue that the state can rely on in future years to cover the cost, not one-time emergency savings.

Final Thoughts

The Emergency Committee has worked diligently over the past few months and will continue to do so over the next several months as changes continue to be made by the federal government. While there is still much that the Commonwealth and its lawmakers do not know about the broader economic implications of federal realignment and its impact on state revenue, there is insight readily available on several areas of critical need that the General Assembly can address in its next legislative session. Lawmakers can set aside funding to address SNAP related mandatory spending ($360 million) and determine the appropriate solution for addressing outdated technology that determines Medicaid and SNAP eligibility. The General Assembly can take steps to address concerns over the expiring enhanced premium tax credit. Finally, there are some proactive steps decision makers can take to help workers facing unemployment through employment and workforce training efforts.

APPENDIX A

VSBA
Virginia School Boards Association
Government Relations

Written Testimony of the Virginia School Boards Association
June 20, 2025, Meeting of the Virginia House of Delegates Emergency Committee on the Impacts of Federal Workforce and Funding Reductions

Chair Bulova, Vice Chair Bloxom, and Members of the Emergency Committee:

On behalf of the Virginia School Boards Association (VSBA), we wish to express our deep appreciation of the work of the Emergency Committee on the Impacts of Federal Workforce and Funding Reductions. VSBA is very thankful for the support and increase in funding that the Virginia General Assembly has provided to public education in the Commonwealth. This progress has expanded opportunities for students and is positively impacting communities across Virginia.

As the committee continues its work, VSBA submits this written comment to express our concerns regarding the cuts in federal funding to public education and the potential impact on our local school divisions in the Commonwealth. VSBA has continued to monitor the current situation at the federal level of government to assess the impacts of any changes to federal funding and workforce reductions will have on our public-school divisions in Virginia. We recognize the ever-evolving debate in Congress as the legislative branch executes its responsibility over federal spending and the uncertainties that surround this process. We also are cognizant of ongoing appeals in the federal court system over the reduction of federal agencies and workforce. Our written comment reflects our interpretation of how we believe existing proposals if implemented will affect the operations of school divisions in Virginia.

VSBA will continue to monitor developments at the federal level of government, as well as the work of the Emergency Committees of both the Virginia House of Delegates and the Senate of Virginia. We appreciate the partnership we have had with members of the Virginia General Assembly and welcome the opportunity to provide feedback as the House and Senate Committees work to develop policy recommendations in the weeks and months ahead.

The federal government funds a spectrum of programs that Virginians rely on each year. VSBA understands that future revenue forecasts will show the effects that cuts to the overall federal workforce may have on Virginia's overall economic outlook. However, VSBA believes reductions in federal spending will generate increased competition between advocacy groups (VSBA included) asking for the Commonwealth to absorb state and local program expenditures that were dependent on dollars from Washington. This fact, combined with the anticipated loss of revenues to state coffers due to federal job loss and the slowing of economic growth, is of grave concern to VSBA. We fear the progress made in school funding during the past decade, specifically the most recent session's revision to the biennial budget; *Chapter 725 of the Acts of Assembly of 2025*[i].

VSBA also has concerns over provisions found in House Resolution #1 (H.R.1), "The Big Beautiful Bill Act of 2025", and its potential effects on Virginia's K-12 public schools. The greatest of our concerns as H.R. 1 passed in the House last month are as follows:

Medicaid and School Health Services

Medicaid provides health coverage to 30 million children – almost 40% of all children under the age of eighteen. For almost 40 years, **Medicaid has permitted payments to schools for medically necessary services provided to students under IDEA in an IEP**. In 2014, policy changes in Washington allowed schools to seek reimbursement for all Medicaid covered health services provided to all students enrolled in Medicaid – not just those with an IEP. Medicaid is the fourth largest federal funding source for K-12 schools in the United States.

These changes in Medicaid eligibility found in H.R. 1 will lead to significant benefit cuts that Virginia's public-school divisions receive each year resulting in:

- Fewer mental health supports
- Fewer school-based health services
- Difficulty purchasing specialized equipment and critical supplies
- Virginia having to find additional funds or make cuts to provide legally mandated special education services

Community Eligibility Program (CEP) and Supplemental Nutrition Assistance Program (SNAP)

H.R. 1 increases the cost to states to implement SNAP by requiring each state fund at least 5% of the cost of benefits and 75% of administrative costs (current level of 50%). According to the Congressional Budget Office, the changes in SNAP administration will result in $135 billion of savings to the federal government between 2025-2034. The new 5% share of the cost of benefits combined with the increase in the current administrative costs percentage shifted to state governments will require Virginia to use general fund monies to cover the increased costs which could potentially divert general fund appropriations directed to K-12 public education in Virginia.

In addition to the changes in benefits and administrative costs under H.R. 1, the legislation makes changes to those who are eligible for enrollment in SNAP and Medicaid. Changes in eligibility criteria will directly impact schools through direct certification, which allows

Virginia School Boards Association
Government Relations

students enrolled in SNAP, Medicaid and other programs to be automatically enrolled for free school meals.

If enacted, H.R. 1 would require schools to have at least 60% of their student population (currently 25%) identified as low-income (through SNAP, Medicaid, or other programs) to be eligible for CEP. To guarantee students removed from direct certification CEP eligibility, Virginia school divisions will have to spend additional time and resources on meal applications and other administrative tasks that ensure a student is eligible for a school meal under CEP, diverting resources from instructional needs that impact student learning.

Conclusion

Reductions in the federal workforce and how they will affect the overall economic forecast for the Commonwealth combined with Virginia having to provide more state resources to fill the void in cuts in federal funding are extremely worrisome for VSBA. Our school divisions continue to make tremendous recovery from the COVID-19 pandemic and the slightest disruption to funding and resources will have an adverse effect on school division operations. School board members, division administrators, and building level teachers are working diligently to fulfill their promises to parents and family members of a quality public education for the students they serve. We have weathered storms in the past and VSBA is confident with the continued partnership of the Virginia General Assembly, we will navigate any headwinds that we experience in the future.

Please do not hesitate to contact VSBA at (434) 295-8722 if we can be of assistance to the committee as you develop recommendations for future legislation and budget amendments. You may also email VSBA Executive Director, Gina Patterson at gina@vsba.org, or VSBA Director of Legislative Services, J.T. Kessler at jason@vsba.org. We are here to be a sounding board and to provide feedback on education policy in the Commonwealth. We look forward to working with you on these important issues impacting Virginia's public education system.

VSBA thanks you for all the support you provide for public schools in Virginia.

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[i] Adoption of Near-Term Recommendations found in the 2023 Report of the Joint Legislative and Audit Review Commission on Virginia's K-12 School Funding Formula.

CITY OF RICHMOND FEDERAL FUNDING MEMORANDUM

Executive Summary

The City of Richmond has approximately **$296.4 million** in active or anticipated federal financial assistance awards (over several fiscal years). Of that total, approximately **$118.5 million** could be potentially lost if the U.S. Office of Management and Budget moves forward with the proposed freeze or discontinuance of certain federal programs and grants. Of the City of Richmond departments that receive federal funding, the Department of Public Utilities (DPU), Housing and Community Development (HCD), and Department of Social Services (DSS) could be significantly impacted.

Background

On January 27, 2025, the Office of Management and Budget (OMB) sent a memo that required "Federal agencies to identify and review all Federal financial assistance programs and supporting activities consistent with the President's policies and requirements," and to suspend distribution of this funding while the review was underway. The funding pause was set to go into effect on January 28, at 5:00 p.m., but OMB rescinded the memo on January 29. Additionally, two federal judges blocked the OMB funding freeze, and it is now tied up in court citing the Impoundment Control Act (US law that governs the role of Congress in the US budget process). Most recently, a federal appeals court rejected a Trump administration push to reinstate a sweeping pause on federal funding, a decision that comes after a judge found the administration had not fully obeyed an earlier order. All federal funding should <u>not</u> be frozen at this time while this is debated in court. However, given this court order and many pending lawsuits, the Trump administration has switched tactics and has started firing federal employees and dismantling federal agencies, which will have an economic "rippled effect" in the City of Richmond.

Impacted City Departments

If the federal funding freeze were to move forward as previously written by OMB, the following City departments could be impacted, and thus services provided to residents could be directly impacted. The impacted departments have active grants contracts and active grant applications that could experience disruptions during this evaluation.

City Departments with Federal Funding Sources	City Departments without Federal Funding Sources
Department of Justice Services	Department of Human Resources
Department of Emergency Communications, Preparedness, and Response	Department of Economic Development
Department of Planning and Development Review	Department of Budget and Strategic Planning
Department of Parks and Recreation	Department of Finance
Office of Sustainability	Department of Neighborhoods and Community Services
Department of Housing and Community Development	Richmond Animal Care and Control
Department of Public Utilities	Department of Procurement Services
Richmond Police Department	Richmond Public Library
Richmond Fire Department	Department of Citizen Service and Response/311
Department of Social Services	Department of Information Technology
Department of Public Works	Office of Minority Business Development
Department of General Services	Office of Community Wealth Building

Impacted Programs Being Evaluated by OMB

Almost every program or grant listed by the City of Richmond's impacted departments is listed in the OMB memo titled "Instructions for Federal Financial Assistance Program Analysis in Support of M-25-13." These include, but are not limited to, SNAP, TANF, SAFER, CDBG, HOPWA, Natural Gas Distribution and Infrastructure Safety and Modernization, Project Safe Neighborhoods, Edward Byrne Memorial Justice Assistance, and Low-Income Energy Assistance. Their analysis covers almost every federal agency and grant program. That being said, there are some areas (e.g. infrastructure, public safety, homeland security) that are far less likely to be impacted.

Estimated City of Richmond Total Federal Funding and Potential Federal Funding Loss[1]

The following table demonstrates the total amount in federal funding the impacted city departments have in active grants or anticipate having in grant awards. Secondly, this table displays the estimated total potential federal funding loss by department if associated grant programs are frozen, rewritten, or discontinued. ***Please note that this table represents grant awards over various fiscal years. Additionally, the potential loss estimate represents funding that has not yet been spent by departments – funds that have been spent and/or are waiting for reimbursement are not counted in the potential loss. Lastly, these totals do not include American Rescue Plan Act funds.***

City of Richmond Departments with Federal Funding Sources	Total in Federal Funding	Total Potential* Federal Funding Loss
Department of Justice Services	$2,051,366.00	$1,256,703.00
Department of Emergency Communications, Preparedness, and Response	$585,630.00	$585,630.00
Department of Planning and Development Review	$1,400,000.00	$1,400,000.00
Department of Parks and Recreation	$5,686,950.00	$5,639,596.00
Office of Sustainability	$6,761,888.00	$5,892,652.96
Department of Housing and Community Development	$11,443,701.77	$11,443,701.77
Department of Public Utilities	$64,858,844.00	$63,727,962.00
Richmond Police Department	$725,699.00	$431,047.48
Richmond Fire Department	$15,027,895.45	$3,853,374.25
Department of Public Works	$151,501,054.00	$5,950,000.00
Department of General Services	$2,000,000.00	$2,000,000.00
Department of Social Services	$34,330,755.00	$16,286,461.00
TOTAL	**$296,373,783.22**	**$118,467,128.46**

**Potential funding loss is identified as funding that has not been spent yet and could potentially be frozen or rescinded, despite grant contract status. This does not mean that work is not happening, but that there is a process for pulling down federal funding and getting reimbursements.*

Important Context to Keep in Mind

1. Most of the above summarized federal funding is in the form of one-time grants (except for the department Social Services and Housing and Community Development).

[1] *The federal funding used to in this analysis was self-reported by city departments and offices.*

2. There is a lot of uncertainty about what might happen, and a lot is being debated in the courts right now.

3. The City of Richmond continues the important work of serving Richmonders and has not seen direct disruptions to federal funding (including American Rescue Plan Act funds), except to our Fiscal Year 2025 federal earmark awards.

4. The federal government avoided a shut down on March 14 by approving a “continuing resolution” (CR) that continues funding the federal government through the end of September (President Trump signed the CR on March 15). The CR is largely an extension of fiscal year (FY) 2024 funding levels, with the Congressional Budget Office (CBO) estimating the bill would set overall funding levels for FY 2025 at $1.6 trillion, with $893 billion for defense and $708 billion for non-defense spending. The measure increases defense spending by $6 billion compared to FY 2024 levels and boosts funding for immigration enforcement, while reducing nondefense spending by $13 billion overall—mainly due to the removal of earmarks.

5. The Office of Intergovernmental Affairs continues to work with stakeholders to gather additional information and serve as a resource.

Fairfax County Recommendations

State Action to Mitigate Potential Federal Impacts

<table>
<tr><td colspan="2">Health and Human Services Recommendations
While emphasizing this is still early in the determination of impacts upon Fairfax residents and much remains uncertain, the following mitigation strategies were put in place by the State during the COVID-19 pandemic to address economic impacts. The success of these efforts is therefore tested and would likely provide similar outcomes in this situation, if implemented.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td>Child Care Subsidy</td><td>Recommendation: Temporarily increase paid absences to 180 days, a policy that was put in place during the pandemic to support child-care providers. Currently, child-care subsidy rates are based on daily attendance and provide a maximum of 60 days a year that children can be absent. Child-care providers may see an increase in absences due to federal impacts, which could threaten their sustainability.

Recommendation: Given the anticipated federal workforce reductions, delay implementation of the 90-day limit for job search as a qualifying activity. Currently, the eligibility criteria for a child-care subsidy includes job search as a qualifying activity for 12 months. However, starting in FY 2026, job search will be limited to 90 days with a possible extension.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td>Housing Assistance</td><td>Recommendation: Establish a housing assistance fund for homeowners and renters who lose their jobs due to federal actions (agency reductions-in-force, reductions/elimination in federal funding or contracts). This will ensure that community members maintain their housing and will prevent evictions and foreclosures.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td>Utility Assistance</td><td>Recommendation: Implement a temporary moratorium to prevent utility companies from shutting off service due to nonpayment for homeowners and renters who lose their jobs due to federal actions (agency reductions-in-force, reductions/elimination in federal funding or contracts).

Recommendation: Establish a utility assistance program for impacted residents.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td>Support for Community-Based Organizations</td><td>Community-based organizations are an essential component to health and human services delivery and the anticipated impact of federal actions may reduce their revenue, as well as create capacity constraints due to increased community needs.

Recommendation: Establish a state stabilization fund to assist community-based organizations facing financial difficulties due to: 1) possible reduction/elimination in direct federal funding; and, 2) unexpected higher demand for services due to federal actions (agency reductions-in-force, reductions/elimination in federal funding or contracts).</td></tr>
</table>

Economic Development Recommendations Proposed economic development initiatives are a result of regional economic analysis and strategies, ongoing business intelligence, and direct input from private sector businesses including a Fairfax County business survey, members of the Fairfax County Council for Economic Opportunity and corporate leaders across key sectors. The recommendations build upon our unique assets and aim to ensure Northern Virginia retains the most competitive parts of our economy, help dislocated workers transition into promising careers, and cultivate private sector innovation.	
Mitigate Help dislocated workers connect with and succeed in private sector positions	Background: The swift, significant, and ongoing reductions in the federal sector present a major economic challenge to Northern Virginia. Dislocated federal workers and contractors will seek jobs in the private sector, but there may not be a 1:1 match between their skills and the immediate needs of employers. Recommendation: Expand the Talent Up program; a proven and flexible program that can retain employees in the region by supporting workers' transition to jobs available in Northern Virginia. Talent Up incentivizes employers to expand their talent pools by funding wages and worker's compensation for paid internships customized to their business needs. For career switchers, Talent Up internships can provide immediate career transition work experience, potentially leading to new permanent employment. Talent Up leverages Virginia's public workforce system and the resources that are available to Virginia jobseekers. Support should include expanded training for skills transition.
Adapt Targeted incentives to keep and grow R&D and innovative firms	Background: Competing regions are challenging Northern Virginia's position, and Virginia's role, in the most competitive tech industry clusters. Recommendation: Encourage R&D and commercialization efforts by local and prospective firms in leading-edge technologies through providing highly targeted and impactful incentives to companies meeting defined criteria. Priority would go to support identified target industries like commercial space and transformative innovation enablers, such as Artificial Intelligence (AI), Machine Learning, supercomputing, and preparation for quantum advantage computing, including the cloud computing infrastructure that supports these technologies. Also increased support for headquarters and business facilities for fast-growing technology sectors.
Transform Support and connect cutting-edge technologies to local tech adopters	Background: Northern Virginia is home to a significant concentration of emerging technology first adopters and second adopters, which creates a rich market for tech companies to start or locate in the region. However, much of the cutting-edge technology created by local startups does not reach wide commercialization because firms are not able to secure contracts and scale after initial development (for example, post-SBIR/STTR). This risk is greater in the current economic environment. Recommendation: Establish a Center to expedite the deep tech commercialization process and solidify Northern Virginia as a global competitor in sectors such as commercial space and quantum. Programs would move startups with validated technologies towards maturation through convening specialized professional services, mentors, integrators and investors, and connecting with technology adopters. As a result, advanced tech and startups will stay and scale in Virginia.

UNITED WAY
Virginia Peninsula

Every person in our community, whether they have a need or something to give, can get connected through United Way.

July 1, 2025

Dear Chair Bulova, Vice Chair Bloxom, and Members of the Committee,

As President and CEO of United Way of the Virginia Peninsula, I am writing to share how federal workforce and funding reductions are impacting our region. The Virginia Peninsula does not appear to have any representation on the Emergency Committee, so I hope you will hear and consider our perspective as you deliberate on issues that significantly affect our communities.

According to our most recent data, **41% of households (229,069) in our region are already struggling to meet basic needs**, or are ALICE (Asset Limited, Income Constrained, Employed). While this population represents a significant portion of our local workforce, the vast majority rely on programs affected by federal spending decisions.

Changes to Medicaid, the expansion of eligibility requirements for food assistance, and reductions in housing and homeless services funding will:

- Reduce access to preventative health care for more than 600,000 individuals. (Medicaid expansion)
- Exacerbate an already fragile working class as the cost of basic needs continues to rise.
- Further strain safety nets and decrease those able to participate in the workforce.

United Way of the Virginia Peninsula works daily with families, businesses, and nonprofit partners to stabilize households and strengthen the local economy. We encourage the Committee to consider state-level strategies that will mitigate these impacts, such as:

- Maintaining Medicaid reimbursement rates for providers serving low-income populations.
- Continued investments in the Virginia Eviction Reduction Pilot to help keep working people housed.

We would welcome the opportunity to be a resource to the Committee as you continue this important work. Please consider this an open invitation to visit the Virginia Peninsula and meet with local partners who are working at the intersection of economic stability, workforce development, and community health.

Thank you for your time and your commitment to addressing these critical challenges.

President & CEO
United Way of the Virginia Peninsula

101 York Crossing Rd. Yorktown, VA 23692 | (757) 229-2222info@uwvp.org
uwvp.org

August 5, 2025

Dear Chair Lucas, Chair Bulova, and Members of the Senate Finance and Appropriations Committee's Special Subcommittee on Federal Impacts to Resources and House Emergency Committee on the Impacts of Federal Workforce and Funding Reductions:

We are a group of Virginia and national nonprofit advocacy organizations that work in coalition to advance unemployment benefit reform in the Commonwealth. Our shared purpose is to ensure that **Virginia is for workers**. In this context, that means that workers can and do access sufficient unemployment benefits to support themselves and their families until they find their next good jobs that allow them to remain here, which in turn will protect the Commonwealth's economy.

We are writing to recommend three *temporary emergency* policies to mitigate the adverse impact of the federal workforce and spending reductions on Virginia's workers and economy:

> **(1) Increase weekly unemployment benefit amounts,**
>
> **(2) Provide all workers with up to 26 weeks of unemployment benefits, and**
>
> **(3) Provide a reemployment bonus to all Virginia residents who claim and receive unemployment benefits and who then accept and retain suitable work that keeps them in Virginia.**

For further explanation of and support for each policy, please see the enclosed document.

On the eve of the 90th anniversary of the federal-state unemployment insurance program instituted under Title III of the Social Security Act, we urge you and your colleagues in the General Assembly to adopt these three temporary measures to ensure that Virginia's workers and economy experience the full promise and protection of that program.

If you have any questions about these recommendations, please contact Joanna Darcus (joanna@vplc.org or 804-750-3151) or David Smith (socialactionlinkingtogether@gmail.com).

Sincerely,

Joanna Darcus, Economic Justice Staff Attorney
Virginia Poverty Law Center

Pat Levy-Lavelle, Senior Intake Attorney
Legal Aid Justice Center

David Smith, Director
Social Action Linking Together (SALT)

Sophie McGinley, Labor Policy Analyst
The Commonwealth Institute for Fiscal Analysis

David Balducchi, Board Member, SALT and
U.S. Department of Labor, Retired

Flannery O'Rourke, Unemployment Insurance
Program Director
National Employment Law Project

Enclosure: *Policy Recommendations to Mitigate the Adverse Impacts of Federal Workforce and Spending Reductions*

Policy Recommendations to Mitigate the Adverse Impacts of Federal Workforce and Spending Reductions

(1) Increase weekly unemployment benefit amounts.

a. Thanks to the General Assembly and Governor, Virginia is set to increase weekly benefit levels by $52 on January 1, 2026.[1] We recommend implementing this increase early and pairing it with a further temporary emergency increase on top of this legislation.
b. This will bring more federal dollars into the state.
    i. Federal layoffs are presently a primary source of unemployment in Virginia.
    ii. Federal agencies are reimbursable employers in the federal-state unemployment insurance program; that means that they must reimburse the state for every dollar of Unemployment Compensation for Federal Employees (UCFE) benefits paid to former federal civil servants.[2]
    iii. States cannot set different benefit levels for federal versus other workers. However, if the state temporarily increases benefit levels for all workers, as North Carolina did in 2024,[3] then the federal government will be required to reimburse at the higher rate.[4]
c. This change will better allow workers to maintain household purchasing power and continue to spend money on essentials at local grocery stores and gas stations during a period of relatively heightened unemployment.

(2) Provide all workers with up to 26 weeks of unemployment benefits.

a. Virginia does not currently have a standard or uniform unemployment benefit duration. Instead, each worker's potential benefit duration is solely determined by their base period earnings. As a result, workers who otherwise appear to be similarly situated may be eligible for as few as 12 or as many as 26 weeks of unemployment benefits.
b. As with a temporary increase to weekly benefit amounts, temporarily setting a uniform benefit duration of 26 weeks could bring in more federal dollars through reimbursement of UCFE (and other federal-funded unemployment compensation programs) to the state.
c. There is precedent for this type of emergency measure. Kansas temporarily established a uniform 26-week benefit duration during the recent pandemic.[5]
d. Temporarily setting a uniform benefit duration will better ensure that workers are covered for their full period of unemployment. During periods of higher levels of unemployment, it can take longer for workers to find their new jobs. Duration of unemployment may also vary based on factors such as job sector,[6] region,[7] and demographic factors.[8] Giving all workers up to 26 weeks of benefits would acknowledge these factors and address the uncertainty workers face, but it will not automatically increase the total number of weeks of unemployment benefits that any worker uses.
e. Existing federal and state laws require claimants to be able, available, and actively seeking suitable work, and to accept an offer of suitable work to ensure that claimants cannot continue to collect benefits in lieu of returning to work.[9]

(3) Provide a reemployment bonus to all Virginia residents who claim and receive unemployment benefits and who then accept and retain suitable work that keeps them in Virginia.

a. Former federal civil servants and other workers residing in Virginia may be inclined to move out of state to find new work. We propose a reemployment bonus to incentivize Virginians to accept suitable work that enables them to continue residing in the Commonwealth.

b. This will keep workers in Virginia, which prevents adverse impacts to the governmental and business sectors of the state and local economies from loss of tax dollars, talent, and household spending.

c. A reemployment bonus with a retention component would be a temporary provision in Virginia's unemployment law. Past research by the U.S. Department of Labor has shown that reemployment bonuses can impact job search behavior, lead to a reduction in the average duration of joblessness, and have no adverse impact on the quality and wages of accepted jobs.[10]

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[1] S.B. 1056, Reg. Session (Va. 2025), https://lis.virginia.gov/bill-details/20251/SB1056.

[2] 5 U.S.C. § 8502(b).

[3] Office of NC Governor, *Governor Cooper Issues Executive Order Increasing Unemployment Payments for North Carolinians in the Wake of Hurricane Helene* (Oct. 16, 2024), https://governor.nc.gov/news/press-releases/2024/10/16/governor-cooper-issues-executive-order-increasing-unemployment-payments-north-carolinians-wake.

[4] 5 U.S.C. § 8502(b).

[5] S.B. 27, Reg. Session (Ks. 2020), https://www.kslegislature.gov/li_2020/b2019_20/measures/sb27/.

[6] BLS, *Labor Force Statistics from the Current Population Survey* (November 2024), "A-37. Unemployed persons by occupation, industry, and duration of unemployment" https://www.bls.gov/web/empsit/cpseea37.htm.

[7] *See* Press Release, Virginia Works, Virginia's Latest Unemployment Insurance Weekly Initial Claims at 3,446; Continued Claims at 21,060 (July 17, 2025), https://virginiaworks.gov/wp-content/uploads/2025/07/Initial-Claims-Press-Release-7.12.2025.pdf.

[8] BLS, *Labor Force Statistics from the Current Population Survey* (2023), "31. Unemployed persons by age, sex, race, Hispanic or Latino ethnicity, marital status, and duration of unemployment", https://www.bls.gov/cps/cpsaat31.htm.

[9] 42 U.S.C.A. § 503(a)(12); Va. Code § 60.2-612(7); Va. Code § 60.2-618(3).

[10] Wandner, Stephen A. 2010. *Solving the Reemployment Puzzle: From Research to Policy*. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, Ch. 10, p. 434, https://doi.org/10.17848/9781441680389.

City of Alexandria, Virginia
301 King Street, Suite 2300
Alexandria, Virginia 22314

Alyia Gaskins
Mayor

Office: 703.746.4500
alyia.gaskins@alexandriava.gov

April 7, 2025

Chair Bulova and Members of the Committee:

Thank you for taking the time to hear how new federal policies are impacting our community. We appreciate the Committee's leadership and commitment to better understanding the first-hand impacts being felt by our residents. As you know, the City of Alexandria is experiencing significant challenges due to recent federal policies. The ongoing reductions in the federal workforce and the uncertainty surrounding federal funding commitments are profoundly affecting our residents. As policies continue that lead to widespread reductions in force for the federal government, and long-standing commitments to federal funding are no longer able to be relied upon, these impacts are growing.

- Nearly 16,000 Alexandrians are employed by federal agencies and contractors, and more than 9,000 federal jobs are located within the City. Increasing job losses are straining the ability of Alexandria households to afford essential needs, such as housing, groceries, medical care and more.
- Prolonged unemployment is expected to significantly increase the demand for social and community support programs in Alexandria. These services, offered both by the City of Alexandria and various non-profit organizations, are crucial to our community's well-being and are likely to face significant strain.
- The situation is further exacerbated by reductions in federal funding – both funding directly to the City, and funding that is passed through from the Commonwealth. In FY 2024, the City had expenditures from federal awards totaling $67 million. The abrupt revocation of anticipated ARPA funding from Virginia Department of Behavioral Health and Developmental Services (DBHDS), which funded community health workers and more, will cause reductions in service, and directly impact staffing for the City and its partner agencies.
- Support provided directly to residents, not passed through the City, is also at risk. Nearly 18,000 residents directly received SNAP benefits, totaling more than $26 million. Over 42,000 residents received almost $120 million in benefits from Medicaid, and TANF support amounted to nearly $500,000 to support 2,797 residents.
- Additionally, the City anticipates the potential for a significant decline in local business revenue as a result of federal job losses. This will serve to exacerbate the job losses in Alexandria and surrounding areas and reduce tax revenues on which the City relies to provide community support services.

In response, the City is taking proactive steps to mitigate these impacts. For several months, the City has been coordinating across all departments and with partners throughout the region. This work has included the following:

- Providing direct outreach to federal employees and contractors to better understand the resources provided by the City. [Resources for Federal Government Employees | City of Alexandria, VA]

Alyia Gaskins
Mayor

Office: 703.746.4500
alyia.gaskins@alexandriava.gov

- Hosting job fairs throughout Alexandria and in partnership with jurisdictions in the region to make finding new employment opportunities easier.
- Coordinating with partner non-profit service agencies to identify and, when possible, fill gaps in services to the community.

Despite these efforts, the City's actions are constrained by budgetary and legal limitations. It is imperative that the Commonwealth take decisive action to alleviate the impact on Virginians. We urge the Commonwealth to:

- Fully restore the recently revoked ARPA funding from the Department of Behavioral Health and Developmental Service and commit to fully funding and maintaining other similar pass-through funding currently allocated, even if federal funding is withdrawn.
- Expedite and increase the unemployment benefits, beyond what is included in the recently signed Senate Bill 1056, to account for the higher cost of living in northern Virginia. The current rate of less than $500 per week is not sufficient to cover housing, groceries, and medical needs with the higher cost of living in the region.
- Provide short-term funding to cover the partial or full loss of pass-through federal grants specific to housing, education, and social service support for our most vulnerable populations.

The City of Alexandria appreciates the Committee's interest in developing solutions for the significant impacts felt by residents of the Commonwealth. All of the City's departments are regularly reviewing federal policy decisions, Executive Orders, and grant announcements to better understand the immediate impact to our residents. We look forward to a continued partnership with members of the General Assembly to better understand these significant impacts and to develop immediate solutions that can protect our residents.

Sincerely,

Alyia Gaskins

Alyia Gaskins
Mayor
City of Alexandria

NOVA Economic Development Alliance

May 27, 2025

The Honorable David L. Bulova
Virginia House District 11
General Assembly Building
201 North 9th Street
Room 909
Richmond, VA 23219

Dear Delegate Bulova,

Thank you very much for inviting me to represent the Northern Virginia Economic Development Alliance before the Emergency Committee on the Impact of Federal Workforce Reductions on April 8, 2025. It was an honor to represent my peers in addressing our concerns and offering potential solutions.

To recap, the NOVA EDA believes the following areas are key to address the impacts imminent from the Federal workforce reductions:

- Enhanced support and funding of our partners who directly deliver services to dislocated workers - especially those in the education and workforce development arenas. For us in NOVA that includes George Mason University, Northern Virginia Community College, and Virginia Career Works. These innovative partners have a proven track record of developing creative solutions to complex economic problems and are on the front lines of directly supporting the people who are being impacted.

- Exhort the Virginia Economic Development Partnership to focus on generating leads that will result in qualified prospect visits to NOVA and other parts of Virginia specific to the current actions being taken by the Federal government. VEDP must be proactive in identifying companies, namely those that would utilize the talent departing the Federal workforce and its contractors. The General Assembly must use its legislative oversight to ensure VEDP is actively working to identify office users and others that can fill vacant space, employ our residents, and diversify our economy. To date there appears to be no Virginia strategy to attract new businesses as part of a comprehensive solution to Federal workforce reductions and office vacancies.

- Finally, we propose the creation of a program to support local government and the private sector in redeveloping or repurposing vacant and obsolete office buildings. This program could be modeled after the Virginia Business Ready Sites Program which benefits much of Virginia but fails to address the development constraints and economic reality in NOVA and other urban areas. While creating industrial

NOVA Economic Development Alliance

sites for new manufacturing businesses will ensure Virginia is able to compete globally in attracting new investment and jobs, it does little to help our cities and urbanized counties solve the office vacancy problem we face. These are our "sites". While the strategy of directing VEDP to target office users as outlined above is one solution, providing financial support for office reuse and redevelopment addresses a larger problem, which is that a significant amount of vacancy is in buildings that are functionally obsolete.

Legislation and funding for a program to address this should be a top priority. Such a program could be developed and managed by the Department of Housing and Community Development with support from a coalition of urban legislators, local government officials, and economic development professionals. Expanding the framework contemplated by you in the introduction of HB1702, and providing initial funding in the amount of $45,000,000.00 or more, would go a long way to getting this initiative under way. That funding level is not unreasonable when considering the enormity of the problem, the amount of vacancy in some of our localities, the expense associated with acquiring, redeveloping, repurposing, and/or demolishing these properties, and the widespread nature of the problem across Virginia's landscape.

I hope these proposals find favor with your committee and the General Assembly. Northern Virginia does not stand alone in facing this crisis which will impact the entire Commonwealth. When our regional and statewide economies falter as a result of Federal workforce reductions, reactive solutions will be stifled by the enormity and financial implications associated with unemployment and lost revenues. These few simple solutions proposed herein are proactive initiatives the Emergency Committee on the Impact of Federal Workforce Reductions can take that will not only mitigate some of these impacts, but strengthen our economic and workforce development infrastructure to propel the number one state for business in the United States to outperform those with which we compete now and once the crisis has ended.

Thank you for your leadership in addressing this issue, for the Committee's and Assembly's service and commitment to solving this statewide challenge, and for your consideration of our solutions.

Very Truly Yours,

Patrick J. Small, CEcD
Chairman

July 7, 2025

To: Emergency Committee on the Impacts of Federal Workforce and Funding Reductions

The Honorable David Bulova, Chair
The Honorable Robert S. Bloxom Jr., Vice Chair
Committee Members and Staff

From: Kelly Harris-Braxton, Executive Director

Re: Impacts of 2025 Cuts to Federal Programs and Workforce on the Members of the Virginia First Cities Coalition

Overview

At a prior meeting of the Emergency Committee on the Impacts of Federal Workforce and Funding Reductions you asked for stories and data from across the Commonwealth regarding the Department of Government Enterprises (DOGE) cuts and impacts on Virginians. The landscape changes from day-to-day. Waiting for definitive action from the federal arena, including the courts, often means that the opportunity to express deep concern will have come and passed. We apologize in advance regarding, in many cases, the lack of definitive information on program elimination and cuts. There are more moving parts than usual in Washington, D.C. that are rocking the federal/state/local governmental construct.

Virginia First Cities Coalition (VFC), a consortium of urban municipalities in Virginia, was founded 26 years ago to bolster state funding and to promote growth and revitalization of the Commonwealth's historic city centers. While initially formed to ensure our members were not continually disadvantaged by the 1979 moratorium on annexation and resultant sprawl of job creation and housing to Virginia's suburban localities, VFC's mission took hold. Today we actively protect and bolster our member-cities in the Virginia state budget, especially with funding and programs for urban infrastructure projects, blight abatement, housing redevelopment poverty eradication through community wealth building, early childhood and K-12 public education, transportation and public safety. Most cities in the United States can grow their tax bases by accruing land, building housing and acquiring debt to build new or improve infra-structure projects. However, since the 1970s, our member cities have been captive to a blueprint for growth that has historically been controlled by cultural, environmental and political history that has not always appreciated the fact that Virginia's core cities must maintain complex infrastructure, provide attractive public amenities, and center the social services for a region.

All of this is to say, while there are systemic and Virginia-specific institutional reasons for our city-fiscal stress, the 1st and 2nd quarter 2025 DOGE cuts to federal programs and specific earmarks to our cities have had a gut-wrenching effect. These reductions have the potential to ripple through our local economies, disrupt essential services and exacerbate socioeconomic disparities in our cities.

<u>DOGE Cuts</u>

Here are a few DOGE-related cuts that cut across all eighteen of the VFC member Cities.

- **<u>Closure of the Multi-State Information Sharing and Analysis Center (MS-ISAC) and the Elections Information Sharing and Analysis Center (EI-ISAC)</u>**

In mid-March 2025, The Multi-State Information Sharing and Analysis Center, which has supported the cybersecurity operations of state and local governments since its creation in 2004, lost some of its federal funding. This follows the February 2025 U.S. Department of Homeland Security severing of support for the Elections Infrastructure ISAC. The Center for Internet Security (CISA) operated both information-sharing bodies, and explained that, "…. the discontinued work of the EI-ISAC and MS-ISAC no longer effectuates department priorities." Discontinued MS-ISAC work includes stakeholder engagement, cyber threat intelligence and cyber incident response.

These actions have significant and negative impacts upon the governance of our cities, and consequently upon the citizens, especially regarding the cybersecurity posture for attacks on all systems. Virginia First Cities has called on U.S. Secretary of Homeland Security Noem and Virginia's congressional delegation to please include funding for the MS-ISAC and the EI-ISAC in upcoming appropriations.

The MS-ISAC and the EI-ISAC have been essential sources of free, actionable threat intelligence, providing indicators of compromise to enhance our member cities security systems' effectiveness in detecting or preventing breaches. These indicators reflect ongoing attacks on other local or state government agencies. Additionally, the ISACs offer current insights into cyber-attack patterns, motives, and targets, enabling our cities to strategically apply security controls and avoid unnecessary expenditures on special protections. The MS-ISAC also provides focused negotiated discounts for SANS Institute Courses. These acclaimed cybersecurity training classes provide a citizen-responsive, budget friendly way to improve our city staff's skills. This is training that, especially for our Voter Registrars, is crucial because Virginia is a state that places a specific restriction concerning service providers to our state and local elections offices.

In addition to general cyber intelligence, our local city elections offices receive specialized election security updates and training. Without these services, our cities face an increased risk of cybersecurity breaches affecting multiple critical infrastructure sectors, including Emergency Services, Government Services and Facilities, Information Technology, Transportation, and Water and Wastewater Systems. To maintain our current cybersecurity posture, it will be necessary to allocate additional local budget resources for cybersecurity threat intelligence services.

We have spoken to the Virginia Information Technologies Agency (VITA) and they have been most responsive. However, the education and training that MS-ISAC and EI-ISAC offered are not easily replaced, especially by our smaller cities.

- **<u>AmeriCorps Funding through ServeVirginia</u>**

The Department of Government Efficiency (DOGE) has taken steps to dismantle AmeriCorps and has abruptly ended service terms with no notice. Through dismissals and disruptions to program operations, member enrollment, and program disbursement, there are several VFC members that have seen yet more cuts and dismissals to valued programs and people that had been making a difference in their communities.

AmeriCorps in Virginia is funneled through ServeVirginia. AmeriCorps is a funding model that has always been efficient and effective government funding. The DOGE cuts jeopardize education programs, after-school programming, anti-poverty, workforce development, mental health services, and human trafficking programs in several of our cities. Because our fiscally stressed cities serve as the hub for health and human service programs, cuts to AmeriCorps are especially tough eliminating this funding is literally the elimination of economic development programs that are helping to end the cycle of poverty and enable healthy, educated citizens. AmeriCorps funding was showing great promise and results.

  - The City of Richmond's program, RVA Health Corps, was affected by the cuts, but the city was able to continue it through August 2025 by using previously allocated matching funds.
  - Also in Richmond, the president and CEO of nonprofit Fit4Kids said the sudden cut to her organization's planning grant is unlike anything she ever experienced and came just minutes before receiving an email about a new AmeriCorps grant contract.

- **<u>City of Hampton - Environmental Protection Agency Grant Aberdeen Gardens</u>**

The Trump administration officially canceled a $20 million grant from the U.S. Environmental Protection Agency meant to address flooding in Hampton's historic Aberdeen Gardens neighborhood. Hampton accepted the EPA grant in December with the intention of funding infrastructure improvements to assist in climate adaptation and flood resilience to create a more sustainable community in the historic Aberdeen Gardens neighborhood.

- **<u>City of Richmond - Department of Homeland Security's (DHS) Federal Emergency Management Agency's (FEMA) Building Resilient Infrastructure and Communities (BRIC) program</u>**

In April 2025, FEMA canceled a $12 million BRIC grant for the Richmond, VA water treatment plant, calling it "wasteful and ineffective." The grant, awarded in 2023 was intended to make upgrades to the facility and address design flaws and degradation, particularly in the feeder channel, and enhance the plant's resilience to flooding. The Richmond region will be more susceptible to future water contaminations and disruptions in water delivery.

- **<u>City of Portsmouth – U.S. EPA and FEMA</u>**

  - Environmental Programs: The Elizabeth River Project lost a $75,000 federal education grant, affecting environmental education programs for hundreds of Portsmouth students.
  - Natural Disaster Preparedness: Lost a $24 million grant aimed at protecting against natural disasters for Lake Meade Dam, a drinking water reservoir.

- **U.S. Secretary of Education Claw Back of Pandemic Education Funds**

In a letter dated March 28, 2025, U.S. Secretary of Education Linda McMahon, notified the Virginia Department of Education and 14 Virginia school divisions that the final day to spend and use all money received from Coronavirus Response and Relief Supplemental Appropriations and the American Rescue Plan Acts grants was on the same day, March 28. The original deadline communicated under the Biden Administration was March 2026. The Virginia Department of Education, along with 14 school divisions and the Department of Juvenile Justice, have filed appeals directly with the U.S. Department of Education. (The Virginia Attorney General did not join 16 other states and the District of Columbia in suing the U.S. Department of Education claiming the abrupt termination will cause budget shortfalls. "On May 6, a federal judge blocked the Trump administration from canceling the unspent aid, but this order applies to the 16 states and the District of Columbia that sued the DOE…")

At this point in time, we know of three Virginia First Cities member school divisions impacted by the U.S. DoE claw back. Portsmouth and Richmond are part of the U.S. DoE appeal. Also:

- City of Hampton - Hampton City Schools $35,575
- City of Portsmouth - Portsmouth Public Schools will lose more than $7.5 million, which is the most of any school division in Virginia. The division planned to use the funding to address contracted staffing services, including teachers and nurses. PPS officials also planned to purchase buses with air conditioning and school library furniture.
- City of Richmond – Planned to address learning loss from the pandemic and improve school facilities.

The Virginia Department of Education filed appeals to the U.S. DoE One, for the state's Attendance Data Dashboard that combats chronic absenteeism that our schools are experiencing, and the other, Grow Your Own Program, supports the teacher apprenticeship pipeline, like the Virginia Teacher Residency program (RTR). The RTR, for example, has been an extremely helpful program to fuel much-needed teacher workforce development in Richmond, Petersburg, and Norfolk public schools.

Federal Reconciliation Bill

Amidst this rapidly changing federal landscape, Virginia First Cities is trying mightily to respond and identify federal programs and funding that we know have been affecting our cities. Certainly, the federal budgeting process has added to the angst of our cities, as the House Reconciliation bill will decimate programs and policies that have been making a difference. For example, and as you've heard from many groups including The Commonwealth Institute, our cities have thousands at-risk of going hungry or without health care because of the slashing of Medicaid and Supplemental Nutrition Assistance Program (SNAP) funding and ancillary requirements.

It is the reverberating effects of losing these programs and funding and the impacts to the non-profits doing impactful community wealth building work in our fiscally stressed cities that is cataclysmic to consider, though we must. Cuts to SNAP mean increased demand on already stressed food banks as more individuals and families struggle to afford food.

Federal FY 2025 Budget Bill

In the Trump Administration's FY 2026 budget bill, VFC is very concerned with proposed cuts to the extremely effective Community Development Financial Institution (CDFI) Fund. The FY 2026 budget bill cuts the CDFI program by over 50%. Coupled with the enon-deployment of the existing twenty-five CDFI Funds (75% of the FY 2025 obligated funds have not been spent yet), it spells catastrophe for this program that is providing an 8-to-1 leverage of every dollar committed to our Virginia cities. Virginia CDFIs are expanding economic opportunity for underserved people and communities by supporting the growth and capacity of Virginia's community development lenders, investors and financial service providers.
The Administration speaks to redirecting funds to Rural Development. However, this does not help our city-lending CDFIs.

Conclusion

With the cuts and potential cuts enumerated above, our 18 member cities are feeling the ripple effects in very different ways. However, we are certain that the impacts will be far-reaching and potentially threaten the resilience of our collective city infrastructure, as well as the sustainability of programs that foster economic and social success, especially for the most vulnerable in our cities.

Virginia First Cities stands ready to work with the state and federal partners to secure a funding construct and partnership that finds solutions to lift our cities and the Commonwealth.

cc: The Honorable Don Scott, Speaker of the House
The Honorable Luke Torian, Chair-Committee on Appropriations
Kimberly L. McKay, Legislative Fiscal Analyst, House Appropriations Committee

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MAUREEN COFFEY
SUSAN CUNNINGHAM
JULIUS D. "JD" SPAIN, SR.

April 7, 2025

Dear Chair Bulova:

On behalf of my colleagues on the Arlington County Board, I want to thank you and the members of the Emergency Committee on the Impacts of Federal Workforce and Funding Reductions for convening in Northern Virginia to learn about the negative impacts recent federal policies and executive orders are having on the Commonwealth's fiscal and economic standing.

To assist in the Committee's fact finding, we are submitting our preliminary analysis of known economic impacts experienced in Arlington County and anticipated risks on the horizon, found in full after my signature. For ease of reference, the following are our main recommendations to the Committee that we believe will spur economic growth and begin to mitigate the adverse impacts felt in our communities:

- **Increase qualified business attraction leads for NoVA,** to help attract out-of-market companies and new jobs to the region.

- **Support the repositioning, redevelopment, and conversion of office space,** to create higher-quality spaces to attract private investment, businesses, jobs, and workers.

- **Support re-skilling and re-training workers,** through the expansion and creation of programs to give displaced workers the best change to reenter the workforce.

- **Strategically draw down funds from Virginia's Revenue Reserve Fund (RRF) and Revenue Stabilization Fund (RSF),** to fund critical budget gaps, urgent social safety net needs, and invest in economic development necessary to mitigate impacts of federal actions.

Further, the related impact on our human services programs and services cannot be understated. When our neighbors lose their jobs and their financial stability, the first resources they turn to are

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at the local level. Already, jurisdictions across the region are experiencing increases in unemployment claims and cascading adverse impacts to our local economies. While we pride ourselves in our investments in our social safety net, the reality is that it cannot absorb the shock of hundreds if not thousands more who may lose their jobs, incomes, and livelihoods. Already vital services in our region—**like eviction prevention, health insurance support, food assistance, and homelessness relief**—are at risk of being further strained, and even crippled, by a surge in demand if economic conditions do not improve.

In conclusion, we respectfully ask for the Committee to take note and take action. Arlington stands ready to partner, collaborate, and contribute resources as we work together through these unprecedented challenges. We look forward to partnering with the Committee and General Assembly to mitigate short- and medium-term economic impacts and rebuild for an even stronger Northern Virginia economy of tomorrow.

Sincerely,

Takis Karantonis
Chair, Arlington County Board

CC:
Board Members, Arlington County Board
Senator Barbara Favola, 40th Senate District
Senator Adam Ebbin, 39th Senate District
Delegate Patrick Hope, 1st House District
Delegate Alfonso Lopez, 3rd House District
Delegate Adele McClure, 2nd House District
Mark Schwartz, Arlington County Manager
Christopher Leyen, Southcliff Strategies

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PRELIMINARY ECONOMIC IMPACT ANALYSIS ON ARLINGTON DUE TO FEDERAL LAY-OFFS AND RECOMMENDATIONS

Recent and ongoing actions to reduce the size of the federal government combined with new economic policies and executive orders have significantly increased the chances of a regional economic recession in Northern Virginia. We are seeing decreased business activity and investment, all across the government, private and non-profit sectors, and a sharp decline in our tourism and hospitality sectors driven by reductions in business and international travel. Left unaddressed, these impacts could produce negative outcomes that will greatly impact the economic and fiscal positions of Northern Virginia and the Commonwealth for years to come.

In Arlington specifically, we are monitoring four key areas of concern. Below is a snapshot of the current known impacts and anticipated risks on the horizon:

- **Workforce:** The federal government employs one in five workers in Arlington (28,000) and one in eight workers in Northern Virginia. George Mason University (GMU) Economist Terry Clower estimates that there are 2-3 private sector jobs for every federal job. Virginia Works data shows there were 801 initial unemployment claims made by Arlington residents who lost Virginia-based jobs in the first 11 weeks of 2025. This is a 68% increase over the same period in 2024. However, this does not reflect the true impacts of job losses by federal workers or contractors in Virginia because residents who live in Virginia but are employed by federal agencies or private entities located in the District of Columbia or Maryland must make their claims there. The District has seen 14,491 in unemployment claims since the beginning of 2025 which is a 164% increase over this same period last year. This data signals the likelihood that many more Virginia residents are currently out of work than what is being experienced in Virginia unemployment claims data.

- **Business Impacts**: Arlington's local gross domestic product (GDP) was $41 billion in 2023, which is the second highest in the Commonwealth. In fiscal year 2024, the federal government awarded $14.3 billion in contracts to over 950 businesses and non-profits based in Arlington. Since January 1, 2025, the federal government has canceled nearly 60

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contracts with Arlington businesses that could result in as much as $3 billion in lost business revenue. Two thirds of these contracts are with small businesses. The federal government has also canceled more federal contracts in Virginia than any other state in the nation which is currently estimated at $13.5 billion in lost business revenue for the Commonwealth as of today. All signs indicate that more is on the horizon.

- **Tourism Impacts**: Another indicator of distress is Arlington's tourism industry. Hotel occupancy in March 2025 was down 11% from March 2024 and forecasts show that April and May could be 27% lower than at the same time last year. This is directly attributable to the drop in government related business and drop in international travel to the region. The visitor economy accounts for significant numbers of jobs and revenue for Virginia, its localities and other businesses. For example, in 2023 in Arlington alone, tourism and hospitality sectors supported over 27,000 jobs and visitors generated $4.5 billion in spending that resulted in $341 million of state and local tax revenue.

- **Real Estate**: The physical footprint of the federal government and the federal contracting base in Northern Virginia is another driver of the Commonwealth's economy. Recent guidance from the President directed all federal departments and agencies to submit "proposed relocations of agency bureaus and offices away from Washington D.C. and the National Capital Region," by April 14. The federal government owns about 9 million square feet of office and leases 5.3 million square feet in Arlington. The rent paid on the leased space in Arlington alone is $215 million per year. This represents only a portion of what the federal government owns and leases in the Northern Virginia part of the National Capital Region. Though Arlington has to date largely been spared of major cuts in federal real estate, the April 14 proposals imply that seismic changes could be on the horizon. If federal institutions like the Defense Advanced Research Projects Agency (DARPA), Office of Naval Research (ONR), State Department, or Department of Defense relocate or downsize their footprint, the footprint of top federal contractors will likely follow. This could upend an already distressed office market in Arlington and result in lower revenues for business taxes from landlords and relocated/downsized tenants as well as income tax revenue lost from relocated jobs.

Given these dynamics, the Arlington County Board urges the Committee to consider the key strategies noted below to counteract and mitigate these potentially grave economic consequences.

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Accelerate Regional Economic Development Investments
Knowledge-based industry sectors and jobs drive Northern Virginia's economy. Given the pull back in federal investments, the Arlington County Board urges the General Assembly to:

- **Increase qualified business attraction leads for NOVA.** While much has been said about the potential for the private sector to rehire many of the displaced federal workers and contractors, regional economic development officials are concerned about the tightening job market. We fear this could lead to a potential "brain drain" as people leave Northern Virginia seeking economic opportunity in other locations nationwide. VEDP, the Governor's Office, and General Assembly must work together with Arlington and other Northern Virginia partners to help attract out-of-market companies and new jobs to the region. The Committee should consider additional funding for VEDP to increase lead generation resources and marketing aimed to attract out-of-state companies to Virginia.

- **Support for the repositioning, redevelopment, and conversion of office space.** The Commonwealth should provide programs and funding to support the transformation of office buildings to higher-quality spaces to attract private investment, businesses, jobs, and workers. Such a program can be modeled on the existing and highly successful Business Ready Sites Program (VBRSP). This will ensure Northern Virginia is "business ready" to capture new economic activity.

- **Support for the Re-skilling and Re-training of workers.** The Commonwealth should support the expansion and creation of programs that help displaced workers acquire new skills, certifications, degrees, and training so they are best positioned to reenter the workforce and compete for available jobs.

Deploy State Reserves and Contingency Funds to Support Effected Communities
With the increased likelihood of a regional recession that will lead to decreased revenue collections, the Commonwealth should prepare to provide financial support to affected communities. Therefore, the Arlington County Board urges the General Assembly to:

Strategically draw down funds from Virginia's Revenue Reserve Fund (RRF) and Revenue Stabilization Fund (RSF). Virginia has been an excellent fiscal steward of taxpayer funds and has a high-quality of life, balanced books and healthy reserves to show for it. While budget cuts are often necessary in tough economic times, deep cuts to

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essential programs and services can exacerbate negative outcomes like increased out-migration of residents and decreased business investment. These funds are designed to provide support during turbulent times. We urge the General Assembly to leverage these funds in the upcoming budget cycles to ensure funding for critical programs that can help sustain a high quality of life for residents statewide. Given that both funds have statutory limits on funding, now is the time to strategically draw down these reserves to fund critical budget gaps and invest in economic development necessary to mitigate impacts of federal actions.

Mayors and Chairs of the Counties of Loudoun, Prince William, Fairfax, and Arlington and the Cities of Falls Church, Alexandria, Fairfax, and Manassas

February 7, 2025

The Honorable Don Scott
Speaker, Virginia House of Delegates
Via email: delegatedscott@house.virginia.gov

Dear Speaker Scott:

As chief elected officials representing Northern Virginia, we appreciate your leadership in forming the "Emergency Committee on the Impacts of Federal Workforce and Funding Reductions." Given the significant role federal employees and contractors play in our local economy, we offer our assistance and stand ready to be a resource as the Committee examines potential impacts and policy responses.

Northern Virginia's economy is uniquely tied to the federal government, with federal employment and procurement spending accounting for a substantial share of jobs and business activity. Workforce reductions, office consolidations, and shifts in federal contracting practices have already placed pressures on local economies. These impacts could negatively affect not only federal workers but also our small businesses, housing demands, traffic and transit costs and other municipal revenues. Without proactive planning, these challenges could deepen, with consequences for the entire Commonwealth.

Because our jurisdictions are home to many of those directly affected, we believe our local insights can help inform the Committee's work. In fact, our budget seasons are already underway, and we are starting to feel the impacts. We welcome the opportunity to collaborate, share data, and contribute to solutions that will ensure Virginia remains resilient and competitive. In addition, we are open to having a chief elected official from Northern Virginia serve as a member of the Committee.

Please let us know how we can support the Committee's efforts. We appreciate your leadership on this critical issue and look forward to working together to protect Virginia's economic future.

Sincerely,

Phyllis J. Randall

Phyllis J. Randall
Chair at Large
Loudoun County, Virginia

Letty Hardi

Letty Hardi
Mayor
City of Falls Church, Virginia

Deshundra Jefferson
Chair at Large
Prince William County, Virginia

Jeffrey C. McKay
Chair at Large
Fairfax County, Virginia

Takis Karantonis
Chair
Arlington County, Virginia

Alyia Gaskins
Mayor
City of Alexandria, Virginia

Catherine S. Read
Mayor
City of Fairfax, Virginia

Michelle Davis-Younger
Michelle Davis-Younger
Mayor
City of Manassas, Virginia

Cc: Members of the Emergency Committee on the Impacts of Federal Workforce and Funding Reductions

Who we are:
We are a loosely connected group of approximately 200 Virginians who have been directly impacted by the shutdown of USAID programs and the abrupt end to U.S. foreign assistance. We are part of the thousands of federal workers, contractors, NGO employees, and business owners in Virginia who have lost jobs and livelihoods in the past two months. **We estimate between 2,000 and 4,000 Virginia residents will lose jobs/careers from USAID cuts from February 27 through September 1, 2025.** Beyond ourselves and our families, we are concerned by the impact of these widespread federal funding cuts on Virginia's economy and our local communities. Enclosed are our recommendations to the VA General Assembly for tangible actions—budget language or new legislation—that the General Assembly can take to assist affected workers in the short-term and make our economy more resilient in the long-term.

Our Recommendations:
Here are our suggestions for tangible actions—budget language or new legislation—that the General Assembly can take to assist affected workers in the short-term and make our economy more resilient in the long-term. The first three recommendations below focus on the short-term resilience for unemployed workers, while the last two focus on the longer-term opportunities to reimagine Virginia's economy.

1. **Amend VA House Bill 1766 (Unemployment Insurance)**

We commend the General Assembly and the Governor for enacting **House Bill 1766 (2025)**, which amends § 60.2-612 of the Code of Virginia to increase the maximum weekly unemployment benefit amount. However, we strongly recommend that the **effective date of this increase be revised to January 1, 2025**, rather than the currently scheduled future implementation, and that **the maximum weekly increase be restored to $100**. Advancing the effective date would provide timelier and much-needed support for today's unemployed Virginians.

2. **Amend the VA Residential Landlord and Tenant Act (Lease Termination)**

We recommend amending the Virginia Residential Landlord and Tenant Act (VRLTA)—codified in § 55.1-1200 et seq. of the Code of Virginia—to allow for early lease termination in cases of involuntary unemployment. This amendment would offer tenants the flexibility to relocate for new job opportunities, particularly within the private sector, without incurring penalties. We propose the following:

- **Statewide application** of this provision to protect tenants equitably; or

- At a minimum, grant **local governments enabling authority** to adopt such provisions, taking into account factors like rent-to-income ratios, unemployment rates, and the prevalence of small-scale landlords.

Illustrative statutory language is included in **Annex A**.

We would also support the recommendations made by Chairman McKay from Fairfax County to **provide utility, rental and mortgage support to allow affected households to remain in their homes**. We are reviewing COVID-era reforms to see how these could be built upon to address the current economic situation and can provide these inputs before the next committee hearing.

3. **Create a VA Supplemental Hiring Tax Credit for Former Federal Workers and Contractors**

To address workforce disruptions and support regional economic recovery, we urge the General Assembly to establish a Virginia Supplemental Hiring Tax Credit (VSHTC). This state-level tax credit would provide **up to $2,400 per eligible hire** to employers that hire **recently laid-off federal employees or federal contractors**.

- The credit would be **time-limited** and administered through the existing **Work Opportunity Tax Credit (WOTC)** infrastructure managed by the **Virginia Employment Commission (VEC)** under **§ 60.2-111**.
- Employers would submit a simplified application verifying an eligible worker's recent separation from a federal agency or federally funded contract.

This targeted credit would stabilize communities impacted by federal budget cuts, retain skilled talent, and prevent brain drain from the Commonwealth. Illustrative legislative language is included in Annex B.

As reported by the NoVA Community College speaker, those affected by the USAID cuts are the largest enrollees of the NoVA NEXT career transition program. We would like to **work with NoVA Community College and the VA Emergency Committee to understand how to strengthen the NoVA NEXT/FAST FORWARD program**, should it be scaled to and or enhanced in other parts of the Commonwealth.

4. **Amend the Statutory Revenue Reserve Fund (Strategic Use Authority)**

We recommend that the General Assembly amend § 2.2-1831.3 of the Code of Virginia to **expand the permissible use of the Revenue Reserve Fund beyond covering short-term revenue shortfalls**. The amendment would authorize targeted, proactive investments aimed at mitigating sustained or projected economic harm, including federal downsizing, structural unemployment, or sector-specific disruption.

- Use of funds could include **support for new economic development** as well as regional economic recovery including but not limited to workforce retraining and transition support for affected industries.
- This amendment would enable Virginia to **proactively** address emerging challenges and seize opportunities for inclusive, future-focused growth without compromising the Fund's core reserve function.

Illustrative statutory language is included in **Annex C**.

5. **Invest in the Virginia Resilience & Human-Centered Innovation Initiative**

To (1) build long-term economic resilience, (2) reduce dependency on federal employment, and (3) retain the Commonwealth's highly educated workforce, we propose that the General Assembly establish and fund the Virginia Resilience & Human-Centered Innovation Initiative. Modeled on North Carolina's Research Triangle Park, this would be a statewide innovation network anchored by Virginia's public academic institutions and designed to address:

- **Growth:** Global center of excellence focused on human and social R&D to complement existing R&D investments in AI, quantum technologies, biomedical, and manufacturing and that takes advantage of the highly educated and purpose driven labor market that is facing un/underemployment.

- **Affordability:** Public-private action to lower the cost of housing, childcare/education, energy, and aging, even as the demand to live and work in the Commonwealth grows.

- **Resiliency:** Public investments in safety nets to offset the "losers" in global economic and policy shifts, to address public health crises (maternal health, mental health, substance abuse, social isolation), and ensure emergency preparedness.

Each regional hub could serve as a platform for policy excellence, private-sector and university innovation, mission-driven entrepreneurship, and talent development. The initiative could be funded through the amended Revenue Reserve Fund and guided by a nonpartisan public-private "think-do-tank" to ensure impact and accountability.

As Virginia navigates the impact of federal workforce reductions and industry shifts, the initiative would position the Commonwealth as a national leader in solving human-centered challenges – in conjunction with advances in technology – while maintaining purpose-driven enterprises and talent.

We are currently in discussions with several universities and institutions in Virginia—beginning with those in Northern Virginia—to further develop this concept. We will present a more detailed and focused proposal at the next committee meeting.

Annex A. Proposed Amendment to the Virginia Residential Landlord and Tenant Act (VRLTA) to Allow Early Lease Termination Due to Involuntary Unemployment

Illustrative Amendment Language

§ 55.1-1235.1 — Early Termination of Lease Due to Involuntary Unemployment

A tenant may terminate a residential rental agreement prior to the end of the lease term without penalty if the tenant:

1. Provides the landlord with at least 30 days' written notice of their intent to terminate the lease, and
2. Submits written documentation from their employer verifying involuntary loss of employment or a significant reduction in hours resulting in loss of income.

(a) The written notice shall specify the termination date, which shall be no less than 30 days from the date of delivery to the landlord.

(b) Acceptable documentation may include a letter of termination, layoff notice, or equivalent written statement from the employer.

(c) The tenant shall not be liable for rent beyond the 30-day notice period and shall not be subject to early termination fees, penalties, or damages, provided that the property is returned in accordance with the terms of the lease.

(d) This section shall not relieve the tenant of responsibility for unpaid rent or damages incurred prior to the termination date.

Purpose:
To provide a fair and humane option for tenants facing sudden financial hardship due to unemployment, while balancing the interests of landlords by requiring proper documentation and notice.

Proposed Amendment to the Virginia Residential Landlord and Tenant Act (VRLTA) to Allow Local Authority to Permit Early Lease Termination Due to Involuntary Unemployment

Illustrative Amendment Language

§ 55.1-1235.2 — Local Ordinances Allowing Early Termination of Lease Due to Involuntary Unemployment

(a) Any locality within the Commonwealth may, by ordinance, authorize tenants within its jurisdiction to terminate a residential rental agreement prior to the expiration of the lease term due to involuntary unemployment, subject to the provisions of this section.

(b) A local ordinance adopted pursuant to this section shall:

1. Permit a tenant to terminate a residential lease with no less than 30 days' written notice to the landlord;
2. Require the tenant to provide documentation of involuntary loss of employment or substantial income reduction from their employer or appropriate state agency; and
3. Limit the tenant's liability to unpaid rent and any damages accrued prior to the termination date, provided the unit is returned in accordance with the terms of the lease.

(c) The ordinance may include additional provisions as the locality deems appropriate, including but not limited to:

- Limits on how frequently a tenant may invoke this provision;
- Procedures for dispute resolution or appeal;
- Requirements for landlord notification and acknowledgment.

(d) Nothing in this section shall be construed to prohibit a landlord and tenant from mutually agreeing to other early termination terms, or to limit existing tenant protections under federal or state law.

(e) Local ordinances adopted under this section shall not apply retroactively to leases executed prior to the effective date of such ordinance unless expressly stated.

Intent:
To allow local governments, particularly in high-cost or high-renter areas, the flexibility to address housing instability by enacting targeted, compassionate policies that respond to local economic conditions — without imposing a statewide mandate.actions—budget

Annex B. Proposed Amendment to the Code of Virginia to Establish a Virginia Supplemental Hiring Tax Credit (VSHTC)

Illustrative Amendment Language

Title 58.1 – Taxation
Chapter [TBD] – Virginia Supplemental Hiring Tax Credit

§ 58.1-439.47. Virginia Supplemental Hiring Tax Credit (VSHTC).

A. For taxable years beginning on or after January 1, 2026, a credit against the tax imposed by §§ 58.1-320 or 58.1-400 shall be allowed for each qualified individual hired by an employer who is certified by the Virginia Employment Commission (VEC) as eligible under this section.

B. A "qualified individual" means a resident of the Commonwealth who:

1. Was laid off within the past 12 months from employment with the federal government or from a position with a federal contractor due to federal funding reductions or contract terminations;
2. Has documentation from the former employer or an official unemployment claim verifying the layoff; and
3. Has not previously been claimed for this credit by another employer.

C. The amount of the credit shall be equal to 40% of the first $6,000 in wages paid to the qualified individual within the first year of employment, not to exceed $2,400 per qualified hire.

D. To claim the credit, the employer shall:

1. Apply to the Virginia Employment Commission for certification of the qualified individual within 28 days of the employee's start date;
2. Submit any required documentation, including verification of layoff status and wages paid; and
3. Receive certification of eligibility from the VEC.

E. The total amount of credits issued under this section shall not exceed $5 million per fiscal year. Credits shall be awarded on a first-come, first-served basis until the annual cap is reached.

F. Any unused portion of the credit may be carried forward for up to five succeeding taxable years.

G. The Tax Commissioner, in consultation with the Virginia Employment Commission, shall develop guidelines for the implementation and administration of this credit, including procedures for application, certification, reporting, and compliance.

Annex C. Proposed Amendment to the Code of Virginia to Revise the Revenue Reserve Fund

Illustrative Amendment Language

Proposed Amendment to § 2.2-1831.2

A BILL to amend and reenact § 2.2-1831.2 of the Code of Virginia, relating to the Revenue Reserve Fund; authorized uses.

Be it enacted by the General Assembly of Virginia:

1. That § 2.2-1831.2 of the Code of Virginia is amended and reenacted as follows:

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§ 2.2-1831.2. Revenue Reserve Fund.

A. There is hereby created in the state treasury a special nonreverting fund to be known as the Revenue Reserve Fund, hereinafter referred to as "the Fund." The Fund shall consist of amounts as may be appropriated by the General Assembly and any interest thereon.

B. The purpose of the Fund is to provide a reserve for anticipated shortfalls in revenue and to promote long-term fiscal stability.

C. Notwithstanding subsection B, the General Assembly may appropriate moneys from the Fund for strategic investments in programs or initiatives that promote economic development and economic recovery provided that:

1. The total amount of such appropriations shall not exceed [30 percent] of the Fund's balance in any fiscal year;
2. No appropriation shall reduce the Fund's balance below a minimum of [$500 million];
3. Each appropriation shall be designated as time-limited, and shall be accompanied by a fiscal impact statement prepared by the Secretary of Finance;
4. No moneys from the Fund shall be used to create ongoing financial obligations beyond the current biennium.

D. The State Comptroller shall administer the Fund and shall report annually to the Governor and the Chairmen of the House Appropriations and Senate Finance & Appropriations Committees regarding the Fund’s balance and any appropriations made.

City of Alexandria, Virginia
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Alyia Gaskins
Mayor

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August 13, 2025

The Honorable David L. Bulova
Chair, Emergency Committee on the Impacts of Federal Workforce and Funding Reductions
Virginia House of Delegates

The Honorable Robert S. Bloxom, Jr.
Vice Chair, Emergency Committee on the Impacts of Federal Workforce and Funding Reductions
Virginia House of Delegates

Dear Chairman Bulova and Vice Chair Bloxom:

On behalf of the City of Alexandria, I write to express urgent and mounting concerns over federal workforce reductions and federal funding cuts. Thank you for your leadership in convening the Emergency Committee on the Impacts of Federal Workforce and Funding Reductions. In February, I wrote a letter to Speaker Don Scott, thanking him for his leadership in launching this Emergency Committee. In that letter I expressed the City's concerns about workforce reductions and shifts in federal contracting.[1] Since then, the effects of federal policy changes and funding cuts have only worsened, and we feel that it is important to keep the Emergency Committee apprised of our status and find partnerships in building solutions.

Funding Freeze

Programs that ensure families can eat, that shelters can keep their doors open, and that emergency services can meet rising demand are struggling or have been starved of critical resources. The Local Food Purchase Assistance (LFPA) Cooperative Agreement Program and the Local Food for Schools Cooperative Agreement Program—together worth over $1.1 billion—have been halted, cutting off a vital link between local farmers, schools, and food banks.[2] The freeze also blocks The Emergency Food Assistance Program (TEFAP) from delivering hundreds of millions of dollars' worth of surplus commodities to food pantries and community kitchens, immediately shrinking the food supply for millions of low-income Americans.[3]

The Administration's 2026 budget proposal slashes $532 million from the Homeless Assistance Grants account compared to the previous fiscal year and reduces U.S. Department of Housing and Urban Development funding for homelessness programs by 12% at a time when homelessness is increasing. Together, these measures strip communities of the federal resources essential to housing-first solutions, harm-reduction services, and nonpunitive supports that reduce homelessness—not exacerbate it.[4]

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ALL-AMERICA CITY
1985
1964

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Federal Workforce Reductions

Virginia's communities are already feeling the effects of federal cuts and layoffs. Virginia's number of employed residents decreased by 14,141 in June, while the number of unemployed increased by 4,025. Regional analysis shows that the WashingtonArlingtonAlexandria metropolitan statistical area (MSA) accounted for the highest number of affected workers—10,442—in reductions across the DMV (District of Columbia, Maryland, Virginia).[5]

According to federal data, more than 140,000 federal civilian employees lived in Virginia in 2024 and more than 13,000 live in the City of Alexandria.[6] These workers are central to ensuring effective public service nationwide and to promoting regional economic vitality. Recent actions—including directives to reduce agency workforces by up to 10%, a 70% cut mandate for federal agencies, and the impending deadline of the deferred resignation program—threaten to destabilize our local economy. Federal officials stated that federal workforce reductions will rise above 300,000 in forthcoming days.[7] The situation is particularly concerning amid a softening national job market.[8]

Effects of H.R. 1

The recent enactment of H.R. 1 includes provisions that will cut funding and support for essential and lifesaving programs for our communities. In Alexandria, for example, more than 12,000 residents rely on the Supplemental Nutrition Assistance Program (SNAP). Under provisions in H.R. 1, localities like Alexandria will see SNAP administrative costsharing percentage rise and additional 25%—and if the Commonwealth cannot dramatically reduce its SNAP payment error rate by 2027, families who rely on SNAP to put food on the table stand to lose even more resources.[9]

Moreover, H.R. 1 promises to significantly constrain local agencies and threaten health care for the more than 30,000 City residents who rely on Medicaid. The Center for Budget and Policy Priorities estimates the H.R. 1 places up to 400,000 Virginians at risk of losing Medicaid coverage.[10]

Given these threats, I offer the following recommendations to bolster resilience in Alexandria and across Virginia:

1. **Replace Lost and Reduced Federal Funding**
   Provide immediate state resources to offset federal cuts, particularly for food aid, homelessness services, and health care.

2. **Establish a State Safety Net**
   Create a reserve to anticipate and cushion future federal cuts, ensuring continuity of essential programs.

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3. **Invest in Technology Updates**
   Invest now in upgrades to legacy, outdated information technology (IT) systems for SNAP and Medicaid to reduce error rates and ensure that systems errors do not errantly remove eligible families from services they qualify for because of bad technology.

4. **Conduct RootCause Analyses**
   Study procedural and technical drivers of the state's error rate to craft targeted remedies to safeguard program access for needy residents.

5. **Support Workforce Transition**
   Expand programs offering reskilling, upskilling, and registered apprenticeships to displaced federal workers in sectors like technology, healthcare, and clean energy.

Alexandria stands ready to collaborate by sharing local data, piloting innovative responses, and contributing grassroots insights to your Committee's critical work. Thank you for your steadfast commitment to safeguarding Virginia's economic and social future. I look forward to the opportunity to partner with you and your colleagues.

Sincerely,

Alyia Gaskins

Alyia Gaskins
Mayor
City of Alexandria

Cc: The Honorable Adam Ebbin, Senator
The Honorable Charniele Herring, Majority Leader
The Honorable Elizabeth Bennett-Parker, Delegate
The Honorable Alfonso Lopez, Delegate