

Virginia Viewpoint: A Curtain Call -- Or A Budget Brawl?

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The General Assembly has officially adjourned *sine die*, marking the end of a whirlwind 60-day legislative session while leaving the door open for an extended skirmish over the budget.

Before the final gavel came down, the House and Senate reached a deal on a two-year budget – one that adds several Democratic priorities to Governor Youngkin’s introduced budget but removes one of his top priorities that aimed to bring two professional sports teams to a new arena in Northern Virginia.

The Governor now has the opportunity to offer his own input on the budget and on any bills that passed the General Assembly. In fact, he has already taken action on 84 “seven-day” bills by signing 64 bills into law, amending 12 bills, and vetoing 8 bills. His veto power will be a particular source of anticipation over the next month.

| Sports Arena Omitted from Budget

A proposal to fund a sports and entertainment complex at Potomac Yard in Alexandria, first unveiled by Governor Youngkin as the potential new home for the Washington Wizards and Washington Capitals, is no longer included in the amended budget. Senator Louise Lucas, Chair of the Senate Finance and Appropriations Committee, has been a vocal opponent to the arena project and blocked enabling legislation, carried by House Appropriations Chair Luke Torian, from being considered in committee.

As a result, any chance to resurrect the arena plans would require reintroduction in a special session or through the Governor’s recommendations to the budget – and subsequent approval by the General Assembly – during the reconvened session later next month.

The fallout from the sports arena’s omission from the budget could jeopardize several Democratic priorities, including increasing the minimum wage, implementing an adult-use cannabis retail market, rejoining the Regional Greenhouse Gas Initiative, and providing toll relief in Hampton Roads.

| Marijuana Retail Market, Minimum Wage Bills Head to Youngkin’s Desk

Legislation to implement and regulate an adult-use cannabis retail market in Virginia has been approved by both chambers of the General Assembly, but faces an uncertain fate as it awaits consideration from Governor Youngkin.

If the legislation becomes law, retail sales would open on May 1, 2025 and would be taxed at a 9 percent rate. However, the Governor has expressed disinterest in creating a retail market on multiple occasions. Moreover, the votes from members of the Senate and House of Delegates have been overwhelmingly party-line.

Meanwhile, legislation to raise the minimum wage to \$13.50 in 2025 and \$15 by 2026 – a top Democratic priority and the first bill filed this session – would also need the Governor’s blessing to take effect.

| Investments for Schools, Teachers Included in Budget



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The budget deal contains increased investments into K-12 education to the tune of an additional \$2.5 billion over the next two years. It also includes historic spending for programs related to at-risk and English language learners.

House and Senate conferees also agreed on a 3 percent pay raise for teachers in both 2025 and 2026, which aims to bring the average to a more competitive rate relative to other states in the next two years.

| Digital Tax Remains, Income Tax Cuts Out

The amended budget expands the sales tax to apply to digital goods such as streaming subscriptions, cloud storage, and digital downloads. In addition, the tax would apply to software subscriptions purchased by businesses. Currently, these digital goods are not taxed while their physical counterparts – like an album, DVD, or physical server – are subject to taxation.

While the tax was originally proposed by Governor Youngkin, it remains to be seen whether he will preserve it now that his overarching tax proposals – including income tax cuts and a sales tax increase – were stripped from the budget.

| Skill Games, Petersburg Casino Approved by House & Senate

After years of back-and-forth bans and legal ambiguities, the Senate and House passed legislation to formally legalize skill games in Virginia. The legislation limits the number of machines at ABC-licensed retail establishments at four machines, while truck stops would be capped at 10 machines. Under the proposal, the machines would be regulated and taxed at a 25 percent rate.

The General Assembly also approved legislation that primes Petersburg as the next eligible host city for a casino. If approved by Governor Youngkin, the General Assembly will need to approve the legislation once more before it advances to a voter referendum. The bill also stipulates that if the referendum fails, the governing body must wait three years before placing it on a ballot again.

| Looking Ahead: The Power of the Pen

Governor Youngkin has the power to amend or outright veto any legislation that heads to his desk. He has made it clear that he will not shy away from either option, which leaves several Democratic priorities that passed on a party-line vote during the regular session in a precarious position.

The General Assembly will consider the Governor's recommendations – and any potential vetoes – during a reconvened session on April 17, 2024. With razor-thin majorities in both chambers, Democrats realistically do not have the two-thirds votes needed to override a veto.

With a Democratic-controlled General Assembly and a Republican administration, the next month will be a key indicator in forecasting the next two years of divided government in Virginia.

Virginia budget deal includes 3% raises for teachers, state employees

By MICHAEL MARTZ & DAVE RESS, Richmond Times-Dispatch (Metered Paywall – 7 articles a month)

Va. Dems' priorities on contraception, guns await Youngkin's action

By DAVE RESS, Richmond Times-Dispatch (Metered Paywall – 7 articles a month)

Bill to allow marijuana sales in peril after breakdown on Virginia arena deal

By GRAHAM MOOMAW, Virginia Mercury

Legislation to legalize, tax skill games in Virginia heads to governor

By SARAH RANKIN, ABC News

If you have any questions regarding this update or if you're interested in ways to engage on these



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