



COMMONWEALTH of VIRGINIA

Office of the Governor

Glenn Youngkin
Governor

February 18, 2022

The Honorable Barry D. Knight
Chair, Appropriations Committee
Virginia House of Delegates
Pocahontas Building, Room W1312
Richmond, Virginia 23219

The Honorable Janet D. Howell
Chair, Finance and Appropriations Committee
Senate of Virginia
Pocahontas Building, Room E509
Richmond, Virginia 23219

Dear Delegate Knight and Senator Howell,

As the House and Senate prepare to release their budget proposals this weekend, I am eager to share a revised revenue forecast and outline a constructive path toward a bipartisan budget agreement in the coming weeks.

There is additional detail below, but the bottom line is taxes paid to the government are soaring and the revised revenue forecast estimates the Commonwealth will collect \$1.25 billion more in the current fiscal year. That, of course, is on top of the additional \$3.3 billion added to the original forecast last December.

This is a staggering number, the largest mid-session reforecast in anyone's memory. The stunning amount of money being collected from taxpayers is the direct result of over taxation. Put simply, without significant tax relief, the Commonwealth's general fund collections will grow by over 40% percent between 2018 and 2024.¹

¹ Difference in the actual spending collections in FY2018 (\$20.5 billion) and the projected collections in Fiscal Year 2024 (\$28.8 billion)

In the next few weeks, as we put together a bipartisan budget agreement before the March 12th deadline to adjourn, it is clear that we must return money to taxpayers to relieve the pressures of inflation and economic uncertainty felt by families and businesses.

Of the roughly \$13.4 billion² in unanticipated revenue the state will collect in this budget cycle, I am asking the General Assembly to return \$4.5 billion³ to taxpayers. That leaves nearly \$9 billion in new revenue to invest in schools and teachers, law enforcement, behavioral health, and the other important priorities of the General Assembly. I am confident that we can provide tax relief for Virginia families and invest in our shared priorities.

MID-SESSION REFORECAST

Looking more specifically at recent revenue figures, January 2022 was another month where our revenues significantly exceeded the prior year and our forecast. This is the sixth consecutive month where revenues exceeded the prior year's results by 15 percent or more versus our forecasted year-over-year growth rate of 4.2 percent.

Based upon that strong year to date performance, I have directed my Finance staff to perform a mid-session revenue forecast. We estimate that General Fund revenues will increase by \$1.25 billion for Fiscal Year 2022. After a required deposit into the Revenue Stabilization Fund of \$498.7 million, there is left an incremental unobligated, one-time balance of \$751.4 million.

My conclusion to raise our forecast for the year to approximate the year to date surplus as covered in the *Mid-Session Revenue Review* reflects a conservative view of the remainder of the year primarily based upon uncertainty in the outlook for nonwithholding tax receipts as a result of recent stock market volatility.

Given the surplus that these and the prior years' results have generated, the Commonwealth is in an extraordinary position to strengthen our financial position by further building our rainy day and other reserve funds, further reduce our long term pension plan obligations, invest in a number of strategic one time capital projects and, most importantly, return taxpayer money back to them, reduce our ongoing tax burden, and maintain Virginia's AAA bond rating.

ECONOMIC REALITY

Our ability to do these things is great news but I want to be clear on my perspective that this positive outcome, as good as it is for Virginia, should not be considered as either an

² Sum of the difference between the FY2022 revenue forecast assumed in the 2021 Appropriation Act and the actual FFY2022 revenue, the projected FY2023 and FY2024 revenue.

³ Sum of the fiscal impacts of the proposed Tax Rebate, Doubling of the Standard Deduction, Veterans Retirement Subtraction, Grocery Tax Repeal, Small Business Tax Holiday and Paycheck Protection Act tax conformity.

indication or result of long-term economic success. Growth in our revenue receipts does not reflect an underlying growing economy.

Our challenge remains to effectively compete with our competitor states to our south to attract individuals, families and companies who will want to call Virginia their home and generate real, sustainable growth.

Looking back over the past eight years, or just since the pandemic began, Virginia is not competing at an elite level – despite our strong and unique assets and numerous accolades.

States to the south, including North Carolina, South Carolina, Georgia, Tennessee, Texas, and Florida, are beating us in all measures of growth. Over the past 8 years, Virginia saw net out migration of over 100,000 people.⁴ Over the past five years Virginia has lost 74,000 jobs. That's dead last among competitor states who created an average of 250,000 jobs during the same period.⁵

More recently, Virginia now has 210,000 fewer jobs than prior to the pandemic, 42nd in the country when it comes to recovery and, once again, last among competitor states.⁶ Our labor participation rate, measuring eligible workers that are choosing not to take jobs that are clearly available, has declined over that same timeframe by more than three times the national rate.⁷ We have a labor shortage due to a lack of population growth and too many people continuing to sit on the sideline while there are 300,000 job openings, nearly 100,000 more than when we entered the pandemic.⁸

This shortage makes it difficult for existing companies, particularly smaller ones that need personnel to continue to prosper, which is why we are focused on workforce development and increasing our pipeline for talent.

CUTTING COSTS AND TAX RELIEF

While there are many contributing factors to success in winning this battle for sustainable growth, one of the most important ingredients is the cost of living. As we all know, Virginia is a wonderful place to live with many unique assets but, unfortunately, our cost of living is too high and that is a factor in the decision to move here versus other states. Virginia is 30th in cost of living overall and our competitor states are all below us.⁹ A number of factors go into that

⁴ [“State-to-State Migration Flows,” U.S. Census Bureau, U.S. Department of Commerce.](#)

⁵ [“Total Employment.” GDP and Personal Income. Regional Data. Bureau of Economic Analysis. U.S. Department of Commerce.](#)

⁶ Ibid.

⁷ [“Civilian Noninstitutional Population and Associated Rate and Ratio Measures for Model-Based Areas.” Local Area Unemployment Statistics. Bureau of Labor Statistics. U.S. Department of Labor.](#)

⁸ [“Virginia Job Openings and Labor Turnover.” Virginia Employment Commission.](#)

⁹ [“Cost of Living Data Series.” Missouri Economic Research and Information Center.](#)

equation, overall taxes being one of them. We are above the national average and significantly above almost all of our competitor states.¹⁰

All of that is why significant tax relief, including eliminating the grocery tax, doubling the standard deduction, providing a tax rebate, eliminating taxes on \$40,000 in veterans' retirement income, and deferring the most recent increase in the gas tax, should be the centerpiece of any bipartisan compromise on the budget.

I am committed to getting our economy and job creation on a track of sustainable growth and confident that we can change that trajectory if we are all clear about what defines success and we then work together to achieve it.

Thank you for all of your work and I look forward to continuing productive conversations in the future. We will have a healthy and robust discussion about policy and priorities, but we are truly united by a common goal: to make Virginia the best place in the nation to live, work, and raise a family.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn Youngkin". The signature is fluid and cursive, with the first name "Glenn" written in a smaller, more compact script and the last name "Youngkin" written in a larger, more prominent cursive style.

Glenn Youngkin

Cc: The Honorable Stephen Cummings – Secretary of Finance
Ms. Anne Oman, Staff Director, House Appropriations Committee
Ms. April Kees, Staff Director, Senate Finance and Appropriations Committee

¹⁰ ["State and Local Tax Burdens." Tax Foundation.](#)