

## MEMO

**To:** Interested parties  
**From:** Center for American Progress Action Fund  
**Subject:** Eliminating the state income tax would decimate health care, education and public safety for Virginians  
**Date:** 09/14/2021

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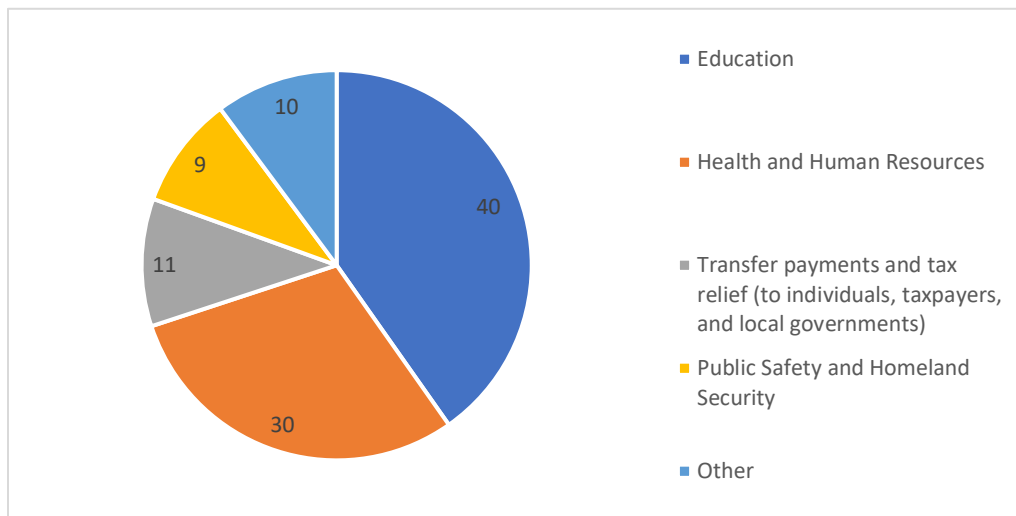
Earlier this year, Virginia gubernatorial candidate Glenn Youngkin [announced](#) that he wants to eliminate the state income tax. Doing so would cost Virginia [\\$31.5 billion](#) in biennial revenue. So, what would that mean for Virginians?

The income tax is a crucial part of the state's revenue. It accounts for roughly [72 percent](#) of Virginia's biennial general fund revenue. General fund revenue is largely spent on essential services – educating children, providing physical and mental health services, and keeping Virginians safe (Figure 1).

The income tax is also progressive, [borne more by the highest-income Virginians](#), meaning that Youngkin's plan would deliver them an enormous tax cut at the expense of vital services for all families.

### Figure 1: How is general fund revenue spent?

*Proportion of general fund revenue for FY 2021-2022, by secretarial area (%)*



*Source: Author's calculations based on the 2020-2022 Amended Budget, available [here](#).*

### **Abolishing the income tax means gutting health, education, and safety services**

Abolishing the state income tax would cause a \$31.5 billion revenue hole that Youngkin has not explained how he would fill. Under one scenario, Youngkin would have to offset

this loss by cutting all services that rely on the general fund across the board. This analysis looks at what a 72 percent cut would do to services if applied evenly to Virginia’s general fund.

The results are stark and would completely upend the lives of all Virginians. Those working families that rely on essential state services would be most affected. Simply, without the individual income tax the state could be forced into biennial cuts of [\\$14 billion](#) to education, [\\$10.3 billion](#) to health and human resources, and [\\$3.2 billion](#)<sup>1</sup> to public safety and homeland security.

*Public education – from K-12 to higher education – would receive the largest cuts*

[Nearly half](#) of the state government’s educational expenditures come from the general fund. Analysis by [Virginia Excels](#), found that local school divisions could experience more than [\\$4.5 billion](#) in annual cuts. It could mean that 2,889 educators in Fairfax County would lose their jobs, as well as 1,932 educators in Henrico County and 839 educators in Hampton County.<sup>2</sup> As more than [80 percent of teachers](#) in Virginia are women, these job losses would disproportionately affect women.

Higher education would also be slashed. Analysis of eight state universities shows that more than \$1 billion could be cut from their biennial budgets, which could lead to over 1,000 job losses. Public research funding could be cut by around 38 percent, at a biennial loss of \$114 million.

Table 1: Universities would have their budgets cut and workforce

	Cuts (\$, millions)	Number of job losses
<a href="#">George Mason University</a>	293.32	149
<a href="#">James Madison University</a>	159.55	65
<a href="#">Longwood University</a>	54.36	73
<a href="#">Norfolk State University</a>	109.02	247
<a href="#">Old Dominion State University</a>	258.39	250
<a href="#">Radford University</a>	108.47	240
<a href="#">University of Mary Washington</a>	51.83	87
<a href="#">University of Virginia</a>	239.25	64

Notes: The analysis on job losses is based on the number of employees and the average salary. To calculate the total payroll, we multiplied the average salary by the total number of employees. We calculate the proportion of each universities revenue that comes from the state and assume that job losses are proportional to budget cuts. Sources: Number of employees and average salary figures are available [here](#). University budgets are linked in the table.

<sup>1</sup> This is equivalent to a 32 percent cut to the overall state education budget (including spending from outside of the general fund), a 22 percent cut to the overall health budget (including spending from outside of the general fund) and a 45 percent cut to the overall public safety budget (including spending from outside of the general fund).

<sup>2</sup> Virginia Excels’ definition of “educator” includes “principals, teaching positions, instructional staff and teacher aides.”

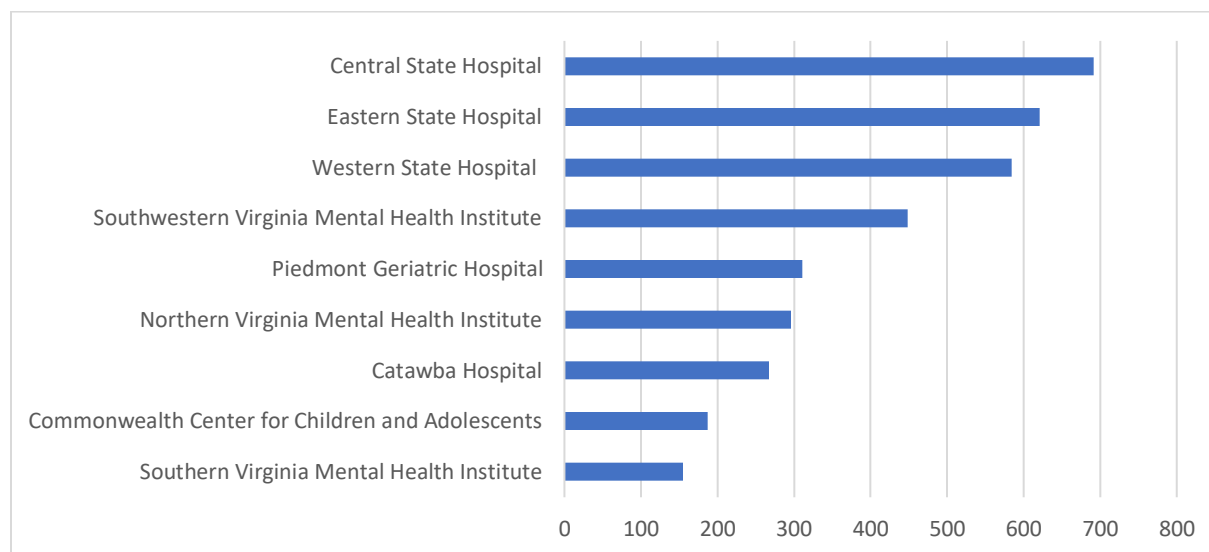
## Health and human resources would be cut by \$10.3 billion

It's not just public education that would face severe cuts: Virginia's health services could be slashed by billions of dollars – at a time when the state, like the country, continues to navigate a deadly pandemic.

Medicaid program services would lose [\\$7 billion](#) over two years from an across-the-board cut, equivalent to a 21 percent cut to the state's Medicaid spending – the majority of which would come from reimbursements for medical services. This would completely change the care received by the [1.8 million Virginians enrolled in Medicaid](#). A 21 percent cut to the Medicaid budget could force more than 360,000 Virginians off Medicaid.

The mental health sector largely relies upon general fund revenue to operate making it particularly susceptible to any changes in the state income tax. In July of this year, [five of the state's eight adult mental hospitals](#) could no longer admit any new patients – they had reached capacity. Instead of working to fix this, Youngkin's tax plan could force a 63 percent cut, or [\\$563 million](#), to the biennial budget of state funded mental health treatment centers.<sup>3</sup> It would exacerbate the staff shortage and overcrowding issues with nearly 3,600 workers likely potentially forced out of a job (Table 2).

**Figure 2: Mental health treatment centers could experience devastating job losses**



Notes: Job losses were calculated by looking at the number of employees in each mental health treatment center and the average salary received. It then presumes that the average salary is received by all employees and that a 63% budget cut would reduce expenditure on wages by 63%. This assumes that all funding for these institutes comes from the state government of Virginia. Out-of-pocket patient fees are a [small share](#) of health revenues.

Sources: Number of employees and average salary figures are available [here](#).

<sup>3</sup> This assumes that cuts are applied evenly, that is, a cut of 72 percent of all services financed by general fund revenue. For FY2021-2022, Virginia's expenditure on mental health treatment is \$891 million with 87 percent funded through general fund revenue.

Medical education would also be slashed. Funding from the state to the Eastern Virginia Medical School is solely from general fund revenue which helps provide medical education. Without the state income tax, its state funding could be cut by [\\$43.7 million](#).

*Public safety and homeland security would lose nearly half their state funding*

Glenn Youngkin's tax plan would also put the public safety and security of Virginians at risk. The Department of Criminal Justice Services would have their budget cut in half and lose [\\$375 million](#) over two years.

In the last fiscal year, local police departments received [\\$192 million](#) in financial assistance from the state that was [solely distributed from the general fund revenue](#). A 72 percent cut would mean around \$139 million is eliminated from total police budgets directly impacting [40 cities, 9 counties and 126 towns](#) in Virginia and eliminating large numbers of jobs.<sup>4</sup> For instance, in Fairfax County Police Department alone 224 jobs could be lost including police officers and their support staff, equivalent to 12 percent of their workforce, while in Bristol County 13 jobs in the local police department could be cut equivalent to 18 percent of their workforce.<sup>5</sup>

The Children's Services Act (CSA) would have its biennial budget cut by \$469 million, which is primarily used on protective services. This would affect the [more than 15,000 children and families](#) that are assisted by CSA. Similarly, Prison Medical and Clinical Services state funding is mostly from general fund revenue. It would have its state funding cut by around 72 percent with a biennial cut of \$341 million.

### **A less extreme income tax cut devastated Kansas**

When Republicans talk about tax cuts or tax abolition, they ignore how tax revenue is actually used. In 2012, then-Kansas Governor Sam Brownback sharply cut income taxes. The Kansas tax experiment failed spectacularly. Promised economic growth [did not](#) follow. Instead, what followed was, predictably, large cuts to [universities](#), [K-12 schools](#) and [infrastructure](#). The experiment went so badly that even Republicans worked with Democrats to [largely overturn](#) the tax cuts in 2017.

### **Conclusion**

Glenn Youngkin's income tax elimination would eviscerate vital public services in Virginia. Without state income tax revenue, significant job losses will follow. Without a state income tax, K-12 education, universities, mental and physical health services and public safety including the police would all face significant cuts. Without a state income tax, all ordinary Virginians would be left significantly worse off.

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<sup>4</sup> There are [190 towns](#) in Virginia, of which [126](#) receive "599" funds.

<sup>5</sup> This calculates an average salary for each police division using each police department's budgets personnel expenditure divided by their total staff. Fairfax County Police Department's budget is available [here](#) and Bristol City Police Department's budget is available [here](#). Total funding from the state to individual police departments is available [here](#).