



COMMONWEALTH OF VIRGINIA

HOUSE OF DELEGATES

RICHMOND

APPROPRIATIONS COMMITTEE

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BARRY D. KNIGHT, CHAIRMAN
ANNE E. OMAN, STAFF DIRECTOR

VIA Email

August 16, 2023

Dear Co-Chairs Howell and Barker:

I have reviewed your response to our July 20 offer, as transmitted to us on August 10. While I appreciate viewing your priorities in totality, our agreements to date have centered on the House narrowing and prioritizing its tax reduction priorities (with an emphasis on one-time actions), and the Senate selecting a like amount of spending priorities, also with an emphasis on one-time actions. This was to be followed by a joint discussion with all the conferees on distributing the remaining resources to mutual priorities.

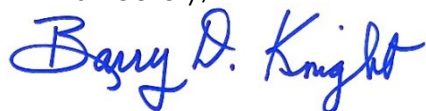
Instead, the response you proffered – which included 21 pages of scanned spreadsheets – allocates all available resources without any House input on its priorities. In addition, the proposal, built on last year's budget (Chapter 2), excludes most items included in House Bill 1400/Senate Bill 800 that both bodies had adopted. In fact, the Senate proposal contains only \$594 million of the \$2.8 billion of operating spending included in the introduced bill, and excludes items such as resiliency, Literacy Act funding (including reading and math specialists), early childhood slots, power innovation funding, wastewater treatment plants, appropriation for the BIPOC fund, medical residency slots, etc.

Regarding tax policy, the Senate offer chose how to allocate tax reductions which is a House priority. This is counter to our earlier discussions. We are amenable to increasing the individual tax rebate to \$200/\$400, but not at the expense of more systemic tax policy changes. In response to your specific tax reduction proposal, I offer the following. We may accede to eliminating the increase in the 5.75% rate threshold but believe we must retain the \$9,000/\$18,000 standard deduction and eliminate the age restriction on the military subtraction threshold. Finally, we agree to your offer to increase the 163j business deduction from 30% to 50%. I would like to reiterate my earlier suggestion that we also address the expiration of the sales tax holiday in the conference report. We believe this balanced package provides much needed relief to help our low- and middle-income citizens, keep Virginia competitive to business, and retain our retired military personnel.

In terms of the starting point of available resources, it appears that the Senate proposal may be double-counting a number of revenue items that are already included in the carry-forward balance as well as excluding other amounts available for appropriation. My staff have worked on this complicated exercise as well and come to some different conclusions. It would be best to bring in the Department of Planning and Budget together with our staffs so we can collaborate as a group and agree on the bottom line.

The Commonwealth's budget cannot be finalized through shuttle diplomacy. The time has come to bring all the Conferees back to Richmond to work in person. I have committed to the House conferees that they will be included in the final negotiations and hope you would offer the same courtesy to yours as we could use their knowledge in their respective specialty areas. I propose that we begin meeting next Monday, August 21 at 10 a.m. The Members are scheduled to be in Richmond later next week for the Joint Money Committee meeting. I hope if we meet on Monday and Tuesday, we will be able to report that a deal has been reached by the time the Governor presents his year-end report on Wednesday.

Sincerely,



The Honorable Barry D. Knight
Chairman, House Appropriations Committee

CC: The Honorable Richard L. Saslaw
The Honorable Thomas K. Norment, Jr.
The Honorable Emmett W. Hanger, Jr.
The Honorable L. Louise Lucas
The Honorable Stephen D. Newman
The Honorable R. Creigh Deeds
The Honorable Mamie E. Locke
The Honorable Terry L. Austin
The Honorable Robert S. Bloxom Jr.
The Honorable Emily M. Brewer
The Honorable Luke E. Torian
The Honorable Mark D. Sickles
Ms. Anne E. Oman
Ms. April Kees