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**The Honorable Barry D. Knight, Chairman**  
**Comments on the Conference Reports on**  
**House Bills 29 and 30**  
**June 1, 2022**

Good morning. I stand today to present the Conference Reports on House Bills 29 and 30. It has been a long haul, but I believe the result is a fiscally sound, bipartisan budget that we all can be proud of.

Before I move into the details of the Conference Reports, I'd like to take this opportunity to thank my fellow conferees, and everyone involved in developing this budget.

First, my thanks to my Vice Chairman, Delegate Austin. He was invaluable throughout the year as our expert on Transportation. Delegate Bloxom was instrumental in handling the complex issue of the Housing Opportunity Tax Credit and all issues in the areas of Commerce and Natural Resources. Delegate Brewer, I thank you for your hard work on the tough area of compensation. Delegate Torian – having been Chairman the prior two years – you gave guidance on all areas of the budget, and how to deal with our counterparts down the hall. Delegate Sickles, I thank you for your endlessly detailed focus on the area of Health and Human Resources.

I also can't leave here this morning without giving a big shout out to our Appropriations Committee staff. I'm sure you all know it, but they work tirelessly and diligently to guide us in putting this budget together. I know it's June, not March, but they're all still here.

Finally, I'd like to express my gratitude to my counterpart, Senator Howell. I can honestly say there was not a harsh word between us. I've been a budget conferee for

several years now, and while it may have taken some time, I'll have to say this is the most cordial negotiation I've been involved in. We might differ on our policy positions, but when it comes down to it, we share a mutual goal of developing the best budget for the Commonwealth and its citizens.

With that, I'd like to highlight some of the major themes and funding priorities included in this budget.

As you're all aware, we have record growth in state revenues. And that certainly has enabled us to address some long-sought investments in core government services.

At the same time, the extraordinary revenue situation has enabled us to protect for the future by using one-time revenues to address long-lingering one-time investment needs, prepay upcoming commitments, fund capital projects with cash instead of bonds, and remove accounting gimmicks used to balance the budget during the Great Recession.

Included among those is a deposit of \$750 million to the VRS to help address the funded status, with an additional \$250 million contingent on FY 2022 revenues meeting the forecast – something we know will happen. A separate amendment provides more than \$80 million to the Retiree Health Credit fund to increase it to 30% funded status now that it is calculated on an actuarial basis.

For our reserve funds, the two conference reports include a total of \$1.6 billion in additional funding, bringing combined balances in the Rainy Day Fund and the Revenue Reserve Fund to a record-setting \$3.84 billion by the close of FY 2023.

In addition, the two conference reports include \$2.5 billion in general fund cash Over the three years to support previously authorized and planned projects, and the deferred maintenance backlog that typically would have been funded with debt.

All told, this budget includes more than \$8.9 billion in one-time spending, which will help ensure that we can meet out-year commitments when revenue growth wanes.

In addition, the Conference Reports reflects \$4 billion in tax relief for Virginia's families including an increase in the standard deduction from \$4,500 to \$8,000 for individuals, and double that for joint filers; the full elimination of the state's sales tax on food; refundability for the Earned Income Tax Credit at 15% of the federal level; and

rebate checks of \$250 for individuals and \$500 for families that will be sent out later this year. All told, the tax relief packages will provide \$1,108 for the average family of four. In this era of inflation, that relief will be welcome by all.

In the area of public education, we took a long hard look at how to help localities meet their responsibility to replace crumbling school buildings. I am proud to announce we have crafted a school construction loan rebate program that will spur \$3.15 billion in school construction activity where it is needed most. This was a compromise between the House and Senate positions and includes \$450 million for the House proposal to buy down project costs between 10% and 30% depending on local fiscal stress. Also included is \$400 million in cash grants, with each jurisdiction receiving at least \$1 million to address planning and design needs as well as smaller capital improvements. Finally, by using more general fund for the state's share of teacher retirement costs we can issue \$200 million each year in Literary Fund loans.

On the operating side of the equation, the Conference Report for HB 30 includes \$19.2 billion general fund for public education, an increase of almost 20% over the current biennium. This not only is the largest investment ever, but also exceeds pre-recession funding levels on an inflation adjusted basis. Included in this total is funding for two 5% pay raises for all SOQ funded positions, effective August 1, 2022, and July 1, 2023. Also included is \$125 million of ARPA funding for a \$1,000 bonus this December.

To help our most vulnerable citizens, the Health and Human Resources package provides historic levels of funding to support community based developmental disability services. The amendments include more than \$377 million to increase Medicaid DD waiver rates, and \$86 million to increase all personal care attendant rates to ensure providers are available in the communities. It also provides funding for an additional 600 waiver slots in FY 2024.

In the area of higher education, today's package increases support for higher education by \$615 million over the biennium. Of this total, \$319 million is directed to increase access and affordability at public colleges and universities. This will allow institutions to limit in-state undergraduate tuition increases in FY 2023 to no more than three percent, while at the same time, providing an additional \$170 million in financial aid for in-state undergraduates.

We have taken steps to help all of Virginia's employers by ensuring the unemployment insurance fund builder tax is eliminated. Additionally, our budget ensures that no Virginia employer will pay a higher UI tax than its 2021 tax rate. Keeping taxes low is good for business and good for our economy.

Government cannot work if its employees are not paid a competitive wage. The amendment package before you provides 5% pay raises in each year of the biennium for all employee groups as well as \$1,000 bonuses this December. In addition, we are providing targeted pay increases for specific hard to staff positions in the areas of public safety and mental health. The intent is to pay a market wage, and not pit similar groups against one another.

You have all heard the additional details of the Conference Package at the Staff Briefing earlier this morning. With that, Mr. Speaker, I hope it is our pleasure to adopt the Conference Reports for House Bill 29 and House Bill 30.