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VIA ELECTRONIC MAIL

April 18, 2024

The Honorable L. Louise Lucas
Chair, Senate Finance & Appropriations Committee
General Assembly Building, Room 1404
201 North 9th Street
Richmond, VA 23219

The Honorable Luke E. Torian
Chair, House Appropriations Committee
General Assembly Building, Room 1223
201 North 9th Street
Richmond, VA 23219

Dear Chair Lucas and Chair Torian:

I write on behalf of the Virginia Association of Counties to extend our appreciation for your hard work and that of your colleagues and staff throughout the budget process. We are grateful for the important investments in our shared priorities included in your budget proposals and we look forward to a resolution of budget negotiations in the coming weeks. As you work to finalize a budget agreement, we encourage your continued support of several top priorities for county governments.

Grocery tax hold-harmless: As you know, when the state portion of the sales and use tax on groceries was eliminated in 2022, statutory language required funding to be provided to compensate for the lost revenue associated with the elimination of the portion of the grocery tax that was distributed for K-12 needs based on school-age population; unfortunately, the Governor's December 2023 introduced budget failed to include this funding. We are extremely appreciative of your work to restore the hold-harmless in the conference report passed in March, and we urge you to maintain this funding in any final budget agreement.

Washington Metropolitan Area Transit Authority (WMATA) and I-81: VACo supports additional state assistance with stabilizing WMATA's finances while it works toward long-term sustainability in its capacity to meet regional transportation needs, as proposed in the March conference report. VACo also continues to support additional state investments in the I-81 Corridor Improvement Program. Both efforts are critical needs in improving traffic safety and supporting local, regional, and statewide mobility and economic growth.

Water quality: We strongly support funding levels in the conference report for wastewater projects for Chesapeake Bay nutrient reduction. Although recent appropriations have been helpful in assisting localities to meet an upcoming statutory nutrient reduction deadline, a 2023 needs assessment concluded that the funding gap for the upcoming biennium was approximately \$400 million, a need that would be met with the General Fund appropriation and bond authorization included in the conference report. This funding is critically important for localities' ability to complete upgrades needed to comply with state Code, many of which are in active construction, and avoid shifting costs to local ratepayers.

Virginia Preschool Initiative: We urge you to continue to reject proposals to eliminate the current cap on the Composite Index of Local Ability-to-Pay in the Virginia Preschool Initiative, as proposed in the December 2023 introduced budget and in the Governor's April 8 budget amendments. Eliminating this cap would reduce the state's share of funding in localities with Local Composite Indices above 0.5000, which would require affected localities to replace state

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dollars with local funds or reduce the number of children participating in VPI. We support efforts to strengthen early childhood care and education and this proposal would move in the wrong direction.

Thank you for your consideration of our requests and for your ongoing support of local governments. We look forward to continuing to strengthen the state-local partnership to ensure that communities across the state are safe, healthy, and thriving.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Lynch". The signature is fluid and cursive, with the first name "D." and the last name "Lynch" clearly distinguishable.

Dean A. Lynch, CAE, CM
Executive Director

cc: Members, Senate Finance and Appropriations Committee
Members, House Appropriations Committee
April Kees, Staff Director, Senate Finance and Appropriations Committee
Wendy Kang, Legislative Fiscal Analyst, Senate Finance and Appropriations Committee
Kendra Brown Shifflett, Legislative Fiscal Analyst, Senate Finance and Appropriations Committee
Anne Oman, Staff Director, House Appropriations Committee
Zachary L. Robbins, Legislative Fiscal Analyst, House Appropriations Committee
Michael R. Jay, Legislative Fiscal Analyst, House Appropriations Committee
David A. Reynolds, Legislative Fiscal Analyst, House Appropriations Committee
Members, Virginia Association of Counties Board of Directors