

**Remarks on the Senate Finance Committee Substitutes
for SB 29 and SB 30**

Senator Charles J. Colgan

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Before we begin, I want to thank the members of the Committee for their hard work this year. As a pilot, I can tell you that you don't always know what to expect when you are in a new plane or on a route you've never flown before. This year, many of us found ourselves in different roles. The new members of the committee have worked hard to learn about the budget and their areas of responsibilities. The more senior members have been good mentors, emphasizing the history of the Committee's priorities and its work ethic.

We have all faced a monumental task this year – carving over \$2.0 billion out of the three-year budget period before us. Over the course of the fall, we saw warning signs in the national economy, led by a steep decline in the housing market. Recent activity by the Fed to repeatedly lower interest rates coupled with weak holiday sales confirmed our unease.

The Governor wisely chose to re-evaluate the economic outlook once January revenues were in hand. As a result, we received a new three-year revenue forecast just a few days ago – one with major downward revisions.

But, by the time we received that news, the subcommittees were well on their way to evaluating what needed to be done. The contingency planning you undertook a few weeks ago has served you well. Using a very sharp pencil, each subcommittee made meaningful cuts to all areas of the budget.

We used the range of tools available to us -- examining the budget for savings and identifying additional resources. We freed up some general funds appropriated to capital projects, as we knew we might need to do some day.

We used the Rainy Day Fund, and make no apologies for it. The Rainy Day Fund was designed for times such as these – when the economy is at an inflection point – to smooth over a sharp revenue decline. It provides a “bridge” until we can regroup.

The Rainy Day Fund is a temporary respite -- not a long-term strategy to prop up the budget. And that is exactly the way it is being used.

The budget that came to us includes across-the-board budgets cuts for most agencies of about 5 percent. We did not push that strategy any further because we want to know what is being changed in the budget we adopt. Our constituents elected us to make decisions on their behalf and so the subcommittees focused on targeted budget reductions that align with the lowered revenue forecast.

The compass that guided our choices was one of balance. We worked hard to provide a fiscally responsible budget while responding to the demands of a growing and changing state. Funding for public education, public safety, and health care for the poor have been updated to reflect the reality of more individuals needing services and the cost inflation that we can't avoid. We also recognize the need to help offset cost-of-living increases for our invaluable state employees, faculty, and teachers by providing a 2.5 percent salary increase in the second year.

Our budget choices don't stop with these basic requirements – they also include key investments in Virginia's future. Revenue growth may be slowing, but our ambition for Virginia's future has not slowed. The Commonwealth continues to grow and thrive. We can't afford to stand still.

Expanded funding for mental health programs represents the kind of investment that is long overdue. This "initiative" -- one that enjoys almost unanimous support of the Senate and the House – simply couldn't wait another year.

In addition, we have included incentive packages to promote new industry and bring jobs to Virginia. When these opportunities come along, we have to seize the moment – they can't wait another year.

Likewise, the window of opportunity to give low-income children the proper start in life is a narrow one. If we don't seize that opportunity through good prenatal care, early childhood education and improved foster care, we risk losing part of the treasure that is our Commonwealth's future.

I come back to the basic point that guided our deliberations – striking a balance between funding core services in a way that is thoughtful and responsible, and providing critical investments in our future.

These are investments that emphasize prevention and cost-containment. Will we see the payback in a year or two? Perhaps not. In fact, it may be years before these efforts bear fruit. But the willingness to "take the long view", to make choices that are difficult in order to have a better future -- this has been the

hallmark of the Senate's fiscal policy. We cannot afford to abandon this philosophy now.

Before we turn to the subcommittee reports, I want to again thank each member of this Committee for the outstanding job that you have done in bringing together our budget recommendations, especially in this challenging environment.