

**Remarks on the
Senate Finance Committee Substitute for SB 850
Senator Charles J. Colgan
February 8, 2009**

Before we begin, I want to thank the members of the Committee for their hard work this year – and I do mean hard. In my 34 years in the Senate, I have never seen such a broad, deep economic downturn. We have rarely had to deal with decisions of this magnitude.

I am happy to report, however, that the members of the Committee took to their task with a serious, balanced approach. Fortunately, the Governor gave us a pretty good starting point, with the reductions he proposed in the fall for FY 2009 and continued in the budget in FY 2010, and with the additional targeted reductions he proposed.

Let me say from the start that you will see little in the way of funding restorations in the budget proposal before you. That doesn't mean we liked the cuts – it simply means that restoring one item means cutting deeper elsewhere. Instead, the subcommittees evaluated the proposed reductions to ensure that the cuts were fair and equitable, and that they were based on sound policy choices.

In addition to making the fiscally responsible choice of limiting restorations, we avoided making any new commitments. And a final guiding principle was to allow flexibility to state agencies and localities as they implemented the reductions, where feasible.

In the area of public education, we actively solicited input from localities, school divisions, principals and teachers. Their ideas led us to shape a package that does indeed reduce funding for K-12 --- there is simply no way to balance a budget shortfall without touching the largest program. But we did so in a way that we believe provides discretion to school divisions to implement the reductions.

In the area of health and human resources, our objective was to preserve funding for an over-stressed health care safety net, minimize reductions in actual services, and share the pain as equitably as possible. The loss of a potential source of revenue to support Medicaid made this task extremely difficult. But, each of the subcommittees rolled up their sleeves and made tough choices to help address the problem.

Throughout our budget development we have been challenged by uncertainty – uncertainty on the status of our revenue collections and uncertainty on the outcome of any federal fiscal stimulus package.

The Governor has given us a preliminary indication that the revenue collections for January are disappointing, **but the final data are not yet in hand.**

At this time we have **no** specifics on how much the revenues will be reduced. We hope to have an official reforecast some time next week. By that time, it is also possible – albeit not certain – that we will know what federal stimulus funds may come our way, and what strings are attached to them.

As your chairman, I feel the responsibility of making sure we have the **most complete, timely information** available in order to make informed decisions. If the timing allows, I plan to reconvene the subcommittees once we have better data, so that all the committee members can play a role in determining where we make further budget reductions, and how best to use the stimulus funds.

Let me speak a moment about the federal stimulus funds. We believe these funds should be used judiciously. They should **not** be used to avoid making tough decisions about priorities. They should **not** be used in anticipation of long-term support for a program – **because these federal funds will disappear.**

Instead, the funds should be used to help Virginia as we **transition** through a tough period. If our economic situation does not turn around in a timely fashion, we may be forced to redefine our funding partnerships with localities, health care providers, and state programs. The stimulus funds will allow us to **buy some much-needed time** so that we may evaluate our obligations and priorities, and make difficult choices in a responsible and thoughtful manner.

In closing, then, I have two words for you: “Stay Tuned”. We have done our best with the information that we have in hand, but we know the budget that is reported today is a work in progress. We will have to make additional reductions to our revenues, and make further spending cuts; hopefully, details of the federal stimulus will help us make the wisest choices about those cuts.

As I mentioned at the top of my remarks, this is my 34th session, and I have observed a great deal over those years. While this economy seems impossibly challenging, the one thing I know from my observations is that the Commonwealth and its leaders can deal with adversity. Every recession or crisis makes us a little stronger, and a little smarter. I am confident we will meet the current challenge, working together in the Commonwealth's best interest.

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.

