

Senate Finance Committee Recommendations on SB 800
Senator Charles J. Colgan, Chairman
February 6, 2011

Before we begin, I want to thank the members of the Committee for their hard work this session. I am happy to say that the task this year has been considerably easier than last year. But as is the case every session, members of the Committee deliberated and made careful, thoughtful choices about how best to use the resources of the Commonwealth.

In contrast to the last three years when we were on a steady diet of budget cutting, this year we have a modest amount of additional revenues with which to work – less than one-and-a-half percent more than the amount we assumed last year. While we are seeing more positive jobs numbers and glimmers of light at the end of the economic recovery tunnel, you will not see costly new initiatives funded in these budget recommendations. What you will see is limited restoration of funding reductions in our core responsibilities of education, health care, and public safety, along with targeted new investments in higher education and economic development.

To address these priorities, the Committee recommends redirecting the \$150 million in general funds proposed for transportation in the budget as introduced. We agree that transportation is a core service of state government, which is why we supported the transportation bill co-patroned by Senator Wampler and me. Given that we are operating our current budget on the level of revenues we collected in 2006 – five years ago – this Committee felt that our scarce general fund dollars must be directed toward education, health care, and public safety. The revenue adjustments the Governor shared with us on Friday also help address these priorities.

Because K-12 education is vital to the higher education pipeline and the economic future of the Commonwealth, we are providing a net \$100 million above the budget as introduced to regain some of the ground lost during the last two years. The recommendations provide the state's share of an additional \$130 per student, which helps us keep the commitment made last session regarding "hold harmless" payments, as well as full funding of SOQ textbook amounts. Without a doubt, the first dollar of additional revenue must support our responsibility to the children of this Commonwealth.

For our public colleges and universities, we recommend total new funding of roughly \$100 million. It has been several years since we have been able to provide additional resources for these institutions. Our recommendations include over \$33 million toward our commitment to fund basic operating costs for our institutions, especially in the face of growing enrollments. We also recommend over \$16 million for financial aid, a portion of which will go toward addressing college affordability for middle income families. These and other funding recommendations support the objectives of the critically important "Top Jobs" legislation that Senators Houck and Norment spearheaded. We rely on these institutions for workforce training and to produce the teachers, engineers, and entrepreneurs that stimulate Virginia's vibrant economy.

In the area of health and human resources, we were able to reduce cuts to disabled Virginians by restoring respite care services, restoring funding for at-risk youth in CSA, and by minimizing further reductions to local services. We endorse the Governor's proposal to restore community-based services for those with intellectual disabilities and mental illnesses, and to improve services provided in state facilities. Most importantly, our recommendations maximize restorations to our key Medicaid providers, who are our partners in delivery of health care services to many Virginians.

In the area of public safety, our recommendations reflect our commitment to support local law enforcement by closing the second-year hole in state aid to localities with police departments, the "599"

program, and by providing funding for local sheriffs and regional jails. Our recommendations also provide additional prison capacity by opening a moth-balled facility, to make sure we're sharing the burden of overcrowding between our state prisons and local jails. And, our recommendations support the Governor's efforts to improve prisoner re-entry.

Our budget embraces the recommendations of the Governor's Commission on Economic Development and Job Creation, providing almost \$47 million for economic development initiatives. Small businesses are the key to Virginia's economic recovery and job creation, and so our recommendations focus resources on those programs that support budding entrepreneurs.

Finally, our recommendations include several actions on employee benefits and compensation. Last year, we made the decision that we would pay less than the expected contribution rate for the biennium to the Virginia Retirement System for state employees and teachers. This action resulted in two-year savings to the state of over \$600 million.

We did not make this decision lightly. The Senate has long worked toward full-funding of the board-approved VRS rate to sustain the health of our retirement system. However, we weighed this short-term action against the longer term damage and job losses that would occur from further reductions to our core services.

To that end, the Senate insisted on language to require repayment of these funds to the VRS – with interest – beginning next biennium. We support the concept of starting the repayment early, which is reflected in our recommendations. I would also point out that Senator Howell's proposed Constitutional amendment would require the state to pay the VRS board-approved rate, unless we were in another deep economic downturn.

In regard to employee compensation, we did not feel it was appropriate at this time to ask state employees to absorb a two

percent reduction in their pay, and so our budget recommendations reverse the proposed changes in the budget as introduced. We hope that, in the near future, we will be able to return to regular compensation increases for all employee groups.

Earlier this session, I mentioned that Senator Houck and I had the opportunity to meet with the three Wall Street agencies that rate Virginia's debt. They shared with us their view that Virginia's fundamentals are strong, and that we weathered the great recession better than many states. While we don't yet know what underlying damage deep budget cuts may have caused, I came away from that meeting encouraged, renewed in my belief that Virginia's prospects for economic growth and vitality **are strong indeed**.

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. And now Senator Wampler would like to offer a few comments.

**Comments of
Senator William C. Wampler, Jr.**

Mr. Chairman and Members of the Committee,

Thank you for giving me the opportunity to add a few words this afternoon, as we prepare to produce a budget bill that allows us to begin to regain lost ground from the past several years. All indicators appear to direct us towards a brighter day, wherein state revenues are beginning to recover. While we should remain cautious in our commitments to new spending obligations, we should welcome this positive trend of revenue growth.

During this Session, this Committee, and the Senate as a whole, has been very careful to limit new spending requirements. Also, this Committee has been mindful to protect our most precious, limited general funds. As a result of this very conscious and prudent stewardship, I hope that Virginians in every corner of the Commonwealth will see how we propose to use these general funds for core services such as K-12 public education, higher education, public safety, and preserving access to health care. I believe it is fair to say that we are trying to regain this most important ground for funding of our core services.

My last observation concerning today is to reflect upon where we have been as a body and where we are trying to move on this Sunday afternoon in February. Today, this Committee is strong and is equally strong in its recommendation on the underlying funding priorities. On behalf of this side of the aisle, I thank you Mr. Chairman, Members and staff, for the courtesies and willingness to accept our thoughts.