

Senate Finance Committee
Recommendations on SB 900, as Introduced
February 5, 2017

The Honorable Thomas K. Norment, Jr., Co-Chairman

As we begin this afternoon, I would like to thank the members of the Committee for their hard work this session. Once again, each subcommittee spent many hours deliberating and making careful choices about how best to use the resources of the Commonwealth.

Our primary task this year has been to modify the excellent budget we adopted last year to reflect the downturn in revenues. The subcommittees carefully scrutinized the strategies proposed to address the shortfall, as well as any discretionary spending items in the budget as introduced. In so doing, we were able to redirect resources to the top priorities of the Committee; namely, supporting mental health programs, avoiding spending cuts for public education and safety net programs, and, most importantly, providing an overdue pay raise for all state employees and teachers.

We signaled at our annual meeting in Blacksburg that we would try our best to restore the compensation package deferred when the revenues were revised. And we did. It's simply good business sense that an enterprise as broad and complex as state government should make every effort to attract and retain a talented workforce. Our citizens rely each and every day on the men and women who serve the Commonwealth.

With our evaluation of the proposed spending and resources, we were able to direct the proposed bonus funding toward an on-going pay increase for all state employees, teachers, and state-supported local employees. Our recommendations include a 3 percent increase for state classified employees. For our colleges and universities, we propose funding for a 2 percent increase for faculty, which the institutions may allocate based on their individual pay plans. For our public school teachers, we are providing the state share of a 2 percent increase, and, 2 percent for state-supported local employees. Our subcommittee chairs will provide more details on these actions in their reports.

Regarding the resources assumed in our budget recommendations, the revenue forecast remains conservative, reflecting modest growth in the 3 percent range for both this year and next. Adjustments to the resources identified by the Committee reflect the impact of legislation, balances transferred to the general fund, and a revised ABC profits forecast.

We also closely examined the estimate assumed in the budget related to the tax amnesty program. Based on a review of prior amnesty programs, combined with a detailed analysis of the assumptions, we recommend taking the general fund revenue estimate to \$90.8 million, or about \$31 million above the amount assumed in the budget.

This incremental one-time amount, along with other additional one-time resources, will be set-aside in a \$40 million Revenue Reserve. Rather than programming these resources into on-going spending, the Revenue Reserve can serve as a buffer should the fiscal year 2018 revenues fail to meet the forecast. If it is not needed for that purpose, it can be used next year as we develop our new biennial budget. We believe this is the most prudent use of these resources, and a conservative way to address the volatility in revenue forecasting in light of the unknown direction of the federal budget.

Senator Hanger will now provide some specifics on the Committee's budget recommendations. Before I turn to our co-chairman, I would like to thank him for his hard work this session. I sincerely appreciate his dedication to producing a sound budget that we can all endorse.

Senate Finance Committee
Recommendations on SB 900, as Introduced
February 5, 2017

The Honorable Emmett W. Hanger, Jr., Co-Chairman

Good afternoon, members of the Committee.

The budget issues before us this year were not dramatically different from last year: namely, addressing employee compensation, and providing support for public safety, education, and mental health issues. The only difference is that this year we had less time -- and less money -- with which to deal with them.

I echo Senator Norment's comments that compensation was, indeed, a top priority for the Committee this year. From the aide who assists our loved one in a state hospital, to the trooper who protects your family on a dark highway, and the educator who invents the future of the Commonwealth, each is deserving of our support and appreciation. We are pleased to be able to restore the compensation package that we so strongly supported last year.

In addition to the salary increases noted by Senator Norment, our recommendations include funding to raise the starting salary for state troopers, and help them further address compression issues in the ranks. We also support special salary actions for sheriffs and clerks, and career development for constitutional officers. In addition, we recommend funding to enhance the salaries of selected high turnover positions -- many of which are among the very lowest paid jobs in state government - in our state mental health and intellectual disability facilities.

In the area of health and human resources, our recommendations endorse and enhance the funding proposed for mental health. These initiatives will continue our efforts to address the challenges across the spectrum of mental health needs.

In public education, our focus was on avoiding across-the-board budget reductions. As previously noted, we recommend the state share of a 2 percent increase for teachers. And we recommend one-time funding for those school divisions, primarily in Southside and Southwest, that are seeing significant enrollment loss this school year.

Focusing our resources on compensation limited our ability to address other areas of concern. We were unable to reduce or eliminate cuts to most state agencies, and to our colleges and universities, or address other unmet needs.

These are but a few highlights of the Finance Committee's budget recommendations. We will hear more details from the chairs of our subcommittees.

I'd like to comment briefly on the proposed creation of a Revenue Reserve. While it's tempting to spend every additional dollar identified, this reserve will help protect our priorities against potential revenue shortfalls, and reduce our reliance on the Rainy Day Fund. Hopefully, the economy will outperform our conservative forecast so that we may adequately address the unmet needs identified through this budget tightening process when we develop our next two-year budget.

Before we turn to the subcommittee reports, I wish to thank our co-chairman, Senator Norment, and each member of this Committee for an outstanding job in bringing together our budget recommendations. The subcommittee members are willing to ask tough questions about every spending decision, and work together to build a consensus as they develop their recommendations.