

OPENING REMARKS

**The Honorable John H. Chichester
Senate Finance Committee Retreat
Blacksburg, Virginia
November 15, 2007**

I'd like to welcome my colleagues and those in the audience to the Senate's annual meeting, here on the beautiful campus of Virginia Tech.

Those of us on the Finance Committee are gratified that so many of you take the time to participate in these sessions. And we are very pleased that so many of our Senators-elect have joined us today. You will find that these meetings are an excellent way to learn about the fiscal issues facing our Commonwealth, in a setting that encourages open communication.

In other words, together we roll up our sleeves and explore ideas in a factual, common-sense way. I hope you will come to value these meetings as a way to help keep the Senate a strong, well-informed, collegial body.

Our task over the next two days is to examine those things that drive our state budget -- the costs to re-benchmark the Standards of Quality, our health care programs, employee costs, public safety, and the other vital services we provide.

In addition, we will examine expected revenue growth right alongside these budget drivers. When the costs and revenues don't align -- be it on the upside or the downside -- we talk about options.

And every idea is welcomed!

No doubt, we will leave the room today in a somber mood because we deal with reality – candor is our mode of operation. And we cannot be candid without acknowledging that today's economy is scary. It is full of uncertainty, and it seems to be saying that we have arrived at a fork in the road.

We are bombarded by conflicting signals – one economic report says things are stabilizing and the next week, something comes out that says exactly the opposite.

But, there are a few places where we find pretty uniform agreement. Everyone believes that the abysmal housing market has further to fall, that huge losses from sub-prime mortgages are the tip of the

iceberg, and that our current economy can't weather \$100 a barrel oil very long.

"But, that's the national economy," you might say. We often boast that Virginia outperforms the nation. And that is a true statement on many measures, including economic performance most of the time. But, the reality is that no matter how good we are, we can't divorce ourselves from economic trends. There has never been an economic downturn that Virginia was able to totally skirt.

Caution is a word that you've heard a lot around this table. For the past two Senate retreats, we have urged caution because we knew the unexpected revenue growth we were seeing from "volatile" sources couldn't last forever. As a case in point, all of the "hyper-volume" of Virginia home sales will have

washed out of our deed recording taxes by the end of this fiscal year.

And so, the message that you will continue to hear is one of **caution**. In my view, it is very important to remain circumspect as you approach the next biennial budget and remember lessons learned in the past – retain as much flexibility as you can with the budget choices you make, and don't over-extend.

As I said, we can't divorce ourselves from the national economy. So, let's open today's discussion by seeking clarity on the national economic picture. When we are trying to "sort things out," we look to experts for advice. We have one such expert with us today.

Ms. Kathleen Camilli, of Camilli Economics, based in New York, comes to us with 20-plus years of experience in analyzing the U.S. economy and monetary policy. She is regularly quoted in the financial press, including the Wall Street Journal, the New York Times, and USA Today, and she appears frequently on CNN, CNBC, and several business news shows. Most importantly, Ms. Camilli has been recognized by Business Week and the Wall Street Journal for her accuracy in forecasting, so we need to listen closely.

Ms. Camilli's comments will be a very useful backdrop as we then turn to our Finance Committee staff for a review of Virginia's revenue outlook for the next two-year budget.

Please join me in welcoming Ms. Camilli ...