



SENATE OF VIRGINIA

Senate Finance Committee

John H. Chichester
Senate Retreat
Friday, November 17, 2006

Good morning. I hope everyone is well rested and ready for a second productive work session, after enjoying an evening filled with true southern hospitality. We are all grateful to our hosts for the warm welcome that we've received in Staunton. Senator Hanger – we know that you helped “roll out the red carpet,” and we appreciate your efforts to make our stay a memorable one.

Now, let's turn to business. On the second day of our annual retreat, we try to step away from the big picture and “drill” down a little to get a better understanding of trends affecting Virginia's budget. People sometimes refer to “the budget” as a monolithic mass. It's usually in the context of – “why can't you just cut a billion dollars to do x, y or z.”

Well, as policy makers, one of our jobs is to continually re-evaluate what is contained in Virginia's budget. Improving services to our citizens and providing them more efficiently is always a goal that we seek.

The best way to advance that goal is to have a clear view of Virginia's budget – to know what it looks like and why – and then to make good, informed policy decisions about how we can fine tune or realign to better serve our citizens. This morning, we will look squarely in the face of Virginia's budget by reviewing trends in public and higher education, human resources and public safety.

Part of our discussion will focus on efforts currently underway to better analyze major cost drivers. Quite frankly, we don't have the luxury to do otherwise. You heard yesterday that revenue growth is slowing. Everyone senses we are edging closer to another recession. And the demographics soon will work against us. I recently read somewhere

that the first “baby boomer” could be getting Social Security in 2008.

We’ll start with public education which makes up a third of the state budget. Sarah Herzog will provide our annual “lesson” in SOQ funding and will review the multitude of factors that influence budget growth, beyond just enrollment growth.

You will recall that every two years, we update the SOQ base for cost increases and enrollment. For the first time last biennium, the state cost for this “technical” update topped a billion dollars. That got our attention!

Last session, we initiated a staff work group to begin a “nuts and bolts” analysis of the cost drivers for this re-benchmarking process and the results will be important to our future policy discussions.

Moving through the morning, we'll get a status report on higher education funding issues and spend considerable time on Human Resource and Corrections issues. You will see a link between the latter two presentations in the incidence of mental health and substance abuse problems. We face major policy questions on how to best deal with this link.

Finally, we'll close with a bright spot – why Virginia is consistently rated as one of the best places to live and do business in the nation. With that as a preview of the morning, I'll turn it over to Sarah to get us started . . .