

**The Honorable Vincent F. Callahan, Jr.**  
**Comments to the Committee**  
**House Bill 30**  
**February 19, 2006**

It has been just over 8 weeks since I introduced House Bills 29 and 30. During that time, we have conducted 5 public hearings across the state in order to receive input from the citizens on the priorities they would like to see the Commonwealth address.

As we started the Session, we identified four principal commitments that would guide us in our deliberations: investing in transportation, fulfilling our promise on several tax policy changes, addressing employee compensation, and maintaining our commitment to funding core services.

Since we left last year, the Commonwealth has continued to experience an economic expansion that again has resulted in revenue growth in excess of the forecast.

Building off a strong finish in fiscal year 2005, it is now anticipated that revenue growth for fiscal year 2006 -- the current fiscal year -- will exceed 7 percent. As a result of our strong collections, general fund revenues are now forecasted to generate an additional \$1.4 billion over and above the revenues assumed in the current budget.

Much of the FY 2006 surplus will be used to jump start critical transportation projects, fund capital projects and a portion will be held in reserve for the mandatory FY 2008 Rainy Day deposit.

As we move into the 2006-08 biennium, general fund revenue growth is expected to be in line with our long-term growth rate of

around 5.5 to 6 percent. The Committee budget allocates over \$4.4 billion in net new revenue, over and above the base budget, allowing us to meet the needs in the following areas:

- 1) Public Education – the budget will provide approximately \$11.5 billion in funding for public education over the next two years. This represents an increase of \$1.6 billion over the current funding level or approximately 36 percent of the net new revenues available.

Included in this funding is the cost of re-benchmarking the current Standards of Quality, as well as funding for the state’s share of a 3 percent teacher pay raise and the cost of funding an increase in the retiree health insurance credit.

- 2) Higher Education – the budget will invest approximately \$419 million in additional general fund support for higher education. This represents an increase of approximately 13 percent over base funding levels.

These dollars will be targeted towards enrollment growth, ensuring more moderate tuition increases for in-state undergraduate students. We will also provide funding for student financial assistance, including tuition assistance for undergraduate students enrolled in our private colleges.

In addition to funding base adequacy, the Committee has put together what I consider to be a sustained investment in higher education research. Clearly, the package we prepared creates an environment in which the opportunities for collaboration with both industry and other institutions exist.

- 3) Mental Health – our budget provides funding to both rebuild our mental health system and invest in community services. I want to commend both the Health and Human Resources and the Capital Outlay subcommittees for their work in this area.
- 4) Health care “safety net” - this budget protects the elderly and our children by providing funding to meet our projected enrollment demand. We will maintain our current eligibility and benefits structure in our Medicaid program and fully fund increased costs associated with utilization and inflation for our hospitals and nursing homes. Finally, I am pleased that we could provide some targeted assistance to several of our health care provider groups.
- 5) Cleaning up the Chesapeake Bay – Building on last year’s historic commitment to provide \$500.0 million over a 10 year period, our budget will provide \$200 million over the biennium towards this commitment. By accelerating the state’s pledge it is my hope that we can meet the 2010 timeframe.

Meeting our core commitments has always been the first priority of this Committee. Our actions today reflect that commitment. But as I had indicated, our spending plan would also address other priorities.

Prior to coming to Richmond, I often heard that this would be the “Transportation” Session. Quite frankly, those who coined this phrase must have forgotten that last year the General Assembly provided \$850 million in new transportation funding, the largest infusion of new funding in 20 years.

Building on last year's actions, I am pleased that the House budget could again make a record investment in transportation to build and maintain our transportation system.

Like last year, the House proposal looks outside the box and approaches transportation differently. I am very pleased that the recommendations before us will promote new and meaningful opportunities to forge partnerships with both the private sector and our local governments.

However, unlike the Senate and Governor who have defined the "transportation" crisis in terms of raising taxes, the House plan specifically addresses choke points and other measures that voters can identify with.

Our actions in addressing transportation should be measured on how additional resources will be used to address our transportation problems. The infusion we recommend will support highway, transit, rail and other modal projects.

In constructing this plan, we had two primary objectives. First, was to jump start critical transportation projects by the dedication of \$600 million in general funds for transportation projects. This proposal focuses on reducing choke-points and improving traffic flows along key corridors such as I-81, I-66 and I-64.

The second component of our plan will create a dedicated, ongoing funding stream for Northern Virginia and Hampton Roads. This proposal is modeled after the Route 58 Corridor Development Program.

Specifically, we dedicate \$40 million per year in recordation tax revenues to be split between the two regions. We will also dedicate the portion of the one-third of the insurance premiums attributable to

each region based on their share of the state's population. In turn, these dollars will leverage, over a 10-year period, \$700 million in new funding for Northern Virginia and approximately \$500 million in new funding for Hampton Roads.

Using general funds for transportation is not new; back in 1989 the General Assembly dedicated \$40 million in recordation tax revenues each year for transportation improvements to the Route 58 Corridor across the southern and southwest portion of Virginia. To date, we have invested over \$750 million to this effort.

As I scan this room, I can count only a handful of members that were here when the General Assembly made this policy change to invest in the economic future of this region. I am proud to have voted for that plan then and I am proud to continue with its support today.

While the economic situation of Northern Virginia and Hampton Roads is different than that facing the Route 58 region, it is my belief nonetheless, that the vitality of these regions commands every bit of the same commitment that was made in 1989.

The plan before us today does not take away any funding from the other transportation districts, nor does this plan take anything away from core services.

However, I would say that far greater damage will be done if we neglect these two region's transportation needs, thereby hampering the economic growth that generates funds to support our ongoing commitments to priorities like education.

Finally, throughout this process we were mindful of the men and women who serve the Commonwealth as highway workers who build and maintain our roads; as correctional officers, state troopers,

and deputy sheriffs that protect us; as the individuals who provide care and services to those most in need; and as educators who teach our children. These are the faces of government who, unlike the policy makers, actually have to implement programs and do them in a cost effective and efficient manner.

I am pleased that our budget recommendations include funding for compensation for all of the employee groups.

However, there is one employee group in which the members felt a particular ownership towards -- our state employees. We recognize that too often compensation is an afterthought. The introduced budget failed to provide any type of second year compensation adjustment. The budget before us today ensures that there will be two years of raises for our state employees.

In closing, the budget recommendations that will follow clearly and strategically focus our resources on keeping our promises to fund the core services of government. I recognize that even in times of prosperity we continue to face a challenge. This Session has been about managing expectations and making difficult choices.

I believe, quite frankly, that the work of the subcommittees has achieved my goal. You did it right, and I thank you all for your efforts. I would also like to thank the staff for their hard work and devotion to good fiscal management.

Now I would like for Robert to walk the committee through the general fund resources that are available for expenditure.

Following Robert, I would like to receive the reports of the Subcommittees, beginning with Delegate May, Chairman of the Transportation Subcommittee.