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COMMONWEALTH OF VIRGINIA
HOUSE OF DELEGATES
RICHMOND

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The Honorable Lacey E. Putney
Comments to the Committee
House Bill 30
February 17, 2008

Good afternoon. Today we meet to consider amendments to House Bill 29, which is the current biennial budget and to House Bill 30, which is the budget for the 2008-2010 biennium.

Crafting the biennial budget of the Commonwealth of Virginia is no easy task, and one that I know this Committee undertakes earnestly with the best interests of Virginians in mind.

As with any budget proposed by a Governor, there will be many items with which the legislature concurs. This year, for example, such areas of agreement include supporting core government services like fully funding the Standards of Quality for public education and improving our community-based mental health system. Expenditures in these areas are fiscally prudent investments on which we can form consensus. As is often the case with spending plans that pass through the General Assembly, there will be amendments, and, ultimately, a consensus that improves the quality of life in Virginia.

While differences in spending priorities are a natural occurrence between the Executive and Legislative branches, the one common denominator to which we must all adhere is the accuracy in the amount of revenue available over the two-year budget cycle.

Back in December, I, along with many members of this Committee, became concerned with the overly optimistic revenue forecast assumed in the House Bill 30.

It was for that reason I, along with the Speaker, wrote Governor Kaine urging him to reconvene his board of economists and business leaders in January so that we could reevaluate the forecast prior to making final budget decisions.

The circumstances are what they are, and this past Monday I attended the GACRE meeting and received the forecast recommendations of the Governor's Board of Economists.

While the Committee has been working diligently over the last several weeks to balance the budget in anticipation of this shortfall, the magnitude was a bit larger than we assumed.

While I believe the aggressive actions of the Federal Reserve Board, President Bush and Congress will aid the economy, and perhaps will steer us from a recession, there is no doubt in my

mind that we need to exercise prudence by lowering the revenue forecast and taking the necessary actions to balance the budget in a fiscally responsible manner.

Clearly, Virginia's economy continues to out-perform the national economy, although there are certain revenue items that are underperforming the official forecast. As a result, the budget we are recommending will utilize a revenue forecast that is consistent with the recommendations of the Board of Economists as presented to GACRE. In total, our budget will reduce revenues for the current fiscal year by an additional \$339.0 million, bringing the total revenue reduction for fiscal year 2008 to approximately \$980.0 million.

Likewise, the revenues originally assumed in House Bill 30, as introduced, will be lowered by approximately \$1.0 billion over the two-year period.

How we balance this budget is now in the hands of this Committee. I appreciate the Governor submitting for the Committee's consideration budget reduction recommendations. Clearly, there are several strategies proposed by Governor Kaine that we adopted.

However, there are many more that were not adopted, such as additional cuts to higher education, which would merely result in greater tuition increases, hitting middle income Virginians hard.

Likewise, our recommendations do not embrace the simple strategy of reducing state and state-supported local spending by utilizing across-the-board cuts.

Over the last several weeks, there have been some who have questioned the fiscal acumen of the House. Their statements suggest that we don't always properly analyze our fiscal choices. As I, and others, have said since last October, we will not use the Rainy Day Fund to support new programs.

Likewise, up until the revisions to the revenue forecast released this past week, I did not feel that the Committee should develop a budget utilizing the Rainy Day Fund first. The fact is I always knew that the Rainy Day Fund would be available for consideration once we received an updated revenue forecast. It is for this reason that I asked the Governor to re-evaluate the revenues.

That being said, the budget recommendations before you do include an appropriate withdrawal from the Rainy Day Fund to backfill the decline in revenues for fiscal year 2008.

With respect to our overall budget recommendations, there are many people who will choose to judge our actions relative to the Governor's proposals. Often this leads to an incomplete evaluation. So I would urge everyone not to judge a particular decision, rather to focus on the overall package.

As I previously stated, there are many items that we can agree on.

For instance, we agree with the Governor that we should fully fund education. However, we disagree that we should cut \$110.0 million each year in school construction. Instead, we propose to provide an additional \$70.0 million in supplemental school construction grants.

With regard to mental health reform, we agree with the Governor and applaud him for his bipartisan approach to addressing the deficiencies in our system. The House has approved several mental health reform initiatives and our budget recommendations endorse \$42 million in new spending for these efforts.

In other areas of Health and Human Resource spending, we reject the notion of creating new programs while we have a waiting list of families in need of services through our MR Waiver program. We currently have a waiting list of approximately 3,800 families. This list grows by 1 family each day. If we do nothing, by the end of fiscal year 2010, the waiting list will be approximately 4,600 families.

We all agree that if it were not for the grace of God, this could be one of our children. The Governor proposed 150 new waiver slots, which we endorse. However, in order to ensure the waiting list does not grow beyond its current level, the Committee recommends additional funding and sufficient slots to restrain this growth.

In the area of higher education, our recommendations will not result in more cuts, which as I stated earlier, merely result in tuition increases. Over the last 4 years tuition costs for in-state undergraduate Virginians have increased 40 percent, a rate that is not sustainable as families struggle with high fuel prices and an uncertain economic environment. Instead, the committee will recommend a significant investment in higher education, which I believe should result in no tuition increase in the upcoming school year.

Finally, I want to comment on our state employees. Clearly, with budget cuts and fewer employees, the need to be creative and more productive is paramount to our maintaining the title “the best managed state”. Even in difficult financial times, I believe it is important to reward our workers. Our state employees have only one employer to turn to, and that would be the General Assembly. I appreciate the hard work of our “newbie” Subcommittee Chairman Chris Jones for the creativity of his subcommittee in identifying dollars to support a first year pay raise for state employees and college faculty.

Likewise, I applaud Delegate Tata, Delegate Abbitt and their subcommittees for their hard work and their contributions to ensuring that funding would be available for a first year pay raise for our public school teachers and the other state supported employees with whom we partner.

Finally, I am pleased that our budget recommendations include a reserve fund of \$85.0 million that will, in part, provide a “marker” for a second year salary adjustment for all of the employee groups.

In closing, the budget recommendations that follow will clearly and strategically focus our resources on keeping our promises to fund the core services of government. 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.

I would like to receive the reports of the Subcommittees, beginning with Delegate Ingram, Chairman of the Capital Outlay Subcommittee.