

The Honorable Lacey E. Putney
Comments to the Committee
House 1600
February 8, 2009

Good afternoon. Today we meet to consider amendments to House Bill 1600, which is the current 2008-2010 biennial budget.

As every member of the Committee knows, crafting amendments to 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.

This year represents my 47th Session in the General Assembly. In all of my years as a member of the House and of the Appropriations Committee, I must say this has been one of the most challenging times.

The U.S. economy continues to struggle, with each week comes news that another economic indicator is showing weakness at levels, in some cases, not seen in 50 years.

Back in November at our Committee retreat, I noted that although Virginia typically outperforms the U.S. economy it's not immune from the nation's problems and, that perhaps the reason we had yet to see significant job loss may very well be that Virginia simply is lagging and the effects of the recession may be more of a timing issue, with our decline still to come.

Not wanting to qualify as a Prophet, but, Virginia's economy is beginning to see acceleration in job losses. Since the Governor presented his updated forecast in December, over 5,000 jobs have been lost, including the bankruptcy of Circuit City, the closing down of Qimonda here in the Richmond area, and another round of layoffs at Volvo truck in Southwest Virginia.

Now, seven weeks after the introduction of the budget, we are ready to report out the Committee's recommendations. As in previous Sessions, the Committee's budget reflects the fiscal priorities of the House. However, unlike most Sessions, this budget, to use a sports metaphor, is a "half-time" budget.

From all indications, the Governor will be recommending another reduction in general fund revenues, the amount we do not know yet. Quarterly estimated payments due in January were considerably weaker than the forecast. Likewise, sales tax collections remain soft and payroll withholding, which had been out performing the forecast, is beginning to reflect the growing job losses.

While we will not get an updated forecast until the 16th of February, the Committee budget anticipates a downward revision and sets aside \$65.0 million in a revenue reserve

fund in fiscal year 2009. I hope this, along with the federal stimulus dollars, will allow the conferees to balance the budget and avoid deeper reductions.

However, even in times of economic downturn, I believe it is imperative that we remain true to our core responsibilities of state government, which is to protect the public safety of our citizens; to promote access and affordability in higher education; to promote and support a strong system of public education; to ensure the safety net for our most vulnerable citizens; and, to promote Virginia as the best state for attracting business and creating jobs. I believe the Committee recommendations reflect these priorities.

As with any budget proposed by a Governor, there will be many items with which the legislature concurs. This year, for example, we recognize that the Governor had to make some very difficult funding decisions that impact public education.

We agree that protecting the classroom is our first priority. While we cannot mitigate his proposed funding reductions, we believe that we can provide help to school divisions in two ways. First, the Commonwealth provides over \$500 million each year in funding for programs that are not part of the Standards of Quality basic aid. It is our belief that we can reduce the burden on school divisions by waiving the local required funding match for the programs within the Lottery Proceeds Fund and the purchase of textbooks.

Second is Delegate Cox's proposal to give our School Boards the ability to offer an Enhanced Retirement Incentive Plan. This option would provide those school divisions, which voluntarily elect to participate, the ability to better manage their personnel needs and staffing requirements while they balance their budgets.

The concept of this proposal is modeled after a provision in the state's Workforce Transition Act, whereby the state, on behalf of eligible state employees, can purchase additional retirement service credit, thus allowing them to retire with additional years of service and without penalty.

By enacting this legislation this Session, I believe it will lessen the possibility of having to layoff younger teachers and other school division employees, as well as help our schools better manage their budgets in these extraordinary economic times.

In Health and Human Resource spending, we have a waiting list of families in need of services through our MR Waiver program. This list grows by 1 family each day. In order to ensure the waiting list does not grow beyond its current level, the Committee recommends the restoration of 200 slots eliminated in the Governor's proposal and an additional 200 slots to restrain this growth.

In the area of higher education, our recommendations will reduce the proposed cuts, resulting in what I hope will be a smaller increase in tuition charges to Virginia families. Also, we will provide funding for additional seats to meet enrollment growth for in-state Virginia students.

In the area of public safety, while we agree that we need to explore less costly options to the incarceration of individuals in our jails and prisons, I believe we need to approach this cautiously. Therefore, we propose to work with the Senate to examine our long-term options for meeting our obligations for local and regional jail construction and operating costs.

We should not compromise public safety for the sake of saving a few dollars, because the cost of doing so may be greater than the cost savings. As such, we will restore over \$9.0 million in funding for our Sheriffs' Offices and Commonwealth Attorneys.

In the area of economic development, I recall back during the 1990's recession there were steep reductions in our economic development efforts. In hindsight this strategy was penny wise and pound foolish. There is no doubt that Virginia is the best state in which to do business. We have a great brand name as evident by the recent announcement of the relocation of the headquarters for Hilton Hotels to Virginia. This announcement builds on our successes in Newport News with regard to Canon USA, Areva/Northrop Grumman and Continental AG.

However, we cannot rest on our laurels. Closing down our Visitor Centers, reducing funding for tourism advertising and promotion, and severely reducing business development marketing dollars does not signal that "Virginia is Open for Business." Sometimes you have to spend money to make money.

By providing \$3.0 million in advertising and promotion dollars for the Tourism Corporation, we can leverage about 5 to 1 with our private partners. Quite simply, tourists generate instant revenue without the need for classroom and other costly services.

Likewise, by restoring 50 percent of the cuts to the Virginia Economic Development Partnership I believe we can aggressively market Virginia's strengths as the best place to locate and expand businesses.

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." I believe when times get better, we have an obligation to restore pay raises. However, I don't believe that in a time of no pay raises we should cut employee health care and long-term care benefits. I appreciate the hard work of our "newbie" Subcommittee Chairman Clarke Hogan for restoring these benefits.

Finally, as I indicated at the beginning of my remarks, I am pleased that our budget recommendations includes a reserve fund of \$65.0 million that will serve as a "beachhead" to what I'm afraid will be further adjustments to our general fund revenues.

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 and I thank you all for your efforts. I would also like to thank our outstanding professional

staff for their hard work and devotion to sound fiscal management. I also want to express my deep appreciation to all 10 of our Subcommittee Chairman and Chairwomen for their tireless hours each week that now brings us here today.

Now I would like to receive the reports of the Subcommittees, beginning with Delegate Hamilton, Chairman of the Health and Human Resources Subcommittee.