



Recommendations on
SB 29 and SB 30, as Introduced

Senate Finance Committee
Virginia General Assembly

February 16, 2014

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Senator Charles J. Colgan, Co-Chairman

Before we begin, I want to thank the members of the Committee for their hard work this session. Crafting this budget has not been without its challenges. Between a transition in the membership of the Committee, a major late-breaking revenue re-estimate, and dealing with the relentless forces of Old Man Winter, the members and the staff have had their hands full.

I want to thank the new members of the Committee who rolled up their sleeves and dove right into the budget development process, with little preparation. And, I would like to thank the former members of the Committee who gave their time and talent to the subcommittees for the first few weeks of the Session.

As always, even with these challenges, each subcommittee spent many hours deliberating and making careful choices about how best to use the resources of the Commonwealth. The budget recommendations presented today reflect the consensus building process that my co-chairman Senator Stosch and I have encouraged. They reflect a structurally balanced budget, conservative revenue forecasting, investment in our youth, schools and colleges to develop a vibrant workforce, and ensuring a strong healthcare safety net, as well as a sound behavioral health safety net.

Fortunately, the two-year biennial budget proposal we received from the out-going governor was structurally sound, giving us a solid starting point for our work. However, just last week we met with Governor McAuliffe to get his take on our revenue picture, year-to-date. The Governor and his Finance Secretary recommended a revenue reduction of \$125 million in the current fiscal year, and another \$15 million reduction in the first year of the next biennium.

While the economic outlook upon which the budget was based remains unchanged, a review of “money in the bank” -- with only five months left in the fiscal year -- dictates that the forecast should be reduced. About \$90 million of the reduction comes from two volatile sources: non-withholding and corporate income tax. The balance comes from withholding, which has a slight ripple effect into FY 2015.

Through a reduction in the required FY 2016 Rainy Day Fund deposit, and the large unappropriated balance, we were able to accommodate the loss of revenue without too much damage to our funding recommendations. Nevertheless, a significant mid-session reforecast reminds us that our economy is not yet where we would like it to be. As we heard in November, we are seeing job growth – just not in the high-paying jobs that we have seen over the years.

Before I turn to our co-chairman, Senator Walter Stosch, I would observe that one of our major budget recommendations was announced Friday -- a comprehensive plan to address health, safety, and security issues at the seat of government. For too many years, the Senate Finance Committee proposed capital projects to address these needs, only to see them languish in the other chamber. I am happy that our brethren have now seen the light, and we look forward to the construction of a new facility that better meets the needs of the people of Virginia.

I will now ask Senator Stosch to provide some additional specifics on our budget recommendations.

Senator Walter A. Stosch, Co-Chairman

Thank you, Senator Colgan.

As Senator Colgan observed, the budget presented today reflects a downward revenue adjustment from that proposed in the budget as introduced. The funding recommendations presented by the subcommittees were developed by a deliberate reprioritization of the proposed budget, as well as diligent analytical work to find savings and balances. Therefore, our proposed funding recommendations are targeted to focus on key opportunities for strategic investment.

With this murky recovery, we remain convinced that we must invest in our citizens to grow a dynamic, competitive workforce. We can't afford to lose a single individual to unemployment or underemployment. To this end, in public education you will see investment in early childhood education, support for year-round schools, and enhanced funding for programs designed to improve student success. In addition, funding is provided to give school divisions flexibility to best address their staffing and operating needs.

Our recommendations continue the state's reinvestment in Virginia's colleges and universities. We continue to demonstrate our interest in expanding access through increased financial aid. Funding for research, faculty compensation, and degree incentives will allow our schools to compete more effectively on a global stage. And our efforts to increase participation for veterans, citizens of rural Virginia, and those in workforce training programs will have a measureable payback for our economy. You will also see continued investment in our state workforce through a base salary adjustment and bonus package.

In the area of Health and Human Resources, the subcommittee grappled with a host of issues directed toward our most vulnerable citizens and those in crisis. We continue to address the challenges of transitioning individuals from our state training centers to the community, and ensuring that the appropriate resources are available. The budget recommendations also strongly support the efforts to provide mental health services for those in need, in crisis or

not, across the Commonwealth.

In the area of public safety, important funding is provided to support victims of sexual and domestic violence. In addition, the recommendations include funds for mental health staffing in our juvenile court services units

As Senator Colgan noted earlier, this Committee has a long-standing tradition of identifying a problem and offering innovative, practical solutions. Our proposal, Marketplace Virginia, continues this tradition of tackling a tough issue and forcing a conversation among the stakeholders.

There are those that advocate deferring any action until current Medicaid reforms are in place. The Governor has expressed a preference for expansion of Medicaid, as some other states have done. The opportunity of recovering some of the \$2.9 billion in new federal taxes and fees is too great to do nothing; yet Medicaid expansion is based upon too many uncertainties under the ACA to go down that road. Thus, we reject Medicaid expansion in favor of a Virginia solution -- private insurance, that we refer to as Marketplace Virginia.

If we are willing to dial down the rhetoric on this issue long enough to have an informed discussion and debate, I believe the numbers easily make the business case for providing healthcare coverage to some 250,000 uninsured Virginians. Marketplace Virginia will deliver health care services through an innovative private insurance plan using a proven managed care delivery system. There are incentives to control costs and utilization and to encourage maximum personal responsibility.

Through this approach, we can avoid spending more than \$137 million GF each year to subsidize the cost of care at Virginia hospitals, insure many uninsured low income citizens whose care is otherwise paid for directly or indirectly by our taxpayers or providers, and we can recover at least \$1.7 billion in taxes paid by

Virginians to the federal government each year. Senator Hanger will provide you with more detail on this important concept which he and other Senate members of the MIRC have championed. This plan, which does not rely upon expansion of Medicaid at all, will not interfere with the MIRC's or the Administration's parallel continued effort to reform Medicaid or encourage any needed audit of the Medicaid program.

Before we turn to the subcommittee reports, I also wish to thank each member of this Committee for the outstanding job that you have done in bringing together our budget recommendations.

I would especially like to thank Senator Colgan for helping to make the Committee membership transition as seamless as possible. His practical common sense, along with his generosity of spirit, makes him a great partner in leading this Committee.