



Recommendations on  
SB 800, as Introduced

Senate Finance Committee  
Virginia General Assembly

February 8, 2015

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**Senator Charles J. Colgan, Co-Chairman**

Before we begin, I would like to thank the members of the Committee for their hard work this session. Crafting this budget has not been without its challenges. Yet, despite a short session with many important pieces of legislation (and the distractions of an election year), I believe the Committee has produced another solid budget.

As always, 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 Senator Stosch and I have encouraged over our years as co-chairmen. They reflect a structurally balanced budget, conservative revenue forecasting, investment in our workforce, in our schools and colleges, public safety, and our healthcare system.

Over the course of last year, we dealt with a serious budget shortfall. Those budget actions, combined with ones included in SB 800 as introduced, required numerous budget-cutting strategies to address the shortfall.

Based on a preliminary look at the revenues year-to-date, you will see an upward revenue adjustment in our budget recommendations. Unfortunately, the adjustment is not sufficient to undo all of the budget cuts that we made last year. So, we are strategically targeting the use of the funds largely for compensation, for ALL employee groups.

Also, in an abundance of caution, we are putting a large portion of the revenue into a reserve for payment into the Rainy Day Fund, as well as into targeted one-time uses, such as capital outlay.

Finally, our budget recommendations eliminate the second-year Aid to Localities reversion account.

Before I turn to our co-chairman, Senator Walter Stosch, I would like to express my gratitude for his leadership on this Committee. He has been a great partner while we have served as co-chairs, and I appreciate his dedication to producing a sound budget and advocating thoughtful tax policy.

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

## **Senator Walter A. Stosch, Co-Chairman**

Thank you, Senator Colgan.

As Senator Colgan observed, the budget presented today includes an upward revenue adjustment from that proposed in the budget as introduced. We have carefully evaluated our revenue collections to date, and feel comfortable with an adjustment in both years of the budget. A more formal communication from the Governor concerning revenues should be delivered in another week.

As the 2015 Session began, while Governor McAuliffe did not include an increase in employee compensation in his budget proposals, he challenged us to address the issue in our deliberations, which we have done. I would remind the Committee that our budget adopted *last* February included a compensation package, but we were forced to jettison the plan as we took steps to balance our budget last summer.

With the incremental revenue available to us, we thought it appropriate to restate our commitment to the dedicated women and men who teach our children, staff our jails, and protect our highways. The quality of the services delivered every day to the citizens of this great Commonwealth depend upon an engaged, well-trained workforce.

Data provided to our committee this session demonstrated that average state employee salaries continue to lose ground against the private sector, with one analysis ranking Virginia 49<sup>th</sup> in the nation on this measure. To help address this deficit, our budget recommendations include a **3 percent increase** for state employees, which they would see in their September 1<sup>st</sup> paychecks. A similar increase is provided for our state-supported local employees.

For teachers, we are providing the state share of a **1.5 percent increase**, which we hope will be enhanced by local school divisions. We also endorsed and increased the one-time payment to the Teacher Retirement System to accelerate reducing the unfunded liability. And, as Senator Colgan noted, our local governments will be pleased to know that our budget recommendations eliminate the second-year reversion account of \$30 million.

For our colleges and universities, we propose funding in an amount equal to a **2 percent increase for faculty**, which they may allocate based on their individual pay plans.

In addition to these proposals, we recommend two special compensation actions.

First, we have heard about the challenges faced by our Virginia State Police officers. Our committee reported Senator Carrico's bill, which will generate revenues in the future to help address this issue. In the interim, our budget recommends \$5.8 million out of current revenues to begin addressing compression issues in the ranks, and to support these hard-working men and women.

Our second special action addresses excessively high turnover rates among 19 state employee classes, including correctional officers, district court clerks, and direct care workers in our behavioral health facilities. Funding is recommended for an additional targeted 2 percent base adjustment to help with retention issues. The Committee supported this initiative last year, and we are pleased that we can support it again in this budget.

In addition to our compensation actions, Committee recommendations include targeted investment in key areas of the budget. We remain convinced that we must invest in our citizens to grow a dynamic, competitive workforce. With an aging population and a tightening labor force, we can no longer afford to lose a single individual to unemployment or underemployment.

To this end, in public education we recommend additional support for extended school year programs to improve student success. And, we continue our interest in expanding access to higher education through increased funding for financial aid.

In the area of Health and Human Resources, our recommendations support the efforts in the budget as introduced to provide coverage to those with severe mental illness. We continue to address the challenges of transitioning individuals from our training centers to the community, and ensuring that the appropriate resources and supports are available. To serve more of our ID and DD individuals in the community, we recommend funding to implement the increase in waiver rates called for in the recent provider rate study. The budget recommendations before you also add funding to build upon last year's efforts to increase mental health services for those in need, especially children. We have also included a modest increase in support for our safety net providers.

These are but a few highlights of the key budget recommendations. We will hear more details from the chairs of our subcommittees.

However, before we turn to the subcommittee reports, I also wish to thank each member of this Committee for an outstanding job in bringing together our budget recommendations.

And as this will be the last chairmen's report that we deliver, I would also like to thank Senator Colgan for his guidance and practical common sense that has made him an outstanding partner in leading this Committee. Our principles have always included stewardship of the resources of our Commonwealth, a shared vision, and a willingness to collaborate. Senator Colgan and I sincerely hope that those of you returning next year will continue to embrace these values as you take the helm of this Committee.

Now, I will explain the process that we will follow today.