



COMMONWEALTH OF VIRGINIA

HOUSE OF DELEGATES
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The Honorable S. Chris Jones, Chairman
Comments on the Committee Recommendations to House Bill 29 and 30
February 21, 2016

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 2016-2018 biennium.

Since the budget was introduced some 9 weeks ago, 4 public hearings have been conducted across the state in order to receive input from citizens on their priorities.

Crafting the biennial budget of the Commonwealth of Virginia is never an easy task, and one that I know this Committee undertakes earnestly with the best interests of all Virginians in mind.

With the full input of the House, through our small group meetings, and meetings with the Subcommittee Chairmen several goals and principles have been established to serve as the framework for the Committee's budget deliberations.

As required by the Constitution, this budget will include \$605.6 million in Rainy Day Fund deposits, replenishing the fund, which was used, as intended, to weather the recession. The Fund balance at the end of Fiscal Year 2017 will increase to approximately \$843.0 million.

In keeping with a long standing tradition of the House, the Committee has made as a priority maintaining our commitment to the long-term structural balance of our finances. This budget will be no different.

While state revenues are beginning to grow, the rate of growth is well below the historic growth trend of 6.0%. In fact, the rate of growth for Fiscal Years 2016, 2017, and 2018 will average 3.3%, about seven-tenths of a percent less than the 15 year average.

The Committee believes it is imperative to ensure we have adequate cash reserves on hand as we continue to operate in one of the weakest recoveries in memory. To that end, we will set aside approximately \$309.4 million in a reserve fund designed to guard against any further downward revision in the revenue forecast.

The reserve fund will serve two purposes; first, as a revenue reserve in the event that our revenues do not perform at the levels that we anticipate. Second, if our economy does perform, then these appropriated dollars will be earmarked to provide state employees, faculty, and state-supported employees a 3% compensation adjustment in the first year. In addition, \$28.2 million will be set aside to address compensation in Fiscal Year 18 based on recommendations of the Speaker's Workforce Commission.

You may recall that four years ago the General Assembly adopted legislation that put us on a pathway to fund 100% of the contribution rates certified by the VRS Board of Trustees. The actions contained in this budget will reach that objective 2 years earlier than required by law. In addition, the Committee will allocate \$189.5 million to accelerate the repayment of the deferred contributions to the State Employee Plan within the Virginia Retirement System.

Finally, because of our prudent decision to "collar" the amount of non-withholding revenue we recognize in the forecast, the Committee budget will direct that revenues in excess of the modified forecast be directed, after any required Rainy Day Fund deposit, to reduce dollar-for-dollar the amount of debt authorized under House Bill 1344.

The Committee budget also will continue to make major investments in a number of areas that have been a priority of this Committee.

First is the area of public education. All told, the Committee budget recommends an additional \$897.7 million over the two year period compared to the current budget. Of that amount, \$272.0 million will flow back to school divisions from the Lottery Proceeds Fund. You may recall that up until 2010, 40% of the Lottery proceeds were

sent back to school divisions based on a per-pupil dollar amount, distributed using ADM and the composite index with a required local match. In re-establishing this policy, we also propose to send the dollars back without a local match requirement, resulting in a savings to our local governments of \$136.5 million compared to the Governor's proposal for instructional positions and at-risk funding.

In total, the schools will get much needed flexibility to allocate dollars where they think it is best served; and local governments and citizens get tax relief by not having to match these dollars.

In addition, the Committee will provide \$83.3 for a 2% salary incentive fund to help pay for a locally approved pay raise for public school employees. Over the years, we have provided flexibility to school divisions in matching these funds. This year we will allow school divisions that elect to provide a pay raise in Fiscal Year 17 to apply that action toward their match for meeting the pay raise requirements in Fiscal Year 18.

Another priority investment is continuing our commitment to access and affordability in higher education. I want to thank Delegate Cox as he has been a stalwart in working to address the cost of attending our colleges and universities. I am pleased that our budget will allocate \$290.0 million over the biennium to continue making higher education a priority. Included in this total is an additional \$127.4 million that is designed to help moderate tuition at our colleges and universities, by ensuring that tuition for a Virginia student will not increase more than 3% per year over the biennium.

In addition, the budget will allocate \$40.0 million in cash and \$20.0 million in bonds to fund the collaborative research initiative pursuant to House Bill 1343. I truly believe this will be a game changer in the way Virginia invests in research.

Last year the House, working collaboratively with the Senate and the Governor, made significant investments in mental health reform. So, building on what was accomplished last year, additional funding will be included to expand services under the GAP programs to serve individuals up to 80% of the Federal Poverty Level. This will provide coordinated mental health services for an additional 3,600 individuals. In addition to these services, our recommendations will also provide support for 2 additional PACT teams.

Our budget recommendations will also focus additional resources to meet the needs of Virginia's most vulnerable citizens. Specifically, our budget will provide an additional 150 DD waiver slots over the biennium. In FY 2017, 100 of those slots will be directed at the top 100 individuals on the chronological DD wait list.

Another House priority is the area of Domestic Violence. The House passed a number of bills this session to further combat Domestic Violence. But passing legislation is not enough, our budget will include an additional \$2.0 million over the biennium for local domestic violence grants, and additional \$3.0 million in the Department of Housing and Community Development to provide safe, permanent, housing solutions.

I want to commend Delegate Peace for his hard work and commitment to this particular cause.

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 these goals and principles.

Finally, I would like to take a moment and reflect on a particular gentleman that I hope is enjoying his life after devoting over 30 years of service to the Commonwealth of Virginia, Johnny Joannou. Johnny and I served together in the House for 18 years, 12 on this committee and during 6 of those we were budget conferees together. He is a fiscal conservative who truly understood the responsibility of being good stewards of the people's money. As I said on the floor last week, "We don't print it, we have to earn it before we can spend it." With the help of a lot of people in this room, I believe our former member and conferee would be very proud of the documents before us today.

I would like to thank all of the Subcommittee Chairmen of Appropriations for their dedication and hard work and attention to detail in crafting the Budget.

I would like to receive the reports of the Subcommittees, beginning with Delegate Massie, Chairman of the Elementary and Secondary Education Subcommittee.