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The Honorable S. Chris Jones, Chairman
Comments on the Committee Recommendations to House Bills 29 and 30
February 18, 2018

Good afternoon. We are here today to consider amendments to House Bill 29, which is the current biennial budget as well as House Bill 30, which is the budget for the 2018-2020 biennium.

It can be said the budget is the most vital piece of legislation considered each year because without its passage the Commonwealth could not financially function.

We have an extra member joining us on the dais today. We're glad to have you back, Mr. Speaker and thank you for your leadership.

First, I would like to mention that this session the makeup of the appropriations committee has changed significantly with 7 new members, which represents almost a third of the committee and 5 new subcommittee chairmen.

The importance of this committee's work, and the budget we will unveil today cannot be overstated. Each of us, as elected leaders, has a constitutional obligation to adopt a balanced budget that meets the needs of our Commonwealth.

This is my fifth year as Chairman of the committee. It is a distinct honor, and a privilege for me to work and serve with each of you.

In past sessions we have made the work of this committee more efficient and transparent. This committee should be proud of the actions it has taken to improve the process. The Appropriations committee has demonstrated its commitment of being more efficient and transparent by being the first committee to go paperless, the first to use electronic voting and the first committee to live stream its meetings.

I am incredibly proud of the actions we have taken to collectively improve the process.

We have continued our commitment to transparency and a collaborative process this year, holding four public hearings across the state and dozens of subcommittee meetings. As always, we sought input from all 100 House members through a robust series of small group meetings.

Perhaps most importantly, for three years in a row we have completed our work on time or ahead of schedule. I am confident we will do so again this year.

As your Chairman, I have encouraged this committee to take a holistic and long-term approach to writing the budget.

Our job is more than moving numbers around a spreadsheet for any given year. We have to craft budgets that transcend the moment and complement the long-term public policy goals of the House of Delegates and the Commonwealth. We must always be concerned about sound public policy and fiscal responsibility beyond the politics, and do what is right for Virginia — even if it is not evident to the pundits or the prognosticators.

With that in mind, the budget this year will again chart a long-range course for our Commonwealth. It will be consistent with the guiding principles laid out in recent years, which I recommit to you today.

The budget will be structurally balanced, avoiding the temptations of short term wishful thinking.

The budget will be judicious, mindful that although state revenues are beginning to rebound, the rate of growth is well below the historic trend growth of 6.0%.

Through the actions we are taking in the budget today, we will seek to grow our economy helping to create good paying jobs for our citizens, improve our schools so our children will have the best opportunity to succeed in life and take full advantage of the potential of our great colleges and universities. We need to secure our healthcare safety net for the most vulnerable Virginians as well as take care of our hardworking state employees.

The direction of the Committee's budget would ultimately be determined by whether or not this Committee would provide additional healthcare coverage for uninsured low income Virginians under Medicaid.

Over the last four years, I along with many of my colleagues have taken the position that before we expand coverage under the enhanced federal Medicaid match, we needed to reform the current system. While for some the amount of reform will never be enough, for others it is too much. The reality is that we have implemented a number of reforms over the years.

While some may continue to be hesitant about expansion, the fact is that the Affordable Care Act is here to stay. Virginia has to live with that reality as we try to address our citizens healthcare challenges and I believe the responsible approach is to put forward a plan to protect taxpayers and control costs as much as possible.

Under this plan, Virginia will begin working with the Trump administration to apply for healthcare funding under the Affordable Care Act while simultaneously pursuing key conservative reforms such as education and work engagement, cost-sharing and personal responsibility incentives to assure personal accountability.

We have included mechanisms to make sure that any new healthcare funding is tied to key reforms that will be implemented through a waiver to the Affordable Care Act. We are confident that the Trump administration will ensure that we get all of the reforms we need before providing the funding required to expand coverage.

The most important reform is what we call the "Training, Education and Employment Opportunity" program – TEE-OP. This program was embodied in HB 338 which has already passed the House.

Our plan will also allow for individuals to be put in a private health insurance plan, either by providing premium assistance to enroll in the individual market place or premium assistance to enroll in their employer-sponsored plan.

Another issue of importance to all state governments in this country is whether Washington will keep its indefinite commitment to pay their promised share of the expansion cost. Under the plan language, if the federal government ever forfeits its commitment to pay for the cost, the plan will end.

Finally, the one concern that many have cited was how to pay for expanded health care without competing with other core programs, our plan provides for hospitals to pay for the state's 10% cost. The revenue collected will be put into a Trust Fund to fund only the costs associated with providing expanded health care coverage under the Affordable Health Care Act. These monies cannot be used for any other purpose.

As you may know, by extending healthcare coverage and receiving a 90% federal match, we are able to save approximately \$371 million in general funds. The estimated \$143.4 million in savings result from new programs we approved over the last few years that increased health care coverage to certain individuals that would now be eligible for the enhanced reimbursed at 90%. Another \$157 million results from savings at our teaching hospitals for individuals without health care coverage that will now be covered.

These general fund savings form the primary basis of the dollars available to make major investments in a number of key areas that have been a priority of this Committee. A top priority this year is investing in our workforce through education and training.

We have consistently heard from Virginia businesses that we are not meeting their workforce needs. This budget directly addresses this issue by being strategic in our approach and reflects a paradigm shift in how we fund programs and align them with our needs to grow Virginia's economy.

In the area of public education. We are fully-funding re-benchmarking, an increase of \$480 million for local school systems. This is a sizeable investment that will make sure Virginia's public school systems are preparing our young people to go to college or get the training they need so they can find good-paying jobs.

In addition, the Committee budget fulfills our multi-year commitment to increase the amount of money we send back to local school divisions without any strings attached. The budget increases the amount of lottery money being sent to school divisions by \$91.7 million over the biennium, representing 40% of the total lottery dollars.

We are also providing \$6.1 million to aid our smaller school divisions that have seen years of declining enrollment.

Another strategic investment that our budget makes is in the area of higher education. Specifically, this budget will target \$42.6 million in new state funding in order to increase degree production in four key areas: Data Science and Technology, Science and Engineering, Healthcare, and Education. We face chronic worker shortages that require these degrees. The days of funding new college enrollment growth without consideration of the type of degrees we need to compete in the global economy **must end.**

Likewise, our budget will better align our workforce credential program with training needs identified by the Regional Go Virginia Counsels.

Perhaps one of the most exciting strategies included in this budget is a \$50 million investment in CyberX. CyberX will leverage the strengths of several of our universities by creating an Institute for research, education, innovation, commercialization and industry internships in the area of cyber technology, big data analytics and autonomous technologies. Delegate Rush will further expand on this exciting opportunity to move Virginia forward in the ever changing world of technology.

The Port of Virginia remains one of the key economic drivers of our economy. But in this competitive international environment, more must be done to ensure Virginia's port remains positioned to be the top east coast port throughout the 21st century. I am pleased to report we are including \$350 million in funding to allow the Virginia Port Authority to build on its momentum and proceed at once with the much needed deepening and widening of the channels. Included in this amount, is \$20.0 million in Commonwealth Transportation Funds to immediately begin the preliminary engineering and design as well as \$330 million in bonds to fully fund the state's share of this critically needed project.

In the area of Intellectual and Developmental Disabilities, the Committee will approve the 825 ID and DD waivers.

As part of the House mental health reforms, our budget will provide an additional 6 new CIT assessment centers in underserved areas.

Another top priority will be the deposit of \$91 million over the biennium to the newly created Revenue Reserve Fund pursuant to HB 763 which unanimously passed the

House. This bill creates a secondary reserve fund to address revenue shortfalls in which the Revenue Stabilization Fund would not otherwise be available. The deposit of the \$91 million will bring the fund balance up to \$248 million by the end of the biennium. In total the Revenue Reserve Fund will be capped at 2% of general fund revenues or about \$420 million.

Finally, I want to turn my remarks to what I consider to be our most valuable asset -- our state employees, state troopers, correctional officers, state-supported local employees and our school teachers.

For every program we fund there is a public employee delivering the care, the service, the protection and the education. We get the credit, but if it were not for their dedication to service, there would be no programs.

Specifically, the Committee is recommending a 2% salary adjustment for state employees, college faculty and state-supported employees and school teachers effective July 2019.

With regard to high turnover jobs, our budget will recommend adjustments for adult and juvenile correctional officers, nurses and DSA's in Department of Behavior Health Services facilities, and police in the Virginia Marine Resources Commission.

In addition, our budget will include language to provide that if Fiscal Year 2018 general fund revenues exceed the official forecast after deducting for any required deposits into the Rainy Day Fund and Water Quality Improvement Fund, state employees would receive a bonus of up to 2%, effective December 1st, 2018. The budget will also provide a 1% merit increase for state employees effective July 2019. This is the first merit step increase in many years, and was identified as one of the reasons for salary compression in the state workforce.

In closing, I believe that our budget recommendations adhere to our commitment to fiscally sound budgeting, and 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 have achieved their goals, you have done well and I thank you all for your efforts. I would also like to thank the staff for their hard work and devotion to good financial management. As I have said in the past, we would lost without them.

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