



COMMONWEALTH OF VIRGINIA

HOUSE OF DELEGATES

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The Honorable Luke E. Torian, Chairman Comments on the Committee Recommendations to House Bill 29 and House Bill 30 February 18, 2024

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 upcoming 2024-2026 biennium.

Although we have a record number of new members in the House this year, I am lucky to have an Appropriations Committee largely full of veterans. I'd like to begin by expressing gratitude to all the Committee Members for stepping up to the plate, ensuring continuity, and developing a solid amendment package.

While much has changed, let me say from the start, one principle remains the same – the Appropriations Committee strives to develop a fiscally responsible budget that focuses on meeting our citizens' needs.

Last month, I set out 6 core priorities for this year's new budget:

1. Providing employee compensation increases for all groups of employees,
2. Ensuring college remains accessible and affordable for Virginia's students,

3. Increasing teacher pay to the national average and advancing equity in school funding to ensure all students can succeed,
4. Supporting the strategic investments in health and human resources to address the mental health and opioid crises and the needs of the DD waiver population,
5. Continuing our commitment to environmental protection, and
6. Finally, making prudent use of available cash and debt to address our capital maintenance backlog and construction needs.

This Committee's amendment package makes significant investments in each of these key priorities while maintaining fiscal responsibility.

As Governor Youngkin stated when he introduced the budget in December, "Our sales and use tax base is substantially more narrow than our peer states.... we will modernize and address these problems by first closing the big tech loophole on digital goods to include them as part of the sales tax base." On this, the Governor was correct. In 2000, sales tax applied to fully 50% of consumer expenditures nationally. According to the Tax Foundation in 2021, that figure has fallen by 40% - to less than 30% of purchases. The budget amendment package before you retains the Governor's proposal to extend the sales tax to digital transactions. It makes no sense to pay sales tax when you buy a Blu-ray disc but don't pay a tax when you download the same movie from a digital retailer.

I strongly believe it is our responsibility to adequately compensate our public employees. The House has provided significant raises in recent years. That does not mean we can now rest on our laurels. Just to ensure wage gains are not lost to inflation the Committee is proposing 3% raises in each year of the biennium for state and state-supported local employees. Similarly, to ensure Virginia's teachers are

paid at least at the national average by the end of the next biennium, the amendments include raises of 3 3/8% each year for our educators.

There has been much discussion about public education over the past year. We recognize that many of the JLARC recommendations point to systemic problems with our K-12 funding model. That said, it would be premature to make wholesale changes without further review. The Committee decided to focus on 3 key items that we all agree need to be addressed. These are: improving teacher pay, and using evidence-based methods to distribute funding for At-Risk students and English Language Learners thus ensuring that all students receive the supports they need to succeed in life.

In the area of higher education – a sector largely ignored in the introduced budget – today’s package builds on the House’s continued commitment to prioritizing affordable access and degree production. It includes \$205 million over the biennium to allow institutions to limit in-state undergraduate tuition increases and increase degree production in high demand fields. We also provide over \$50 million to the Community College System to increase workforce credentials in six key industry sectors.

Health and Human Resources remains one of the most critical areas of need in the Commonwealth’s budget. I was pleased that the introduced budget authorized an additional 3,440 DD waiver slots. Unfortunately, simply providing DD slots does not guarantee services. This budget will retain those slots and also increase rates of pay for personal care attendants to ensure there is not just an available slot, but services for those in need. The Committee also is recommending more than \$457 million for mental health and substance abuse services. This goes beyond the recommendations in the introduced budget which focused on crisis care and adds funding to ensure community services are available to provide a continuity of care after

the initial crisis has been resolved. We hope these additional services will reduce the future need for crisis services.

Because of high carry-forward balances, in recent years we have been able to fully fund our capital program with cash. While we do not have the same level of flexibility this year, it continues to be imperative to address deferred maintenance and prior project commitments to avoid higher prices caused by delays in projects that are fully planned and ready to move to construction. Although we continue to avoid adding high-cost new projects to the six-year plan we must not lose our focus on tackling maintenance and renovation needs. In total, the budget has \$1.7 billion in general fund supported capital, only about 1/3 of which is tax-supported debt. We stay well below the conservative \$1.0 billion plus of annual debt capacity recommended by the Debt Capacity Advisory Committee.

To not steal the thunder from our individual subcommittee reports, I will leave the details to them. We will begin with Delegate Rasoul and the recommendations of the Public Education Subcommittee.