

The Honorable Vincent F. Callahan, Jr.
Comments on House Bills 29 & 30
February 23, 2006

Mr. Speaker and Members of the House:

Today we will take up the Appropriations Committee amendments to House Bills 29 and 30. House Bill 30 is the two-year budget for the upcoming 2006-08 biennium.

Mr. Speaker, borrowing a line from Yogi Berra – “It's like deja-vu, all over again”.

It seems just like yesterday that we were sitting in Richmond preparing to take up HB 30 -- the budget for the 2004-06 biennium. In some respects I guess we are, since HB 29 is the “caboose” bill for the current biennium.

For those that were here during the 2004 Session, you may recall the General Assembly grappled with building a new two-year budget. At that time, it was expected that we would have approximately \$1.8 billion in net new revenues available to meet our spending obligations. It was claimed that this was insufficient to meet the Commonwealth’s needs, and that additional revenue was needed. After a protracted debate and extended legislative Session, taxes were increased nearly \$1.5 billion dollars. There was much self congratulation that Virginia’s fiscal house was back in order.

You may also recall that two months after that budget was adopted, Virginia received some surprising news, that the fiscal year would end with \$325 million more than projected or perhaps predicted.

That happy news led to the first of several revisions to the revenue forecast during the current biennium.

In fact, the most recent revision to the current fiscal year projects that general fund revenues are now forecasted to generate an additional \$1.4 billion over and above the revenues assumed when we left here last year.

Since that fateful day in May of 2004, the cumulative effect of Virginia's growing economy means that what started out as \$1.8 billion in new revenue growth now appears to be closer to \$4.9 billion over the biennium, or 275% greater than the original biennial forecast.

Now Mr. Speaker, it has been just over 8 weeks since I introduced House Bills 29 and 30. In that intervening time, I often heard that this would be the "Transportation" Session. Quite frankly, those who coined this phrase must have forgotten the \$850 million in new transportation funding we made last Session, the largest infusion of new funding in 20 years.

Be that as it may Mr. Speaker, the recommendations before you in the form of amendments to HB 30 reflect a budget that balances our need to fully meet our responsibilities to the core functions of government and continue investing in transportation.

In fact, Mr. Speaker, as we started the Session, the subcommittee chairmen and I identified four principal commitments that would guide us in our deliberations: investing in transportation, fulfilling our promise on several tax policy changes, addressing employee compensation, and maintaining our commitment to funding core services.

Meeting our core commitments has always been the first priority of this Committee. Our actions today reflect that commitment.

The Committee budget allocates over \$4.4 billion in net new revenue, over and above the base budget, allowing us to meet the needs in the following areas:

- 1) Public Education – the budget will provide approximately \$11.5 billion in funding for public education over the next two years. This represents an increase of \$1.5 billion over the current funding level or approximately 36 percent of the net new revenues available.

Included in fully funding is the cost of re-benchmarking the current Standards of Quality, as well as funding for the state's share of a 3 percent teacher pay raise and the cost of funding an increase in the retiree health insurance credit.

- 2) Higher Education – the budget will invest approximately \$419 million in additional general fund support for higher education. This represents an increase of approximately 13 percent over base funding levels.

These dollars will be targeted toward enrollment growth and ensuring more moderate tuition increases for in-state undergraduate students. We will also provide funding for student financial assistance, including tuition assistance for undergraduate students enrolled in our private colleges.

In addition to funding base adequacy, the Committee has put together what I consider to be a sustained investment in higher education research. Clearly, the package we

prepared creates an environment in which the opportunities for collaboration with both industry and other institutions exist.

- 3) Mental Health – our budget provides funding both to rebuild our mental health system and invest in community services.
- 4) Health care “safety net” - this budget protects the elderly and our children by providing funding to meet our projected enrollment demand. We will maintain our current eligibility and benefits structure in our Medicaid program and fully fund increased costs associated with utilization and inflation for our hospitals and nursing homes. Finally, I am pleased that we could provide some targeted assistance to several of our health care provider groups.
- 5) Cleaning up the Chesapeake Bay – Building on last year’s historic commitment to provide \$500.0 million over a 10-year period, our budget will provide \$200 million over the biennium toward this commitment. By accelerating the state’s pledge it is my hope that we can meet the 2010 timeframe.

Finally Mr. Speaker, as I had indicated, our spending plan also addresses other priorities.

Building on last year’s actions, I am pleased that the House budget will again make a record investment in transportation.

Like last year, the House proposal looks outside the box and approaches transportation differently. I am very pleased that the recommendations before us will promote new and meaningful

opportunities to forge partnerships with both the private sector and our local governments.

However, unlike the Senate and Governor who have defined the “transportation” crisis in terms of raising taxes, the House plan specifically addresses choke points and other measures that voters can identify with.

Our actions in addressing transportation should not be measured solely on the basis of how much additional money we can run through a funding formula, but rather how additional resources will be used to address our transportation problems. We must continue with the reforms begun in 2005 in which we partner with our local governments and the private sector to deliver important transportation projects. The infusion we recommend will support highway, transit, rail and other modal projects.

In constructing this plan, we had two primary objectives. The first was to jump start critical transportation projects through the dedication of \$600 million in general funds for transportation projects. This proposal focuses on reducing choke-points and improving traffic flows along key corridors such as I-81, I-66 and I-64.

The second component of our plan will create a dedicated, ongoing funding stream for Northern Virginia and Hampton Roads. This proposal is modeled after the Route 58 Corridor Development Program.

Specifically, we dedicate \$40 million per year in recordation tax revenues to be split between the two regions. We will also dedicate the portion of the one-third of the insurance premiums attributable to each region based on their share of the state’s population. In turn, these dollars will leverage, over a 10-year period, \$700 million in new

funding for Northern Virginia and approximately \$500 million in new funding for Hampton Roads.

Using general funds for transportation is not new; back in 1989 the General Assembly dedicated \$40 million in recordation tax revenues each year for transportation improvements to the Route 58 Corridor across the southern and southwest portion of Virginia. To date, we have invested over \$750 million to this effort.

As I scan this room, I can count only a handful of members that were here when the General Assembly made this policy change to invest in the economic future of this region. I am proud to have voted for that plan then and I am proud to continue with its support today.

While the economic situation of Northern Virginia and Hampton Roads is different than that facing the Route 58 region, it is my belief nonetheless, that the vitality of these regions commands every bit of the same commitment that was made in 1989.

The plan before us today does not take away any funding from the other transportation districts, nor does this plan take anything away from core services.

However, I would say that far greater damage will be done if we neglect these two region's transportation needs, thereby hampering the economic growth that generates funds to support our ongoing commitments to priorities like education.

In closing, the Committee budget recommendations clearly and strategically focus our resources on keeping our promises to fund the core services of government. I recognize that even in times of prosperity we continue to face a challenge. This Session has been about managing expectations and making difficult choices.

I submit to you that the Committee has built a good budget. Most importantly, this is a consensus budget developed by the House Appropriations Committee on a bi-partisan basis.

I hope that you will accept our recommendations.