



COMMONWEALTH OF VIRGINIA
HOUSE OF DELEGATES
RICHMOND

APPROPRIATIONS COMMITTEE
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VINCENT F. CALLAHAN, JR., CHAIRMAN

The Honorable Vincent F. Callahan, Jr.
Floor Remarks
House Bill 1650
February 8, 2007

Mr. Speaker and Members of the House:

Today we will take up the Appropriations Committee amendments to House Bill 1650, the two-year budget for 2006-08 biennium adopted last year.

Since we adjourned last spring, the Commonwealth has continued to experience tremendous job growth resulting in additional revenue growth in excess of the forecast in which this budget was originally predicated.

The Governor's revisions to the revenue forecast issued in December have resulted in \$460 million in net additional general fund revenue for the remainder of the biennium.

While, Virginia's economy continues to out-perform the national economy, two primary sources, income tax withholding and sales tax, which account for 78 percent of total general fund tax revenues, are performing consistent with the economic indicators that form the basis of our revenue forecast.

The majority of the Governor's upward revenue adjustments were in corporate tax collections and estimated payments from individuals.

However, in the week leading up to the report of the Committee on Sunday, Secretary Wagner briefed me on year-to-date revenue collections. She indicated that no additional revisions to the general fund forecast would be made by the Governor.

While the final numbers for January are not in, the Secretary did indicate some concern with the pace of collections in estimated tax payments. While estimated payments were up from a year ago, the rate of growth is below the rate assumed in the revised forecast issued in December.

The Department of Taxation is still analyzing the January payments, and at this point is unable to specifically determine whether the smaller payments reflect the prudent use of the "safe harbor" rule which could ultimately result in larger final payments in May, or whether the Governor's December revisions were overly optimistic.

As is the case in any business cycle, our economy has matured and is now entering a period of trend-line growth. I continue to believe that the fundamentals of the economy are sound; however, I don't expect another year of 8 percent revenue growth.

Historically, trend-line growth has produced revenue gains in the mid-5 to 6 percent range.

Since my tenure as Chairman, I have followed the philosophy that fiscal prudence is the best policy.

Last November, the Appropriations Committee held its annual retreat. At that time I shared with the Members -- which also included members of the House Finance Committee -- my belief that it was extremely important that additional fiscal year 2007 revenues in excess of the current forecast **not** be carried into fiscal year 2008 and spent on new programs.

This would have the effect of doubling up spending that can not be supported within the longer-term revenue frame work.

The budget recommendations that are before you today uphold that philosophy.

In fact, as an extraordinary measure of fiscal prudence, we are recommending the set aside of \$50 million in a reserve fund. If not otherwise needed to offset a potential shortfall in estimated tax payments, these funds will be targeted to moderate tuition increases at our colleges and universities.

The majority of the Committee's other funding recommendations are targeted to meet our core commitments in transportation, cleaning up the Chesapeake Bay, adding mental health and mental retardation services through more waiver slots, increasing access to health care through provider reimbursements and providing additional compensation adjustments for our state employees, teachers, and state-supported local employees.

Two days ago the House of Delegates overwhelmingly approved on a bipartisan basis a transportation package – House Bill 3202 -- that addresses, on a statewide basis, the needs of all construction districts, including the jump-starting of critical transportation projects through a \$2.0 billion bond package.

I am also pleased that the legislation includes authority for self-help for the specific needs of our two most congested regions of the state.

Consistent with House Bill 3202, the budget recommendations before us will provide \$566 million in onetime general fund support, of which \$227 million represents 50 percent of the excess revenues proposed by the Governor in December.

With regard to cleaning up the Bay, I am pleased that the recommendations before us today will make another deposit of \$50 million towards our \$500 million commitment unanimously reaffirmed by this House through the passage of House Bill 1710. I would like to thank Delegate Cox for his leadership in this area.

While the guiding principle of our budget was to avoid starting new programs, our budget recommendations do direct additional funding to add 160 MR waiver and 100 DD waiver slots. These slots, together with 170 already

in the budget will provide 330 new slots in addition to the slots approved last year. For those that attended the public hearing in Northern Virginia and in Richmond, this was by far the number one priority for those that spoke.

In closing, the budget recommendations that will follow clearly and strategically focus our resources on keeping our promises to fund the core services of government. 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.