The Honorable Lacey E. Putney
Conference Committee Report to House Bill 1300 and 1301
April 17, 2012

Mr. Speaker and Members of the House:

On behalf of my fellow conferees, I am pleased to deliver the much anticipated conference committee report to House Bill 1300 and 1301.

To say it took a bit longer than we anticipated would be an understatement. However, the conference report before you is the product of consensus between the two Chambers on amendments to the current fiscal year budget and a new two year budget starting July 1st.

With regards to the specifics of the Conference Committee Report, as we started this Conference Committee the number of items in dispute were not great, however, there were several significant policy differences that we needed to resolve.

From the House perspective, we were guided by the goals outlined by the Appropriations Committee at the start of the Session, which was to:

- Provide additional funding for both our public schools and our local governments so that they can keep local taxes low,
- Use one-time savings to fund non-recurring costs such as research, capital projects, and other infrastructure needs,
- Minimize the amount of new debt,
- Provide full funding of the VRS contribution rates,
• Reduce the burden on Virginia’s businesses with fewer and lower fees,

• Provide additional support to attract new industry and promote tourism, and

• Make the largest investment in over a decade to our colleges and universities, and finally,

• To protect the health safety net for those less fortunate, and to continue reducing the waiting list for families with a loved one in need of either an ID or DD waiver.

Mr. Speaker, I believe that the House conferees succeeded in their mission. The conference report upholds many of the goals and priorities we outlined.

For example, the conference report provides an additional $215 million in funding for K-12, which is on top of the nearly $440.0 million proposed in the Introduced budget. The largest piece of these new funds is a $110 million in a flexible block grant that may be utilized for inflation, to help offset the local cost of the VRS, or for pre-K programs. What is unique, it that it is flexible and will allow the schools to direct its use.

In addition to the flexible block grant, the conference budget also provides: $47.1 million to update the funding for the K-3 class size initiative, $40.0 million to restore funds for the Cost of Competing, and full funding for the state’s share of the cost of the teacher VRS rate increase.

Mr. Speaker, in the area of Health and Human Resources, the conference recommendations focuses additional resources to meet the needs of Virginia’s most vulnerable citizens. Specifically, the conference report will restore funding to the health safety network; ensure adequate Medicaid payments for our hospitals and nursing homes; and, provide additional Medicaid waiver slots to address the waiting lists for intellectual disability and developmental disability services.

Mr. Speaker, I can’t tell you how proud I am of the conferees, especially Mr. Jones and Landes, in ensuring that the House position prevailed with regard to the ID and DD waivers.
In the original House budget, we were able to provide 250 waivers over and above those required by the DOJ agreement. Well, your conferees not only succeeded in upholding the House position, but added another 55 waiver slots, for a total of 305 ID and DD waivers. Again, this is over and above the slots provided as part of the Settlement.

Regarding the issuance of new debt, the House has been somewhat reluctant to engage in more debt at this time. While the House budget contained nearly $100.0 million less debt than the Introduced budget, the Senate budget contained about $230.0 million over and above the Introduced budget.

Again, the House prevailed, limiting the amount of new debt authorized. In total, the conference report will have $27.0 million less debt than the Introduced budget. However, the conference report provides nearly $87.0 million in cash to meet the state’s current commitment to 57 wastewater projects. This cash will be deposited into the Water Quality Improvement Fund.

The conference report also provides about $93.0 million in cash and bonds for 38 high priority construction and major renovation projects at our colleges and universities and state buildings.

In the area of higher education, the conferees again were not separated by dollars as much as they were by how to allocate the dollars to our schools. I want to thank Delegate Cox for his leadership in this area, and I am pleased that the conference budget provides over $212.0 million for enrollment growth, base operating support, financial aid, and incentive funding. This represents the largest investment in over a decade, and I want to also applaud Governor McDonnell for making higher education a priority.

Mr. Speaker over the last several years this House has made a priority commitment to the long-term structural balance of our finances. This budget will be no different.

With the Governor’s leadership, this budget will include nearly $300.0 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 FY 2014 will be in excess of $600.0 million, or about half of the level it was prior to the withdraw.
Last Session, the General Assembly began to phase-out the accelerated collection of sales tax revenues that required nearly 9,000 retailers to pay July’s sales tax in June.

Our recommendations immediately began the phase-out, resulting in 80% of the impacted retailers not having to accelerate their sales tax remittance last June.

The conference budget continues this phase-out by allocating $50 million, which will remove another 1,407 retailers from accelerating the tax collections. With this budget, and last year’s actions, 95.6% of all retailers will be removed from this requirement.

Finally Mr. Speaker, as I said back in February, I believe it is imperative to ensure that we have adequate cash reserves on hand as we continue to emerge from the worst recession in memory. To that end, the conference budget aside a couple of reserve funds. The first is designed to meet any negative impact of either federal budget reductions, or base realignment actions over the next several years.

The second reserve fund will serve two purposes; first, as a revenue reserve in the event that our economy does not perform at the levels that we anticipate. If our economy does perform, then these appropriated dollars will be earmarked for a pay raise in the second year of the budget -- fiscal year 2014 -- for state employees, college faculty, and our state supported Constitutional Officers and their employees, such as deputy sheriffs, Commonwealth Attorneys, and such.

Mr. Speaker, I want to thank all of the House conferees for their hard work and commitment over the last 6 weeks. It is not always an easy job, they don’t earn extra pay for their duty, but each and every one of the conferees was here; on demand, to meet the Senate on any day, at any hour. Thank you for your good work.

Mr. Speaker, it is time to vote on these two conference reports. It is time to move forward so that our local governments, public schools, colleges and state agencies can turn their attention to carrying out their responsibilities of providing services to the people of Virginia.

I hope it will be the pleasure of the House to adopt the conference reports.

Thank you.