

**The Honorable Lacey E. Putney
Comments to the Committee
House Bill 1500
February 3, 2013**

Good afternoon. Today we meet to consider amendments to the current biennial budget which we adopted last year.

Since we left last spring, the U.S. economy continues to emerge from the Great Recession; however it appears that the recovery will continue to be gradual and uneven. While consumer confidence has improved, there remain many negatives, such as high debt burden, low home values, modest job growth, and the inability of the federal government to get its fiscal house in order.

While Virginia typically out-performs the U.S. economy, our rate of job growth has slowed substantially relative to the nation. Some of the slowdown we are currently seeing I believe is attributable to the “chilling” effect of the budgetary uncertainty that continues to be played out in Congress.

As Congress finally begins to get its fiscal house in order, we must recognize the potential impact on Virginia. The economic forecast presented by the Governor in December revised downward the job growth forecast and the forecasted rate of growth in payroll withholding.

Last Session the House took a very prudent approach in addressing many of the structural problems that were embedded in the budget. While fixing the structural problems was not as sexy as spending on new programs or restoring previously imposed cuts, the fact is that through our fiscal stewardship we adopted a more structurally balanced budget.

The amendments proposed by the Governor in December addressed many of the issues that this Committee had identified during our November retreat. I want to commend him for his proposals to eliminate the FY 2014 Local Aid Reversion, further reducing the Accelerated Sale Tax Collection, and setting aside \$50 million as a prepayment for the next biennium's required Rainy Day deposit.

In addition to the Governor's proposals, the budget conferees and staff conducted 8 separate meetings over the last 2 weeks designed to assess the thoughts of Republicans and Democrats, including both committee members and non-committee members. The feedback received was very helpful and many member suggestions have been incorporated.

With this as the backdrop, the budget recommendations of the subcommittees reflect several guiding principles. The first was that we needed to fund our existing commitments before initiating new ones. Likewise, we should minimize program expansions or restoring previously adopted budget cuts. I also felt that we should follow the Governor's lead and squirrel away additional resources into the Rainy Day Fund.

Finally, in an effort to minimize potential conflicts and find common ground that would hopefully get us out of here on time; our process included meeting with our friends in the Senate. That meeting identified several areas of mutual interest such as: capital outlay, compensation for all employee groups, and, ID and DD waivers.

Not to steal too much thunder from my Subcommittee Chairmen, I do want to touch on several actions that underscore the fiscal acumen of all 22 members.

I am pleased that the Committee's recommendations will include an additional \$45 million for the Rainy Day Fund. This amount, coupled with the \$50 million in the Governor's amendments, represents approximately 25% of the estimated \$370 million required deposit in the 2014-16 biennium. I want to thank Delegate O'Bannon and his subcommittee for their hard work in helping reach that objective.

In the area of K-12, again I want to applaud the Governor for marshaling the vast majority of his resources to the funding needs of our teachers and school.

Several weeks ago, Delegate Cox addressed the issue of teacher and support staff pay raises. He pointed out that many school divisions, either as a formal policy or through operational practice, give pay raises to all school personnel, both support and instructional.

Given the practice of the school boards, I believe that the exclusion of state funding for support staff may very well create a financial barrier that may result in no pay raises to anyone.

The second issue Delegate Cox addressed dealt with the date in which the pay raise must be given in order to receive the state incentive funding. We have heard that this firm date could be an impediment as to whether school boards can afford their share of the cost of the 2% raise.

I am very pleased, that through the hard work of our Coach Tata, the Committee will address these concerns, and it is our hope that all school divisions will take advantage of this and adopt the pay raise for school teachers and support staff.

In the area of Capital Outlay, I want to thank Delegate Lingamfelter for upholding the principles of the Capital Outlay process that was adopted by the 2008 General Assembly. If we are going to meet our aggressive goal of 100,000 degrees, we are going to need additional capacity at our universities.

In the area of state employee compensation, I want to first thank Delegate Chris Jones for not adopting changes to our retirement system. He worked very hard last year on much needed reforms. However, I also appreciate the hard work of the subcommittee in addressing state employee salary compression.

Salary compression occurs when salaries for new employees are set at a higher rate than for more senior employees holding the same job. Not surprisingly, this effect has an impact on morale. Unfortunately, across the board salary increases do nothing to rectify salary compression problems. Likewise, the fact that employees have not seen a pay raise in 6 years only exacerbates the problem.

To address this, the Subcommittee reviewed a number of options. One option that makes sense and is easy to understand is a salary adjustment based on years of state service. This was used in 2005 and I believe was very successful and well accepted by employees.

With regard to state supported local employees and college faculty, I am pleased that the subcommittee is also recommending an additional 1% salary adjustment. In total, these employees will see a 3% pay raise in FY 2014.

Turning to our colleges and universities, I want to commend Governor McDonnell for his continuing commitment to raising awareness of the importance of higher education to Virginia's economic future. His "Top Jobs" legislation, spearheaded by

Delegates Cox and Dance, brings to the forefront the need to address access and affordability. The subcommittee embraces much of the Governor's funding efforts.

While the guiding principle of our budget was to minimize new spending, our budget recommendations do reflect the long standing commitment of this Committee toward the families that have a loved one in need of waiver services. Specifically, the recommendations in Delegate Ingram's Health and Human Services subcommittee will affirm this commitment by providing 200 additional MR and 50 additional DD waiver slots to help meet the waiting list.

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 believe, quite frankly, that the work of the subcommittees has achieved my goal. You did it right, and I thank you all for your efforts. I would also like to thank the staff for their hard work and devotion to good fiscal management.

I would like to receive the reports of the Subcommittees, beginning with Delegate Tata, Chairman of the Public Education Subcommittee.