



COMMONWEALTH OF VIRGINIA
HOUSE OF DELEGATES
RICHMOND

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The Honorable Lacey E. Putney
Comments to the House of Delegates on the Recommendations to House Bill 29
and 30 by the Appropriations Committee
February 23, 2012

Mr. Speaker and members of the House:

This afternoon we take up the Appropriations Committee's recommendations to the budget. I am gratified that our budget recommendation received a bi-partisan and unanimous vote from the Committee.

Crafting the biennial budget of the Commonwealth of Virginia is no easy task, and one that I know this Committee undertakes earnestly with the best interests of Virginians in mind. Since I introduced the budget some 8 weeks, we have conducted 5 public hearings across the state in order to receive input from the citizens on the priorities they would like to see addressed.

Shortly after arriving here 40 days ago, I assembled the Subcommittee chairman and we began to discuss the direction the Committee would take in building the House Budget. We began our process by fully vetting the Governor's proposals and vision that he was recommending. We found much to agree with during that assessment. However, as I said to the House this past Thursday, "Governor's propose and Legislatures dispose."

Recognizing that the responsibility of adopting a budget ultimately rests with us, I knew that an integral component of a successful budget was to involve all 100

Members of the House. So, over a 3 week period we engaged in small group briefings in which members from both sides of the aisle participated in an in-depth discussion of the Governor's proposed budget.

With the input of the House, we charted several goals and principles that would serve as the framework for the Committee's budget deliberations.

The first principle was that we needed to be mindful that although state revenues are beginning to grow, the rate of growth is well below historic trend growth of 6.0%. Furthermore, this rate of growth is less than we experienced in the two previous recoveries. For example, coming out of the 1991 and 2001 recessions, withholding grew about 8% and 7.2%, respectively.

This Committee has made a priority commitment to the long-term structural balance of our finances. This budget will be no different.

As required by the Constitution, 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.

Likewise, I also believe that 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, we will set aside a couple of reserve funds. The first is designed to meet any negative impact of federal budget reductions on the Commonwealth 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.

The second principle we adopted was to provide help to our localities. While state revenues have begun to rebound, localities are still grappling with declining real estate revenues, a byproduct of a housing market that remains weak. Clearly, we all know that localities budgets are stretched thin and that they too are facing increased costs of providing services to our citizens. Overall, nearly 65% of local budgets go to pay their share of the cost of K-12 education.

Our amendments will address local aid on two fronts. First, we will provide an additional \$138.0 million over the amounts recommended by Governor McDonnell for inflation adjustments that are normally apart of the basic aid funding model, additional funding for the K-3 class size reduction program, and funding to expand the early reading program for 3rd graders.

Second, our budget will restore \$70 million in aid to localities. You may recall over the last several years one of the balancing strategies was to reduce local aid by \$60 million each year. Making substantial strides in phasing-out this structurally unbalanced practice was a top priority of the Committee.

Our third principle was to continue our investment in higher education. I applaud Governor McDonnell for making higher education a priority, and I am pleased that our budget makes the largest investment in a decade.

Our budget recommendations will also focus additional resources to meet the needs of Virginia's most vulnerable citizens. Specifically, our budget 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.

As I mentioned on the House floor, adequate funding to our hospitals and nursing homes is not only important for the delivery of quality health care to the aged and disabled, but it also recognizes that our health providers are major employers, especially in rural Virginia

Mr. Speaker, the Appropriations Committee strives, and I believe exceeds in working in a bi-partisan fashion.

Because working as a team is important to me, yesterday afternoon I had a meeting of the full Committee in order to share with them a letter we have received from the U.S. Department of Veterans Affairs notifying Virginia that the Veterans Care Center slated for Hampton Roads would not be funded in 2012.

The Committee amendments put up \$28.5 million representing the state's share of this project. As a result of the federal government's decision, the Committee agreed to reprogram these dollars for other purposes.

In total, there will be 5 floor amendments offered to the body that will provide \$12.0 million per year for the partial restoration of the Cost of Competing for non-instructional positions. In addition, there are 3 amendments for various research initiatives at Old Dominion University, Virginia Tech, and the University of Virginia.

The fifth amendment in this package authorizes the Governor to make a commitment on behalf of the Commonwealth for the federal dollars to build the Veterans Care Center in the event the U.S. Department of Veterans Affairs is able to secure the funding in 2013.

Finally Mr. Speaker, the Committee met again this morning to consider another amendment. As you know, yesterday the House Finance Committee adopted an amendment to SB 597 that clarifies that on-line retailer that have a physical presence in Virginia will be required to collect and remit the sales tax on such purchases. This legislation is part of an agreement with Amazon. Based on the fiscal impact, the unrestricted general fund revenue that is anticipated to be collect is approximately \$8.8 million in Fiscal Year 2014. As a result, the Committee will put forth a floor amendment that will utilize to further reduce the Accelerated Sales Tax remittance by our retailers. Specifically, the amendment will authorize that the remittances of 90% of the previous June's collections will be prorated down in June 2014.

Mr. Speaker, I hope this body will embrace the Committee's recommended floor amendments.

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

I hope it will be the pleasure of the House to endorse the Committee's amendments to House Bill 29 and 30.