



COMMONWEALTH OF VIRGINIA
HOUSE OF DELEGATES
RICHMOND

APPROPRIATIONS COMMITTEE
9TH FLOOR, GENERAL ASSEMBLY BUILDING
CAPITOL SQUARE
POST OFFICE BOX 406
RICHMOND, VIRGINIA 23218
804-698-1590

LACEY E. PUTNEY, CHAIRMAN
ROBERT P. VAUGHN, STAFF DIRECTOR

The Honorable Lacey E. Putney
Comments to the House of Delegates
House Bill 1500
February 7, 2013

Good afternoon. Today we meet to consider amendments to House Bill 1500, which is the budget for the 2012-2014 biennium.

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 embrace many of the issues that the Appropriations Committee had identified at its annual retreat in Suffolk this past November.

I want to commend the Governor 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.

While the Governor provided the Committee with a solid foundation in which to work from, the ultimate responsibility for crafting an amended budget rests with the General Assembly.

Mr. Speaker, as many of you know the Appropriations Committee has a very deliberative process in which we analyze the budget and make decisions that we believe represents good fiscal policy not just for today, but for the out years as well.

Over the last several years, our process was expanded to receive input from all 100 members. This year was no different.

During the first two weeks of the Session, the budget conferees and staff conducted 8 separate meetings 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.

In fact Mr. Speaker, I am very proud of the fact that the amendments before you were adopted unanimously by the Committee.

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 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.

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.

In addition Mr. Speaker, the Committee also recommends an amendment, that in the event the transportation legislation HB 2313 fails to be enacted by the 2013 General Assembly, the \$49 million in sales tax revenue slated to go to the Transportation Trust Fund will instead be deposited into the Rainy Day Fund as another advance deposit for against the next biennial budget requirement.

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 the Committee amendments not only funded the state's share of a 2% pay raise for support staff, but also provided flexibility on the date in which the pay raise for instructional staff is given

In the area of Capital Outlay, the Committee amendments uphold 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 the Committee recommends an amendment that will address 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 Committee amendments provide 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 Committee is also recommending an additional 1% salary adjustment. In total, these employees will see a 3% pay raise in FY 2014.

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 include providing 200 additional MR and 50 additional DD waiver slots to help meet the waiting list.

Finally Mr. Speaker, the Committee met again this morning to consider another amendment. A couple of days ago the Attorney General wrote to me with an update on several consumer settlements that had been reached in a number of consumer protection cases. These cases include a settlement with Lender Processing Services Inc., and with the marketing of the medications Zyvox and Lyrica.

As a result of these settlements, the Attorney General indicated that there will be approximately \$6.8 million available to be swept from the Consumer Litigation Revolving Fund. This is the Fund in which the settlement payments are deposited.

The Committee adopted this morning an amendment that will replace the Committee's amendment to Item 61. Specifically, the new amendment will direct the use of the \$6.8 million in three ways. First, it will provide the Attorney General's Office with an additional \$500,000 for tobacco enforce activities as part of the Tobacco Master Settlement Agreement.

Second, it directs that \$2.55 million will be deposited to the Housing Revolving Trust Fund pursuant to Delegate Lopez's legislation.

Finally, the remaining \$4,000,000 will be directed to the Rainy Day Fund as a pre-payment against next biennium's required deposit

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

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 1500.