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Senate of Virginia

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Overall Budget

Beginning with its release by the Senate Finance and House Appropriations Committees this past Sunday, the state budget has dominated the news this week and rightfully so. It is the single most important matter we must deal with this year. The economic downturn that has affected so many Virginia families has affected our state finances as well. But that is just the beginning of the story.

The truth be told, we have limited flexibility in crafting the state budget. On the spending side, K-12 education represents 35 percent of state spending. Our Virginia Constitution demands that we provide "free public elementary and secondary schools for all children" which provide "an educational program of high quality." In recent decades and the last few years in particular, the partnership of parents, students and teachers, supported by increased state expenditures, have produced impressive gains in scholastic achievement by every objective standard.

Accordingly, the cuts in education funding you read about need to be put in perspective. If cuts are to be made in the budget, it is simply impossible to exclude the largest single item. On the Senate side we have sought to mitigate those cuts as much as possible.

For example, with legislation I authored, we will adjust the retirement benefits of future hires. Hence, we can justify to a degree a smaller contribution to the Virginia Retirement System for the next two years without jeopardizing benefits due retirees. This frees up funds not otherwise available for education today.

You may have heard of additional cuts to school systems in our area due to a change in the funding formula. I am pleased to report the Senate budget restores those funds.

The fastest growing item in the state budget is Medicaid. Several factors need to be considered here. The federal government mandates many coverages. If we are to participate at all, we must meet their requirements. Until there is meaningful national health care reform that focuses on controlling costs, our budgetary options on the state level are limited. But, we have

made significant progress in recent years in bringing reimbursement rates to physicians, hospitals and nursing homes closer to that paid by the private sector. Even with the regrettable reductions in this budget, we still are in a better position than in the not-too-distant past.

Turning to the revenue side, again our choices must take into account both economic and political realities. The lion's share of our tax revenue comes from income and sales taxes. The economic downturn hits us especially hard in these areas. What we are facing is not just a reduction in the rate of growth. For the first time in over a decade, collections are down in real dollars. Put in the perspective of a family budget: there were no raises, there was no Christmas bonus, and nearly everyone took a cut in pay.

Frankly, Governor Kaine's departing budget included revenue sources doomed never to materialize. His income tax increase failed to get a single vote in the House of Delegates. A package of tax increases presented to the Senate Finance Committee failed to get a single vote. And a roll back of car tax relief was a non-starter all along.

If we are to work ourselves out of this budgetary quandary, it will not be by taxing ourselves more. It will be by rejuvenating our economy, putting our friends and neighbors back to work, and seeing the resulting tax revenue stream begin to flow again.

No legislator wants to communicate a litany of shared woes to constituents, myself included. However, I will not sugarcoat our situation. This budget picture is not pretty. However, with patience and sound decisions made today, we can plant the seeds of a better tomorrow.

Virginia is rated the best state for both raising a child and conducting business. We have a AAA bond rating. This good fortune did not come overnight or without making a host of good choices. In 2010 we have an obligation to our heritage and our future to continue to make good choices. Aided by your guidance, I will continue to strive to do just that.

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