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McAuliffe's budget moves welcomed by localities, not state workers

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Posted: Wednesday, December 17, 2014 10:00 pm

By MICHAEL MARTZ AND JIM NOLAN Richmond Times-Dispatch

Teachers, sheriff's deputies, and local governments are delighted with the gifts Gov. Terry McAuliffe left them in his proposed amendments to the two-year state budget, but state employees and police feel like they've been given a lump of coal.

McAuliffe rolled out his plan on Wednesday for turning a projected revenue shortfall into an opportunity to increase state spending on priorities such as economic and workforce development, while leaving K-12 and higher education funding untouched. He proposed to convert unclaimed stocks and bonds into a windfall to reduce the unfunded liability in teacher pensions by \$150 million.

He included a raise for sheriff's deputies and proposed state licensing of currently exempt day care operations if they receive state money.



BOB BROWN

Virginia Governor Terry McAuliffe addresses a joint meeting of the House Appropriations committee and the Senate Finance committee at the General Assembly building in Richmond, VA Wednesday, Dec. 17, 2014, to outline his proposed changes to the current two year budget.



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Every day, reporters and researchers from the Times-Dispatch examine statements by Virginia elected officials and candidates and anyone else who speaks up on matters of public importance and then rate the accuracy on

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But the governor made little mention of state employees, who lost proposed raises and a big contribution to their pensions in early budget cutting to deal with a projected \$2.4 billion revenue shortfall, or Virginia State Police, which suffered more than \$12 million in cuts to its budget for the current fiscal year.

“We’re extremely disappointed,” said former State Police Superintendent Wayne Huggins, now executive director

of the Virginia State Police Association.

“And somewhat angry,” added R. Ronald Jordan, executive director of the Virginia Governmental Employees Association.

Spokesman Brian Coy said the governor is fulfilling a campaign promise by addressing salaries for deputies, some of whom rely on food stamps, but noted that McAuliffe also said the proposal is “just the tip of a much broader issue related to the salaries we provide for our public servants.”

“He hopes to continue down the road to raise salaries for state employees as much as our budget situation will allow,” Coy said.

Local governments

Local government officials reacted positively to the speech. Dean A. Lynch, deputy executive director of the Virginia Association of Counties said he was pleased by the protection of K-12 funding and the proposed state contribution to the teacher pension fund that local governments help finance, as well as a \$75 million deposit in the Literary Fund to help pay for school construction.

“There’s some good stuff in there for local government,” Lynch said.

Gov. McAuliffe meets money committees

Gov. Terry McAuliffe addresses joint House and Senate money committees with proposed changes to the current two year budget.

Revenue shortfall

McAuliffe’s proposed amendments more than filled the remaining projected revenue shortfall — estimated at \$322 million. That remaining shortfall is on top of the more than \$2 billion in spending cuts and use of reserve funds in the budget that was adopted in June and amended in September through an agreement between the governor and General Assembly.

McAuliffe's budget moves welcomed by localities, not state workers

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The governor's plan combines spending cuts with \$114.3 million from reduced tax preferences, \$9 million in higher fees on state services, additional money from the lottery and state liquor sales, and savings from Medicaid and lower school enrollment. It also relies on an unprecedented use of \$225 million in unclaimed stocks and securities to make a dent in the estimated \$14.3 billion unfunded liability in the teacher pension plan and boost the Literary Fund.

House Appropriations Chairman S. Chris Jones, R-Suffolk, expressed concern over "the structural balance of the budget" and said the House would be "very cautious in the approach of one-time fixes and uses to get us through the budget."



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Proposed new spending

McAuliffe proposed \$176.6 million in new spending, focusing on priorities that he said are necessary to diversify the state's economy in the face of continuing cuts in federal military spending and defense contracts.

"If we are going to build the new Virginia economy, we must invest in our workforce, in savvy economic development strategies, in education and in infrastructure — including broadband, renewables, energy networks like the Atlantic Coast natural gas pipeline, and a diversified transportation grid," he told the legislative committees.

The governor proposed more than \$20 million in the two-year spending plan to replenish the depleted Governor's Opportunity Fund for closing economic development deals. He promised to redirect more than \$1.1 million in federal workforce funds to focus on producing job credentials for high school and community college students.

McAuliffe endorsed a recent report by the Joint Legislative Audit and Review Commission on the state's workforce training system, which he said is "complicated, rife with redundancies, and does not meet the needs of local employers."

"In addition, there is no accountability for taxpayer dollars and no emphasis on credential attainment," he said. "The time has long passed for all of that to change."

GOP response

House Republican leaders, with whom McAuliffe has clashed repeatedly, generally supported the governor's emphasis on economic and workforce development, although they said they want more details.

"We're certainly willing to work with him on that," said House Majority Leader M. Kirkland Cox, R-Colonial Heights.

They expressed mixed feelings about McAuliffe's proposals for limiting income tax credit deductions and other tax preferences to promote causes such as land

preservation and coal production. A joint legislative subcommittee has considered a wide range of tax preferences that were highlighted in a critical JLARC report in 2012, but has balked at eliminating any of them.

House Finance Chairman R. Lee Ware Jr., R-Powhatan, described McAuliffe's overture on tax preferences as "a modest proposal by a flamboyant man," and said the House is working on broader tax reform that would provide relief to citizens.

"Tax reform can't be a code word for tax increases," said Del. Timothy D. Hugo, R-Fairfax.

Medicaid expansion

Republicans in both chambers reserved their harshest criticism for McAuliffe's decision to again propose expansion of the state's Medicaid program to take advantage of federal funds from increased taxes Virginians already are paying under the Affordable Care Act. The issue resulted in a protracted budget standoff that ended this year after the state's revenue shortfall forced the governor and Medicaid expansion supporters to back down.

"Putting it back in the budget, with the problems we had last year, is not a positive move," Cox said. "It somewhat poisons the well."

McAuliffe showed no remorse for his proposal, which he said does not rely on federal money to fund the budget. "There has been much heated political rhetoric about this issue, but very little substantive bipartisan discussion," he said in his speech.

"It is my hope that this session we can work together to close the (health insurance) coverage gap, bring our taxpayer dollars home, and use the savings to address future costs, in either required deposits to the rainy day fund, or additional costs related to Medicaid expansion down the road," McAuliffe said.

Small-business advocates also decried the governor's decision to propose Medicaid expansion, as well as his proposal to expand the acceleration of year-end sales tax collections to an additional 4,300 retailers to save more than \$39 million this year and \$18.6 million in the next year.

"Governor McAuliffe is trying to nickel-and-dime small business to death," said Nicole Riley, state director of the National Federation of Independent Business, in a statement.

"Proposals such as the governor's call for small businesses to submit sales-tax collections to the state sooner, and to increase numerous fees on small retailers may sound small by themselves, but they would add up quickly and squeeze the very businesses the governor needs to create jobs," Riley said.

The governor's proposed fee increases include a higher restaurant inspection fee

that he estimated would produce \$3.8 million in savings for the state and \$3.1 million for local governments in the next fiscal year. Local health districts conduct the inspections for the state health department.

The proposed fee increase may not fare well in the House, Cox said. "We have not been very predisposed to that."

Day care providers

McAuliffe also will have to persuade the assembly to support his proposal to require state licensing of 1,920 unlicensed day care providers that receive public subsidies. Those providers now are exempt because they are too small or have a religious affiliation, but day care fatalities at unlicensed centers in Chesterfield County and Northern Virginia prompted the governor to propose greater state control of the businesses.

The governor's budget proposal also includes increased spending on health care for prison inmates to cover an estimated \$30 million shortfall; fill a budget hole created by federal reclassification of two state geriatric mental hospitals; extend foster care and adoption payments to age 21; delay the discharge of patients from state training centers for the intellectually and developmentally disabled; and fund his "Healthy Virginia" plan to expand health care coverage to specific populations, such as people with mental illness.

Local, state workers

Local governments fared well in numerous ways under the plan, from maintaining state funding of K-12 education to \$11.3 million for reimbursing local and regional jails that house state inmates.

But McAuliffe roused the ire of the state employee and police associations by calling for \$1.5 million to give a raise to 2,700 sheriff's deputies, boosting starting salaries about \$2,000 a year.

"They put their lives on the line every day for us, and they deserve a living wage," the governor said, adding that he considered it "a disgrace" that some deputies rely on food stamps.

Jordan, who represents state employees, said more than 2,000 state workers in hazardous jobs "deserve the same attention and consideration," and noted a recent report on 3,800 state employees who rely on public assistance.

"It's very, very frustrating," Huggins said for the state police association.

House leaders were mindful of the disparate treatment of local and state employees in the governor's speech.

"I did note with interest that he singled out teachers and deputy sheriffs, but there was no mention of state employees and state police," said Jones, the

Appropriations chairman.

Cox said the needs of state police also will have to be considered in the budget, not just deputies. "If you're going to do one, you've got to look at the other," he said.

McAuliffe's proposed amendments must be approved by the General Assembly, which convenes for its 2015 session on Jan. 14.

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Ron Melancon · Top Commenter · President\Founder at www.dangeroustrailers.org

Money does not grow on trees...and the handouts have got to stop. Endless benefits being given out to people who just do not want to be responsible is wrong. Our Children will suffer the bad decisions our lawmakers make. Yes...If you don't like the budget...and our state being conservative then move to another state.

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Jane Daffron · Top Commenter · Virginia Tech

Please advise what "handouts" you're referring to. I hear that word brayed about, but to what are you referring?

No, money doesn't grow on trees. however, at the same time, services MUST be paid for, as do personnel. A lot of costs are not static, but rise with inflation. Cutting is only a small PART of the answer.

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Jim Robinson · Top Commenter · Richmond, Virginia

Folks, remember these thefts from the pension funds when they eliminate it 30 years from now because workers are greedy instead of telling the real reason, politicians stole the funds to pay for breweriers and pro football training camps.

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Jim Robinson · Top Commenter ·

Richmond, Virginia

Becky perhaps the sequester caused by your right wing heroes ought to be remembered here as well. Federal workers in both domestic and defense areas pay state income taxes if they live in Va.

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Fred DeMey · Top Commenter

Jim Robinson , Both Parties voted FOR the sequester, including the recently re elected Mark Warner.....It has nothing to do with political party, it has to do with fiscal responsibility.....The Democrats have NON, while the Republicans have a little.

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Theresa Delacruz · Ward Clerk at HCA Inc.

Just more campaign promises that he has tongue in cheeked. Promises of appointments that he didn't

make, appointments from Northern Va and locally that were promised to someone else and now taking any raise or potential of one away. Gee...its gonna be a long 3 more years. But remember---they are all temporary employees

Reply · Like · 5 hours ago



Claire Collins · Numerous Clients in Virginia at Consultant/Independent Contractor

Looking for performance measure justification for any increase in spending. One over other is playing politics.

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Ron Melancon · Top Commenter · President\Founder at www.dangeroustrailers.org

Governor enforce the car tax....because in Henrico over 10 percent of people avoid paying the car tax by registering the car out of state. Even Teachers do this.

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