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Gillespie, Pam Northam, McAuliffe address state employees group

By MICHAEL MARTZ Richmond Times-Dispatch Sep 16, 2017

Virginia state Capitol, photographed from the roof of the SunTrust Bank building.

Republican gubernatorial candidate Ed Gillespie went directly to state employees on Saturday to pitch his plan for a cut in state income taxes and a smaller but better compensated state workforce.

But the man he wants to succeed, Gov. Terry McAuliffe, and one of his top aides said the realities of Virginia's budget and political paralysis in Washington would make those promises tough to keep.

"We need to think about this seriously in a campaign season, what is realistic, quite honestly, and not what we might want to be," Secretary of Health and Human Resources Bill Hazel, who has served both Republican and Democratic governors, said in a blunt luncheon address.

Gillespie gave a detailed view of the challenges facing the state workforce at the annual meeting of the Virginia Governmental Employees Association and drew applause by promising to make state employee compensation more than "an afterthought" in state budgeting.

"It has got to be part of the mix from the get-go," he told the audience of about 175 state employee representatives at Virginia Crossings Hotel and Conference Center in Henrico County.

But the audience grew silent when Gillespie outlined his proposal for a “more efficient, smaller state workforce” by leaving some jobs vacant as employees retire in order to generate savings to improve the compensation of those who remain in the workforce.

“The retirement cliff is not only a challenge but an opportunity for us,” he said.

Gillespie’s Democratic opponent, Lt. Gov. Ralph Northam, was campaigning in Northern Virginia. His wife, Pam Northam, appeared in his place to assure that as governor his priorities would include “putting our state employees first, not cutting jobs” and “compensating them fairly and competitively.”

The challenge was made clear by Sara Redding Wilson, director of human resource management for the state workforce, who says Virginia is lagging almost 27 percent below market in pay for government employees, while facing increasing turnover and retirement rates, and struggling to retain the young employees the state wants to attract.

Wilson is especially concerned about employees in agencies that rely on the state’s general fund — the portion financed by state taxes to pay for core services — rather than those that receive revenue from other sources, such as college tuition and federal grants.

“For the things I look at, the general fund is the hardest part to solve,” she said.

Gillespie said he is awaiting a report on state employee compensation by the Joint Legislative Audit and Review Commission, the General Assembly’s watchdog agency, due in November.

“I hope that provides a blueprint for long-term employee compensation,” he said.

Gillespie departed from his prepared remarks to confront concerns about his proposal for a 10 percent cut to the individual income tax rate — the biggest source of revenue for the general fund — phased in over three years.

He said his plan assumes an additional \$3.4 billion in general fund revenues over the next five years, as estimated by the Governor's Advisory Council on Revenue Estimates, and would divert about \$1.4 billion for tax relief aimed at creating jobs in startup companies and small businesses.

McAuliffe, a Democrat, who spoke to the association at the beginning of the meeting, dismissed the possibility of the state adopting a major tax cut plan in the face of increasing spending requirements for public education and Medicaid in the two-year budget he will propose in December before leaving office in January.

"Before I do anything, I have a half-billion-dollar hole to fill," he said in an interview after his speech.

"You are not going to cut taxes right now," the governor said. "It's just not going to happen."

Legislative leaders in the Republican-controlled General Assembly have been reluctant to approve legislation that cuts state or local tax revenues without a comprehensive look at all sources of money and how to replace them.

"It's not all about salary, but to the extent it is about salary, it takes money to do it," Hazel told the association. "The General Assembly has to appropriate that money."

Looming over the discussion were the threat of federal budget sequestration and efforts in Washington to shift the responsibility for federal programs, such as Medicaid, to states. "Guess what? They aren't planning to send any money to do it with," said Hazel, a retired orthopedic surgeon who also served as health and human resources secretary for Republican Gov. Bob McDonnell.

In a statement on Saturday, the Northam campaign portrayed the Democrat as a reliable supporter of state employees, first as a state senator and then as lieutenant governor, and said Gillespie's tax plan would threaten core state services that rely on the general fund.

“Dr. Northam has fought to support public employees over his 10 years in elected office and Richmond, most recently supporting a pay raise to reflect the tremendous work they do to keep the commonwealth economically competitive and efficiently providing the taxpayers with key services like education and public safety,” spokeswoman Ofirah Yheskel said.

“Ed Gillespie’s plan to give another tax cut to the wealthy would cut public education, transportation, health care and likely prevent any chance of state employees getting a raise during his administration.”

Gillespie did not directly refer to Northam’s absence at the forum, but he told state employees he had traveled from a campaign event in Tazewell County two hours earlier.

“Spending this time with you was a priority for me because spending time with you as governor will be a priority for me,” he said.

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