GOVERNOR WARNER ANNOUNCES AMENDMENTS TO 2002-2004 BUDGET

Increases education funding; protects core priorities in law enforcement, transportation, and social safety net programs—RICHMOND - Governor Mark R. Warner today announced his amendments to the 2002-2004 biennial budget. While including no tax increases, the Governor's budget includes several reforms designed to achieve efficiency and effectiveness in state government and protects core services for citizens. In particular, the Governor's budget increases funding for public education, and protects public safety, transportation, and basic Medicaid services. These budget amendments bring to a close a year in which Governor Warner worked cooperatively with the legislature to find a total of almost $6 billion worth of spending reductions, while having the Commonwealth's coveted AAA bond rating reaffirmed by all three major rating agencies for prudent fiscal management. The $1.2 billion in cuts in the budget amendments submitted today follow October reductions of $858 million, and action in the 2002 General Assembly session to close a $3.8 billion revenue shortfall. The government reforms in this budget leave the Commonwealth well positioned to prosper as the economy recovers. The Governor's budget will:

Protect Aid to the Classroom While Promoting Accountability. Public education is Governor Warner's top priority. Even during Virginia's worst fiscal crisis in the last 50 years, the Governor's budget increases support for classrooms by $65 million. The Governor's budget protects direct aid to the classroom, while focusing on those incentive grant programs that provide demonstrable results. Therefore, he has proposed to combine Dropout Prevention, School Health Incentives, and Technology Assistants grants into one program called Student Achievement Grants, which local governments may use on programs that have a proven record of success: reduced class size in grades K-3, support for at-risk four-year-olds, early reading
intervention, and SOL remediation. School divisions will receive the same level of funding for these grant programs, and may apply for a waiver to continue existing programs.

**Rightsize State Government.** The Governor's budget proposes the merger or elimination of 12 state agencies and entities. The budget also advances the Governor's proposal to reform technology by consolidating information technology programs into a single state agency, eliminating unnecessary and duplicative programs. In addition, the Governor proposes collapsing certain human resource and payroll functions into more efficient centralized units.

**Keep Our Neighborhoods Safe.** Preserving public safety - by providing adequate funding for state and local police and making available the resources to keep convicted criminals in jail and off our streets - is one of government's most basic functions. The Governor's proposed budget holds reductions for the Virginia State Police and local sheriffs to five percent each year. These reductions will not hinder the Governor's efforts to fully staff the ranks of sworn state troopers. By January 1, vacancy rates will be approximately half of what they were in January 2002, when Governor Warner took office. The proposed budget reduction for sheriffs will result in no layoffs among state-funded deputies. By increasing fees on those convicted of crimes, the proposed budget reduces the cut to Commonwealth's attorneys from seven to five percent.

**Preserve the Safety Net.** Governor Warner is committed to protecting Virginia's most vulnerable citizens. Almost 45% of the additional spending contained in his proposed budget is targeted to health and human resource programs. The Governor's budget preserves basic Medicaid services, while freezing reimbursements to hospitals, nursing homes and HMOs. The Governor's proposal earmarks about $60 million to preserve access to health care. This funding would support reimbursements to providers who are the sole source of medical services in their communities, or who serve disproportionate numbers of low-income Virginians. Overall, health and human resource programs see a net increase of $190 million in this budget.

**Promote Transportation.** The Governor spent much of this year beginning reforms designed to ensure greater accountability and better financial management at VDOT. The Governor's budget protects the Transportation Trust Fund and retains all of the $146 million in new general fund money appropriated for transportation during the last General Assembly session. Furthermore, the Governor's budget makes available an additional $189 million in transportation revenue as the result of strong car sales and increased fuel consumption over the last 12 months.

**Improve DMV.** In order to reduce waiting times for customers, DMV must change present business practices. The Governor's budget proposes additional license agents and the use of mobile driver licensing teams to supplement existing service centers. The Governor's budget also proposes that local Commissioners of the Revenue, Treasurers, and town officials be enlisted to expand service capacity. Finally, the budget expands the number of automated kiosks where most transactions can be completed - in the same way that our citizens routinely use ATMs to conduct most of their banking transactions. This is a primary example where technology and ingenuity can serve citizens well, at a lower cost.

**Minimize Impacts on Local Governments and State Employees.** The Governor's budget seeks to avoid shifting the revenue shortfall to localities or state employees. While state aid to localities
comprises 43% of the general fund budget, savings from state aid to localities have been held to just eight percent of overall savings in the Governor's proposed budget. With respect to state employees, the Governor has proposed reforms to the state health insurance program to avoid increases of more than 15% in employee health premiums.

The Governor's budget amendments incorporate elements of his Reform Agenda for 2003, http://www.governor.state.va.us/Initiatives/Legis2003/ including proposals to reform and modernize VDOT, information technology, water policy, services to veterans, workforce training, mental health services, and the budget process itself.

"Going forward, let us not lose sight of the unique moment we have to reform state government for the 21st century. As we look for ways to serve Virginians better, I hope we will always keep two basic questions in mind. When our children look back at our work, will they see gridlock and partisanship, or reform and progress? And more importantly, will the actions we take this session simply preserve the status quo, or move our Commonwealth forward - toward a brighter future of prosperity and security for all Virginians? I ask you to join me on the path of progress and prosperity. That is the only way we can build a future worthy of Virginia's past."

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Posted: December 20, 2002