House budget plan includes pay raises, funds for education

By MICHAEL MARTZ Richmond Times-Dispatch

The House Appropriations Committee will propose a two-year budget today that would give state employees a 3 percent raise, send $272 million in lottery money to public schools with few strings attached, limit tuition increases for higher education, and boost services for people with addictions and mental illness.

The House budget also would rearrange the way the state gives incentives for economic development, cutting the amount of money Gov. Terry McAuliffe sought to attract new businesses by $59 million and extending legislative oversight of economic development spending.

The Senate Finance Committee also will reveal its budget proposal today but has offered few clues publicly on what it will contain.

Once the House and Senate pass their respective versions of the budget, negotiators will work to reconcile the chambers’ competing versions. Lawmakers are working to approve a new spending plan for July 1, 2016, to June 30, 2018, before the General Assembly’s scheduled March 12 adjournment.

The $107 billion House budget proposal attempts to undo much of the damage
done to Virginia's long-term financing during the recession six years ago. It would do so by eliminating a lingering debt to state retirement plans and fully funding the state's share of pension contributions for state employees and teachers, while boosting the state “rainy day” fund and nearly eliminating the accelerated collection of sales taxes as a budget-balancing tactic.

A separate bill includes $1.5 billion in bonds for new capital projects, about $900 million less than McAuliffe proposed.

“This budget is structurally balanced. There are no fee or tax increases in it. There is more money for K-12, higher education and health care," Del. John M. O’Bannon III, R-Henrico, said in an embargoed budget briefing for reporters on Friday. “We’ve unwound all the gimmicks.”

State employee raises

The Richmond Times-Dispatch reported Friday that the House intended to provide a raise for state employees in the first year of the budget, rather than the second, as McAuliffe proposed.

The House plan would give state workers a 3 percent raise, rather than the 2 percent the governor proposed, and reserve an additional $28.2 million for a potential 1 percent raise in the second year, pending the findings of a new retirement commission proposed by Speaker William J. Howell, R-Stafford.

The money for the raise would come, in part, from expected savings by paying off deferred contributions to the Virginia Retirement System six years early, saving the state 7 percent in annual interest on the debt incurred in 2010 as part of a desperate effort to balance the budget during the recession.

Neither budget will include the $3 billion in federal funds that McAuliffe proposed to use to expand Virginia's Medicaid program under the Affordable Care Act.

Nor will they cut corporate income taxes by $63.7 million or increase the personal income tax exemption by $42 million, as the governor had proposed with some of the estimated $157 million in state savings from using federal funds to pay for such services as inmate hospital care and community mental health.

“He paid for it with funny money,” House Appropriations Chairman S. Chris Jones, R-Suffolk, said of the governor’s proposed tax cuts.

But the House budget would find different ways to partially fund some of the initiatives that McAuliffe proposed to finance with Medicaid savings, including about $6 million for the Massey Cancer Center at Virginia Commonwealth University; $10 million for the Commonwealth Center for Advanced Manufacturing in Prince George County; and $4 million for the Jamestown-Yorktown Museum's celebration of the 400th anniversary of the “red-letter year,” 1619, when the General Assembly was founded.

Hospitals would not fare well in the House budget. That reflects rising tension between House Republicans and the Virginia Hospital & Healthcare Association over a recent media campaign by hospitals. It sought to block a Republican effort to repeal portions of the state law that requires a certification of public need for new medical facilities before they can be built.

The proposed budget contains no money to adjust Medicaid reimbursements to hospitals for inflation — a $47.5 million hole that doubles because of the loss of...
federal matching funds. McAuliffe left the inflation adjustment out of his proposed budget, but the Senate is expected to propose at least partial funding to boost reimbursements that now cover only 66 percent of costs.

Nor does the House budget allow for hospitals to assess themselves a provider tax that would draw down about $425 million a year in federal matching funds that could be used to bolster reimbursements, pay for graduate medical education, and help financially struggling rural hospitals.

But the budget would raise the Medicaid eligibility threshold for people with serious mental illness from 60 percent to 80 percent of the federal poverty level — or from $7,128 to $9,504 in annual income — under the plan McAuliffe launched last year as an alternative to expanding the Medicaid program for everyone earning up to 138 percent of the poverty level.

Only 5,200 people enrolled in the program last year, or about one-fourth of what was expected. That was primarily because of the low eligibility threshold set in a compromise between House Republicans and the governor, who wanted people to be eligible up to 100 percent of poverty.

The House included an additional $28.9 million for the program; McAuliffe’s proposal to establish Medicaid benefits for substance-use disorder in the face of a heroin and prescription drug epidemic; and two more community teams to seek out people with serious mental illness to ensure their continued treatment.

Neither the House nor the Senate budget will support the governor’s proposal to begin planning the closure of Catawba Hospital, which serves adults and elderly people with mental illness in Roanoke County.

“We’re not going to proceed to close facilities right now,” said Senate Finance Co-Chairman Emmett W. Hanger Jr., R-Augusta. He said the committee instead would seek to study potential changes in the state’s mental health system.

Education

The biggest initiative in the proposed House budget involves McAuliffe’s highest spending priority — K-12 public education — but it raises the governor’s proposal by $70 million and sends money back to local school divisions with fewer obligations to use local dollars to be able to secure state funds.

McAuliffe proposed $190 million in new spending to hire more teachers and to provide more services for at-risk pupils. The House plan would redirect that money, and then some, through the Virginia Lottery to give local school divisions more flexibility in how to use the extra money to rebuild services lost from deep state spending cuts during the recession and recovery.

“The superintendents I’ve talked to are ecstatic about the proposal,” said Jones, who invited Chesapeake School Superintendent James T. Roberts to speak to the committee last month in a preview of the new spending approach.

The House budget also protects the $83.3 million that McAuliffe included in the second year of the budget for a 2 percent raise for teachers.

The budget gives such localities as Henrico County, which includes schools as part of its general county budget, the opportunity to take advantage of the state funds even if it gives teachers raises in the first year of the biennium instead of the second.
“Last time, they gave raises in the first year and didn't get credit for it,” House Majority Leader M. Kirkland Cox, R-Colonial Heights, said of Henrico.

The House plan also would put additional money into higher education by spending $237.21 million to prevent tuition from increasing by more than 3 percent at four-year colleges and universities, and increasing state support of community colleges by $264 per student in the first year and $317 per student in the second.

GO Virginia

The proposed budget backs a new approach McAuliffe sought for seeding economic development — the Virginia Growth and Opportunity Act, or GO Virginia — but includes about $9 million less than the $39 million the governor had proposed.

The House plan includes $40 million McAuliffe proposed for turning academic research and development into commercial initiatives, but it folds the money into GO Virginia, which would be overseen by a state board that would include legislators from both chambers.

The total $110 million proposed in new economic development spending would be about $59 million less than McAuliffe sought. One place where the House cut is the Virginia Economic Development Partnership, which the governor’s office uses to lure economic development prospects.

“They took a haircut,” Jones said.

The budget also will include money to hire two new staff members for the Joint Legislative Audit and Review Commission, the General Assembly’s watchdog agency, to provide ongoing oversight of state spending on economic development, as it does with the Virginia Retirement System.

“Administrations come and go,” Cox said. “One constant you have is the legislature.”

mmartz@timesdispatch.com

(804) 649-6964

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I am glad to read that the House and Senate are shooting down the governor's proposal in regard to Catawba Hospital. Not only do people with mental illness suffer stigma; State Hospitals suffer a stigma. In addition, they have no VHHA and no VACSB to lobby for them. They have no paid advocacy walking the halls of the general assembly in Richmond. Hazel, McAuliffe and others in DBHDS thought it would be easy because they did not understand the daily functions of Catawba Hospital. Most importantly, they did not understand the strength and power of Southwest Virginians! It has been inspiring to see the powerful roar of advocacy to keep Our Community Psychiatric Hospital of Catawba here in the region for us. This voice rose from the mental health advocates, health care professionals, the political leaders, law enforcement, academicians and neighbors, but most importantly included the citizens, patients, and families in our surrounding area.