

Virginia General Assembly

Report from Delegate

Vivian Watts

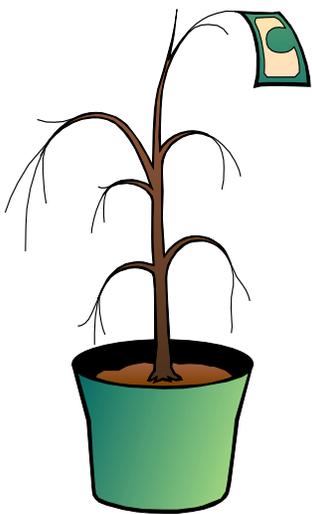
Virginia's we-can-have-it-all bubble has burst. There are no easy answers. I can only promise to be honest with you as we work our way back to sound budgeting. I also promise fair play - no more delaying income tax returns to make the budget look balanced - and hard work to identify prudent program investments and to make sure Northern Virginia is treated justly.

Virginia's Budget

Last year, my annual newsletter started **"I've tried to be as candid as possible...about the seriousness of our budget crisis."** Unfortunately, it wasn't "possible" then to know just how serious the crisis was.

It wasn't until November 15th that the outgoing Governor finally announced that Virginia was short \$890 million and ordered across-the-board spending cuts. Just 3 weeks later, the Senate budget staff reported the year's shortfall would be \$1.3 billion. We enacted more cuts. By May, we learned even that estimate will miss the mark by at least \$150 million.

The outgoing Governor also must draft a proposed budget for the first 2 years of the new Governor's term. Again, that official budget released in December addressed just the tip of the iceberg by making only \$978 million in cuts through 2004. By the end of the legislative session, it was obvious that the real shortfall would be at least \$3.7 BILLION. To balance the budget, we had to approve a 7% cut in spending next year and 8% the following year.



The combined impact of the reductions means most state programs will be cut at least 20%. State employees will go 3 years without salary increases. Tuition at all our state colleges has increased. The rainy day fund that it took 10 years to build will be depleted.

It is true that even with all the cuts, this year's budget is still \$4.2 billion more than in 1997. But, we have 59,000 more public school students, 19,000 more students in our colleges, and must cover \$400 million

more per year for Medicaid and federally-mandated mental health costs. It takes over \$830 million a year to fund a 70% car tax cut. Finally, there's been an \$800 million increase in prisons and law enforcement spending, even though most other initiatives - like buying land to preserve open space and reduce run-off into the Chesapeake Bay - have been eliminated.

Other States

Yes, things are bad all over. Virginia has been particularly hard hit, but 37 of the 41 states that have an income tax also have experienced significant declines due to job and capital gains losses in high technology and to September 11th.

Virginia's crisis was further magnified by last year's unprecedented failure to pass an updated budget and by being one of just two states electing a new governor, which meant timely steps weren't taken to cut expenditures as other states did. In addition, Virginia has a frugal history. Unlike all but one other state, we didn't raise taxes during the last recession and we are near the bottom in both taxes (47th) and in most program expenditures (except public safety).

Tax Reform

Our state tax structure hasn't been touched in decades. For example, while federal income tax rates and brackets are indexed to inflation, Virginia still starts taxing income at \$5,000.

Many are calling for tax reform and I am certainly one of them. The former Governor initiated a tax reform commission; a legislative report is due in early fall, and our new Governor is urging comprehensive revision. The biggest issue is whether tax reform can be revenue-neutral or whether it must cover the cost of the car tax rebate, which at \$1.3 billion annually is more than double what we were told it would cost.

Mental Health Mental Retardation Substance Abuse

Protection – Virginia finally joins most states by having an independent ombudsman to investigate complaints of abuse or physical conditions in facilities. It's been a 3-year battle against administration objections to this safeguard, which came from federal investigations of deaths in Virginia institutions.

Medical – Since erratic behavior could be related to a serious physical condition, I continue to try to find a way to require a medical screening before a person is admitted to a mental health facility. While having ready access to a doctor in rural areas is a problem, the underlying issue really is who will pay for medical care. It's often easier to get a poor person admitted to a mental health facility than to a medical hospital.

Drug Treatment – In addition to significantly increasing drug possession and distribution penalties 2 years ago, the SABRE initiative included drug abuse treatment. That funding was virtually eliminated by the legislature, which rejected the Governor's amendments to restore this prevention effort.

Neighborhoods

Parking – At a civic meeting last fall, one man asked, "Why don't we just prohibit vehicles with commercial license tags? It'd be easy to enforce." I discovered it also would allow Fairfax to control street parking of vehicles weighing over 7,500 pounds, rather than only over 12,000 pounds under current state law. However, the Transportation Committee summarily dismissed my bill, declaring Fairfax County already had the authority to ban parking large vehicles from any residential street if they might interfere with emergency vehicles. After session, however, I learned it's been virtually impossible to get VDOT to agree with Fairfax Board decisions. Next session, I'll have a new bill to limit such VDOT review of local decisions.

Number of People Living in a House – No one can or wants to outlaw the Brady Bunch. Therefore, I drafted a bill limiting only the number of adults living in a house. Because it's based on public health and safety issues related to the sewer and water capacity when a subdivision was originally zoned and because it doesn't discriminate against families, it should meet requirements of federal Fair Housing laws. In addition, because it's not based on the family relationships, it'd be much easier to enforce than Fairfax County's current ordinance. The



bill does not exclude adult visitors with a legal residence elsewhere and adult children or parents of the homeowners. HB769 was carried over for study to the 2003 Session.

Driving Laws

Open Containers – By a very narrow vote in the House, we lost a bill to ban having an open container of alcohol in a vehicle's passenger area. The bill that passed requires that the arresting officer be able to prove that the driver had been drinking.



Inspection Fees – The maximum amount a service station can charge was raised from \$10 to \$15 for annual vehicle inspections and from \$20 to \$28 for biennial emission inspections. Fees haven't increased since 1990, contributing to fewer stations doing inspections. Next year, I'll have a bill to cut back annual new car inspections to help reduce long lines.

Health Care

Nursing Homes – Many nursing homes throughout Virginia do not have adequate staff to provide basic care for helpless elderly, such as changing soiled linens, assisting with eating, or getting out of bed. Virginia does not regulate staff ratios (unlike 37 states) and has one of the lowest Medicaid payment rates (\$500 below actual monthly costs, on average.) My annual budget amendment to make direct care salaries more competitive was overwhelmed by the budget crisis and Medicaid skilled nursing payments were actually cut \$25 million.

Assisted Living – A new initiative will provide a Medicaid waiver for 200 households to cover 2 meals a day and home modifications to delay or prevent institutionalization. If it meets with federal approval, hopefully, we can expand the program.

Reproduction – Abortions performed in the 2nd trimester are rare but often involve an adult whose poor health (such as diabetes, kidney disease) hasn't resulted in a miscarriage but has dangerously deteriorated. Most women will try to preserve the pregnancy until the 24th week when life outside the womb is possible in a neonatal intensive care unit. However, after the 14th week, if an abortion is necessary to preserve her health, many doctors believe it is dangerous to the woman not to remove the fetus intact. This medical concern was upheld in a 2000 U.S. Supreme Court decision and by the Governor's veto of a bill that would totally ban the procedure.

Prescription Drug Abuse – OxyContin is used in pain management. Numerous deaths in south-western

Virginia from overdoses obtained illegally led to regional drug monitoring of pharmacists and doctors. Before it is applied statewide, we must find a way to exempt Hospices. Legislation was also passed prohibiting school personnel from recommending the use of psychotropic drugs as might be used for Attention Deficit Disorder.

Crime



Death Penalty – During most of the 1990's Virginia was second only to Texas in executions. One reason is that 21 days after a person has been convicted in Virginia, new evidence cannot be considered. This fall, you will have the opportunity to vote on an amendment to the Virginia Constitution to permit legislation allowing the Virginia Supreme Court to hear new evidence proving actual innocence.

Terrorism – \$44 million was added to the budget for anti-terrorism initiatives. We will hire 15 epidemiologists to deal with bio-terrorism, redeploy 60 State Police special drug agents to include terrorism, and expand and update communication equipment. Part of the funding will come from a \$2 increase on license tags. Terrorists can receive the death penalty and possession of infectious biological or radiological substances can draw 10 years in prison. We set



up a 24-hour hotline for physicians and laboratories to report unusual infectious diseases and passed strict accounting procedures for dangerous microbes and pathogens. Visas or notarized statements vouching for a person's residency cannot be used to get a driver's license and anyone attempting to get a license by fraud can get 1 to 5 years in prison – unless the purpose is under-age drinking for which the penalty is up to 6 months in jail and/or \$1000 fine.

Domestic Violence – Domestic violence programs have been moved to the Attorney General office. Marital rape can now be prosecuted on the same basis as any other rape and does not require a higher level of injury or that the persons be living apart.

Education

Un-Fair Funding – One of the most important goals of tax reform MUST be to reconcile how the state funds local schools with how local governments are allowed to make up the difference. With 1/3 of all state taxes going to K-12, how this money is re-distributed is critical to Fairfax taxpayers.

The gross unfairness of the current school funding formula is well-illustrated right here in Northern Virginia. Fairfax County has 3 times as many students as our neighbor, Prince William. We both will have about 5,000 new students in 2 years. And, yet, Prince William will get \$45 million MORE in state funds while Fairfax will get \$29 million LESS.

Fairfax is being penalized because 50% of the 2003-2004 state subsidy calculation was based on our income per person in 1999 – the heyday of dot.com salaries and capital gains. Even if that segment of the economy was still booming, we can't tax income; we only can tax real estate. Many of you know first hand that the assessed value of the house you've lived in for 25+ years does not reflect your current income and ability to pay.

Real estate values are 40% of the state subsidy calculation but, since the local sales tax base only accounts for the remaining 10%, tourist areas – like Virginia Beach – get large school subsidies from the state, despite all the local revenue they get from hotel, restaurant, and general sales taxes.

The down-state leadership was adamant that Fairfax voters couldn't be given their own source of funding out of fear we would refuse to help meet state needs. They were un-willing to acknowledge how much we already contribute, much less how much we need to be able to help ourselves.



Vivian, the two issues I'm most concerned about are:

- Transportation
 K-12 Education
 Higher Education
 Taxes
 Environment
 Mental Health/Mental Retardation
 Crime
 Health Care
 Other _____

My concerns about #1 are _____

My concerns about #2 are _____

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