

## **A Business Perspective on Virginia's Fiscal Crisis**

Delegate Kenneth R. "Ken" Plum

(Appeared in the *Reston Times* on April 24, 2002 and the *Connection* from April 24-30, 2002.)

Political labels in Virginia defy understanding to most people who are new to the state. As former Lieutenant Governor Henry Howell, certainly the most liberal person to have been elected to statewide office in Virginia, once said, "A liberal in Virginia is anyone who believes in life after birth!"

The current campaign to have Virginia respond positively to its current fiscal crisis is being run by business leaders who are generally thought to be conservative. Virginia Forward, an organization of some of the state's top business leaders including developer John T. "Til" Hazel and retired business executive Earle Williams, recently ran full-page text advertisements in the *Richmond Times Dispatch* deploring the current condition of fiscal affairs in the state.

According to their ad, "additional state investment in our education, transportation, and other public services are needed — starting now. If taxes are not increased to provide the needed revenues, key core services like education and transportation will decline. If key public services decline, businesses will look elsewhere, and Virginia's economy will suffer."

A business group calling for more government spending! The ad provides an explanation: "There is a mismatch between the expectations of citizens and the service levels that can be paid for with the revenues from Virginia's low tax structure."

The full page advertisement was filled with statistics: In 1999, Virginia ranked 13<sup>th</sup> in per capita personal income... In the same year, Virginia ranked 38<sup>th</sup> in per capital state and local spending... It ranked 47<sup>th</sup> in state and local total spending as a percent of personal income... Virginia spent \$3,024 per capital in 1998, while the average state spent \$3,448... Virginia's per capita spending is less than Mississippi's.

The point that the business leaders make quite effectively is that without adequate government spending the services and quality of life of our state are being adversely affected. Our roads are congested. Children go to school in trailers. Excellent school teachers become more difficult to recruit. Fewer opportunities exist for our children to go to state colleges and universities. Higher education tuition fees go up. Nursing home beds are harder to find. The quality of our environment deteriorates. And the list goes on.

With the assistance of professional analysts, Virginia Forward is able to show that the short-term budget "fixes" that have been used in recent years serve to mask the seriousness of the budget crisis in the state. They quantify the problem as being a \$4 billion per year budget gap, "a structural imbalance between potential revenues and the investments it needs to prosper."

The Governor has spoken about the need to address this structural imbalance. I have written about it many times. Business leaders of the state acknowledge it. The time for action is now. The Governor should call the General Assembly into special session to address the problem this year.