

State of the Commonwealth – 2003

Kenneth R. “Ken” Plum

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The Constitution of Virginia requires that the Governor report to the General Assembly “the general condition of the state” at each regular legislative session. That report, most often referred to as the State of the Commonwealth address, is delivered on opening day of the General Assembly on the second Wednesday of January each year. In recent years the address has moved from the customary legislative starting time of noon to the evening of opening day to take advantage of television coverage.

Although it may seem presumptuous of me, I recently made a speech to business and community leaders entitled “State of the Commonwealth – 2003.” There is much to be proud of in Virginia, the 12th largest state in population and the 12th wealthiest in per capita personal income. Virginia has great natural beauty and industrious people. But as I told the assembled group, there is much about which we need to be concerned.

Governor Mark Warner inherited a budget crisis of monumental proportions. In addition, as Governor Warner describes the plight of the first year and a half in office, we faced a severe drought, flooding, a record season of snowfall, and a monsoon spring. Avian chicken virus. A tire fire. A terrorist attack. A sniper attack. Record revenue shortfalls. Drastic budget reductions of more than six billion dollars.

Particularly distressing is the fact that over the last ten years Virginia went from being the best financially managed state in the Union to being ranked “fair” in financial management. As reported in USA Today on June 23, 2003, Virginia scored 7 points on a 12-point scale measuring financial management. Utah with whom we once tied as being the best financially managed state received 12 points, and California was rated the lowest with 2 points.

Only 10 states have triple-A bond ratings, and Virginia is one of them. Of those states, however, Virginia has the lowest overall financial rating.

Virginia’s system of taxation is antiquated and regressive. We place a heavy burden on the sales tax that includes food although at a slightly lower rate. Virginia’s income tax is almost a flat tax with the top rate of 5.75 percent starting at \$17,000. The taxpayers with the lowest 20 percent of income pay about nine percent of their income in state and local taxes. Millionaires in Virginia pay less than five percent.

Revenues are not adequate to meet the cost of core services. Public schools are underfunded by the state by a half to a full billion dollars based on the state’s own studies. Colleges and universities are underfunded by \$400 million when compared with peer institutions in other states, and tuition and fees are rising sharply. Transportation needs are in the billions of dollars with no relief in sight. Health and human services are among the poorest funded in the nation.

I suggested in my speech that there is no way to go but up. I also recommended some actions I thought we should be taking. For a full text of the speech that does include some good news about the state, visit www.kenplum.com and click on “Recent Communications.”