

## ***Return to Fiscal Stability***

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Over many decades Virginia under Democratic and Republican governors built up a reputation of fiscal integrity to the point that during the Wilder administration the Commonwealth was named the best fiscally managed state in the country. But it took less than a decade under the administrations of Governors Allen and Gilmore for Virginia to not only lose that distinction but to be placed on a watch list for its triple-A bond rating. As one of only seven states with the highest of credit ratings, the triple-A rating was cited by many as a cornerstone of Virginia's fiscal stability.

Maybe it was the era of the dot-coms when most everything for the moment seemed possible with strong double-digit economic growth or maybe it was ambitious governors trying to build long-term political futures for themselves that caused the craziness of the last decade of the past century. Governor Allen came into office promising no parole for prisoners and with no plan to pay for additional prisons and prison costs. The legislature rejected his more than a billion dollars tax cut which conveniently for a governor limited to one term would have had the bill come due during the next governor's term.

Gilmore coined the most popular political slogan of the time with his "no car tax" pledge. The once-a-year payment of a big tax on a car declining in value never made sense. And for Gilmore it made political hay. He made it seem possible; \$600 million a year cost with no cuts in government services.

As reality set in on the dot-coms, it did also for Virginia government. Prison costs escalated as did Medicaid costs with an aging population. The car tax cut at just 70 percent of implementation topped a billion dollars with projections of costs nearing two billion in the future. The economic recession resulted in the greatest drop in revenues ever recorded. When Governor Warner succeeded Governor Gilmore, he was told that there would be about a \$300 million shortfall in the budget. That number actually grew to \$6 billion. And Virginia was put on a credit watch by Moody's Investment Services.

I will not recount the story I have told here in past columns about the pain and anguish of the past several months as the state attempted to right itself. Because of some legislators banding together to do the right thing, the state's credit rating has been saved, and Virginia is on firm financial footings for the moment.

A cautionary note is in order: The car tax cut has been frozen at \$950 million, but the issue has not gone away. Future campaigns will be run on ending the car tax. Let's do it, but agree on replacing the revenue. Let's also recognize that transportation has been avoided as we continue to pay off bonds issued during the Gilmore administration. More money is needed for roads and transit.

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