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A Blueprint for Fixing Virginia

By Michael W. Thompson

1/11/2011 – As the members of the General Assembly prepare to gather, much is waiting to be tackled. Here are some items to consider.

As Virginia slowly comes out of the recession, it is critical that the budgeting process not fall back into the “spend everything that comes in each and every year” mentality. Once this economy truly improves, our state’s budget will become relatively flush with funds. This legislature should restrain government spending down the road so that we don’t go through the “feast and famine” budgeting process over the past few decades. General Fund spending increases should be limited to the rate of inflation and population growth and any left-over funds poured into transportation infrastructure and shoring up the state’s retirement system. This would put a large dent in these critical needs without tax increases.

The General Assembly should look at how to restructure some of our taxes to create revenue neutral tax changes to dramatically improve our economy. The recent JALRC study on tax credits provides one possibility: eliminate outmoded tax credits and use those monies to reduce other taxes to better grow our economy. Another change could come from the upcoming study by the Thomas Jefferson Institute to eliminate the two worst business taxes that are collected at the local level – the gross receipts tax (BPOL) on businesses whether profitable or not and the machine and tool tax that discourages upgrades and efficiencies. Counties and cities can be made whole through creative tax reshuffling, a significant tax reduction for all of us can be achieved, and thousands of new jobs created.

The Governor’s reform initiatives need to be supported. If the relatively modest changes that need legislative support such as removing the licensing requirements for hair braiders, mold inspectors and home decorators can’t pass then our elected officials really have no interest in serious government reform. There is a whole list of other government reforms that our Governor wants and all should be approved quickly.

Our K-12 students deserve a few new options for education opportunities. It is undeniable that important groups of students struggle, particularly low-income children and students with disabilities. These students rarely thrive in a “one-size-fits-all” system and continue to suffer academic achievement gaps when compared with other students. An important goal must be to provide new opportunities for them – through quality charter schools (which have demonstrated much success around the country) and building private sector scholarship funds offering the option of placing these students in schools that best fit their need.

The option of full-time online learning provides important educational answers for military families who move frequently, students on homebound instruction with medical needs, special education and gifted students, and others. To fully take advantage of the growing trend towards virtual schools, Virginia needs to revise its funding model for online learning to expand opportunities for children and ensure a robust variety of virtual school providers.

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The state must confront the growing problem with its retirement system. Over the past few months the “unfunded” portion of the retirement system has grown from \$17 billion to close to \$20 billion according to a recent JLARC study. The Thomas Jefferson Institute suggested in its own study this past summer that our state implement a hybrid program that combines parts of the current defined benefits program with a more realistic 21st century defined contributions program. As mentioned earlier, limiting future growth of state spending to an inflation/population formula and earmarking part of any excess funds to fill the hole in the retirement program makes good sense.

For transportation, the Governor, Secretary of Transportation and General Assembly should go on record through a Resolution to Congress requesting that Virginia become a test case for changing the way federal transportation monies are used. A U.S. House Transportation Committee study about 15 years ago showed that one dollar of federal transportation construction money increased the cost of a project by 30-40%. Virginia should ask that all federal transportation money come in a block grant only used for major construction projects, thus freeing up state and local funds for all other projects. This would have the same impact as a transportation tax increase of 30-40% without raising taxes. Using government money in this way could have a huge impact on our transportation needs.

And there is no reason why Virginia is one of only four states that control roads from the state level. The General Assembly should turn over primary and secondary roads to the counties and cities along with the funding sources to make it work.

Taking these actions will make this General Assembly session one of most important in our history.

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This column first ran in the Richmond Times-Dispatch on December 28, 2011. Michael Thompson is Chairman/President of the Thomas Jefferson Institute for Public Policy, Virginia's premier independent public policy foundation. These views are his and do not necessarily reflect those of the Institute or its Board of Directors. He can be reached at info@thomasjeffersoninst.org.