LEGISLATIVE IDEA ALERT

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VIRGINIA INVESTMENT ACT OF 1999 IS A GREAT IDEA!

Last week, Senator Warren Barry, Chairman of the Senate Transportation Committee and a senior member of the Finance Committee and Education and Health Committee, introduced a bill that would significantly improve the spending habits of the General Assembly. It is called the Virginia Investment Act of 1999.

Under Barry's bill, state Government would continue to increase as the economy grows. Not one program would have to be reduced. The planned car tax cut would continue. The proposed cut in the food tax could be approved. River clean up would continue on course. And yet, spending would be capped through a reasonable formula of the combination of population increase and the cost of living (inflation). A Virginia Investment Account would be established into which the "excess funds" would be deposited.

And to top it all off, if these extra funds exceed the combination of the spending cap and 5% of revenues (the amount to go into the Investment Account), then the remainder would be rebated to the people.

This is a sensible approach to budget management.

Had this bill been law a year ago, at least $431 million would be deposited into the Virginia Investment Account in FY99. This is the amount for only half the bi-annual budget period and before the current surplus is factored into the picture.

Had this bill been law during the current two-year budget period, more than $900 million would be deposited into this account. That figure is reached by doubling the $431 million dollars available this year in order to take into account the two-year budget cycle. To this $862 million we must add the current surplus figure that would qualify for deposit into this Virginia Investment Account. And a large part of the current surplus would be rebated to the taxpayers.

The funds deposited in the Virginia Investment Account would be limited so that the permanent base cost of government spending would not increase. The uses of the funds that are proposed in Senator Barry's bill are limited to the following: capital transportation projects, public school construction, higher education capital projects, research and development projects relating to economic development, reducing bonded indebtedness, and emergencies.

This idea is a "home run" in improving the budget management of state government. It is a prudent, business-like reform that could dramatically improve the future of our state.

Of course, budget reform should also be a top priority. Hundreds of millions of dollars can be saved if the current budget were reformed. But that is a separate battle for another day. The first goal must be to limit government spending in a sensible way and the Virginia Investment Act of 1999 seems to do just that.

Budget reform such as this will also stop the rapid growth of the base cost of government so that when the economy turns down, and tax revenues shrink, state government spending cuts will not be a draconian as they might be otherwise. The first casualty when tax revenues shrink will be the Virginia Investment Account where the "excess funds" in good times are deposited, and not "current" government spending. This makes good sense.

Three cheers for Senator Warren Barry and every Senator and Delegate who joins in this important battle. His bill opens the debate for better money management by the General Assembly and the state government. This debate is long overdue. And this bill, if it doesn't pass this year, will hopefully take center stage next year. It should be considered as the first priority of the next General Assembly, before debate on the next budget takes place. Indeed, Governor Gilmore should consider taking up this challenge and lead the battle for this sensible reform to cap current government spending and set up the Virginia Investment Account with the limits proposed by Senator Barry.

The people will support this reasonable spending reform if the leadership in Virginia will discuss it in an open and clear manner.