

Bacon's Rebellion

Reinventing Virginia for the 21st Century

How Fiscally Conservative Is McDonnell, Really?

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Fiscal conservative... or pragmatist?

Does Governor Bob McDonnell deserve his reputation as a fiscal conservative? The libertarian-leaning Cato Institute is dubious. McDonnell “hasn’t taken any major actions to shrink the Virginia government,” writes Chris Edwards, author of “Fiscal Report Card on America’s Governors 2012.”

Indeed McDonnell and Virginia rated a “C” for fiscal policy, as measured by seven indicators of state spending, revenues and tax rates. Cato’s system favors states that cut spending and taxes. However, as the report concedes, it does not account for “longer-term or structural changes” that governors make, such as reforms to state pension plans. One of McDonnell’s signature accomplishments in 2012 was a restructuring of the Virginia Retirement System to significantly reduce (though not eliminate) unfunded pension liabilities. On the other hand, Cato made no deductions for McDonnell’s aggressive use of debt to fund his transportation initiatives.

On those criteria that Cato did measure, Edwards was not much impressed:

McDonnell has signed into law a smattering of small tax increases and tax cuts, but he hasn’t proposed any major tax reforms. McDonnell hasn’t been very conservative on spending either. The Virginia general fund budget increased from \$14.8 billion in the governor’s first year of fiscal 2010 to an estimated \$17.2 billion in fiscal 2013, which is a 16 percent expansion. To his credit, McDonnell pushed to privatize the government’s liquor stores, but he couldn’t get his own party in the legislature to go along with the plan.

Four states — Kansas, Florida, Maine and Pennsylvania — scored “A” under Cato’s methodology, while five — Washington, Hawaii, Minnesota, Connecticut and Illinois — earned an “F.”

I have asked McDonnell press secretary Jeff Caldwell if the administration has a response to the Cato report. I will post it here if I receive a reply.

– JAB