Listen to your accountant

August 18, 2017
Inside Insight, Uncategorized

On spending, how about self-discipline?

By BRYCE FIEDLER

The state Comptroller General's office released its annual budget report this week, giving citizens insight into the sources of state revenue and how that money was spent as well as suggestions for future spending. Here's the bottom line: The government needs to spend less.

According to the report, the General Fund this year accumulated $7.582 billion in revenue, slightly more than the $7.271 billion collected during fiscal year 2016. However, it states, "the revenue growth rate has been slowing during the past two fiscal years."

This trend was also highlighted in last year's report, where the office warned the legislature to "use surpluses to increase reserves for harder times ahead."

If your accountant tells you to start saving because the economy may go south, and tells you again, you'd be wise to listen.

In terms of how the state's tax dollars were used, "spending on education and health services consumed almost three-fourths of all spending in the General Fund," amounting to $3.717 billion and $1.867 billion respectively, for a total of over $5.5 billion. Education, health, and higher education have remained the top three budget expenditures since 2014.

Individual income tax continued to be the largest source of revenue for the state, accounting for over $3.5 billion in funds. Sales tax revenue for the year only increased by 2.8 percent, a possible reason why the state's anticipated surplus was short $11.8 million.

And then there's the broken pension system. Here, the report is sobering.

Despite what the state claims it has done to remedy its employee pension plans, "the steps that it has taken are inadequate to correct the pension dilemma it faces," it states.

One reason the state's unfunded pension liabilities are so high is the unrealistic expected rate of return it relies upon. The pension reform law passed earlier this year by the General Assembly only slightly modified that rate, and its other provisions completely missed the fundamental issue at hand: The system is unsustainable.

The necessary move, then, and what the Comptroller General's report echoes, is a restructuring of the system. Specifically, "state leaders must adopt a more disciplined, comprehensive, and long-term approach" to mitigate the liability.

Short-term fixes and colorful rhetoric will not pay off the estimated $20 billion to $74 billion in debt.

The most disconcerting, but not surprising, discovery is that the General Assembly continues to make poor fiscal decisions unnecessarily. The Comptroller General's office states clearly that the state could tighten spending, and has done so under economic pressure, saying, "the economic downturn we survived within our recent past revealed our ability to operate government and provide necessary services on much less."

There is a culture of excessive and irresponsible spending in the General Assembly. It stems from lawmakers' inability to plan for the future and their refusal to learn from the past. A decade has not passed since the recession, yet legislators are spending as if the state will continue to enjoy infinite economic growth.

When the government was forced to get serious about spending after the financial crisis, it wasn't just one or two areas that lost funding. The budget was slashed across the board. Legislators have the opportunity now to prune strategically. It's because they're not under the gun that they ought to take it. Otherwise, as night follows day, the time is bound to come when everyone will have to pay the price. Again.

featured
← You could be paying twice for V.C. Summer