

BACON'S REBELLION

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Pitching a Fitch

Warrenton Mayor George Fitch wants to be your next governor. Outraged by waste in government, he's the one candidate totally committed to cutting taxes and reining in state spending.

By James A. Bacon

George Fitch is such a long shot for in the race for governor that you might wonder why he ever bothered to declare his candidacy. After all, former Attorney General Jerry Kilgore is widely presumed to have a lock on the Republican nomination. He's got name recognition, he's got a \$6 million war chest, and he's got the party honchos all lined up behind him. The nomination is all over but the throwing of the confetti.

But it would be a mistake to dismiss Fitch as a gadfly. No one took him seriously when he wanted to organize the Jamaican bobsled team to compete in the Calgary Olympics. Remarkably, the Jamaicans proceeded to beat 10 other teams, as immortalized in the Disney movie, *Cool Runnings*. No one thought Fitch had a chance either to displace the heir apparent in a run for mayor of Warrenton, yet he not only went on to win, but he made good on promises to slash spending, stimulate economic growth and reduce taxes.

In a field with four declared gubernatorial candidates, Fitch stands out as the only one who is passionately dedicated to cutting spending and rolling back taxes. Lt. Gov. Timothy Kaine, a Democrat, supported last year's



tax hikes, as did Russ Potts, who is running as an "independent Republican." Kilgore has made anti-tax noises but impressed no one either with his depth of conviction or the rigor of his budgetary analysis.

Taxes are very much on the mind of the Republican rank and file that Fitch must persuade to vote for him in the primary this summer. GOP activists are acutely aware that the political class, crying poverty, boosted taxes by roughly \$1.5 billion in the current biennium, only to find the state on track now for an embarrassingly large, \$1.2 billion surplus. Despite this fiscal fiasco, Sen. Finance Chair John "Tax 'em High" Chichester has made it clear that the current round of tax hikes is only a down

payment on a longer-term solution – more taxes next year -- to Virginia's transportation "crisis." Meanwhile, many suburban homeowners in GOP strongholds have seen their property values – and property taxes – rise steadily over the past several years. Fitch is betting that they may not share the political pundits' assessment that they are insufficiently taxed.

"Who would you rather have running your government – a businessman or a lawyer?" Fitch asked in an interview last week, testing out his political sales pitch. "Who would you trust with your money? Somebody that's already demonstrated spending reform and who's running a government as a business? Or a lawyer? If you want to continue the business-as-usual approach, Jerry Kilgore is your guy. If you think we need to make some changes, then hear my thoughts, hear my solutions."

In Fitch's view, Virginia is not under-taxed – it's poorly run. The Wilder Commission, appointed by Gov. Mark R. Warner during the recession, identified an estimated \$1 billion a year in spending cuts. So far, only 15 percent of the Commission's recommendations have been enacted. Fitch would make it a priority to adopt the best thinking he could find –

whether from the Wilder Commission, the Commonwealth Competition Council, the Reason Foundation, wherever – to outsource, to streamline, to close programs that don't deliver results. He thinks that \$2.3 billion could be squeezed out of the state budget.

As for transportation, Fitch refuses to be stamped into the view that there's a congestion crisis that requires the expenditures of an additional \$100 billion or more over the next 20 years. Traffic congestion is largely the result of haphazard, disconnected, leap-frog development that forces suburbanites to drive more often and to drive greater distances with every passing year. The solution, he says, is to change the pattern of development, not to raise taxes. Says Fitch: "You've got to do a better job of coordinating land use and transportation planning."

If Virginians are tired of Business As Usual, Fitch should be their man. Born of a missionary family in Canton, China, just before the Communist Revolution, he has quite literally seen the world. His grandfather was put in charge of the city of Nanking just before its fall to the Japanese and subsequent brutalization known to history as "the rape of Nanking." Fitch's father served with Claire Chennault's Flying Tigers and operated behind Japanese lines. Fitch grew up after World War II, mainly in India, Malaysia and Singa-

pore. He studied two years at the University of Singapore before moving to the U.S., where he graduated with a B.A. in economics from the University of Wooster, in Ohio, and an MBA in international business from George Washington University.

After a brief stint with a Canadian mining company, Fitch signed up to work for the U.S. Commerce Department. A scuba diver, he volunteered for a job as a commercial attaché in the Central American country of Belize-- which just happened to have the second-largest barrier reef in the world--and then moved on to work on the Reagan administration's Caribbean Basin initiative. Later, he was stationed in Kingston, Jamaica, to set up a office to develop U.S.-Jamaica business relationships. Then it was off to Paris, although he lasted only a year amongst the French.

Fitch quit government service to pursue an improbable dream--"a flight of fancy", he calls it--to help the Jamaicans develop a competitive Olympic bobsled team. He knew the Jamaicans could never field a serious ice hockey team or figure skating squad, but he figured they could make a go at bobsledding. "Half the race is getting off to a fast start," he explains. The Jamaicans had plenty of talented athletes who could do that. Approaching an official with the Jamaican local defense forces, he recruited some of the best athletes in the Jamaican mili-

tary. Unable to find sponsors, he bankrolled the team himself.... At one point he was reduced to raising money by selling Jamaican Bobsled Team t-shirts in Calgary bars and nightclubs. But Fitch and the Jamaicans prevailed, and the rest is history. (Just don't take *Cool Runnings* as the literal truth.) The underdog Jamaican bobsledders became the crowd favorite at the Calgary Olympics. Although they did not win a medal, they earned the world's respect. Fitch stayed with the team for another two Olympics before moving on to pursue other interests.

Making a living as an international trade consultant, Fitch settled in Virginia and found himself drawn to politics. Always a fiscal conservative, he set up an organization called the Fauquier Taxpayers Alliance to act as a watch dog over local government spending. In one especially heated exchange, the mayor of Warrenton challenged Fitch, if he was so darn smart, why didn't he run for mayor?

The gauntlet was thrown. Fitch did run, campaigning against the mayor's hand-picked successor. Preaching fiscal austerity, he railed against the town's plan to spend \$4 million on a new town hall while, in his opinion, the old one was perfectly good. Fitch won the campaign and set about fulfilling his promises. Over the past six years, he has worked relentlessly to cut spending. The town's workforce is 10

percent smaller than it was before he arrived. In an imaginative economic development effort, inspired by his wife Patricia, he catalyzed heritage tourism business around construction of a John Singleton Mosby museum. The combination of cutting taxes, broadening the tax base and rising property values allowed him to slash the real estate levy by 80 percent, making Warrenton's rate among the lowest of any town, city or county in the state.

(For details on Fitch's track record in Warrenton, see "[The Warrenton Miracle](#)," by Philip Rodokanakis, Bacon's Rebellion, Nov. 29, 2004.)

Based on his experience in Warrenton, Fitch has learned some profound lessons on what it takes to create economic prosperity. Instead of chasing large corporations that demand big incentive packages, he focused on attracting small, entrepreneurial companies. By offering a combination of low taxes, attractive communities to live in, and a quality workforce, he says, Virginia can attract entrepreneurs who will start fast-growing businesses and stay committed to the community. "The CEO or owner will decide to locate here because it's a good place to raise a family."

The Virginia governor's first priority, says Fitch, should be to get control of state spending. "The first thing you do is implement wholesale spending reform." Apply outcomes-

based, performance-based measures to government programs -- make sure the programs are doing what they're supposed to do. "Scrutinize every single service. If they don't meet up [with their goals], we're going to change them." Outsource to the private sector. Eliminate redundancy. Consolidate duplicate functions. Or shut them down.

By way of specifics, Fitch points to the treatment of the mentally ill. The state pays \$100,000 a year to treat a mentally ill patient in an institutional setting. By moving patients to local community centers, the state can cut costs down to \$30,000 -- and improve the quality of care.

Fitch argues that Virginia needs a Taxpayer Bill of Rights (TABOR), like the one in Colorado, which would cap increases in state spending to a set amount such as population growth plus the cost of living. By keeping taxes low, a TABOR would stimulate the growth of local businesses and encourage outside businesses to invest in Virginia. "Colorado is doing fine with TABOR," says Fitch. "They've got a very healthy economy."

Fitch has a transportation policy, too, and it doesn't involve cranking up taxes to build more roads. "You have to stop the bleeding caused by mismanaged growth," Fitch says. The state simply can't afford to widen roads to serve every subdivision that

pops up in the countryside. The Virginia Department of Transportation (VDOT) doesn't have enough money-- and will never have enough money, no matter how much the gas tax is raised -- to correct the problems of atrocious planning.

Fitch points to a massive botch job about 10 miles from Warrenton, where U.S. 29 intersects with Interstate 66 in Gainesville. Local government officials approved larger-scale residential development in the area, unconnected to any local employment base or retail amenities, that virtually forced people onto the two arterials to reach destinations miles away. "The traffic has become a nightmare," he says, and VDOT can't fix it because VDOT is tapped out. It is imperative that Virginia does a better job of coordinating transportation and land use planning.

While land use reform stands at the top of Fitch's list of transportation reforms, he suggests a number of other strategies. Thirty percent of traffic congestion, he observes, is caused by road maintenance that closes off lanes and forces motorists to merge. "Do what they do in Europe -- lay down 22 inches of macadam instead of eight inches." If the state was willing to absorb higher up-front capital costs, he says, roads would last much longer and road crews would spend less time on maintenance work that disrupts traffic flows.

Another idea would be to build what Fitch calls "shadow" toll roads. Private developers who build roads into new areas could recoup their costs by charging the local government a usage fee based on the level of traffic on the road. The locality, in turn, would pass on its expenses by charging home buyers a transportation impact fee. By providing a rational basis for imposing the impact fees, such a system would prove more tolerable than the imposition of fees based on arbitrary, political criteria.

Fitch also stresses the need for education reform. Pumping more money into a broken system will not improve the performance of Virginia's schools, he says. "The goal never changes, which is to provide the best education for the student. Everybody agrees on that. But we can do it in a much more cost effective way."

According to Fitch, only one third of every dollar spent on education is spent in the classroom. Between 64 percent to 67 percent goes to overhead – up from about 42 percent some two to three decades ago. Do Virginia schools, he asks, really need an assistant principal for each grade? "The schools say they don't have enough money for textbooks. I say, well, adjust your priorities."

The problem is the Virginia Education Association, Fitch says, which functions as a teachers union. "The VEA is

not willing to budget, and nobody is forcing them to budget. We have to bring them into a room, sit around a table and say, 'We can't continue just giving you more and more money because you say you need more deputies.'" The VEA's grip on Virginia education must be broken, Fitch insists. If localities can save 32 percent by outsourcing non-instructional services—as some studies indicate—then they need to do it. If localities can save 25 percent by outsourcing remedial education to Sylvan Learning Centers, they should be allowed to do it.

Fitch estimates that, after adjusting for capital expenditures and other overhead, it costs Virginia localities on average about \$2,800 per year to send a student to public school. In theory, it should be worth up to \$2,800 to the state to induce parents to educate a child privately. By giving taxpayers a state income tax credit up to \$2,800, he argues, the state could make it affordable for many parents to send their children to private school, or possibly to home school them -- and save money.

What's refreshing about Fitch is that he doesn't pretend to have the answer for everything. I asked him how he would address the rapidly escalating cost of Medicaid. He's a big believer in private health care accounts that eliminate the need for HMOs and other intermediaries that run up costs, but he hasn't

figured out what the state can do. "I've got people working on it," he says.

Another inspiring trait about Fitch is that he doesn't feel the normal partisan urge to disparage the accomplishments of someone just because he belongs to the other party. He praises Gov. Warner, for instance, for some of the initiatives he's undertaken to improve the efficiency of state government.

Fitch won't even dis' his opponent, Jerry Kilgore. "I'm concentrating on my campaign and ignoring the conventional playbook, which is to slam your opponent," he says. "Jerry Kilgore seems to be a pleasant, sociable guy. I believe I'm offering something very different. That's the distinction I'm asking people to make."

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