

Until this year these projects have been primarily financed from borrowing. The only exception to this has been inclusion in the operating budget of projects costing less than \$50,000, but these amounts are small. For example, last year they totaled only \$1.2 million.

This budget recommends a major change in that policy. We have provided for \$10 million of current revenue to be used as a down-payment for capital construction projects. Prudent financial management dictates that we make a substantial down-payment from current revenues against capital costs. Ideally, during periods of high economic activity, a significant portion of our construction should be financed from current revenue in order to conserve our bonding authority for periods of economic distress. It is well known that economic slumps cause the dual problem of increasing State costs for welfare, health, mental hygiene and other programs, together with reduced tax revenues. During such periods it is desirable to continue, or even expand, State construction programs in order to help pump new blood into a lagging economy. If State borrowing power has been conserved for such a contingency, it is possible to carry out such programs.

An equally important reason for financing capital projects from current revenues is to save the taxpayer money. Borrowing increases the cost of construction by up to one-third for interest alone. In the long run, if we finance all construction by bond issues, we are getting only \$3 worth of construction for every \$4 expended in tax money. It is possible to justify borrowing for unusually large or nonrecurring items. For example, most people buy their homes that way because the total cost represents more than their annual income. However, this reasoning does not apply to annual construction programs which will continue for the foreseeable future.

Were the revenue picture brighter, I would have recommended even more current revenue for capital construction; but at least the \$10 million we have provided is a beginning for this policy. We hope to find ways to increase the amount in the future, and to this end I shall work with the Senate Finance Committee and the Ways and Means Committee of the House of Delegates.