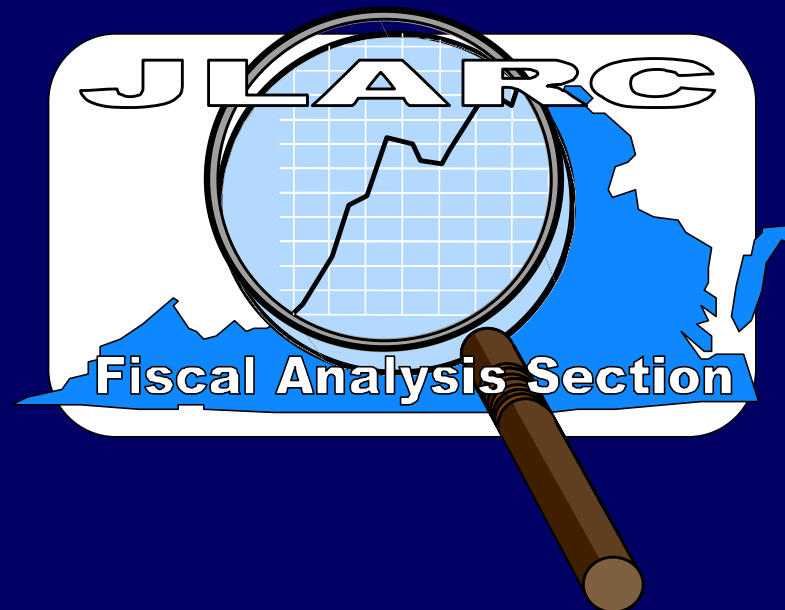


**Joint Legislative Audit and Review Commission  
of the Virginia General Assembly**



**Review of Spending  
in State Government**

**Staff Briefing  
Walt Smiley  
December 8, 2003**

# Explaining Budget Growth

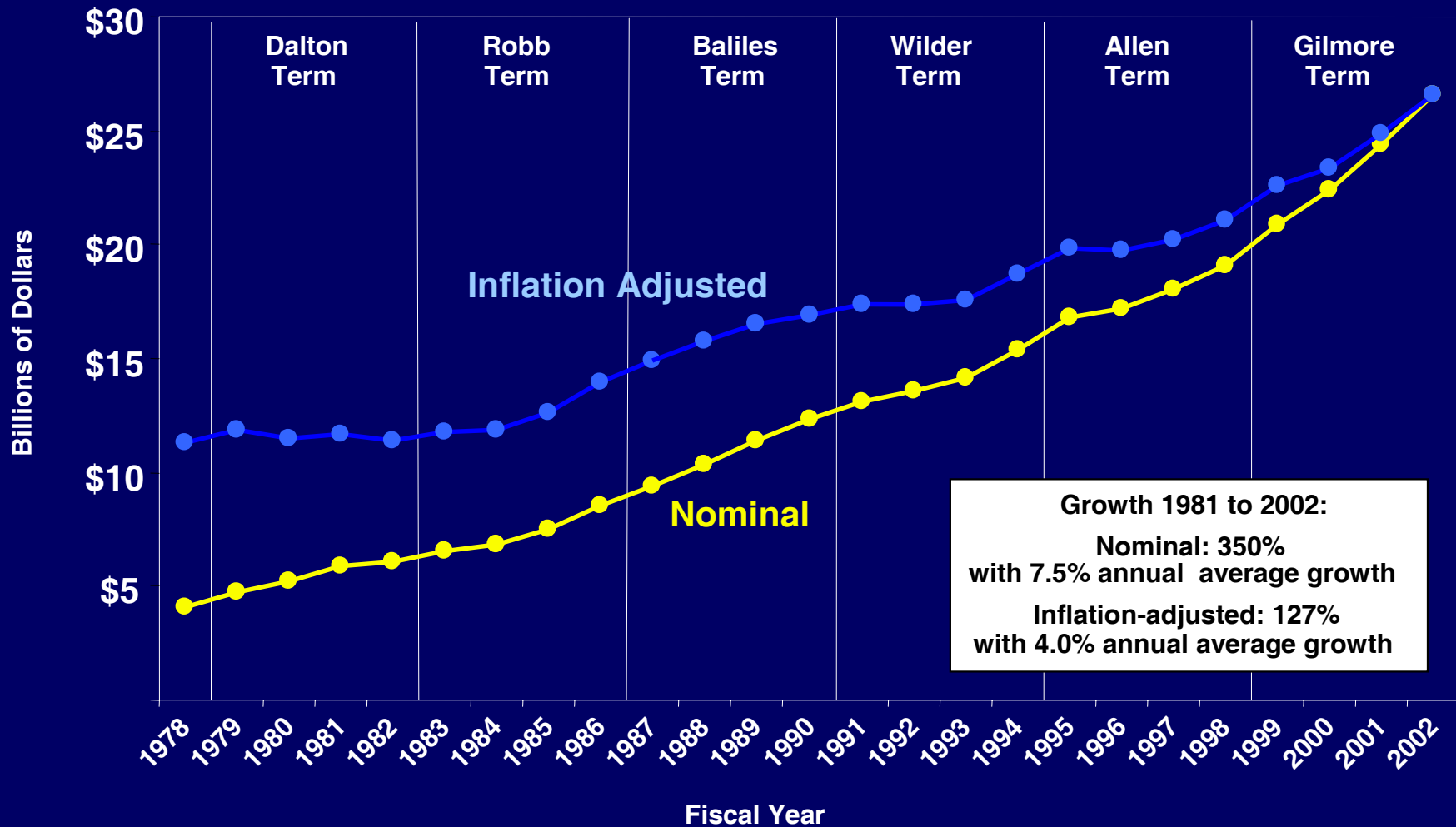
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- ***Code of Virginia* §30-58.3** directs JLARC annually to review State spending and identify the largest and fastest growing programs, and causes of expenditure growth
  
- A combination of factors helps explain long-term budget growth:
  - Analyzing societal factors such as population growth, inflation, growth in personal income, etc.
  - Identifying budget drivers – the agencies and programs that account for the bulk of spending growth
  - Recapping Virginia-specific factors, such as initiatives and funding decisions
  - Examining how individual agency budgets have grown

# Virginia Expenditures

FY 1978 – FY 2002, Budgetary Basis

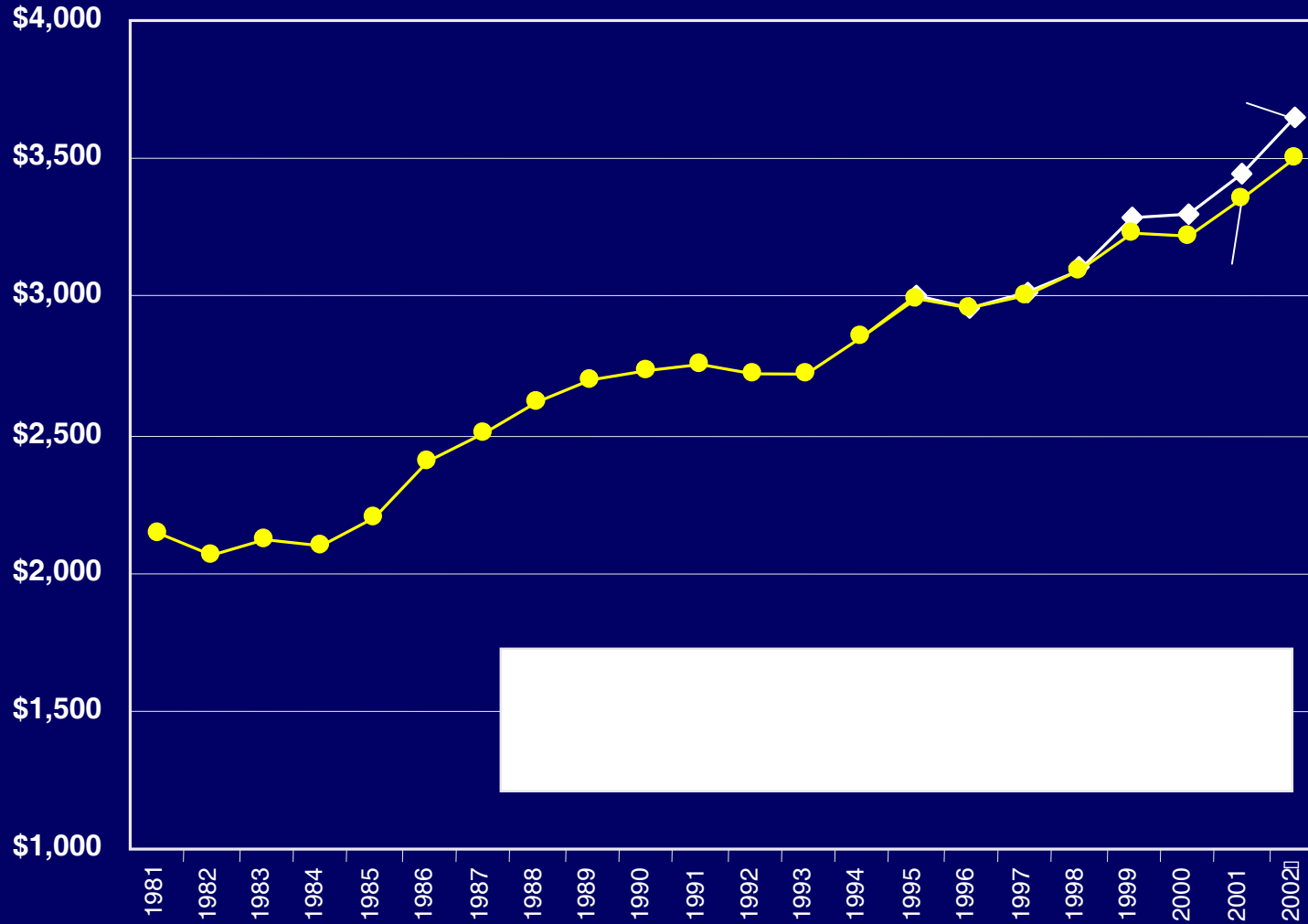
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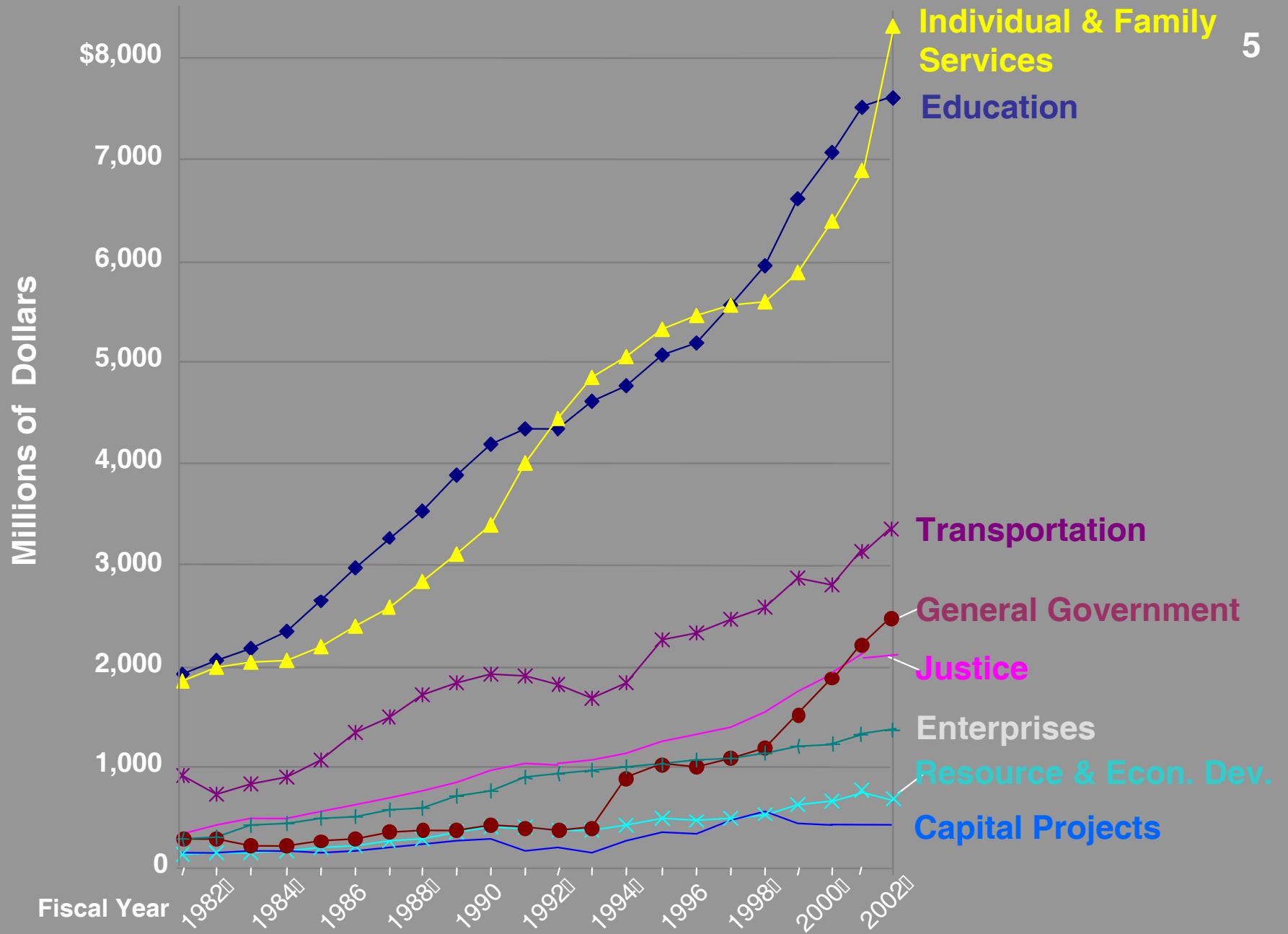
# Virginia Spending Per Capita

FY 1981 – FY 2002

Adjusted for Inflation, and Showing  
Impact of Car Tax and Rainy Day Fund



# Expenditures by Functional Area, FY 1981-FY 2002



## **Much Expenditure Growth Was in a Few Core Programs**

**(All funds, in millions)**

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	FY 2002 Expenditure	Growth Since FY 1999
<b>Medicaid</b>	<b>\$3,680</b>	<b>\$1,217</b>
<b>Financial Assistance – SOQ</b>	<b>\$2,692</b>	<b>\$ 376</b>
<b>Highway Construction</b>	<b>\$1,640</b>	<b>\$ 199</b>
<b>Higher Education Instruction</b>	<b>\$1,201</b>	<b>\$ 115</b>
<b>Employee Assistance Services</b>	<b>\$ 925</b>	<b>\$ 531</b>
<b>Financial Assistance-Sales Tax</b>	<b>\$ 914</b>	<b>\$ 114</b>
<b>Highway Maintenance</b>	<b>\$ 843</b>	<b>\$ 87</b>
<b>Personal Property Tax Relief</b>	<b>\$ 826</b>	<b>\$ 645</b>
<b>State Health Services</b>	<b>\$ 804</b>	<b>\$ 95</b>
<b>Higher Education – Ed. &amp; General</b>	<b>\$ 683</b>	<b>\$ 177</b>
<b>Total, 10 Largest Programs</b>	<b>\$14,208</b>	<b>\$3,556</b>
<b>Percentage Total</b>	<b>53%</b>	<b>62%</b>

# What Factors Drove Budget Increases?

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- Inflation
  - CPI-U: 98 percent increase between 1981- 2002
  - Medical inflation: 245 percent increase
- Workload and service population increases
- Maintenance of effort (budgetary policy)
- Federal mandates
- Virginia initiatives such as:
  - Using General Funds for transportation
  - School construction
  - Economic development assistance
  - Standards of Learning
  - Employee compensation

# Examples of Growth Factors

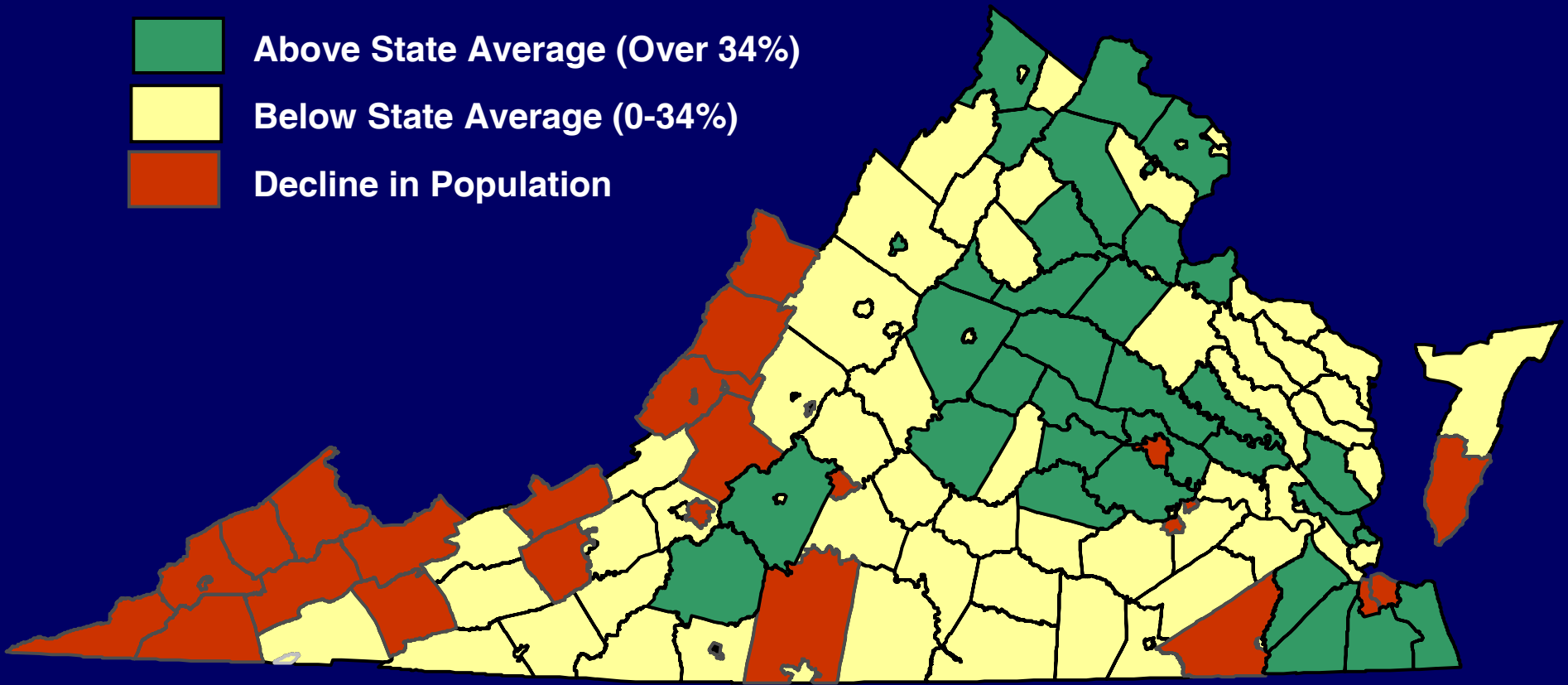
## 1981 - 2002

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Factor	Growth
Virginia Population	34%
K-12 Enrollment	12%
Pupils receiving special ed services	54%
4-year College Enrollment	29%
Tuition (Undergrad-UVA)	306%
Medicaid-Eligible Recipients	136%
Disabled, Blind	166%
ADC/TANF caseload	- 57%
Support Enforcement Collections	>6,000%
State-Responsible Inmates	318%
MHMR Institutional Population	- 58%
Vehicle Miles Traveled	96%

# Population Growth in Virginia 1980-2000

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# Conclusions

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- **The State budget reflects the changing dynamics of the State economy and population**
- **Agency and program budgets changed in response to these factors and in response to changes in workload and service populations, and policy choices**
- **General fund spending leveled off in FY 2001-02.**
- **2004 State Spending Report will cover FY 1993 - FY 2003**