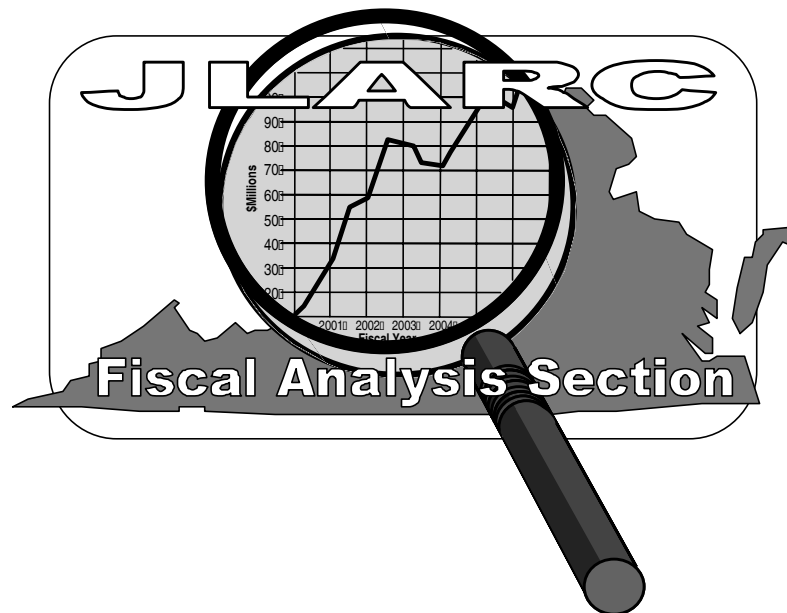


**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



**Review of Spending
in State Government**

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

Explaining Budget Growth

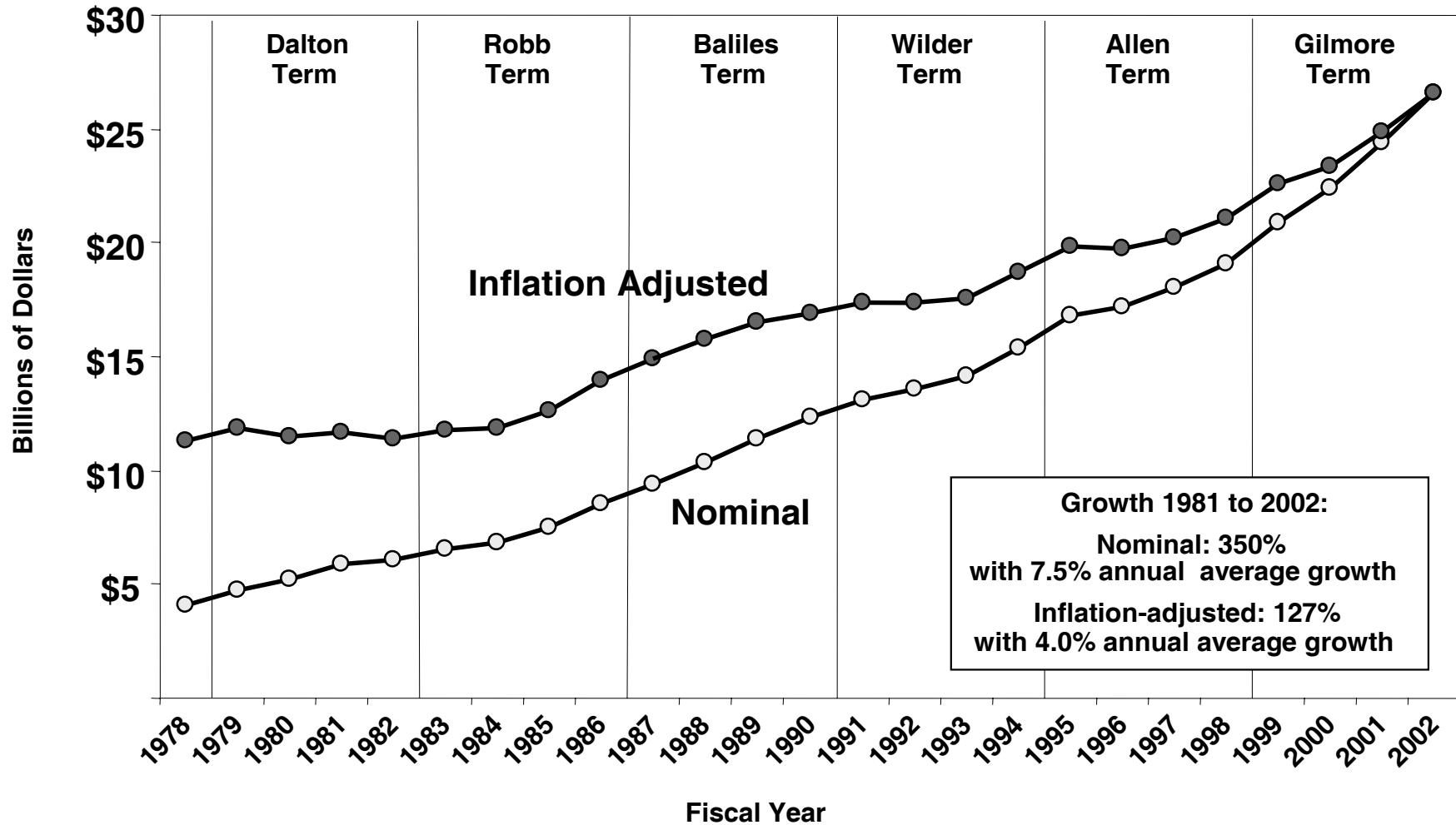
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- ***Code of Virginia* §30-58.3 directs JLARC annually to review State spending and identify the largest and fastest growing programs, and causes of expenditure growth**

- **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

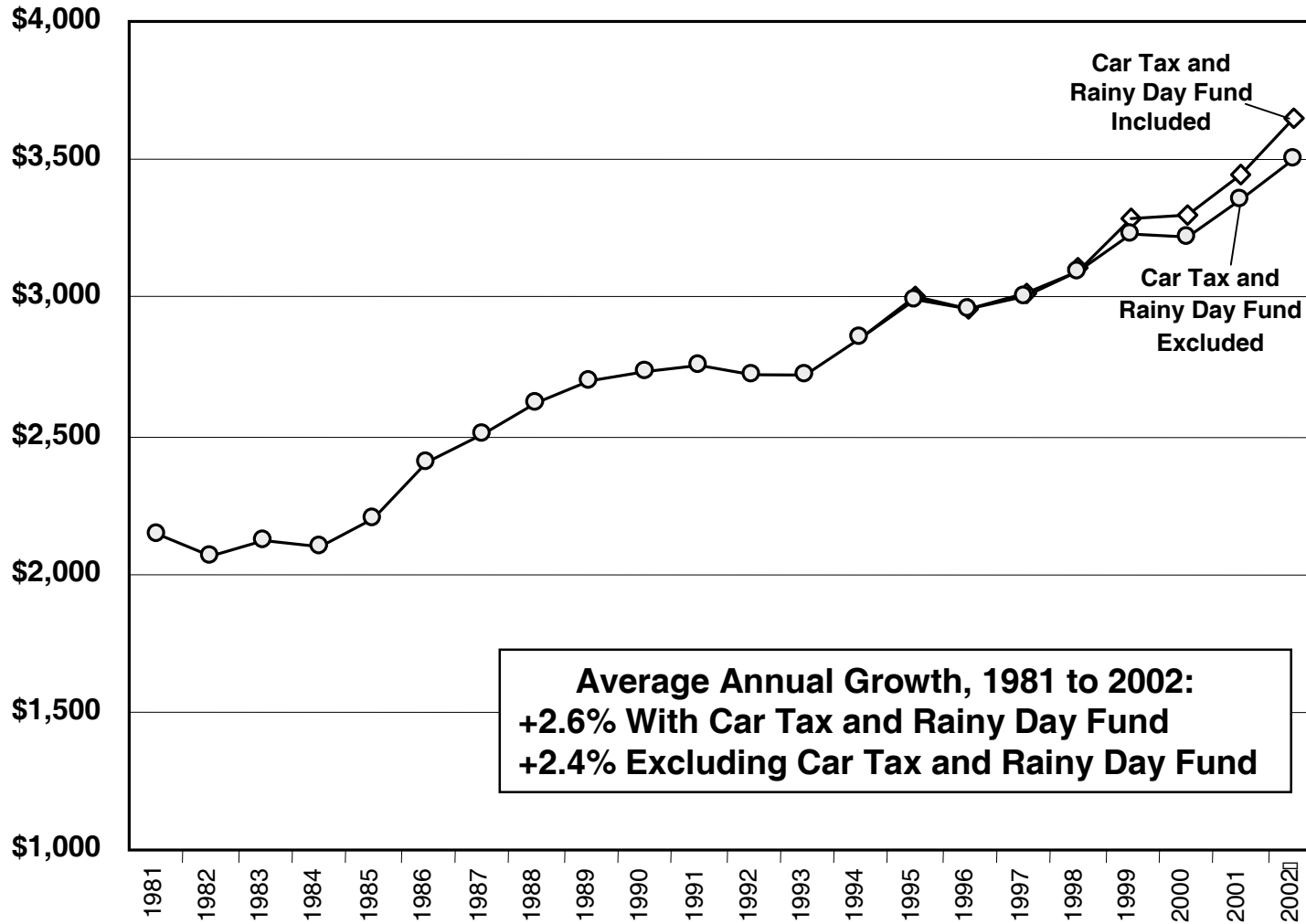
FY 1978 – FY 2002, Budgetary Basis



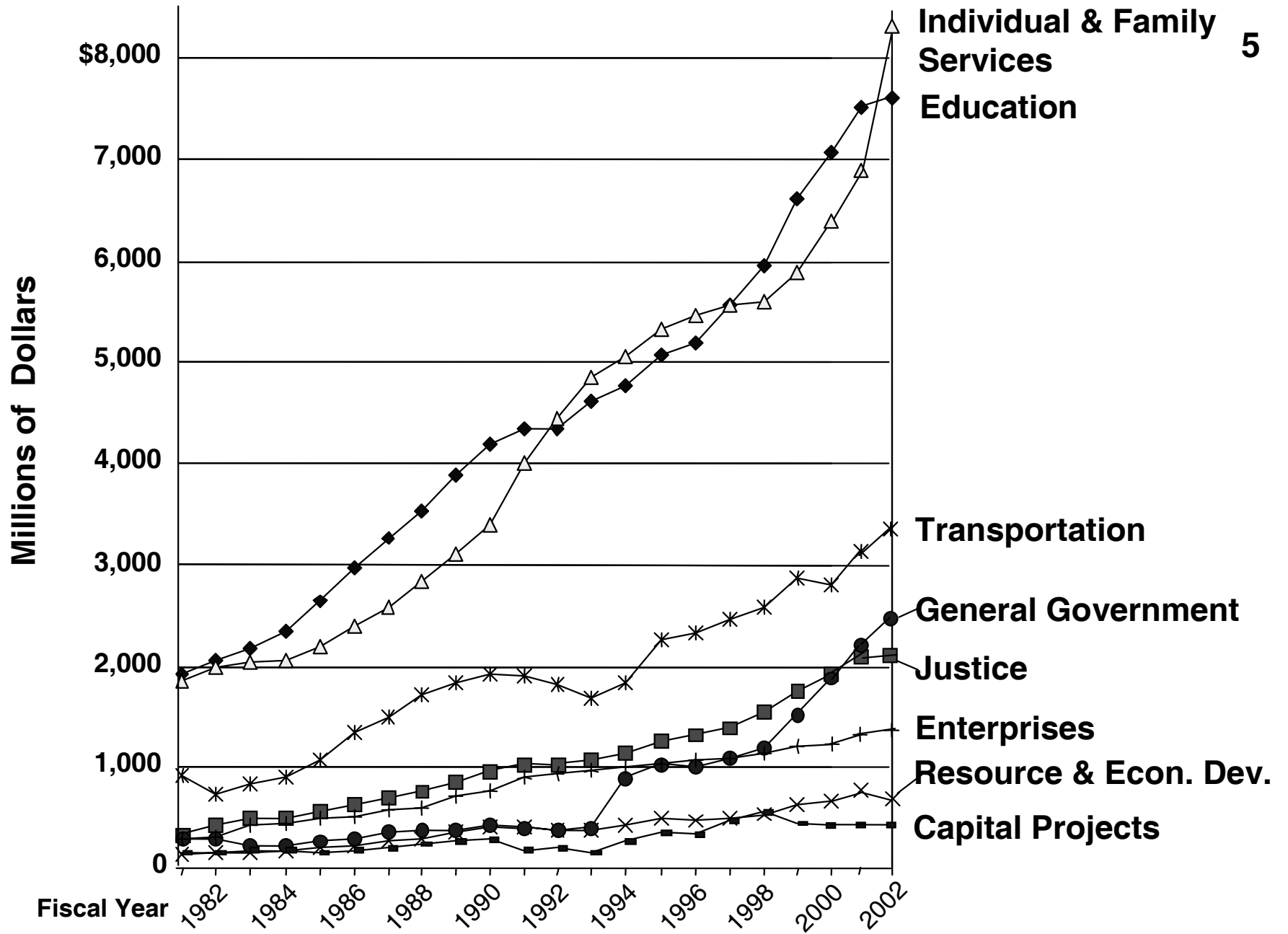
Virginia Spending Per Capita

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)

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

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**

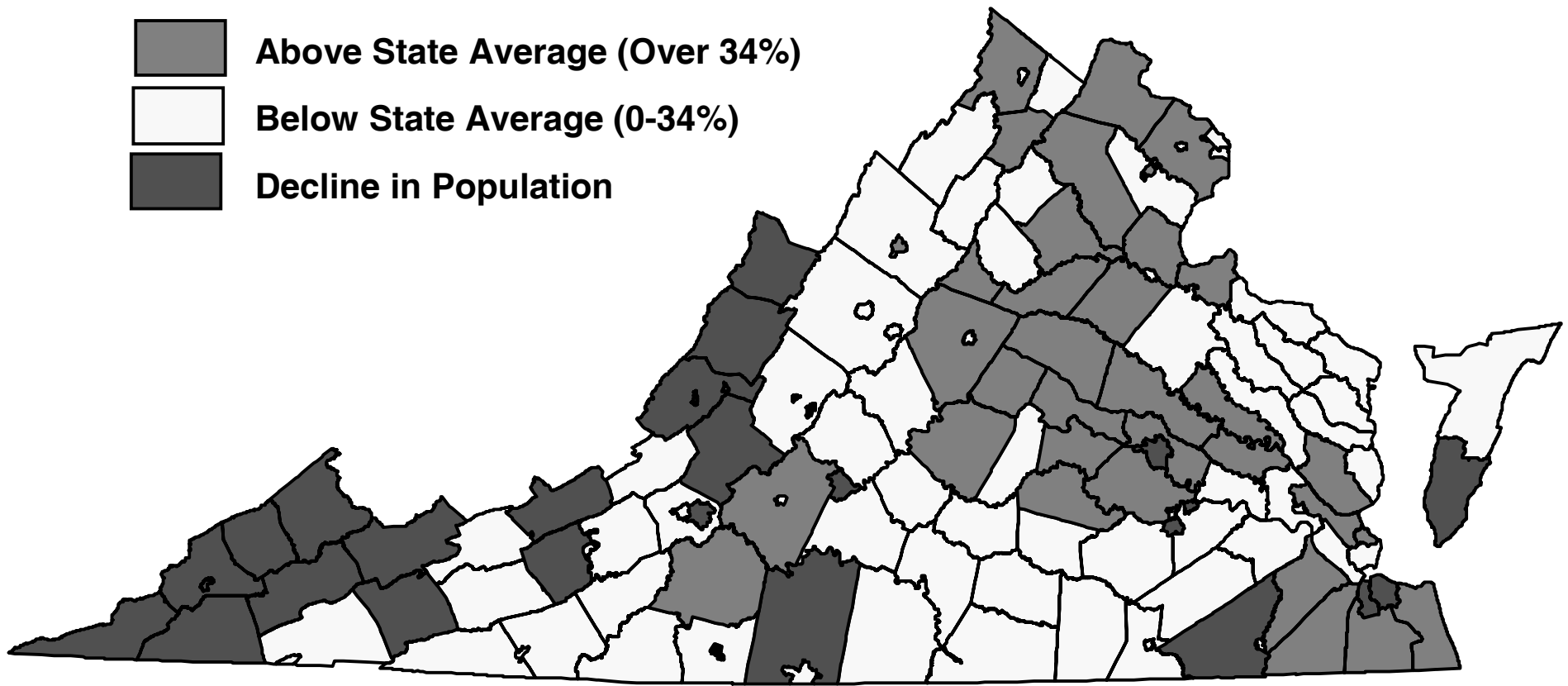
Examples of Growth Factors

1981 - 2002

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<u>Factor</u>	<u>Growth</u>
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



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**