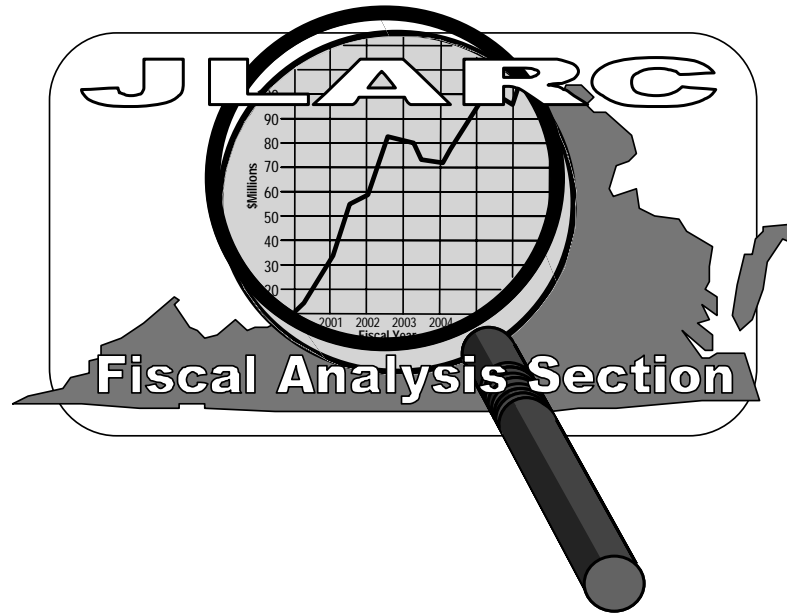


**Joint Legislative Audit and Review Commission  
of the Virginia General Assembly**



**Review of Spending  
in State Government**

**Staff Briefing  
Walt Smiley  
December 13, 2004**

# **Fiscal Analysis Staff**

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**Glen Tittermary, Deputy Director**

**Walt Smiley, Fiscal Section Manager**

**Aris Bearse**

**Brad Marsh**

# Presentation Outline

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- Background of Growth in Virginia**
- How Much Has the State Budget Grown?**
- Where Did the Money Go?**
- What Drove Budget Growth?**

# Study Mandate

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- ***Code of Virginia* §30-58.3 directs JLARC annually to review State spending over the prior five biennia and identify:**
  - The largest and fastest growing programs,
  - The causes of expenditure growth, and
  - Programs that may be inefficient or that could be consolidated.
  
- **This report is the fourth in JLARC's State spending series. Other special reports in 2002-2003 identified efficiencies, savings, revenue enhancements.**

# Explaining Budget Growth

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- **A combination of methods 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**

# Changing Societal Factors

1994 - 2004

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<u>Growth</u>	<u>US</u>	<u>Virginia</u>
Inflation (CPI-U)	23%	23%
Population <sup>1</sup>	11%	12%
Employment	5%	20%
Real Per Capita Personal Income <sup>2</sup>	12%	15%

<sup>1</sup> U.S. estimates from Census Bureau; Virginia growth 1994-2003 based on estimates by Weldon Cooper Center

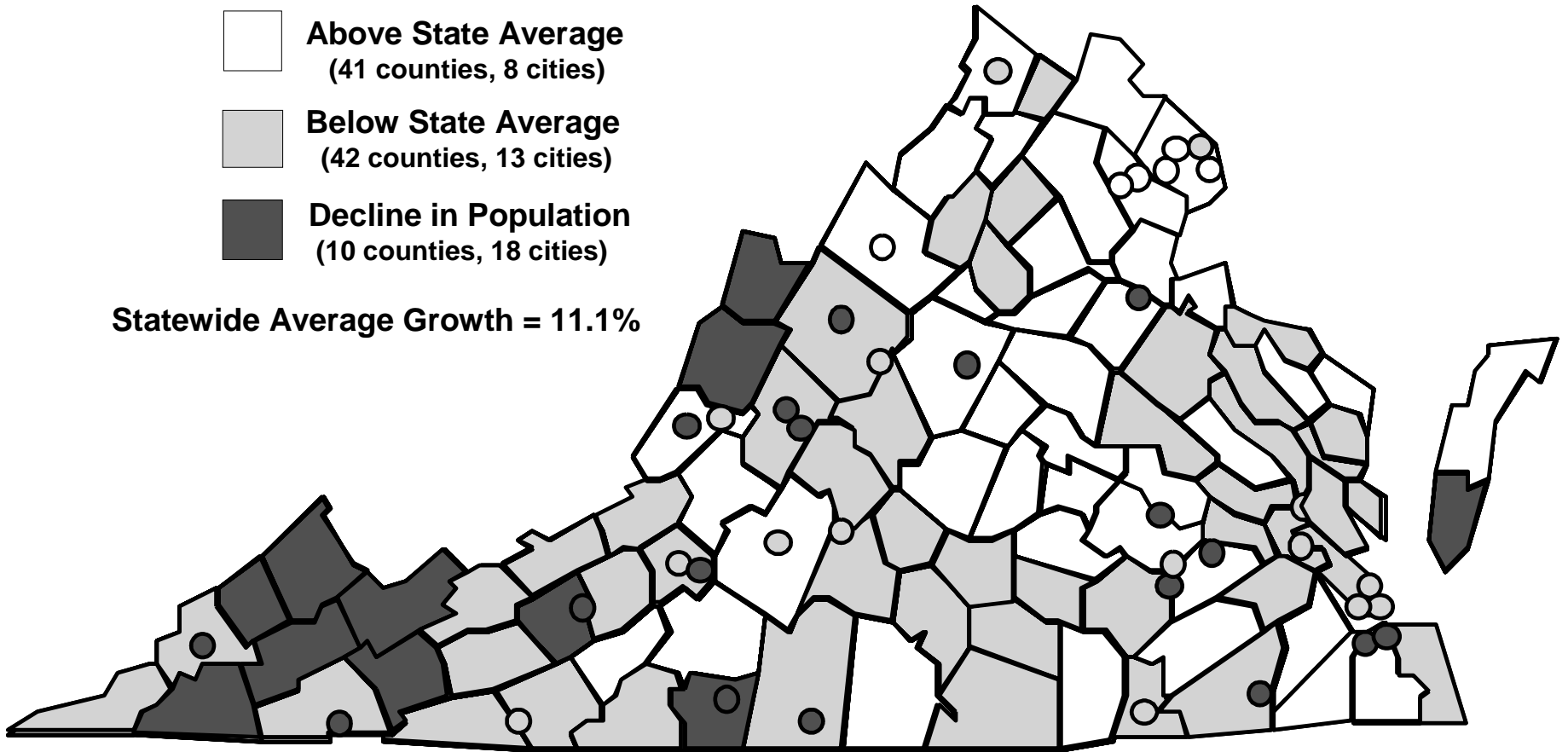
<sup>2</sup> Through 2003; Inflation-adjusted in 2003 dollars; US Bureau of Economic Analysis

# Population Growth

1994 - 2003

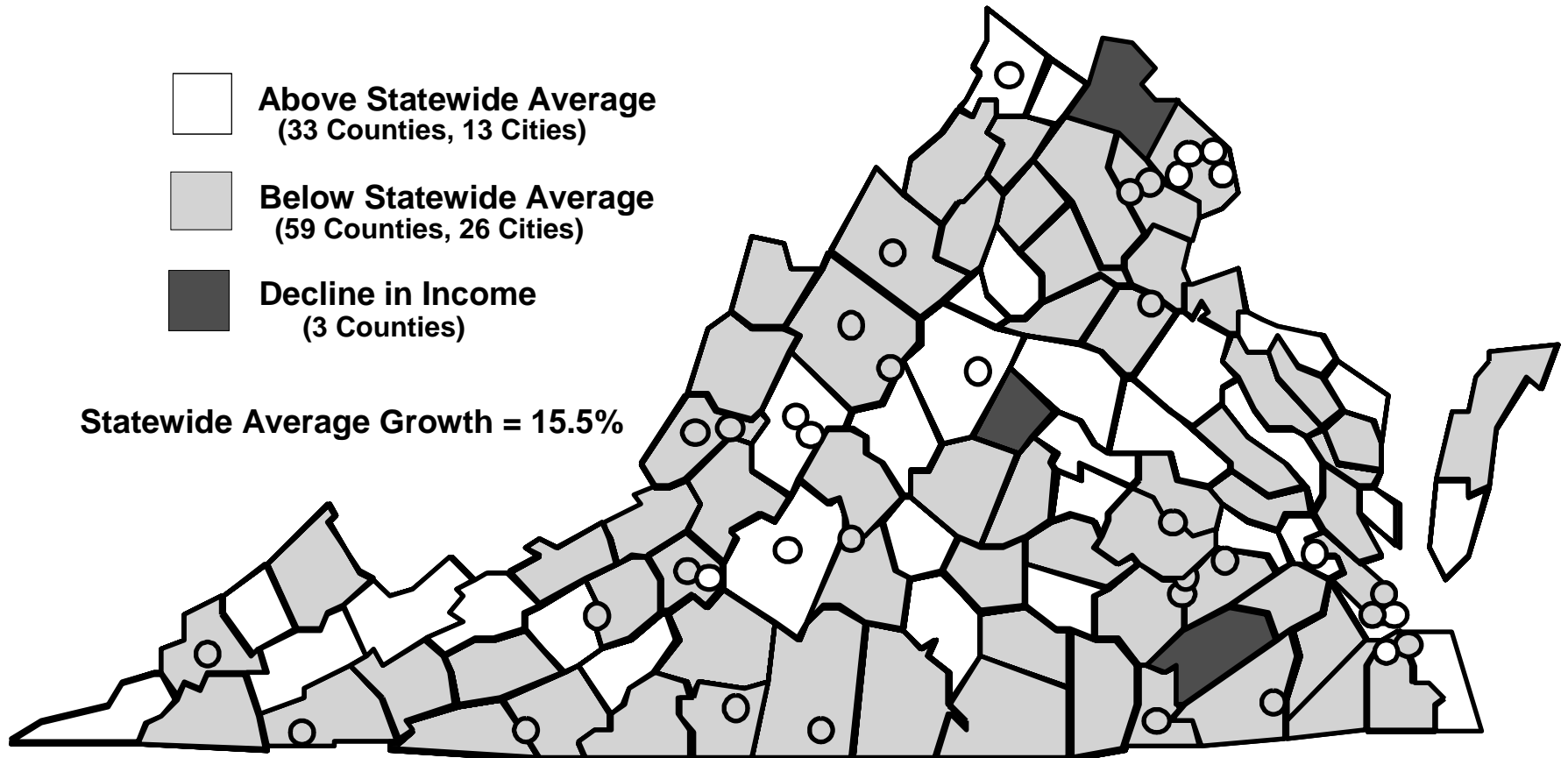
-  Above State Average  
(41 counties, 8 cities)
-  Below State Average  
(42 counties, 13 cities)
-  Decline in Population  
(10 counties, 18 cities)

Statewide Average Growth = 11.1%



# Growth in Per-Capita Personal Income

Inflation-Adjusted, 1995-2002



# Presentation Outline

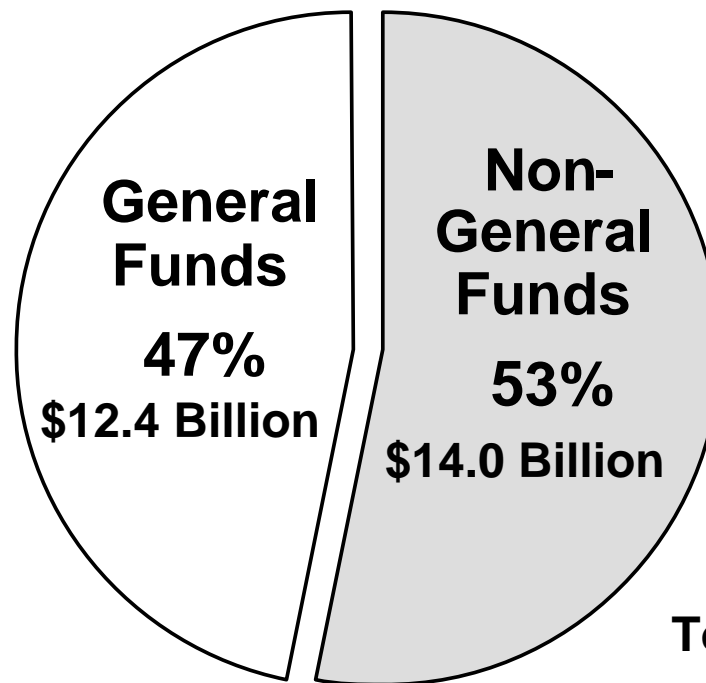
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- Background of Growth in Virginia
- How Much Has the State Budget Grown?
- Where Did the Money Go?
- What Drove Budget Growth?

# FY 2004 Appropriations

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**Total = \$26.4 Billion**

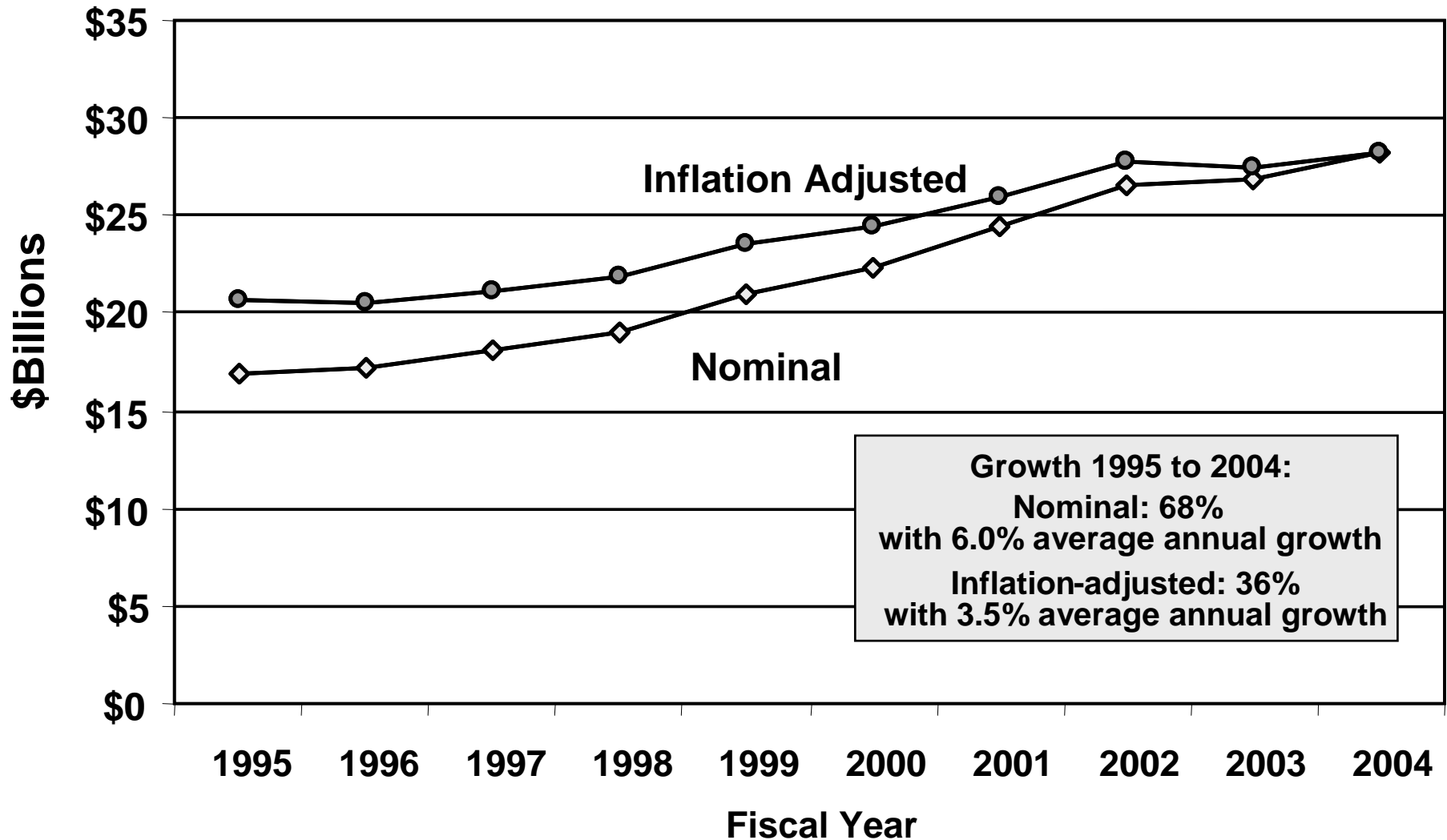
# Examples of Revenues Appropriated Through the State Budget Process

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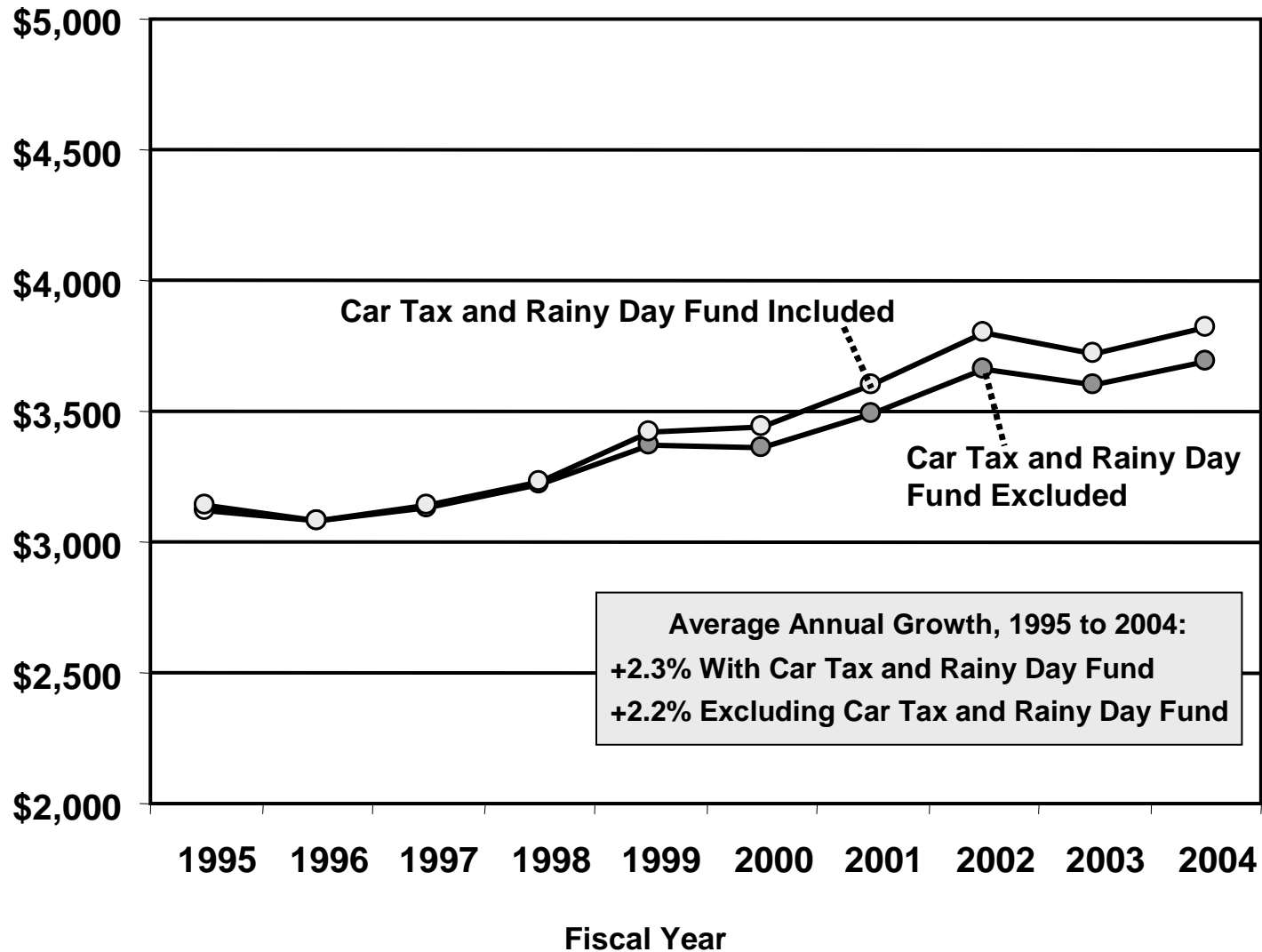
- Revenues from income, sales, motor vehicle and other taxes and fees
- Federal funds
- Tuition payments
- Court-ordered fines, fees, forfeitures
- ABC and Lottery ticket sales
- Child support payments from non-custodial parents
- Hunting and fishing license fees
- Fees for professional registration and licensing
- Proceeds from the sale of surplus property
- Payments by State employees for health insurance and benefits

# Spending Growth

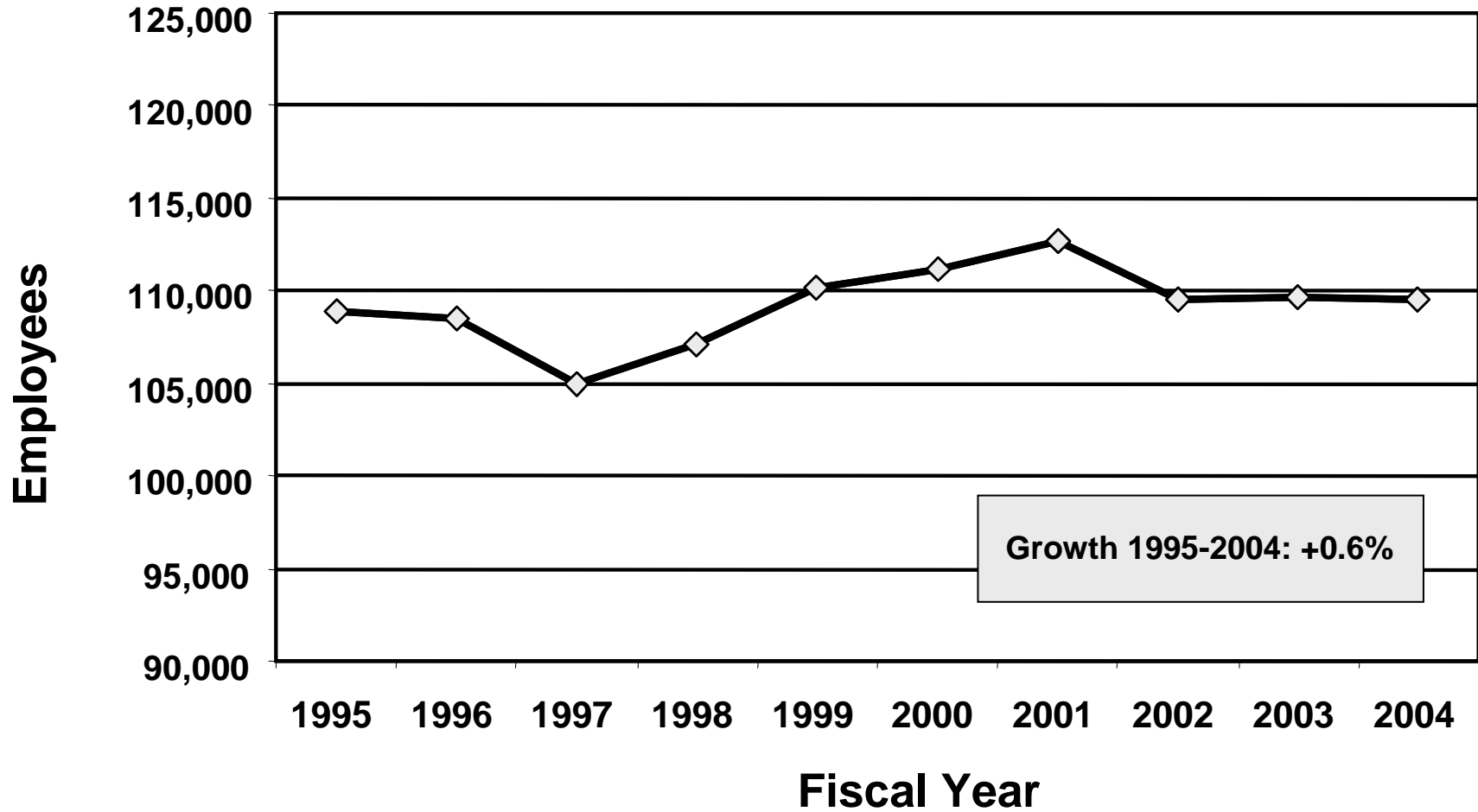


# Per-Capita Spending

## Inflation-Adjusted



# State Employment



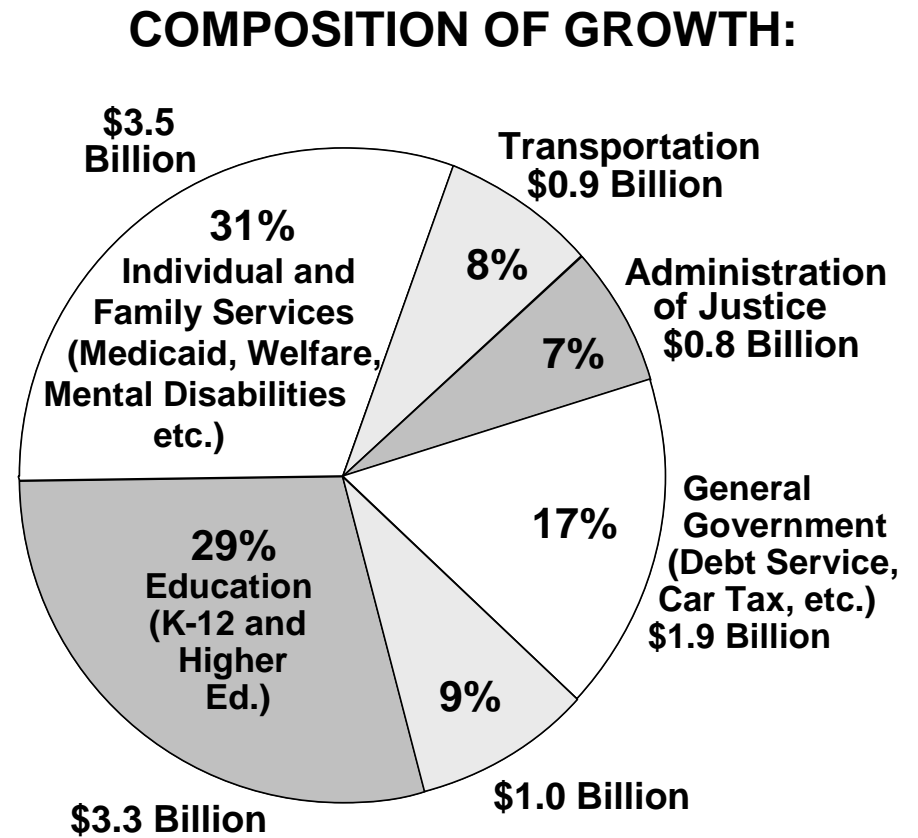
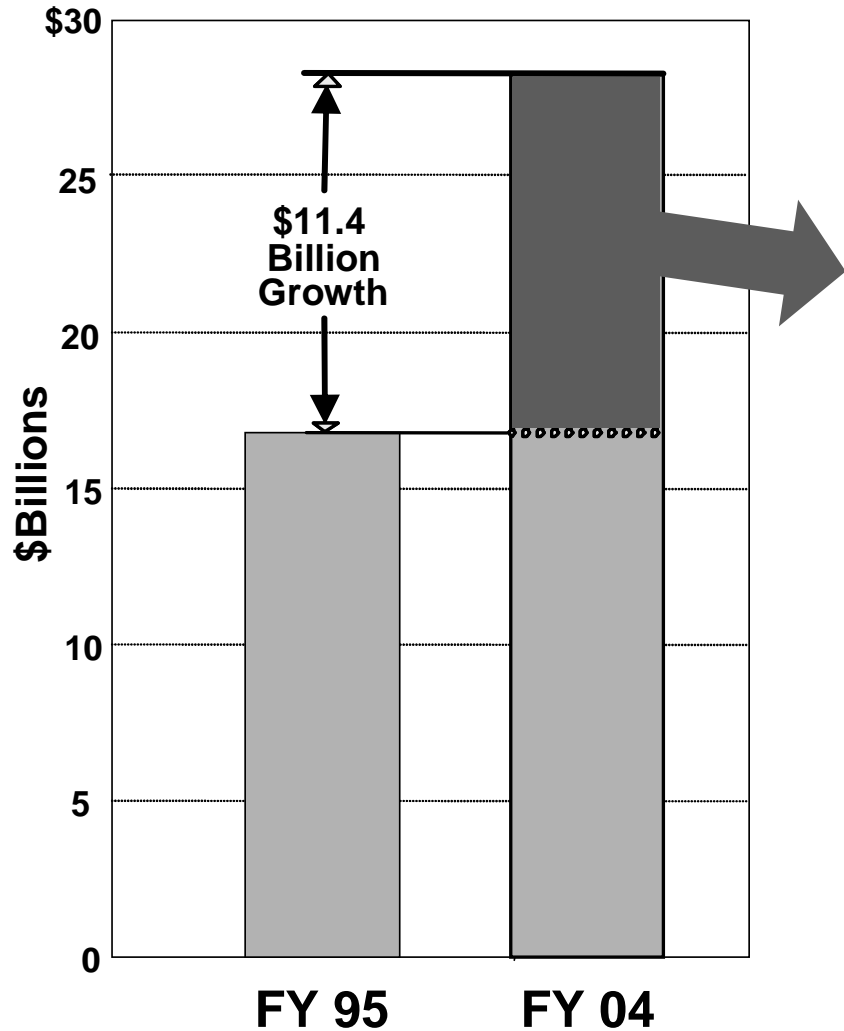
# Presentation Outline

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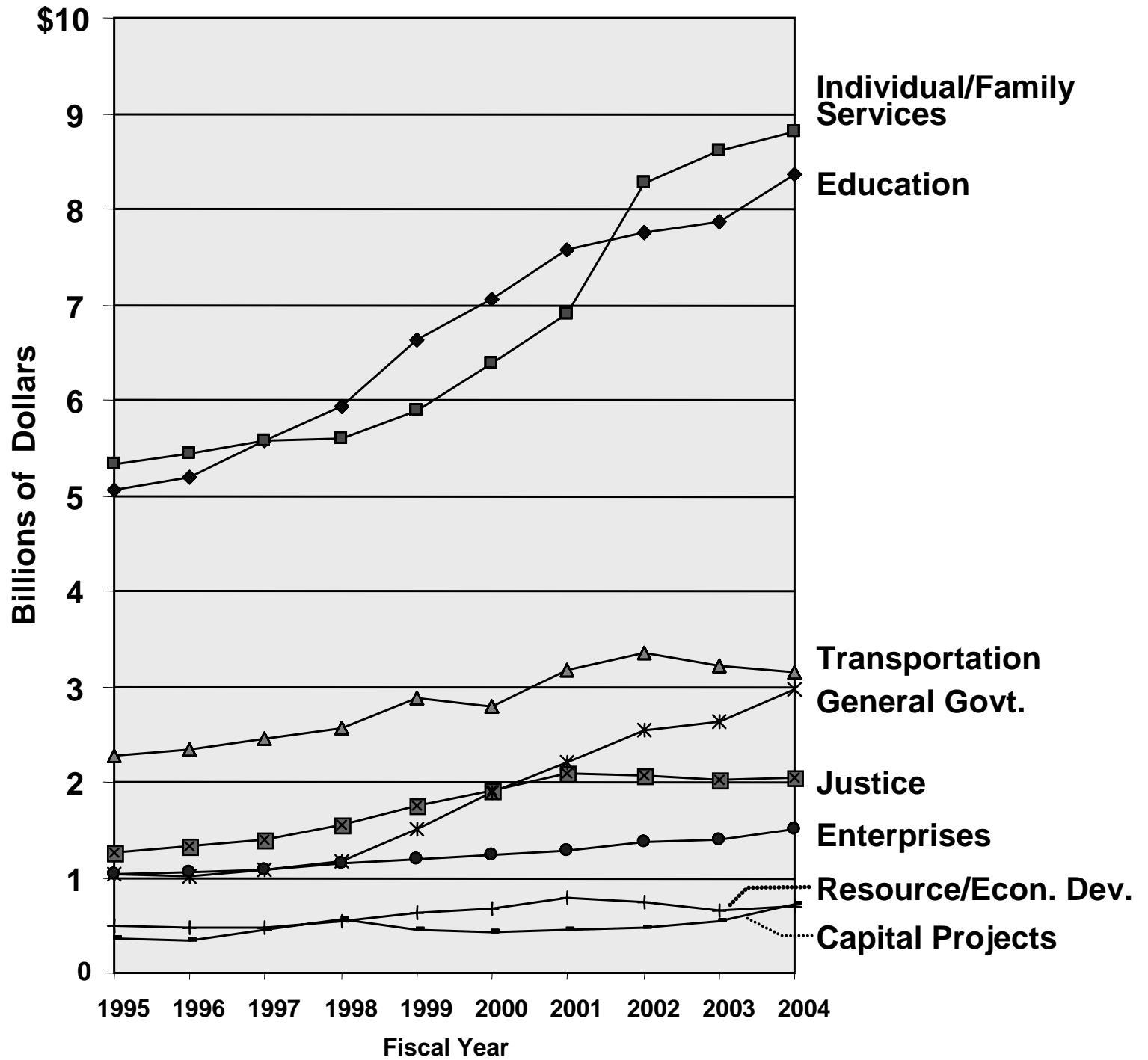
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- Background of Growth in Virginia
- How Much Has the State Budget Grown?
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# Composition of Spending Growth



**Expenditures  
by  
Functional  
Area  
(Dollars  
Not  
Adjusted)**



# Spending Change by Function

## FY 1995-FY 2004, Per Capita Inflation Adjusted

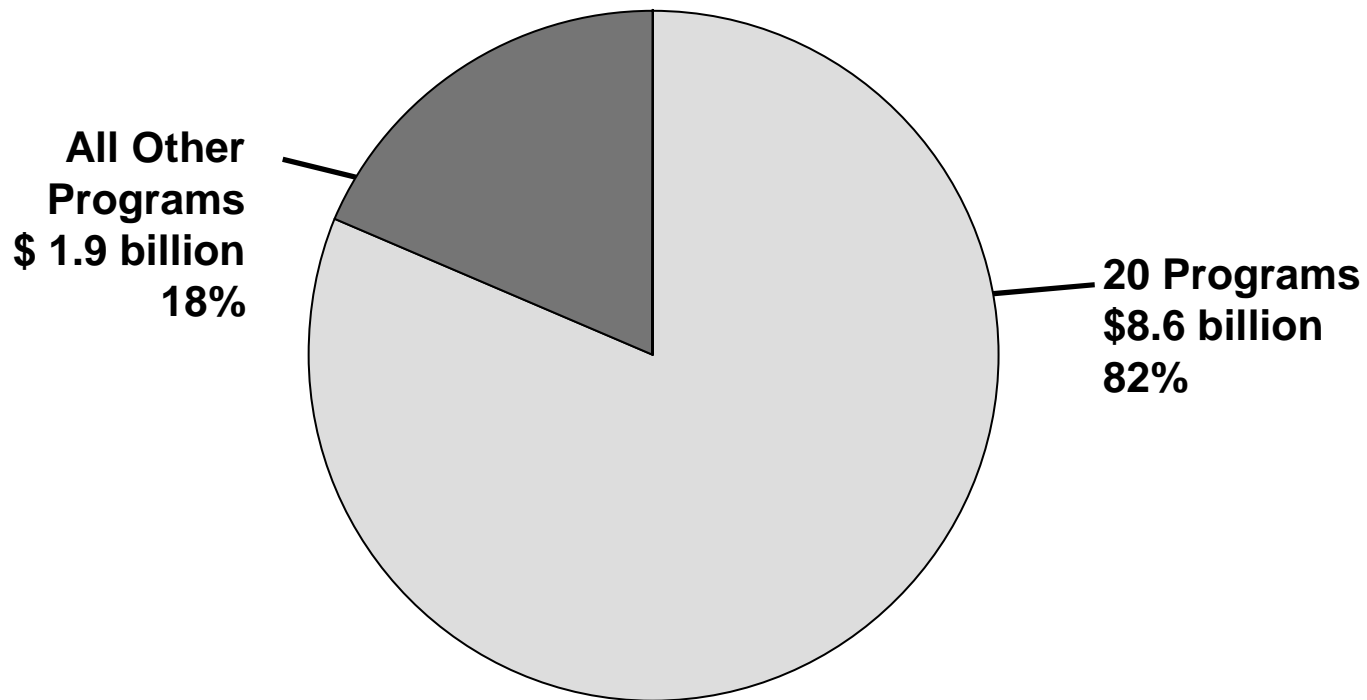
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<u>Function</u>	<u>Percent Change</u>	<u>Average Annual Percent Change</u>
General Government	108%	8.8%
Capital Projects	45%	5.8%
Individual & Family Services	21%	2.4%
Administration of Justice	21%	2.1%
Education	17%	2.2%
Enterprises	5%	0.6%
Transportation	2%	0.4%
Resource & Economic Development	2%	0.6%
Total	22%	2.3%

# Much of the Overall Budgetary Growth Was in a Few Core Programs

Appropriation Growth FY 1995 – FY 2004 (All Funds)



Total (100%) Growth = \$10.5 billion

# Much of the Budgetary Growth Was in a Few Core Programs

Growth FY 1995 – FY 2004 (All funds, in millions)

	<u>Growth</u>	<u>Percentage of Total Growth</u>
Medicaid	\$1,696	16%
SOQ	\$ 931	9%
Personal Property Tax Relief	\$ 892	8%
Higher Ed Instruction & Support	\$ 706	7%
Special State Revenue Sharing (Local Share of Sales Tax)	\$ 705	7%
Highway System Construction	\$ 657	6%
Child Support Enforcement Services	\$ 403	4%
Higher Ed – Education & General	\$ 377	4%
Higher Ed – Auxiliary Enterprises	\$ 310	3%
Highway System Maintenance	\$ 296	3%

# Much of the Budgetary Growth Was in a Few Core Programs

Growth FY 1995 – FY 2004 (All funds, in millions)

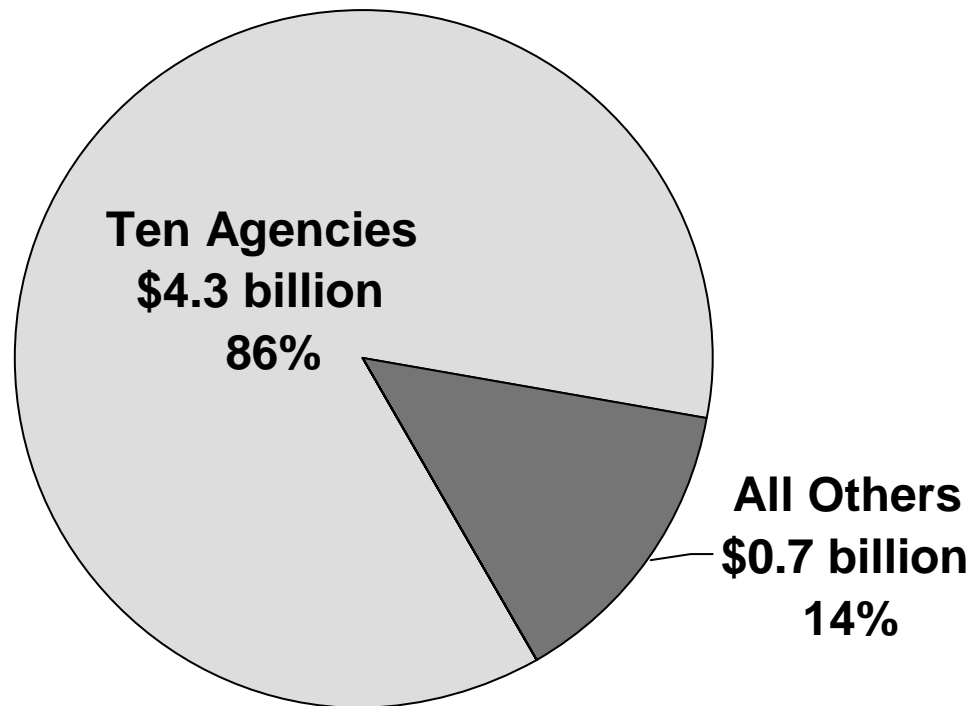
	<u>Growth</u>	<u>Percentage of Total Growth</u>
Protective Services	\$ 238	2%
Crime Detection, Investigation, Apprehension	\$ 204	2%
Secure Confinement	\$ 186	2%
Bond Retirement & Redemption	\$ 184	2%
Financial Assistance for Education-Categorical	\$ 178	2%
Employment Assistance Services	\$ 141	1%
Personnel Management Services	\$ 138	1%
Financial Assistance-Individual & Family Services	\$ 132	1%
Financial Assistance to Localities - General	\$ 122	1%
Higher Education Student Financial Assistance	<u>\$ 122</u>	<u>1%</u>
<b>Total</b>	<b>\$8,618</b>	<b>82%</b>

# Most General Fund Appropriation Growth Focused on a Few Agencies

General Fund Growth FY 1995 – FY 2004

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Total (100%) GF Growth = \$5.01 billion

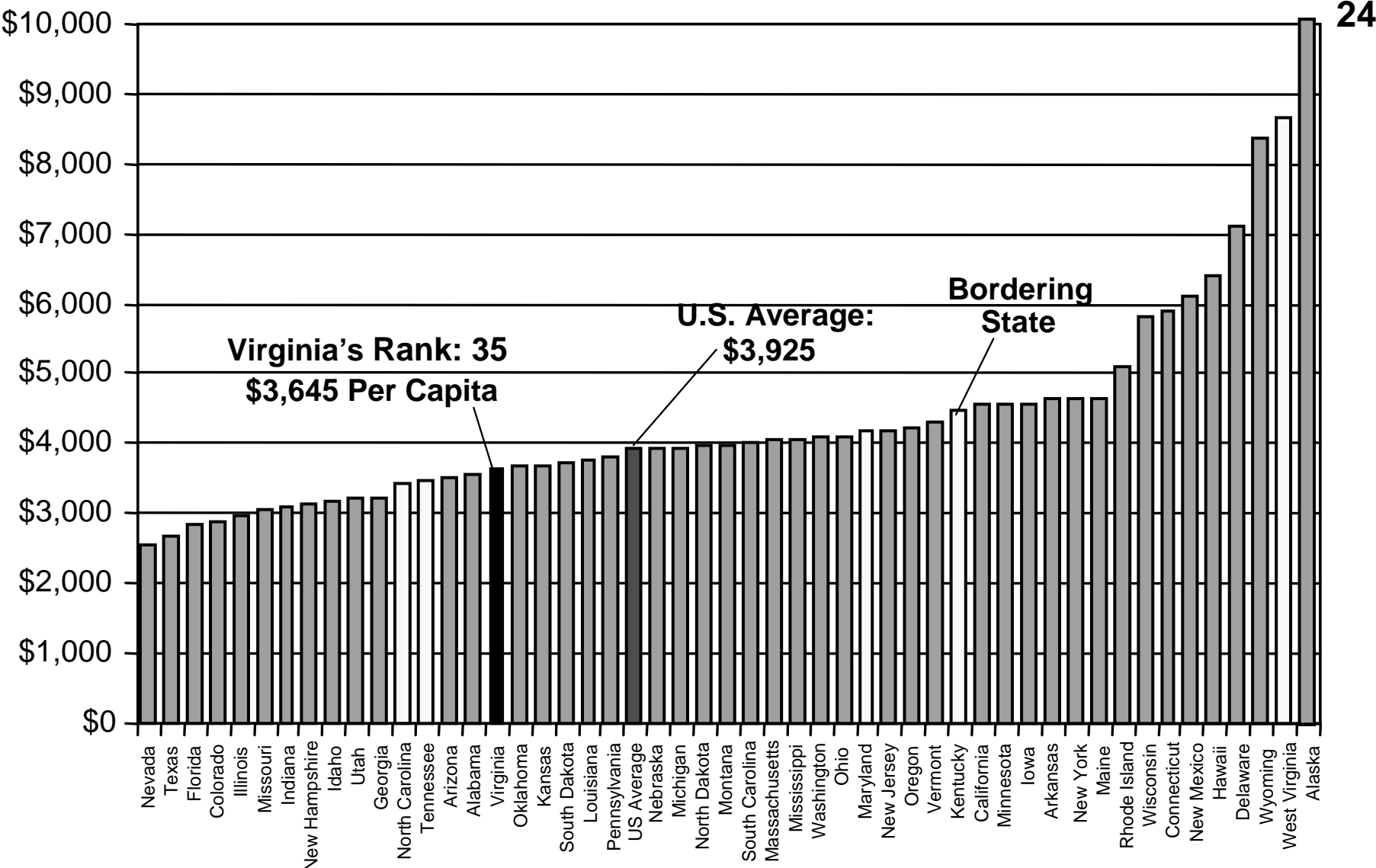
# Most General Fund Appropriation Growth Focused on a Few Agencies

Growth FY 1995 – FY 2004 (General fund, in millions)

23

	<u>Growth</u>	<u>Percentage of Total GF Growth</u>
Department of Education	\$1,524	30%
Personal Property Tax Relief	\$ 892	18%
Department of Medical Assistance Services	\$ 839	17%
Department of Corrections	\$ 268	5%
Comprehensive Services for At-Risk Youth	\$ 168	3%
Compensation Board	\$ 157	3%
Department of Criminal Justice Services	\$ 140	3%
Department of the Treasury	\$ 106	2%
Supreme Court	\$ 104	2%
DMHMRSAS	<u>\$ 103</u>	<u>2%</u>
Subtotal, Top 10	\$4,301	86%
Total General Fund Budget Growth	\$5,014	100%

# States Ranked for Per Capita Spending



# Presentation Outline

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- Background of Growth in Virginia
- How Much Has the State Budget Grown?
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# What Factors Drove Budget Increases?

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- Inflation (price increases) ran 23%
- State population grew 12%
- Agency workload & service population increases
- Policy choices (including new federal mandates)
- Maintenance of effort

# Examples of Growth Factors

## 1994 - 2004

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<u>Factor</u>	<u>Growth</u>
Virginia Population	12%
K-12 Enrollment	12%
4-year College Enrollment	14%
Tuition (Undergrad-UVA)	36%
Medicaid-Eligible Recipients	6%
ADC/TANF caseload	-55%
Support Enforcement Collections	157%
State-Responsible Inmates	52%
MHMR Institutional Population	-49%
Vehicle Miles Traveled	15%
State Park Visitors	34%

# Examples of Policies with Budget Impact

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- **Federal initiatives and mandates**
- **Tobacco settlement**
- **Phase-out of Personal Property Tax**
- **Revenue Stabilization Fund**
- **“HB 599” financial assistance to localities**
- **School construction**
- **Primary class size payments**
- **Use of general funds for transportation**
- **Economic development assistance**
- **Employee compensation and benefits**

# Conclusions

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- **The context of the State budget changed significantly between 1994 and 2004**
  - For example, inflation went up 23%, and the State's population grew 12%
- **These changes are reflected in the State budget**
- **Agency budgets changed in response to these factors and in response to changes in workload and service populations, and policy choices**

# Appendix

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## ■ On the JLARC website:

- Tables displaying General, Nongeneral, and Total Funds by year from FY 1981 – FY 2004, for:
  - Total appropriations
  - Each of the 10 largest agencies (by FY 2004 appropriations)
  - 10 largest Virginia appropriations, FY 2004

## ■ <http://jlarc.state.va.us>