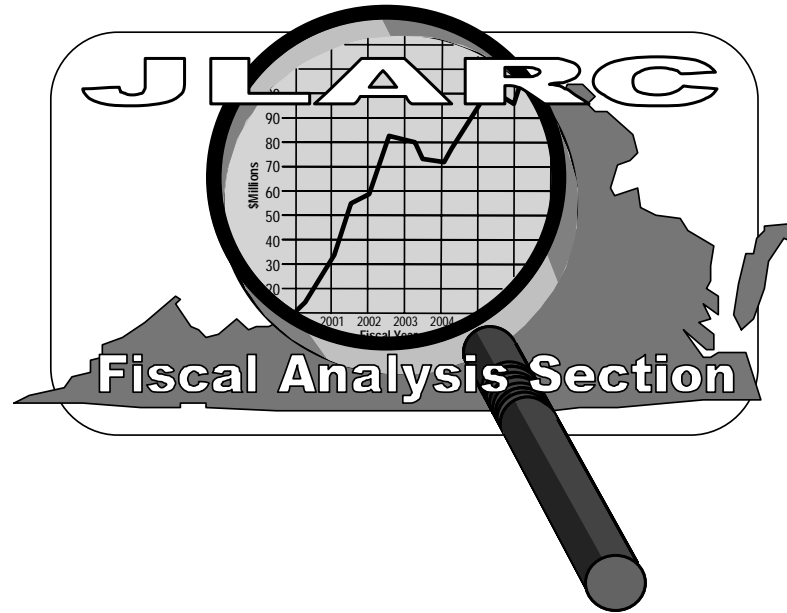


**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



**Review of Spending
in State Government**

**Staff Briefing
Walt Smiley
December 12, 2005**

Fiscal Analysis Staff

2

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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

- ***Code of Virginia* §30-58.3 directs JLARC to review State spending annually 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 fifth in JLARC's State spending series. Other special reports in 2002-2003 identified efficiencies, savings, and 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

1996 - 2005

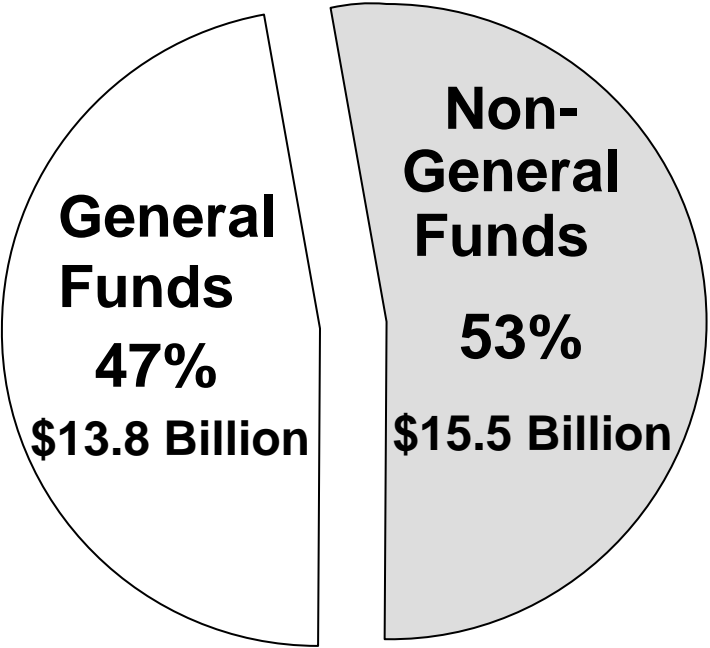
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<u>Growth</u>	<u>US</u>	<u>Virginia</u>
Inflation (CPI-U)	24%	24%
Population ¹	10%	12%
Employment	12%	16%
Per-Capita Inflation-Adjusted Personal Income ²	14%	20%

¹ U.S. estimates from Census Bureau; Virginia growth based on estimates by Weldon Cooper Center

²Through 2004

FY 2005 Appropriations



Total Appropriation = \$29.3 Billion

Examples of Revenues Appropriated Through the State Budget Process

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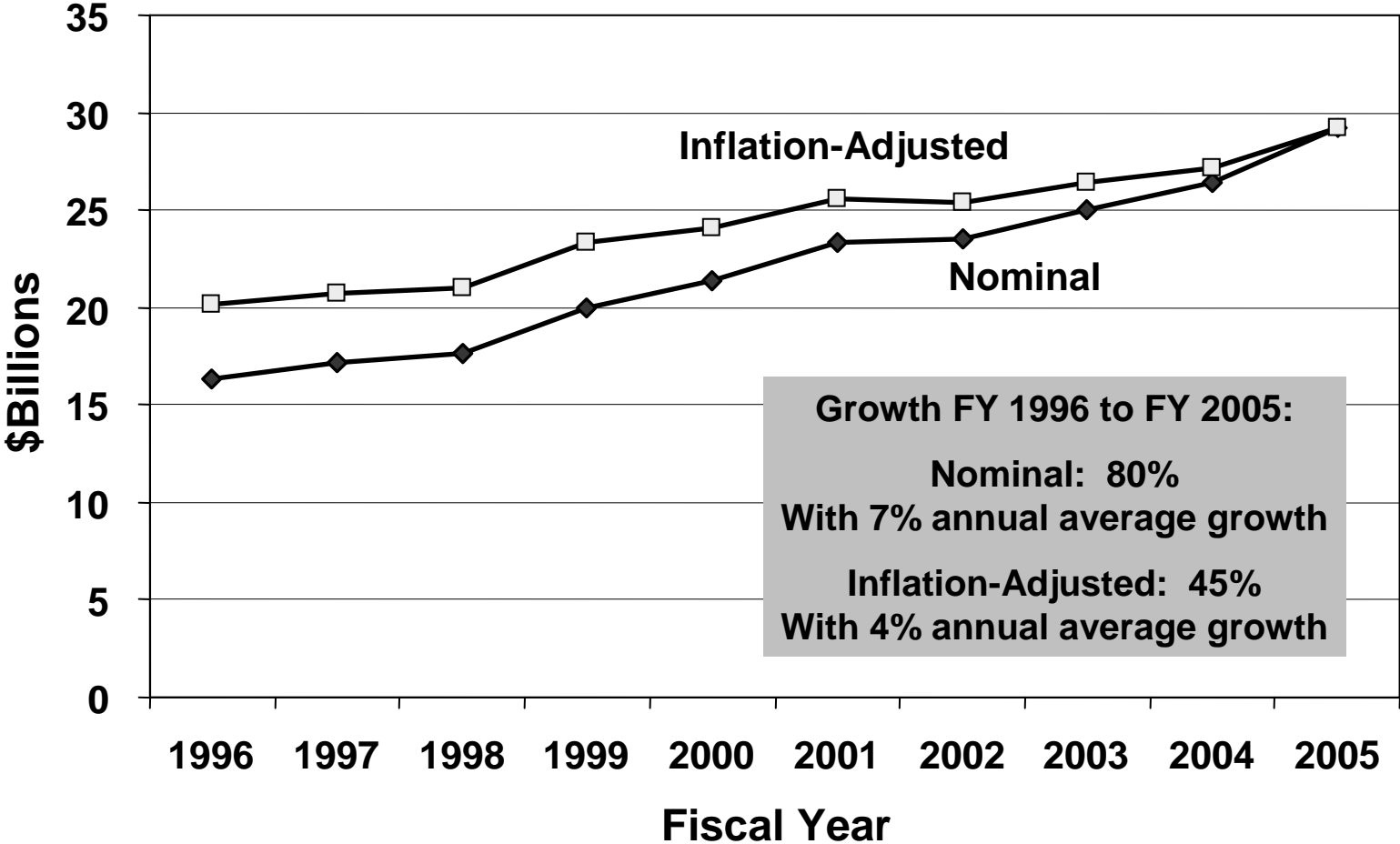
- Revenues from income, sales, motor vehicle and other taxes and fees
- Federal funds
- Tuition payments
- Court-ordered fines, fees, forfeitures
- ABC and Lottery ticket sales
- Child support payments from non-custodial parents
- Hunting and fishing license fees
- Fees for professional registration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

Presentation Outline

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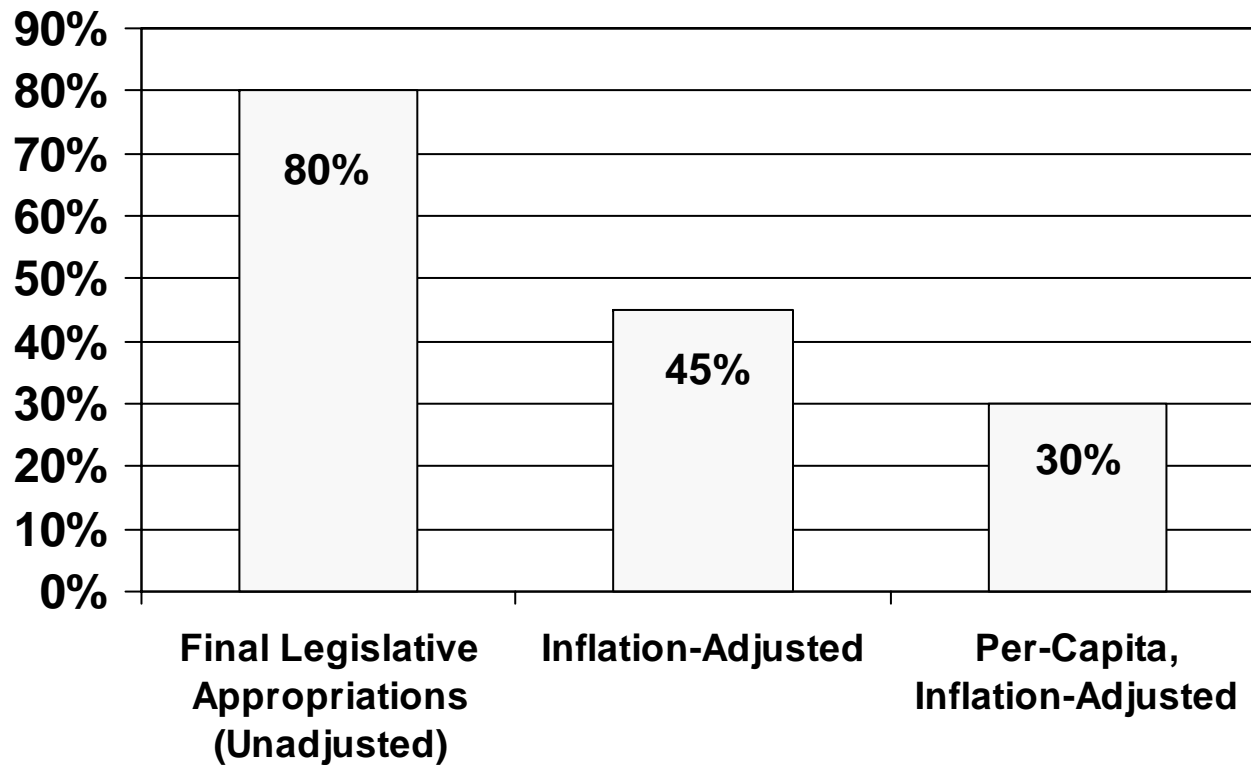
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Appropriations Growth



Effects of Inflation and Population Growth On Appropriations

FY 1996-FY 2005

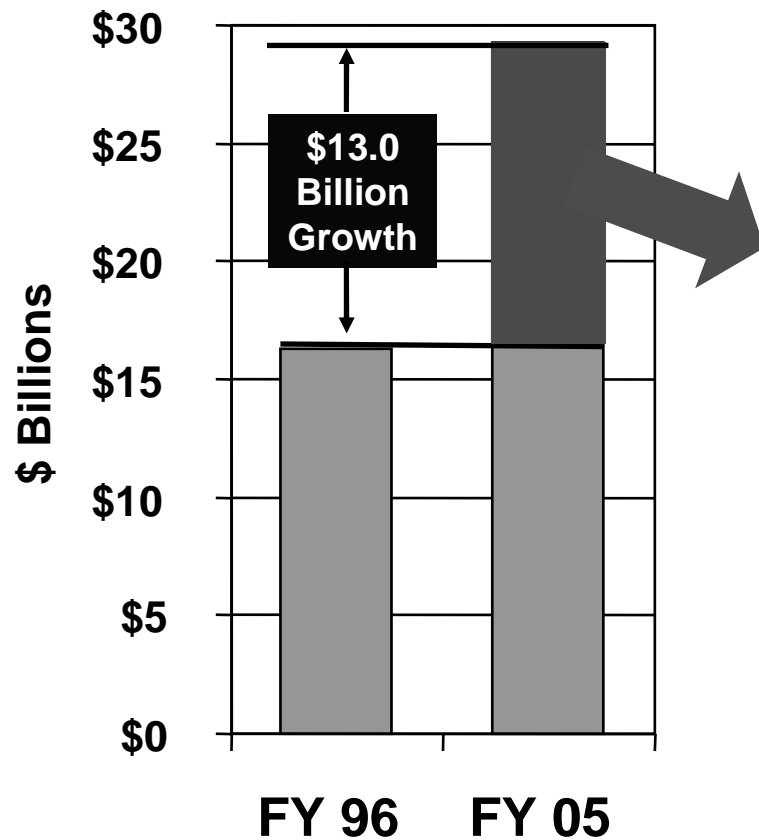


Presentation Outline

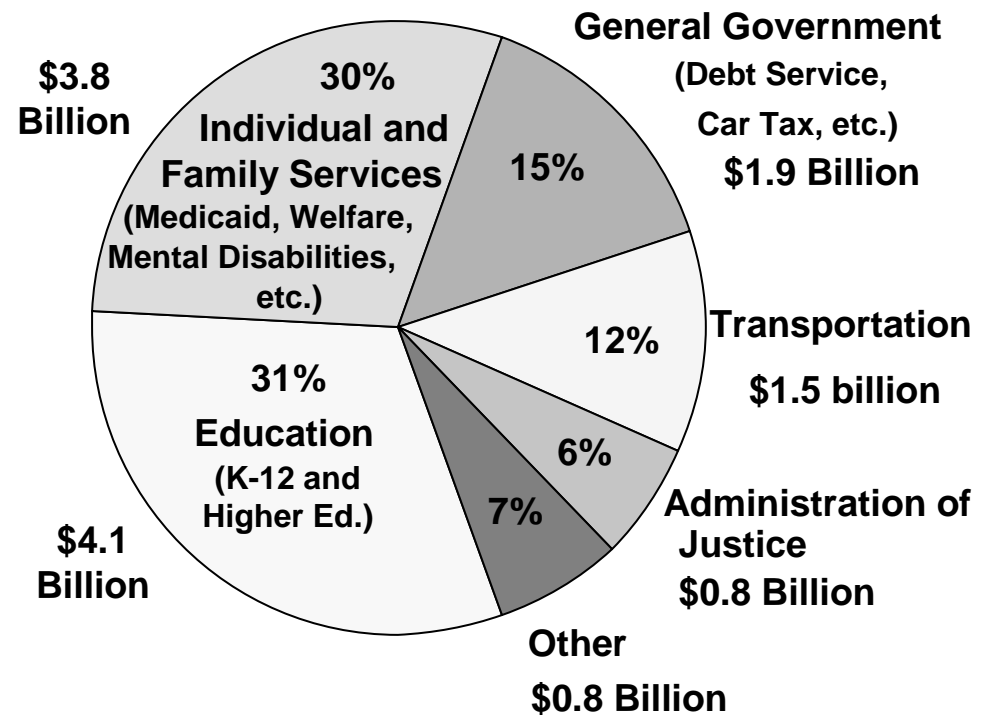
12

- Background of Growth in Virginia
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Composition of Budget Growth

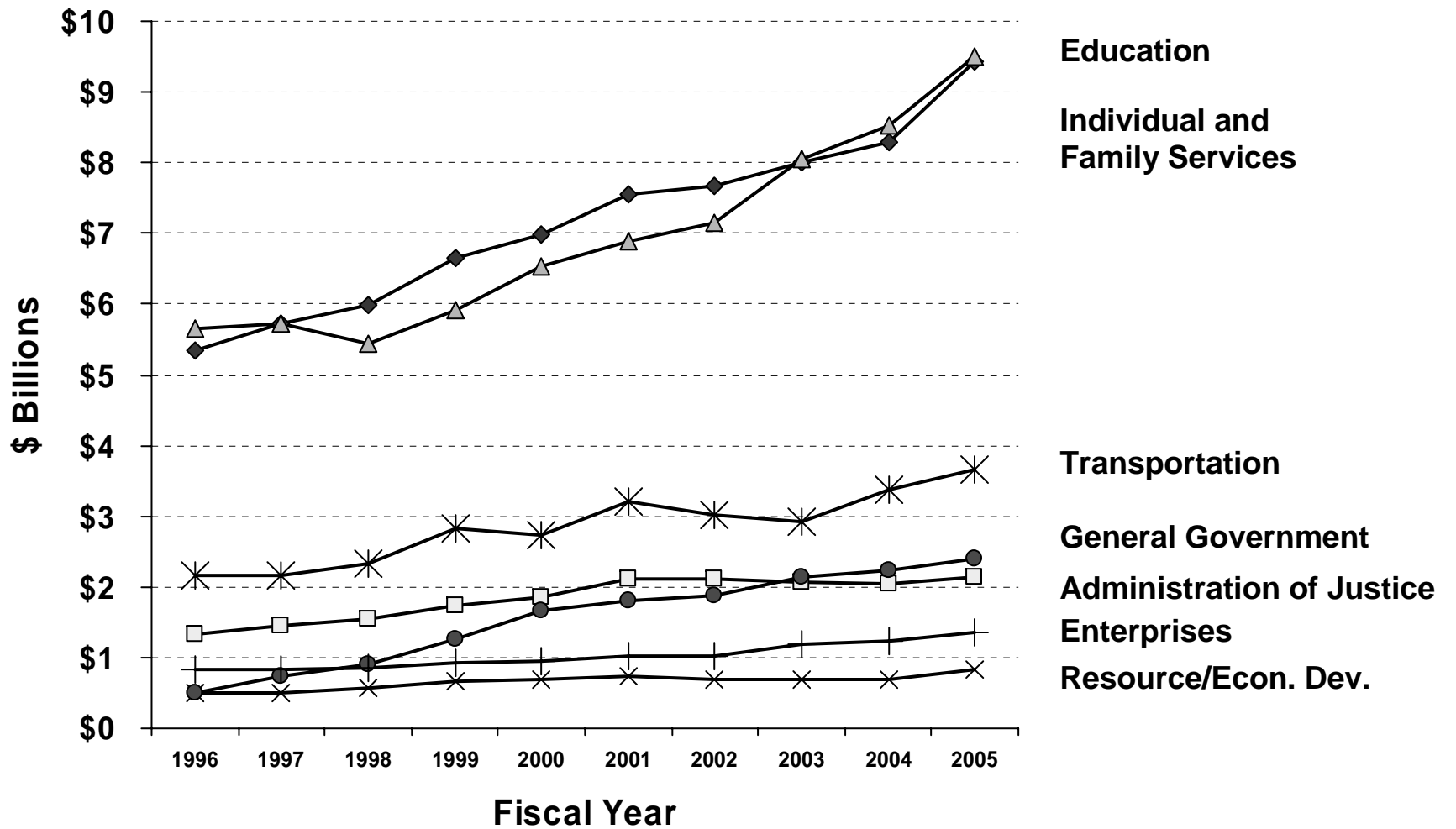


Composition of Growth:



Appropriations by Functional Area

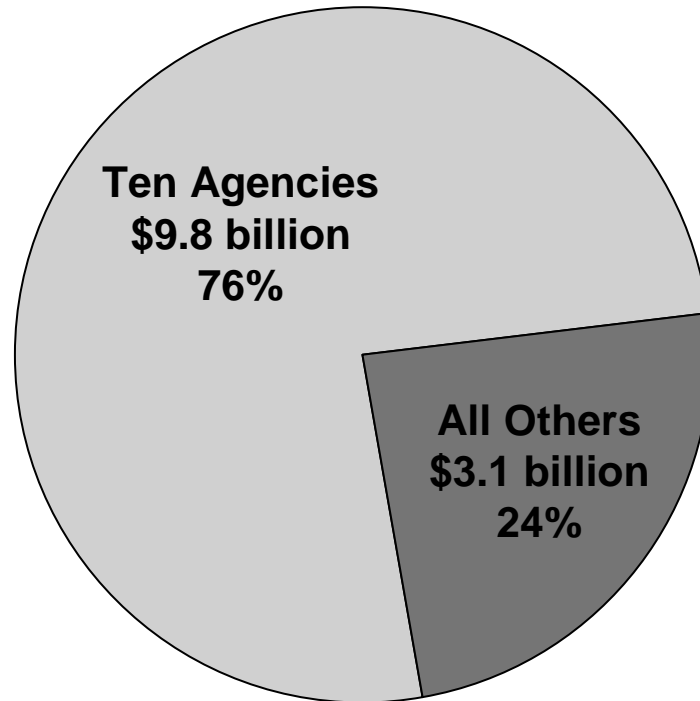
FY 1996 – FY 2005



Most Total Appropriation Growth Occurred in a Few Agencies

FY 1996 – FY 2005

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Total (100%) Appropriations Growth = \$13.0 billion

Most Total Appropriation Growth Occurred in a Few Agencies

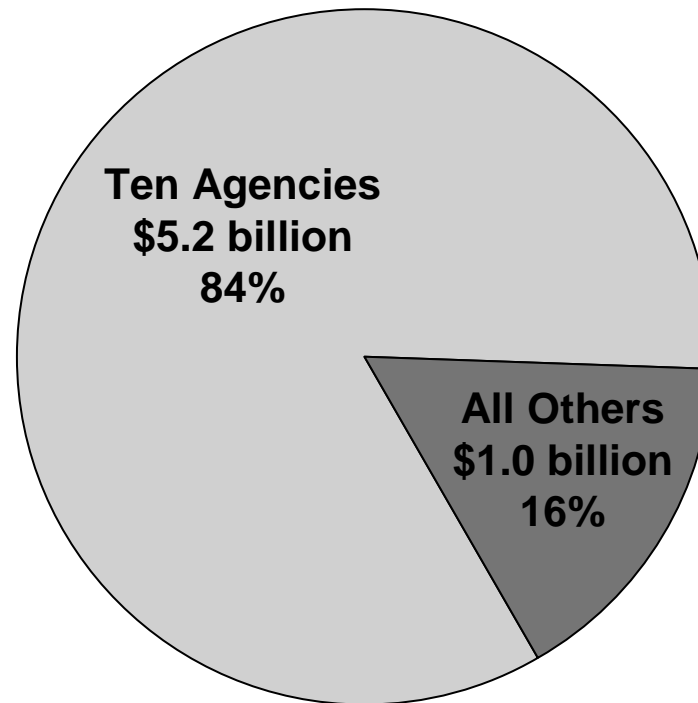
Growth FY 1996 – FY 2005

	<u>Growth (\$ millions)</u>	<u>Percentage of Total</u>
Department of Education	\$ 2,415	19%
Department of Medical Assistance Services	\$ 2,385	18%
Department of Transportation	\$ 1,320	10%
Personal Property Tax Relief	\$ 890	7%
Department of Social Services	\$ 809	6%
University of Virginia	\$ 795	6%
Virginia Tech	\$ 318	2%
Department of Corrections	\$ 315	2%
Virginia Community College System	\$ 311	2%
Virginia Commonwealth University	<u>\$ 275</u>	<u>2%</u>
Subtotal, Ten Highest-Growth Agencies	\$ 9,832	76%
Total Budget Growth	\$12,967	100%

Most General Fund Appropriation Growth Occurred in a Few Agencies

General Fund Growth FY 1996 – FY 2005

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Total (100%) GF Growth = \$6.2 billion

Most General Fund Appropriation Growth Occurred in a Few Agencies

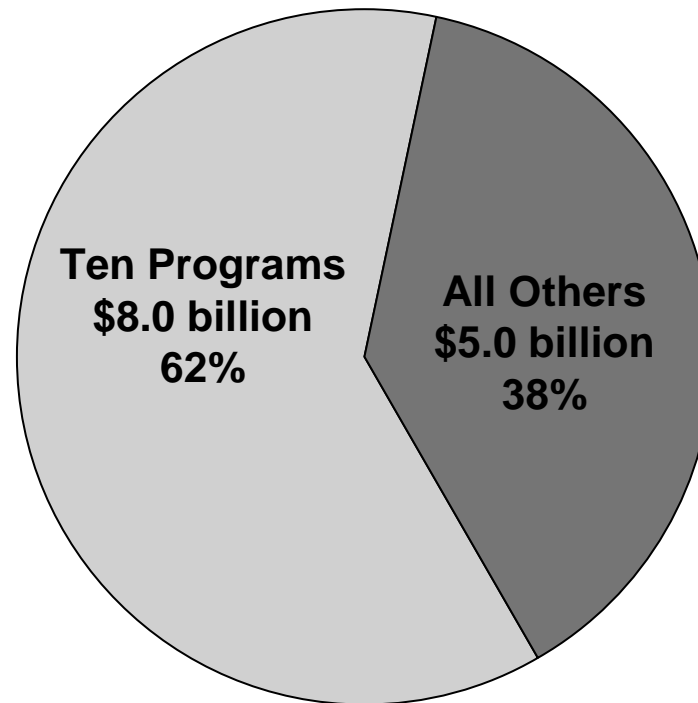
Growth FY 1996 – FY 2005

	<u>Growth (\$ millions)</u>	<u>Percentage of Total GF</u>
Department of Education	\$1,961	32%
Department of Medical Assistance Services	\$ 890	14%
Personal Property Tax Relief	\$ 890	14%
Department of Corrections	\$ 312	5%
Department of Transportation	\$ 276	4%
Dept. of Accounts Transfer Payments (Rainy Day)	\$ 192	3%
Comprehensive Services for At-Risk Youth	\$ 187	3%
Compensation Board	\$ 177	3%
Department of the Treasury	\$ 167	3%
Department of Criminal Justice Services	<u>\$ 143</u>	<u>2%</u>
Subtotal, Ten Highest GF-Growth Agencies	\$5,194	84%
Total General Fund Budget Growth	\$6,185	100%

Most Appropriation Growth Occurred in a Few Budget Programs

Appropriation Growth FY 1996 – FY 2005

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Total (100%) Appropriations Growth = \$13.0 billion

Most Appropriation Growth Occurred in a Few Budget Programs

Growth FY 1996 – FY 2005

	Growth (\$ millions)	Percentage of Total
Medical Assistance Services (Medicaid)	\$ 2,096	16%
Financial Assistance for Public Education (SOQ)	\$ 1,166	9%
Higher Education Instruction and Support	\$ 1,002	8%
Personal Property Tax Relief Program	\$ 890	7%
Financial Asst. for Special State Revenue Sharing	\$ 870	7%
Higher Ed. – Financial Asst. for E&G Services	\$ 519	4%
Child Support Enforcement Services	\$ 420	3%
Highway System Maintenance	\$ 368	3%
Highway System Acq. and Const. through Bond Proceeds	\$ 339	3%
Higher Education Auxiliary Enterprises	<u>\$ 328</u>	<u>3%</u>
Subtotal, Ten Highest-Growth Programs	\$ 7,998	62%
Total Budget Growth	\$12,967	100%

Presentation Outline

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- Background of Growth in Virginia
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What Factors Drove Budget Increases?

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- Inflation (price increases) ran 24%
- State population grew 12%
- Agency workload & service population increases
- Policy choices (including new federal mandates)
- Maintenance of effort

Examples of Growth Factors

1996 - 2005

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<u>Factor</u>	<u>Growth</u>
Virginia Population	12%
K-12 Enrollment	10%
4-year College Enrollment	13%
Tuition (Undergrad-UVA)	40%
Medicaid-Eligible Recipients ¹	5%
ADC/TANF caseload	-50%
Support Enforcement Collections ¹	113%
State-Responsible Inmates	25%
MHMR Institutional Population	-30%
Registered Vehicles	25%
State Park Visitors ²	34%

¹. 2004 data ². 2003 data

Examples of Policies with Budget Impact

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- **Federal initiatives and mandates (Motor Voter, No Child Left Behind, Help America Vote Act, etc.)**
- **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**
- **Transportation initiatives**

Conclusions

- **The context of the State budget changed significantly between 1996 and 2005**
 - For example, inflation went up 24%, and the State's population grew 12%
- **Virginia's budget grew 80% in nominal terms, 30% in per capita inflation-adjusted terms**
- **Agency budgets changed in response to inflation, changes in workload and service populations, as well as policy choices**

Report Appendix

- On the JLARC website (<http://jlarc.state.va.us>):
 - Tables displaying General, Non-general, and Total Funds by year from FY 1981 – FY 2005