
Joint Legislative Audit and Review Commission



Review of State Spending

Commission Briefing

December 11, 2006



JLARC

Study Mandate

- *Code of Virginia* §30-58.3 directs JLARC to review State spending annually over the prior five biennia and identify
 - Largest and fastest growing programs
 - Causes of expenditure growth, and
 - Programs that may be inefficient or that could be consolidated
- Sixth in series of JLARC reports on State spending

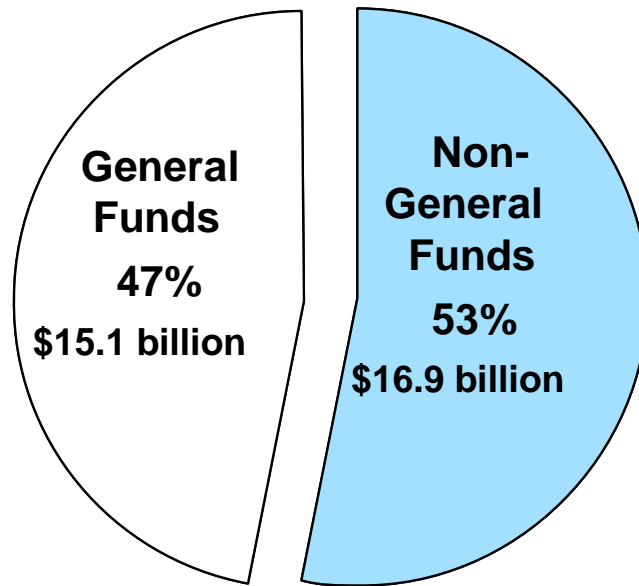
What Explains Budget Growth?

- Consideration of a variety of factors and methods helps explain long-term budget growth:
 - Examine societal factors such as population and economic growth that outpaced the nation's
 - Identify budget drivers – agencies and programs that account for most of spending growth
 - Recap Virginia-specific factors such as policy initiatives and funding decisions
 - Examine growth of individual agency budgets

Examples of Revenues Appropriated Through the State Budget Process

- Revenues from income, sales, motor vehicle and other taxes and fees
- Federal funds
- College 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
- Payments by State employees for health insurance and licensing

FY 2006 Appropriations



Total Appropriations = \$32.0 Billion

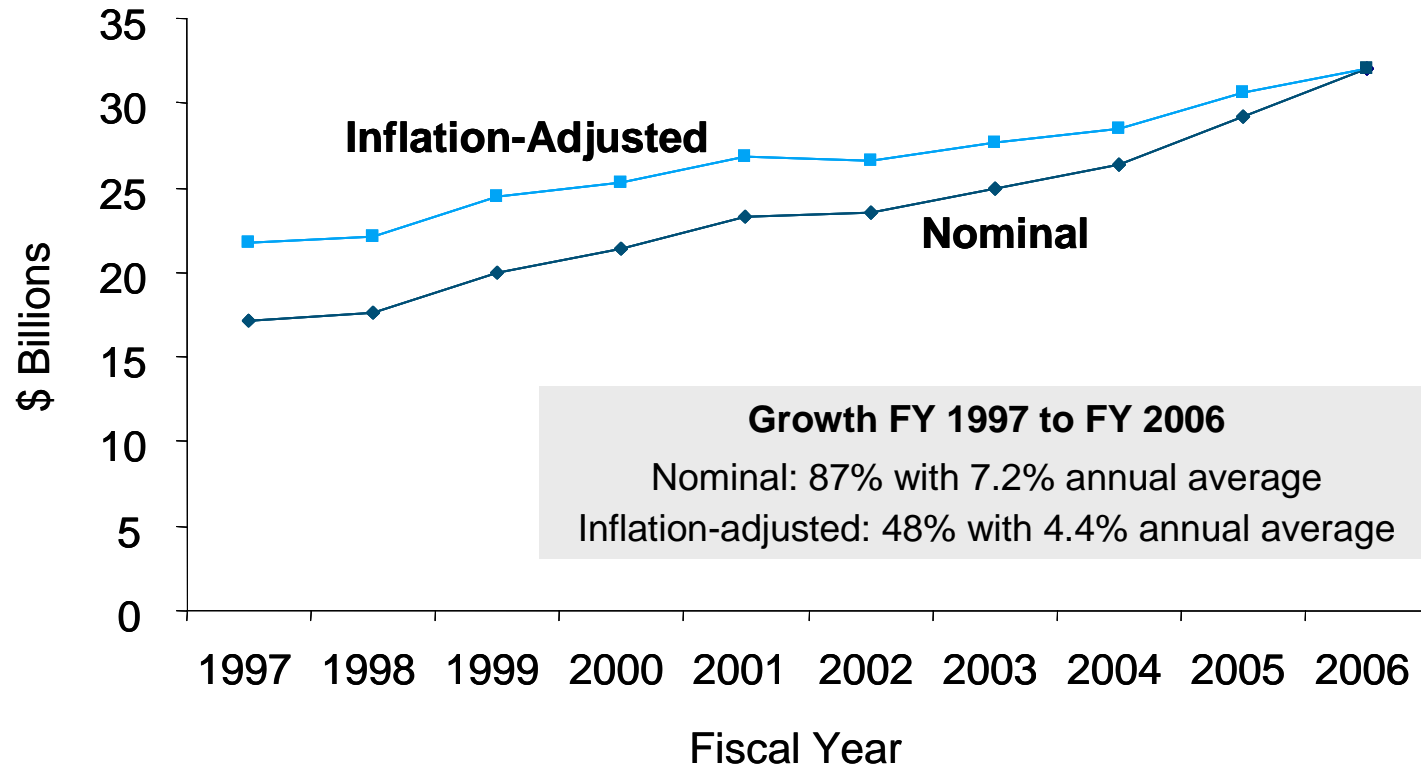
Virginia's Population and Economic Growth Outpaced National Trends (1997 – 2006)

<u>Factor</u>	<u>U.S.</u>	<u>Virginia</u>
Population	12%	14%
Employment	11%	16%
Gross Domestic/State Product*	29%	31%
Personal Income* (1997-2005)	22%	30%

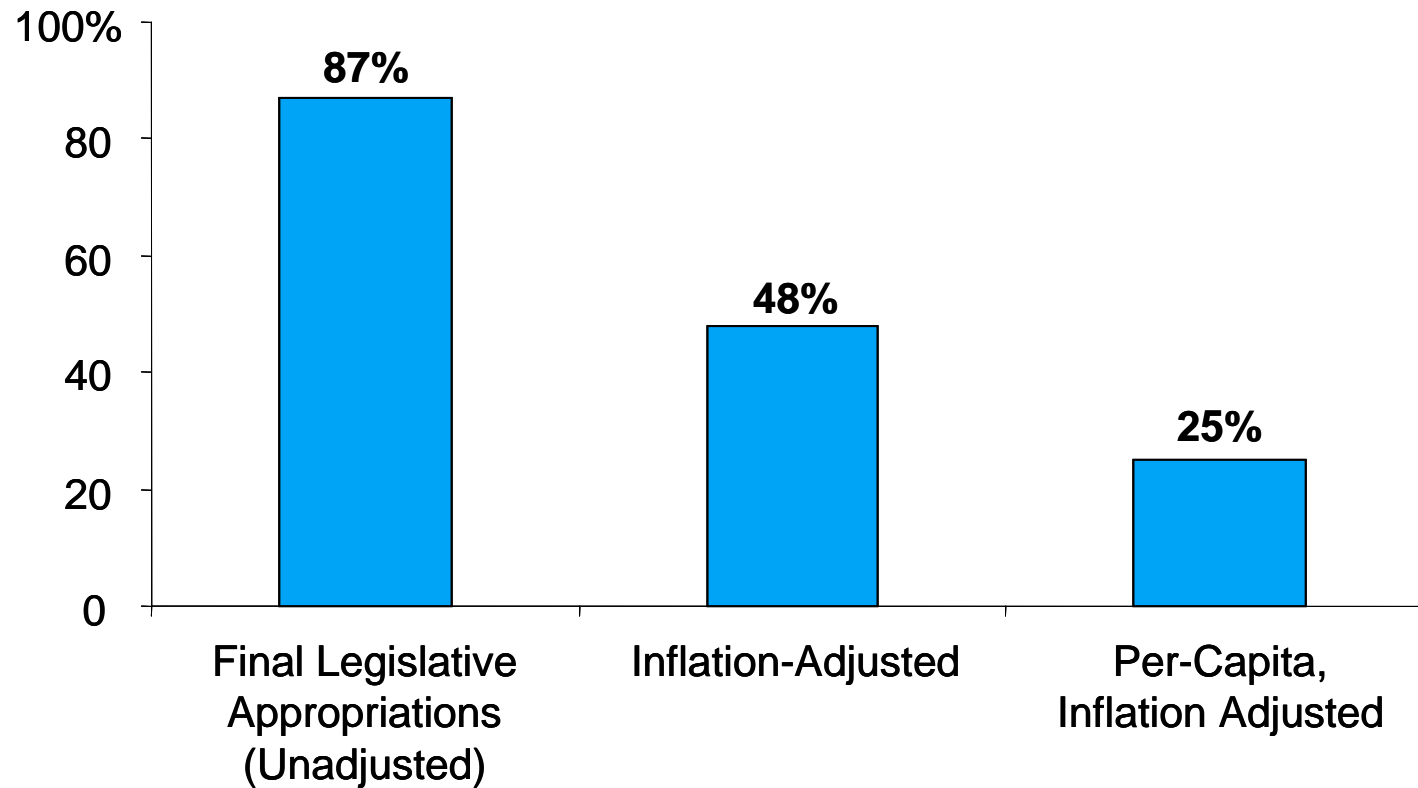
*Inflation-adjusted



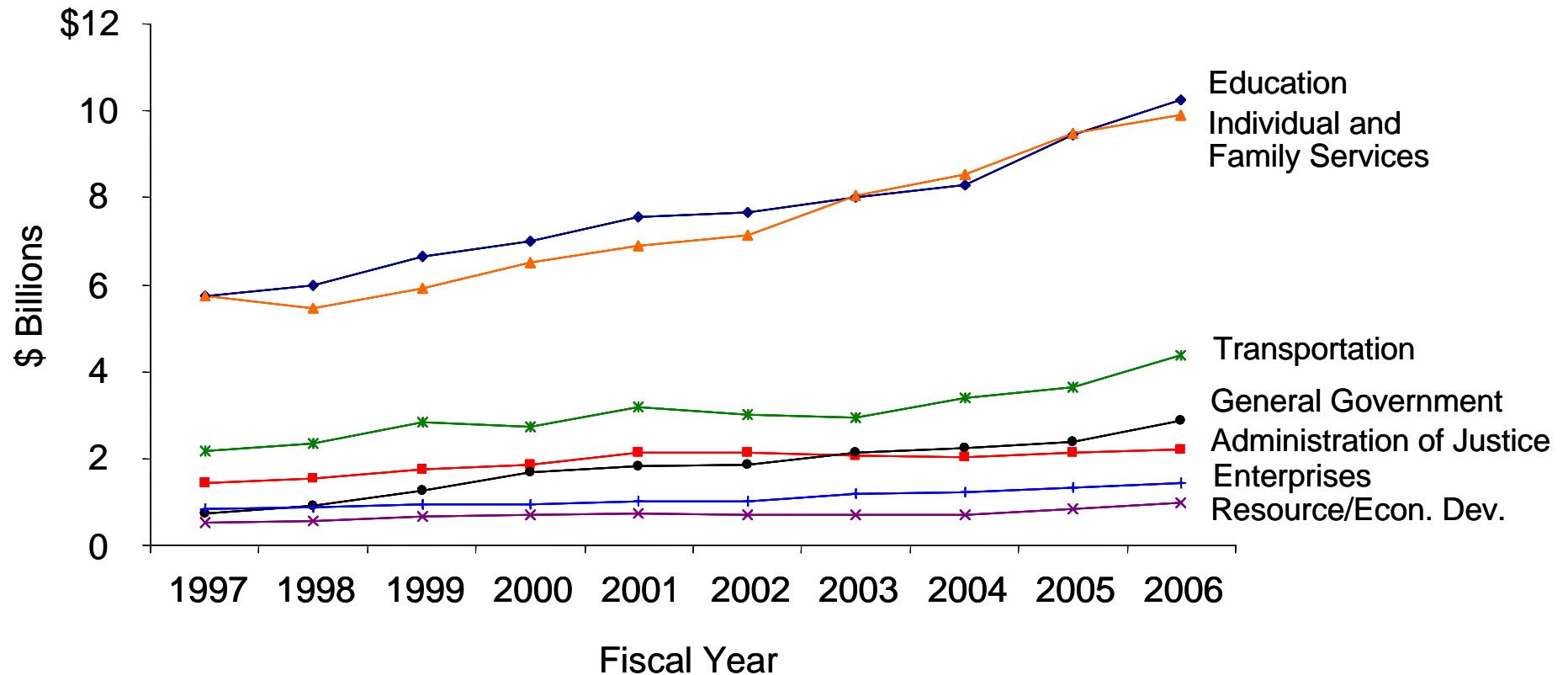
Inflation Explains Part of Budget Growth



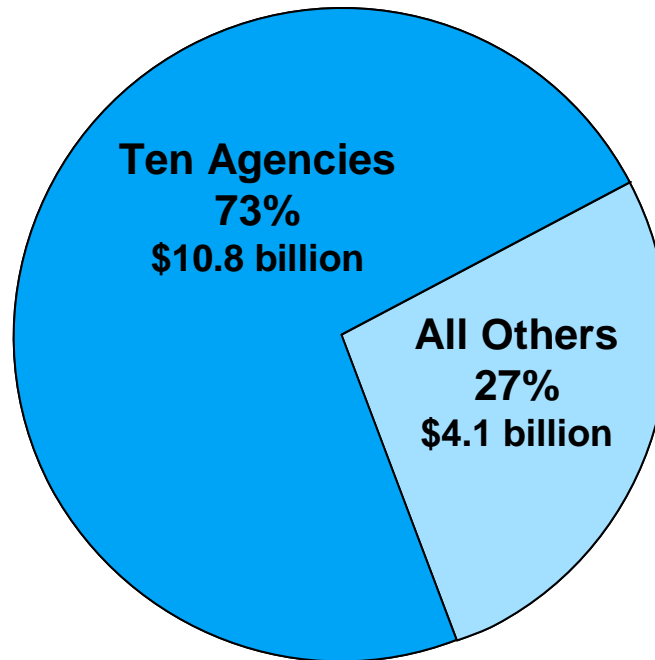
Impact of Inflation and Population Growth on Appropriations (FY 1997 – FY 2006)



Appropriations by Functional Area



Most Total Appropriation Growth Occurred in a Few Agencies

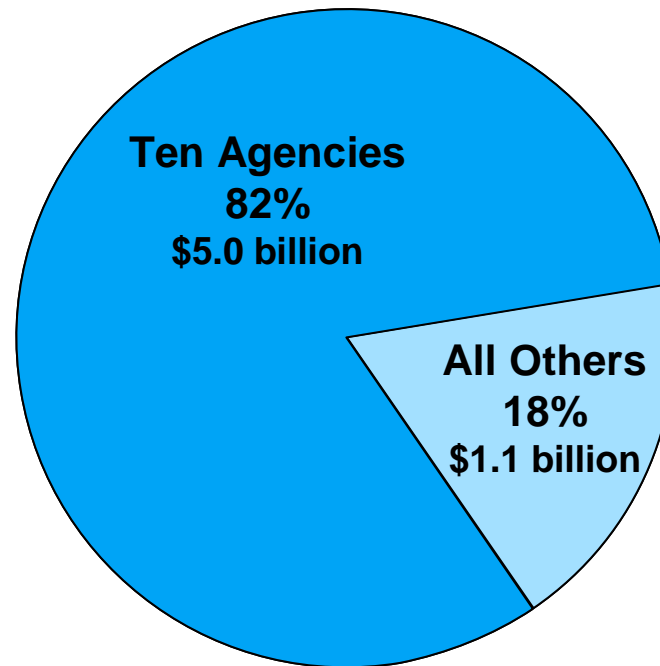


Total (100%) Appropriation Growth = \$14.9 Billion

Most Total Appropriation Growth Occurred in a Few Agencies

<u>Agency</u>	<u>Change in Total Appropriations (\$ millions)</u>	<u>Percentage of Total</u>
Department of Medical Assistance Services	\$2,585	17%
Department of Education	2,578	17
Department of Transportation	1,911	13
University of Virginia	882	6
Department of Social Services	759	5
Personal Property Tax Relief	737	5
Virginia Community College System	378	3
Virginia Tech	377	3
Virginia Commonwealth University	327	2
Department of Corrections	284	2
Sub-total, Ten Highest Growth Agencies	\$10,818	73%

Most General Fund Appropriation Growth Occurred in a Few Agencies

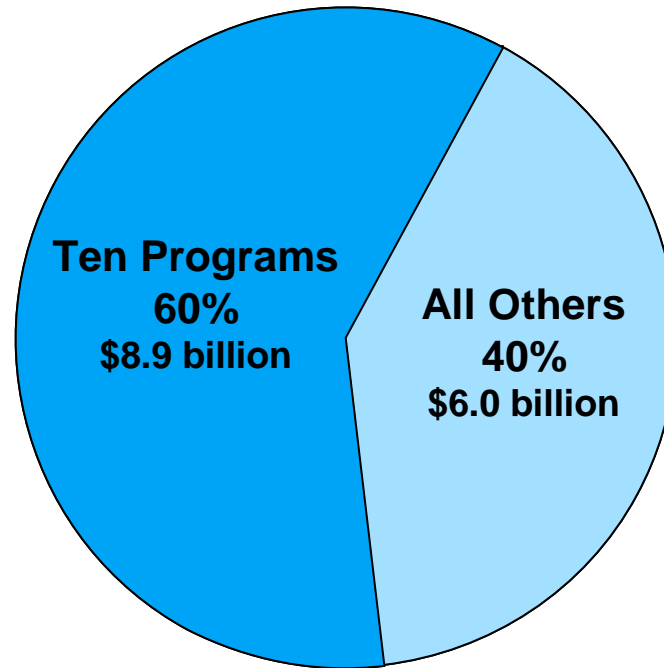


Total (100%) General Fund Growth = \$6.1 Billion

Most General Fund Appropriation Growth Occurred in a Few Agencies

<u>Agency</u>	<u>Change in Total Appropriations (\$ millions)</u>	<u>Percentage of Total</u>
Department of Education	\$2,141	35%
Department of Medical Assistance Services	1,011	17
Personal Property Tax Relief	737	12
Department of Corrections	276	5
Compensation Board	166	3
Department of Mental Health, Mental Retardation, and Substance Abuse Services	155	3
Department of Criminal Justice Services	151	2
Department of Transportation	145	2
Virginia Community College System	127	2
Department of the Treasury	123	2
Sub-total, Ten Highest Growth Agencies	\$5,032	82%

Most Total Appropriations Growth Occurred in a Few Programs



Total (100%) Appropriations Growth = \$14.9 Billion

Most Total Appropriations Growth Occurred in a Few Programs

<u>Program</u>	<u>Change in Total Appropriations (\$ millions)</u>	<u>Percentage of Total</u>
Medical Assistance Services (Medicaid)	\$2,416	16%
Educational & Generic Programs	1,135	8
Financial Assistance for Public Education (SOQ)	1,128	8
Financial Assistance for Special State Revenue Sharing (Local Share of Sales Tax)	969	7
Personal Property Tax Relief	737	5
Higher Education – Sponsored Programs	632	4
Transportation Initiative	608	4
Revenue Stabilization Fund	518	4
Child Support Enforcement Services	395	3
Highway System Acquisition and Construction Through Bond Proceeds	347	2
Sub-total, Ten Highest Growth Programs	\$8,885	60%



What Factors Drove Budget Growth?

- Inflation: up 27%
- Population: up 14%
- Agency workloads & service population increases
- Policy choices, including federal mandates
- Maintenance of effort

Agency Workload Changes With Budget Impact

<u>Factor</u>	<u>Growth, 1997-2005</u>
K-12 Enrollment	9%
4-Year College Enrollment	14
Undergraduate Tuition*	55
Medicaid-Eligible Recipients	16
TANF Caseload	-36
Child Support Enforcement Collections	97
State-Responsible Inmates	25
MHMR Institutional Population	-30
Registered Vehicles	27
State Park Visitors	35

*1997-2006; not adjusted for inflation



Policies with Budget Impact

- Federal initiatives and mandates (REAL ID, No Child Left Behind, Help America Vote Act, etc.)
- National tobacco settlement
- Revenue stabilization fund
- Use of general funds for transportation
- Economic development assistance
- “HB 599” financial assistance to localities
- Primary class size payments, school construction
- Other initiatives and policies

Conclusions

- The context of the State budget changed significantly between 1997 and 2006
- Virginia's budget grew 87% in nominal terms, 25% in per-capita inflation-adjusted terms
- Growth is concentrated in a handful of agencies and programs
- Agency budgets changed in response to inflation, changes in workload and service populations, as well as policy choices

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