
Joint Legislative Audit and Review Commission



Review of State Spending

Commission Briefing

November 13, 2007



JLARC

Study Mandate: *Code of Virginia §30-58.3*

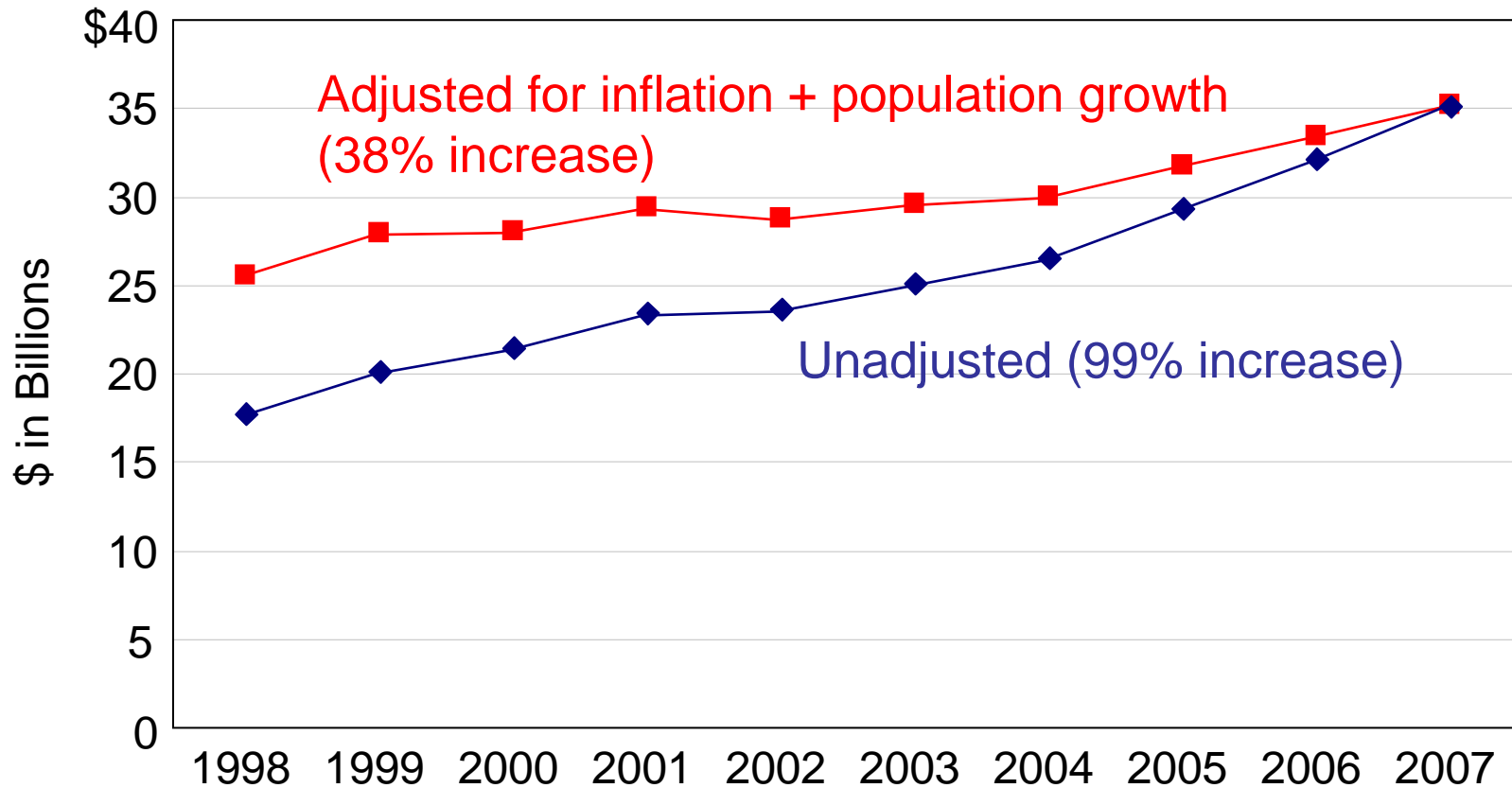
- JLARC to review State spending annually over the prior five biennia and identify
 - Largest and fastest growing programs
 - Causes of expenditure growth

- Seventh in series

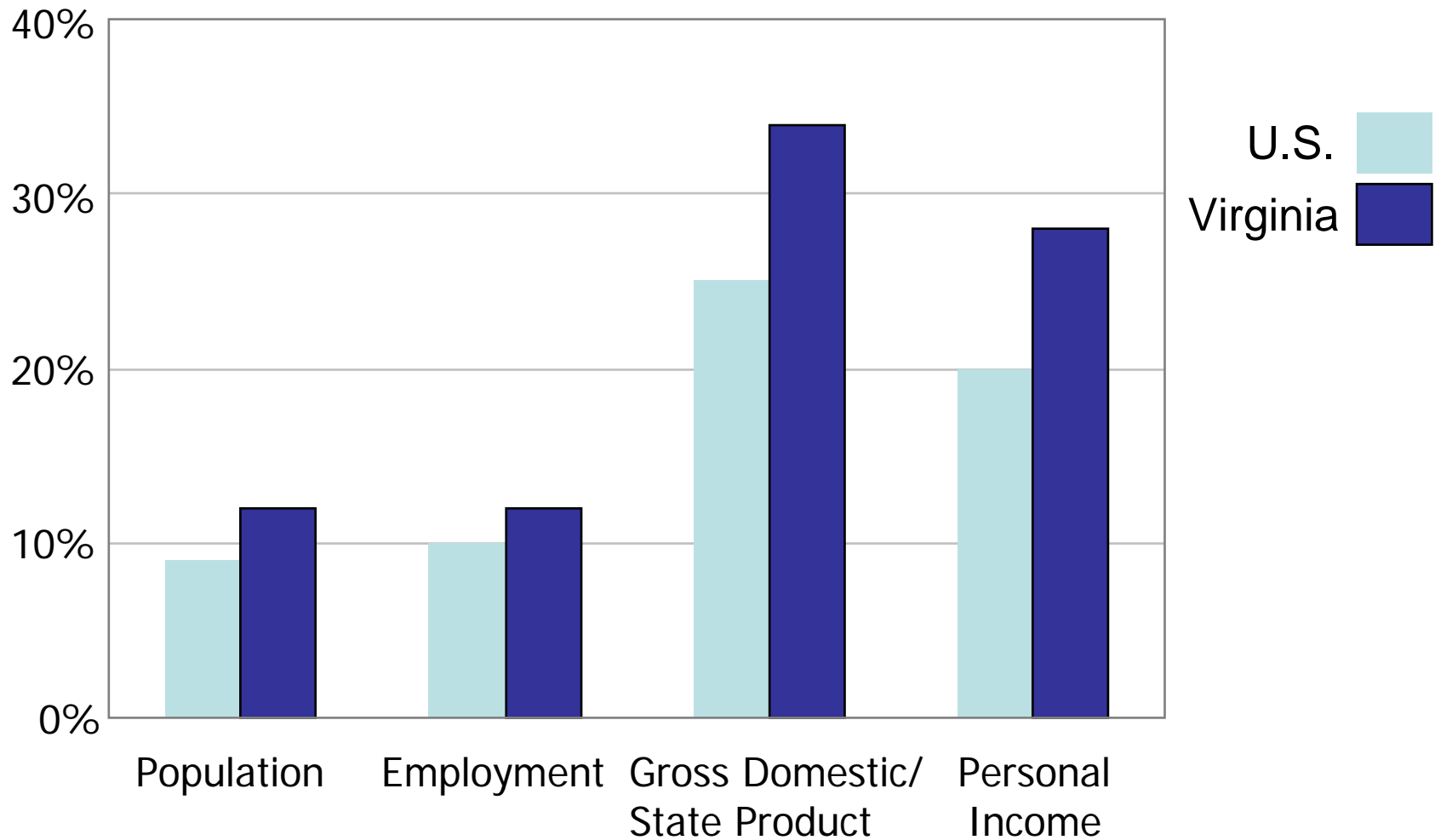
Many Factors Contribute to Budget Growth

- Growing population and economy
- Public policy decisions to initiate, expand, change, or diminish programs and activities
- Increasing workloads and costs
- Inclusion of non-general funds in State budget

Inflation and Population Growth Explain Part of Budget Growth



Virginia's Population and Economic Growth Outpaced National Trends (1998 – 2007)



Workload Changes Had Budget Impact

	<u>Growth (1998-2007)</u>
K-12 Enrollment	9%
K-12 Personnel Positions	48
4-Year College Enrollment	15
Undergraduate In-State Tuition & Fees	46*
Medicaid-Eligible Recipients	29
TANF Caseload	-22
Child Support Enforcement Collections	52*
State-Responsible Inmates	32
Probation & Parole Caseload	55
MHMR Institutional Population	-25 (1998-2006)
Registered Vehicles	26

*Adjusted for inflation

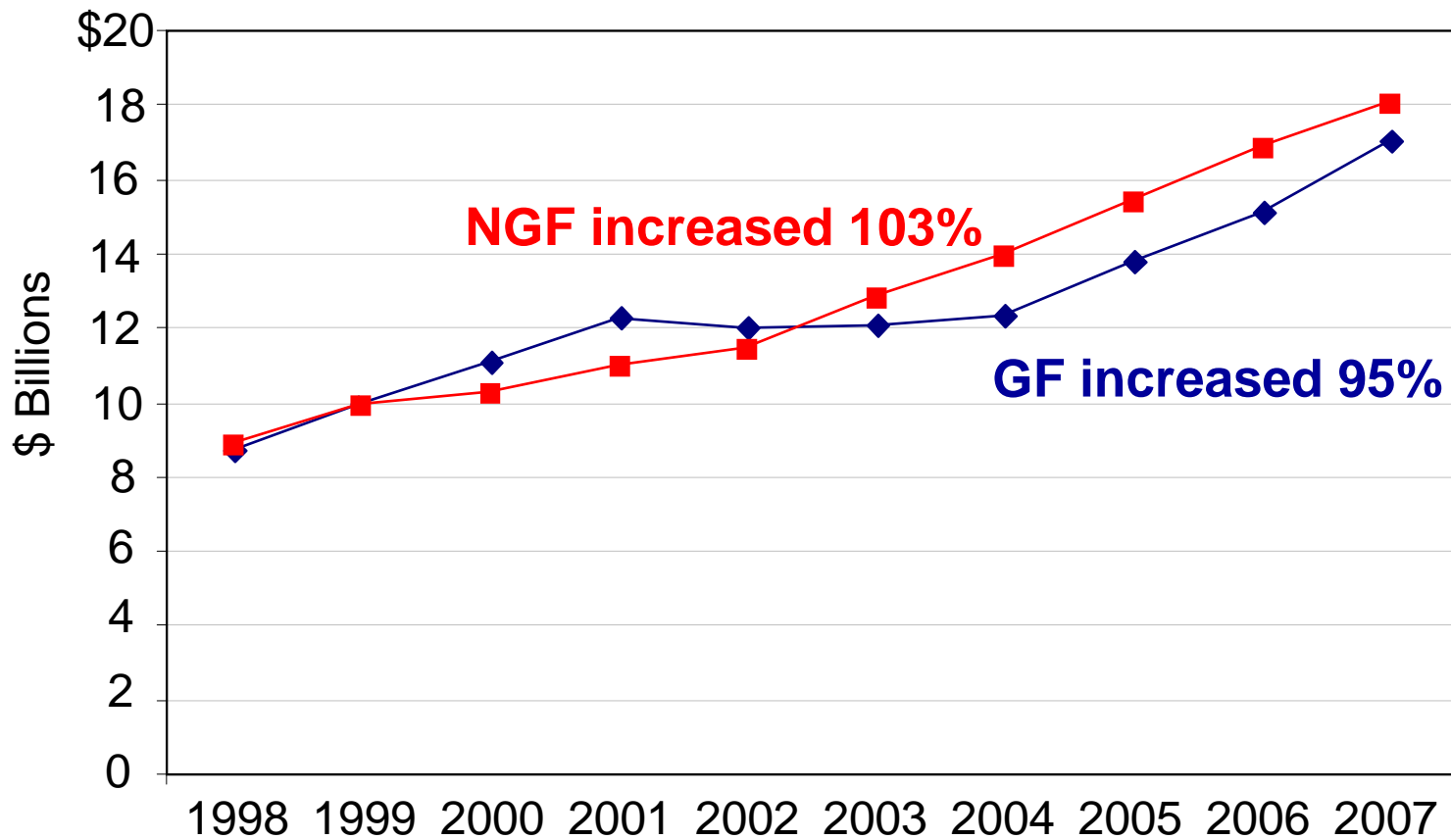


Policies Had Budget Impact

	<u>FY Initiated</u>	<u>FY 2007 Budget (\$ millions)</u>
Personal property tax relief act	1999	\$950
Initiative: Use general funds for transportation	2000	643
Initiative: Water quality improvement fund	2006	224
Revenue stabilization fund	1995	107
HB 599 financial assistance to localities "catch-up"	1999	99
National tobacco settlement	2000	40
Initiative: 1,400 more teachers	1998	30+
School construction	1998	28
Federal initiatives (FAMIS/SCHIP, Medicare Part D, No Child Left Behind, REAL ID, etc.)	various	100+



Non-General Funds Grew Faster Than General Fund

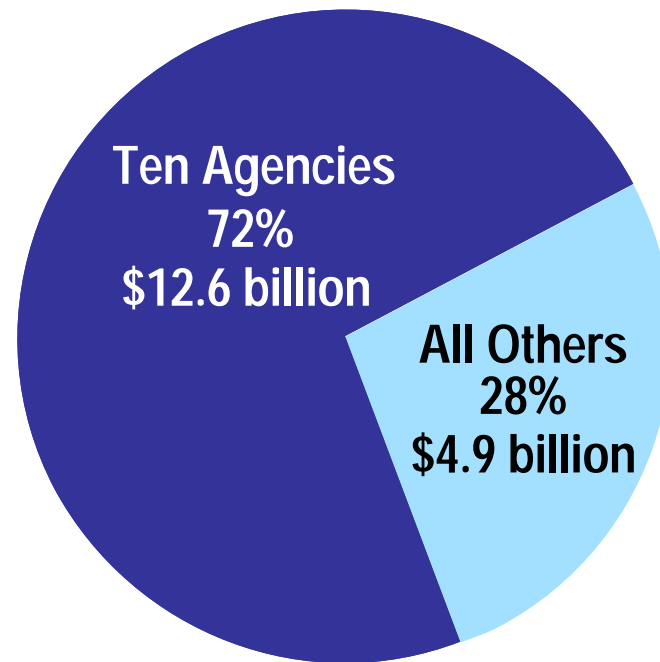


Dollars not adjusted for inflation or population growth

Non-General Fund Revenues Appropriated Through the State Budget Process

- Revenues from motor vehicle and gasoline taxes
- Federal funds
- Hunting and fishing license fees
- Fees for professional registration and licensing
- Court-ordered fines, fees, forfeitures
- Tolls paid on toll roads
- Unemployment compensation payroll tax
- Child support payments from non-custodial parents
- College tuition payments made by students and parents
- College savings plan
- ABC and Lottery ticket sales
- Payments by State employees for health insurance
- Fees for State hospital services

A Few Agencies Accounted for Most Growth in Total Appropriations (1998 – 2007)

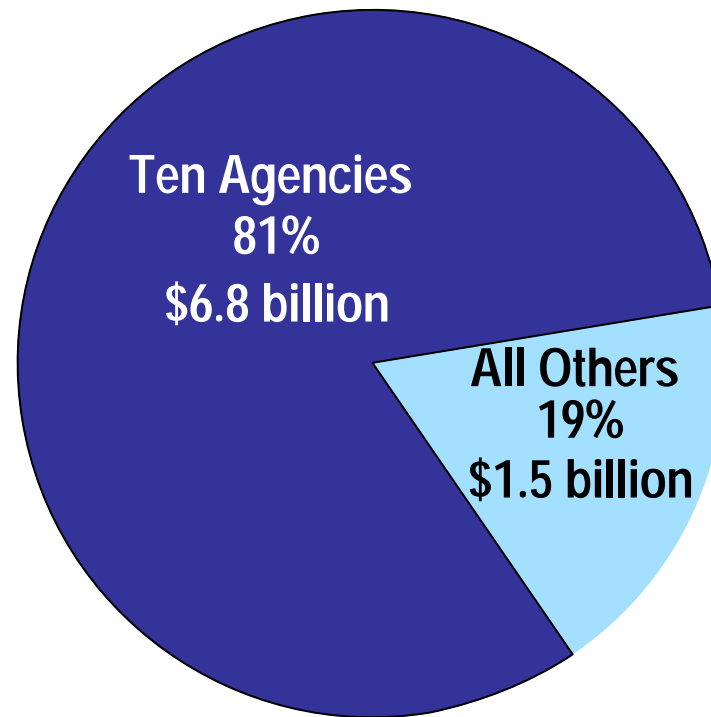


100% = \$17.5 billion

Ten Highest-Growth Agencies in Total Appropriations (1998 – 2007)

	<u>Change (\$ millions)</u>	<u>% of Total</u>
Department of Education-Direct Aid	\$3,153	18%
Department of Medical Assistance Services	2,924	17
Department of Transportation	2,135	12
University of Virginia	1,032	6
Personal Property Tax Relief	950	5
Department of Social Services	781	4
Virginia Community College System	468	3
Virginia Tech	414	2
Department of Corrections	370	2
Virginia Commonwealth University	366	2
Subtotal	\$12,593	72%

A Few Agencies Accounted for Most Growth in General Fund Appropriations (1998 – 2007)



100% = \$8.3 billion

Ten Highest-Growth Agencies in General Fund Appropriations

	<u>Change (\$ millions)</u>	<u>% of Total</u>
Department of Education-Direct Aid	\$2,604	31%
Department of Medical Assistance Services	1,244	15
Personal Property Tax Relief	950	12
Department of Transportation	598	7
Department of Corrections	351	4
Department of Mental Health, Mental Retardation and Substance Abuse Services	226	3
Department of Environmental Quality	214	3
Treasury Board	206	2
Compensation Board	203	2
Virginia Community College System	173	2
Subtotal	\$6,769	81%

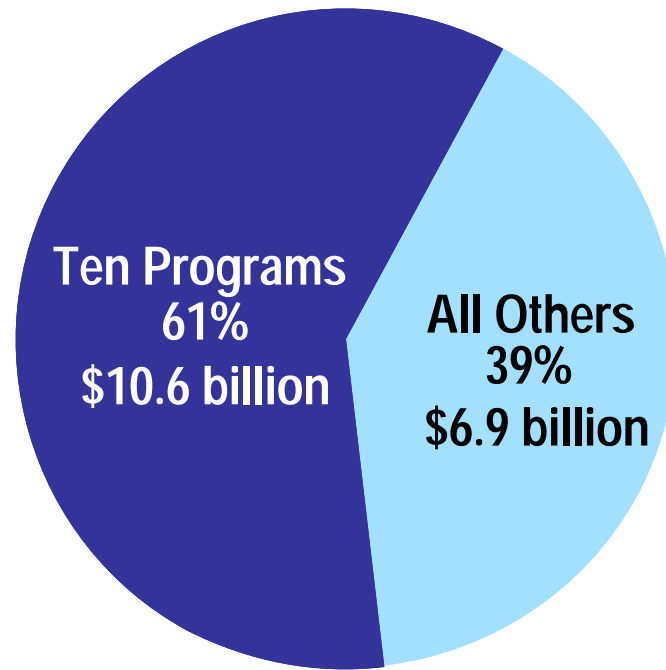
Agencies With High General Fund Growth Rates

	<u>% Increase</u>
Personal Property Tax Relief Program	N/A
Department of Transportation	1,328%
Department of Environmental Quality	500
Indigent Defense Commission	152
Treasury Board	130
Department of Criminal Justice Services	120
Comprehensive Services	115
Department of Conservation & Recreation	113
Supreme Court	112
Department of Medical Assistance Services	107
Longwood University	101
Department of Military Affairs	98

Agencies With General Fund Growth Rates Below Inflation

	<u>% Change</u>
Library of Virginia	26%
Department of Ag & Consumer Services	24
Virginia Military Institute	24
Department of Juvenile Justice	21
Auditor of Public Accounts	20
Department of Labor & Industry	16
Virginia Museum of Fine Arts	12
Department of Blind & Visually Impaired	12
Department of General Services	9
Department of Business Assistance	-4
Department of Accounts	-6
Department of Taxation	-21
Economic Development Partnership	-48

A Few Programs Accounted for Most Growth in Total Appropriations



100% = \$17.5 billion

Ten Highest-Growth Programs in Total Appropriations

	<u>Change (\$ millions)</u>	<u>% of Total</u>
Medical Assistance Services (Medicaid)	\$2,715	16%
Financial Assistance for Public Education (SOQ)	2,531	15
Higher Ed—Education & General Programs	1,411	8
State Health Services	826	5
Higher Ed—Financial Assistance for E&G Programs	772	4
Highway System Maintenance	544	3
Special Revenue Sharing (Sales Tax for Public Ed)	505	3
Highway System Acquisition and Construction	443	3
Higher Ed—Auxiliary Services	414	2
Child Support Enforcement Services	405	2
Subtotal	\$10,566	61%

Conclusions

- Virginia's budget grew 99% in nominal terms, 38% in per-capita inflation-adjusted terms
- Many factors contribute to budget growth:
 - Population growth
 - Prosperous State economy
 - Growing agency caseloads
 - Policy choices
 - Growth in non-general funds
- Growth is concentrated in a few agencies and programs

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For More Information

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