



The Fairfax County Taxpayers Alliance Bulletin

2009 VIRGINIA ELECTION ISSUE

Politicians manufacture another “budget crisis” to justify higher taxes

According to Virginia Governor Timothy M. Kaine, Virginia, along with many other states, has a budget crisis. In a September 14, 2009, press release, Governor Kaine states, "The Commonwealth is continuing to manage the worst economic downturn since the Great Depression ..."

One consequence of this downturn is that the state has closed 18 highway rest stops. Another is that there is almost no money for new road construction.

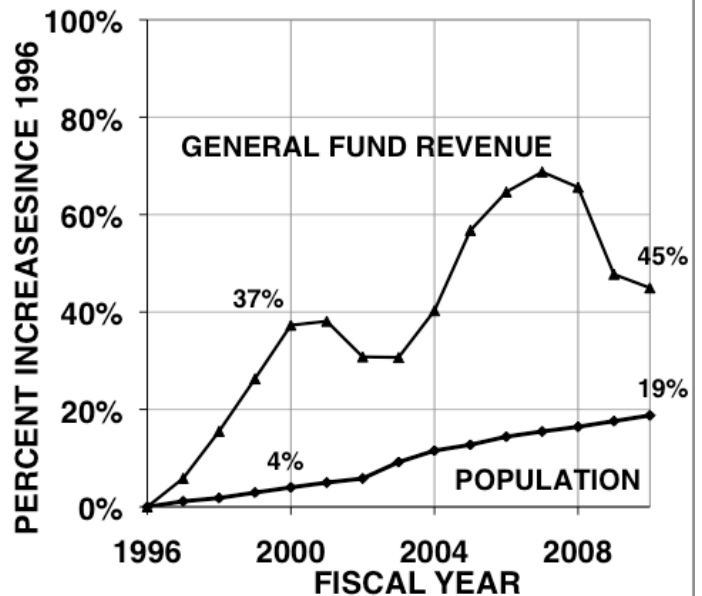
But the main consequence is that it will be used to justify new tax hikes. Creigh Deeds, Democrat candidate for governor, has already stated that he would need to raise taxes for transportation.

The same thing happened with former Governor Mark R. Warner, who alleged a “\$6-billion budget crisis” between 2001-2003 and used that to justify a \$1.4 billion tax hike, including higher sales taxes.

However, as the adjacent graph shows, during the dot-com bubble (1997-2000) and the housing bubble (2004-2007) Virginia spending soared to unsustainable levels. That made a downturn inevitable.

Tax revenue growth is beginning to return to normal. Even after the 2007-2010 downturn, Virginia inflation-adjusted revenues have still increased twice as fast as population (45 percent vs. 19 percent) since 1996!

**VIRGINIA GENERAL FUND REVENUE AND POPULATION GROWTH SINCE 1996
(REVENUE ADJUSTED FOR INFLATION)**



SOURCE: VIRGINIA SECRETARY OF AUG. 19, 2009, REVIEW OF GENERAL FUND REVENUES. POPULATION FROM VA. COMPREHENSIVE ANNUAL FINANCIAL REPORT. 10/4/09

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Politicians manufacture another budget crisis to raise taxes

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If there was a crisis, it was the reckless rate at which politicians increased spending. For example, between fiscal years (FY) 1996-2000, General Fund tax revenue had increased nine times faster than population (37 percent compared to 4 percent). (The Virginia budget year, or fiscal year, begins July 1, not on January 1.)

If legislators had compared their spending increases with long-term trends, they would have seen that the spending increases were unsustainable.

They should have returned the excess revenue to the taxpayer.

They did not. Their strategy is to spend all revenue increases during a boom, knowing that there will be the inevitable time when the boom will end and revenues will fall. They then call that a crisis, to justify a tax hike.

The graph on this page compares long-term trends in population and inflation-adjusted General Fund revenue (solid lines).

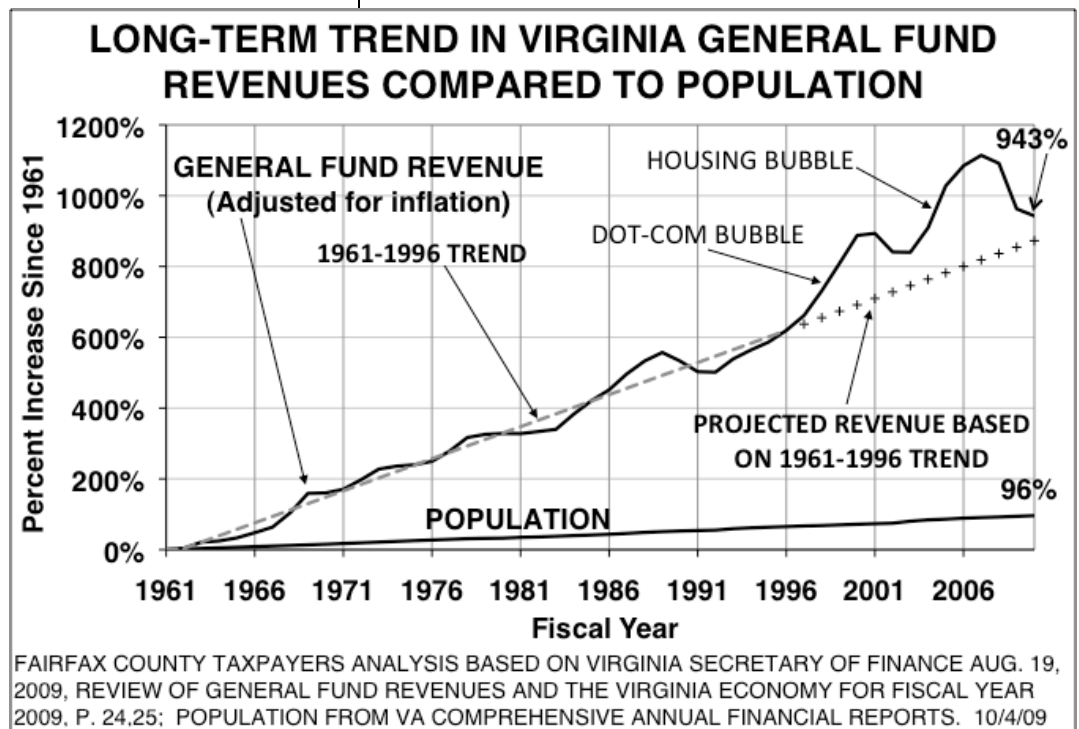
The dashed line shows the average increase in inflation-adjusted General Fund revenues between 1961 and 1996. The “plus” signs between 1996 and 2010 show projected revenues based on the 1961-1996 trend.

Compared to the 1961-1996 long-term average, revenue increases starting in 1997 were unsustainable.

Specifically, the 1961-96 trend indicates that, on the average, real revenues increase by \$244 million per year. So when legislators, for example, increased

spending by \$1.3 billion in FY2005, they should have known that a revenue decrease was inevitable.

The long-term graph shows that even after two budget “crises” inflation-adjusted General Fund revenues have increased 943 percent since 1961. That is ten times greater than the increase in population (96 percent). The previous graph shows that since 1996, revenue has increased more than twice as fast as population (45 percent vs. 19 percent).



It is remarkable that when inflation-adjusted state revenue increases ten or even two times faster than population, the governor can say that there is not enough money to keep highway rest stops open and to build new roads.

Note: These two graphs show General Fund revenues. General Fund revenues come primarily from income and general sales taxes. The other half of the Virginia budget is the Non-General fund, whose revenues are mainly college tuition payments, fees paid to Virginia hospitals, federal grants, and taxes earmarked for transportation.

What drives up taxes: public schools and welfare

Government report documents soaring school and welfare spending

Virginia spending increased dramatically between 1996 and 2007, during the “dot-com bubble” and the “housing bubble.”

The November 28, 2007, report, *Review of State Spending: 2007 Update*, chronicles Virginia spending during the decade between 1998 and 2007.

A report by the Virginia General Assembly’s Joint Legislative Audit and Review Commission documents the increase and tells how it was spent.

Table 1, shown here, is taken from that report. It shows General Fund, Non-General Fund, and total spending for each year from 1998 through 2007.

Table 1: Virginia Operating Appropriations (\$ in Millions)

Fiscal Year	General Fund	Percent Change	Non-General Fund	Percent Change	Total	Percent Change
1998	\$8,715	--	\$8,905	--	\$17,621	--
1999	9,967	14.4%	9,995	12.2%	19,962	13.3%
2000	11,093	11.3	10,276	2.8	21,369	7.0
2001	12,284	10.7	11,039	7.4	23,323	9.1
2002	12,014	-2.2	11,469	3.9	23,483	0.7
2003	12,105	0.8	12,878	12.3	24,983	6.4
2004	12,370	2.2	14,009	8.8	26,379	5.6
2005	13,782	11.4	15,476	10.5	29,258	10.9
2006	15,111	9.6	16,881	9.1	31,991	9.3
2007	17,033	12.7	18,062	7.0	35,095	9.7
1998-2007		95.4%		102.8%		99.2%
Average Annual Change		7.9%		8.2%		8.0%

Source: Appropriation Acts.

Table 13: Budget Growth by Secretarial Area, FY 1998 to FY 2007

Secretarial Area	Change in Total Appropriations (\$ in Millions)	Percentage of Total Budget Growth
Education	\$6,616	38%
Health and Human Resources	4,505	26
Transportation	2,560	15
Public Safety	1,077	6
Administration	400	2
Natural Resources	335	2
Finance	239	1
Commerce and Trade	208	1
Agriculture and Forestry	87	0.5
Technology	66	0.4
Total for Secretarial Areas	\$16,093	92%
Total Budget Growth	\$17,474	100%

Note: Based on agency alignments in the 2007 Appropriation Act. Excludes legislative and judicial departments, central appropriations, independent agencies, and executive offices. Appropriations not adjusted for inflation. Operating appropriations only; excludes capital appropriations. Totals may not add due to rounding.

Source: 1998 and 2007 Appropriation Acts.

Over that period, the total Virginia budget doubled, from \$17.6 billion to \$35.1 billion, an increase of almost \$17.5 billion.

Table 13, also shown here and also taken from the report, shows how the \$17.5 billion spending increase was allocated. Of the \$17.5 billion, only \$2.6 billion was spent on Virginia’s crumbling transportation infrastructure.

Of the remaining \$15 billion, \$6.6 billion went to education, \$4.5 billion went to Health and Human Resources (mainly Medicaid), and \$1 billion went to public safety, which is primarily courts and prisons.

Table 4: Agency Workloads and Inflation-Adjusted Agency Budgets Do Not Always Move in Tandem (FY 1998 to FY 2006, Except as Noted)

Workload Indicator or Specific Budget	Percent Change
Elementary and Secondary Education Enrollment (average daily membership)	9%
Elementary and Secondary Instructional Personnel Positions	48
Direct Aid to Education Budget	37
4-Year Public Colleges & Universities:	
Enrollment (FTEs)	15
Mandatory Tuition & Fees (in-State, adjusted for inflation; through 2007)	25
Budgets	46
Medicaid Eligible Recipients	29
Children's Health Insurance Program Enrollment (CHIP/FAMIS; since 1999)	1,500+
Medical Assistance Services (Medicaid) Budget, adjusted for medical care inflation	48
Registered Vehicles	26
Vehicular Mileage	6
Lane-Miles of State-Maintained Roads (through 2005)	3
Bridges Rated Deficient or Obsolete	-7
VDOT Budget	50
Temporary Assistance to Needy Families (TANF), average monthly paid cases	-22
Temporary Income Benefits Program Budget	-31
State-Responsible Inmate Population (through 2007)	32
Probation & Parole Caseload (through 2007)	55
Department of Corrections Budget (through 2007)	28

Source: Agency and budget data.

The State Council of Higher Education for Virginia states that one out of five Virginia high-school graduates going to college requires remediation.

Test of Leadership, a 2006 federal Department of Education study of higher education in the U. S. stated, “Over the past decade, literacy among college graduates has actually declined” (p. X).

Medicaid is three programs in one: care for the disabled, subsidized healthcare for unwed mothers and their children, and nursing home care for the indigent.

Were these non-transportation spending increases necessary?

Table 4 from the report shows that state inflation-adjusted **spending for public schools increased four times faster than enrollment** (37 percent vs. 9 percent). School staff increased five times faster (48 percent vs. 9 percent).

Budgets for Virginia public colleges and universities increased three times faster than enrollment (46 percent vs. 15 percent).

Medicaid spending, adjusted for medical inflation, increased much faster than the number of recipients (**48 percent vs. 29 percent**). Over the same period, Virginia population increased 12 percent.

What have these spending increases accomplished? According to the ACT college admissions test *2009 Profile Report of Virginia*, only 27 percent (26 percent in 2008) of Virginia high school seniors were prepared for college-level coursework.

The latter two programs are problematic. Medicaid and other anti-poverty programs have coincided with higher rates of drug use, out-of-wedlock births, and school truancy among the poor.

Also, because of government-subsidized nursing care, children are transferring care of their parents from themselves to the government.

Public schools are notoriously unsuccessful at educating low-income children. Welfare undermines marriage by providing subsidized housing, food, medical care, childcare, and sometimes job training, to unwed mothers. Our taxes fund a system that traps people in poverty, creating a class that is perpetually dependent on government.

This contributes to the rapid growth of the prison population. Again, according to Table 4, Virginia’s prison inmate population increased 32 percent between 1998 and 2007, more than twice as fast as population growth.

In connection with the Northern Virginia Tea Party coalition, the Fairfax County Taxpayers Alliance mailed to all 60 candidates running in Northern Virginia, a questionnaire about these increases in Virginia spending. The next page is a handout with the questionnaire that you can copy to distribute to candidates and voters.

Candidates would let transportation compete with schools and welfare for income tax revenues

After four years of soaring tax revenues from speculation during the housing boom, tax revenues are beginning to return to normal. To taxpayers, this is good news. However, the governor and legislators call it a crisis and use it as an excuse to cut transportation funding. Next year, Virginia will have almost no money for new road construction.

Legislators made a budget downturn inevitable by enacting unsustainable spending increases during the dot-com and housing booms between 1998 and 2007. According to the Virginia General Assembly's Joint Legislative Audit and Review Commission, between 1998 and 2007, the Virginia budget doubled, from \$17.6 billion to \$35.1 billion. Of the \$17.5 billion increase, \$12 billion went to education and welfare. Only \$2.6 billion was spent on Virginia's most urgent need: transportation. According to the Audit and Review Commission's *Review of State Spending, 2007 Update* (available on www.fcta.org), between 1998 and 2007:

- Inflation-adjusted **spending for public schools increased four times faster than enrollment**
- Inflation-adjusted **budgets for public colleges increased three times faster than enrollment**
- **Medicaid spending**, adjusted for medical inflation, **increased three times faster than population**

Regarding education, the ACT college admissions test *2009 Profile Report for Virginia* states that **only 27 percent of Virginia high school seniors are prepared for college.**

Last August, on behalf of the Northern Virginia Tea Party coalition, the Fairfax County Taxpayers Alliance sent, via certified mail, questionnaires on Virginia spending to all statewide candidates and to all delegate candidates in Northern Virginia. Responses were received from 11 candidates. Visit www.fcta.org to see copies of candidates' responses.

Of the responses, nine candidates said that education and/or Medicaid spending increases were excessive and that they would support funding transportation from income taxes (General Fund revenues), which have traditionally been reserved for education and welfare. **These are the candidates that would therefore reduce taxes while increasing annual transportation spending by billions of dollars:**

Hyland (R-35)
Cannon (R-36)
Cholko (L-39)

Smith (R-38)
Bury (R-39)
Bolognese (R-41)

Nank (R-43)
Ringel (R-48)
Merola (R-53)

The following supported all spending increases, oppose spending General Fund revenues on transportation, and would therefore raise taxes to fund transportation: Watts (D-39) and Ruebner (Green-47). Creigh Deeds (D-Governor) has stated on his website that he would raise taxes for transportation and emphatically opposes spending General Fund revenues on transportation. Bob McDonnell supports spending General Fund revenues on transportation. However, we do not know his views about education spending increasing three and four times faster than enrollment.

None of the statewide candidates (governor, lieutenant governor, and attorney general) have answered this questionnaire.

When candidates ask you for your money, volunteer time or your vote, ask them to answer the questionnaire on state spending.

SEE OTHER SIDE FOR QUESTIONNAIRE

Northern Virginia Tea Party Candidate Questionnaire – November, 2009, General Election

Download this questionnaire from www.fcta.org

1. According to the Virginia General Assembly's Joint Legislative Audit and Review Commission, between 1998 and 2007, Virginia's annual budget doubled, from \$17.6 billion to \$35 billion (*Review of State Spending: 2007 Update*, p. ii). This increase was \$9 billion more than needed to keep up with population growth and inflation. Sixty-four percent of the increase went to education and healthcare.

Question: The increase in the Virginia budget between 1998 and 2007 was:

Excessive Sufficient Insufficient Undecided

2. The *2007 Update* states (p. 7) that between 1998 and 2006, Virginia inflation-adjusted spending for public schools increased four times faster than enrollment (37 percent vs. 9 percent).

Question: The increase in Virginia public-school spending between 1998 and 2006 was:

Excessive Sufficient Insufficient Undecided

3. The *2007 Update* states (p. 7) that between 1998 and 2006, inflation-adjusted budgets for Virginia four-year public colleges and universities increased three times faster than enrollment (46 percent vs. 15 percent).

Question: Budget increases between 1998 and 2006 for Virginia's four-year public colleges and universities were:

Excessive Sufficient Insufficient Undecided

4. The ACT college admissions test *High School Profile Report* for the Virginia 2008 graduating class states that 26 percent of the 17,000 students tested statewide were ready for college-level coursework.

Question: Academic achievement in Virginia public schools is:

Excellent Good Satisfactory Unsatisfactory Undecided

5. The *2007 Update* states (p. 7) that between 1998 and 2006, Virginia's Medicaid budget, adjusted for medical-care inflation, increased much faster than the number of eligible recipients (48 percent vs. 29 percent). Note: Between 1998 and 2006, Virginia population increased 12 percent.

Question: The increase in Virginia Medicaid spending between 1998 and 2006 was:

Excessive Sufficient Insufficient Undecided

6. The Virginia Department of Transportation projects that in 2010, there will be almost no money (only \$10 million statewide) for constructing new roads. Transportation is funded primarily by gasoline taxes. Traditionally sales and income tax revenues, which generally increase faster than gasoline-tax revenues, have been off-limits to transportation and reserved for education, public safety, and healthcare.

Question: Would you let transportation compete with public education, public safety, and healthcare for sales and income tax revenues?

Yes No Undecided

NAME: _____ DISTRICT: _____ DATE: _____

Please return to: Fairfax County Taxpayers Alliance PO Box 356 Fairfax, VA 22038
OR email signed copy to webmaster@fcta.org. Responses will be posted on www.fcta.org.

Where does your candidate REALLY stand on higher taxes?

Republicans and Democrats alike pledge to keep taxes low, but can you believe them if they are unwilling to answer the FCTA questionnaire? Listed below are the candidates running in Fairfax County. Underlined candidates answered the FCTA candidate questionnaire. Underlined candidates in bold stated that Virginia spending growth between 1998 and 2007 was excessive. If your candidate has not yet responded, then send them the questionnaire or question them at candidate events. Use email and websites below to contact candidates. Phone your local electoral board to identify your delegate district. The Fairfax County electoral board phone number is 703-222-0776. Visit www.fcta.org for candidate information outside of Fairfax County.

REPUBLICAN	DEMOCRAT
Governor	
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Attorney General	
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Delegate District 35	
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Delegate District 38	
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Delegate District 39	
<u>Joseph G. "Joe" Bury</u> joe@joebury.com www.joebury.com	<u>Vivian E. Watts</u> vwatts@erols.com www.vivianwatts.com

REPUBLICAN	DEMOCRAT
Delegate District 40	
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Delegate District 42	
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Delegate District 43	
<u>Tim D. Nank</u> thenanks@verizon.net www.timnank.com	Mark D. Sickles
Delegate District 44	
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Delegate District 45	
Vicki L. Vasques vickivasques@gmail.com www.VasquesforVa.com	D David L. Englin info@davidenglin.org www.davidenglin.org
Delegate District 46	
Sasha Gong sashagong@gmail.com www.sashagong.net	Charniele L. Herring voteherring@gmail.com www.herringfordelegate.com
Delegate District 49	
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Delegate District 53	
<u>Christopher D. Merola</u> campaign@merola09.com www.merola09.com	D James M. "Jim" Scott deljscott@aol.com www.delegatejimscott.com
Delegate District 67	
James M. "Jim" LeMunyon jlemunyon@cox.net www.lemunyon09.com	C. Chuck Caputo chuck.caputo@verizon.net www.delegatecaputo.com
District 86	
Thomas Davis Rust trust@tomrust.org www.tomrust.org	Stevens R. Miller Steve@millerhousehold.com

Show your support for less government: Join the FCTA!

We need many more members to persuade elected officials to cut government instead of expanding it. Also, mailing and advertising are expensive. Learn what state and local officials don't want you to know about their budgets and programs. The FCTA needs your contribution, and whether you are a Fairfax County or Virginia resident, you need FCTA analyses. Please use this form to contribute or contribute online at www.fcta.org.

If your mailing label says “**Complimentary**,” join to receive future Bulletins. Current FCTA members: Please renew if the date on your mailing label is before November 1, 2009 Thank you!

_____ Enclosed is my annual FCTA membership dues of \$15

_____ I'm enclosing an extra contribution of \$ _____

_____ I would like to volunteer. Please contact me.

Name(s) _____

Mail To: The Fairfax County Taxpayers Alliance

Address _____

P.O. Box 356

City/State/Zip _____

Fairfax, Va. 22038

Telephone _____

703-281-0176 B2009-2

Email _____

To receive FCTA press releases and tax alerts, please provide your email address.

Become a better advocate for smaller government Attend the FCTA annual membership luncheon – Sat., Oct. 24

Get acquainted and socialize with advocates for smaller government. Know more about the Virginia budget than most candidates. Attend the FCTA luncheon! **Reservation information is on the back cover of this Bulletin. Please make reservations by Monday, Oct. 19.** All FCTA leadership positions are

up for election at the meeting. To vote, members must be Fairfax County residents and have dues paid up. The names listed below are proposed for election at the meeting. Nominations will also be accepted from the floor.

Officers

President: Arthur G. Purves

Treasurer:

Arthur Purves (acting)

First Vice President: The Hon. David CF Ray

Secretary:

Perry Young

Second Vice President: vacant

At-Large Directors

Arthur Purves

Bill Peabody

Geoff Allen

The Hon. David C. F. Ray

Fred Costello

(two vacancies)

Perry Young

Gary Koerner

District Directors

Braddock:

Tom Blau

Mount Vernon:

vacant

Dranesville:

Howie Lind

Providence:

vacant

Hunter Mill:

David Swink

Springfield:

Bradford Butler

Lee:

vacant

Sully:

Chuck McAndrew

Mason:

Jim Turbett

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**Fairfax County Taxpayers Alliance
Annual Membership Meeting**

THEME: "The Virginia budget: a crisis or a scam?"

- **Learn basics of the Virginia budget**
- **Expose the myths used to justify tax increases**
- **Learn what questions to ask at town halls**

Saturday, October 24, 2009 – 11:30 a.m. to 1:30 p.m.

Marco Polo Restaurant – 245 Maple Avenue West (Rt. 123) Vienna VA

Menu Selections — Grilled Salmon – Chicken Parmigiana

Vegetarian and special diet requests also available

Cost: \$20 per person (includes tip and 8% sales tax)

Please RSVP by phone (703-281-0176) or email (webmaster@fcta.org)

No later than Monday, Oct 19

Questions? Phone 703-281-0176 or email webmaster@fcta.org or