



THE THOMAS JEFFERSON  
INSTITUTE FOR PUBLIC POLICY

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*Thomas Jefferson*

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**“Is This Spending Necessary?”**  
Ideas for Reducing Virginia’s Budget

By  
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Foreword by:  
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Member, Virginia House of Delegates  
Chairman, Cost Cutting Caucus

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## Foreword

In 2004, members of the Virginia General Assembly were told the Commonwealth of Virginia was in a fiscal crisis. That state government was not taking in enough money to pay its bills. That education and transportation were top priorities, but were inadequately funded. We faced – according to some – a long-term “structural budget deficit.”

As a result of those cries, a majority of the General Assembly supported a tax increase of \$1.4 billion. But what was the result?

- Even before these tax increases took effect, state government found itself with a \$324 million *surplus*.
- Then, in the current Fiscal Year, the state found itself with \$1.4 billion in added revenue – which was promptly spent by the Governor and the General Assembly.
- And now, at the end of this Fiscal Year (June 30, 2005), the state will find itself with an additional windfall of \$500 million *more* pouring into its coffers.
- In fact, some believe yet another surplus at the end of next year will be as much as another \$600 million or more.

If you're adding it up, that's at least \$600 million (next year) and \$500 million this year, on top of \$1.4 billion, on top of \$324 million in added revenue since the tax increases were passed! A total of at least \$2.924 billion above and beyond the two-year budget approved after such a wrenching session.

In fact, as I write this, revenues are now projected to be running 15.2 percent ahead of last year – the highest increase of any state on the East Coast and fully 1.5% above the next closest state.

In May 2005 alone, tax revenues increased at 23 percent over last year. Even without those tax increases, revenues would have increased more than 19 percent in May!

The Commonwealth of Virginia is simply spending too much, too fast, and too often on things that are not priorities. In just 10 years, the budget has increased by more than 100 percent, and at the current rate the biennium budget will read more than \$110 billion only four budget cycles from now.

This study unmistakably points out the need for budget transparency, accountability and competition. These are the goals of the General Assembly Cost Cutting Caucus – a bipartisan group of legislators looking for ways to reduce spending. As Chairman of the Cost Cutting Caucus, I'm pleased that the Thomas Jefferson Institute for Public Policy has issued *Is This Spending Necessary? Ideas for Reducing Virginia's Budget*, and I'm happy to commend it to you for your consideration.

We may not all agree on all of the items in this report, but clearly they provide the kind of food for thought that needs to be given serious consideration – not just in an election year like this one, but every day that the General Assembly meets in Richmond.

Christopher B. Saxman  
Member, Virginia House of Delegate  
Chairman, Cost Cutting Caucus  
July, 2005

## EXECUTIVE SUMMARY

When Virginia's General Assembly adjourned this year, lawmakers had ignored the opportunity to address a long-standing problem: *Although taxpayers forfeit more money each year to fund state government and auxiliary agencies, no one knows exactly where the money goes, how it is spent, or whether the funds produce the promised outcomes.*

Therefore, the first order of business for legislators in 2006 should be demanding greater accountability and the tools to provide such analyses. Before allocating a single taxpayers' dollar, lawmakers should be convinced the spending is necessary -- not for currying political favor, but for promoting the Commonwealth's best interests. Hard-working, taxpaying Virginians are penalized when government taxes their earnings and then spends it without a clear understanding of where it goes and how well it is used.

Regardless of what some may say, these are not lean times for state government. Last year's surplus was \$324 million *before* the tax hike went into effect. This year, after the "desperately needed" tax hike went into effect, there was a surplus of at least \$1.4 billion and the two-year budget cycle was less than half over! And now an additional \$600 million surplus is projected with some predicting the additional surplus will be closer to \$1.2 billion by the end of the bi-annual budget on June 30, 2006. Gov. Mark Warner and many lawmakers were, and are, eager to spend all that money and more.

Since the current two-year budget was approved in May 2005, a surplus of nearly \$3 billion has been generated and the current budget cycle is only half over! Before Virginia's leaders spend it all again, Virginia's voters should insist that they reform how government spends its money. Otherwise, the budget will continue to increase by leaps and bounds and we will continue feeding a growing bureaucracy with more and more tax dollars.

The real challenge confronting Virginia is the average annual growth of spending: 8.12 percent between 1997 and 2006. In just 10 years, the budget has increased by more than 100 percent. At the current rate, the biennium budget will reach more than \$110 billion in the 2012-2014 budget period -- only four budget cycles from now.

This report illustrates but a few examples of excessive state spending. Undoubtedly, the budgets of each department or agency are rife with similar instances. To start correcting this problem, lawmakers could direct their attention to the most egregious offenses:

### Executive Excess.

- The offices and powers of the governor and lieutenant governor should be limited to budgets and salaried positions necessary to serve the people of Virginia, and approved by the General Assembly.
- When government services overlap, they should be consolidated or reduced.

### Outmoded Programs.

- Programs that no longer serve their usefulness should be eliminated -- and not allowed to mutate until they make more relevant demands.

### Unnecessary government functions.

- Government should never perform a role that can be served by charities or private enterprise.

These examples that follow demonstrate how such things contribute to wastefulness state spending. Curbing these alone would save Virginians millions of dollars each year.

## Is This Spending Necessary? Ideas for Reducing Virginia's Budget

### EXECUTIVE EXCESS

#### Office of the Governor

Virginians pay their governor an annual salary of \$124,855. They pay nearly \$2 million more to fund The Office of the Governor. "A large percent of the Governor's Office budget supports the salaries of those who advise the Governor," according to the state Department of Planning and Budget, while "a small percent of the agency's budget funds the operation of the Governor's mansion."

Indeed, the governor's office employs 29 people, many as advisers to the chief executive on policies, legislative affairs, regulatory matters, etc. These are functions that almost certainly could be performed by the governor's cabinet secretaries and agencies.

By transferring personnel to his office from various state agencies, Gov. Mark Warner added more than \$1.3 million to those costs in a move that reflected "questionable judgment," according to the state Auditor of Public Accounts, Walter Kuchariski.<sup>i</sup> When criticized for the action, Warner promised it stopped it --- a tacit admission that it was improper.

#### Capitol Police

The original mission of Virginia's Capitol Police was to protect the state capitol and its grounds. Over the years, its role has expanded to include not only Capitol Square, but "any other property owned or controlled by the Commonwealth or any agency, department, institution or Commission thereof..."<sup>ii</sup> Consequently, taxpayers now spend \$5.3 million a year employing 103 capitol police officers: an average salary of more \$48,000 per officer, plus the expense of each individual's state benefits.<sup>iii</sup>

It is clear, however, from examining the Capitol Police patrol beats [below] that many of the jobs could be performed by the private sector and, most likely, at a lower cost. Hourly-wage security officers can guard state office buildings; and, certainly, there is no justification for professional police officers guarding dozens of state parking lots.

At least some of the capitol police budget evidently is spent affording dubious privileges to Virginia officials. For instance, the capitol police now share jurisdiction with police in Richmond and its surrounding counties "in any case involving the theft or misappropriation of the *personal property* [emphasis added] of any member or employee of the General Assembly".<sup>iv</sup> What entitles state lawmakers and their employees to employ a specialized police force?

Capitol Police beats

Top Patrol - Beat 1

Bell Tower  
Consolidated Laboratory Building  
Eighth Street Office Building  
General Assembly Building  
Governors Mansion  
Ninth Street Office Building  
Old City Hall  
Old State Library  
State Capitol  
State Library and Archives  
Supreme Court & Rose Lafoon Building  
State Lot #1 (Capitol Square  
State Lot #1A  
State Lot #2  
State Lot #18  
State Lot #19  
State Lot #22  
State Lot #25  
State Lot at 9<sup>th</sup> & Broad Streets

Top Patrol - Beat 2

Department of Social Services and attached parking deck  
Finance Building  
Jefferson Building  
Pocahontas Building  
Secretary of the Commonwealth's Office  
Virginia Employment Commission  
Virginia Information Technology Agency  
Washington Building  
State Lot #3  
State Lot #21  
VEC Parking Garage  
DSS Parking Deck  
DSS Parking Deck  
DSS Parking Deck

Bottom Patrol - Beat 3

215 Governor Street Property  
217 Governor Street Property  
219 Governor Street Property  
221 Governor Street Property  
223 Governor Street Property  
DGS Loading Dock area, tunnel entrance, and tunnel complex  
DGS Storage Space  
Ferguson Warehouse  
James Madison Building  
VDOT - Central Highway Building  
VDOT - Highway Annex Building  
VDOT - Old South Hospital Building  
Zincke Building  
State Lot #4  
State Lot #7  
State Lot #9  
State Lot #14  
State Lot #15  
State Lot #16

Bottom Patrol - Beat 4

James Monroe Building  
John Tyler Building  
Main Street Station  
Powers Taylor Building  
Seaboard Building  
Virginia Retirement System  
State Lot #5  
State Lot #8  
State Lot #12  
State Lot #17  
State Lot #23  
State Lot #24

West Beat - Beat 5

Central Garage  
Virginia Housing Development Authority  
Virginia Science Museum  
Virginia War Memorial  
Workers Compensation Commission  
State Lot #10

[Source: Virginia State Capitol Police]

## **LEGISLATIVE EXCESS**

The national organization Citizens Against Government Waste (CAGW) attracts annual attention when releasing its “Congressional Pig Book,” a report outlining the costs of the time-honored tradition of “congressional pork.” United States Senator John McCain highlights many of the items in this annual report on the front page of his official website.

CAGW defines “pork” as meeting at least two of the following seven criteria –

- Requested by only one member of Congress;
- Not specifically authorized;
- Not competitively awarded;
- Not requested by the President;
- Greatly exceeds the President’s budget request or the previous year’s funding;
- Not the subject of congressional hearings, or
- Serves only a local or special interest.

Fortunately, Virginia’s budget has fewer items meeting those criteria than do the budgets of many other states. That is not to say, however, that there are none at all.

### **Special Projects and Non-State Agencies**

There were more than \$30 million in budget items added into Virginia’s budget at the committee and subcommittee levels of the Appropriations process this year alone. Some are one-time Capital Projects designed to renovate or build museums, theaters and education centers. Others are small donations, ranging from \$7,000 to \$250,000, added by individual members of the General Assembly.<sup>v</sup>

These funds go to buildings “of historical significance,” for constructing memorials to war participants, to convert buildings into community centers, to restore cemeteries or for relatively small donations to cultural and historical societies. Few of these items are major expenditures, but added together total tens of millions of dollars.

There may well be a rationale for each item, and the private organizations they serve to support may well be efficient non-profits. Yet, they continue to fit the criteria used for purely “pork barrel projects” – not competitively awarded, not part of the regular appropriations process, not a part of the original budget request.

Taxpayers deserve better than to have millions of dollars added to the budget without hearings or any accountability. If the projects are genuinely worthy of taxpayer support – and not just legislator examples of “bringing home the bacon” – a better system must be devised to sort out the worthy from the unworthy. Without such a system, funding of legislator “pet projects” will remain a consequence of influence and political favoritism rather than merit.

If the General Assembly wishes to underwrite these and other projects as worthy, and since most of these grants are administered by the Department of Historic Resources, the General Assembly should provide for these funds in the Department’s budget and direct the Department to develop a method for evaluating grants on a competitive basis.

## **DUPLICATIVE SERVICES**

### **Medical Care**

The second most expensive item in the state budget (after public education) is the \$3.7 billion for the Department of Medical Services. That includes several programs that seemingly overlap:

- \$32 million for Medical Assistance Services for Low-Income Children;
- \$10 million for the Indigent Health Care Trust Fund; and
- \$14 million for Non-Medicaid Medical Assistance Services.

In addition, Virginians spend \$160 million – half from the General Fund and half from federal funds – for public health departments to provide dental care, family planning services, general medical services, home health care services, and maternal and child health services. They then spend another:

- \$5.5 million on Special Health Improvement and Demonstration Services “to develop, expand, and operate a network of local public-private partnerships providing comprehensive care coordination, family support and preventive medical and dental services to low-income, at-risk children;”
- \$31 million on State Health Services to provide child development services, children’s specialty services, family planning services, and maternal and child health services for needy individuals; and
- \$2 million to the Virginia Health Care Foundation for “proposals that enhance access to primary health care for Virginia’s uninsured and medically underserved residents.”



Although half of the public health department funding comes from federal funds, that leaves \$80 million drawn from the General Fund for services potentially duplicated by Medicaid, FAMIS (Family Access to Medical Insurance Security) Plus, etc. Moreover, half of the Community Health Services budget (\$85 million) goes toward administrative costs – suggesting the department almost certainly could not pass a cost-benefit analysis.<sup>vi</sup>

### **Community Mental Health programs**

Community-based mental health treatment is less expensive than institutional care, but it perhaps costs more than it should. When the legislature first funded CSBs in 1971, it allocated \$480,000 to operate 14 facilities.<sup>vii</sup> Today, Virginia has 40 such facilities. The number of facilities increased three-fold while their costs multiplied by a factor of 200! A detailed analysis should be completed before this program continues its upward spiral.

### **Drop-Out Prevention Programs**

The Department of Education receives \$49 million a year to spend on students deemed to be "educationally at-risk." The budget language reads, "These programs may include: Dropout Prevention, Advancement Via Individual Determination (AVID), Project Discovery, Reading Recovery, programs for students who speak English as a second language, and *programs related to increasing the success of disadvantaged students in completing a high school degree* [emphasis added] and providing opportunities to encourage further education and training."

The Department spends another \$63 million annually on Remedial Education Payments, providing "prevention, intervention, and remediation" for at-risk students.

An additional \$6 million goes toward educating expelled students, students who have been suspended from school, and students returned to the community from the Department of Juvenile Justice.

Another \$2 million funds the Individual Student Alternative Education Program, which allows students at risk of not graduating to graduate by an alternative means that better suits them. Yet, two years ago, Gov. Mark Warner added Project Graduation, at a cost of \$3 million," to provide additional opportunities for students to earn credits to receive a high school diploma."

The result of all these programs? A smaller percentage of the class of '04 graduated than the class of '03.<sup>viii</sup>

### **State Boards, Offices and Commissions**

Numerous state commissions exist for the stated purpose of performing social services, research, and planning. In light of the fact that funds are appropriated for many departments and agencies to conduct social services, research, and planning, skeptics may wonder if many of these boards and commissions' primary roles are to provide honorary or paid positions for political supporters. Most are small with budgets in the thousands of dollars rather than millions – but add them up, and they start to cost "real money." And, at the very least, many duplicate the work already done by more official state Departments.

Consider:

- **The Virginia Commission on Youth** spends \$316,000 and funds three positions for “social services research and planning” while **The Virginia Office for Protection and Advocacy** spends \$1 million a year for “Protection of Children and Youths;”
- **The Office for Substance Abuse Prevention** spends \$600,000 in federal funds for “Health Research, Planning, and Coordination.” So why does **The Department of Mental Health, Mental Retardation, and Substance Abuse** spend \$1.3 million for “Health Research, Planning, and Coordination?”
- **The Department of Rehabilitative Services** spends \$2.2 million on “Social Services Research, Planning, and Coordination”; **The Virginia Board for People With Disabilities** spends \$1.6 million on the same thing.
- **The Joint Commission on Health Care** receives \$443,000 to fund four positions and conduct “health policy research,” even though **The Department of Health** receives \$2.4 million for “Health Research, Planning, and Coordination.”
- **The Virginia Coal and Energy Commission** spends \$21,000 for “Resource Management Research, Planning, and Coordination” while the **Department of Mines, Minerals and Energy** spends \$627,000 for the exact same stated purpose.
- **The Marine Resources Commission** spends \$15 million and funds 159 positions; **the Department of Games and Inland Fisheries** has a \$35 million budget.
- **The Chesapeake Bay Commission** receives \$175,000; the **Chesapeake Bay Local Assistance Department** receives \$1.4 million.
- **The Joint Commission on Technology and Science** was established in 1997 as a permanent legislative commission to “generally study all aspects of technology and science and to promote the development of technology and science in the Commonwealth of Virginia through sound public policies.” But now that the state has a \$44-million **Department of Technology** to do that, why should it continue spending \$166,000 to fund this commission and its two staff positions?
- **The Virginia Housing Study Commission** receives \$156,000 to fund two jobs for “Housing Research and Planning,” although the **The Department of Housing and Community Development** spends \$5 million a year on “Regional and Community Developmental Planning.”
- **The Virginia Crime Commission** spends \$570,000 and funds nine positions (five from the general fund and by state taxpayers) for “Criminal Justice Research, Planning, and Coordination,” while **the Department of Criminal Justice Services** spends \$704,000 for “Criminal Justice Research, Planning, and Coordination.”

- **The State Water Commission** spends \$10,000 for “Environmental Policy and Program Development.” Isn’t environmental policy and program development covered by the \$140 million **Department of Environmental Quality**?

## OUTMODED PROGRAMS

One of the reasons Virginia’s budget continues to grow is because, once funded, programs almost never are defunded -- even if they become obsolete. Usually, they mutate into functions far beyond their original intent. For example:

### **Financial Assistance for Cultural Transition**

This program, offering categorical assistance under Elementary and Secondary Instruction, has its roots in the “Treaty of 1677 Between the Virginians and the Indians.”<sup>ix</sup> Today, it is a \$9 million expenditure for public schools to hire teachers for children who don’t understand English. Yet the Department of Education spends \$22 million annually for “English as a Second Language Payments.”

### **Indoor Plumbing Rehabilitation Program**

In 1940, two-thirds of Virginia homes lacked indoor plumbing. Today that percentage is estimated to be about half of one percent.<sup>x</sup> But Virginia’s Indoor Plumbing Program not only hasn’t gone away; it’s *expanded*. To be eligible for assistance, homeowners no longer need to lack indoor-plumbing; the program now pays for upgrades of existing facilities.

And today the program no longer limits itself to installing plumbing. When a plumbing project is undertaken; the state now requires that the entire house be brought up to code. So a program that originally helped poor people get indoor toilets now distributes \$16 million in federal funds and \$3 million from the state for whole-house renovation. Additionally, the legislature directs program administrators to "make every reasonable effort to provide participants basic financial counseling...."<sup>xi</sup>

The Indoor Plumbing Rehabilitation Program also may provide “relief from overcrowded conditions.” So, home additions that have nothing to do with plumbing also may be built at taxpayers’ expense. Additionally, “each beneficiary household receives training in house maintenance, cleaning, and budgeting.”<sup>xii</sup> Since when does Mopping 101 and a tutorial in checkbook balancing have any bearing on indoor plumbing?

Why not use the money for its original purpose rather than add new dimensions to the program?

### **The Milk Commission**

The Milk Commission was created in 1934 to supervise the producer-price, supply, and sale of milk in Virginia. Today, its apparent purpose is to employ eight individuals full-time at a cost of more than \$750,000. Its stated mission has nothing to do with health and safety, but rather is to “assure Virginians a constant supply of fresh and wholesome

Grade-A milk at a fair and reasonable price,”<sup>xiii</sup> which may have been necessary during the Depression, but almost certainly is not today.

### **Tobacco Tax Stamps**

Wholesalers of tobacco products are required to pay state and local excise taxes on what they deliver to retailers. In the early days of our nation, it was customary for stamps to be placed on products like alcohol and tobacco to enforce the payment of these excise taxes.

More than 200 years later, in the age of hand-held computers, Virginia continues to be one of fewer than 20 states using tobacco stamps affixed to every cigarette pack. Modern accounting techniques relying on monthly sales statements and periodic audits of wholesalers might be a more efficient enforcement tool than a stamp process created when Virginia was a colony.

One argument used against an audit process is that Virginia’s Tax Department has just three employees to audit tobacco sales, and 30 or more field auditors would need to be hired at a cost of \$1.6 million. But the state currently and correctly reimburses wholesalers for their cost in affixing the stamps in their warehouses. This year that cost will exceed \$4 million.

\$1.6 million vs. \$4 million: You do the math.

### **Prison Warehouses**

When Virginia contracted out for the design, construction, and operation of two new prisons, administrators noted a significant difference in cost between prisons they operated and those to be operated by the private sector. One reason: state prisons maintained a warehouse (and staff to protect it) for a 30-day supply of food; privately-run prisons maintained only a five day supply.<sup>xiv</sup>

When state prison administrators asked why state prisons had a warehouse for a 30-day supply of food, the answer was, “We’ve always done it that way.” In fact, the practice harkens back to the days of mule trains, when inclement weather could delay food delivery for weeks and prisons *had* to have a large supply of food on hand.

But in the age of overnight delivery systems, the state prisons haven’t changed – and to this day state prisons still maintain a 30-day supply of food in their warehouses.<sup>xv</sup>

Perhaps they’re waiting to get the memo ... via pony express.

### **Virginia Cooperative Extension (VCE)**

In 1903, when the cotton boll weevil was devastating agriculture and business, a special agent in the U. S. Department of Agriculture initiated demonstration farms to show rural Americans the most efficient ways to farm and conserve their produce.<sup>xvi</sup> A century later, the U. S. is no longer predominantly rural -- and modern farmers are likely to turn to computers when they need advice. Yet Virginia taxpayers spend nearly \$80 million a year

to fund 107 county extension offices.

The VCEs effort to maintain relevance in urban regions is almost comical. In Northern Virginia, the VCE provides vital information and step-by-step procedures for... visitors to public restrooms. Laminated posters read, in total:

- 1. Wash hands.**
- 2. Use soap.**
- 3. Wash hands and count to 20.**
- 4. Rinse completely.**
- 5. Dry hands with paper towel.**
- 6. Put paper towel in trash.**

This constitutes agricultural advice so critical it demands taxpayer funding?

Northern Virginians can receive help from their extension agencies with "Soil Testing and Fertilization Recommendations" or "Insect, Disease, and Weed Identification and Control Measures," presumably all for the "farmer" with a dozen tomato plants in his backyard. Local VCEs also instruct on "Appreciating Snow" (most Virginians likely would prefer spending taxes on snow *removal*), "Gourds Give Year-Round Pleasure," "You Can Grow Hardy Kiwis," "Plant a Tree to Celebrate Your Wedding," and a host of other non-farming matters.<sup>xvii</sup>

Aren't these questions that local plant and flower nurseries answer every day? Do we really need taxpayer-funded programs for the suburban gardener?

At the 4-H conference center in Front Royal last spring seminars were scheduled in mandolin-making and "Beginner's Bluegrass." Why not simply let local music clubs do this if there is a need for it?

Many -- perhaps most -- of the VCE's programs have no relationship to agricultural guidance.<sup>xviii</sup> Its Family and Community Sciences program offers instruction on:

- Adolescents & Teens
- Health Care
- Loss of Income
- Marriage & Divorce
- Stress
- Insurance
- Estate and Retirement Planning

The VCEs clearly have exceeded their original mission in order to justify continued state funding.

## GOVERNMENT'S ROLE -- OR CHARITY'S?

Government becomes more expensive as it shifts to taxpayers those roles that could be (or previously were) performed by charities or private enterprise. For instance:

### The Auxiliary Grant program

Virginia's Department of Social Services says the purpose of the Auxiliary Grant Program is to provide additional income for individuals living in assisted-living facilities who either receive Supplemental Security Income or are not eligible for it because of excess income.

"Individuals receiving an auxiliary grant also receive a personal allowance," the department explains. "The personal allowance is used by the resident for such things as clothing, medical co-payments, personal toiletries, tobacco products, sodas, snacks, over-the-counter and non-prescription medications, prescriptions not covered by Medicaid, dental care, eyeglasses, provision of a personal telephone and long-distance service, personal transportation, and activities outside of what is offered by the assisted living facility or adult foster care provider."<sup>xix</sup>

To many minds, sodas, cologne, cigarettes, candy bars, and private phone lines are what former Governor Doug Wilder described as "niceties, not necessities." Most nursing-home residents have relatives who can provide them with niceties. Scout troops, church groups, and civic organizations routinely deliver – niceties to nursing homes, and should be encouraged to do so. This is not a role government should play.

### Financial Assistance for Public Broadcasting

Virginia taxpayers still contribute more than \$3 million annually to support PBS, even though the need for alternative television fare is long past. Decades ago, when three commercial networks offered homogenous entertainment, public television was a public service. But with the expansion of cable and pay-for-view channels, TV viewers have hundreds of options available to them. There is no reason for taxpayers to fund television programs that are educational and edifying when the History Channel, the Discovery Channel, Arts & Entertainment, the Science Channel and many others provide the same service as a commercial enterprise. PBS offers many fine programs and has a devoted audience, but there is no reason that audience should not pay for the service just as they would pay for any other.

### Prison programs

The Department of Corrections appropriation includes about \$100,000 for the Prison Family Support Services. Another \$100,000 is given to organizations working to enhance faith-based services to inmates. Additionally, \$75,000 funds the Save Our Shelters "Pen Pal" program.

None of these programs is a direct drain on the state treasury because they are paid from money generated by prison commissary operations. However, that does represent

more than a quarter of a million dollars annually that could be used to offset other costs. Surely there are religious organizations that would offer faith-based services without expecting payment. And did any lawmaker ask why \$75,000 was needed for people to become pen-pals?

## **SPENDFEST?**

- While claiming that it needs more money from taxpayers, the College of William & Mary maintains a suite of offices in Washington, D.C., on pricey Massachusetts Avenue. The W&M suite includes a fully equipped conference room that can accommodate up to 25 people; a workstation with computer and internet access; a smaller room furnished with a sofa, chairs, and TV/VCR -- suitable for smaller meetings; and other offices available for visitors' use.<sup>xx</sup>  
Staffed by only two individuals, the office seems to exist for little reason other than to provide comfortable surroundings for visiting school officials. Its stated mission is to reach out to local alums and prospective students, but such lavish office space is not needed for two people to perform those tasks. Moreover, the suite is located inside the Carnegie Endowment Building, which has conference rooms and offices that W&M could rent as needed. And the neighboring Council on Foreign Relations has a conference room that W&M may use at no charge.<sup>xxi</sup>
- The Pocahontas State Park in Chesterfield County receives generous state funding for renovation and upkeep even though the park -- in the midst of a suburban area -- serves primarily as a neighborhood pool. If the state ceded Pocahontas park to the locality, those who most use the park could pay for it.<sup>xxii</sup>
- The Virginia Retirement System (VRS) operates on a Defined Benefit plan -- i.e., it pays retirement benefits based on a formula of salary levels and years of service. Presently, a high percentage of payroll costs -- about 9 to 10 percent -- go toward funding retirement. If the state went to a Defined Contribution Plan, as is common in the private sector, employees could direct how their money was invested. Not only would state workers have the opportunity to make a better return on their investment; the state could trim the VRS's \$32 million annual budget by eliminating the people who now make those decisions for state employees.<sup>xxiii</sup> A 1998 Thomas Jefferson Institute study demonstrated that -- even with investment returns substantially lower than the average return over the preceding 70 years -- a state employee could receive up to \$30,000 a year *more* during retirement with a Defined Contribution Plan.
- The legislature expressly forbids economic efficiency for schools. This year's budget reads, "In the event that two or more school divisions become one school division, whether by consolidation of only the school divisions or by consolidation of the local governments, such resulting division shall be provided funding through this program on the basis of having the same number of school divisions...." The private sector has become more and more efficient over the past 20 years with a huge increase in productivity. Why is government different?

- For years, politicians from both parties have pledged to end state funding of the Virginia Equine Center in Lexington, operated by the Virginia Horse Center Foundation, a 501(c) (3) organization.<sup>xxiv</sup> The 2003 state budget pledged to wean the Center off of taxpayer support by the year 2008.

Instead, the original 2004-2006 biennium budget called for the Center to receive \$890,000 from taxpayers this year and \$170,000 next year. This year, the General Assembly increased these amounts by \$720,349. And then Governor Warner increased the total by another \$10,000.<sup>xxv</sup> Why is the legislature spending taxpayers' money to essentially make a charitable donation to this foundation? The horse industry in Virginia and those participating in horse shows should pay for this facility.

- Although Virginia Commonwealth University already has indoor-outdoor tennis courts, the school will spend \$8 million from the Higher Education Operating budget to build a new tennis center complex. Old Dominion University received \$4 million to construct tennis courts as well. Why not let private money build these tennis courts, and allow these facilities to be “branded” by whoever puts up the money – from AOL to Wilson tennis rackets?
- The current two-year budget gives nearly \$6 million to the Virginia Center for Behavioral Rehabilitation, the state’s new facility for sexual predators to fund 137 staff positions. As of last year, the center housed nine inmates.<sup>xxvi</sup>
- Last year, the General Assembly mandated scoliosis screening for Virginia schoolchildren, despite the Department of Planning and Budget's (DPB) analysis that the endeavor would be expensive and non-productive. DPB cited conclusions of the U.S. Public Health Service and its Canadian equivalent that "insufficient evidence exists to support universal school-based screening." According to research, the small number of children who have scoliosis usually are diagnosed by their private physicians, and school screening produces a large number of false positives among children who do not have it. "The time and monetary costs associated with screening and follow-up doctor's office visits are substantial," the state's economists reported -- to no avail.
- The Department of General Services is the sole-source provider of supplies for many state agencies. Yet some institutions -- such as prisons -- say they could save time and money by shopping for themselves. While DGS recovers slightly more than half of its \$38 million annual operating costs through sales revenue, it continues to receive \$18 million from the general fund to sustain its provision as a monopoly provider.
- Excise taxes are levied on producers of certain agricultural products and distributed to various boards charged with promoting those products. Most have a uniform mission set by the legislature: "The [Title] Board shall have power to expend funds to provide for programs of research, education, publicity, and the promotion of sale and use of [product]; to manage the funds so as to accumulate a reserve for



contingencies; to establish an office and employ such technical, professional and other assistants as may be required; to contract for research, publicity, advertising, and other promotional services.”<sup>xxvii</sup>

Most boards have seven to 12 members, appointed by the governor. Board members generally receive no direct compensation, but are reimbursed for official expenses. Although the money for Boards doesn't come from the general fund, excise taxes are passed along to consumers. So, ultimately, taxpayers provide the:

Bright Flue-Cured Tobacco Board: \$174,000;  
Corn Board: \$250,000;  
Egg Board: \$210,000;  
Pork Industry Board: \$204,787 and 1 staff position;  
Soybean Board: \$410,000;  
State Apple Board: \$309,883 and 1 staff position;  
Peanut Board: \$325,000;  
Sweet Potato Board: \$3,835;  
Cattle Industry Board: \$500,000; .  
Virginia Small Grains Board: \$300,000;  
Virginia Horse Industry Board: \$130,000;  
Virginia Sheep Industry Board: \$47,550;  
Virginia Irish Potato Board: \$25,000;  
Virginia Cotton Board: \$225,000.

In the 21<sup>st</sup> Century, the need to promote the “Virginia Irish Potato” using government funding is an outdated concept. Taxpayer funds – whether raised by excise taxes or income taxes – ought not to be expended on behalf of specific industry sectors for programs that could just as easily be conducted by private trade associations.

## **WILDER COMMISSION REPORT**

Shortly after taking office, Governor Mark Warner established the Governor’s Commission on Efficiency and Effectiveness, chaired by former Governor Douglas Wilder.

In December 2002, the “Wilder Commission” issued its recommendations. Among those proposals was the elimination of 15 percent of existing state agencies and departments (estimating a savings of more than \$500 million from streamlinings, outsourcings, and eliminations); specific identification of real savings totaling approximately \$750 million annually by changing the way the Commonwealth performs business operations (without any reduction in current services); and proposals for continuous improvement of government operations.

A number of these recommendations were implemented within one year, either by the Warner Administration or the General Assembly. Others were designed to be phased in over a two to four year period. But a number of recommendations have not been implemented, either because of decisions by Governor Warner or the General Assembly or both. Among the items rejected or otherwise not acted upon –

- Merging the Virginia Museum of Natural History into the Science Museum of Virginia

- Merging the Chesapeake Bay Local Assistance Department into the Department of Conservation and Recreation and maintaining it as a separate division within the department
- Consolidating the Charitable Gaming, Racing, and Lottery departments
- Integrating Richard Bland College into the community college system
- Assessing the value of privatization of ABC (Alcohol Beverage Control) retail operations
- Merging Chippokes Plantation into the Department of Conservation and Recreation
- Merging the Departments of Blind and Vision Impaired, Deaf and Hard of Hearing, and Rehabilitative Services
- Removing Virginia Correctional Enterprises as a mandatory supplier for universities
- Reducing inventory balances in VDOT, DOC and ABC by 20 percent
- Requesting that the Auditor of Public Accounts develop a standard for inventories in excess of \$10,000 and require that inventory of less than \$1 million per agency be captured in the accounting system as inventory
- Standardizing inventory management practices across state agencies
- Enhance government planning and efficiency by giving the people the right to re-elect the Governor as in 49 other states
- Change the budget cycle so that an incoming Governor would offer modifications to the second year of a biennial budget upon taking office, and then be able to his own biennial budget in the second year of his or her term.
- Fund a performance-based compensation system
- Revisit the actuarial assumptions of the retirement system and consider moving the retirement system to a partial or total defined contribution or hybrid plan.

Unquestionably, Governor Warner and the Virginia General Assembly made significant headway in acting on the recommendations of the Wilder Commission. But there remains an urgent need to leave no stone unturned in demanding efficiencies in government – and those common sense efficiencies should take precedence over political considerations that frequently immobilize legislators from taking action.

## CONCLUSION

Without raising taxes, Gov. Doug Wilder led Virginia through lean financial times in the early 1990s by remaining true to his conviction that “niceties aren’t necessities.” It might be nice for William & Mary officials to have an office in Washington -- but is it necessary? It is nice for elderly people to have perfume and candy, but should taxpayers supply them? It is nice when county extension agencies offer help with estate-planning, but is that a proper role for government?

According to the Jeffersonian model, government should provide collectively only what cannot be supplied individually: *e.g.*, police forces, fire departments, public education, environmental protection. It is not the role of government to lay first claim on income and divvy up the spoils.

With Virginia’s state revenue yielding a \$340 million budget surplus last year and \$1.5 million through less than half of the current two-year budget cycle, lawmakers face the

temptation of excess. Earlier this year the General Assembly spent \$1.4 billion of surplus beyond the monies generated by last year's tax increase on more programs and government expansion. Yet careful examination of present state spending reveals in many cases not want, but waste: duplication, anachronism, unnecessary funding -- even spending that is downright silly. Citizens are best served by legislators who will defend the taxpayers' money as their own. Virginians who work hard to bring home the bacon to their families don't want to see their taxes squandered by our elected officials on items such as those outlined in this study

There are likely more items buried in the state budget that can't be found easily with the current document that is crafted to keep the spotlight off of specific spending. This report highlights some of the areas that should be on the cutting table in January when the new General Assembly convenes.

## Endnotes

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- <sup>i</sup> Pat McSweeney, "Getting a Grip on State Spending," *Newport News Daily Press*, October 24, 2004.
- <sup>ii</sup> Virginia State Code, Section 30-34.2:1.
- <sup>iii</sup> Acts of Assembly 2004, Chapter 4.
- <sup>iv</sup> Virginia State Code, Section 30-34.2:1.
- <sup>v</sup> <http://leg2.state.va.us/WebData/05amend.nsf/ebea1c0863d2f61b8525689e00349981/ef2694d649ac8b7285256fb500501d0b?OpenDocument&Highlight=0,531>
- <sup>vi</sup> Budget Item 44009, "Local Administrative Services", Budget of the Commonwealth of Virginia
- <sup>vii</sup> "2004 Overview of Community Services Delivery in Virginia," page 6.
- <sup>viii</sup> Office of the Governor of Virginia.
- <sup>ix</sup> Public Law 100-297, Federal Code.
- <sup>x</sup> Theodore Koebel, "Virginia Housing Facts – Units Lacking Indoor Plumbing," Virginia Indoor Plumbing Program.
- <sup>xi</sup> Department of Housing and Community Development budget, Item 111.B.2.
- <sup>xii</sup> Home Investment Partnership Program 2004 Program Design and Annual Action Plan Draft, p. 20.
- <sup>xiii</sup> Mission Statement, Virginia's Milk Commission.
- <sup>xiv</sup> Adrian T. Moore, Geoffrey F. Segal, and John McCormally, "Infrastructure Outsourcing: Leveraging Concrete, Steel, and Asphalt with Public-Private Partnerships," Reason Foundation, September 2000.
- <sup>xv</sup> Email exchange with Geoffrey F. Segal, January 17, 2005.
- <sup>xvi</sup> Virginia Cooperative Extension Service.
- <sup>xvii</sup> *Ibid.*
- <sup>xviii</sup> *Ibid.*
- <sup>xix</sup> Virginia Department of Health and Human Services.
- <sup>xx</sup> The College of William & Mary.
- <sup>xxi</sup> *Ibid.*
- <sup>xxii</sup> Robert Lauterberg, former Director of the Virginia Department of Planning and Budget.
- <sup>xxiii</sup> *Ibid.*
- <sup>xxiv</sup> "ten Questions for John F. R. Scott, III"; *The Virginia Horse Journal*, 2004.
- <sup>xxv</sup> Virginia State Budget Adoption and subsequent amendments, 2005.
- <sup>xxvi</sup> Center for Behavioral Rehabilitation, "Presentation to the House Appropriations Committee," January 21, 2004.
- <sup>xxvii</sup> Virginia Code 3.1-796.11:2.

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### **About the Author**

Melanie Scarborough writes a column on Virginia politics for the *Washington Post*, in which she frequently criticizes the growth of state government and the higher taxes required to support it. According to Will Vehrs, editor of *Commonwealth Clips*, "A lot of Virginia conservatives wish at least a few Virginia Republicans had the 'chops' of Melanie Scarborough."

In addition to writing for the Thomas Jefferson Institute for Public Policy, Ms. Scarborough has written papers for the Lexington Institute, the Cato Institute, and the Alexis de Tocqueville Institute. Before moving to Washington, she was an award-winning editorial writer for the *Richmond Times-Dispatch*. Her work also has appeared in *Roll Call*, the *Indianapolis Star*, the *Washington Times*, the *Philadelphia Inquirer*, the *San Francisco Chronicle*, the *Daily Oklahoman*, the *Las Vegas Review-Journal*, *The World & I*, the *Providence Journal-Bulletin*, the *Virginian-Pilot*, the *Fredericksburg Freelance-Star*, and *Mississippi Magic*, among others.

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**Dr. Robert F. Turner:** Law professor at the University of Virginia at Charlottesville.

**Robert W. Woltz, Jr:** President and CEO of Verizon-Virginia.



*“... a wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government, and this is necessary to close the circle of our felicities.”*

*Thomas Jefferson*

*1801*

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