

Virginia

Federal Policies Have Cost Virginia \$2.9 Billion over the Past Four Years

Federal Policies Affect Virginia Revenue and Spending Levels, 2002-2005

Cost to
Virginia

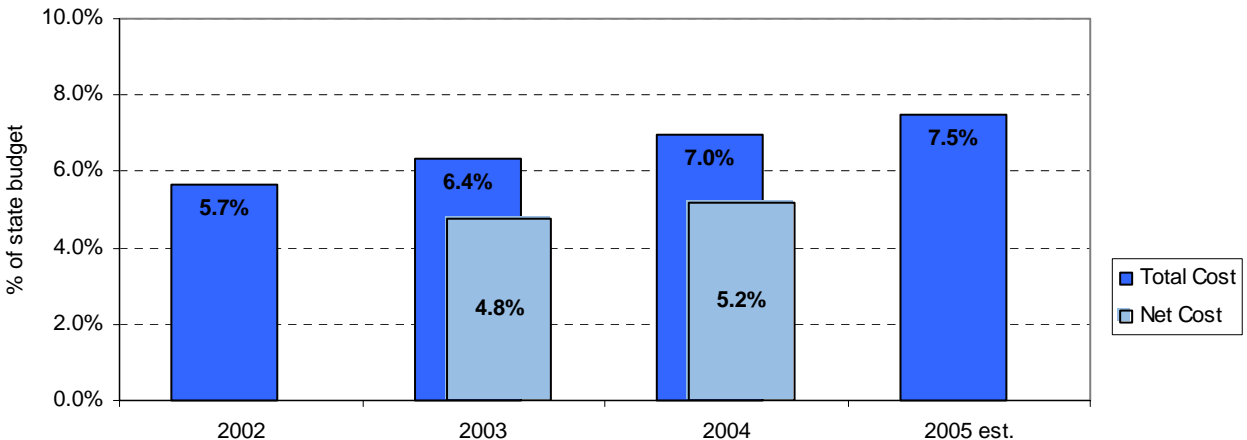
➤	<i>Federal Tax Changes:</i> Recently enacted federal tax cuts reduce state revenue directly.	\$0
➤	<i>Remote Sales:</i> States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions.	\$1.1 billion
➤	<i>Internet Access:</i> States are generally prohibited from applying tax to Internet access charges.	\$84 million
➤	<i>Unfunded Mandates:</i> Federal government imposes responsibilities on states but provides insufficient funding.	\$1.5 billion
➤	<i>Medicare/Medicaid Dual Eligibles:</i> Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs.	\$588 million
➤	<i>Federal Fiscal Relief:</i> Congress approved temporary grants in 2003.	(\$415 million)
	TOTAL COST (net of fiscal relief), 2002-2005:	\$2.9 billion

Federal Policies Have Worsened Virginia's Fiscal Problems

Ranking among 50
states plus D.C.

➤	Total cost as percent of General Fund budget (2002-2005):	6.6%	37th
➤	Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005):	5.8%	36th

Net Cost of Federal Policy to Virginia as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.