

Appendix D: The Basis of Virginia's Budget

Virginia's budget operates within a legal framework that includes the Constitution of Virginia, the Code of Virginia, and the Appropriation Act. It is proposed by the governor in the form of the budget bill, and amended and approved by the General Assembly. Everything in the state budget stems from this review and approval process by the state's elected officials. JLARC's *Interim Report: Review of State Spending* (2002) described Virginia's budget process, including discussions of the program budget structure, revenue forecasting process, and performance measures. JLARC's *The Potential for Improving Budget Review in Virginia* (2008) presented additional information on Virginia's budget process.

Data used in assessing Virginia budget growth come from several sources and is available at several levels of detail. Financial data is available in the form of appropriations and expenditures, at the function, program, and agency levels of detail. The time periods vary for which various levels of data is available and is noted, where relevant, throughout this report.

Budget cycle

Virginia's budget operates on a two-year cycle known as a biennium. Each biennial budget is passed and amended by the General Assembly three times. The General Assembly approves the initial budget act for the upcoming biennium in even numbered years along with amendments and adjustments to the prior biennial budget (known as the caboose bill). During odd-numbered years, the General Assembly approves amendments for the first and second fiscal years of the biennium.

This report covers the last six biennial budgets, with each budget cycle spanning three General Assembly sessions (Table D-1).

Budget terminology

Appropriations

An appropriation can be considered a limit on spending, or a spending ceiling, that is authorized by the General Assembly and approved by the governor. Expenditures may be made only if the agency or program has an appropriation (legal authority) to do so. Appropriations are maximum limits that expenditures cannot exceed. In addition, appropriations are payable in full only if sufficient revenues are available to pay all appropriations in full. A non-general funded program or agency must have both an appropriation and sufficient cash within the state treasury in order to expend the funds.

Virginia State Spending 2015

TABLE D-1

Virginia's biennial budget cycle over the last six biennia

FYs covered by budget	Session year	Budget bill
2014–2016 biennium budget		
FY 2015–FY 2016	2016	Final caboose bill amendments to FY 2016
	2015	Mid-cycle biennial budget amendments to FY 2015 and FY 2016
	2014	Initial biennial budget
2012–2014 biennium budget		
FY 2013–FY 2014	2014	Final caboose bill amendments to FY 2014
	2013	Mid-cycle biennial budget amendments to FY 2013 and FY 2014
	2012	Initial biennial budget
2010–2012 biennium budget		
FY 2011–FY 2012	2012	Final caboose bill amendments to FY 2012
	2011	Mid-cycle biennial budget amendments to FY 2011 and FY 2012
	2010	Initial biennial budget
2008–2010 biennium budget		
FY 2009–FY 2010	2010	Final caboose bill amendments to FY 2010
	2009	Mid-cycle biennial budget amendments to FY 2009 and FY 2010
	2008	Initial biennial budget
2006–2008 biennium budget		
FY 2007–FY 2008	2008	Final caboose bill amendments to FY 2008
	2007	Mid-cycle biennial budget amendments to FY 2007 and FY 2008
	2006	Initial biennial budget
2004–2006 biennium budget		
FY 2005–FY 2006	2006	Final caboose bill amendments to FY 2006
	2005	Mid-cycle biennial budget amendments to FY 2005 and FY 2006
	2004	Initial biennial budget

Virginia State Spending 2015

This report focuses on appropriations. Unless otherwise noted, appropriations used in this report are the final appropriations approved (voted on and adopted) by the General Assembly and approved by the governor. This includes all legislative changes made to appropriations during a biennium, such as second year changes to first year amounts and the caboose bill. Administrative adjustments made to appropriations subsequent to the adoption of the Appropriations Act are not included. The Appropriations Act authorizes the governor, under certain conditions, to make limited adjustments to appropriations.

Expenditures

Expenditures are actual amounts spent or transferred by state agencies and certified by the Department of Accounts. In addition to spending by agencies, expenditures include financial assistance to localities for personal property tax relief and deposits made to the revenue stabilization fund. Expenditures also include payments made on capital projects in a given year, regardless of when appropriations were made to the projects. Expenditures may vary from appropriations because of administrative adjustments to the legislative appropriation amount, as authorized in the Appropriation Act, and because of changes in the amount of revenue collected from what was assumed in the Appropriation Act.

Functions and programs

Virginia's budget is based on a program structure, a mechanism intended to uniformly identify and organize the state's activities and services. Under this structure, services that the state provides are classified in three levels: functions, programs, and agencies.

Functions represent the broadest categories of state government activities. Virginia government is grouped into the following seven broad operating functions:

- education,
- administration of justice,
- individual and family services,
- resource and economic development,
- transportation,
- general government, and
- enterprises.

Budget programs include funding directed to specific objectives such as developing or preserving a public resource, preventing or eliminating a public problem, or improving or maintaining a service or condition affecting the public. Programs are grouped by function and may appear in several agencies. First adopted by Virginia in the mid-1970s, program budgeting is an attempt to avoid the excessive detail of line-item budgets by combining logical groupings of governmental activities into broader "programs."

Programs are more specific than the broad governmental functions and may appear in several agencies. For example,

Virginia State Spending 2015

The budget program “State health services” within the broad individual and family services function includes the provision of direct health care services to individuals and families through state-operated facilities, including services relating to child development, drug and alcohol abuse, geriatric care, inpatient medical, maternal and child health, mental health, intellectual disabilities, outpatient medical, technical support and administration, and other services. This program is included in several agencies, including the University of Virginia Medical Center, Virginia Commonwealth University, the Department of Behavioral Health and Developmental Services, and the Department of Veterans Services.

The budget program “administrative and support services” combines a wide variety of discrete services, including architectural and engineering services, food and dietary services, physical plant services, human resources, information technology services, and others. Administrative and support services can be found across many different agencies.

As of 2015, Virginia had more than 200 budget programs.

State “agency” defined

An agency represents the major unit of operational and budgetary control and administration of state services. Agencies are generally thought of as including a set of programs under the purview of an agency head who is typically appointed by the governor, along with staff who implement the agency’s programs.

There are, however, differing notions about what constitutes a state agency and how many there are in Virginia. The state accounting and budgeting system essentially regards anything assigned an agency code to be equivalent to a state agency, although such codes are often merely a matter of administrative convenience. For instance, appropriations for agency codes 720 (central office), 790 (grants to localities), 792 (mental health treatment centers), 793 (intellectual disability training centers), and 794 (Virginia Center for Behavioral Rehabilitation) must be combined to arrive at a budget total for the Department of Behavioral Health and Developmental Services.

Agency codes are sometimes used as a way of entering a new program or activity into the state financial system and ensuring budget control. For example, “central appropriations” is assigned an agency code of 995 even though it is not an actual agency. For purposes of this report, the number of agency codes in the 2015 Appropriation Act (183 agency codes) was adjusted for duplication and to exclude various financial accounts (Table D-2). The resulting count was 149 agencies.

This report does not treat the personal property tax relief program as a separate agency even though it is included in the 149 total. In FY 2015, this program received an appropriation of \$950 million and was larger than all but 10 state agencies. However, because it is not an actual entity, it is not included in the analysis of growth in agency appropriations over the past 10 years. Instead, it is covered separately (page 21), along with the revenue stabilization fund and optional health plans for local government employees.

Virginia State Spending 2015

TABLE D-2

Number of state agencies, FY 2015

Unique agency codes in 2015 Appropriation Act	183
Codes assigned to DBHDS Facilities & Programs	5
Codes assigned to UVA Academic Division (207) & Medical Center (209)	2
Codes assigned to William & Mary (204) and VIMS (268)	2
Codes assigned to DARS (262), Woodrow Wilson Rehab Center (203), and Department for the Aging (163)	3
Codes assigned to Department for the Blind and Vision Impaired (702) and Rehab Center for the Blind and Vision Impaired (263)	2
Codes assigned to Councils, Commissions and Boards under the Division of Legislative Services	23
Codes assigned to various financial activities ^a : DOA transfer payments (162) ^b Central appropriations (995) Towing and Recovery operations (507) Interstate Organization Contributions (921)	4
Total number of state agencies	149

Source: 2015 Appropriation Act (Chapter 665); Department of Planning and Budget.

Note: Total number of state agencies is calculated by subtracting the number of codes assigned from the number of unique agency codes, ensuring that the principal agency is correctly counted—e.g., from 183, subtract 5 for DBHDS facilities and programs and add back 1 for the overall agency.

^a The four agency codes assigned to various financial activities were not included in the total number of state agencies for FY 2015.

^b The Department of Accounts has a separate line item for transfer payments such as the Revenue Stabilization Fund (program 735).

General and non-general funds

State revenues and appropriations are grouped into two categories, depending on their origin: general and non-general funds. The state's general fund consists primarily of revenue from income and sales taxes that are not restricted in any way and are used for the widely varied purposes of government. Non-general funds derive from many diverse sources and are restricted to certain specified uses.

General and non-general funds comprised 39 and 61 percent, respectively, of the FY 2015 Virginia budget. The expenditure of non-general funds is controlled by their authorizing statute—thus, more than half the state budget is determined by statute rather than through the appropriation process. This ensures that child support payments, for example, are spent for child support and not some other purpose. It also means that growth in more than half the budget is determined by factors other than the annual appropriation process.