Report of the
Joint Legislative Audit and Review Commission
To the Governor and
The General Assembly of Virginia

Review of State Spending: 2008 Update

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In Brief

Review of State Spending: 2008 Update

Virginia's operating budget increased by 80 percent between fiscal years (FYs) 1999 and 2008, a result of increasing prosperity, population growth, and policy decisions. Adjusting for the effects of inflation and population growth, the budget increased by 23 percent, an average annual increase of 2.4 percent.

The ten-year period under review includes the economic boom years of the late 1990s and the downturn in FY 2002, when general fund appropriations declined 2.2 percent. Significant economic growth returned by FY 2005.

Much of the ten-year, $16 billion growth was concentrated in core functions of State government: education, health care, transportation, and social services. For example, 52 percent of all budget growth occurred in just four agencies: the Departments of Medical Assistance Services, Education, Transportation, and the University of Virginia (including the Medical Center).

General fund growth was also concentrated in a few agencies, largely reflecting policy choices and initiatives of the Governor and General Assembly. The 12 agencies each receiving more than $100 million in new general funds during the period accounted for 87 percent of all general fund growth.

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This report is available on the JLARC website at http://jlarc.virginia.gov

COMMONWEALTH of VIRGINIA

Joint Legislative Audit and Review Commission
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Philip A. Leone
Director

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December 11, 2008

The Honorable M. Kirkland Cox
Chairman
Joint Legislative Audit and Review Commission
General Assembly Building
Richmond, Virginia 23219

Dear Delegate Cox:

Section 30-58.3 of the *Code of Virginia* requires the Joint Legislative Audit and Review Commission to develop an annual report on State spending growth over the prior ten years. This report covers the period from FY 1999 to FY 2008 and is the eighth report in the series.

The findings of this report were presented to the Commission on November 10, 2008.

On behalf of the Commission staff, I would like to express our appreciation for the assistance provided by staff of the Departments of Accounts and Planning and Budget and by the Secretary of Finance.

Sincerely,

Philip A. Leone
Director

PAL/mle

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JLARC Report Summary:

Review of State Spending: 2008 Update

Key Findings

- Over the past decade, Virginia's operating budget has increased 80 percent. (Chapter 1)
- Adjusting for the effects of inflation (which increased 29 percent between 1999 and 2008) and population growth (Virginia's population grew 12 percent over the period), the budget increased by 23 percent, an average annual increase of 2.4 percent. (Chapter 1)
- Budget growth remains concentrated in a few State agencies and programs. Eight of the 153 agencies accounted for nearly 70 percent of all budget growth over the past ten years. Eleven of the 204 budget programs also accounted for about 70 percent of all budget growth during the period. (Chapter 2)
- General fund budget growth was also dominated by a few large agencies, reflecting policy decisions and initiatives of the Governor and General Assembly during the period. (Chapter 2)

The Virginia budget is a complex instrument that channels money from many different sources to a wide variety of functions and programs. It incorporates numerous trends and changes into a single dollar figure, representing all State government activities, and is perhaps the single most important statement of policies and priorities for Virginia. In fiscal year (FY) 2008, Virginia's budget totaled $36 billion and included 153 agencies and 204 programs.

This report is the eighth in the series on State spending. Section 30-58.3 of the *Code of Virginia* requires the Joint Legislative Audit and Review Commission (JLARC) to develop an annual report on State spending growth and to identify the largest and fastest growing functions and programs in the State budget. The first seven reports reviewed spending and budget growth over varying periods between FY 1981 and FY 2007. This report focuses on trends during the last five biennia, the period from FY 1999 through FY 2008.

VIRGINIA'S BUDGET INCREASED 80 PERCENT BETWEEN FISCAL YEARS 1999 AND 2008

Virginia's annual operating budget increased 80 percent between FY 1999 and FY 2008, growing from approximately $20 billion to

$36 billion (table below). This robust growth reflects the growing Virginia population and economy, the many revenue and spending decisions made during the period, and the increasing complexity of State government.

Virginia's Operating Budget Growth From FY 1999 to FY 2008

Fiscal Year	Appropriation ($ in Millions)	Percent Change
1999	$19,962	--
2000	21,369	7.0%
2001	23,323	9.1
2002	23,483	0.7
2003	24,983	6.4
2004	26,379	5.6
2005	29,258	10.9
2006	31,991	9.3
2007	35,095	9.7
2008	36,004	2.6
Growth, 1999-2008	**$16,042**	**80.4%**

Note: Operating funds only; excludes capital.

Source: Appropriation Acts.

Average annual budget growth over the period was 6.8 percent, although year-to-year growth (shown in the table above) varied from as low as 0.7 percent to as much as 10.9 percent. Adjusting for inflation (which ran 29 percent over the period) and population growth (there were an estimated 839,000 more people paying taxes and using State services in 2008 than in 1999), Virginia's total appropriations increased by 23 percent over the ten-year period, an average annual increase of 2.4 percent.

Several other factors influenced the State's finances during the decade covered by this report. Virginia became more prosperous as both per capita personal income and gross State product increased. The State's unemployment rate ranked 37th (14th lowest) among the states in 2008, with job growth especially strong in the services sector.

Virginia's budget also fluctuated with federal, State, and in some cases, local decisions to expand, change, or diminish programs and activities. There are numerous examples of how policy choices affect the budget. One clear example is the personal property tax relief program that began during this period, receiving an initial appropriation of $220 million in FY 1999 and growing to a $950 million annual appropriation by FY 2007.

Another reason for budget growth stems from the inclusion of earmarked, non-general funds in the State budget, a policy derived from a requirement in the State Constitution. These non-general funds accounted for 53 percent ($19 billion) of the FY 2008 State budget. How these funds are used is governed mainly by statute. For example, gasoline taxes are dedicated to transportation, college tuition payments are dedicated to covering the cost of higher education, and child support payments pass through the State budget to support specific families.

Some of the non-general funds grew faster than the general fund. The higher education operating fund, for example, grew 108 percent, from nearly $2.5 billion to $5.1 billion, compared to 70 percent growth in the general fund. The general fund is comprised of unrestricted revenues from broad statewide sources such as the income and sales taxes, and is of particular interest to budget decision-makers and the public.

MOST OF VIRGINIA'S BUDGET GROWTH REMAINS CONCENTRATED IN CORE STATE GOVERNMENT FUNCTIONS

Much of the ten-year, $16 billion growth in the State budget was concentrated in core functions of State government: education, health care, transportation, and social services. More than half (52 percent) of all budget growth occurred in four agencies: the Departments of Medical Assistance Services (DMAS), Education-Direct Aid to Education, Transportation (VDOT), and the University of Virginia (including the Medical Center). Adding only three more agencies—the Department of Social Services, the personal property tax relief program (defined here as an agency), and the Virginia Community College System—accounts for almost two-thirds of the ten-year growth in Virginia's budget.

A few large agencies received most of the new general fund dollars between FY 1999 and FY 2008. The 12 agencies each receiving more than $100 million in new general funds during the period accounted for 87 percent of all general fund growth. The Department of Education-Direct Aid to Education, DMAS, the personal property tax relief program, and the Department of Corrections each received approximately $350 million or more in new general funds during the period.

Only 15 agencies had general fund growth rates that exceeded the overall general fund growth rate of 70 percent during the period (table, next page). Not all high-dollar growth agencies are also high growth-rate agencies; the Department of Education-Direct Aid to Education, for example, the single largest item in the State budget with the most growth in total appropriations, had general fund growth of 68 percent over the period, which fell below the statewide average. In fact, several relatively small State agencies display above-average rates of general fund growth.

Agencies With General Fund Growth Rates Exceeding That of the Overall General Fund Growth Rate, FY 1999 to FY 2008 ($ in Millions)

Rank	Agency	FY 1999 General Fund Appropriation	FY 2008 General Fund Appropriation	Percentage Increase
1	Supreme Court	$11.5	$51.9	352%
2	Personal Property Tax Relief Program	219.9	950.0	332
3	Virginia Department of Transportation	44.1	149.8	240
4	Comprehensive Services for At-Risk Youth and Families	104.0	293.6	182
5	Indigent Defense Commission	15.6	39.6	154
6	Department of Criminal Justice Services	114.9	253.9	121
7	Treasury Board	184.0	405.2	120
8	Department of Medical Assistance Services	1,206.2	2,567.2	113
9	University of Virginia's College at Wise	8.1	16.8	108
10	Longwood University	16.0	30.9	93
11	Jamestown-Yorktown Foundation	5.5	10.3	87
12	Department of Education – Central Office	34.3	60.5	77
13	George Mason University	86.3	151.2	75
14	Juvenile and Domestic Relations District Courts	37.7	66.1	75
15	University of Mary Washington	14.6	25.0	71

Note: Table based on agencies with general fund appropriations of at least $5 million in FY 1999. General fund appropriations in the State budget increased 70 percent between FY 1999 and FY 2008.

Source: 1999 and 2008 Appropriation Acts.

Just as some agencies experienced above-average growth in their general fund appropriations, others saw their general funds grow more slowly. In fact, 24 agencies had general fund growth rates below the 29 percent rate of inflation during the period. Several of these agencies had revenue from non-general fund sources that offset their slow general fund growth. Some had workload changes or anomalous circumstances that help account for their slow budget growth, or even budget reductions.

Similar to growth in State agencies, growth in budget programs was also focused in a few large programs relating to the core activities of State government: health care, education, and transportation programs experienced the most growth over the ten-year period from FY 1999 to FY 2008. Eighty-one percent of all budget growth during the period occurred in just 20 of the 161 programs listed in the FY 1999 and FY 2008 budgets.

Chapter 1

Overview of Virginia's Budget Growth

In Summary

Over the last decade, Virginia's operating budget increased by 80 percent. A variety of economic and policy factors contributed to this growth. With a population growth of 12 percent over the last ten years, Virginia now has 839,000 more people paying State taxes. Virginians saw a 56 percent increase in personal income over the period, although a 29 percent inflation rate also occured. Three major State spending initiatives during the period (the revenue stabilization fund and two which began during the review period—the personal property tax relief program and the use of general funds for transportation) had FY 2008 general fund appropriations totaling $1.2 billion—about seven percent of the total general fund budget. State spending also increased due to changes in agency workloads, federal requirements, and policy choices to improve government services. Additional factors also affected the State's budget growth, such as the inclusion of all nongeneral funds in the budget and a multiplier effect resulting from interrelated spending decisions.

The Virginia budget is a complex instrument that channels money from many different sources to a variety of functions and programs. It incorporates numerous trends and changes into a single dollar figure representing all State government activities, and is perhaps the single most important statement of policies and priorities for Virginia. In fiscal year (FY) 2008, Virginia's budget totaled $36 billion and included 153 agencies and 204 programs.

Section 30-58.3 of the *Code of Virginia* (Appendix A) requires the Joint Legislative Audit and Review Commission (JLARC) to develop an annual report on State spending growth over the prior five biennia. The statute requires JLARC to identify the largest and fastest growing functions and programs in the State budget, as well as analyze long-term trends and causes of spending in these programs. Seven prior JLARC reports reviewed spending and budget growth over different periods between FY 1981 and FY 2007. This report is the eighth in the series and focuses on trends during the past ten years, from FY 1999 through FY 2008.

As in the prior reports, the merits or adequacy of funding for governmental functions, agencies, or programs is not addressed, but long-term trends and factors that appear to underlie the trends are identified. Of the numerous perspectives from which budget growth can be examined, this report considers key economic, policy, historical, and technical factors. Further, it only examines the State's operating budget and therefore excludes capital spending.

The appendixes included in this report provide additional information, such as a brief review of the methods used in compiling this report (Appendix B), an explanation of budget terminology (Appendix C), various budget trends (Appendixes D through G), and major uses of non-general funds (Appendix H).

VIRGINIA'S BUDGET INCREASED 80 PERCENT BETWEEN FISCAL YEARS 1999 AND 2008

Bond Ratings

Virginia maintained a "AAA" rating from all three bond rating agencies throughout the 1999-2008 period under review. Only six other states had this high rating throughout the period.

Virginia's annual budget increased 80 percent between FY 1999 and FY 2008, growing from just under $20 billion to $36 billion. This reflects a somewhat slower growth rate than that noted in last year's *Review of State Spending* JLARC report; in comparison, the State's budget nearly doubled between FY 1998 and FY 2007. The difference between the two ten-year periods results from a slight decrease (-$73 million) in the general fund appropriation from FY 2007 to FY 2008, and from dropping the 14.4 percent general fund growth from FY 1998 to FY 1999 from the ten-year period under review. The average annual percentage growth in the budget between FY 1999 and FY 2008 was 6.8 percent (Table 1).

Table 1: Virginia Operating Appropriations ($ in Millions)

	General Fund		Non-General Fund		Total	
Fiscal Year	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
1999	$9,967	--	$9,995	--	$19,962	--
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
2008	16,960	-0.4	19,043	5.4	36,004	2.6
1999-2008		**70.2%**		**90.5%**		**80.4%**
Average Annual Change		6.2%		7.5%		6.8%

Source: Appropriation Acts.

The ten-year period under review includes the significant economic growth at the turn of the century, reflected in two consecutive years of double-digit growth in Virginia's general fund. (General funds are not statutorily restricted and may be used for any of the general purposes of government.) The nationwide recession in 2001 quickly affected Virginia's budget, reflected in both the lowest growth rate of the decade under review and a decrease of $270 million in the FY 2002 general fund budget.

By FY 2004, general fund appropriations had returned to their FY 2001 level after a year of decline and two more years of slow growth. In FYs 2005-2007, the effects of an improved economy along with tax policy changes adopted during the 2004 Special Session resulted in three years of above-average increases in general fund appropriations.

Virginia's overall fiscal picture is driven by numerous factors. As a fast-growing State, there were more people paying taxes and requiring public services in 2008 than in 1999. Economic factors were also at work—wages and personal income, for example, outpaced the nation's during the period. As for spending, budget growth in only a few State agencies accounts for the bulk of the new spending. This budget growth is often not just due to increases in workload, but is also a result of policy decisions that were made throughout the period.

INFLATION, POPULATION GROWTH, AND THE STATE ECONOMY CONTRIBUTED TO BUDGET TRENDS

Inflation Increased by 29 Percent Over the Last Ten Years

Inflation explains some of the increase in Virginia's budget. As measured by the change in the consumer price index (CPI) over the ten-year period from FY 1999 through FY 2008, inflation increased 29 percent. This means that the State budget would have had to increase by that percentage just to maintain the same service levels as in FY 1999. Controlling for the effects of inflation, Virginia's total appropriations increased 40 percent over the period, instead of the unadjusted 80 percent (Table 2).

Table 2: Effects of Inflation and Population Growth on Appropriations, FY 1999 to FY 2008

	10-Year Cumulative Percent Change	Average Annual Percent Change
Final Legislative Appropriations	80%	6.8%
Inflation Adjusted	40	2.7
Per Capita Inflation Adjusted	23	2.4

Source: Appropriation Acts; Weldon Cooper Center; U.S. Bureau of Labor Statistics.

Adjusting for inflation can help better explain underlying budget changes, because the procedure can convert (in this case) FY 1999 appropriations into FY 2008 dollars. For example, in order to keep up with inflation since 1999, an additional $1.1 billion would have been required for direct State aid to public education.

Any given State agency or program may experience faster or slower rates of inflation depending on the particular mix of goods and services purchased. For example, Virginia's Medicaid budget increased 126 percent over the ten-year period from FY 1999 to FY 2008, which was faster than the overall rate of inflation. After taking medical care inflation into account, however (which, according to the U.S. Bureau of Labor Statistics, increased 48 percent over the period), the Medicaid budget increased 53 percent over the same period.

Virginia's Population Grew an Estimated 12 Percent

Virginia became more populous over the period under review. Statewide population increased an estimated 12 percent or from 6.87 to 7.71 million between 1999 and 2007, the most recent year for which estimates are available from the Weldon Cooper Center at the University of Virginia. The U.S. Census Bureau indicates that Virginia was the 12th fastest growing state between 2005 and 2007. Table 3 illustrates Virginia's growth in terms of population, as well as the economy and State finance, which are two additional key indicators of the State's growth. (Note: Dollars are not adjusted for inflation.)

Table 3: Key Demographic and Economic Changes in Virginia

Indicator	1999	2008 (except as noted)	Percent Change
Population (estimated)	6,872,912	7,712,091 (2007)	12%
Economy			
Total Employment in Virginia (Non-Farm, June)	3,459,700	3,775,800	9%
Total State Personal Income	$204.6 billion	$318.9 billion (2007)	56
Average Home Sales Price (June)	$145,442	$248,454	71
Average Weekly Wages	$635	$885 (2007)	39
State Finance			
State Operating Budget	$20.0 billion	$36.0 billion	80%
Maximum State Employment Level	110,199	117,130	6
Average State Employee Salary	$30,932	$42,043	31
Taxable Sales	$64.1 billion	$89.5 billion (2006)	40

Note: Dollars not adjusted for inflation.

Source: Weldon Cooper Center; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; various State agencies; Virginia Realtors' Association.

Taking both inflation and population growth into account, Virginia's budget grew 23 percent over the period, for an average annual rate of 2.4 percent. These effects are shown in Table 2.

Based on Census Bureau findings, nine of the 100 fastest-growing counties in the United States are in Virginia:

- Loudoun County;

- Culpeper County;
- Prince William County;
- Stafford County;
- James City County;
- Spotsylvania County;
- King George County;
- New Kent County; and
- Suffolk City.

However, 32 localities (13 counties and 19 cities) lost population during the period, according to the Weldon Cooper Center. Localities that are gaining population tend to have different public sector priorities—emphasizing school construction and infrastructure, for example, more than economic development—than localities that are losing population.

Changes in population levels and demographics can drive public sector budgets. Not only do localities that are gaining or losing significant numbers of people tend to have different needs and expectations for public services, two age groups in particular may influence the provision of State services and State funding: older residents and the school-age population. For instance, the number of older Virginians (over 65 years of age) increased five percent faster than the overall population between 2000 and 2007, according to the Census Bureau. Over the same period, public school enrollment grew more slowly than the overall population.

Virginia's Economic Growth Has Been Substantial Over the Last Ten Years

Virginia's economic growth outpaced the nation's for most of the period under review. A growing economy means an increasing, wealthier population that generates increasing revenues as well as expectations of additional public sector services, from roads to schools and public safety. It is important to note, however, that economic growth favored some regions of the State more than others.

Several key economic indicators point to Virginia's strong performance during the period under review. For example, the State ranking among the 50 states in per capita personal income moved from 13th to 10th over the period. On an inflation-adjusted basis, personal income in Virginia rose 24 percent between 1999 and 2007 (the most recent year for which data is available), compared to personal income nationwide, which increased 19 percent. Controlling for population growth as well as inflation, per capita income in Virginia increased eight percent over the period, compared to five percent for the nation. By 2007, six counties in Virginia were among the 20 counties in the United States with the highest median income (Loudoun, Fairfax, Prince William, Arlington, Stafford, and Fauquier), according to the Census Bureau.

Virginia's status in terms of its labor force is also strong. The statewide unemployment rate ranked 37th (14th lowest) among the United States in July 2008. Total employment in Virginia rose 9.1 percent over the ten-year period under review, as 316,100 jobs were added, totaling 3.78 million employed in June 2008, according to the U.S. Bureau of Labor Statistics. Job growth nationwide increased at a slower, 5.4 percent rate during the period.

Job growth was strongest in Virginia's services sector, with a 22 percent increase in the number of service-providing jobs in the ten years ending in 2008. Virginia's manufacturing sector, on the other hand, saw a 25 percent decline in employment between 1999 and 2008. Virginia's share of the gross domestic product (GDP) also increased over the decade. When adjusted for inflation, Virginia's GDP increased 26 percent between 1999 and 2007, according to the U.S. Bureau of Economic Analysis. This growth compares favorably to the 19 percent inflation-adjusted increase in the U.S. GDP.

AGENCY WORKLOADS, FEDERAL POLICY DECISIONS, AND VIRGINIA INITIATIVES CONTRIBUTED TO BUDGET GROWTH

While inflation, population growth, and economic growth help explain State budget growth, additional factors are also at work. The legacy of policy decisions establishing programs and services for specific populations means that the respective budgets will reflect changes in these populations. Virginia's budget also fluctuated with federal, State, and in some cases, local decisions to expand or diminish programs and activities.

Key Workload Indicators of Major State Agencies Have Generally, but Not Uniformly, Increased

The broad demographic and economic changes described above influenced the workload of State agencies although there is no consistent trend. Some agency workloads grew significantly while others declined. The link between measurable workloads and an agency or program budget is not always clear or consistent, as illustrated in Table 4.

The main reason for this inconsistency is that agency budgets are driven by an array of factors, including not only changes in workload but also policy decisions to change programs, staffing, and

Table 4: Agency Workloads and Inflation-Adjusted Agency Budgets Do Not Always Move in Tandem (FY 1999 to FY 2008, Except as Noted)

Workload Indicator and Specific Budget	Percent Change
Elementary and Secondary Education Enrollment (average daily membership)	9%
Elementary and Secondary Instructional Personnel Positions	26
Department of Education–Direct Aid to Education Budget	35
4-Year Public Colleges & Universities:	
Enrollment (FTEs)	17
Mandatory Tuition & Fees (in-State, adjusted for inflation)	26
Instructional Faculty (FTEs)[a]	13
Budgets	45
Medicaid Eligible Recipients	
Children's Health Insurance Program Enrollment (SCHIP/FAMIS)	34
Department of Medical Assistance Services (Medicaid) Budget, adjusted for	1,800+
medical care inflation	53
Registered Vehicles (through 2007)	23
Vehicular Mileage (through 2007)	3
Lane-Miles of State-Maintained Roads (through 2007)	3
Bridges Rated Deficient or Obsolete (through 2006)	-7
Department of Transportation Budget	19
Temporary Assistance to Needy Families (TANF), average monthly paid cases	-15
Department of Social Services–TANF Program Budget	-18
State-Responsible Inmate Population	29
Probation & Parole Caseload	57
Department of Corrections Budget	17

[a] Data collected from higher education institutions by the State Council of Higher Education for Virginia, which indicated that the data has not been verified.

Source: Various State agencies and Appropriation Act data.

funding levels. The increased use of technology can also affect costs. The impact of these other factors can perhaps be seen most clearly in agencies where growth in workload or service population increased more slowly than the real (inflation-adjusted) growth in the agency or program budget.

One example is the inflation-adjusted budget for direct aid to education, which grew 35 percent during the period—faster than both elementary and secondary education enrollment and the number of instructional personnel positions. An increase in the number of teachers, with increased salaries, tends to increase the budget for direct State aid to localities for public education. This happens in part because the State's direct aid budget is "re-benchmarked" on a biennial basis to take into account the higher prevailing (typical) school division costs in providing programs to meet the State Standards of Quality (SOQ).

The number of instructional positions increased over the period as a result of statewide funding initiatives such as those undertaken in 1998-2001 to reduce the size of kindergarten through third grade classes and to add 1,400 new elementary teachers, as well as more recent steps taken to fund the State's share of costs for additional positions for new Board of Education standards. Additional education funding initiatives moved lottery proceeds into the direct aid budget (beginning in FY 1998) and paid for technology upgrades, teacher compensation, and school construction. These steps were intended to address perceived funding inadequacies and enhance the level of support for public education.

There are often other reasons for budget change embedded within workload and budget trends. In some cases, a program's performance may have been judged to be inadequate at some point during the period under review, leading the State to make a concerted effort to enhance or otherwise adjust the program. Adding teachers to reduce class size reflected one such judgment. The sustained effort to enroll children in the Medicaid program through FAMIS (Family Access to Medical Insurance Security) is another example. This program began and grew significantly during the review period—FAMIS started enrolling children in FY 1999 and by FY 2008 had more than 86,000 children enrolled and a budget of $103.8 million.

In other agencies, both budget levels and service populations declined over the past decade. A good example is the inflation-adjusted appropriation for Temporary Assistance to Needy Families (TANF), a program operated by the Department of Social Services. The budget for TANF declined by 18 percent, while the number of TANF cases declined by 15 percent over the period. These decreases stemmed from Virginia's welfare reform initiative in the 1990s and subsequent federal program changes.

In other cases, such as the inmate population for which the State is responsible, the population served by the Department of Corrections increased by 29 percent, whereas the agency's budget grew by only 17 percent (inflation-adjusted). The probation and parole caseload, also overseen by the Department of Corrections, grew at a much faster rate (57 percent) than both the inmate population and the Department of Correction's budget, which is indicative of the compounding pressures on the agency's budget.

Federal Mandates and Nationwide Programs Also Helped Drive State Spending

Federal funds accounted for $5 billion or 14 percent of Virginia's FY 2008 budget of $36 billion. Most federal funding requires a State funding match under federal law. The match rate varies from program to program. In some cases, simply to continue participating in a federal program requires substantial State funding.

For example, Medicaid is the largest federal program in the Virginia budget, with $2.8 billion in federal funds (59 percent of all federal funds in Virginia's budget) and a total budget of $5.7 billion in FY 2008. The State "match rate" for Medicaid may change annually, although since 2004 it has been an even split of 50 percent federal and 50 percent State funds. During the ten-year period under review, the State share for Medicaid was as low as 48.13 percent in FY 2002. Even such a small change in the match rate can have a substantial effect in a program with a budget in the billions of dollars.

Virginia has accommodated a variety of mandatory federal enhancements of the Medicaid program over the years. Recent examples of federally-required spending increases include rate increases for certain Medicaid-funded services ($17 million in State general funds in FY 2005), early intervention services for certain young children ($8 million in general funds in FY 2005), and State funding to implement the federal Medicare Part D prescription drug benefit ($18 million in general funds in FY 2007).

Additional federal mandates funded in the budget include

- the No Child Left Behind Act and special education funding requirements, administered by the Department of Education;
- environmental programs such as the Clean Water Act, administered by the Department of Environmental Quality;
- enforcement of court-ordered child support payments, administered by the Department of Social Services;
- the Help America Vote Act, which provides federal funds for election equipment and other improvements; and
- the Real ID Act, administered by the Department of Motor Vehicles.

In addition, State agencies, in the course of operations, are required to comply with various federal regulations designed to achieve goals such as workplace safety and environmental protection. These requirements may not always be considered mandated services, but still add to State government's costs of doing business.

Virginia enjoys a disproportionate share of federal government spending due to its geographic proximity to Washington, D.C., and the large military presence in the State. For instance, in federal FY 2006, Virginia ranked sixth among the states in total federal spending per capita. In that year, the federal government spent $103.1 billion in Virginia, according to the Center for Regional Analysis at George Mason University. Much of this was spent on federal payroll for employees residing in Virginia and on federal contractors based in Virginia.

Although Virginia receives a substantial amount of federal funds, the Commonwealth is not a large federal grant recipient in per capita terms. Since federal FY 1995, Virginia has ranked between 47th and 50th among the states in terms of per capita receipt of federal grant awards. These issues are discussed more fully in the 2003 JLARC report, *Review of Virginia's Activity in Maximizing Federal Grant Funding.*

Other programs that are nationwide in scope also contribute to State budget growth, as in the examples noted earlier—FAMIS and Medicare Part D—and programs such as the 1998 Tobacco Master Settlement Agreement. Virginia has received and appropriated more than $581 million since this program began in FY 2000. In FY 2008, the State received $46.3 million under this agreement. By statute, Virginia chose to appropriate 50 percent of this funding to the Tobacco Indemnification and Community Revitalization Commission for the purpose of compensating Virginia tobacco farmers for the decline and elimination of tobacco quotas, and for promoting economic growth in Virginia's tobacco-dependent communities. An additional share of these funds is appropriated for the prevention of tobacco usage and is administered by the Virginia Tobacco Settlement Foundation.

Virginia Initiatives Triggered Increases in Spending

State initiatives and policy choices also drive State spending. During the ten-year period of this review, Virginia embarked on policy and program initiatives that helped shape the State's overall pattern of spending. In some cases, the initiatives were proposed by a governor and may have been key campaign issues, such as eliminating the personal property tax on vehicles. In other cases, the initiatives stemmed from legislative or other sources. Once enacted, however, these initiatives tend to remain in the budget as significant sources of spending, even if their growth is uneven. Background information on many of these initiatives is described more fully in prior JLARC reports on State spending (see, for example, the reports from January 2002 and December 2005).

For example, three major Virginia initiatives (the revenue stabilization fund and two which began during the ten-year review period—the personal property tax relief program and the use of general funds for transportation) had FY 2008 general fund appropriations totaling $1.2 billion—about seven percent of the total general fund budget (Table 5). In FY 1999, a total of $388 million in general funds was appropriated to these three programs.

Revenue Stabilization Fund. The revenue stabilization (or "rainy day") fund was a 1991 JLARC recommendation adopted by the General Assembly and subsequently approved by Virginia voters as an amendment to the *Constitution of Virginia.* The fund acts as a savings account for the Commonwealth and can be used only under the very limited conditions specified in the *Constitution.*

The first appropriation to the fund of $79 million occurred in FY 1995. In FY 1999, $123.8 million was appropriated to the fund. Over the past decade, withdrawals have been made from the fund four times—in FYs 2002, 2003, 2004, and 2008. FY 2005 marked the State's return to depositing money into the fund with an appropriation of $134.5 million. Subsequently, $584.2 million was deposited into the fund in FY 2006, $107 million in FY 2007, and $115 million in FY 2008.

Personal Property Tax Relief Program. The personal property tax relief program provides tax relief for individuals who own and are taxed on vehicles up to $20,000 in value. The program was approved by the 1998 General Assembly and was initially designed so that the tax would be phased out over a period of five years. In FY 1999, the program received its first appropriation of $220 million, which was based on a 12.5 percent phase-out of the tax. Due to fiscal difficulties faced by the State starting in FY 2002, the phase-out was capped at 70 percent of assessed taxes. By FY 2007, the program had grown to $950 million and has remained capped at that level.

General Funds for Transportation. A significant funding initiative over the last several years has been the appropriation of State general funds for transportation, which in the past had been principally funded with non-general funds such as gasoline tax revenues. Beginning in FY 1991, general funds of $15 million to $45

Table 5: Three Major Virginia Initiatives Totaled $1.2 Billion in General Funds in FY 2008

	FY 1999 General Fund Appropriation ($ Millions)	% of General Fund Budget (FY 1999)	FY 2008 General Fund Appropriation ($ Millions)	% of General Fund Budget (FY 2008)	% Change (FY 1999 - FY 2008)
Revenue Stabilization Fund	$123.8	1.2%	$114.8	0.7%	-7%
Personal Property Tax Relief	219.9	2.2	950.0	5.6	332
General Funds for Transportation	44.1	0.4	149.8	0.9	240
Subtotal (3 Initiatives)	**387.8**	**4.0**	**1,214.6**	**7.2**	**213**
Total General Fund Budget	**$9,967.4**		**$16,960.3**		**70%**

Source: 1999 and 2008 Appropriation Acts.

million per year were appropriated to the Virginia Department of Transportation (VDOT). This represented less than three percent of the agency's budget.

Due to declining transportation funds and increasing needs, the 2000 General Assembly provided $326 million in general funds to stabilize and update the six-year highway construction program, marking the first major infusion of general funds into VDOT's budget. (The $326 million represented 11 percent of the agency's FY 2000 budget.) This was followed by the 2001 General Assembly's establishment of the Priority Transportation Fund, with an initial deposit of $147 million in general funds. From FY 2003 through FY 2008, the general fund portion of VDOT's budget varied from $73 million (FY 2004) to $643 million (FY 2007). The total general fund appropriation to VDOT in FY 2008 was $149.8 million.

NON-GENERAL FUND GROWTH AND A MULTIPLIER EFFECT ALSO HELPED DRIVE UP VIRGINIA'S BUDGET

Historical and technical factors also help explain budget growth. For example, in the 1960s and 1970s, State-level decisions were made to include all non-general funds in the budget. The uses of these funds are governed by statute, and the funds now account for more than half of the total budget.

In addition, a multiplier effect stemming from separate but interrelated decisions also affects increases in the State's budget growth. Two examples of this include decisions to (1) increase the number of employees in a particular agency or program and (2) provide all State employees with a cost of living salary adjustment.

Some Non-General Funds Grew Faster Than the General Fund

A key reason for consistent growth in the State budget, even in FY 2002 when the general fund declined, has been the steadier, less volatile growth of non-general funds. As shown in Table 6, non-general funds grew 91 percent over the period, outpacing the 70 percent growth in the general fund. The annual non-general fund growth rate varied over a narrower range, from 2.8 percent to a high of 12.3 percent during the period, compared to the wider swing in the general fund, from a decline of -2.2 percent in FY 2002 to a high of 12.7 percent in FY 2007 (see Table 1 for these ranges).

The inclusion of earmarked non-general funds in the budget can be traced to the requirement in the *Constitution of Virginia* that all State spending can occur only as provided by appropriations made by the General Assembly. Although the general fund budget tends

Table 6: Some Non-General Funds Grew Faster Than the General Fund ($ in Millions)

Fund Category	FY 1999	FY 2008	Percent Change
Dedicated Special Revenue	$142	$718	406%
Trust & Agency	486	1,360	180
Debt Service	104	244	134
Enterprise	391	879	125
Higher Education	2,471	5,147	108
Special	938	1,766	88
Federal	2,757	5,046	83
General	9,967	16,960	70
Highway Maintenance & Construction	2,706	3,884	44
Non-General Funds Total	**$9,995**	**$19,044**	**91%**
Total (All Funds)	**$19,962**	**$36,004**	**80%**

Note: Totals may not add due to rounding.

Source: Appropriation Acts.

Non-General Funded Agencies

Twenty-one State agencies were funded entirely with non-general funds in FY 2008. Eight had an appropriation of less than $5 million. The largest were the Departments of Rail & Public Transportation, Alcoholic Beverage Control, and Motor Vehicles.

to receive more attention than the non-general fund portion (in part because there are fewer annual decisions to make about non-general funds), funds from all sources must be included in the budget and appropriated before they may be spent.

The Commonwealth draws upon more than 1,600 sources of revenue, according to the Department of Accounts. The State accounting system groups monies from all these sources into just nine broad categories of funds, shown in Table 6. (Major uses of non-general funds are listed in Appendix H.)

As illustrated in Table 6, growth in some of the non-general fund categories exceeded the general fund's growth rate. To a large extent, growth in non-general funds reflects trends in the specific activities that generate the money, such as the issuance of bonds, increased product sales (in the case of the Department of Alcoholic Beverage Control or the lottery, for example), increasing college tuition payments, increased child support payments, and funds paid by local governments and by the federal government. Growth in these sources helps drive the State budget.

The non-general funds with the highest growth rates are relatively small (as a percent of the State's total budget). Dedicated special revenue funds, which grew more than 400 percent to $718 million (two percent of the FY 2008 budget), consist of money from specific fees and payments that are restricted to the related activity. Examples include the State's revolving funds (such as the safe drinking water revolving fund), the game protection fund, the solid waste management permit fee fund, and the nursing scholarship and loan repayment fund.

Trust and agency funds grew at the second-fastest rate, to $1.36 billion (3.8 percent of the FY 2008 budget). These funds are used to account for money held by the State as custodian or trustee for individuals and certain organizations. Examples include unemployment insurance, tobacco settlement funds, and various types of interest payments.

Debt service fund growth of 134 percent to $244 million (0.7 percent of the FY 2008 budget) reflects the State's increased issuance of bonds. Proceeds are used mainly for construction-related expenses at the Commonwealth's toll roads and universities.

Enterprise funds, used to account for self-supporting governmental activities that provide goods and services to the general public, also outpaced general fund growth. Enterprise funds grew 125 percent to $879 million (2.4 percent of the FY 2008 budget). Major components of enterprise funds include revenue from the sale of lottery tickets, alcoholic beverage sales at Virginia's ABC stores, and the college savings plan.

The higher education fund, another type of non-general fund, outpaced general fund growth over the period, growing at a rate of 108 percent to $5.15 billion (14.3 percent of the FY 2008 budget). This fund consists of tuition and fee payments by students at Virginia's colleges and universities, revenues generated by campus-related activities, and university hospital revenues at, for example, the University of Virginia Medical Center. This increase may be explained by a combination of enrollment growth, increased tuition and fees, and increased revenues at university hospitals, among other factors.

Multiplier Effect From Separate but Interrelated Decisions Also Impacts Budget Growth

Budget growth is also affected by a multiplier effect from separate but interrelated decisions, as illustrated in Exhibit 1. This multiplier effect explains how the total budget can at times grow at a faster rate than the increases of its individual components.

The multiplier effect illustrated in Exhibit 1 stems from more employees making more money over time. While the real world is more complex than this example, the multiplier effect seems to be at work in personal services spending. This category of spending includes salaries, benefits, and related expenditures, as well as other factors such as payments to wage employees (whose numbers are not tracked in the State budget) and disability payments.

Exhibit 1: The Multiplier Effect – Separate but Interrelated Decisions Interact to Cause Unexpectedly Rapid Budget Increase

Example: Interaction between salary increases and staffing levels
An agency initially has 100 employees, each receiving $30,000 per year.

Total salaries: 100 employees X $30,000 salary = $3,000,000

The agency opens new programs or facilities over a five-year period, adding 100 more employees—a 100% increase in staffing levels. Over the same period, the employees receive annual cost of living adjustments of 3%, and new employees receive the same salary as existing employees (a typical practice).

The budget effects:

- 100 original employees + 100 new employees = 200 employees
- $30,000 initial salary X 3% per year cost of living adjustment each year for 5 years = $34,778 (15.93% increase)

Total salaries (6 years later): 200 employees X $34,778 salary = $6,955,644 (132% increase)

The Multiplier Effect:

- 100% increase in the number of employees
- 15.93% increase in salaries, but a 132% increase in the total personnel budget

Chapter 2

Most of Virginia's Budget Growth Remains Concentrated in a Few State Agencies and Programs

In Summary

Most of the State budget, as well as most budget growth, is concentrated in a handful of agencies and programs representing core activities of State government. The 20 largest State agencies (of 153 agencies) accounted for 83 percent of the entire State budget in FY 2008 and 86 percent of all budget growth between FYs 1999 and 2008. Eight agencies accounted for nearly 70 percent of the ten-year budget growth. Furthermore, growth in general fund appropriations is also concentrated in a few large State agencies, although the general fund appropriation of several agencies grew more slowly than inflation or even declined. Finally, growth in budget programs was also concentrated in a few large core programs: 11 (of 204) programs in education, health care, and transportation accounted for about 70 percent of all budget growth.

This chapter describes budget growth in State government among agencies, programs, government functions and secretarial areas over the past ten years, and identifies the largest and fastest growing areas within State government. Budget growth within the agencies is further broken down between general and non-general funds.

MOST OF VIRGINIA'S BUDGET GROWTH OVER THE LAST TEN YEARS CONTINUES TO OCCUR IN A FEW STATE AGENCIES

Small Agencies

In FY 2008, 41 agencies had annual appropriations of less than $5 million. The smallest was the $229,270 appropriation to the Chippokes Plantation Farm Foundation.

While the overall State budget (including general and non-general funds) grew 80 percent (unadjusted for inflation) between FY 1999 and FY 2008, a few large agencies dominated the budget throughout the period. With few exceptions, the largest agencies in FY 1999 in terms of appropriations were also the largest in FY 2008 (Tables 7 and 8, next two pages). Among the 20 largest agencies in FY 1999, two agencies—the Department of Juvenile Justice and Old Dominion University—did not grow as fast as the others and were no longer among the 20 largest by FY 2008. As shown by the rank of each agency's total appropriation in FY 1998 (Table 7) and FY 2007 (Table 8), the largest agencies have remained consistent from one year to the next.

The new items among the 20 largest agency appropriations in FY 2008 include the Department of Rail and Public Transportation (DRPT) and the Comprehensive Services for At-Risk Youth and Families (CSA). DRPT received a specific appropriation to boost public transportation activities toward the end of the ten-year per-

Table 7: Largest Agency Appropriations, FY 1999

FY 1999 Rank	Agency	Appropriation FY 1999 ($ in Millions)	Percentage of State Budget	FY 1998 Rank
1	Department of Education–Direct Aid to Education	$3,843.1	19%	1
2	Department of Medical Assistance Services	2,508.1	13	2
3	Virginia Department of Transportation	2,480.4	12	3
4	Department of Social Services	1,035.8	5	4
5	University of Virginia (including Medical Center)	1,019.7	5	5
6	Department of Corrections	681.3	3	6
7	Department of Mental Health, Mental Retardation and Substance Abuse Services	636.0	3	7
8	Virginia Tech	495.8	2	8
9	Virginia Commonwealth University	473.9	2	9
10	Compensation Board	431.6	2	10
11	Virginia Community College System	420.7	2	11
12	Virginia Department of Health	384.0	2	13
13	Virginia Employment Commission	375.7	2	12
14	George Mason University	272.0	1	14
15	Department of Alcoholic Beverage Control	249.3	1	15
16	Personal Property Tax Relief Program	219.9	1	n/a
17	James Madison University	200.0	1	17
18	Treasury Board	188.9	1	19
19	Department of Juvenile Justice	183.6	1	16
20	Old Dominion University	175.2	1	18
	Total, 20 Largest Agencies	**$16,275.2**	**82%**	
	Total, All Operating Appropriations	**$19,962.1**	**100%**	

Note: Excludes central and capital appropriations. Totals may not add due to rounding.

Source: 1999 Appropriation Act (Chapter 1072).

iod. In addition, $54.3 million in general funds was added to CSA's FY 2008 budget to fully fund anticipated caseload increases and rising program costs. The CSA caseload was projected to increase by eight percent in FY 2008 (compared to recent historical growth of about four percent), and costs were expected to increase by 12 percent.

One entity experienced substantial growth from FY 1999 to FY 2008. As illustrated in Tables 7 and 8, the personal property tax relief program (defined here as an agency), which began in 1999, ranked 16th in FY 1999 and is now the seventh largest recipient of State funding, representing three percent of the FY 2008 State budget.

The Department of Education had the largest budget over the ten-year period, holding steady at 19 percent of the total State budget in FY 2008. The Department of Medical Assistance Services (DMAS) and the Department of Transportation (VDOT) ranked second and third, respectively, throughout the period. The propor-

Table 8: Largest Agency Appropriations, FY 2008

FY 2008 Rank	Agency	Appropriation FY 2008 ($ in Millions)	Percentage of State Budget	FY 2007 Rank
1	Department of Education–Direct Aid to Education	$6,693.5	19%	1
2	Department of Medical Assistance Services	5,662.7	16	2
3	Virginia Department of Transportation	3,812.2	11	3
4	University of Virginia (including Medical Center)	2,020.5	6	4
5	Department of Social Services	1,813.9	5	5
6	Department of Corrections	1,026.2	3	6
7	Personal Property Tax Relief	950.0	3	7
8	Virginia Tech	917.4	3	8
9	Virginia Community College System	895.8	2	10
10	Department of Mental Health, Mental Retardation and Substance Abuse Services	895.2	2	9
11	Virginia Commonwealth University	829.4	2	11
12	Compensation Board	629.6	2	13
13	Virginia Employment Commission	624.8	2	12
14	George Mason University	621.3	2	14
15	Virginia Department of Health	535.4	1	15
16	Department of Rail & Public Transportation	494.9	1	18
17	Department of Alcoholic Beverage Control	475.5	1	16
18	Treasury Board	416.5	1	19
19	James Madison University	366.0	1	20
20	Comprehensive Services for At-Risk Youth and Families	346.2	1	27
	Total, 20 Largest Agencies	**$30,027.0**	**83%**	
	Total, All Operating Appropriations	**$36,003.7**	**100%**	

Note: Excludes central and capital appropriations. Totals may not add due to rounding.

Source: 2008 Appropriation Act (Chapter 847).

tions of the total budget allocated to these two agencies also remained relatively stable over the last ten years.

Rounding out the five largest appropriations at the beginning and end of the ten-year period were the University of Virginia (UVA) and the Department of Social Services (DSS), although they traded places during the period, with UVA moving into fourth place by FY 2008. The five largest agencies accounted for a total of 57 percent of Virginia's budget in FY 2008.

Twenty Agencies Accounted for 86 Percent of Virginia's Total Budget Growth From FY 1999 to FY 2008

Virginia's budget grew $16 billion between FY 1999 and FY 2008. The vast majority of this growth was concentrated in a handful of agencies; the 20 agencies shown in Table 9 (next page) accounted for 86 percent of this growth.

Budget growth was concentrated among the traditional core agencies of State government, along with the personal property tax re-

Table 9: Twenty Agencies With the Most Growth in Total Appropriations, FYs 1999-2008

Rank	Agency	Change in Total Appropriation ($ in Millions)	Percentage of Total Budget Growth	Rank in Growth from FY 1998 to FY 2007
1	Department of Medical Assistance Services	$3,154.5	20%	2
2	Department of Education–Direct Aid to Education	2,850.3	18	1
3	Virginia Department of Transportation	1,331.7	8	3
4	University of Virginia (including Medical Center)	1,000.8	6	4
5	Department of Social Services	778.1	5	6
6	Personal Property Tax Relief Program	730.1	5	5
7	Virginia Community College System	475.1	3	7
8	Virginia Tech	421.6	3	8
9	Virginia Commonwealth University	355.5	2	10
10	George Mason University	349.2	2	11
11	Department of Rail & Public Transportation	345.1	2	14
12	Department of Corrections	344.8	2	9
13	Department of Mental Health, Mental Retardation and Substance Abuse Services	259.2	2	12
14	Virginia Employment Commission	249.1	2	15
15	Treasury Board	227.6	1	18
16	Comprehensive Services for At-Risk Youth and Families	226.9	1	21
17	Department of Alcoholic Beverage Control	226.2	1	16
18	Compensation Board	198.0	1	17
19	James Madison University	166.0	1	19
20	Department of Criminal Justice Services	159.8	1	22
	Total for 20 Agencies With the Most Growth	**$13,849.8**	**86%**	
	Total Budget Growth, All Agencies	**$16,041.6**	**100%**	

Note: Not adjusted for inflation. Operating appropriations only; excludes central and capital appropriations. Table is based on agencies with at least $5 million in appropriations in FY 1999. Totals may not add due to rounding.

Note: Administration of Health Insurance and the Revenue Stabilization Fund were in the Top 20 for FY 2008, but they did not have an appropriation in FY 1999. Therefore, they were not included in this table.

Source: 1999 and 2008 Appropriation Acts.

lief program. Fifty-two percent of all budget growth occurred in just four agencies: the Departments of Medical Assistance Services, Education, Transportation, and the University of Virginia. (As indicated in Table 9, these four agencies also ranked among the top five agencies with the largest growth from FY 1998 to FY 2007.) Adding only three more agencies—the Department of Social Services, the personal property tax relief program, and the Virginia Community College System (VCCS)—accounts for almost two-thirds of the ten-year growth in Virginia's budget.

Agencies with the largest dollar increases are generally those with the largest appropriations. The top five agencies in Table 9 are also the top five in Table 8 (largest appropriations in FY 2008), and there is considerable overlap in the remaining 15 agencies in each table. The top four agencies in Table 9 each experienced a growth of more than $1 billion over the ten-year period.

Two other areas experienced high growth in appropriations. First, institutions of higher education (including the community college system) comprised six of the 20 agencies with the most growth between FY 1999 and FY 2008. These six accounted for about $2.8 billion or 17 percent of the $16 billion increase across all State agencies. Second, the personal property tax relief program, which began in 1999 in order to provide tax relief to Virginia residents, had the sixth largest increase in appropriation growth over the period, increasing to a total of $950 million in FY 2008 (also the same total in FY 2007).

The Department of Environmental Quality (DEQ), which is not listed in Table 9 above, had the 13th largest increase in appropriation growth from FY 1998 to FY 2007. In FY 2007, DEQ received $200 million in general funds for water quality improvement initiatives. This one-time funding was not included in DEQ's budget for FY 2008, resulting in a decrease of approximately $193 million in DEQ's total appropriation from FY 2007 to FY 2008.

Twenty Agencies Accounted for Nearly All of Virginia's General Fund Appropriation Growth Over the Last Ten Years

General fund revenues and appropriations are intended for the general purposes of government and are not dedicated or restricted to a specific use. General funds stem primarily from statewide taxes such as the income and sales taxes, and thus have broad public interest. The unspecified use of these revenues also means that general funds are of particular interest to budget decision-makers.

In FY 2008, the State appropriated approximately $17 billion in general funds, which represented slightly less than half of total appropriations. Most of the growth in general fund appropriations was also focused in a handful of agencies.

General Fund Appropriation Growth Is Concentrated in a Few Agencies. A few large agencies received most new general fund dollars between FY 1999 and FY 2008. The 12 agencies that each received more than $100 million in new general funds during the period accounted for 87 percent of all general fund growth. The 20 agencies with the most growth in general fund appropriations (13 percent of all State agencies) accounted for 94 percent of all general fund growth over the period (Table 10, next page).

The four agencies with the most general fund budget growth—Direct Aid to Education, DMAS, the personal property tax relief program, and the Department of Corrections (DOC), each receiving substantial amounts in new general funds—accounted for 67 percent of all general fund growth during the period. Direct Aid to

Table 10: Agencies With the Most General Fund Growth, FY 1999 to FY 2008 ($ in Millions)

Rank	Agency	Growth in Total Appropriations ($ in Millions)	Percent of GF Budget Growth	Rank in GF Growth (FY 1998 - FY 2007)
1	Department of Education–Direct Aid to Education	$2,333.2	33%	1
2	Department of Medical Assistance Services	1,361.0	19	2
3	Personal Property Tax Relief Program	730.1	10	3
4	Department of Corrections	347.9	5	5
5	Treasury Board	221.2	3	8
6	Department of Mental Health, Mental Retardation and Substance Abuse Services	191.9	3	6
7	Compensation Board	190.5	3	9
8	Comprehensive Services for At-Risk Youth and Families	189.6	3	13
9	Department of Social Services	164.8	2	12
10	Virginia Community College System	162.7	2	10
11	Department of Criminal Justice Services	139.0	2	11
12	Virginia Department of Transportation	105.7	2	4
13	Department of State Police	65.5	1	14
14	George Mason University	64.9	1	15
15	Virginia Commonwealth University	62.2	1	16
16	Old Dominion University	48.2	1	18
17	Virginia Department of Health	47.9	1	19
18	Supreme Court	40.4	1	27
19	Virginia Tech	36.4	1	17
20	State Council of Higher Education for Virginia	28.8	1	26
	Total for 20 Agencies With the Most General Fund Growth	**$6,532.1**	**94%**	
	Total General Fund Budget Growth	**$6,992.9**		

Note: Not adjusted for inflation. Operating appropriations only; excludes central and capital appropriations. Table is based on agencies with at least $5 million in appropriations in FY 1999. Totals may not add due to rounding.

Source: 1999 and 2008 Appropriation Acts.

Education accounted for 33 percent of State general fund budget growth. DMAS, ranking second on the list, accounted for 19 percent of all general fund growth during the period. In FY 2008, DMAS received about 45 percent of its funding from the general fund, in comparison with the Direct Aid to Education budget, which received 86 percent of its funding from general funds.

As discussed in Chapter 1, both the personal property tax relief program and the infusion of general funds to VDOT reflect policy initiatives that began during the period under review and continued through FY 2008. As Table 10 illustrates, the personal property tax relief program is the third fastest growing agency in terms of the increase in general fund appropriations from FY 1999 to FY 2008. In the case of VDOT, general funds were used to supplement lagging non-general funds, traditionally the principal funding source for the agency. The amount of general funds in VDOT's budget was just $44.1 million in FY 1999, reaching a peak of $642.7 million in FY 2007. However, VDOT's general fund budget for FY 2008 dropped to $149.8 million and did not include the $500 million which was appropriated on a one-time basis in FY 2007 and used for transportation initiatives. As a result of this decrease, VDOT's rank in general fund growth dropped from fourth (FY 1998 to FY 2007) to 12th (FY 1999 to FY 2008).

Table 10 also includes two agencies that were not among the top 20 agencies with the most general fund growth from FY 1998 to FY 2007: the Supreme Court and the State Council of Higher Education for Virginia (SCHEV) (see the JLARC report *Review of State Spending: 2007 Update*). Both of these agencies experienced an increase in their general fund appropriation from FY 2007 to FY 2008. Specifically, in FY 2008, the Supreme Court received approximately $23.2 million in general funds for the Criminal Fund, which is used to cover increased court costs. Out of this amount, $8.2 million was used to compensate court-appointed counsel who represent indigent defendants accused in criminal cases.

SCHEV also received an appropriation in FY 2008 of approximately $7.2 million in general funds to create the Higher Education Tuition Incentive Fund, which was allocated to public colleges and universities to ensure access to and affordability of higher education for in-state undergraduate students. Neither the Supreme Court nor SCHEV received this funding in FY 2007.

In addition to the three agencies with the greatest general fund budget growth, two other agency groups deserve mention. Five of the 20 largest general fund growth agencies are in higher education, including the Virginia Community College System, George Mason University, Virginia Commonwealth University, Old Dominion University, and Virginia Tech. Further, four of the 20 largest general fund growth agencies are public safety-related: the Department of Corrections, the Compensation Board (the bulk of whose funding goes to local sheriffs and jail operations), the Department of Criminal Justice Services, and the Department of State Police.

The Department of Environmental Quality (DEQ), which is also not listed in Table 10, had the seventh largest increase in general fund growth from FY 1998 to FY 2007. As mentioned above, DEQ received a one-time general fund appropriation in FY 2007 of $200 million. Because this funding was not included in DEQ's budget in FY 2008, it was no longer among the 20 agencies with the most general fund growth over the last ten years.

General Fund Appropriation Growth in Agencies Reflects Policy Initiatives. Just 15 agencies had general fund growth rates that exceeded the general fund growth rate of 70 percent in the overall State budget (Table 11). Interestingly, not all of the leaders in terms of new general fund dollars in Table 10 also appear in Table 11. For example, Direct Aid to Education, the single largest item in the State budget, experienced general fund growth of 68 percent over the period, which falls below the statewide general fund average growth.

The Supreme Court experienced the largest growth in general fund appropriations from FY 1999 to FY 2008 (352 percent). As previously mentioned, the additional funding received in FY 2008 provided higher reimbursement rates associated with representation of indigent criminal defendants.

Two additional agencies with the highest percentage general fund growth in Table 11 reflect specific policy initiatives during the period. Specifically, the general fund increases of the personal property tax relief program and VDOT reflect policy decisions about tax relief and enhancement of the transportation program. Growth in the personal property tax relief program and VDOT's general fund budget was discussed above.

Table 11: Agencies With General Fund Growth Rates Exceeding That of the Overall General Fund Growth Rate, FY 1999 to FY 2008 ($ in Millions)

Rank	Agency	FY 1999 General Fund Appropriation	FY 2008 General Fund Appropriation	Percentage Increase
1	Supreme Court	$11.5	$51.9	352%
2	Personal Property Tax Relief Program	219.9	950.0	332
3	Virginia Department of Transportation	44.1	149.8	240
4	Comprehensive Services for At-Risk Youth and Families	104.0	293.6	182
5	Indigent Defense Commission	15.6	39.6	154
6	Department of Criminal Justice Services	114.9	253.9	121
7	Treasury Board	184.0	405.2	120
8	Department of Medical Assistance Services	1,206.2	2,567.2	113
9	University of Virginia's College at Wise	8.1	16.8	108
10	Longwood University	16.0	30.9	93
11	Jamestown-Yorktown Foundation	5.5	10.3	87
12	Department of Education – Central Office	34.3	60.5	77
13	George Mason University	86.3	151.2	75
14	Juvenile and Domestic Relations District Courts	37.7	66.1	75
15	University of Mary Washington	14.6	25.0	71

Note: Table based on agencies with general fund appropriations of at least $5 million in FY 1999. General fund appropriations in the State budget increased 70 percent between FY 1999 and FY 2008.

Source: 1999 and 2008 Appropriation Acts.

Also mentioned above, CSA had an increase in its general fund appropriation in FY 2008 due to expected increases in caseload and program costs. This increase resulted in a growth rate of 182 percent, greatly exceeding that of the overall general fund (70 percent) over the ten-year period.

The fifth entity in Table 11 also reflects a specific policy initiative. Legislation enacted in 2004 created the Indigent Defense Commission to provide oversight and support for all attorneys (whether public defenders or members of the private bar) who furnish indigent defense services in the Commonwealth. Additional general funds were provided in support of this action.

Growth in the Department of Criminal Justice Services' general fund budget (ranked sixth in Table 11) stems primarily from the decision by the 1999 General Assembly to add $99 million to the "HB 599" program of financial assistance to localities, beginning in FY 2000. This program (named for the 1979 legislation that established it) provides State financial aid to localities with police departments, although the funding is not required to be spent on law enforcement. In addition, growth in the Treasury Board's general fund appropriation (ranked seventh in Table 11) stems from the State's increasing use of bonded debt and re-funding to take advantage of improved interest rates.

General Funds in Several Agencies Grew More Slowly Than Inflation, or Declined

While some agencies saw their general fund appropriations grow at above-average rates, 24 agencies—out of 74 agencies with more than $5 million in general fund appropriations in FY 1999—had general fund appropriations that grew more slowly than the 29 percent rate of inflation or actually declined over the ten-year period (Table 12). However, several of the agencies listed in Table 12 had overall budget growth in excess of inflation due to other sources of revenue that grew more rapidly. In other words, they had non-general fund revenue that increased faster than their general fund appropriation, as in the following examples:

> *Virginia Tech experienced overall budget growth of 85 percent from FY 1999 to FY 2008, well above the 29 percent rate of inflation over the period. However, its general fund appropriation only grew 22 percent. The university's non-general fund appropriation more than doubled over the period, increasing from $333 million to $718 million. Specifically, Virginia Tech's higher education operating fund appropriation increased from $327 million to $708 million (117 percent) over the ten-year period.*

Table 12: Agencies Whose General Fund Appropriation Grew More Slowly Than Inflation, FY 1999 to FY 2008 ($ in Millions)

Agency	FY 1999 General Fund Appropriation	FY 2008 General Fund Appropriation	Percentage Change
Department of Treasury[a]	$6.2	$7.9	26%
Virginia Cooperative Extension and Agriculture Experiment Station	52.6	65.4	25
Virginia Tech	162.6	199.0	22
Department of Labor & Industry	6.8	8.2	22
Auditor of Public Accounts	8.2	9.7	18
University of Virginia (including Medical Center)	139.8	161.9	16
Department of Juvenile Justice	180.8	208.1	15
Department of Conservation & Recreation	43.9	50.3	15
Department of Agriculture & Consumer Services	24.1	27.6	15
Virginia Military Institute	14.4	16.5	15
Virginia Museum of Fine Arts	7.9	9.1	15
The Library of Virginia	27.4	31.1	14
Department of Mines, Minerals & Energy	10.4	11.8	13
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	6.0	6.6	11
State Board of Elections	10.0	10.9	10
Virginia Department for the Blind and Vision Impaired	6.1	6.7	10
Department of Accounts[a]	75.3	75.6	0
Department of Housing & Community Development	46.9	46.8	0
Department of General Services	26.6	23.2	-13
Department of Environmental Quality	78.5	67.8	-14
Department of Taxation	113.1	86.8	-23
Department of Business Assistance	20.5	11.5	-44
Innovative Technology Authority	11.6	6.2	-46
Virginia Economic Development Partnership	36.7	17.0	-54

Note: Table based on agencies with general fund appropriations of at least $5 million in FY 1999. The inflation rate was 29 percent between FY 1999 and FY 2008.

[a]Includes transfer payments, excludes revenue stabilization fund (in FY 2008).

Source: 1999 and 2008 Appropriation Acts.

* * *

The Museum of Fine Arts had general fund growth of just 15 percent, but its overall budget grew 48 percent, well above inflation, once dedicated special revenue is included. In FY 1999, the Museum's budget did not include dedicated special revenue. However, by FY 2008, the budget contained $7.6 million of such funding, which comes from private donors for the purpose of augmenting museum operations.

* * *

The Virginia Department for the Blind and Vision Impaired (VDBVI) saw overall budget growth of 109 percent, although *its general fund appropriation grew just ten percent. Most of this difference resulted from an increase in enterprise funds from $6.3 million in FY 1999 to $20.7 million in FY 2008. These funds are used to account for self-supporting activities of government that render service to the general public. Specifically, VDBVI established vending stands, cafeterias, and snack bars throughout the Commonwealth that are operated by blind persons. The increase in VDBVI's enterprise funds was a result of additional proceeds at these vending facilities. In addition, VDBVI's federal funding also increased from $4.7 million to $8.5 million over the ten-year period.*

Other agencies in Table 12 did not, however, see much growth in their non-general fund appropriations. The Department of Juvenile Justice had total budget growth of 16 percent over the period, which was just above its 15 percent in general fund growth. This low growth stems largely from budget cuts in the 2002-2004 timeframe that were not restored, as well as from a 26 percent decline over the ten-year period in the average daily population of State-responsible juvenile offenders.

The Department of Taxation's decline is somewhat anomalous, as the agency's FY 1999 budget included $62.5 million in general funds for a court settlement stemming from a U.S. Supreme Court case earlier in the decade on Virginia's tax treatment of federal retirees. By FY 2008, funding was no longer needed for this purpose. The department's budget grew 72 percent over the period if this settlement funding is removed from the agency's FY 1999 budget.

BUDGET GROWTH IN STATE GOVERNMENT PROGRAMS IS ALSO FOCUSED ON CORE ACTIVITIES

All State appropriations are classified according to the program budget structure, which includes eight broad government functions. The program classification is designed to assist in the planning and analysis of the State budget as well as in monitoring the activities of State government. Budget programs provide information on how funds are spent, regardless of the State agency to which funds are appropriated. While some programs may be confined to a single agency, others may be distributed across multiple agencies. For example, the program called "education and general programs" may be found in the budgets of all colleges and universities.

Like growth in State agencies, most of the growth in budget programs over the ten-year period from FY 1999 to FY 2008 remained concentrated among a few large programs relating to the core activities of State government: health care, education, and transportation (Table 13). In addition, 18 of the 20 programs listed in Table

Table 13: Twenty Largest Program Increases in Total Appropriations, FY 1999 to FY 2008

Rank	Program	Change in Appropriations ($ in Millions)	Percentage of Total Budget Growth	$ Rank (FY 1998 - FY 2007)
1	Financial Assistance for Public Education (SOQ)	$3,801	24%	2
2	Medical Program Services (Medicaid)	2,952	18	1
3	Higher Education: Education & General Programs	1,424	9	3
4	State Health Services	798	5	4
5	Higher Education: Financial Assistance for Education & General Programs	741	5	5
6	Highway System Maintenance	502	3	6
7	Higher Education: Auxiliary Services	428	3	9
8	Child Support Enforcement Services	356	2	10
9	Alcoholic Beverage Merchandising	230	1	11
10	Financial Assistance: Self Sufficiency Programs (TANF)	226	1	15
11	Bond & Loan Retirement & Redemption	226	1	11
12	Higher Education Student Financial Assistance	224	1	17
13	General Financial Assistance to Localities (599, etc.)	201	1	18
14	Highway System Acquisition & Construction	191	1	13
15	Financial Assistance for Local Social Services Staff	186	1	19
16	Protective Services	175	1	21
17	Financial Assistance to Localities for Ground Transportation	137	1	14
18	Investment, Trust, and Insurance Services	110	1	8
19	Financial Assistance for Health Services (community services boards)	107	1	16
20	Personnel Management Services (State Employees' Health Plan, etc.)	104	1	22
	Total for 20 Programs With the Most Growth	**$13,120.7**	**81%**	
	Total Budget Growth	**$16,041.6**	**100%**	

Note: Not adjusted for inflation. Includes operating appropriations only, programs funded for $5 million or more in FY 1999 that were also funded in FY 2008, and excludes capital appropriations. Totals may not add due to rounding. Personal property tax relief (car tax) program is excluded because it is considered in this report to be an agency and is shown in Tables 10 and 11. If it were included, it would rank fourth with $730 million in growth, accounting for five percent of all budget growth over the ten-year period.

Source: 1999 and 2008 Appropriation Acts.

13 were also among the top 20 with the largest growth from FY 1998 to FY 2007. More than 80 percent of all budget growth during the period occurred in just 20 of the 161 programs listed in the FY 1999 and FY 2008 budgets. Eleven of these 20 fell into three core functions and account for 71 percent of Virginia's budget growth over the last ten years.

Five education programs accounted for $6.6 billion or 42 percent of all budget growth over the period (Table 13). This included one elementary and secondary education program—financial assistance for public education (Standards of Quality, or SOQ)—and four higher education programs—education and general (E&G)

programs, financial assistance for education and general programs, auxiliary services, and student financial assistance.

Three health and mental health programs are included among the 20 high-growth programs, totaling $3.9 billion or 24 percent of all budget growth: Medicaid, which experienced the second largest appropriation growth over the period and accounted for 18 percent of total budget growth; State health services, which includes activities at the Department of Health, the University of Virginia Medical Center, and at facilities operated by the Department of Mental Health, Mental Retardation and Substance Abuse Services and the Department of Corrections; and financial assistance for mental health services, which is primarily used for the community services boards.

Three transportation programs also appear among the 20 largest program increases: highway system maintenance, financial assistance to localities for ground transportation (which principally includes payments to cities and two counties for road maintenance), and highway system acquisition and construction. Change in these transportation programs totaled $830 million, or five percent of total budget growth over the period.

SOME SECRETARIAL BUDGET GROWTH IS DUE TO REALIGNMENTS OVER THE LAST TEN YEARS

The secretarial system in Virginia was established by the General Assembly in 1972. Today, it consists of ten secretaries broadly reflecting the major functions of the executive branch. Two of these (agriculture and forestry, and technology) were added during the period under review, and agencies were realigned accordingly.

Some of the apparent growth in secretarial budgets is thus explained by these agency realignments. For example, the Secretary of Agriculture and Forestry was established by legislation adopted in 2004. In FY 2007, two agencies (Forestry, and Agriculture and Consumer Services) were moved in the Appropriation Act from the Secretary of Commerce and Trade to the Secretary of Agriculture and Forestry. This resulted in the reduction of $87 million in FY 2007 from the Commerce and Trade secretariat and the addition of a like amount to the Agriculture and Forestry secretariat. Over the last decade, the Secretary of Agriculture and Forestry experienced an increase of $17.3 million in their total appropriation. Secretarial budgets have varied as agencies and programs have moved between secretaries.

Table 14 shows the growth in the secretarial budgets. Education, health and human resources, and transportation continue to dominate budget growth, even when aggregated to the secretarial levels. Much of the budgetary growth in the secretariats is concentrated in a handful of areas. For example, growth in the education secretariat stems mainly from growth in the five education budget programs noted in Table 13. These five programs accounted for nearly all of the appropriation growth in the education secretariat. Likewise, the three health-related programs in Table 13 accounted for 76 percent of the appropriations growth in the health and human services secretariat, and the three transportation-related programs in Table 13 explained 45 percent of budget growth in the transportation secretariat.

Table 14: Budget Growth by Secretarial Area, FY 1999 to FY 2008

Secretarial Area	Change in Total Appropriations ($ in Millions)	Percentage of Total Budget Growth	$ Rank (FY 1998 - FY2007)
Education	$6,390	39.8%	1
Health and Human Resources	5,102	31.8	2
Transportation	1,850	11.5	3
Public Safety	987	6.2	4
Administration	453	2.8	5
Finance	267	1.7	7
Commerce and Trade	248	1.5	8
Natural Resources	82	0.5	6
Technology	51	0.3	10
Agriculture and Forestry	17	0.1	9
Total for Secretarial Areas	**$15,449.2**	**96%**	
Total Budget Growth	**$16,041.6**	**100%**	

Note: Based on agency alignments shown in respective Appropriation Acts. 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: 1999 and 2008 Appropriation Acts.

Appendix A Study Mandate

Code of Virginia § 30-58.3. Annual Report on State Spending.

A. No later than November 15 of each year, the Commission shall provide to the Governor and the General Assembly an annual report on state spending that shall include, among other things, (i) an identification and analysis of spending functions and programs that could be consolidated with other programs without diminishing the quality of the services provided to the citizens of the Commonwealth; (ii) an identification and analysis of those spending functions or programs which no longer have a distinct and discernible mission or are not performing their missions efficiently; (iii) an identification and analysis of the state programs that have had the largest impact on the growth of state spending over the prior five biennia, in dollar terms; (iv) an identification and analysis of the programs growing the fastest in percentage terms; (v) for the programs identified as the largest or fastest-growing, comparisons of the growth in spending on those programs to the rate of increase in inflation and the growth in populations served by those programs over a comparable time period; (vi) an analysis of the causes for the growth in spending on the largest and fastest-growing programs and whether the growth in spending appears rationally related to the rates of increase in inflation, tax relief measures, mandated expenditures, populations served, or any other related matter; and (vii) such other related issues as it deems appropriate.

B. All agencies of the Commonwealth shall provide assistance to the Commission in the preparation of this report, upon request.

Appendix

B Research Activities and Methods

To conduct this review of State spending, JLARC staff collected appropriation and expenditure data from a variety of sources, including the Department of Planning and Budget (DPB), the Department of Accounts (DOA), and various other agencies. In addition, JLARC staff also reviewed previous reports and documents pertaining to State spending.

DATA COLLECTION

JLARC staff receive annual updates of budget and spending data from DPB and DOA. JLARC staff currently maintain a database with appropriation data at the agency, program, and fund level from FY 1983, and appropriation data at the agency and fund level from FY 1981. Data on agency workload and populations served were also collected from various State agencies. Finally, economic and demographic data were obtained from federal agencies such as the Census Bureau and the Bureau of Economic Analysis, and from the Weldon Cooper Center at the University of Virginia.

Key constraints in collecting information about budget changes over time are the limited historical data maintained by various State agencies and staff turnover within the agencies over this long period of time. Several agencies have noted that Virginia's records retention policy does not require that appropriations and expenditure data be retained for more than five years. Consequently, useful information about budget changes during the 1990s, for example, is unavailable from many agencies. Turnover among budget staff and in other key positions within agencies also limits the amount of information available for historical purposes. Agency reorganizations, consolidations, eliminations, and additions of agencies, as well as changes in program structure or services further constrain analysis. JLARC staff attempted to supplement information provided by agencies by referring to a variety of documentation noted in the next section.

Key elements of the fiscal and demographic data sets are included in appendixes to this report. To facilitate access to the data developed in this review, selected historical financial data have been placed on the JLARC website. Currently, the online information includes most of the tables in the appendixes, as well as appropriations for the largest State agencies, and general fund and nongeneral fund appropriations from FY 1981. This information is available by clicking on "Fiscal Analysis" and then selecting "Fiscal Datasets" from the drop-down menu at the JLARC website (http://jlarc.virginia.gov).

DOCUMENT REVIEW

JLARC staff utilized a variety of documents for this review. These included Appropriation Acts from FY 1999 to the present, Governor's executive budget documents over the same period, and summaries of General Assembly budget actions prepared by staff of the House Appropriations and Senate Finance committees from 1999 to the present. "State of the Commonwealth" speeches by Virginia Governors were also collected and reviewed for the study period. Agency-specific and program-specific studies and documents were reviewed, as were reports from legislative and gubernatorial study commissions and panels. State spending reports compiled by the National Association of State Budget Officers were consulted, as were a variety of other documents such as agency annual reports and statistical publications.

Appendix

C The Basis of Virginia's Budget

Virginia's budget operates within a legal framework including 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, is amended and approved by the General Assembly, and covers a two-year period (a biennium). Everything in the State budget stems from this review and approval process by the State's elected officials. The JLARC report *Interim Report: Review of State Spending* (House Document 30 (2002)) described Virginia's budget process, including discussions of the program budget structure, revenue forecasting process, and performance measures. A forthcoming JLARC report (due in December 2008) will also review Virginia's budget process.

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

BUDGET TERMINOLOGY USED IN THE BUDGET

There are several specialized terms used in the Virginia budget process. This section explains them and how they are used.

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 revenues sufficient are available to pay all appropriations in full. A non-general funded program or agency must have both an appropriation and sufficient cash on deposit in the State treasury in order to expend the funds.

This report primarily 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 "caboose bill" (a third and final Appropriation Act during a biennium) changes to second year amounts. Administrative adjustments made to appropriations subsequent to the adoption of the "caboose bill" 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. Expenditures include financial assistance to localities for personal property tax relief as well as 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.

Functions and Programs

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

Functions represent the broadest categories of State government activities. Virginia government is grouped into eight broad operating functions, such as "administration of justice" and "individual and family services."

Budget *programs* include funding directed toward 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,

> The budget program "State health services" within the broad individual and family services function includes efforts to provide 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, mental retardation, 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, Department of Health, Department of Mental Health, Mental Retardation and Substance Services, Department of Corrections, and others.

***

> The budget program "administration and support services" within the broad function of administration of justice combines a wide variety of discrete services, including computer services, architectural and engineering services, food and dietary services, housekeeping, personnel services, power plant operation, nursing and medical management, and others. This program is included in several agencies under the Secretary of Public Safety, including the Departments of Corrections and Juvenile Justice.

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 a 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 2008 Appropriation Act (Chapter 847) provided funding to entities identified by 187 unique agency codes. The Department of Planning and Budget assigned 208 agencies to its budget analysts in 2008, according to its website. In 2003, 144 State agencies were identified in the JLARC report, *Review of State Spending: June 2002 Update* (House Document 3). More recently, JLARC staff and the Department of Human Resource Management identified 145 agencies with classified employees.

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 (mental retardation training centers, and 794 (Virginia Center for Behavioral Rehabilitation) must be combined to arrive at a budget total for the Department of Mental Health, Mental Retardation and Substance Abuse 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. Thus, the "personal property tax relief program" (746), interstate organization contributions (921), and "compensation supplements" (757) are examples of programs (just financial accounts, in reality), which have been assigned a program budget code for administrative convenience.

This report uses the Appropriation Act as a basis for identifying State agencies. The 187 unique agency budget codes are then adjusted for situations where multiple codes are assigned to a single agency, and to exclude various financial accounts (Table C-1).

Table C-1: Counting State Agencies, FY 2008

Unique Agency Codes in 2008 Appropriation Act	187
Codes assigned to DMHMRSAS 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 DRS (262) & Woodrow Wilson Rehab Center (203)	2
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[a]	23
Codes assigned to various financial activities[b]: DOA transfer payments (162) Central appropriations (995) Towing and Recovery operations (507) State Grants to Non-State Agencies (986) Legislative Department Reversion Clearing Account (102) Contributions to Interstate Organizations (921)	6
Total Number of State Agencies[c] (adjusted for these situations—e.g., subtract 5 for DMHMRSAS facilities and programs, but add back 1 for the overall agency)	**153**

[a] There were five additional agency codes in FY 2008 under the Division of Legislative Services.
[b] The six agency codes assigned to various financial activities were not included in the total number of State agencies for FY 2008.
[c] The personal property tax relief program, defined as an agency in this report, falls under agency code 995 and program 746. Also, the Department of Accounts had a separate line item, which included transfer payments but excluded the Revenue Stabilization Fund (program 735).

Source: 2008 Appropriation Act (Chapter 847); Department of Planning and Budget.

This process identified 153 State agencies, which is the number used throughout this report. While this approach consolidates DMHMRSAS programs and facilities into a single agency, it counts each of the courts—Circuit Courts, the various types of district courts, the Magistrate System, etc., as separate agencies, as does the Appropriation Act.

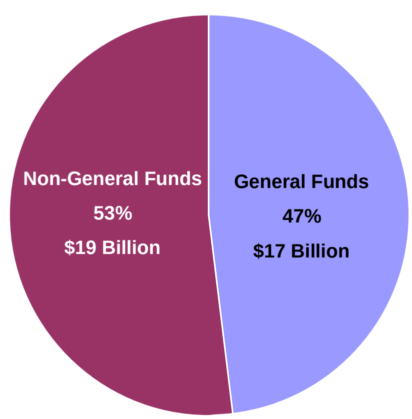
Similar to the Appropriation Act, this report treats the personal property tax relief program as a separate agency. The size of this item ($950 million in FY 2007 and FY 2008, which is larger than all but six agencies) warrants such treatment and permits it to be compared to other State spending priorities. Other entities and activities are assigned an agency code in the budget, and are included in the agency count for this report. This includes entities such as the Virginia College Building Authority, the Treasury Board, and various other boards and commissions that receive funding but are not necessarily typical State agencies, with offices, an appointed agency head, and staff.

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, as noted earlier, derive from many diverse sources and are restricted to certain specified uses.

General and non-general funds comprised 47 and 53 percent, respectively, of the FY 2008 Virginia budget (figure on next page). This is important because the expenditure of non-general funds is controlled by their authorizing statute–thus, more than half the State budget is determined by statute more than by 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 budget decision-making process.

FY 2008 General and Non-General Fund Appropriations



Total = $36 Billion

Source: JLARC staff analysis of Appropriation Act.

Appendix **D**

Ten Largest Annual General Fund Increases, 1999–2008
Biennial Totals: $ in Millions

Note: In the following tables, the number labeled "Largest Ten as a Percentage of Total" reflects only new funds added to the budget but does not reflect funds reduced elsewhere that offset additions. These offsets vary from year to year.

CSA, Comprehensive Services for At-Risk Youth and Families; DSS, Department of Social Services; VDOT, Virginia Department of Transportation; DMAS, Department of Medical Assistance Services; DOE, Department of Education; DEQ, Department of Environmental Quality; DOC, Department of Corrections; DGS, Department of General Services; DOA, Department of Accounts; DCR, Department of Conservation and Recreation; DHCD, Department of Housing and Community Development; VTA, Virginia Telecommunications Association ; DMHMRSAS, Department of Mental Health, Mental Retardation and Substance Abuse Services; DCJS, Department of Criminal Justice Services; SOQ, Standards of Quality.

Ten Largest Increases in 2006-2008 Budget Made by 2008 General Assembly

Source: Analysis of "Summary of 2006-2008 Budget Actions," prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee

Rank	Agency	Program	General Fund
1.	CSA	Mandatory caseload and cost increases	$54.3
2.	Supreme Court	Increase Criminal Fund	15.0
3.	Compensation Board	Constitutional officer retirement rate adjustment shortfall	12.3
4.	Compensation Board	Increased per diem payments to local and regional jails	11.9
5.	Central Appropriations	Reduce the impact of the savings requirement for information technology related operational efficiencies	4.9
6.	Central Appropriations	Provide funding for an unbudgeted increase in information technology rates	4.7
7.	Central Appropriations	Provide funding to cover FY 2007 shortfall for interest earnings and credit card rebates at the institutions of higher education	4.0
8.	DSS	Offset loss of federal funds for child welfare services	3.9
9.	Central Appropriations	Fund the cost of the 2008 presidential primary	2.5
10.	State Police	Increased gasoline costs for State police vehicles	2.4
	Subtotal, Ten Largest		$115.8
	Total of All General Fund Adjustments, 2008 Session		$124.1
	Ten Largest as a Percentage of Total		93%

Ten Largest Increases in 2006-2008 Budget Made by 2007 General Assembly

Source: Analysis of "Summary of 2006-2008 Budget Actions," prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee

Rank	Agency	Program	General Fund
1.	VDOT	Transportation initiatives	$161.0
2.	Capital Outlay	Project cost overruns and supplements	123.1
3.	DMAS	Virginia Health Care Fund shortfall	58.2
4.	DOE	3% salary increase for SOQ positions	41.9
5.	Capital Outlay	Equipment for previously-approved projects	38.5
6.	Non-State Agencies	Grants	26.7
7.	DEQ	Water Quality Improvement Fund-Point Source	21.6
8.	Capital Outlay	Project planning	20.1
9.	DSS	Costs to comply with federal TANF requirements	19.9
10.	Central Appropriations	Second year employee salary increase: additional 1%	16.9
	Subtotal, Ten Largest		$527.9
	Total of All General Fund Adjustments, 2007 Session		$929.0
	Ten Largest as a Percentage of Total		57%

Ten Largest Increases in 2006-2008 Budget Made by 2006 General Assembly

Source: Analysis of "Summary of 2006-2008 Budget Actions," November 30, 2006, prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee

Rank	Agency	Program	General Fund (biennial)
1.	DOE	Re-benchmarking SOQ & technical updates	$941.9
2.	DMAS	Medicaid funding for utilization & inflation	483.5
3.	Capital outlay (various agencies)	New construction	437.1
4.	VDOT	Transportation initiatives	567.9
5.	General government	State & local employees salary & benefits increase	389.9
6.	DOE	Teacher & support staff salary & benefits increase	244.8
7.	Colleges & universities	Enrollment growth, base adequacy	237.3
8.	DEQ	Wastewater treatment improvements	216.6
9.	General government	Revenue Stabilization (Rainy Day) Fund deposit	138.3
10.	DOC	Operating costs of new prisons	130.8
	Subtotal, Ten Largest		$3,788.1
	Total of All General Fund Adjustments, 2006 Session		$4,853.5
	Ten Largest as a Percentage of Total		78%

Ten Largest Increases in 2004-2006 Budget Made by 2006 General Assembly			
Source: Analysis of Budget Bill as Introduced (HB 5002) with Conference Report			
Rank	**Agency**	**Program**	**General Fund**
1.	DOA	Revenue Stabilization (Rainy Day) Fund deposit	$402.2
2.	DEQ	Water Quality Improvement Fund	56.6
3.	DMAS	Tobacco tax shortfall	9.0
4.	Various	Energy and utility costs	8.2
5.	CSA	Special education	7.5
6.	DMHMRSAS	Pharmaceutical costs/Medicare Part D program	5.7
7.	State Police	70 State trooper positions	5.4
8.	Supreme Court	Criminal Fund	5.1
9.	DGS	Property and casualty insurance	4.7
10.	DOE	SOQ adjustments (ADM/sales tax/technical)	4.7
	Subtotal, Ten Largest		$509.1
	Total of All General Fund Adjustments, 2006 Session		$508.1
	Ten Largest as a Percentage of Total		~100%

Ten Largest Increases in 2004-2006 Budget Made by 2005 General Assembly			
Source: Money Committee Summary of 4/29/05			
Rank	**Agency**	**Program**	**General Fund**
1.	VDOT	Transportation initiatives	$347.6
2.	DOA	Revenue Stabilization (Rainy Day) Fund Deposit	229.4
3.	DMAS	Medicaid funding for utilization, inflation, and initiatives	212.2
4.	Various	Capital outlay and building maintenance	63.9
5.	Various	Employee salary increases (State & local)	131.7
6.	DEQ, DCR	Water quality improvements	86.4
7.	DOE	Increased lottery & sales tax revenue; other actions	68.8
8.	Various	Non-State agencies	34.1
9.	DHCD, VTA	Economic development, workforce consortia	27.3
10.	DMHMRSAS	Community crisis, aftercare, early intervention, other actions	20.1
	Subtotal, Ten Largest		$1,321.5
	Total of All General Fund Adjustments, 2005 Session		$1,512.5
	Ten Largest as a Percentage of Total		87%

Ten Largest Increases in 2004-2006 Budget Made by 2004 General Assembly

Source: Money Committee Summary of 9/22/04

Rank	Agency	Program	General Fund
1.	DOE	Changes to SOQ funding	$839.4
2.	DOE	SOQ funding revisions (Chapters 939 and 955, 2004 *Acts of Assembly*)	326.1
3.	Colleges and Universities	Provide base adequacy funding for colleges and universities	175.8
4.	DOE	Update benefit contribution rates for SOQ-related positions	168.0
5.	DOE	Increase in direct aid due to net increase of 1/8 cent sales tax and other sales tax adjustments	148.7
6.	Treasury	Additional FY 2006 Revenue Stabilization Fund deposit	87.0
7.	DMAS	Medicaid utilization and inflation	84.8
8.	Central Accounts	3% salary increase for State employees	79.4
9.	DOE	Finish phase-in of support positions, fix rollover of fringe costs	66.9
10.	Central Accounts	Fund increased health benefit premiums for State employees	66.0
	Subtotal, Ten Largest		$2,042.1
	Total of All General Fund Adjustments, 2004 Session		$2,561.0
	Ten Largest as a Percentage of Total		80%

Ten Largest Increases in 2002-2004 Budget Made by 2003 General Assembly

Source: Money Committee Summary of 5/13/03

Rank	Agency	Program	General Fund
1.	DMAS	Medicaid funding for utilization and inflation	$142.4
2.	Central Accounts	Maintain personal property tax relief reimbursement at 70%	127.6
3.	DOE	Provide additional lottery proceeds to school divisions	44.6
4.	Central Accounts	2.25% salary increase for State employees, faculty and State-supported local employees	38.5
5.	CSA	Fund mandated foster care and special education services	35.7
6.	DOE	Update costs of the SOQ programs	31.7
7.	DOE	2.25% teacher salary increase	27.5
8.	Central Accounts	Technical-spread Central Accounts reduction	26.8
9.	DOC	Replace out-of State inmate revenue with general fund revenue	24.0
10.	DMAS	Fund indigent health care at teaching hospitals	18.4
	Subtotal, Ten Largest		$517.2
	Total of All General Fund Adjustments, 2003 Session		$717.9
	Ten Largest as a Percentage of Total		72%

Ten Largest Increases in 2002-2004 Budget Made by 2002 General Assembly

Source: Money Committee Summary of 4/25/02

Rank	Agency	Program	General Fund
1.	DMAS	Medicaid funding for utilization and inflation	$609.1
2.	DOE	Update costs of the SOQ programs	379.9
3.	VDOT	Deposit general fund revenue into Priority Transportation Fund	146.6
4.	CSA	Fund mandated foster care and special education services	137.7
5.	Central Accounts	FY 2004 compensation reserve for all State and State-supported local employees	101.4
6.	Central Accounts	Increase health benefit premiums for State employees (11% average increase)	82.6
7.	DOE	End deduction of locally-generated revenues (JLARC Tier 1)	74.8
8.	Central Accounts	2.5% bonus or paid vacation for State classified employees and equivalent for faculty (August 2001)	63.4
9.	Compensation Board	Provide funding for local and regional jail per diem payments	62.7
10.	DOE	Phase-in State share of administrative positions	58.3
	Subtotal, Ten Largest		$1,716.5
	Total of All General Fund Adjustments, 2002 Session		$2,213.0
	Ten Largest as a Percentage of Total		78%

No Budget Changes Made by 2001 General Assembly

Ten Largest Increases in 2000-2002 Budget Made by 2000 General Assembly

Source: Money Committee Summary of 3/22/00

Rank	Agency	Program	General Fund
1.	Central Accounts	Personal property tax relief program	$878.0
2.	DOE	Fully fund direct aid (SOQ, incentive funds, categoricals)	497.7
3.	VDOT	Stabilize & update 6-year construction program	307.3
4.	Treasury	Revenue Stabilization Fund (FY01 & FY02)	266.4
5.	DMAS	Medicaid funding for utilization & inflation	173.8
6.	Central Accounts	3.25% salary increase for State employees	127.3
7.	Capital Outlay	Maintenance reserve	100.0
8.	DOE	2.4% teacher salary increase	88.9
9.	Capital Outlay	Infrastructure / life safety projects	63.7
10.	Colleges & Universities	Maintain faculty salaries at 60% of peers	59.7
	Subtotal, Ten Largest		$2,562.8
	Total of All General Fund Adjustments, 2000 Session		$3,672.8
	Ten Largest as a Percentage of Total		70%

Ten Largest Increases in 1998-2000 Budget Made by 1999 General Assembly

Source: Money Committee Summary of 3/8/99

Rank	Agency	Program	General Fund
1.	DOE	Re-direct lottery profits to localities and hold harmless	$275.6
2.	DCJS	HB599	98.9
3.	Treasury	Revenue Stabilization Fund	79.1
4.	Colleges & Universities	20% tuition reduction for Virginia undergraduates	75.4
5.	DEQ	Water Quality Improvement Fund payment	45.2
6.	DMHMRSAS	Community services for mentally ill & mentally retarded	41.4
7.	Central Accounts	4% salary increase for State employee and 2.25% salary increase for State-paid local employees	38.6
8.	DOE	6% salary increase for teachers	39.8
9.	Various	Y2K compliance	34.8
10.	Central Accounts	Replace special funds for capital	19.9
	SubTotal, Ten Largest		$748.7
	Total of All General Fund Adjustments, 1999 Session		$1,215.1
	Ten Largest as a Percentage of Total		62%

Appendix

E

State Expenditures by Governmental Function

$ in Millions, Unadjusted for Inflation

Fiscal Year	Education	Administration of Justice	Individual and Family Services	Resource and Economic Development	Transportation	General Government	Enterprises	Capital Projects	Total Expenditures
1981	$1,916	$339	$1,853	$145	$924	$290	$285	$158	$5,909
1982	2,049	430	1,992	156	732	284	306	148	6,095
1983	2,170	481	2,044	165	830	230	432	178	6,530
1984	2,357	502	2,058	174	903	232	453	171	6,849
1985	2,633	549	2,191	200	1,064	269	485	146	7,536
1986	2,961	626	2,387	224	1,331	296	508	170	8,502
1987	3,256	692	2,573	267	1,494	349	576	198	9,405
1988	3,539	763	2,837	290	1,716	370	607	256	10,378
1989	3,878	857	3,095	348	1,825	390	726	271	11,389
1990	4,169	964	3,389	402	1,913	417	765	280	12,298
1991	4,333	1,020	3,989	405	1,907	397	885	190	13,126
1992	4,325	1,034	4,439	389	1,812	382	941	208	13,530
1993	4,599	1,070	4,860	381	1,670	398	957	167	14,102
1994	4,758	1,143	5,047	419	1,833	893	1,012	277	15,382
1995	5,067	1,250	5,316	501	2,265	1,037	1,034	355	16,825
1996	5,195	1,326	5,445	480	2,330	1,008	1,065	332	17,181
1997	5,568	1,387	5,562	482	2,449	1,088	1,085	460	18,081
1998	5,941	1,550	5,594	539	2,573	1,174	1,140	553	19,064
1999	6,622	1,745	5,888	624	2,867	1,514	1,198	444	20,902
2000	7,058	1,914	6,385	673	2,797	1,880	1,230	428	22,365
2001	7,570	2,091	6,897	790	3,158	2,198	1,286	451	24,441
2002	7,742	2,069	8,275	743	3,359	2,546	1,375	466	26,575
2003	7,875	2,021	8,608	659	3,209	2,625	1,397	532	26,926
2004	8,363	2,034	8,814	693	3,147	2,969	1,499	710	28,231
2005	9,327	2,170	9,288	734	3,366	3,003	1,689	890	30,467
2006	10,144	2,338	9,904	844	3,454	3,008	1,853	1,179	32,724
2007	11,318	2,401	10,175	818	3,424	3,564	1,839	1,294	34,833
2008	10,793	2,611	10,084	887	4,151	3,885	1,727	1,192	35,330

Note: Expenditures are on a budgetary or cash basis. Includes all operating and capital spending as well as expenditure of bond proceeds.

Source: Comprehensive Annual Financial Reports; Department of Accounts' correspondence for FY 2002–FY 2007 data.

Appendix F

Final Legislative Operating Appropriations by Fund

$ in Millions, Unadjusted for Inflation

Fiscal Year	Total	General	Special	Higher Education Operating	Commonwealth Transportation	Enterprise	Trust and Agency	Debt Service	Dedicated Special Revenue	Federal Trust	Total Non-General
1981	$5,713	$2,687	$189	$549	$982	$206	$133	$22	$15	$930	$3,026
1982	6,033	2,904	212	614	968	217	181	24	15	898	3,129
1983	6,477	3,111	249	748	949	248	219	22	24	908	3,366
1984	6,841	3,268	271	834	971	254	235	31	25	952	3,573
1985	7,682	3,753	251	911	1,092	214	339	37	29	1,057	3,929
1986	8,269	4,032	299	984	1,174	217	393	44	31	1,097	4,237
1987	9,351	4,599	333	1,144	1,384	219	405	100	31	1,135	4,751
1988	10,021	4,932	423	1,203	1,618	218	333	84	33	1,178	5,089
1989	11,383	5,619	575	1,386	1,673	227	487	77	44	1,296	5,765
1990	11,836	5,989	668	1,464	1,598	228	428	39	46	1,377	5,847
1991	12,620	6,315	676	1,631	1,553	294	401	80	58	1,612	6,305
1992	12,858	6,140	775	1,806	1,600	296	380	42	59	1,760	6,717
1993	13,927	6,402	842	2,087	1,728	300	467	34	64	2,004	7,526
1994	14,686	6,777	878	2,228	1,906	303	386	34	68	2,105	7,909
1995	15,854	7,356	937	2,395	1,948	359	419	104	76	2,260	8,498
1996	16,291	7,597	915	2,487	1,919	371	449	108	78	2,368	8,694
1997	17,131	8,134	918	2,570	1,953	365	447	87	134	2,522	8,997
1998	17,621	8,715	940	2,219	2,106	366	463	92	123	2,596	8,905
1999	19,962	9,967	938	2,471	2,706	391	486	104	142	2,757	9,995
2000	21,369	11,093	1,029	2,489	2,597	399	486	108	140	3,028	10,276
2001	23,323	12,284	1,156	2,616	2,785	429	614	119	245	3,074	11,039
2002	23,483	12,014	1,202	2,704	2,876	428	767	121	250	3,120	11,469
2003	24,983	12,105	1,324	3,240	2,680	566	898	167	285	3,718	12,878
2004	26,379	12,370	1,352	3,575	3,194	590	893	171	258	3,976	14,009
2005	29,258	13,782	1,430	4,014	3,213	650	1,085	164	585	4,333	15,476
2006	31,991	15,111	1,402	4,387	3,978	700	1,110	170	614	4,519	16,881
2007	35,095	17,033	1,603	4,853	3,929	850	1,083	234	638	4,872	18,062
2008	36,003	16,960	1,766	5,147	3,884	879	1,360	244	718	5,046	19,043

Source: Final Appropriation Act for each biennium (typically, "Caboose" bills), Acts of Assembly, Department of Planning and Budget.

Appendix G

Final Legislative Operating Appropriations by Secretarial Area

$ in Millions, Unadjusted for Inflation

FY	Administration & Finance	Administration	Agriculture & Forestry	Commerce & Resources	Econ. Dev./ Commerce & Trade	Education	Finance	Health & Human Resources	Natural Resources	Technology	Transportation & Public Safety	Public Safety	Transportation
1981	$182			$110		$2,211		$1,449				$455	$1,072
1982	182			107		2,378		1,500				490	1,064
1983	223			124		2,665		1,576				580	1,049
1984	217			131		2,918		1,677				594	1,080
1985		$203		472		3,214	$91	1,586			$1,750		
1986		209		485		3,552	89	1,691			1,873		
1987		247			$446	4,013	103	1,844	$82		2,261		
1988		253			450	4,240	107	1,927	84		2,584		
1989		313			543	4,721	120	2,355	125		2,814		
1990		327			552	5,051	126	2,560	161		2,738		
1991		363			522	5,271	137	2,957	160			987	1,783
1992		343			524	5,317	143	3,220	172			1,005	1,769
1993		366			602	5,721	152	3,620	174			1,003	1,892
1994		379			555	5,954	196	3,828	181			1,038	2,077
1995		402			611	6,497	318	4,083	153			1,126	2,148
1996		403			634	6,727	328	4,150	196			1,186	2,121
1997		426			614	6,747	403	4,397	178			1,280	2,188
1998		453			639	7,042	423	4,504	208			1,348	2,358
1999		499			670	7,908	527	4,811	265	$17		1,519	2,855
2000		530			668	8,325	574	5,360	275	19		1,690	2,751
2001		596			720	8,780	555	5,830	288	20		1,928	3,222
2002		578			713	8,968	659	6,079	246	22		1,911	3,034
2003		708			737	9,553	468	6,752	254	64		1,898	2,955
2004		701			736	9,970	564	7,131	254	43		1,899	3,404
2005		786	$0.1		866	11,205	631	7,984	312	45		2,042	3,697
2006		779	0.1		864	12,054	1,106	8,409	445	44		2,149	4,408
2007		873	87		849	13,658	662	9,009	543	66		2,402	4,918
2008		940	82		852	14,178	794	9,551	345	63		2,506	4,706

Note: This table reflects the varying organizational structure and agency assignments of the Governor's Secretaries over the period. Details will not sum to total appropriations because of omissions. For example, the Judicial and Legislative departments are independent of the executive branch and thus are not shown. The independent agencies, central accounts, and the Executive Offices also are not under Secretaries and thus are not shown. The revenue stabilization fund is budgeted under the Finance secretariat. The personal property tax relief program is not budgeted under a Secretary (although it is administered through Finance) but under "central appropriations," and thus is not included. The amounts shown average about 95 percent of the total appropriation each year.

Source: Final Appropriation Act for each biennium (typically, "Caboose" bills), Acts of Assembly, Department of Planning and Budget.

Appendix

H Major Uses of Non-General Funds, FY 2008

Note: The tables identify, for each class of non-general funds, the five largest (by dollar amount) budget programs that receive appropriations from the fund. The tables also indicate the sum of the five largest program appropriations for each fund class, and the percentage that sum represents of the respective non-general funds.

Dedicated Special Revenue Funds

Agency	Programmatic Purpose	$ in Millions
Department of Medical Assistance Services	Medical Program Services: Reimbursements to State-Owned Mental Health Facilities	$304.7
Virginia Department of Health	State Health Services (local health departments)	56.8
Virginia Information Technology Agency	Financial Assistance for Emergency Communications Systems	48.4
Department of Game & Inland Fisheries	Wildlife & Fisheries Management, including Law Enforcement	27.6
Department of Health Professions	Regulation of Professions & Occupations	23.0
Total, Top 5		***$460.5***
Top 5 as Percentage of This Non-General Fund		*64%*

Debt Service Funds

Agency	Programmatic Purpose	$ in Millions
VDOT	Commonwealth Toll Facilities	$84.3
University of Virginia Academic Division	Higher Education Auxiliary Enterprises	19.2
University of Virginia Medical Center	State Health Services	17.6
Virginia Commonwealth University	Higher Education Auxiliary Enterprises	12.7
George Mason University	Higher Education Auxiliary Enterprises	11.9
Total, Top 5		***$145.8***
Top 5 as Percentage of This Non-General Fund		*60%*

Trust & Agency Funds

Agency	Programmatic Purpose	$ in Millions
Virginia Employment Commission	Workforce Systems Services (Unemployment Benefits, Job Placement Services, etc.)	$616.8
VDOT	Highway System Acquisition and Construction	223.5
Direct Aid to Education	State Education Assistance Programs (SOQ, School Construction Grants)	188.8
VDOT	Non-Toll Supported Debt Service (FRANS, Transportation Improvement District debt)	71.5
Central Appropriations	Distribution of Tobacco Settlement	46.3
Total, Top 5		***$1,147.0***
Top 5 as Percentage of This Non-General Fund		*84%*

Enterprise Funds

Agency	Programmatic Purpose	$ in Millions
Department of Alcoholic Beverage Control	ABC Merchandising	$460.0
Department of Human Resource Management-Administration of Health Insurance	Personnel Management Services (Health Benefits Administration)	165.0
Virginia College Savings Plan	Investment Services	101.0
State Lottery Department	Lottery Operations	78.0
Department for the Blind & Vision Impaired	Rehabilitative Industries Operations	20.7
Total, Top 5		***$824.6***
Top 5 as Percentage of This Non-General Fund		*94%*

Higher Education Operating Funds

Agency	Programmatic Purpose	$ in Millions
University of Virginia Medical Center	State Health Services	$975.1
University of Virginia Academic Division	Financial Assistance for Educational & General Programs	350.0
University of Virginia Academic Division	Educational & General Programs (Instruction, Research Public Services, Student Services, etc.)	311.1
Virginia Community College System	Educational & General Programs (Instruction, Research Public Services, Student Services, etc.)	293.3
Virginia Tech	Educational & General Programs (Instruction, Research Public Services, Student Services, etc.)	275.0
Total, Top 5		***$2,204.5***
Top 5 as Percentage of This Non-General Fund		*43%*

Federal Funds		
Agency	**Programmatic Purpose**	**$ in Millions**
Department of Medical Assistance Services	Medicaid Services	$2,591.2
Department of Education: Direct Aid to Education	Federal Education Assistance	734.1
Department of Social Services	Financial Assistance for Self-Sufficiency Programs (TANF, etc.)	242.6
Department of Social Services	Financial Assistance for Local Social Services Staff (Eligibility Determination, Social Work Services)	235.3
Department of Medical Assistance Services	Children's Health Insurance Program Delivery	67.4
Total, Top 5		***$3,870.7***
Top 5 as Percentage of This Non-General Fund		*77%*

Commonwealth Transportation (Highway Maintenance & Construction) Funds		
Agency	**Programmatic Purpose**	**$ in Millions**
VDOT	Highway System Acquisition & Construction	$1,328.3
VDOT	Highway System Maintenance & Operations	1,257.1
VDOT	Financial Assistance to Localities for Ground Transportation	339.2
VDOT	Administration & Support Services	258.4
Department of Rail & Public Transportation	Financial Assistance for Public Transportation	189.5
Total, Top 5		***$3,372.6***
Top 5 as Percentage of This Non-General Fund		*87%*

Special Funds		
Agency	**Programmatic Purpose**	**$ in Millions**
Department of Social Services	Child Support Enforcement	$658.2
DMHMRSAS	State Health Services	191.2
Department of Rail & Public Transportation	Public Transportation System Acquisition & Construction (Dulles Corridor Metrorail Project)	158.6
Department of Health	Community Health Services	91.2
DMHMRSAS	Facility Administration & Support Services	78.9
Department of Corrections	Operation of Secure Correctional Facilities	56.1
Total, Top 5		***$1,178.1***
Top 5 as Percentage of This Non-General Fund		*67%*

Source: Chapter 847 data from Department of Planning & Budget; Department of Accounts.

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