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

Review of State Spending: 2009 Update

HOUSE DOCUMENT NO. 16
2009

In Brief

Review of State Spending: 2009 Update

Virginia's operating budget increased by 73 percent between fiscal years 2000 and 2009, a result of increasing prosperity, population growth, and policy decisions. The growth was 46 percent in general funds and 103 percent in nongeneral funds. Adjusting for the effects of inflation and population growth, the budget increased by 28 percent.

The ten-year period under review includes the economic downturn in FY 2002 when general fund appropriations declined 2.2 percent, as well as the significant growth experienced in FY 2005.

Much of the ten-year, $15.7 billion growth was concentrated in core functions of State government: education, health care, transportation, and social services. For example, 54 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 ten agencies each receiving more than $100 million in new general funds during the period accounted for 96 percent of all general fund growth.

JLARC Staff for This Report

Glen S. Tittermary, Deputy Director
Walter L. Smiley, Fiscal Analysis Section Manager
Paula C. Lambert, Senior Legislative Analyst

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

COMMONWEALTH of VIRGINIA
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219

Philip A. Leone
Director

(804) 786-1258

December 2, 2009

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 2000 to FY 2009 and is the ninth report in the series.

The findings of this report were presented to the Commission on November 9, 2009.

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

Table of Contents

JLARC Report Summary:

Review of State Spending: 2009 Update

Key Findings

- Over the past decade, Virginia's operating budget has increased 73 percent. The growth was 46 percent in general funds and 103 percent in non-general funds. (Chapter 1)
- Adjusting for the effects of inflation (which increased 23 percent between 2000 and 2009) and population growth (Virginia's population grew ten percent over the period), the budget increased by 28 percent. (Chapter 1)
- Budget growth remains concentrated in a few State agencies and programs. Eight of the 156 agencies accounted for nearly 70 percent of all budget growth over the past ten years. Seven of the 207 budget programs accounted for 61 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) 2009, Virginia's budget totaled $37 billion and included 156 agencies and 207 programs.

This report is the ninth 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 eight reports reviewed spending and budget growth over varying periods between FY 1981 and FY 2008. This report focuses on trends during the ten-year period from FY 2000 through FY 2009.

VIRGINIA'S BUDGET INCREASED 73 PERCENT BETWEEN FISCAL YEARS 2000 AND 2009

Virginia's annual operating budget increased 73 percent between FY 2000 and FY 2009, growing from approximately $21 billion to $37 billion (see table). 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 2000 to FY 2009

Fiscal Year	Appropriation ($ in Millions)	Percent Change
2000	$21,369	--
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
2009	37,057	2.9
Growth, 2000-2009	**$15,688**	**73.4%**

Note: Operating funds only; excludes capital.

Source: Appropriation Acts.

Average annual budget growth over the period was 6.4 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 was 23 percent over the period) and population growth (there were an estimated 664,100 more residents requiring more State services over the period), Virginia's total appropriations increased by 28 percent over the ten-year period.

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. Federal, State, and in some cases, local decisions to expand, change, or diminish programs and activities can affect the budget. One clear example is the personal property tax relief program that began in FY 1999, receiving an initial appropriation of $220 million and growing to a capped $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 56 percent ($20.9 billion) of the FY 2009 State budget and grew faster than the general fund over the period: 103 percent growth for non-general funds compared to 46 percent for general funds. The use of non-general funds 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.

Certain non-general funds grew faster yet. The higher education operating fund, for example, grew 122 percent, from nearly $2.5 billion to $5.5 billion, compared to 46 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, $15.7 billion growth in the State budget was concentrated in core functions of State government: education, health care, transportation, and social services. More than half (54 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 Virginia Community College System, and the personal property tax relief program (defined here as an agency)—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 2000 and FY 2009. The ten agencies each receiving more than $100 million in new general funds during the period accounted for 96 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 $374 million or more in new general funds during the period.

There were only 20 agencies with general fund growth rates that exceeded the overall general fund growth rate of 46 percent during the period (table, next page). Not all high-dollar growth agencies are also high growth-rate agencies; the Department of Transportation, for example, the third single largest item in the State budget with the third greatest growth in total appropriations, actually experienced a decline of 15 percent in general funds over the period ($47 million to $40 million). In fact, several relatively small State agencies display above-average rates of general fund growth.

Just as some agencies experienced above-average growth in their general fund appropriations, others saw their general funds grow more slowly. In fact, 28 agencies had general fund growth rates be-

Agencies With General Fund Growth Rates Exceeding That of the Overall General Fund Growth Rate of 46 Percent, FY 2000 to FY 2009 ($ in Millions)

Rank	Agency	FY 2000 General Fund Appropriation	FY 2009 General Fund Appropriation	Percentage Increase
1	Supreme Court	$12.2	$31.7	159%
2	Indigent Defense Commission	16.8	43.1	157
3	Comprehensive Services for At-Risk Youth and Families	119.2	299.7	152
4	Personal Property Tax Relief Program	398.1	950.0	139
5	Treasury Board	197.8	452.0	129
6	Virginia School for the Deaf and Blind (Staunton)	5.6	11.0	96
7	Juvenile and Domestic Relations District Courts	39.4	75.9	92
8	Department of Military Affairs	5.9	10.2	74
9	Department of Medical Assistance Services	1,371.0	2,338.1	71
10	Combined District Courts	13.0	22.1	70
11	Magistrate System	16.3	27.5	68
12	Department of Corrections	626.5	1,000.8	60
13	Department of Taxation	54.8	87.9	60
14	Circuit Courts	64.5	101.6	57
15	General District Courts	61.0	95.6	57
16	Department of Education–Direct Aid to Education	3,618.8	5,607.6	55
17	Virginia State University	24.2	36.8	52
18	Longwood University	19.9	30.1	51
19	Department of Education–Central Office	35.4	52.1	47
20	Department of State Police	148.5	218.5	47

Note: Table based on agencies with general fund appropriations of at least $5 million in FY 2000.

Source: 2000 and 2009 Appropriation Acts.

low the 23 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, budget growth in government programs was also focused in a few large programs relating to three core activities of State government: health care, education, and transportation. Twelve of the top 20 programs fell into these core functions and accounted for two-thirds of Virginia's budget growth over the last ten years.

Chapter 1

Overview of Virginia's Budget Growth

In Summary

Over the last decade, Virginia's operating budget increased by 73 percent—46 percent in general funds and 103 percent in non-general funds. A variety of economic and policy factors contributed to this growth. With a population growth of ten percent over the last ten years, Virginia now has 664,100 more residents. Virginians saw a 51 percent increase in personal income over the period, although a 23 percent inflation rate also occurred. Three major State spending initiatives during the period (the revenue stabilization fund, personal property tax relief program, and use of general funds for transportation) had FY 2009 general fund appropriations totaling $1 billion—about six 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 non-general 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) 2009, Virginia's budget totaled $37.1 billion and included 156 agencies and 207 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. Eight prior JLARC reports reviewed spending and budget growth over different periods between FY 1981 and FY 2008. This report is the ninth in the series and focuses on trends during the past ten years, from FY 2000 through FY 2009.

As in the prior reports, the merits or adequacy of funding for governmental functions, agencies, or programs is not addressed. An inherent limitation in such trend analysis is that the analysis does not establish the appropriateness of the expenditure amount in either the base year or the end year. A rate of growth that might be appropriate for a program that was inadequately funded in the base year might, on the other hand, be excessive for a program that was adequately funded. However, long-term trends and factors that appear to underlie the trends are identified in this report. Of the numerous perspectives from which budget growth can be examined, this report considers key economic, policy, historical, and technical factors. The report 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 73 PERCENT BETWEEN FISCAL YEARS 2000 AND 2009

Bond Ratings

Virginia maintained a "AAA" rating from all three bond rating agencies throughout the 2000-2009 period under review. Only six other states had this high rating throughout the period.

Virginia's annual budget increased 73 percent between FY 2000 and FY 2009, growing from approximately $21.4 billion to $37 billion. This reflects a slightly slower growth rate than that noted in last year's *Review of State Spending* report; in comparison, the State's budget increased 80 percent between FY 1999 and FY 2008. The difference between the two ten-year periods results from a significant decrease (-$786 million) in the general fund budget from FY 2008 to FY 2009, and from the omission of the 11.3 percent general fund growth from FY 1999 to FY 2000. The average annual percentage growth in the budget between FY 2000 and FY 2009 was 6.4 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**
2000	$11,093	--	$10,276	--	$21,369	--
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
2009	16,192	-4.5	20,865	9.6	37,057	2.9
2000-2009		**46.0%**		**103.0%**		**73.4%**
Average Annual Change		4.5%		8.2%		6.4%

Source: Appropriation Acts.

The ten-year period under review includes the State's economic growth at the start of the 21st century, which is reflected in the double-digit growth in Virginia's general fund from FY 2000 to FY

2001. (General funds are not statutorily restricted and may be used for any of the general purposes of State government.) However, the nationwide recession in 2001 quickly affected Virginia's budget, as reflected in 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, 2006, and 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. However, this growth trend ended in FY 2008 when the effects of another nationwide recession resulted in a $73 million decline in the general fund budget. This decrease continued into FY 2009, which is reflected in the lowest growth rate of the decade under review—a 4.5 percent reduction in general fund appropriations.

An important change occurred during these years in the proportion of general and non-general funds in Virginia's budget. In the early years of the decade, general funds accounted for the majority of the budget. In FY 2000, for example, general funds accounted for about 52 percent of operating appropriations. Starting in FY 2003, however, non-general funds achieved majority funding status. By FY 2009, non-general funds accounted for 56 percent of operating appropriations, compared to just 44 percent for general funds. General funds are the funds that stem primarily from statewide taxes and are not dedicated or restricted to a particular use.

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 2009 than in 2000. 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 23 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 2000 through FY 2009, inflation increased 23 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 2000. Controlling for the effects of inflation, Virginia's total appropriations increased 41 percent over the period, instead of the unadjusted 73 percent (Table 2). Further, the general and non-general fund budgets increased 19 and 65 percent, respectively, after adjusting for inflation, compared to the unadjusted 46 and 103 percents.

Table 2: Effects of Inflation and Population Growth on Appropriations, FY 2000 to FY 2009

	10-Year Cumulative Percent Change		
	Overall	**General Fund**	**Non-General Fund**
Final Legislative Appropriations	73%	46%	103%
Inflation Adjusted	41	19	65
Per Capita Inflation Adjusted	28	8	50

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 2000 appropriations into FY 2009 dollars. For example, in order to keep up with inflation since 2000, an additional $920 million 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 109 percent over the ten-year period from FY 2000 to FY 2009, 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 46 percent over the period), the Medicaid budget increased 43 percent over the same period.

Virginia's Population Grew an Estimated Ten Percent

Virginia became more populous over the period under review. Statewide population increased an estimated ten percent, from 7.10 to 7.77 million between 2000 and 2008, 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 finances, both of which are indicators of the State's growth. (Note: Dollars are not adjusted for inflation.) Taking both inflation and population growth into account, Virginia's overall budget increased 28 percent over the period, and the general and non-general fund budgets grew eight and 50 percent, respectively. These effects are shown above in Table 2.

Table 3: Key Demographic and Economic Changes in Virginia, FY 2000 to FY 2009

Indicator	2000 (except as noted)	2009 (except as noted)	Percent Change
Population			
Total (estimated)	7,104,992	7,769,089 (2008)	10%
Ages 65 and over	795,592	940,577 (2008)	18
Ages five through 18	1,375,745	1,414,526 (2008)	3
Economy			
Inflation (Consumer Price Index)	174.6	214.5	23%
Total Employment in Virginia (Non-Farm, June)	3,560,500	3,654,800	3
Total State Personal Income	$220.8 billion	$333.1 billion (2008)	51
Average Home Sales Price (June)	$154,644	$218,174	41
Average Price Per Acre of Farm Land	$2,490 (2002)	$4,800	93
Total Taxable Property	$495.0 billion	$1,095.6 billion (2007)	121
Average Weekly Wages	$676	$953 (2008)	41
State Finance			
State Operating Budget	$21.4 billion	$37.1 billion	73%
State General Fund Budget	$11.1 billion	$16.2 billion	46
Maximum State Employment Level	111,215	116,492	5
Total Number of State Employees (salaried) [a]	105,783	103,248	-2
Average State Employee Salary	$33,293	$41,884	26
Taxable Sales	$68.7 billion	$92.0 billion (2007)	34

Note: Dollars not adjusted for inflation.

[a] Includes salaried faculty at institutions of higher education.

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

Based on Census Bureau findings, eight 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;
- New Kent County;
- King George County; and
- Spotsylvania County.

However, 33 localities (17 counties and 16 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 (65 years of age and over) increased eight percent more than the overall population between 2000 and 2008, according to the Census Bureau (Table 3). Over the same period, school-age population grew more slowly than the overall population.

Virginia Experienced Economic Growth 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 16th to 11th over the period. On an inflation-adjusted basis, personal income in Virginia rose 23 percent between 2000 and 2008 (the most recent year for which data is available), compared to personal income nationwide, which increased 17 percent. Controlling for population growth as well as inflation, per capita income in Virginia increased 12 percent over the period, compared to eight percent for the nation. By 2007 (the most recent year for which data is available), 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 also experienced growth in terms of its labor force over the last ten years. The statewide unemployment rate ranked 37th (14th lowest) among the United States in July 2009. Total employment in Virginia grew approximately three percent over the ten-year period under review, totaling 3.7 million employed in June 2009, according to the U.S. Bureau of Labor Statistics. Comparatively, nationwide employment actually decreased by six-tenths of a percent during the ten-year period, reflecting the nationwide recession in 2008 to 2009.

Job growth from 2000 to 2009 was strongest in Virginia's professional and business services sector, with a 12 percent increase in the number of service-providing jobs in the ten years ending in 2009. Virginia's manufacturing sector, on the other hand, saw a 35 percent decline in employment between 2000 and 2009. Virginia's share of the gross domestic product (GDP) also increased over the decade. When adjusted for inflation, Virginia's GDP increased 33 percent between 2000 and 2008, according to the U.S. Bureau of Economic Analysis. This growth compares favorably to the 18 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 over the last decade, 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 the adequacy and appropriateness of the base year budget and policy decisions to change programs, staffing, and 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. Furthermore, increases in agency budgets do not appear to result primarily from excessive salary increases. As displayed in Table 3 above, the average State employee salary increased 26 percent from 2000 to 2009, whereas inflation increased 23 percent—real growth of only three percent over ten years. Average state salary growth was less than the growth in State personal income per capita.

Table 4: Agency Workloads and Inflation-Adjusted Agency Budgets Do Not Always Move in Tandem (FY 2000 to FY 2009, Except as Noted)

Workload Indicator and Specific Budget	Percent Change
Elementary and Secondary Education Enrollment (average daily membership)	8%
Elementary and Secondary Instructional Personnel Positions	18
Department of Education–Direct Aid to Education Budget	44
4-Year Public Colleges & Universities:	
Enrollment (FTEs)	19
Mandatory Tuition & Fees (in-State, adjusted for inflation)	77
Instructional Faculty (FTEs) [a]	18
Budgets	48
Medicaid-Eligible Recipients	35
Children's Health Insurance Program Enrollment (SCHIP/FAMIS) [b]	377
Department of Medical Assistance Services (Medicaid) Budget, adjusted for medical care inflation	43
Registered Vehicles (through 2008)	19
Vehicular Mileage (through 2009)	2
Lane-Miles of State-Maintained Roads (through 2008)	3
Bridges Rated Deficient or Obsolete (through 2008)	-1
Department of Transportation Budget	22
Temporary Assistance to Needy Families (TANF), average monthly paid cases	-6
Department of Social Services–TANF Program Budget	-18
State-Responsible Inmate Population	24
Probation & Parole Caseload [c]	57
Department of Corrections Budget	20

[a] Data collected from higher education institutions by the State Council of Higher Education for Virginia.
[b] Program commenced in FY 2000.
[c] June 2000 total is generated from Department of Correction's VACCIS database system. June 2009 total is generated from a newer system known as VirginiaCORIS (implemented October 2008).

Source: Various State agencies and Appropriation Act data.

The inflation-adjusted budget for direct aid to education is an example of how an agency budget is affected by many factors. This budget grew 44 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 or other staff, with salaries that increase over time, 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). Some examples of policy decisions during this time period with an impact on State costs include

- funding for new standards for elementary resource teachers (physical education, art, music);

- funding of costs associated with providing a planning period for secondary teachers;
- correcting funding to cover the State share of costs for certain positions mistakenly dropped from State SOQ funding in the 1990s; and
- funding for more children to participate in the State's at-risk preschool program, the Virginia Preschool Initiative (VPI).

There are often other reasons for budget change embedded within workload and budget trends. In some cases, a program’s performance or funding 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 funding for elementary resource teachers 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 2000 and by FY 2009 had more than 96,000 children enrolled and a budget of $127 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 six 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 24 percent, whereas the agency’s budget grew by only 20 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 Growth in Virginia’s Budget

Federal funds accounted for $5.7 billion or 15.5 percent of Virginia’s FY 2009 budget of $37 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 $3.3 billion in federal funds (56 percent of all federal funds in Virginia's budget) and a total budget of $6.0 billion in FY 2009. 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. 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). In 2009, the federal American Reinvestment and Recovery Act (ARRA) provided states with a one-time increase in their Medicaid matching rate retroactive from October 1, 2008 through December 31, 2010. This action resulted in $369 million in enhanced Medicaid funding for Virginia in FY 2009. Furthermore, the ARRA provided $10.3 million in additional funding for early intervention services for certain young children.

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 2008, Virginia ranked second among the states in total federal spending per capita. In that year, the federal government spent $118.5 billion in Virginia (up from $103.1 billion in federal FY 2006), 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 $672 million since this program began in FY 2000. In FY 2009, the State received $91.4 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 Appropriations

State initiatives and policy choices also drive growth in the State’s budget. 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, the personal property tax relief program, and the use of general funds for transportation) had FY 2009 general fund appropriations totaling $1 billion—about six percent of the total general fund budget (Table 5). In FY 2000, a total of $639.6 million in general funds was appropriated to these three programs.

Table 5: Three Major Virginia Initiatives Totaled $1.0 Billion in General Funds in FY 2009

Initiative	FY 2000 General Fund Appropriation ($ Millions)	% of General Fund Budget (FY 2000)	FY 2009 General Fund Appropriation ($ Millions)	% of General Fund Budget (FY 2009)	% Change (FY 2000 - FY 2009)
Revenue Stabilization Fund	$194.1	1.8%	$21.3	0.1%	-89%
Personal Property Tax Relief	398.8	3.6	950.0	5.9	139
General Funds for Transportation	47.3	0.4	40.0	0.2	-16
Subtotal	**639.6**	**5.8**	**1,011.3**	**6.2**	**58**
Total General Fund Budget	**$11,093.4**		**$16,192.5**		**46%**

Source: 2000 and 2009 Appropriation Acts.

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. Over the past decade, withdrawals have been made from the fund five times—in FYs 2002, 2003, 2004, 2008, and 2009. 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. In FY 2009, $490 million was transferred out of the revenue stabilization fund and deposited into the general fund as part of the State's action to close the budget shortfall.

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 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, but in FY 2009 this appropriation was reduced to $40 million, as illustrated in Table 5.

NON-GENERAL FUND GROWTH AND A MULTIPLIER EFFECT ALSO HELPED INCREASE 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.

Non-General Funded Agencies

Twenty-two State agencies were funded entirely with non-general funds in FY 2009. Nine had an appropriation of less than $5 million. The largest were the Departments of Rail & Public Transportation, Alcoholic Beverage Control, and Motor Vehicles.

Some Non-General Funds Grew Faster Than the General Fund

A key reason for consistent growth in the State budget, even in FY 2002 and FY 2009 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 103 percent over the period, outpacing the 46 percent growth in the general fund. The annual non-general fund growth rate varied over a narrower range, from 3.9 percent in FY 2002 to a high of 12.3 percent in FY 2003, compared to the wider swing in the general fund, from a high of 12.7 percent

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

Fund Category	FY 2000	FY 2009	Percent Change
Dedicated Special Revenue	$137	$861	517%
Trust & Agency	486	1,966	305
Debt Service	108	261	141
Enterprise	399	941	136
Higher Education	2,489	5,518	122
Federal	3,028	5,732	89
Special	1,029	1,834	78
General	11,093	16,192	46
Highway Maintenance & Construction	2,597	3,751	44
Non-General Funds Total	**$10,275**	**$20,865**	**103%**
Total (All Funds)	**$21,369**	**$37,057**	**73%**

Note: Totals may not add due to rounding.

Source: 2000 and 2009 Appropriation Acts.

in FY 2007 to a decline of -4.5 percent in FY 2009 (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 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 most of the non-general fund categories exceeded the general fund's overall growth rate of 46 percent from FY 2000 to FY 2009. 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 517 percent to $861 million (two percent of the FY 2009 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 $1.96 billion (5.3 percent of the FY 2009 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 141 percent to $262 million (0.7 percent of the FY 2009 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 136 percent to $941 million (2.5 percent of the FY 2009 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 122 percent to $5.52 billion (14.9 percent of the FY 2009 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 $40,000 per year.
(Note: The average salary for State employees in 2009 was $41,884.)

Total salaries: 100 employees X $40,000 salary = $4,000,000

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
- $40,000 initial salary X 3% per year cost of living adjustment each year for 5 years = $46,371 (16% increase)

Total salaries (6 years later): 200 employees X $46,371 salary = $9,274,193 (132% increase)

The Multiplier Effect:

- 100% increase in the number of employees
- 16% 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 156 agencies) accounted for 84 percent of the entire State budget in FY 2009 and 88 percent of all budget growth between FYs 2000 and 2009. 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: 12 (of 207) programs in education, health care, and transportation accounted for about two-thirds 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 OCCURS IN A FEW STATE AGENCIES

Small Agencies

In FY 2009, 47 agencies had annual appropriations of less than $5 million, up from 41 agencies in FY 2008. The smallest was the $204,945 appropriation to the Chippokes Plantation Farm Foundation.

While the overall State budget (including general and non-general funds) grew 73 percent (unadjusted for inflation) between FY 2000 and FY 2009, a few large agencies dominated the budget throughout the period. With few exceptions, the largest agencies in FY 2000 in terms of appropriations were also the largest in FY 2009 (Tables 7 and 8, next two pages). Among the 20 largest agencies in FY 2000, two agencies—the Departments of Criminal Justice Services and Juvenile Justice—did not grow as fast as the others and were no longer among the 20 largest by FY 2009. As shown by the rank of each agency's total appropriation in FY 2000 (Table 7) and FY 2009 (Table 8), the largest agencies have remained consistent from one year to the next.

Two agencies appear among the 20 largest agency appropriations in FY 2009, which were not in the top 20 for FY 2000—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 ac-

Table 7: Largest Agency Appropriations, FY 2000

FY 2000 Rank	Agency	Appropriation FY 2000 ($ in Millions)	Percentage of State Budget
1	Department of Education–Direct Aid to Education	$4,025.2	19%
2	Department of Medical Assistance Services	2,862.6	13
3	Virginia Department of Transportation	2,400.9	11
4	Department of Social Services	1,121.7	5
5	University of Virginia (including Medical Center)	1,082.7	5
6	Department of Corrections	719.3	3
7	Department of Mental Health, Mental Retardation and Substance Abuse Services	713.5	3
8	Virginia Tech	518.4	2
9	Virginia Commonwealth University	500.6	2
10	Compensation Board	457.2	2
11	Virginia Community College System	441.7	2
12	Virginia Department of Health	410.4	2
13	Personal Property Tax Relief Program	398.1	2
14	Virginia Employment Commission	372.4	2
15	George Mason University	293.1	1
16	Department of Criminal Justice Services	264.0	1
17	Department of Alcoholic Beverage Control	252.0	1
18	James Madison University	211.8	1
19	Treasury Board	202.2	1
20	Department of Juvenile Justice	190.5	1
	Total, 20 Largest Agencies	**$17,438.2**	**82%**
	Total, All Operating Appropriations	**$21,369.0**	**100%**

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

Source: 2000 Appropriation Act (Chapter 1072).

tivities toward the end of the ten-year period. 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. However, the number of children who qualified for CSA services in FY 2009 was fewer than originally projected, which resulted in a general fund reduction of $7.7 million in FY 2009 to reflect the lower utilization of services.

One entity experienced considerable growth from FY 2000 to FY 2009. As illustrated in Tables 7 and 8, the personal property tax relief program (defined here as an agency), which began in 1999, ranked 13th in FY 2000 and is now the eighth largest recipient of State funding, representing three percent of the FY 2009 State budget (six percent of the general fund 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 2009. The Department of Medical Assistance Services

Table 8: Largest Agency Appropriations, FY 2009

FY 2009 Rank	Agency	Appropriation FY 2009 ($ in Millions)	Percentage of State Budget
1	Department of Education–Direct Aid to Education	$7,104.0	19%
2	Department of Medical Assistance Services	5,992.5	16
3	Virginia Department of Transportation	3,658.6	10
4	University of Virginia (including Medical Center)	2,065.9	5
5	Department of Social Services	1,797.8	5
6	Department of Corrections	1,059.0	3
7	Virginia Community College System	1,009.9	3
8	Personal Property Tax Relief Program	950.0	3
9	Department of Mental Health, Mental Retardation and Substance Abuse Services	947.0	3
10	Virginia Tech	943.9	3
11	Virginia Commonwealth University	871.7	2
12	Compensation Board	666.5	2
13	George Mason University	633.4	2
14	Virginia Department of Health	581.7	2
15	Virginia Employment Commission	580.2	2
16	Department of Rail & Public Transportation	556.0	2
17	Department of Alcoholic Beverage Control	498.0	1
18	Treasury Board	463.2	1
19	James Madison University	378.7	1
20	Comprehensive Services for At-Risk Youth and Families	353.3	1
	Total, 20 Largest Agencies	**$31,111.1**	**84%**
	Total, All Operating Appropriations	**$37,057.2**	**100%**

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

Source: 2009 Appropriation Act (Chapter 781).

(DMAS) and the Department of Transportation (VDOT) ranked second and third, respectively, throughout the period. The proportions of the total budget allocated to these two agencies also remained relatively stable over the last ten years, even though DMAS more than doubled in budget size over the period.

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 2009. The five largest agencies accounted for a total of 56 percent of Virginia's budget in FY 2009.

Twenty Agencies Accounted for 88 Percent of Virginia's Total Budget Growth From FY 2000 to FY 2009

Virginia's budget grew $15.7 billion between FY 2000 and FY 2009. The vast majority of this growth was concentrated in a handful of agencies; the 20 agencies shown in Table 9 (next page) accounted for 88 percent of this growth.

Table 9: Twenty Agencies With the Most Growth in Total Appropriations, FYs 2000-2009

Rank	Agency	Change in Total Appropriation ($ in Millions)	Percentage of Total Budget Growth
1	Department of Medical Assistance Services	$3,129.9	20%
2	Department of Education–Direct Aid to Education	3,078.8	20
3	Virginia Department of Transportation	1,257.7	8
4	University of Virginia (including Medical Center)	983.2	6
5	Department of Social Services	676.1	4
6	Virginia Community College System	568.3	4
7	Personal Property Tax Relief Program	551.9	4
8	Department of Rail & Public Transportation	437.2	3
9	Virginia Tech	425.5	3
10	Virginia Commonwealth University	371.1	2
11	George Mason University	340.2	2
12	Department of Corrections	339.8	2
13	Treasury Board	261.0	2
14	Department of Alcoholic Beverage Control	246.0	2
15	Department of Mental Health, Mental Retardation and Substance Abuse Services	233.5	1
16	Compensation Board	209.3	1
17	Virginia Employment Commission	207.8	1
18	Comprehensive Services for At-Risk Youth and Families	202.2	1
19	Virginia Department of Health	171.3	1
20	James Madison University	167.0	1
	Total for 20 Agencies With the Most Growth	**$13,857.6**	**88%**
	Total Operating Budget Growth, All Agencies	**$15,688.2**	**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 2000. Totals may not add due to rounding.

Source: 2000 and 2009 Appropriation Acts.

Budget growth was concentrated among the traditional core agencies of State government, along with the personal property tax relief program. Fifty-four 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 1999 to FY 2008.) Adding only three more agencies—the Department of Social Services, the Virginia Community College System (VCCS), and the personal property tax relief program—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 2009), and there is considerable overlap in the remaining 15 agencies in each table. The top three agencies in Table 9 each experienced 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 2000 and FY 2009. These six accounted for about $2.8 billion or 18 percent of the $15.7 billion increase across all State agencies. Second, the personal property tax relief program had the seventh largest increase in appropriation growth over the period. This program began in FY 1999 with a general fund appropriation of about $220 million, and increased to a capped total of $950 million in FY 2007 and has remained at this level.

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 2009, Virginia appropriated approximately $16.1 billion in general funds, which represented 44 percent of the State's 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 2000 and FY 2009. The ten agencies that each received more than $100 million in new general funds during the period accounted for 96 percent of all general fund growth. The 20 agencies with the most growth in general fund appropriations (13 percent of all State agencies) actually exceeded the total general fund growth over the period (Table 10, next page), offset in part by 14 agencies (among those with an appropriation of at least $5 million in FY 2000) whose general fund appropriation decreased or remained flat from FY 2000 to FY 2009. These 14 agencies are listed in Table 12 along with those whose general fund appropriation grew more slowly than inflation.

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 76 percent of all general fund growth during the period. Direct Aid to Education accounted for 39 percent of State general fund budget growth. DMAS, ranking second on the list, accounted for 19 per-

Table 10: Agencies With the Most General Fund Growth, FY 2000 to FY 2009 ($ in Millions)

Rank	Agency	Growth in Total Appropriations ($ in Millions)	Percent of GF Budget Growth
1	Department of Education–Direct Aid to Education	$1,988.8	39%
2	Department of Medical Assistance Services	967.0	19
3	Personal Property Tax Relief Program	551.9	11
4	Department of Corrections	374.3	7
5	Treasury Board	254.2	5
6	Compensation Board	195.7	4
7	Comprehensive Services for At-Risk Youth and Families	180.6	4
8	Department of Mental Health, Mental Retardation and Substance Abuse Services	163.3	3
9	Department of Social Services	117.8	2
10	Virginia Community College System	112.7	2
11	Department of State Police	70.1	1
12	Virginia Commonwealth University	40.8	1
13	Circuit Court	37.1	1
14	Juvenile and Domestic Relations District Courts	36.4	1
15	George Mason University	36.4	1
16	General District Courts	34.7	1
17	Department of Taxation	33.1	1
18	Old Dominion University	32.1	1
19	Virginia Department of Health	31.2	1
20	Indigent Defense Commission	26.3	1
	Total for 20 Agencies With the Most General Fund Growth	**$5,284.6**	**106.0%**
	Total General Fund Operating Budget Growth[a]	**$5,099.1**	

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 2000. Totals may not add due to rounding.

[a] Total general fund growth is less than the growth for these 20 agencies because 14 other agencies' general fund appropriation either decreased or remained flat from FY 2000 to FY 2009.

Source: 2000 and 2009 Appropriation Acts.

cent of all general fund growth during the period. In FY 2009, DMAS received about 39 percent of its funding from the general fund, in comparison with the Direct Aid to Education budget, which received 78 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 into VDOT reflect policy initiatives that began during the period under review. 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 2000 to FY 2009 despite the fact that the program was capped at a $950 million appropriation in FY 2007. 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 $47.3 million in FY 2000, reaching a peak of $642.7 million in FY 2007. However, VDOT's FY 2008 general fund budget dropped to $149.8 million, not including the $500 million appropriated on a one-time basis in FY 2007 and used for transportation initiatives. VDOT's FY 2009 general budget declined even further to $40 million. 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), and does not appear in Table 10 above since the agency actually experienced an overall decrease in general funds from FY 2000 to FY 2009 ($47.3 million to $40 million respectively).

Table 10 also includes five State agencies that were not included among the top 20 agencies with the most general fund growth from FY 1999 to FY 2008 (see the JLARC report *Review of State Spending: 2008 Update*):

- Circuit Courts;
- Juvenile and Domestic Relations District Courts;
- General District Courts;
- Department of Taxation; and
- Indigent Defense Commission.

Criminal Fund

In FY 2009, approximately $107 million in general funds was appropriated for Virginia's Criminal Fund, which is used to cover costs related to indigent defendants. Five agencies in Virginia's judicial branch received an appropriation for the Criminal Fund in FY 2009:

1. Circuit Court $59.2 million
2. Juvenile & Domestic Relations District Courts $23.1 million
3. General District Courts $14.0 million
4. Combined District Courts $6.5 million
5. Supreme Court $4.2 million

All of these agencies experienced an increase in their general fund appropriation from FY 2008 to FY 2009. Specifically, in FY 2009, the Circuit Court, Juvenile and Domestic Relations District Courts, and General District Courts each received an increase in their general fund appropriation for the Criminal Fund, which is divided among six judicial State agencies and is used to cover costs related to indigent defendants. The Circuit Court, Juvenile and Domestic Relations District Courts, and General District Courts received an additional $14.1 million in FY 2009 for this purpose. In addition to the growth in the Criminal Fund, these three agencies also received additional general funds for managing judicial activities. Accordingly, the Circuit Court, Juvenile and Domestic Relations District Courts, and General District Courts received an additional $22.8 million in FY 2009, which was not included in their FY 2008 appropriation.

The Department of Taxation appears in Table 10 this year due to an increase in general funds of $33.1 million from FY 2000 to FY 2009, whereas it experienced a decrease of $26.3 million from FY 1999 to FY 2008. This decline in general funds was 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 2000, funding was no longer needed for this purpose. If this settlement funding is removed from the agency's FY 1999 budget, the department's budget actually grew 72 percent from FY 1999 to FY 2008. Because the period from FY 2000 to FY 2009 no longer includes the settlement funding, the department's general funds grew over this period.

In addition to the three agencies with the greatest general fund budget growth listed in Table 10, two other agency groups deserve mention. Four of the 20 largest general fund growth agencies are in higher education, including the Virginia Community College System, Virginia Commonwealth University, George Mason University, and Old Dominion University. Further, three 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), and the Department of State Police.

General Fund Appropriation Growth in Agencies Reflects Policy Initiatives. There were 20 agencies that had general fund growth rates that exceeded the general fund growth rate of 46 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, the Department of Transportation, the third largest item in the State budget, actually experienced a 15 percent decrease in its general fund appropriation from FY 2000 to FY 2009.

Once again, the Supreme Court experienced the largest growth in general fund appropriations from FY 2000 to FY 2009 (159 percent). In FY 2009, the Supreme Court received an additional $4.2 million in general funds for the Criminal Fund.

The second entity in Table 11 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.

As mentioned above, CSA (ranked third in Table 11) had an increase in its general fund appropriation in FY 2009 due to expected increases in caseload and program costs. This increase resulted in a growth rate of 152 percent, greatly exceeding that of the overall general fund (46 percent) over the ten-year period.

Table 11: Agencies With General Fund Growth Rates Exceeding the Overall General Fund Growth Rate of 46 Percent, FY 2000 to FY 2009 ($ in Millions)

Rank	Agency	FY 2000 General Fund Appropriation	FY 2009 General Fund Appropriation	Percentage Increase
1	Supreme Court	$12.2	$31.7	159%
2	Indigent Defense Commission	16.8	43.1	157
3	Comprehensive Services for At-Risk Youth and Families	119.2	299.7	152
4	Personal Property Tax Relief Program	398.1	950.0	139
5	Treasury Board	197.8	452.0	129
6	Virginia School for the Deaf and Blind (Staunton)	5.6	11.0	96
7	Juvenile and Domestic Relations District Courts	39.4	75.9	92
8	Department of Military Affairs	5.9	10.2	74
9	Department of Medical Assistance Services	1,371.0	2,338.1	71
10	Combined District Courts	13.0	22.1	70
11	Magistrate System	16.3	27.5	68
12	Department of Corrections	626.5	1,000.8	60
13	Department of Taxation	54.8	87.9	60
14	Circuit Court	64.5	101.6	57
15	General District Courts	61.0	95.6	57
16	Department of Education–Direct Aid to Education	3,618.8	5,607.6	55
17	Virginia State University	24.2	36.8	52
18	Longwood University	19.9	30.1	51
19	Department of Education–Central Office	35.4	52.1	47
20	Department of State Police	148.5	218.5	47

Note: Table based on agencies with general fund appropriations of at least $5 million in FY 2000. General fund appropriations in the State budget increased 46 percent between FY 2000 and FY 2009.

Source: 2000 and 2009 Appropriation Acts.

The personal property tax relief program also reflects a policy initiative during the ten-year period and ranked fourth among State agencies with the highest percentage of general fund growth. Growth in this program was discussed in more detail above. In addition, growth in the Treasury Board's general fund appropriation (ranked fifth in Table 11) stems from the State's increasing use of bonded debt and re-funding to take advantage of improved interest rates.

The budget of the Virginia School for the Deaf and Blind (ranked 6th in Table 11) increased as a result of closing the Hampton campus and consolidating functions at the Staunton location. In addition, as noted above, the circuit and district courts received sizable increases in their general fund appropriation from FY 2008 to FY 2009. As a result of these increases, these State agencies also had general fund growth rates that exceeded the overall general fund growth rate of 46 percent.

General Funds in Several Agencies Grew More Slowly Than Inflation or Declined Over the Last Ten Years

While some agencies saw their general fund appropriations grow at above-average rates, 28 agencies—out of 73 agencies with more than $5 million in general fund appropriations in FY 2000—had general fund appropriations that grew more slowly than the 23 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:

The Department of Conservation and Recreation (DCR) had general fund growth of just ten percent, but its overall budget grew 107 percent, well above inflation (23 percent), once all non-general funds are included. In FY 2000, DCR's budget did not include dedicated special revenue. However, by FY 2009, their budget contained $29.6 million of such funding, which is obtained from specific fees, taxes, licenses, permits, and assessments that are the sole source of support for the activities and services provided. In addition, DCR's special revenue (also generated through taxes and fees) increased from $6.6 million to $25.2 million, and federal funding increased from $8 million to $15.8 million over the ten-year period.

* * *

The Virginia Department for the Blind and Vision Impaired (VDBVI) saw overall budget growth of 127 percent, although its general fund appropriation grew just six percent. Most of this difference resulted from an increase in enterprise funds from $6.3 million in FY 2000 to $24.0 million in FY 2009. 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 vision-impaired 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 $5.9 million to $11.8 million over the ten-year period.

* * *

Table 12: Agencies Whose General Fund Appropriation Grew More Slowly Than Inflation or Decreased from FY 2000 to FY 2009 ($ in Millions)

Agency	FY 2000 General Fund Appropriation	FY 2009 General Fund Appropriation	Percentage Change
Marine Resources Commission	$8.7	$10.1	16%
Department of Labor & Industry	7.0	8.0	15
Department of Mines, Minerals & Energy	10.5	12.1	15
Virginia Cooperative Extension and Agricultural Experiment Station (VPI)	56.2	64.7	15
Department of Juvenile Justice	185.3	207.7	12
Virginia Museum of Fine Arts	7.9	8.9	12
Department of Rehabilitative Services	30.5	33.8	11
College of William and Mary	62.3	68.8	10
Department of Conservation & Recreation	41.6	45.8	10
Department of Criminal Justice Services	220.4	238.2	8
Eastern Virginia Medical School	15.4	16.6	8
Department for the Blind and Vision Impaired	6.4	6.8	6
Virginia Tech	183.3	191.4	4
The Library of Virginia	30.0	30.3	1
Jamestown-Yorktown Foundation	7.6	7.6	0
University of Virginia (including Medical Center)	163.7	166.4	<1
Department of Housing & Community Development	42.1	40.8	-3
State Board of Elections	11.1	10.8	-3
Virginia Military Institute	14.7	13.8	-6
Department of Transportation	47.3	40.0	-15
Department of Accounts	82.0	67.1	-18
Department of General Services	29.0	23.2	-20
Virginia Tourism Authority	18.1	13.7	-24
Virginia Economic Development Partnership	21.5	16.1	-25
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	6.1	3.6	-42
Department of Business Assistance	19.8	10.6	-47
Department of Environmental Quality	86.4	41.3	-52
Innovative Technology Authority	13.2	5.3	-60

Note: Table based on agencies with general fund appropriations of at least $5 million in FY 2000. The inflation rate was 23 percent between FY 2000 and FY 2009.

Source: 2000 and 2009 Appropriation Acts.

The University of Virginia (UVA) (including the Medical Center) experienced overall budget growth of 91 percent from FY 2000 to FY 2009, well above the 23 percent rate of inflation over the period. However, its general fund appropriation only increased by 0.1 percent. The university's non-general fund appropriation more than doubled over the period, increasing from $911 million to nearly $1.9 billion. Specifically, UVA's higher education operating fund appropriation increased from $895 million to $1.8 billion (104 percent) over the ten-year period.

* * *

The Department of Environmental Quality (DEQ) experienced a 52 percent decline in their general fund appropriation from FY 2000 to FY 2009. However, the composition of DEQ's budget also changed significantly over this ten-year period. In FY 2000, the majority of DEQ's budget (53 percent) was made up of general funds, and this decreased to 19 percent by FY 2009. In FY 2009, 35 percent of DEQ's budget was comprised of dedicated special revenue, which was received from sources that benefited from the services rendered by the agency. Comparatively, only six percent of DEQ's FY 2000 budget was made up of dedicated special revenue. Therefore, despite the decrease in DEQ's general fund budget over the ten-year period, their overall budget (including non-general funds) increased by 35 percent.

Other agencies in Table 12 did not, however, see much growth in their non-general fund appropriations. For example, the Department of Juvenile Justice had total budget growth of 13 percent over the period, which was just above its 12 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 33 percent decline over the ten-year period in the average daily population of State-responsible juvenile offenders.

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 seven broad government functions plus capital expenditures. 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. In FY 2009, Virginia's budget of $37 billion included 207 programs.

Like growth in State agencies, most of the growth in budget programs over the ten-year period from FY 2000 to FY 2009 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 13 were also among the top 20 with the largest growth from FY 1999 to FY 2008. Approximately 80 percent of all budget growth during the period occurred in just 20 of the programs listed in the

Table 13: Twenty Largest Program Increases in Total Appropriations, FY 2000 to FY 2009

Rank	Program	Change in Appropriations ($ in Millions)	Percentage of Total Budget Growth
1	Medical Program Services (Medicaid)	$2,901.1	18%
2	Financial Assistance for Public Education (SOQ)	2,421.9[a]	15
3	Higher Education: Education & General Programs	1,530.1	10
4	State Health Services	896.4	6
5	Higher Education: Financial Assistance for Education & General Programs	623.8	4
6	Highway System Maintenance	559.0	4
7	Higher Education: Auxiliary Services	554.6	4
8	Child Support Enforcement Services	349.4	2
9	Bond & Loan Retirement & Redemption	258.3	2
10	Higher Education Student Financial Assistance	248.2	2
11	Alcoholic Beverage Merchandising	247.4	2
12	Financial Assistance for Local Social Services Staff	236.5	2
13	Highway System Acquisition & Construction	215.4	1
14	Financial Assistance: Self Sufficiency Programs (TANF)	152.9	1
15	Financial Assistance: Public Transportation	152.7	1
16	Protective Services	149.9	1
17	Financial Assistance to Localities for Ground Transportation	144.4	1
18	Investment, Trust, and Insurance Services	137.1	1
19	Pre-Trial, Trial, Appellate Processes	118.4	1
20	Personnel Management Services (State Employees' Health Plan, etc.)	94.0	1
	Total for 20 Programs With the Most Growth	**$11,991.6**	**79%**
	Total Budget Growth	**$15,688.2**	**100%**

[a] This change in appropriations is based on total dollars in the funding accounts identified as part of SOQ funding in FY 2009 (totaling $5.628 billion) minus total dollars in corresponding funding accounts from FY 2000 (totaling $3.207 billion).

Note: Not adjusted for inflation. Includes operating appropriations only, programs funded for $5 million or more in FY 2000 that were also funded in FY 2009, 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 eighth with $551.9 million in growth, accounting for four percent of all budget growth over the ten-year period.

Source: 2000 and 2009 Appropriation Acts.

FY 2000 and FY 2009 budgets. Twelve of these 20 fell into three core functions and account for two-thirds of Virginia's budget growth over the last ten years.

Five education programs accounted for $5.4 billion or 35 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 25 percent of all budget growth: Medicaid, which experienced the 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 personnel management services for the State employees' health care plan.

Finally, four transportation programs also appear among the 20 largest program increases: highway system maintenance, highway system acquisition and construction, financial assistance for public transportation, and financial assistance to localities for ground transportation (which principally includes payments to cities and two counties for road maintenance). Changes in these transportation programs totaled $1.1 billion, or seven 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, agencies in the Agriculture and Forestry secretariat experienced an increase of $22.1 million in their total appropriation. Secretarial budgets have varied as agencies and programs have moved between secretaries.

Table 14 shows the growth in the budgets by secretarial area. 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 78 percent of the appropriations growth in the health and human services secretariat, and the three transportation-related programs in Table 13 explained 52 percent of budget growth in the transportation secretariat.

Table 14: Budget Growth by Secretarial Area, FY 2000 to FY 2009

Rank	Secretarial Area	Change in Total Appropriations ($ in Millions)	Percentage of Total Budget Growth
1	Education	$6,673.2	39.8%
2	Health and Human Resources	4,966.6	31.8
3	Transportation	1,782.1	11.5
4	Public Safety	886.7	6.2
5	Administration	460.6	2.8
6	Commerce and Trade	230.8	1.5
7	Finance	172.9	1.7
8	Natural Resources	148.9	0.5
9	Technology	44.3	0.3
10	Agriculture and Forestry	22.1	0.1
	Total for Secretarial Areas	**$15,388.1**	**98.0%**
	Total Budget Growth	**$15,688.2**	**100.0%**

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: 2000 and 2009 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 on JLARC's website (http://jlarc.virginia.gov), clicking on "Fiscal Analysis" and then selecting "Fiscal Analysis Datasets" on the right side of the webpage.

DOCUMENT REVIEW

JLARC staff utilized a variety of documents for this review. These included Appropriation Acts from FY 2000 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 2000 to the present. Agency-specific and program-specific studies and documents were also 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.

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 sufficient revenues are available to pay all appropriations in full. A non-general funded program or agency must have both an appropriation and sufficient cash 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 Appropriations Act are not included. The Appropriations Act authorizes the Governor, under certain conditions, to make limited adjustments to appropriations.

Expenditures

Expenditures are actual amounts spent or transferred by State agencies and certified by the Department of Accounts. 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 seven 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 2009 Appropriation Act (Chapter 781) provided funding to entities identified by 189 unique agency codes, and the Department of Planning and Budget assigned 207 agencies to its budget analysts in 2009. 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 189 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 2009

Unique Agency Codes in 2009 Appropriation Act	189
Codes assigned to DMHMRSAS Facilities & Programs	5
Codes assigned to UVA Academic Division (207), Medical Center (209), and UVA at Wise (246)	3
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])	**156**

[a] There were 23 agency codes in FY 2009 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 2009.
[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).

Note: Total number of State agencies is calculated by subtracting the number of codes assigned from the number of unique agency codes, ensuring that the principal agency is correctly counted—e.g., from 189, subtract 5 for DMHMRSAS facilities and programs, and add back 1 for the overall agency.

Source: 2009 Appropriation Act (Chapter 781); Department of Planning and Budget.

This process identified 156 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, and the Magistrate System, as separate agencies, as does the Appropriation Act.

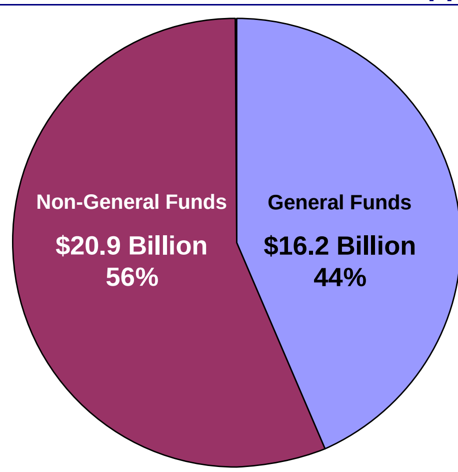
Similar to the Appropriation Act, this report treats the personal property tax relief program as a separate agency. The size of this item ($950 million) is larger than all but six agencies, and thus, warrants such treatment and permits it to be compared to other State spending priorities. Other entities 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 44 and 56 percent, respectively, of the FY 2009 Virginia budget. 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 2009 General and Non-General Fund Appropriations



Total = $37.1 Billion

Source: 2009 Appropriation Act.

Appendix D

Ten Largest Annual General Fund Increases, 2000–2009

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 off-sets vary from year to year.

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

Ten Largest Increases in 2008-2010 Budget Made by 2009 General Assembly

Source: Analysis of "Summary of 2008-2010 Budget Actions" (2009 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

Rank	Agency	Program	General Fund
1.	DMAS	Add Funding for Medicaid Utilization and Inflation	$451.7
2.	Treasury Board	Provide Debt Service on Proposed New Debt	14.7
3.	Compensation Board	Restoration of Constitutional Officer Funding Reductions	14.3
4.	Colleges and Universities	Provide Additional Student Financial Aid for All Institutions	10.0
5.	Circuit Courts	Provide Additional Funding for the Criminal Fund	8.8
6.	DMAS	Fund FAMIS Utilization and Inflation	8.4
7.	Colleges and Universities	Increase Interest Earnings & Credit Card Rebate (Central Accounts)	8.3
8.	Central Appropriations	Add Funding for Interest Earnings and Credit Card Rebates for Institutions of Higher Education	8.3
9.	Public Education	Correct Special Education Data	6.8
10.	DMAS	Adjust Funding for the Virginia Health Care Fund	6.7
	Subtotal, Ten Largest		$538.0
	Total of All General Fund Adjustments, 2009 Session		$614.5
	Ten Largest as a Percentage of Total		88%

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

Source: Analysis of "Summary of 2006-2008 Budget Actions" (2008 Session) 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" (2007 Session) 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" (2006 Session) 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 "Summary of 2004-2006 Budget Actions" (2006 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

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: Analysis of "Summary of 2004-2006 Budget Actions" (2005 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

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	163.9
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	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: Analysis of "Summary of 2004-2006 Budget Actions" (2004 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

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: Analysis of "Summary of 2002-2004 Budget Actions" (2003 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

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: Analysis of "Summary of 2002-2004 Budget Actions" (2002 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

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: Analysis of “Summary of 2000-2002 Budget Actions” (2000 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

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%

Appendix E

State Expenditures by Governmental Function Including Capital
$ 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
2009	12,428	2,618	11,960	983	4,099	4,031	2,008	1,898	40,025

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 2009 data.

Appendix **F**

Final Legislative Operating Appropriations by Fund

$ in Millions, Unadjusted for Inflation

Fiscal Year	Total	General	Special Revenue	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
2009	37,057	16,192	1,834	5,518	3,751	941	1,966	261	861	5,732	20,865

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	Finance	Commerce & Resources	Econ. Dev./ Commerce & Trade	Natural Resources	Agriculture & Forestry	Education	Health & Human Resources	Transportation & Public Safety	Transportation	Public Safety	Technology*
1981	$182			$110				$2,211	$1,449		$1,072	$455	
1982	182			107				2,378	1,500		1,064	490	
1983	223			124				2,665	1,576		1,049	580	
1984	217			131				2,918	1,677		1,080	594	
1985		$203	$91	472				3,214	1,586	$1,750			
1986		209	89	485				3,552	1,691	1,873			
1987		247	103		$446	$82		4,013	1,844	2,261			
1988		253	107		450	84		4,240	1,927	2,584			
1989		313	120		543	125		4,721	2,355	2,814			
1990		327	126		552	161		5,051	2,560	2,738			
1991		363	137		522	160		5,271	2,957		1,783	987	
1992		343	143		524	172		5,317	3,220		1,769	1,005	
1993		366	152		602	174		5,721	3,620		1,892	1,003	
1994		379	196		555	181		5,954	3,828		2,077	1,038	
1995		402	318		611	153		6,497	4,083		2,148	1,126	
1996		403	328		634	196		6,727	4,150		2,121	1,186	
1997		426	403		614	178		6,747	4,397		2,188	1,280	
1998		453	423		639	208		7,042	4,504		2,358	1,348	
1999		499	527		670	265		7,908	4,811		2,855	1,519	$17
2000		530	574		668	275		8,325	5,360		2,751	1,690	19
2001		596	555		720	288		8,780	5,830		3,222	1,928	20
2002		578	659		713	246		8,968	6,079		3,034	1,911	22
2003		708	468		737	254		9,553	6,752		2,955	1,898	64
2004		701	564		736	254		9,970	7,131		3,404	1,899	43
2005		786	631		866	312	$0.1	11,205	7,984		3,697	2,042	45
2006		779	1,106		864	445	0.1	12,054	8,409		4,408	2,149	44
2007		873	662		849	543	87	13,658	9,009		4,918	2,402	66
2008		940	794		852	345	82	14,178	9,551		4,706	2,506	63
2009		977	746		833	422	87	14,846	9,988		4,534	2,577	58

* Does not include the costs of computer and telecommunications services, which are funded in individual agency budgets.

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 2009

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	$310.3
Virginia Department of Health	State Health Services (local health departments)	79.9
Department of Accounts	General Financial Assistance to Localities (599 & taxes)	71.5
Department of Environmental Quality	Environmental Financial Assistance	55.7
Virginia Information Technology Agency	Financial Assistance for Emergency Communications Systems	43.8
Total, Top 5		***$561.3***
Top 5 as Percentage of This Non-General Fund		*65%*

Debt Service Funds

Agency	Programmatic Purpose	$ in Millions
VDOT	Commonwealth Toll Facilities	$87.1
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	17.1
James Madison University	Higher Education Auxiliary Enterprises	16.2
Total, Top 5		***$157.2***
Top 5 as Percentage of This Non-General Fund		*60%*

Trust & Agency Funds

Agency	Programmatic Purpose	$ in Millions
Direct Aid to Education	Financial Assistance for Public Education (SOQ)	$659.3
Virginia Employment Commission	Workforce Systems Services (Unemployment Benefits, Job Placement Services, etc.)	576.6
VDOT	Highway System Acquisition and Construction	232.6
VDOT	Non-Toll Supported Debt Service (FRANS, Transportation Improvement District debt)	187.4
Central Appropriations	Distribution of Tobacco Settlement	91.4
Total, Top 5		***$1,747.3***
Top 5 as Percentage of This Non-General Fund		*89%*

Enterprise Funds

Agency	Programmatic Purpose	$ in Millions
Department of Alcoholic Beverage Control	ABC Merchandising	$480.5
DHRM Administration of Health Insurance	Personnel Management Services (Health Benefits Administration)	165.0
Virginia College Savings Plan	Investment Services	131.2
State Lottery Department	Lottery Operations	80.0
Department for the Blind & Vision Impaired	Rehabilitative Industries Operations	21.3
Total, Top 5		***$877.9***
Top 5 as Percentage of This Non-General Fund		*93%*

Higher Education Operating Funds

Agency	Programmatic Purpose	$ in Millions
University of Virginia Medical Center	State Health Services	$1,052.3
Virginia Community College System	Educational & General Programs (Instruction, Research Public Services, Student Services, etc.)	353.2
University of Virginia Academic Division	Educational & General Programs (Instruction, Research Public Services, Student Services, etc.)	327.4
Virginia Tech	Educational & General Programs (Instruction, Research Public Services, Student Services, etc.)	309.0
Virginia Commonwealth University	Educational & General Programs (Instruction, Research Public Services, Student Services, etc.)	276.7
Total, Top 5		***$2,318.6***
Top 5 as Percentage of This Non-General Fund		*42%*

Federal Funds		
Agency	**Programmatic Purpose**	**$ in Millions**
Department of Medical Assistance Services	Medicaid Services	$3,120.4
Department of Education: Direct Aid to Education	Federal Education Assistance	834.1
Department of Social Services	Financial Assistance for Local Social Services Staff (Eligibility Determination, Social Work Services)	243.2
Department of Social Services	Financial Assistance for Self-Sufficiency Programs (TANF, etc.)	184.1
Department of Medical Assistance Services	Children's Health Insurance Program Delivery	82.5
Total, Top 5		***$4,464.3***
Top 5 as Percentage of This Non-General Fund		*78%*

Commonwealth Transportation (Highway Maintenance & Construction) Funds		
Agency	**Programmatic Purpose**	**$ in Millions**
VDOT	Highway System Maintenance & Operations	$1,327.6
VDOT	Highway System Acquisition & Construction	1,248.2
VDOT	Financial Assistance to Localities for Ground Transportation	351.9
Department of Rail & Public Transportation	Financial Assistance for Public Transportation	261.0
VDOT	Administration & Support Services	241.6
Total, Top 5		***$3,430.3***
Top 5 as Percentage of This Non-General Fund		*91%*

Special Revenue		
Agency	**Programmatic Purpose**	**$ in Millions**
Department of Social Services	Child Support Enforcement Services	$687.0
DMHMRSAS	State Health Services	200.4
Department of Rail & Public Transportation	Public Transportation System Acquisition & Construction (Dulles Corridor Metrorail Project)	158.6
Department of Health	Community Health Services	99.2
DMHMRSAS	Facility Administration & Support Services	85.5
Total, Top 5		***$1,230.6***
Top 5 as Percentage of This Non-General Fund		*67%*

Source: Chapter 781 data from Department of Planning & Budget (2009 Appropriation Act).

JLARC Staff

Executive Staff

Philip A. Leone, Director
Glen S. Tittermary, Deputy Director

Division Chiefs

Robert B. Rotz, Senior Division Chief
Harold E. Greer III, Division Chief

Section Managers

Paula C. Lambert, Fiscal & Administrative Services
Gregory J. Rest, Research Methods
Walter L. Smiley, Fiscal Analysis

Project Leaders

Aris W. Bearse
Justin C. Brown
Ashley S. Colvin
Martha L. Erwin
Eric H. Messick
Nathalie Molliet-Ribet
Kimberly A. Sarte

Project Staff

Janice G. Baab
Jamie S. Bitz
Jennifer K. Breidenbaugh
Mark R. Gribbin
Bradley B. Marsh
Ellen J. Miller
Stefanie R. Papps
David A. Reynolds
Tracey R. Smith
Shannon M. White
Massey S. J. Whorley
Christine D. Wolfe

Administrative and Research Support Staff

Joan M. Irby
Betsy M. Jackson

Recent JLARC Reports

2009 Reports

384. Evaluation of HB 2337: Addendum to 2008 Evaluation of HB 615 and HB 669, Mandated Coverage of Amino-Acid Based Formulas
385. Evaluation of HB 2191 and SB 1458: Mandated Coverage of Telehealth Services
386. Semi-Annual VRS Investment Report No. 32
387. Review of Department of General Services Internal Service Funds
388. Assessment of Services for Virginians With Autism Spectrum Disorders
389. 2009 Report to the General Assembly
390. Impact of eVA on Small Virginia Businesses
391. Review of Exemptions to the Virginia Administrative Process Act

These reports are available on the JLARC website at http://jlarc.virginia.gov

Joint Legislative Audit and Review Commission
Suite 1100
General Assembly Building
Capitol Square
Richmond, Virginia 23219
804-786-1258 Fax 804-371-0101
http://jlarc.virginia.gov