

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

COMMISSION DRAFT

**Review of
State Spending:
2006 Update**

December 11, 2006

In Brief

State Spending Report: 2006 Update

Section 30-58.3 of the *Code of Virginia* requires JLARC staff to develop an annual report on State spending growth over the prior ten years. This report reviews the time period from fiscal year (FY) 1997 through FY 2006.

Over the past decade, Virginia's operating budget grew 87 percent, growing from \$17.1 billion in FY 1997 to \$32.0 billion. When adjusted for inflation, the budget increased by 48 percent. When adjusted for inflation and population growth, the budget increased 25 percent, an average annual increase of three percent.

The decade under review includes the economic boom years of the late 1990s, reflected in three consecutive years of double-digit growth in Virginia's general fund revenues. The decade also includes the downturn of FY 2002, when the general fund decreased 2.2 percent.

A variety of factors influence State spending, including economic conditions, federal mandates, State initiatives, and policy choices.

Budget growth is highly concentrated in the largest State agencies and programs, which tend also to be the traditional core activities of the State. Twenty out of the 150 State agencies accounted for 85 percent of all budget growth. Three agencies (the Departments of Education, Transportation, and Medical Assistance Services) accounted for 64 percent of the \$6.1 billion growth in general funds over the period.

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Commission Draft

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Joint Legislative Audit and Review Commission

December 11, 2006

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JLARC Report Summary:

Review of State Spending: 2006 Update

Key Findings

- Over the past decade, Virginia's operating budget has increased 87 percent. (Chapter 1)
- Adjusting for the effects of inflation (which increased 27 percent between 1997 and 2006) and population growth (Virginia's population grew 14 percent over the period), the budget increased by 25 percent, an average annual increase of three percent. (Chapter 1)
- Budget growth is concentrated in a few State agencies and programs. Three agencies accounted for 60 percent of the total growth: the Departments of Medical Assistance Services, Transportation, and Education. (Chapter 2)
- General Fund budget growth was also dominated by a few large agencies. The 20 agencies with the most general fund appropriation growth accounted for 95 percent of all such growth over the period. (Chapter 2)

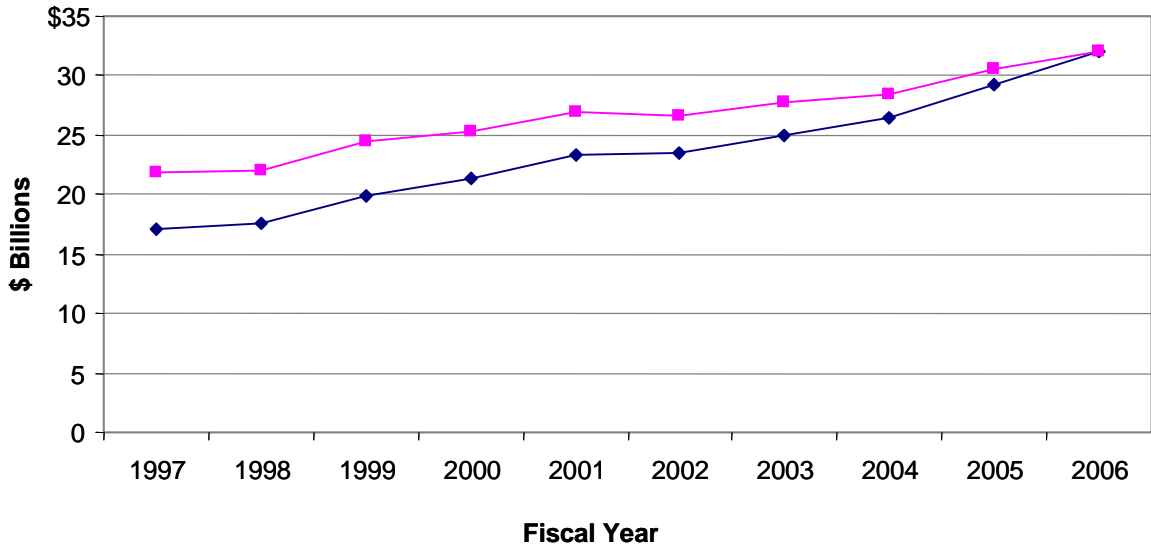
Section 30-58.3 of the *Code of Virginia* requires the Joint Legislative Audit and Review Commission (JLARC) to develop an annual report on State spending growth, and to identify the largest and fastest growing functions and programs in the State budget. This report is the sixth in JLARC's series on State spending. The first five reports reviewed spending and budget growth over varying periods between fiscal year (FY) 1981 and FY 2005. This report focuses on trends during the last five biennia, or the period from FY 1997 through FY 2006.

VIRGINIA'S BUDGET HAS INCREASED SINCE 1997

Virginia's annual operating budget increased 87 percent from FY 1997 to FY 2006, growing from \$17.1 billion to \$32.0 billion (see figure, next page). Average annual growth in the budget was seven percent. Adjusting for inflation, the operating budget increased by 48 percent, or 4.4 percent per year, on average.

While inflation explains some of the growth in the budget over this period, population growth is also part of the explanation because an estimated 911,000 more people were paying taxes and using State services in 2006 than in 1997. After controlling for the effects of inflation and population growth, Virginia's total appropriations increased by 25 percent between FY 1997 and FY 2006, which is an average annual increase of three percent.

Inflation Explains Part of Budget Growth



Source: Appropriation Acts.

Several other factors also influenced the State’s finances during the ten-year period covered by this report. Virginia became more prosperous as both per-capita personal income and gross State product increased. In addition, the period of this report encompasses parts of four governors' terms, each of whom had a variety of budget initiatives.

BUDGET GROWTH IS CONCENTRATED IN A FEW LARGE AGENCIES AND PROGRAMS

The budget grew by a total of \$14.9 billion from FY 1997 to FY 2006, and much of that growth was concentrated in the largest State agencies. The 20 agencies with the largest growth over the period accounted for 85 percent of the total growth. In fact, five agencies were responsible for 60 percent of the ten-year budget growth. The five agencies with the most growth over the period, the Departments of Medical Assistance Services (\$2.6 billion), Education (\$2.6 billion), Transportation (\$1.9 billion), Social Services (\$0.8 billion), and the University of Virginia (\$0.9 billion), were also the five largest agencies in both FY 1997 and FY 2006.

Budget growth from both general fund and non-general fund sources was concentrated in a few large agencies. The Departments of Education and Medical Assistance Services as well as funding for the personal property tax relief program were the largest general fund growers and accounted for 64 percent of the \$6.1 billion budget growth from general funds. General funds derive

from general tax revenues and may be used for general governmental purposes.

The three agencies with the largest amount of non-general fund growth were the Departments of Transportation and Medical Assistance Services and the University of Virginia. Together these three accounted for 53 percent of the \$7.9 billion non-general fund growth between FY 1997 and FY 2006. Non-general funds are earmarked by law for specific purposes and include, for example, payments for college tuition and child support as well as motor vehicle taxes.

A relative handful of large State programs also had most of the growth in total appropriations. Budget increases in 20 programs accounted for 77 percent of total appropriations growth. Program growth came largely in Medicaid services (\$2.4 billion), which accounted for 16.3 percent of all growth. Seven education programs (both higher education and K-12 education) were among the 20 largest programs in total appropriation growth. These seven programs accounted for nearly one-third of total growth.

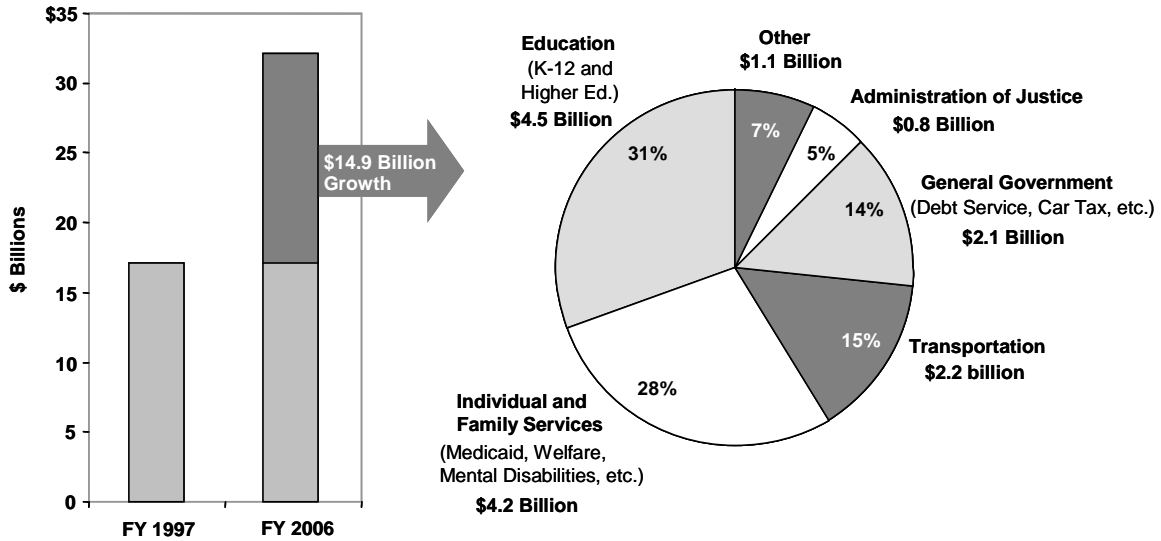
The figure (top of next page) shows budget growth by broad government function. Given the agencies such as the Departments of Education overall budget growth increases, it is not surprising that the functions of education and individual and family services experienced the most growth during the decade. Combined, these two functions accounted for around 60 percent of the total growth in the State operating budget.

TOTAL STATE EMPLOYMENT HAS INCREASED

Since 1997, State government employment levels as reflected by the maximum position levels set in the Appropriation Acts have risen to 113,438, gaining a total of 8,512 employees for an 8.1 percent increase over the ten-year period. Almost half of the growth in employment has come in the last two fiscal years as the State has seen an increase of 3,942 positions over the past biennium.

The five agencies with the largest position increases accounted for over 80% of the total growth in employment over the period. Higher education and public safety agencies made up a majority of the highest growth agencies. Eight institutions of higher learning and five public safety agencies including the Departments of Corrections, Juvenile Justice, State Police, Correctional Education, and Criminal Justice Services are among the top 20 agencies in employment growth from FY 1997 to FY 2006.

Figure 1: Composition of State Appropriations Growth by Government Function (FY 1997 to FY 2006)



Source: JLARC staff analysis of the respective Appropriation Acts.

Overview of Virginia's Budget Growth

In Summary

Over the past decade, Virginia's operating budget has increased by 87 percent. When adjusted for inflation, which increased 27 percent over the period, the budget grew 48 percent. When adjusted for both inflation and population growth (Virginia's population grew an estimated 14 percent over the period) the budget increased by 25 percent, reflecting an average annual increase of three percent. In addition to inflation and population growth, a number of other factors helped shape Virginia's budget over the past ten years. These include substantial State economic growth, federal mandates which require additional State spending, and various State initiatives and policy choices, such as decisions to provide tax relief and to improve government services.

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, and analyze the long-term trends and causes of spending in these programs.

This report is the sixth in JLARC's series on State spending. The first five reports reviewed spending and budget growth over different periods between fiscal year (FY) 1981 and FY 2005. This report does not address the adequacy of funding for governmental functions, agencies, or programs. Consistent with the legislative mandate for this report, it only identifies long-term trends and factors that appear to underlie the trends. This report focuses on trends during the period specified in the study mandate, from FY 1997 through FY 2006.

A brief review of the methods used in compiling this report is included in Appendix B. Definitions of terms used in Virginia's budget are discussed in Appendix C. Appendixes D through H show various budget trends.

VIRGINIA'S BUDGET HAS INCREASED SUBSTANTIALLY SINCE FY 1997

Virginia’s annual budget increased 87 percent between FY 1997 and FY 2006, growing from \$17.1 billion to \$32.0 billion (Table 1). Average annual growth in the budget was seven percent.

The ten-year period under review includes the significant economic growth of the late 1990s, reflected in three consecutive years of double-digit growth in Virginia’s general fund revenues (Table 1). The nationwide recession that began in 2001 quickly affected Virginia’s budget, reflected in both the lowest growth rate of the decade under review and a decrease of \$270 million in the FY 2002 general fund budget. General funds derive from general tax revenues, such as the personal income tax, and may be used for general governmental purposes.

By FY 2004, general fund appropriations had returned to their FY 2001 level after a year of decline and two more years of below-average growth (FY 2002 saw a two percent decline). In FY 2005, the effects of an improved economy along with tax policy changes adopted during the 2004 Special Session resulted in a double-digit rate of increase in general fund appropriations. In fact, the 11-percent increase in general fund appropriations in FY 2005 was the second largest increase over the past decade.

Table 1: Virginia Operating Appropriations (in \$ Millions)

Fiscal Year	General Fund	Percent Change	Non-General Funds	Percent Change	Total	Percent Change
1997	\$8,134		\$8,997		\$17,131	
1998	8,715	7.1%	8,905	-1.0%	17,621	2.9%
1999	9,967	14.4	9,995	12.2	19,962	13.3
2000	11,093	11.3	10,276	2.8	21,369	7.0
2001	12,284	10.7	11,039	7.4	23,323	9.1
2002	12,014	-2.2	11,469	3.9	23,483	0.7
2003	12,105	0.8	12,878	12.3	24,983	6.4
2004	12,370	2.2	14,009	8.8	26,379	5.6
2005	13,782	11.4	15,476	10.5	29,258	10.9
2006	15,111	9.6	16,881	9.1	31,991	9.3
1997-2006		86%		88%		87%
Average Annual Change		7.3%		7.3%		7.2%

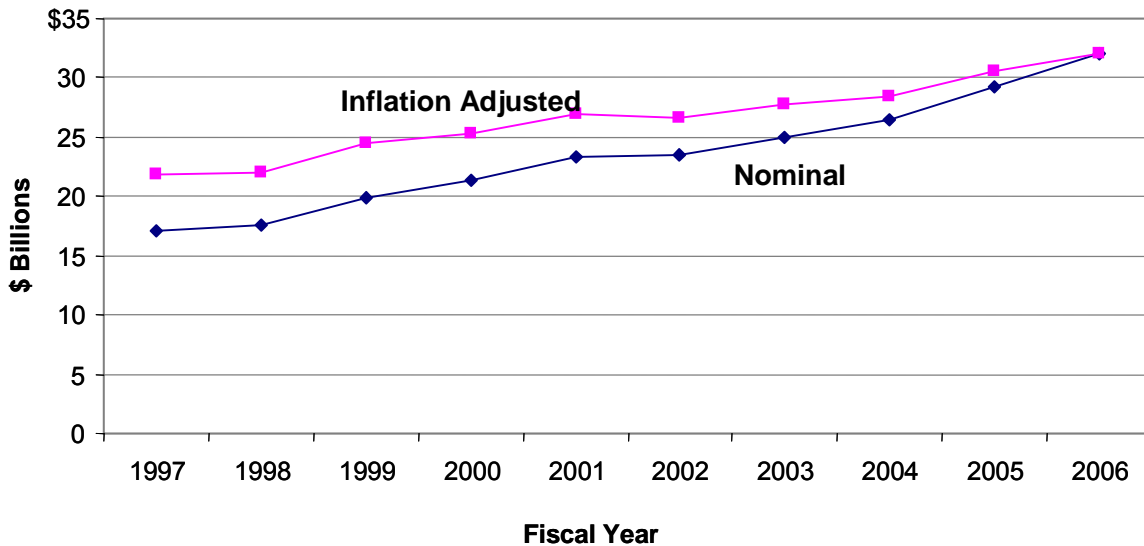
Source: JLARC staff analysis of Appropriation Acts and data from the Department of Planning and Budget.

Growth in non-general funds accounted for more than half – 53 percent – of the overall ten-year budget growth (not adjusted for inflation). This is important because most non-general funds are available only for limited purposes, yet are required to be appropriated through the State budget process. Non-general funds are earmarked by law for specific purposes and include funds from college tuition, child support payments, and motor vehicle fuel taxes.

After adjusting for the effects of inflation, the operating budget increased by 48 percent over the decade ending in FY 2006, with an annual average growth rate of 4.4 percent (Figure 1). Population growth is also part of the explanation for budget growth because there are more people paying taxes and consuming State services. Population estimates from the U.S. Census Bureau indicate that in 2005 (the most recent year for which data are available), Virginia had 7.6 million people, an increase of more than 900,000 from the 6.7 million in 1997. This was a 14 percent increase in estimated population over the period.

Taking into account the effects of inflation and population growth, Virginia's total appropriations increased 27 percent over the ten-year period, an average annual increase of three percent (Table 2).

Figure 1: Inflation Explains Part of Budget Growth



Source: JLARC staff analysis of Appropriation Acts and consumer price index data from the U.S. Bureau of Labor Statistics.

Table 2: Effects of Inflation and Population Growth on Appropriations, FY 1997 – FY 2006

	10-Year Cumulative Percent Change	Average Annual Percent Change
Final Legislative Appropriations (unadjusted)	87%	7.2%
Inflation Adjusted	48	4.4
Per Capita Inflation Adjusted	25	3.1

Source: JLARC staff analysis of Appropriation Acts and other data.

Many other factors also influenced the State's finances during the period covered by this report. Virginia became more prosperous as both per-capita personal income and gross State product increased. The period of this report also encompasses at least portions of four governors' terms, each of whom had a variety of budget initiatives.

INFLATION, POPULATION, AND THE ECONOMY CONTRIBUTE TO STATE BUDGET TRENDS

There are several ways of explaining State budget trends. National factors such as inflation must be considered in understanding long-term growth. Economic and population growth also have important impacts on State revenue and spending. Important "budget drivers" include major trends or events that impact the budget, large-budget State agencies and programs, State initiatives, federal mandates, and changes in the populations served and workloads managed by State agencies and programs.

Another factor in understanding Virginia's budget is the requirement in the *Constitution of Virginia* that all State spending can occur only as provided by appropriations made by the General Assembly. Funds as varied as child support payments, college tuition, fines paid in criminal or civil proceedings, and payments by State employees for health insurance must first be appropriated by the General Assembly. In the case of most of these funding sources, the State budget serves merely as a conduit for money earmarked by statute for specific purposes. Growth in these funding sources nevertheless helps drive up the State budget.

Inflation Increased 27 Percent

As already noted, inflation explains some of the increase in Virginia's budget. As measured by the consumer price index (CPI) over the ten-year period from FY 1997 through FY 2006, inflation increased 27 percent. This means that the State budget would have had to increase by that percentage just to maintain the same service levels. Controlling for the effects of inflation, Virginia's total appropriations increased 48 percent over the period, instead of the unadjusted 87 percent (Table 2).

Adjusting for inflation can help better explain underlying budget changes. The inflation measure most widely known and used is the CPI for all urban consumers (CPI-U), which is used in this report to adjust total appropriations and expenditures for inflation. For example, the Department of Education's budget increased 73 percent in nominal terms between FYs 1997 and 2006. Adjusting for inflation using the CPI-U, its budget increased 39 percent.

Any given State agency or program may experience faster or slower rates of inflation depending on the particular mix of goods and services purchased. Virginia's Medicaid budget increased 111 percent over the ten-year period from 1997 to 2006, but after taking medical care inflation into account (which according to the U.S. Bureau of Labor Statistics increased 47 percent over the period), the Medicaid budget increased only 43 percent over the same period.

Virginia's Population Grew an Estimated 14 Percent

Virginia became more populous over the period under review. Virginia's estimated population increased an estimated 14 percent between 1997 and 2006, from 6,732,878 people in 1997 to 7,644,514 in 2006, an increase of 911,636. (The 1997 estimate is from the Weldon Cooper Center at the University of Virginia; the 2006 estimate is from the U.S. Census Bureau, as the Cooper Center's 2006 estimate is not yet available.) The U.S. Census Bureau indicates that Virginia was the 16th fastest growing state between 2004 and 2005.

Thirty-seven localities (31 counties and six cities) had above-average population growth during the period. According to the Census Bureau, three of the fastest growing counties in the United States are in Virginia: Loudoun, King George, and Caroline. Localities that are gaining population tend to have different public sector

priorities than localities that are losing population – emphasizing school construction and infrastructure, for example, more than economic development. While Virginia's total population increased over the ten-year period, 17 localities (eight counties and nine cities) were estimated to have lost population between 1997 and 2006.

Changes in population levels and demographics can drive public sector budgets. Not only do localities that are gaining or losing significant numbers of people tend to have different needs and expectations for public services, two age groups in particular may influence the provision of State services and State funding: older residents and the school-age population. For instance, the number of older Virginians (over 65 years of age) increased 15 percent over the decade ending in 2005, faster than the 14 percent increase in the overall population. At the same time, public school enrollment grew nine percent, slower than the overall population. Other indicators of change in the economy and population during the period are shown in Table 3.

Table 3: The Context of Change in Virginia: Selected Indicators

Indicator	1997 (except as noted)	2005 (except as noted)	Percent Change
Population (Estimated)	6,846,100	7,644,514 (2006)	12%
Economy			
Total Employment in Virginia (June; Non-Farm)	3,225,100	3,727,600 (2006)	16
Total State Personal Income (\$ Millions)	\$179,654	\$284,174	58
State Finance			
State Operating Budget (\$ Millions)	\$17,131	\$31,992 (2006)	87
State General Fund Operating Budget (\$ Millions)	\$8,134	\$15,111(2006)	86
Maximum State Employment Level	104,925	113,438 (2006)	8
Average State Employee Salary	\$28,362	\$38,693 (2006)	37
State Agency Workloads/Populations Served			
Elementary and Secondary Education Enrollment	1,110,815	1,214,737	9
Enrollment, 4-year Colleges & Universities	171,055	194,404	14
Undergraduate Tuition & Fees (Public 4-Year)	\$2,716	\$4,201 (2006)	55
Medicaid-Eligible Recipients	720,496	832,905	16
TANF Average Monthly Paid Cases	56,776	36,433	-36
Child Support Enforcement Collections (\$ Millions)	\$284.7	\$561.0	97
State-Responsible Inmate Population	28,743	35,900	25
DMHMRSAS Institutional Daily Average Census	4,354 (1996)	3,031	-30
Registered Vehicles	5,724,096	7,246,709	27
Vehicle Miles Traveled (Billions)	74.1	80.3	8
State Park Visitors (Millions)	5.2	7.0	35
Nursing Home Beds	31,104 (1996)	32,494	5

Note: Nominal dollars (not adjusted for inflation). Data listed under "2005" represents the most recent available data. TANF, Temporary Assistance to Needy Families; DMHMRSAS, Department of Mental Health, Mental Retardation and Substance Abuse Services.

Source: JLARC staff analysis of data from various state agencies.

Virginia's Economic Growth Has Been Substantial

Virginia's economic growth has outpaced the nation for most of the period under review. The importance of a growing economy is that a wealthier and increasing population generates increasing revenues. On the other hand, new business and population growth require additional public sector services, from roads to schools and public safety. It is also important to note 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, personal income growth in Virginia outpaced the nation. On an inflation-adjusted basis, personal income in Virginia rose 30 percent between 1997 and 2005 (the most recent year for which the data is available), compared to personal income nationwide, which increased 22 percent. Controlling for population growth as well as inflation, per capita income in Virginia increased 17 percent over the period, compared to 16 percent for the nation.

Nearly 500,000 jobs were added in Virginia between 1997 and 2006. Total employment in Virginia rose 15 percent over the ten-year period under review, to 3.72 million employed in August 2006, according to the U.S. Bureau of Labor Statistics. Job growth nationwide increased at a slower, 11 percent rate during the period. Job growth was strongest in Virginia's services sector, with a 61 percent increase in the number of jobs in the ten years ending in 2006. The manufacturing sector, on the other hand, saw a 27 percent decline in employment between 1997 and 2006.

Virginia's gross State product (GSP) also increased over the decade. When adjusted for inflation, GSP increased 31 percent between 1997 and 2006, according to the U.S. Bureau of Economic Analysis. Virginia's growth thus compares favorably to the inflation-adjusted increase in the U.S. gross domestic product of 29 percent.

AGENCY WORKLOADS, FEDERAL MANDATES, AND VIRGINIA INITIATIVES ALSO CONTRIBUTE TO STATE SPENDING

While inflation as well as population and economic growth help explain State budget growth, additional factors are also at work. These include the populations served by State agencies, requirements and programs established by the

federal government or that are national in scope, and Virginia-based program and policy initiatives.

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 (Table 4). Some grew significantly while others declined. The link between measurable workloads and an agency's or program's budget is not always clear or consistent, as illustrated in Table 4.

Table 4: Agency Workloads and Inflation-Adjusted Budgets Do Not Always Move in Tandem (FY 1997 - FY 2005)

Workload Indicator or Specific Budget	Percent Change in Workload or Budget
Elementary and Secondary Education Enrollment (Average Daily Membership)	9%
Direct Aid to Education Budget	31
4-Year Public Colleges & Universities:	
Enrollment (Fall Student Headcount)	14 ¹
Mandatory Tuition & Fees	23 ¹
Budgets	40 ¹
Medicaid Recipients	30
Medical Assistance Services (Medicaid) Budget, Adjusted for Medical Inflation	42
TANF Average Paid Cases	
Average Monthly Payment per Case	-38
Temporary Income Supplemental Services Program Budget	-33
Registered Vehicles	27
Vehicle Miles Traveled	8
Miles of State Highway	3
VDOT Budget	33
State-Responsible Inmate Population	27 ²
Probation & Parole Caseload	49 ²
Department of Corrections Budget	18 ²

Note: Agency operating appropriations are adjusted for changes in CPI-U, except as indicated.

¹ 1996-97 through 2006-07. Tuition and budgets calculated in constant dollars by State Council for Higher Education in Virginia. Tuition caps were in place during much of this period.

² FY 1997 through FY 2006.

Source: JLARC staff analysis of agency and budget data.

In many cases an array of factors is at work, including not only changes in workload but also policy decisions to change programs, staffing, and funding levels. In some cases, growth in the workload or service population increased more slowly than real (inflation-adjusted) growth in the agency or program budget. This divergence occurs because many budgets are driven by factors other than just the service population or workload measures.

One example is the inflation-adjusted budget for direct aid to education, which grew faster than elementary and secondary education enrollment. While enrollment grew by more than 100,000 students from 1997 to 2005, a nine-percent increase, the State's budget for direct aid to education increased by 31 percent, after taking inflation into account.

There are several reasons for the higher relative growth in direct aid to education. The State's direct aid budget is "re-benchmarked" on a biennial basis to take into account higher prevailing (typical) school division costs in providing programs to meet the State Standards of Quality (SOQ). In addition, new funding initiatives were undertaken, such as paying the State's share of costs for elementary resource teachers (art, music, and physical education), and phasing in funding support for a planning period in secondary schools. These were intended to address perceived funding inadequacies and to enhance the level of support for public education.

Embedded within the numbers are often other reasons for budget change. In some cases, a program's status at the outset of the period may have been subsequently judged inadequate, leading the State to make a concerted effort in the intervening years to enhance the program. The sustained effort to enroll children in the Medicaid program through FAMIS (Family Access to Medical Insurance Security) is an example of a program that was begun and grew significantly during the period under review – it started enrolling children in FY 1999 and had more than 78,000 children enrolled and expenditures of more than \$70 million in FY 2006.

In other cases, such as the inmate population for which the State is responsible and the probation and parole caseload, the population served by the agency increased at roughly the same rate as the real growth in the agency's budget. In still other agencies, both budget levels and service populations declined over the past decade. A good example

is the appropriation for Temporary Assistance to Needy Families (TANF) and the number of TANF cases, each of which declined one-third or more over the past decade.

Federal Mandates and Nationwide Programs Help Drive State Spending

Federal legislation often requires the State to provide matching funds in order to receive federal funds. The match rate varies from program to program. In some cases, simply to continue participating in a federal program requires substantial State funding.

In most cases the federal government provides some funding for federal mandates and incentive programs. These funds provide states an opportunity to pursue programs they might not otherwise attempt. The ten largest federal programs represented \$5.1 billion or nearly one third (30 percent) of Virginia's FY 2006 budget. In addition to the requirement that the State match most federal funds, many of these programs also impose substantial administrative and regulatory requirements on the State to maintain its eligibility.

For example, Medicaid is the largest federal program in the Virginia budget, with \$2.4 billion in federal funds and a total budget of \$4.9 billion in FY 2006. 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 program expansions over the years in order to continue receiving federal funds. Examples of Medicaid expansions by the federal government include raising the resource levels individuals may maintain and still be eligible and expanding services provided to Medicaid-eligible children. The Department of Medical Assistance Services (DMAS), which administers the Medicaid program, has estimated the initial costs of federally mandated changes to the program were \$107 million through 2002. This amount includes only initial start-up and first-year implementation costs, not the recurring spending that resulted from increases in enrollment and services provided.

Other federal mandates include 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; the "motor voter" and "Real ID" laws, administered by the Department of Motor Vehicles; and the No Child Left Behind Act and special education funding requirements, administered by the Department of Education. 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 the costs of doing business for State government.

Virginia enjoys a disproportionate share of total federal spending due to the large military presence in the State and the geographic proximity to Washington, D.C. For instance, in FY 2003, Virginia ranked second in total federal spending per capita. Although Virginia receives a substantial amount of federal funds, the Commonwealth is not a large federal grant recipient in per-capita terms. Since federal fiscal year 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 Grants*.

Some national programs also contribute to State budget growth, as in the example of the 1998 Tobacco Master Settlement Agreement. In FY 2006, the State received \$47 million under this agreement. States initially had discretion about how to use these funds. By statute, Virginia chose to appropriate 50 percent of the 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 Trigger Spending

State initiatives and policy choices also drive State spending. During the ten-year period of this review,

Virginia embarked on policy and program initiatives that helped shape the State's overall pattern of spending. In some cases, the initiatives were proposed by a governor and may have been key campaign issues, such as eliminating the personal property tax on vehicles. In other cases, the initiatives stemmed from legislative or other sources. Once enacted, however, these initiatives tend to remain in the budget as significant sources of spending, even if their growth was uneven. Background information on many of these initiatives is described more fully in prior JLARC reports on State spending. Three major initiatives continued from prior years (and described below) had general fund appropriations totaling \$1.6 billion in FY 2006.

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, there have been three years in which withdrawals were made from the fund, FYs 2002 through 2004. FY 2005 marked the State's return to depositing money into the fund with an appropriation of \$134.5 million. In FY 2006, \$584.2 million was deposited into the fund.

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. Due to fiscal difficulties faced by the State starting in FY 2002, the phase-out was capped at 70 percent of assessed taxes. In FY 1999, the program received its first appropriation of \$219.9 million, which was based on a 12.5 percent phase-out of the tax. By FY 2006, the program had grown to \$737.2 million and remained capped at the 70 percent phase-out rate.

Transportation Funding Initiatives. 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. The 2000 General Assembly provided \$307 million in general funds to "stabilize and update the six-

year highway construction program," followed by the 2001 General Assembly's deposit of \$147 million in general funds into the Priority Transportation Fund. The 2005 General Assembly appropriated an additional \$348 million in general funds for several transportation initiatives. Additional general funds totaling \$229 million were provided by the 2006 General Assembly for debt service payments on federal reimbursement anticipation notes (FRANS). These notes were used to fund various highway projects.

Chapter 2

Budget Growth in State Agencies and Programs

In Summary

Total appropriations grew by nearly \$15 billion over the ten-year period from FY 1997 to FY 2006, which represents an 87 percent growth rate. Virginia' operating budget grew by \$2.7 billion in FY 2006, as a result of the increase in the tax revenue base and strong economic performance in the Commonwealth. Growth over the ten-year period was concentrated in a few large agencies and programs. The Departments of Education, Medical Assistance Services, and Transportation accounted for almost 60 percent of the total growth during the period. General fund growth was even more concentrated, with the Departments of Education and Medical Assistance Services and the personal property tax relief program accounting for nearly two-thirds of the 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 in terms of final budget appropriations and employment levels. Budget growth within the agencies is further broken down between general and non-general funds. Budget growth from FY 2005 to FY 2006 is also examined.

AGENCY BUDGET GROWTH FROM FY 1997 TO FY 2006

The State budget has grown by about 87 percent (in nominal terms) since 1997. Much of this growth has occurred among a handful of agencies - 20 agencies out of 150 accounted for more than 85 percent of the growth in the State budget. About 60 percent of total State budget growth occurred in only five agencies. Much of the growth is concentrated in a few large agencies because they represent over half of the State budget in both 1997 and 2006. Total operating appropriations in FY 1997 and FY 2006 are shown in Table 5 and Table 6, respectively. In each of these years, the 20 largest agency appropriations represented between 80 and 85 percent of the total State budget.

Table 5: Largest Agency Appropriations, FY 1997 (\$ in Millions)

Rank	Agency	Total Appropriation FY 1997	Percentage of Total
1	Department of Education	\$3,333	19.5%
2	Department of Medical Assistance Services	2,337	13.6
3	Department of Transportation	1,896	11.1
4	Department of Social Services	933	5.4
5	University of Virginia	870	5.1
6	Department of Corrections	567	3.3
7	Department of Mental Health, Mental Retardation and Substance Abuse Services	558	3.3
8	Virginia Tech	509	3.0
9	Medical College of Virginia Hospitals Authority*	424	2.5
10	Virginia Community College System	383	2.2
11	Compensation Board	370	2.2
12	Virginia Commonwealth University	362	2.1
13	Virginia Employment Commission	355	2.1
14	Department of Health	347	2.0
15	George Mason University	234	1.4
16	Department of Alcoholic Beverage Control	234	1.4
17	Department of the Treasury	209	1.2
18	Supreme Court	173	1.0
19	College of William and Mary	156	0.9
20	James Madison University	153	0.9
	Total for 20 Largest Appropriations	\$14,402	84.1%
	Total for All Appropriations	\$17,131	100.0%

Note: Excludes capital appropriations.

*Became independent of the State in FY 1998.

Source: JLARC staff analysis of 1997 Appropriation Act.

With few exceptions, the largest agency appropriations in FY 1997 were also the largest agency appropriations in FY 2006. Only two agencies among the 20 largest appropriations in 1997 were no longer among the 20 largest by 2006: the College of William and Mary, which ranked twenty-fifth in 2006; and the Medical College of Virginia Hospitals Authority, which ceased receiving State funding in FY 1998. The new items among the largest appropriations include the personal property tax relief program (defined here as an agency) and the Department of Criminal Justice Services. The personal property tax relief program began in 1999 and is now the tenth largest recipient of State appropriations, representing more than two percent of the budget in FY 2006.

Two entities were omitted from this analysis of budget size and growth: (1) central appropriations, which has large fluctuations in its budget from year to year because it serves as a holding account for contingent funds, salary

Table 6: Largest Agency Appropriations, FY 2006 (\$ in Millions)

Rank	Agency	Total Appropriation FY 2006	Percentage of Total
1	Department of Education	\$5,911	18.5%
2	Department of Medical Assistance Services	4,921	15.4
3	Department of Transportation	3,807	11.9
4	University of Virginia	1,752	5.5
5	Department of Social Services	1,692	5.3
6	Virginia Tech	885	2.8
7	Department of Corrections	852	2.7
8	Department of Mental Health, Mental Retardation and Substance Abuse Services	776	2.4
9	Virginia Community College System	761	2.4
10	Personal Property Tax Relief*	737	2.3
11	Virginia Commonwealth University	689	2.2
12	Virginia Employment Commission	572	1.8
13	Compensation Board	542	1.7
14	Department of Health	488	1.5
15	George Mason University	481	1.5
16	Department of Alcoholic Beverage Control	440	1.4
17	Department of the Treasury	341	1.1
18	Department of Criminal Justice Services	300	0.9
19	James Madison University	296	0.9
20	Supreme Court	287	0.9
Total for 20 Largest Appropriations		\$26,532	82.9%
Total for All Appropriations		\$31,991	100.0%

Note: Excludes capital appropriations. Also excludes central appropriations and Department of Accounts transfer payments which, if included, would rank nineteenth and twelfth, respectively.

*First funded in 1999.

Source: JLARC staff analysis of 2006 Appropriation Act.

increases, and unallocated cost increases and decreases; and (2) the Department of Accounts transfer payments, which was separated out from the Department of Accounts beginning in FY 2005, and includes such programs as financial assistance to localities, the Virginia Education Loan Authority reserve fund, the revenue stabilization fund, and line of duty payments. Since both of these entities are essentially budget codes of convenience containing many unrelated items, they will not be included in any of the tables, but their omission and ranking are noted in the table footnotes.

The Department of Education continued to have the largest agency budget over the period, and its share of the total State budget held steady at about 19 percent. The Department of Medical Assistance Services (DMAS) and the Department of Transportation (VDOT) continued to rank second and third, respectively, in both years. However,

while the proportion allocated to VDOT remained relatively stable, the share of the budget allocated to DMAS increased from 13.6 percent to 15.4 percent. In addition, funds allocated to the University of Virginia increased slightly, placing it ahead of the Department of Social Services, which received a slightly decreased proportion of the budget in FY 2006 compared to FY 1997.

Agencies with the Largest Increases in Total Funding

Government agencies operate with funding from a variety of sources which are divided for budgetary purposes into general fund and non-general fund revenues. The budget grew by a total of \$14.9 billion from FY 1997 to 2006 with both of these revenue types contributing to the overall growth.

Growth in Total Operating Appropriations Is Concentrated in a Few Agencies. Budget growth was concentrated among the traditional core agencies of State government, along with the personal property tax relief program. Almost half of the total increase in the State budget was accounted for by only three agencies (the Departments of Medical Assistance Services, Education, and Transportation). When the next two agencies (the Department of Social Services and the University of Virginia) are included, three-fifths (60 percent) of the ten-year budget growth between FY 1997 and FY 2006 is explained. Table 7 lists the agencies with at least \$5 million in FY 1997 appropriations that grew the most in total appropriations over the past ten years.

Budget growth in 20 agencies accounted for \$12.7 billion or 85 percent of the \$14.9 billion in total appropriations growth between FY 1997 and FY 2006. The agencies with the largest dollar increases are generally those with the largest appropriations. For example, the three largest agencies in total appropriations in both FY 1997 and FY 2006 also had the largest dollar increases over the period, as each grew by more than \$1 billion.

Two other areas experienced high growth in budget appropriations from 1997 to 2006. First, institutions of higher education comprised six of the 20 agencies with the most growth during the period. These six institutions accounted for \$2.4 billion or 16 percent of the nearly \$15 billion increase for all agencies. All 14 colleges and universities combined accounted for \$2.8 billion, or 18

**Table 7: Agencies With the Most Growth in Total Operating Appropriations
FY 1997 to FY 2006 (\$ in Millions)**

Rank	Agency	Change in Total Appropriation
1	Department of Medical Assistance Services	\$2,585
2	Department of Education	2,578
3	Department of Transportation	1,911
4	University of Virginia	882
5	Department of Social Services	759
6	Personal Property Tax Relief	737
7	Virginia Community College System	378
8	Virginia Tech	377
9	Virginia Commonwealth University	327
10	Department of Corrections	284
11	George Mason University	247
12	Department of Mental Health, Mental Retardation and Substance Abuse Services	218
13	Virginia Employment Commission	217
14	Department of Alcoholic Beverage Control	207
15	Department of Criminal Justice Services	173
16	Compensation Board	172
17	Department of Rail and Public Transportation	162
18	Comprehensive Services for At-Risk Youth and Families	160
19	Department of Environmental Quality	151
20	James Madison University	143
Total for 20 Agencies with the Most Growth		\$12,669
Total Growth for All Agencies		\$14,860

Note: Includes only agencies with at least \$5 million in appropriations in FY 1997. Excludes capital appropriations. Also excludes central appropriations and Department of Accounts transfer payments which, if included, would rank thirteenth and seventh, respectively.

Source: JLARC staff analysis of the 1997 and 2006 Appropriation Acts.

percent, of the total increase in the State budget. Second, the personal property tax relief program, which began in 1999 in order to provide tax relief to Virginia residents, was responsible for the sixth largest increase in appropriations growth over the past ten years with total FY 2006 appropriations of nearly \$740 million.

Rate of Growth in Total Operating Appropriation Is Often Highest in Smaller Agencies. While most of the agencies with the largest dollar growth in appropriations were also the largest agencies in terms of total appropriations, some of the smaller agencies had higher growth rates in percentage terms. Table 8 shows the nominal and inflation-adjusted percentage increases for agencies with the highest growth rates.

Table 8: Agencies with Highest Rates of Growth in Total Operating Appropriations FY 1997 to FY 2006

Rank	Agency	Percentage Nominal Increase	Percentage Inflation-Adjusted Increase
1	Department of Human Resource Management	2,581%	1,884%
2	Virginia Information Technologies Agency*	1,606	274
3	State Grants to Non-State Entities and Agencies	746	226
4	Department of Conservation and Recreation	376	225
5	State Board of Elections	310	143
6	Jamestown-Yorktown Foundation	308	139
7	Department of Rail and Public Transportation	196	120
8	Department of Environmental Quality	191	119
9	Comprehensive Services for At-Risk Youth and Families	165	113
10	Department of Criminal Justice Services	163	100
11	Public Defender Commission	155	97
12	Christopher Newport University	137	94
13	Department of Military Affairs	132	89
14	Department of Medical Assistance Services	129	81
15	Virginia Retirement System	122	78
16	George Mason University	111	77
17	Virginia Department for the Visually Handicapped	107	75
18	University of Virginia	105	74
19	Department of Transportation	102	74
20	Virginia Community College System	101	72

Note: Includes only agencies with at least \$5 million in appropriations in FY 1997. Excludes capital appropriations. Also excludes central appropriations (see text) which, if included, would rank second.

*Not established in 1997. Growth based on appropriations to predecessor agencies.

Source: JLARC staff analysis of the 1997 and 2006 Appropriation Acts.

Several of these agencies are not large, and thus modest dollar growth increases may result in large percentage increases. One example is the Jamestown-Yorktown Foundation, which has received increased appropriations in recent years in preparation for the 2007 quadricentennial celebration of the Jamestown settlement.

The Department of Human Resource Management (DHRM) had by far the highest percentage growth rate due to the addition of the administration of health insurance for State employees to the agency's budget beginning in FY 2003. The appropriation to DHRM for the administration of health insurance was \$135 million in FY 2006. Discounting the added function of DHRM, the agency's nominal budget grew 54 percent (slower than the overall State budget), from \$5.3 million in FY 1997 to \$8.2 million in FY 2006.

The Virginia Information Technologies Agency (VITA), which was created in 2002 from the consolidation of several previous technology agencies, had the second highest

growth rate. VITA's high growth rate of VITA was primarily the result of the consolidation of IT personnel for 90 State agencies, in addition to appropriations for emergency communication systems management.

State grants to non-State entities and agencies ranked third in terms of highest growth rate. This category includes 192 grants administered by the Department of Historic Resources totaling almost \$30 million in 2006 appropriations. These general fund grants are provided to entities that conduct cultural, historic, and artistic activities, such as museums, and range from \$1,000 to \$4 million. Appendix H contains a list of these projects and their individual appropriations.

The State Board of Elections had the fifth highest growth rate, due to the Help America Vote Act (HAVA) passed by Congress in 2002. HAVA provided \$15 million in federal funds in FY 2006 to upgrade election equipment and to implement election reforms.

Agencies With the Most Growth in General Funds

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 broad statewide taxes such as the income and sales taxes, and have broad public interest. The unrestricted nature of these revenues also means that general funds are of particular interest to budget decision-makers. In FY 2006, the State appropriated \$15.1 billion in general funds, which represented slightly less than half of total appropriations.

Growth in General Fund Appropriations Is Concentrated in a Few Agencies. General fund budget growth between FY 1997 and FY 2006 was dominated by a few large agencies. In fact, the 20 agencies with the most growth in general fund appropriations (13 percent of all State agencies) accounted for 95 percent of all general fund budget growth over the period (Table 9).

The three agencies with the greatest general fund budget growth – the Department of Education, DMAS, and the personal property tax relief program – accounted for 64 percent of total general fund budget growth. The Department of Education alone accounted for 35 percent of State general fund budget growth. DMAS, which ranked second on the list, had less than half the growth of the

**Table 9: Agencies With the Most General Fund Appropriations Growth
FY 1997 to FY 2006 (\$ in Millions)**

Rank	Agency	Change in Total Appropriation
1	Department of Education	\$2,141
2	Department of Medical Assistance Services	1,011
3	Personal Property Tax Relief ¹	737
4	Department of Corrections	276
5	Compensation Board	166
6	Department of Mental Health, Mental Retardation and Substance Abuse Services	155
7	Department of Criminal Justice Services	151
8	Department of Transportation	145
9	Virginia Community College System	127
10	Department of the Treasury	123
11	Supreme Court	113
12	Comprehensive Services for At-Risk Youth and Families	107
13	Department of Social Services	98
14	Department of Environmental Quality	96
15	Department of Conservation and Recreation	88
16	Department of State Police	61
17	Virginia Commonwealth University	49
18	George Mason University	48
19	Department of Juvenile Justice	48
20	Virginia Tech	46
Total for 20 Agencies with the Most General Fund Growth		\$5,785
Total General Fund Budget Growth		\$6,103

Note: Excludes capital appropriations. Excludes central appropriations and Department of Accounts transfer payments. If included, they would rank fifth and third, respectively.

¹First funded in FY 1999.

Source: JLARC staff analysis of the 1997 and 2006 Appropriation Acts.

Department of Education. DMAS receives less than 40 percent of its funding from the general fund, in comparison to the Department of Education, which receives 85 percent of its funding from that source.

In addition to the three agencies with the greatest general fund budget growth, two other agency groups deserve mention. The first includes public safety agencies, five of which appear among the 20 largest in terms of general fund budget growth. These agencies include the Departments of Corrections, Criminal Justice Services, Juvenile Justice, State Police, and the Compensation Board, which provides funding for local sheriffs and other constitutional officers, as well as local and regional jails. Second, four institutions of higher education rank among the 20 largest general fund growth agencies. This group includes the Virginia Community College System (ninth), Virginia Commonwealth University (seventeenth), Virginia Tech

(eighteenth), and George Mason University (twentieth). The University of Virginia, which ranked sixth in total appropriation growth, experienced only \$21 million in general fund appropriation growth over the ten-year period (compared to \$882 million in total appropriation growth).

Rate of Growth in General Fund Appropriations Is Largely Driven by Water Quality Initiative. Table 10 lists the agencies with at least \$5 million in general fund appropriations in FY 1997 that had the highest percentage growth rates over the ten-year period. The Department of Conservation and Recreation had the highest general fund growth rate, increasing from \$22 million in FY 1997 to \$110 million in FY 2006. Most of this growth occurred in FYs 2005 and 2006 as a result of approximately \$80 million in deposits to the Water Quality Improvement Fund. The Department of Environmental Quality, which had the third highest growth rate, had almost \$100 million in deposits to the Water Quality Improvement Fund. Much of this funding came as a result of House Bill 2777, enacted in 2005, which directed 10 percent of excess general fund revenue collections and 10 percent of any unreserved general fund balance in FY 2006 to the Water Quality Improvement Fund.

Because VDOT had just \$40 million in general funds in its FY 1997 budget, and because of several mainly general-funded transportation initiatives over the period, VDOT had the second highest rate of growth with a 363 percent nominal increase (265 percent inflation-adjusted increase). VDOT's FY 2006 appropriation included a total of \$185 million in general funds.

The Department of Criminal Justice Services (DCJS) had the fifth highest general fund appropriation growth rate at 153 percent (111-percent inflation-adjusted growth). Much of the increase at DCJS occurred in FY 2000, when financial assistance to localities in the "HB 599 program" increased by nearly \$100 million over the previous fiscal year. This higher level of assistance continued through FY 2006. Another agency in the public safety area – the Department of Correctional Education – ranked tenth in percentage growth in general funds.

Six institutions of higher education ranked among the largest 20 general fund growth rate agencies. General funds were appropriated for base adequacy, faculty salary increases, and student financial aid.

Table 10: Agencies With the Highest Rate of Growth in General Fund Appropriations FY 1997 to FY 2006 (\$ in Millions)

Rank	Agency	Percentage Nominal Increase	Percentage Inflation-Adjusted Increase	FY 2006 General Fund Appropriations
1	Department of Conservation and Recreation	414%	302%	\$110
2	Department of Transportation	363	265	185
3	Department of Environmental Quality	328	239	125
4	State Grants to Non-State Entities and Agencies	310	226	30
5	Department of Criminal Justice Services	153	111	249
6	Indigent Defense Commission*	132	97	32
7	Comprehensive Services for At-Risk Youth and Families	113	82	202
8	Department of Military Affairs	100	73	10
9	Virginia State University	97	71	35
10	Department of Correctional Education	94	69	47
11	Department of Medical Assistance Services	89	65	2,147
12	Christopher Newport University	82	60	27
13	Longwood University	80	58	25
14	Department of Education	73	53	5,072
15	State Council of Higher Education for Virginia	73	53	70
16	Department of Housing and Community Development	72	52	44
17	Norfolk State University	70	51	47
18	George Mason University	68	50	118
19	James Madison University	68	50	69
20	Supreme Court	66	48	285

Note: Includes only agencies with at least \$5 million in general fund appropriations in FY 1997. Excludes capital appropriations.

*Formerly the Public Defender Commission.

Source: JLARC staff analysis of the respective Appropriation Acts.

The Indigent Defense Commission, formerly the Public Defender Commission, had the sixth highest general fund growth rate. This increase is a result of staff growth at this agency from 280 employees in 1997 to 482 in 2006; much of this growth occurred since FY 2002.

Agencies with the Most Growth in Non-General Funds

Non-general funds are earmarked for a specific program or objective. Non-general funds typically originate from specific taxes or fees paid by the users of a service, such as motor fuel taxes for highway construction and maintenance, or tuition payments for higher education. Federal funds that are provided only for specific purposes also account for a large share of non-general funds. Non-general funds accounted for more than 50 percent of total State

Examples of Non-General Fund Revenue

Child support collections

Federal pass-through to localities and other entities

Tuition payments to colleges and universities

Unemployment insurance collections

Enterprise funds from the sale of goods or services (for example, ABC store sales)

appropriations in FY 2005. (A table showing historical appropriations by fund is included as Appendix F.)

Growth in Non-General Funds Is Concentrated in a Few Agencies. Table 11 lists the agencies with the most non-general fund budget growth between FY 1997 and FY 2006. The three largest agencies – VDOT, DMAS, and the University of Virginia – were responsible for more than half of the total non-general fund growth. The 20 agencies with the most growth accounted for 97 percent of the \$7.9 billion in non-general fund growth.

Much of the non-general fund budget growth in these agencies is outside of the direct control of budget decision-makers, which is characteristic of non-general funds. For example, DMAS received approximately \$2.4 billion in federal funds in FY 2006, which was more than twice the amount of federal funds it received in FY 1997. Federal growth accounts for about 80 percent of the total non-general fund growth in DMAS. Much of this growth in federal appropriations can be explained by federally-mandated program expansions, prescription drug increases, and other health-care cost increases, all of which drive the required State matching funds. In addition, the \$1.8 billion growth in VDOT's non-general fund budget reflects growth in revenues from motor fuel taxes as well as increasing federal transportation funds. The Commonwealth Transportation Fund is also a non-general fund.

The University of Virginia ranked third with \$861 million in non-general fund growth and was among seven institutions of higher education in the top 20. Non-general funds within the colleges and universities consist mainly of tuition and fee payments by students, sponsored (federal) research, and auxiliary enterprise revenue.

The majority of non-general fund growth in the Department of Social Services (DSS) comes from child support enforcement as a result of increased collections from non-custodial parents. The remainder of DSS growth is federal funding for financial assistance for individual and family services. The Department of Education's growth in non-general funds comes mainly from federal categorical aid for K-12 education, as well as federal aid for nutritional services.

Table 11: Agencies With the Most Non-General Fund Appropriations Growth FY 1997 to FY 2006 (\$ in Millions)

Rank	Agency	Change in Total Appropriation
1	Department of Transportation	\$1,766
2	Department of Medical Assistance Services	1,573
3	University of Virginia	861
4	Department of Social Services	661
5	Department of Education	437
6	Virginia Tech	330
7	Virginia Commonwealth University	279
8	Virginia Community College System	252
9	Virginia Employment Commission	216
10	Department of Alcoholic Beverage Control	207
11	George Mason University	199
12	Department of Rail and Public Transportation	162
13	Department of Human Resource Management	137
14	James Madison University	115
15	Department of Motor Vehicles	107
16	Department of Health	102
17	Department of Mental Health, Mental Retardation and Substance Abuse Services	63
18	College of William and Mary	61
19	Department of Environmental Quality	55
20	Comprehensive Services for At-Risk Youth and Families	53
Total for the 20 Agencies with Most Non-General Fund Growth		\$7,639
Total Non-General Fund Budget Growth		\$7,883

Note: Excludes capital appropriations.

Source: JLARC staff analysis of the 1997 and 2006 Appropriation Acts.

Rate of Growth in Non-General Fund Appropriations Is Highest for Comprehensive Services. Six agencies experienced inflation-adjusted growth rates in excess of 100 percent (Table 12). Comprehensive Services for At-Risk Youth and Families had the highest rate of non-general fund growth of all agencies with appropriations of at least \$5 million. It first received non-general funding in 1997 as a variety of funding sources were consolidated into one fund. It has grown from around \$8 million to more than \$60 million.

Non-general funds for Department of Rail and Public Transportation grew at the second highest rate over the ten-year period as a result of \$100 million from the Commonwealth Transportation Fund for the Dulles Corridor Rapid Transit Project. This represents the estimated initial federal funding for this project.

Table 12: Agencies with the Highest Rates of Growth in Non-General Fund Appropriations FY 1997 to FY 2006 (\$ in Millions)

Rank	Agency	Percentage Nominal Increase	Percentage Inflation-Adjusted Increase	FY 2006 NGF Appropriations
1	Comprehensive Services for At-Risk Youth and Families	629%	459	\$61
2	Department of Rail and Public Transportation	165	120	261
3	Christopher Newport University	163	119	55
4	Virginia Community College System	152	111	417
5	Virginia Department for the Visually Handicapped	145	106	32
6	Department of General Services	137	100	20
7	Department of State Police	132	96	52
8	Department of Military Affairs	132	96	27
9	Department of Medical Assistance Services	131	96	2,774
10	George Mason University	121	89	364
11	Virginia Commonwealth University	118	86	514
12	Compensation Board	117	86	12
13	University of Virginia	116	85	1,603
14	Department of Education	109	79	839
15	Virginia Retirement System	107	78	33
16	Department of Conservation and Recreation	106	77	23
17	James Madison University	103	75	227
18	Department of the Treasury	102	75	17
19	Virginia Tech	101	74	658
20	Attorney General and Department of Law	101	73	10

Note: Includes only agencies with at least \$5 million in non-general fund appropriations in FY 1997. Excludes capital appropriations.

Source: JLARC staff analysis of the 1997 and 2006 Appropriation Acts.

Christopher Newport University and the Virginia Community College system ranked third and fourth in non-general fund growth rates, respectively. For the most part, this reflects increased tuition revenue. Seven institutions of higher education were among the 20 fastest growing agencies in terms of non-general fund appropriations.

The Virginia Department for the Visually Handicapped (formerly the Department for the Blind and Visually Impaired) had the fifth highest growth rate over the ten-year period. This was mainly due to a \$7 million increase in annual enterprise funds for rehabilitative industries that occurred in 2003, as well as an additional \$8 million increase in annual enterprise funding in 2005. These enterprise funds come from sales of goods manufactured by Virginia Industries for the Blind.

The Department of General Services' non-general funds grew at the sixth highest rate over the period in two major areas. Federal funds for analytical laboratory services increased by around \$5 million in FY 2005, and this funding continued in FY 2006. Additionally, there was \$6 million in growth in enterprise funding for procurement services.

The Department of State Police had the seventh highest increase, with a 96 percent inflation-adjusted increase over the past ten years. Much of this increase was the result of new federal and special funds for crime detection and investigation, as well as for ground transportation system safety (that is, patrolling Virginia's highways).

BUDGET GROWTH BY PROGRAM

All State appropriations are classified according to the program budget structure, which includes eight broad government functions. The program classification is designed to assist in the planning and analysis of the State budget and to monitor 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, other programs may be distributed across multiple agencies. For example, the higher education instruction and support program is distributed across all colleges and universities.

Growth in budget programs, similar to growth in State agencies, was concentrated among a few large programs dealing with the core activities of State government: health care, education, and transportation experienced the most growth over the period between FY 1997 and FY 2006 (Table 13).

Of the total appropriation growth in the State budget, 77 percent resulted from increases in 20 programs. The Medicaid program experienced the largest appropriation growth over the period and was responsible for 16 percent of total State budget growth. Seven education programs (both higher education and K-12 education) were among the 20 largest programs in total appropriation growth. These seven programs accounted for nearly one-third of total growth. Included in this group is the local share of the sales tax (one percent) that is dedicated to local school funding.

**Table 13: Twenty Largest Program Increases in Total Operating Appropriations
FY 1997 to FY 2006 (\$ in Millions)**

Rank	Program	Change in Appropriations	Percentage of Total
1	Medical Assistance Services (Medicaid)	\$2,416	16.3%
2	Educational and General Programs	1,135	7.6
3	Financial Assistance for Public Education (Standards of Quality)	1,128	7.6
4	Financial Assistance for Special State Revenue Sharing (Local Share of Sales Tax)	969	6.5
5	Personal Property Tax Relief Program*	737	5.0
6	Higher Education - Financial Assistance for Educational and General Services (Sponsored Programs)	632	4.3
7	Transportation Initiative	608	4.1
8	Revenue Stabilization Fund	518	3.5
9	Child Support Enforcement Services	395	2.7
10	Highway System Acquisition and Construction Through Bond Proceeds*	347	2.3
11	Higher Education Auxiliary Enterprises	336	2.3
12	Highway System Maintenance	335	2.3
13	Highway System Acquisition and Construction	286	1.9
14	Protective Services	279	1.9
15	Employment Assistance Services	228	1.5
16	Transportation Administrative and Support Services	225	1.5
17	Financial Assistance for Public Education (Categorical)	210	1.4
18	Secure Confinement	208	1.4
19	Alcoholic Beverage Merchandising	206	1.4
20	Higher Education Student Financial Assistance	196	1.3
Total for 20 Programs with the Most Growth		\$11,392	76.6%
Total Growth		\$14,860	100.0%

Note: Excludes capital appropriations.

* First funded in FY 1999.

Source: JLARC staff analysis of the 1997 and 2006 Appropriation Acts.

Transportation programs were another major factor in budget growth over the period. The 2005 transportation initiative, highway system construction through bond proceeds, highway system maintenance, highway system acquisition and construction, and administrative and support services accounted for 12 percent of the total budget growth.

The personal property tax relief program had the fifth largest appropriation increase. As this program was newly established in 1999, the \$737 million in appropriation growth simply represents the program appropriation in FY 2006.

Child support enforcement services grew by \$395 million over the period, which ranked ninth among all programs. Nearly all of this growth was child support collections and reflects the State’s increased effectiveness in collecting child support payments from non-custodial parents.

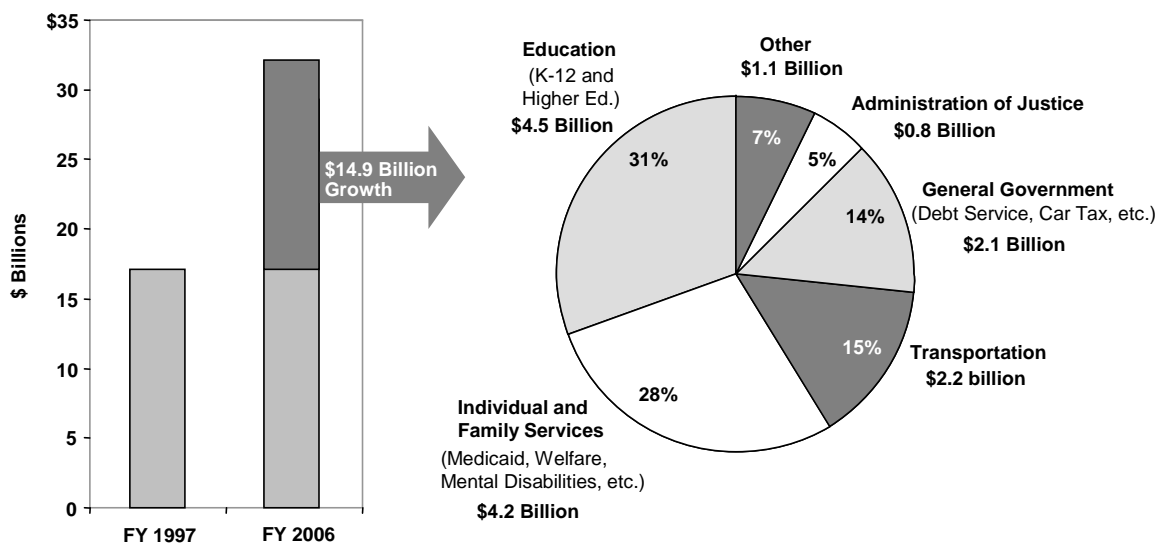
BUDGET GROWTH IN GOVERNMENTAL FUNCTIONS

Figure 3 shows budget growth by broad government function. Given the individual program increases shown in Table 13, it is not surprising that the functions of education and individual and family services experienced the most growth during the decade. Combined, these two functions accounted for around 60 percent of the total growth in the State operating budget.

Most of the growth in the education function resulted from re-benchmarking the Standards of Quality for K-12 education, base adequacy increases for the colleges and universities, faculty salary increases, enrollment growth, and tuition and fee increases. Growth in the individual and family services function resulted primarily from increases in Medicaid costs, child support enforcement, child protective services, and employment assistance services.

General government ranked fourth in total growth, and it had by far the highest growth rate. This function includes

Figure 3: State Appropriations Growth of \$14.9 Billion by Governmental Function FY 1997 to FY 2006



Source: JLARC staff analysis of Appropriation Acts.

the personal property tax relief, which did not exist in FY 1997, and accounts for 35 percent of the total growth in general government appropriations.

GROWTH IN SECRETARIAL BUDGETS

The secretarial system in Virginia was established by the General Assembly in 1972 and consists of six secretariats broadly reflecting the major functions of the executive branch. The system was set in place to improve the Governor's ability to manage the size and scope of State government. Over the years, the responsibilities of the secretaries have been amplified by statute and executive orders. Each Governor has had broad latitude to define the secretaries' roles and responsibilities. The General Assembly has also altered the structure and alignment of the secretarial system by merging, separating, and creating secretariats.

All but one of the secretaries have broad budgetary duties, with statutory language requiring them to direct the formulation of a comprehensive budget for their respective areas and agencies. The Secretary of Education has more limited budgetary responsibilities, with no statutory role over the budgets of the institutions of higher education, community colleges, or other education agencies. Instead, the statutes state that the Education Secretary "may direct the preparation of alternative policies, plans and budgets for education," and is to formulate a comprehensive budget for cultural affairs.

While the alignment of agencies within secretariats has changed over time, this review compares budget growth across the secretariats as they exist in 2006. By keeping the secretariats static over time, budget growth over the period can be measured among the broad sectors as they are currently defined. For example, even though the Department of Information Technology was transferred from the Administration secretariat to the Technology secretariat before being incorporated into the Virginia Information Technologies Agency, appropriations for these services are counted within Technology appropriations regardless of how they were classified in previous years.

There remain some limitations to this analysis, as it does not capture sub-agency programs that have been transferred from one agency and secretariat into another. For example, when fleet management responsibilities were

transferred from VDOT to the Department of General Services, appropriation growth in the Transportation secretariat was reduced while growth in the Administration secretariat increased. (A table showing historical appropriations by secretariat is included as Appendix G.)

With the caveat that some of the budgetary changes by secretarial area are due to the realignment of agencies and programs, Table 14 shows the budget growth by secretary from FY 1997 to FY 2006. The Finance secretariat had the largest growth rate over the period. Contributions to the Revenue Stabilization Fund in FY 2006 were \$584 million larger than FY 1997 and account for more than half of the growth. Together with an additional \$180 million growth in bond and loan retirement, these two programs account for 70 percent of the secretariat's growth.

The Natural Resources secretariat had the second highest rate of increase, due largely to appropriations to the Water Quality Improvement fund made through the Department of Conservation and Recreation and the Department of Environmental Quality in recent years.

The Technology secretariat is relatively small, so modest dollar growth resulted in a large percentage growth. As was noted earlier, much of this growth is a result of consolidating IT personnel and appropriations from other agencies into this newly established agency.

Table 14: Budget Growth by Secretarial Area FY 1997 to FY 2006 (\$ in Millions)

Secretarial Area	FY 2006 Appropriation	Percentage Nominal Increase from FY 1997	Percentage Inflation-Adjusted Increase from FY 1997
Finance	\$1,106.3	174%	127%
Natural Resources	445.4	151	110
Technology	43.9	135	99
Transportation	4,408.2	101	74
Health and Human Resources	8,408.8	89	65
Administration	778.8	86	63
Education	12,054.2	71	52
Public Safety	2,149.1	68	50
Commerce and Trade	863.5	43	31
Agriculture and Forestry	0.5	-	-

Note: Central appropriations is not included in this analysis as it is not a secretariat. If included, it would rank fourth in overall growth with \$984 million. Agency appropriations are aligned according to 2006 secretarial structure. Excludes capital appropriations.

Source: JLARC staff analysis of Appropriation Acts.

BUDGET GROWTH FROM FY 2005 TO FY 2006

The State budget grew by about 87 percent over the last ten years. Over the past year, the budget grew by over nine percent.

Total Appropriations Grew in Core Service Areas. Total operating appropriations grew by over \$2.7 billion from FY 2005 to FY 2006. Slightly less than half of this increase was paid for with general funds. Tables 15, 16, and 17 show the agencies that had the largest increases in appropriations for FY 2006. As can be seen from the tables, most of the increases went to support the core services of education, individual and family services, and transportation.

Table 15 shows the ten agencies with the largest total appropriations growth in FY 2006. VDOT experienced the largest growth making up 22 percent of the total annual growth. The Departments of Medical Assistance Services and Education experienced the second and third largest growth, with \$358 million and \$341 million in growth respectively. These three agencies accounted for almost 50 percent of the total growth in the State budget.

VDOT's growth was mainly due to increased funding for the 2005 transportation initiative to address priority transportation projects. Funding for the initiative increased more than \$368 million in the second half of the biennium

Table 15: Ten Agencies With The Most Total Operating Appropriations Growth FY 2005 to FY 2006 (\$ in Millions)

Rank	Agency	Change in Total Appropriation	Percentage of Total
1	Department of Transportation	\$610	22%
2	Department of Medical Assistance Services	358	13
3	Department of Education	341	12
4	University of Virginia	110	4
5	Department of Rail and Public Transportation	98	4
6	Virginia Community College System	95	3
7	Virginia Tech	88	3
8	Department of Environmental Quality	74	3
9	Virginia Commonwealth University	73	3
10	Department of Conservation and Recreation	57	2
Total for Ten Largest Growth Agencies		\$1,903	70%
Total Operating Appropriations Growth		\$2,734	100%

Note: Excludes central appropriations and Department of Accounts transfer payments which, if included, would rank fifth and second, respectively. Excludes capital appropriations.

Source: JLARC staff analysis of Appropriation Acts.

for total biennial funding of almost \$850 million. The remainder of VDOT's increase came mainly from a \$207 million increase in highway system acquisition and construction. Most of VDOT's increased funding came from the Commonwealth Transportation Fund.

Appropriations to the Department of Medical Assistance Services (DMAS) increased by 13 percent mainly in the area of payments for professional and institutional medical services which reflects growing caseloads as well as inflation in the cost of medical care.

Appropriations to the Department of Education, which includes direct aid to public education, increased by \$341 million. This money was appropriated for technical adjustments to the Standards of Quality (SOQ) and increased teacher salaries. The local share of the sales tax, which is included in the Department of Education's budget, made up more than one-third of the annual increase.

The University of Virginia had the fourth largest growth from 2005 to 2006 with \$110 million in increased funding. In total four institutes of higher education rank in the top ten in growth, representing 13 percent of total operating appropriations growth. Most of this growth is non-general fund growth reflecting increased tuition collections among other things.

State grants to non-state entities and agencies were not appropriated funds for FY 2005, so their change in appropriation reflects the entire funding to these entities in FY 2006. The FY 2006 list of non-state entities and agencies is included in Appendix H.

A Few Large Agencies Drive Both General and Non-General Fund Growth. Tables 16 and 17 show the agencies with the most growth in general and non-general fund appropriations, respectively. The Department of Education ranked first in general fund appropriations and accounted for 26 percent of general fund appropriation growth from FY 2005 to FY 2006. DMAS had the second largest change in both areas, making up 15 percent of general fund growth and 11 percent of non-general fund growth. VDOT was by far the largest non-general fund grower, contributing 53 percent of appropriation growth. Most of this funding came from the Commonwealth Transportation Fund, which includes general funds along with federal and other transportation funds.

**Table 16: Agencies With the Most General Fund Appropriation Growth
FY 2005 to FY 2006 (\$ in Millions)**

Rank	Agency	Change in General Fund Appropriation	Percentage of Total
1	Department of Education	\$352	26%
2	Department of Medical Assistance Services	199	15
3	Department of Environmental Quality	74	6
4	Department of Conservation and Recreation	56	4
5	State Grants to Non-state Entities and Agencies	30	2
6	Department of the Treasury	30	2
7	Virginia Community College System	28	2
8	Department of Social Services	27	2
9	Department of Criminal Justice Services	20	1
10	Department of Corrections	17	1
Total for Ten Agencies with Largest General Fund Growth		\$833	63%
Total General Fund Budget Growth		\$1,329	100%

Note: Excludes capital appropriations. Excludes central appropriations and Department of Accounts transfer payments which, if included, would rank fourth and first, respectively.

Source: JLARC staff analysis of Appropriations Acts.

**Table 17: Agencies With the Most Non-General Fund Appropriation Growth
FY 2005 to FY 2006 (\$ in Millions)**

Rank	Agency	Change in Non-General Fund Appropriation	Percentage of Total
1	Department of Transportation	\$742	53%
2	Department of Medical Assistance Services	158	11
3	University of Virginia	97	7
4	Department of Rail and Public Transportation	97	7
5	Virginia Tech	74	5
6	Virginia Community College System	67	5
7	Virginia Commonwealth University	58	4
8	Department of Alcoholic Beverage Control	49	3
9	George Mason University	24	2
10	James Madison University	21	2
Total for Ten Agencies with Largest Non-General Fund Growth		\$1,388	99%
Total Non-General Fund Budget Growth		\$1,404	100%

Note: Excludes capital appropriations.

Source: JLARC staff analysis of Appropriations Acts.

TOTAL STATE EMPLOYMENT HAS INCREASED

Since 1997, State government employment levels as reflected by the maximum position levels set in the Appropriation Acts have risen overall, gaining a total of 8,512 employees for an 8.1 percent increase over the 10-year period. Maximum employment levels dipped to 104,925 positions in the 1997 fiscal year, as the Workforce Transition Act reduced staffing at many agencies and eliminated vacant positions. State employment levels then rose steadily to 112,685 positions in 2001 before falling quickly back under the 110,000 mark from 2002 until 2004. Since 2004, the State has seen an increase of 3,942 positions, which is 46 percent of the employment growth over the period.

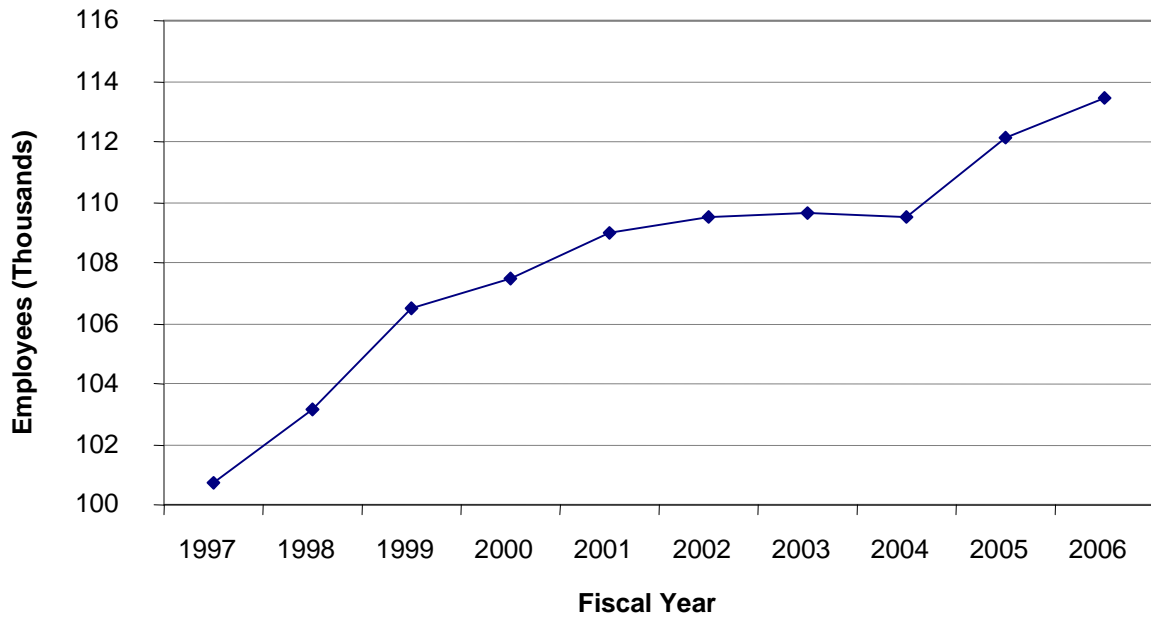
Two agencies, Medical College of Virginia Hospital Authority (MCV Hospitals) and the Virginia Economic Development Partnership (VEDP), became independent of the state during the period and are no longer accounted for in the Appropriation Act. MCV Hospitals became fully independent of the State in 2002 which removed its more than 4,000 positions. VEDP became independent in 1997 and accounted for 145 positions. These agencies are not included in the following analyses of State employment.

Figure 4 shows the steady growth of employment levels from FY 1997 until FY 2006 after MCV and VEDP are omitted from the analysis. Table 18 shows the agencies that had the largest changes in employment from FY 1997 to FY 2006. The top five agencies with the largest increases accounted for over 80 percent of the total growth in employment over the period. A wide variety of agencies make up the largest changes in employment over the period.

Higher Education. The University of Virginia had the largest change in employment over the decade, gaining a total of 2,588 positions for a 27 percent increase in total employment. Of the top 20 agency employment level changes of the ten-year period, eight are institutions of higher education.

Public Safety. Five of the top 20 agency changes in employment level involved agencies dealing with public safety, including the Departments of Corrections, Juvenile Justice, State Police, Correctional Education, and Criminal Justice Services. In addition, new adult and juvenile

Figure 4: Total State Employment FY 1997- FY 2006



Note: Based on position levels set in Appropriation Acts. Does not include MCV Hospitals or Virginia Economic Development Partnership.

Source: JLARC staff analysis of DPB data.

correctional facilities have been built over this period, creating additional staffing needs. The Department of Criminal Justice Services (DCJS) saw the largest relative increase over this time period with a 55 percent increase in positions from FY 1997 to FY 2006.

Information Technology. FY 2003 saw the creation of a new agency that would consolidate State government information technology responsibilities. The Virginia Information Technologies Agency (VITA) combined the Departments of Information Technology and Technology Planning, and at the same time eliminated vacant and duplicative positions in the two former agencies. VITA employment rose significantly over the period as IT positions in many agencies became VITA employees.

Supreme Court. For budget purposes, the Supreme Court of Virginia incorporates the Supreme Court and all inferior courts including the Court of Appeals, Circuit Courts, General District Courts, Juvenile and Domestic Relations District Courts, Combined District Courts, and the Magistrate System. While total position levels increased from FY 1996 to FY 2007 by 15 percent (333 positions), that increase was concentrated in the General District Courts

(147.4) and the Juvenile and Domestic Relations Courts (118). Together they account for almost 80 percent of the agency's growth. Of the two, Juvenile and Domestic Relations Courts saw the largest relative increase in employment with a 25 percent rise over the ten-year period.

Department of Veterans Services. In 2003, veterans benefit claims support and the veterans care center and cemetery services were consolidated into the newly created Department of Veterans Services, headed by the Commissioner of Veterans Services. The Veterans Service Board was also established to advise and make recommendations to the commissioner regarding future projects for the benefit of the State's veterans and to establish policies coordinating the delivery of veterans' services. Almost all of this agency's growth occurred during the consolidation.

Table 18: Largest Agency Employment Changes FY 1997 to FY 2006

Rank	Agency	Employment Level Change	Percentage Change
1	University of Virginia	2,588	27%
2	Virginia Community College System	1,599	22
3	Department of Corrections	1,095	10
4	Virginia Tech	834	13
5	Virginia Information Technologies Agency	721	203
6	George Mason University	527	20
7	Virginia Commonwealth University	526	12
8	James Madison University	508	26
9	Department of State Police	367	16
10	Supreme Court	333	15
11	Department of Juvenile Justice	276	13
12	Department of Veterans Services	250	431
13	Department of Correctional Education	226	42
14	Public Defender Commission	203	72
15	Christopher Newport University	199	39
16	Radford University	171	14
17	Department of Environmental Quality	167	23
18	Department of Motor Vehicles	148	8
19	Department of Criminal Justice Services	146	55
20	Department of Health	(145)	(4)

Note: Based on Total Position Levels as set forth in the respective Appropriation Acts. Does not include MCV Hospitals or Virginia Economic Development Partnership

Source: JLARC staff analysis of DPB data.

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, and reviewed previous reports and documents pertaining to State spending.

DATA COLLECTION

JLARC staff receive annual updates of budget and spending data from the DPB and DOA. JLARC staff currently maintain a database with appropriation data at the agency, program, and fund level from FY 1983; appropriation data at the agency and fund level from FY 1981; and final adjusted appropriations and expenditures at the agency, program and fund level since FY 1999. 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 pointed out 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. Appendix D presents the ten largest general fund increases made by each General Assembly between 1997 and 2006. Appendix E displays State expenditures by broad governmental function from FY 1981 through FY 2006, on a cash

or budgetary basis. Appendix F lists final legislative operating appropriations by fund type, over the same period. Appendix G lists final legislative operating appropriations by secretarial area from FY 1981 through FY 2006.

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 the tables in Appendixes E, F, and G, as well as appropriations for the largest State agencies, and general fund and non-general fund appropriations from FY 1981. This information is available by clicking on “Fiscal Analysis” and then selecting “Fiscal Data” from the drop-down menu at the JLARC website (<http://jlarc.state.va.us>).

DOCUMENT REVIEW

JLARC staff utilized a variety of documents for this review. These included Appropriation Acts from FY 1997 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 1997 to the present. “State of the Commonwealth” speeches by Virginia Governors were also collected and reviewed for the study period. Agency-specific and program-specific studies and documents were reviewed, as were reports from legislative and gubernatorial study commissions and panels. State spending reports compiled by the National Association of State Budget Officers were consulted, as were a variety of other documents.

Appendix
C

The Basis of the State Budget

The State 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 will be noted where relevant throughout this report.

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.

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 maximums that expenditures cannot exceed. Appropriations are payable in full only if revenues sufficient to pay all appropriations in full are available. 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. This includes all legislative changes made to appropriations during a biennium, such as second year changes to first year amounts and "caboose bill" (a third and final Appropriation Act during a biennium) changes to second year amounts. Administrative adjustments made to appropriations subsequent to the adoption of the "caboose bill" are not included. The Appropriations Act authorizes

the Governor, under certain conditions, to make limited adjustments to appropriations.

Expenditures 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.

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 tries 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.

An *agency* represents the level of operational and budgetary control and administration of State services. Agencies usually include a set of programs, all coming under the purview of an agency head who typically is appointed by the Governor, along with a staff who implement the agency’s programs.

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 799, 767, 795, and 711 (for central office, institutions, community corrections, and correctional enterprises respectively) must be combined to arrive at a budget total for the Department of Corrections. In addition, budget codes are sometimes used as a way of entering a new program or activity into the State system and ensuring budget control. Thus, the “personal property tax relief program” (746) and “compensation supplements” (757) are examples of programs (just financial accounts, in reality), which have been assigned a program budget code for administrative convenience.

In keeping with conventional practice in Virginia budget analysis, this report groups agency budget codes into what are logically or operationally a single agency. For example, the Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) comprises 15 mental health and mental retardation hospitals and training centers, a central administrative component and a grants-to-localities component, each of which has a separate agency budget code. This report combines these 17 agency budget codes to analyze changes in DMHMRSAS budgets. Another example is combining the College of William and Mary with the Virginia Marine Science Institute agency code to arrive at a total for the College of William and Mary. In 2002, this approach identified 144 State agencies, noted in Appendix D of the JLARC report, *Review of State Spending: June 2002 Update* (House Document 3 (2003)).

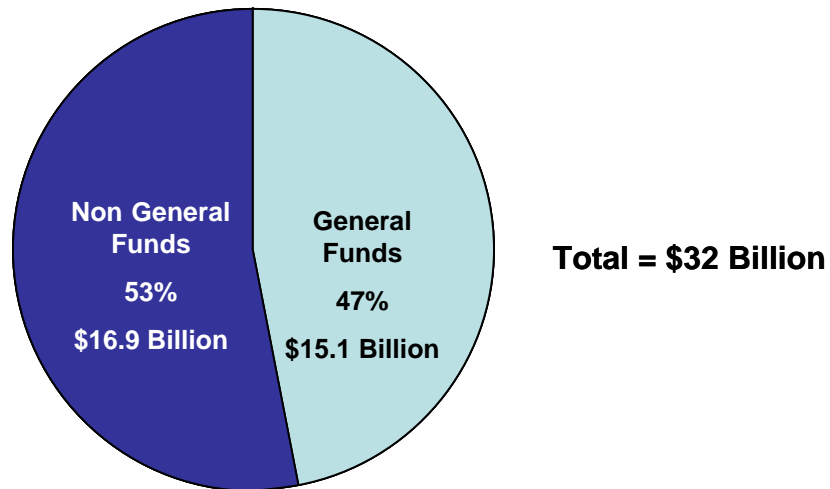
Like the Appropriation Act, this report treats the personal property tax relief program as a separate agency. This permits the car tax relief program to be compared to other State spending priorities, which are commonly considered in terms of agency codes.

GENERAL AND NON-GENERAL FUNDS

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

General and non-general funds comprised 47 and 53 percent, respectively, of the FY 2006 Virginia budget (Figure C1). This is important because it means that the expenditure of more than half the State budget is determined more by the source of funds than 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 budget decision-making process.

Figure 1: FY 2006 Appropriations by Fund



Source: JLARC staff analysis of Appropriation Act.

Appendix

D

Ten Largest Annual General Fund Increases, 1997–2006 Biennial Totals: \$ in Millions

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

Source: JLARC Staff Analysis of Budget Bill as Introduced (HB 5002) with Conference Report

Rank	Agency	Program	GF
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.	DSP	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
Sub-total, Largest Ten			\$ 509.1
Total of All General Fund adjustments, 2006 Session			\$ 508.1
Largest Ten as a Percentage of Total			100%*

*Percentage is misleading because it reflects new funds added to budget without also showing funds reduced elsewhere that offset additions.

Ten Largest Increases in 2004-2006 Budget made by 2005 General Assembly

Source: Money Committee Summary of 4/29/05

Rank	Agency	Program	GF
1.	VDOT	Transportation Initiatives	\$347.6
2.	DOA	Revenue Stabilization (Rainy Day) Fund Deposit	\$229.4
3.	DMAS	Medicaid Utilization, Inflation, and Initiatives	\$212.2
4.	Various	Capital Outlay and Building Maintenance	\$63.9
5.	Various	Employee Salary Increases (State & local)	\$131.7
6.	DEQ, DCR	Water Quality Improvements	\$86.4
7.	DOE	Increased Lottery & Sales Tax Revenue; Other Actions	\$68.8
8.	Various	Non-State Agencies	\$34.1
9.	DHCD, VTA	Economic Development, Workforce Consortia	\$27.3
10.	DMHMRSAS	Community Crisis, Aftercare, Early Intervention, Other Actions	\$20.1
Sub-total, Largest Ten			\$1,321.5
Total of All General Fund adjustments, 2004 Session			\$1,512.5
Largest Ten as a Percentage of Total			87%

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

Source: Money Committee Summary of 9/22/04

Rank	Agency	Program	GF
1.	DOE	Changes to SOQ Funding	\$839.4
2.	DOE	SOQ Funding Revisions (Chapters 939 and 955, 2004 <i>Acts of Assembly</i>)	\$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
Sub-total, Largest Ten			\$2,042.1
Total of All General Fund adjustments, 2004 Session			\$2,561.0
Ten Largest as a Percentage of Total			80%

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

Source: Money Committee Summary of 5/13/03

Rank	Agency	Program	GF
1.	DMAS	Medicaid Funding for Utilization and Inflation	\$142.4
2.	Central Accounts	Maintain Car Tax 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 Standards of Quality 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 GF	\$24.0
10.	DMAS	Fund Indigent Health Care at Teaching Hospitals	\$18.4
Sub-Total, Largest Ten			\$517.2
Total of All General Fund Adjustments, 2003 Session			\$717.9
Ten Largest as a Percentage of Total			72%

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

Source: Money Committee Summary of 4/25/02

Rank	Agency	Program	GF
1.	DMAS	Provide Funding for Utilization and Inflation	\$609.1
2.	DOE	Update Costs of the Standards of Quality Programs	\$379.9
3.	VDOT	Deposit GF into Priority Transportation Fund	\$146.6
4.	CSA	Fund Mandated Foster Care and Special Education Services	\$137.7
5.	Central Accounts	FY2004 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
Sub-total, Ten Largest			\$1,716.5
Total of All General Fund Adjustments, 2000 Session			\$2,213.0
Ten Largest as a Percentage of Total			78%

[No Budget Changes Made by 2001 General Assembly]

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

Source: Money Committee Summary of 3/22/00

Rank	Agency	Program	GF
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- Increased Utilization & Inflation	\$173.8
6.	Central Accounts	Salary Increase, State Employees (3.25% @11/25/00)	\$127.3
7.	Capital Outlay	Maintenance Reserve	\$100.0
8.	DOE	2.4% Teacher Salary Increase @ 12/1/00	\$88.9
9.	Capital Outlay	Infrastructure/Life Safety Projects	\$63.7
10.	Colleges & Universities	Maintain Faculty Salaries @60% of Peers	\$59.7
Sub-total, Ten Largest			\$2,562.8
Total of All General Fund Adjustments, 2000 Session			\$3,672.8
Ten Largest as a Percentage of Total			70%

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

Source: Money Committee Summary of 3/8/99

Rank	Agency	Program	GF
1.	DOE	Re-direct Lottery Profits to Localities + Hold Harmless	\$275.6
2.	DCJS	HB599	\$98.9
3.	Treasury	Revenue Stabilization Fund	\$79.1
4.	Colleges & Universities	20% Tuition Reduction for Va. Undergraduates	\$75.4
5.	DEQ	Water Quality Improvement Fund Payment	\$45.2
6.	DMHMRSAS	Community Services for Mentally Ill & Mentally Retarded	\$41.4
7.	Central Accounts	State Employee 4% Salary Increase, State-Paid Local Employees: 2.25% in FY2000	\$38.6
8.	DOE	Teacher Salary Increase, 6% @ 1/4/00	\$39.8
9.	Various	Year 2K Compliance	\$34.8
10.	Central Accounts	Replace Special Funds for Capital	\$19.9
Sub-Total, Ten Largest			\$748.7
Total of All General Fund Adjustments, 1999 Session			\$1,215.1
Ten Largest as a Percentage of Total			62%

Ten Largest Increases in 1998-2000 Budget made by 1998 General Assembly

Source: Money Committee Summary of 3/30/98

Rank	Agency	Program	GF
1.	Central Accounts	Personal Property Tax/School Construction	\$533.0
2.	DOE	SOQ Accounts Updated/Sales Tax Revenue	\$350.2
3.	Treasury	Revenue Stabilization Fund FY99 & FY00	\$238.8
4.	Central Accounts	State & Local Employee Pay Increase Dec 98+99	\$150.0
5.	DMAS	Medicaid Utilization & Inflation	\$111.7
6.	DOE	Teacher Salaries: 2.25% each yr	\$97.1
7.	Colleges & Universities	Faculty Salaries: Move Toward 60th Percentile	\$72.5
8.	Capital Outlay	Maintenance Reserve	\$51.3
9.	Non-States	Non-State Agencies	\$46.6
10.	DOE	K-3 Reduced Class Size/Enrollment/All Schools	\$45.5
Sub-Total, Ten Largest			\$1,696.7
Total of All General Fund Appropriation Adjustments, 1998 Session			\$3,007.0
Ten Largest as a Percentage of Total			56%

Ten Largest Increases in 1996-1998 Budget made by 1997 General Assembly

Source: Money Committee Summary of 3/5/97

Rank	Agency	Program	GF
1.	Central Accounts	State & Local Employee Pay Increase, Transition to Lag Pay	\$45.8
2.	DOC	New Prisons, Additional Probation Officers & Services	\$39.6
3.	Comp. Services Act	Caseload Increases & Cost Containment	\$27.8
4.	DOE	Teacher Salaries (4.0% @ 1/1/98)	\$19.7
5.	Colleges & Universities	Faculty Salaries (average 5.5% 1/1/98)	\$18.7
5.	DJJ	Juvenile Correctional Center Costs	\$18.7
7.	Treasury	Revenue Stabilization Fund	\$17.7
8.	Compensation Board	Jail Staffing, Per Diems, Expanded Jail Contracting	\$15.5
9.	DEQ	Water Quality Improvement Fund	\$15.0
10.	DSS	Develop & Implement ADAPT	\$10.9
Sub-Total, Ten Largest			\$229.4
Total of All General Fund Appropriation Adjustments, 1997 Session			\$439.9
Ten Largest as a Percentage of Total			52%

Appendix E

State Expenditures by Governmental Function \$ in Millions, Unadjusted for Inflation

Fiscal Year	Education	Adminis- tration of Justice	Individual and Family Services	Resource and Eco- nomic De- velopment	Trans- portation	General Government	Enterprises	Capital Projects	Total Ex- penditures
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

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 2006 data.

Appendix **F**

Final Legislative Operating Appropriations by Fund

\$ in Millions, Unadjusted for Inflation

Fiscal Year	Total	General	Special	Higher Education Operating	Commonwealth Transportation	Enterprise	Trust and Agency	Debt Service	Dedicated Special Revenue	Federal Trust	Total Non-General
1981	5,713	2,687	189	549	982	206	133	22	15	930	3,026
1982	6,033	2,904	212	614	968	217	181	24	15	898	3,129
1983	6,477	3,111	249	748	949	248	219	22	24	908	3,366
1984	6,841	3,268	271	834	971	254	235	31	25	952	3,573
1985	7,682	3,753	251	911	1,092	214	339	37	29	1,057	3,929
1986	8,269	4,032	299	984	1,174	217	393	44	31	1,097	4,237
1987	9,351	4,599	333	1,144	1,384	219	405	100	31	1,135	4,751
1988	10,021	4,932	423	1,203	1,618	218	333	84	33	1,178	5,089
1989	11,383	5,619	575	1,386	1,673	227	487	77	44	1,296	5,765
1990	11,836	5,989	668	1,464	1,598	228	428	39	46	1,377	5,847
1991	12,620	6,315	676	1,631	1,553	294	401	80	58	1,612	6,305
1992	12,858	6,140	775	1,806	1,600	296	380	42	59	1,760	6,717
1993	13,927	6,402	842	2,087	1,728	300	467	34	64	2,004	7,526
1994	14,686	6,777	878	2,228	1,906	303	386	34	68	2,105	7,909
1995	15,854	7,356	937	2,395	1,948	359	419	104	76	2,260	8,498
1996	16,291	7,597	915	2,487	1,919	371	449	108	78	2,368	8,694
1997	17,131	8,134	918	2,570	1,953	365	447	87	134	2,522	8,997
1998	17,621	8,715	940	2,219	2,106	366	463	92	123	2,596	8,905
1999	19,962	9,967	938	2,471	2,706	391	486	104	142	2,757	9,995
2000	21,369	11,093	1,029	2,489	2,597	399	486	108	140	3,028	10,276
2001	23,323	12,284	1,156	2,616	2,785	429	614	119	245	3,074	11,039
2002	23,483	12,014	1,202	2,704	2,876	428	767	121	250	3,120	11,469
2003	24,983	12,105	1,324	3,240	2,680	566	898	167	285	3,718	12,878
2004	26,379	12,370	1,352	3,575	3,194	590	893	171	258	3,976	14,009
2005	29,258	13,782	1,430	4,014	3,213	650	1,085	164	585	4,333	15,476
2006	31,597	14,736	1,394	4,387	3,978	700	1,109	170	604	4,518	16,861

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

Appendix



**Final Legislative Operating
Appropriations by Fund
\$ in Millions, Unadjusted for Inflation**

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

Appendix H

State Grants to Non-State Entities

Non-State Agency or Entity	2006 Appropriations
Virginia Performing Arts Foundation	\$4,000,000
Art Museum of Western Virginia	2,430,000
Wolf Trap Foundation for the Performing Arts	1,570,000
USS Monitor Center at the Mariners Museum	1,490,000
Virginia Living Museum	1,490,000
Woodrow Wilson Presidential Library	1,380,000
The Barter Foundation	1,090,000
Virginia Aquarium and Marine Science Center	1,040,000
Poplar Forest	700,000
Marine Corps Heritage Foundation	640,000
Chrysler Museum	540,000
Virginia Beach Performing Arts Center	540,000
Fredericksburg Area Museum and Cultural Center	520,000
Wayne Theatre Alliance	500,000
Shenandoah Valley Discovery Museum	480,000
Lynchburg Academy of Fine Arts	430,000
Museum of the Shenandoah Valley	380,000
Staunton Performing Arts Center	380,000
Schooner Virginia	350,000
Children's Museum of Virginia	300,000
Railroad Museum of Virginia	300,000
Paramount Theatre	270,000
Virginia Arts Festival	270,000
National Museum of the U.S. Army, to the Army Historical Foundation for	250,000
Virginia Museum of Transportation	225,000
Arlington Signature Theatre	200,000
Center in the Square	200,000
Historic Jamestowne, to APVA for	200,000
Montpelier Foundation	200,000
Virginia Historical Society	200,000
Virginia's Explore Park	200,000
William King Regional Arts Center	200,000
4-H Educational Centers, to the Virginia 4-H for	150,000
Camp Baker	150,000
George Washington's Ferry Farm	150,000
Hand Workshop Art Center	150,000
Shenandoah Valley Battlefields Foundation	140,000
Reston Arts Center	135,000
Cold War Museum	125,000
First Freedom Center	125,000

Great Bridge Battlefield Visitor Center	125,000
La Crosse Hotel	125,000
Air Force Museum Foundation	100,000
Estes Center	100,000
Freedom Museum	100,000
George C. Marshall Foundation	100,000
NOVA Regional Park Authority	100,000
Our Health, Inc.	100,000
Portsmouth Library, to the City of Portsmouth for the	100,000
Reedville Fisherman's Museum	100,000
Specials Olympics of Virginia, Inc.	100,000
Stratford Hall	100,000
Virginia Sports Hall of Fame	100,000
Blue Ridge Zoological Society of Virginia	87,500
Celebrating Special Children, Inc.	75,000
Old Brick House Foundation	75,000
Richmond Ballet	75,000
Science Museum of Western Virginia	75,000
Virginia Beach Convention & Visitors Bureau	75,000
Virginia Economic Bridge, Inc.	75,000
Virginia Opera	75,000
Menokin Foundation	70,000
Liberia House	62,500
Henricus Foundation	55,000
Oatlands	53,750
Crab Orchard Museum and Pioneer Park, Inc.	52,500
Beacon Theater	50,000
Bedford City/County Museum	50,000
Belle Grove Plantation	50,000
Black History Museum	50,000
Black Women United For Action	50,000
Breaks Interstate Park	50,000
Campagna Center Exterior Repairs	50,000
Carter House	50,000
Committee for the Historic Cavalry Battles	50,000
Endview Plantation	50,000
Freedom Park in James City County	50,000
General Douglas MacArthur Foundation	50,000
Harrison Museum for African American Culture	50,000
Historical Old Stone High School in Louisa	50,000
Jewish Community Center of Northern Virginia	50,000
Jewish Foundation for Group Homes - Renovations	50,000
King and Queen Marriott School Project	50,000
Lee Hall Mansion	50,000
Lee Hall Train Depot	50,000
Lee-Fendall House Repairs	50,000
Metro Richmond Sports Backers	50,000
Norfolk Botanical Gardens	50,000

Oakland, to the Nelson County Museum of History for	50,000
Permanent Marker for the 400th Anniversary, to the Jamestown-Yorktown Foundation for the	50,000
Ralph Stanley Museum and Traditional Mountain Music Center	50,000
Rippon Lodge	50,000
Salem Historical Society	50,000
Vienna Volunteer Fire Department	50,000
Jewish Foundation for Group Homes	45,000
Rosewell Foundation	45,000
Jewish Social Service Agency	40,000
Natural Bridge Volunteer Fire Department	40,000
Oasis Soup Kitchen, to the City of Portsmouth for	40,000
Sedalia Center	40,000
Todi Festival, to the City of Portsmouth for the	40,000
Ben Lomond Manor House	37,500
Brentsville Courthouse Historic Centre	37,500
History Museum and Historical Society of Western Virginia	37,500
Newsome House Museum and Cultural Center	37,500
Pulaski Theater	37,500
Virginia Air and Space Museum	37,500
Virginia Senior Games	37,500
Lynnhaven House	35,000
Chesapeake Arboretum	27,500
Arts and Education in Concert	25,000
Beaverdam Heritage Days Foundation	25,000
Bridging Boundaries International	25,000
Center for Excellence in Education	25,000
Championship Horse Show, to the Virginia 4-H for	25,000
Christiansburg Institute Museum and Archive	25,000
Conner House	25,000
DOVES, Inc	25,000
Ecumenical Community Helping Others (ECHO)	25,000
ENS Foundation	25,000
Hanover Community Center	25,000
Holiday House	25,000
Hurrah Players	25,000
Merchants Hope Church	25,000
Moton Community Center	25,000
National Rehabilitation & Rediscovery Foundation	25,000
Remote Area Medical Health Expedition (RAM)	25,000
Rosenwald School Building, to Greensville County for	25,000
St. John's Church Foundation	25,000
St. Mary's Health Wagon	25,000
Trevillian Station Battlefield Foundation	25,000
Virginia Council on Indians	25,000
Virginia Foundation for Housing Preservation	25,000
Warwick Courthouse	25,000
Westmoreland Poor School Society*	25,000
Youth Outreach Services, to the Youth Corporation, Inc. for	25,000
MacCallum More Museum and Gardens	22,500
Friends of the Fairfax Station	17,500

Walton Mountain Museum*	17,500
Essex County Museum	15,000
Kerr Place Museum, to the Eastern Shore Historical Society for	15,000
Lorton Community Action Center	15,000
Richmond Korean Senior Citizen Assoc.	15,000
Steamboat Museum	15,000
Village View Foundation	15,000
Virginia War Museum Foundation Historic Services-Causey's Mill	15,000
Wakefield Foundation	15,000
Danville Museum of Fine Arts and History	12,766
Avoca Museums and Historical Society	12,500
Bay School Cultural Arts Center	12,500
Birthplace of County Music	12,500
Boys and Girls Clubs of the Peninsula	12,500
Coal Miners Memorial	12,500
Dinwiddie Institute	12,500
E. Trinkle Regional Visitors Center, to the Town of Wytheville for	12,500
Fairfield Foundation	12,500
Greenway Court	12,500
Jubal Early Homeplace, to the Jubal A. Early Preservation Trust for	12,500
Mosby House Museum	12,500
Palace Theater in Cape Charles	12,500
Patrick County Music Association	12,500
Pulaski Fine Arts Center	12,500
Railroad Museum — Chatham, to the Pittsylvania Historical Society for	12,500
Red Hill Shrine, to the Patrick Henry Memorial Foundation for	12,500
Theatre IV	12,500
Virginia Space Flight Academy	12,500
Virginia War Museum Foundation Historic Services	12,500
Jewish Council for the Aging	12,000
French and Indian War Foundation	10,000
Friends of Wilderness Battlefield	10,000
Kinsale Foundation	10,000
Mary Ball Washington Museum and Library	10,000
Tidewater Center for Speech and Language Disorders	10,000
Trail of the Lonesome Pine	10,000
Wayside Theater	10,000
Pocahontas, Inc.	9,000
Church Quarter	7,500
Fairfax Station Railroad Museum	7,500
Little England Chapel, to the Newtown Improvement and Civic Club for	7,500
Stonewall Camp #380, to Portsmouth Confederate Monument for	7,500
Tinner Hill Heritage Museum	7,500
General Charles Fenton Mercer Grave Site	7,000
amherst County Museum and Historical Society	5,000
Environmental Alliance for Senior Involvement	5,000
Lyric Theatre	5,000
Montpelier Center for Arts and Education	5,000

Patriot Project	5,000
Roanoke Symphony	5,000
The Barns at Rosehill	5,000
Virginia Rural Water Association	5,000
Riddick's Folly, Inc.	4,233
Town of Pocahontas	1,000
Total For Non-State Entities	\$29,619,749.00

*Exempt from the Appropriations Act match requirement.

Source: 2006 Appropriations Act



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