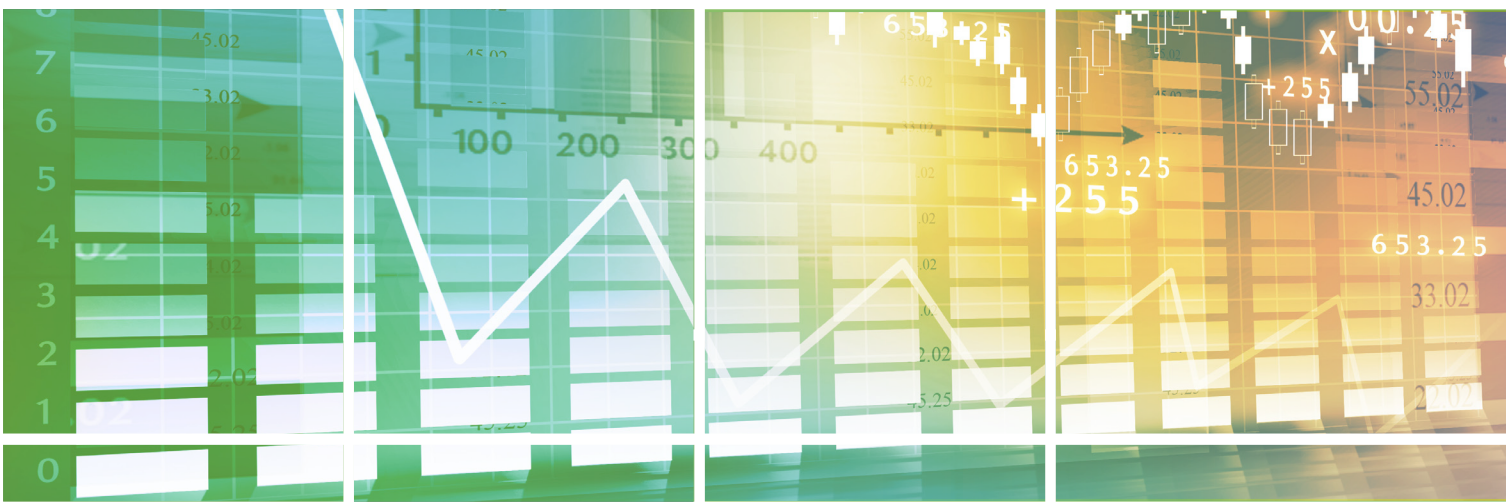


Report to the Governor and the General Assembly of Virginia

State Spending: 2015 Update



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November 5, 2015

The Honorable John C. Watkins, Chair
Joint Legislative Audit and Review Commission
General Assembly Building
Richmond, Virginia 23219

Dear Senator Watkins:

The Code of Virginia requires JLARC to produce an annual report on the growth of state spending (§ 30-58.3). This year's report, which was presented at the Commission meeting on October 13, 2015, covers the 10-year period from FY 2006 to FY 2015.

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

Sincerely,

A handwritten signature in cursive script that reads "Hal E. Greer".

Hal E. Greer
Director

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Supplemental appendixes are available to view and download with this report on the JLARC website: <http://jlarc.virginia.gov>

Abbreviations

ABC	Department of Alcoholic Beverage Control	JDRDC	Juvenile and Domestic Relations District Courts
CNU	Christopher Newport University	LVA	Library of Virginia
CWM	College of William & Mary	NSU	Norfolk State University
DBA	Department of Business Assistance	ODU	Old Dominion University
DBHDS	Department of Behavioral Health & Developmental Services	RU	Radford University
DCE	Department of Correctional Education	SBE	State Board of Elections
DCJS	Department of Criminal Justice Services	SCHEV	State Council of Higher Education for Virginia
DCR	Department of Conservation and Recreation	UMW	University of Mary Washington
DEQ	Department of Environmental Quality	UVA	University of Virginia
DHRM	Department of Human Resource Management	UVA-W	University of Virginia's College at Wise
DMA	Department of Military Affairs	VA529	Virginia 529 College Savings Plan
DMAS	Department of Medical Assistance Services	Va Tech	Virginia Tech
DMME	Department of Mines, Minerals, and Energy	VCCS	Virginia Community College System
DOA	Department of Accounts	VCU	Virginia Commonwealth University
DOC	Department of Corrections	VDEM	Virginia Department of Emergency Management
DOE	Department of Education	VDH	Virginia Department of Health
DRPT	Department of Rail and Public Transportation	VDOT	Virginia Department of Transportation
DSS	Department of Social Services	VEC	Virginia Employment Commission
DVS	Department of Veterans Services	VITA	Virginia Information Technologies Agency
E&G	Educational and General Programs (Higher Education)	VMFA	Virginia Museum of Fine Arts
EVMS	Eastern Virginia Medical School	VMI	Virginia Military Institute
FAMIS	Family Access to Medical Insurance Security	VPA	Virginia Port Authority
GMU	George Mason University	VRS	Virginia Retirement System
IDC	Indigent Defense Commission	VSDBH	Virginia School for the Deaf & Blind at Hampton
JMU	James Madison University	VSP	Virginia State Police
		VSU	Virginia State University
		VTA	Virginia Tourism Authority

Summary

State Spending: 2015 Update

WHAT WE FOUND

- Over the past decade, Virginia’s operating budget increased by \$15 billion (47%)—a 21% increase in general funds and a 70% increase in non-general funds. A variety of economic factors and policies contributed to this growth. With population growth of 9% from 2006 to 2014, Virginia had approximately 680,000 more residents. Inflation increased by 18% over the period while the personal income of Virginians increased by 32%.
- When controlling for growth in population and inflation, the total budget grew by 15%, the general fund budget decreased by 5%, and the non-general fund budget increased by 33%, over the 10-year period.
- When general funds declined in several years during the past decade, the total budget continued to increase due to the growth in non-general funds. While the annual average increase in general funds over this time period was 2.3%, the average annual increase in non-general funds was 6.1%.
- The 10 largest state agencies (out of 150) accounted for 66% of the total state budget in FY 2015 and approximately 60% of all budget growth between FY 2006 and FY 2015.
- Growth in general and non-general fund appropriations is concentrated in a few large state agencies. Several agencies experienced substantial growth in general and non-general fund appropriations over the past 10 years.
- The general fund appropriations for 38 agencies either grew more slowly than inflation or declined.
- Budget growth was concentrated in a few large programs: eight (of 213) in health care, education, and transportation accounted for 63% of total budget growth.

WHY WE DID THIS STUDY

The Code of Virginia requires the Joint Legislative Audit and Review Commission (JLARC) to produce an annual report on growth in state spending over the prior five biennia, identify the largest and fastest growing functions and programs in the budget, and analyze long-term trends and causes of spending in these programs (Appendix A).

Prior reports reviewed spending and budget growth for all the previous 10-year periods between FY 1981 and FY 2014. This report is the 15th in the series and focuses on trends in the state’s operating budget during the past 10 years, from FY 2006 through FY 2015.

State Spending: 2015 Update

FY 2006–FY 2015

The budget is a complex instrument that channels money from many different sources to a variety of state functions and programs. It is impacted by numerous economic and demographic trends, and is perhaps the single most important statement of policies and priorities for the state of Virginia. In FY 2015, Virginia's budget totaled \$47 billion and included approximately 150 agencies and 210 programs.

Virginia's budget growth varied over the past decade. After several years of growth starting in FY 2006, total budget growth slowed to 0.3% in FY 2010 as a result of the national recession. Budget growth picked up from FY 2011 through FY 2013, in part due to increased revenue collections and an infusion of federal stimulus funds. The total budget continued to increase in FY 2015. However, approximately half of this increase was due to a change in the budgetary treatment of internal service funds (ISFs).

Virginia's overall fiscal condition affects the budget and is driven by several factors:

- Population: Virginia is a relatively fast-growing state in terms of population (17th from 2004 to 2014), growing faster than the national population. Each year more residents are paying taxes and requiring public services.
- Economic factors: Inflation-adjusted total personal income in Virginia grew at a slightly lower rate than the nation from FY 2006 to FY 2014 (2015 data is not available), however unemployment remained below the national average.

Annual report on state spending

The Joint Legislative Audit and Review Commission (JLARC) produces an annual report on growth in state spending over the prior five biennia, which identifies the largest and fastest growing functions and programs in the budget and analyzes long-term trends and causes of spending changes in these programs (Appendix A, General Assembly mandate for this report).

Prior reports reviewed spending and budget growth for all the previous 10-year periods between FY 1981 and FY 2014. This report is the 15th in the series and focuses on trends in the state's operating budget during the past 10 years, from FY 2006 through FY 2015.

This report does not evaluate the merits or adequacy of funding for government functions, agencies, or programs. An inherent limitation in an analysis of spending and budget growth is that it does not address the appropriateness of the expenditure amount in either the base or end year. For example, a rate of growth that might be appropriate for a program that was inadequately funded in its first year

Many of the tables and figures in this report reflect appropriation levels and are noted as such.

might be excessive for a program that was adequately funded. This report identifies potential underlying long-term factors that may explain some budget growth. Of the numerous perspectives from which budget growth can be examined, key economic, policy, historical, and technical factors are considered.

Non-general fund appropriations drove budget growth

Virginia's budget has been growing for many years. As noted in JLARC's first report on state spending in 2002, Virginia's total operating appropriations grew by an average of 7.9% annually from FY 1981 to FY 2000. Even in years of national recession and decline in the state general fund, total state budget appropriations continued to increase due to growth in non-general funds.

This trend continued over the past decade. Total annual budget growth from FY 2006 to FY 2015 averaged 4.4%, despite reduced general fund appropriations between FY 2008 and FY 2010. Growth in the total budget continued during these periods due to growth in non-general funds. The nearly 10% growth in total appropriations in FY 2007 resulted not only from a healthy economy but also from state tax policy changes adopted in 2004, including an increase in the sales tax, which contributed to several years of above-average budget growth (Table 1).

State general funds have experienced more variability during the 10-year period under review. General fund appropriations grew by an average of 2.3% annually. The long-term upward trend in state general fund appropriations ceased after FY 2007. From FY 2007 through FY 2010, general fund appropriations declined by \$2.2 billion, or 13%, an average decline of more than 4% per year. The general fund returned to positive growth in FY 2011 (4.5%), though growth has slowed somewhat in the past two years (an average of 3.2%).

Non-general fund appropriations continued to grow over the past decade for various reasons. Average annual growth in non-general funds during the period was 6.1%. Federal funds increased, as did revenue from tuition payments at colleges and universities and child support enforcement payments. Some of these increases were expressly to offset declining general funds. For example, the federal government provided an infusion of funds to states in FY 2010 to offset declines in state funding for education, health care, and other activities.

FY 2014 was the smallest year of growth in non-general funds over the past decade, primarily due to slower growth in higher education operating appropriations (largely tuition and fees) and reduced unemployment insurance payments. The FY 2015 budget experienced a large increase (12.2%) in non-general funds, which is mainly due to the FY 2015 budget inclusion of a specific appropriation amount for internal service funds. Without this change, the FY 2015 increase would have been 5.3%, a rate similar to the average annual change in non-general funds over the time period.

Declines in the general fund

Between FY 1981 and FY 2008, FY 1992 and FY 2002 were the only two years when the general fund declined.

FY 2008 to FY 2010 was the first time since the early 1960s that the general fund declined in two or more consecutive years.

TABLE 1
Virginia's operating appropriations, FY 2006–FY 2015 (\$M)

Fiscal year	General fund		Non-general fund		Total	
	Amount	% change	Amount	% change	Amount	% change
2006	\$15,111	---	\$16,881	---	\$31,991	---
2007	17,033	12.7 %	18,062	7.0 %	35,095	9.7 %
2008	16,960	-0.4	19,044	5.4	36,004	2.6
2009	16,192	-4.5	20,865	9.6	37,057	2.9
2010	14,785	-8.7	22,380	7.3	37,165	0.3
2011	15,457	4.5	23,525	5.1	38,983	4.9
2012	16,342	5.7	24,009	2.1	40,351	3.5
2013	17,116	4.7	25,559	6.5	42,675	5.8
2014	17,705	3.4	25,619	0.2	43,324	1.5
2015	18,240	3.0	28,740 ^a	12.2	46,979	8.4
2006–2015	\$3,129	20.7 %	\$11,860	70.3 %	\$14,988	46.8 %
Average annual change		2.3 %		6.1 %		4.4 %

Source: Appropriation Acts.

Note: Operating funds only; excludes capital appropriations.

^a \$1.8 billion of this increase is due to the FY 2015 budget including a specific appropriation amount for internal service funds.

Growth in population, the economy, and inflation contribute to budget trends

Changes in population and demographics affect public sector budgets. Virginia's population increased by 8.9% from 2006 to 2014 (2015 population data is not available) (Table 2). Localities that are gaining or losing significant numbers of people tend to have different levels of need for public services. Two age groups in particular—older residents and school-age children—influence the provision of state services and funding. Between 2006 and 2014 (the most recent year of population data for specific demographics), the number of Virginians 65 years of age and older grew more than three times as much as the overall population. In contrast, the number of Virginians under the age of 18 grew more slowly than the overall population.

Adjusting for inflation also helps explain underlying budget changes. Inflation increased by 18% from FY 2006 through FY 2015 as measured by the change in the consumer price index. This means that the state budget would have had to increase by that percentage just to maintain the same service levels as in FY 2006. Adjusted for inflation, Virginia's total budget increased by 25% over the period, the non-general fund budget increased by 45%, and the general fund budget increased by 3% (Figure 1). Adjusted for both inflation and population growth, the total budget increased by 15%, non-general fund appropriations increased by 33%, and general fund appropriations decreased by 5%.

TABLE 2
Key demographic and economic changes in Virginia, 2006–2015

Indicator	2006	2015 (except as noted)	Percent change
Population^a			
Total	7,646,996	8,326,289 ^e	8.9%
Ages 65 and over	886,014	1,146,886 ^e	29.4
Under 18 years old	1,829,099	1,869,115 ^e	2.6
Economy			
Inflation (Consumer Price Index) ^b	100.0	117.6	17.6
Virginia GDP (\$B)	\$376.0	\$463.6 ^e	23.3
Total employment (non-farm, June)	3,741,200	3,824,500	2.2
Total state personal income (\$B)	\$321.4	\$422.7	31.5
Median home sales price (June)	\$259,152 ^a	\$274,388 ^a	5.9
Total taxable property (\$B)	\$1,010.3	\$1,096.5 ^f	8.5
Average weekly wages	\$847	\$1,018 ^{a,e}	20.2
State finance^c			
State operating budget (\$B)	\$32.0	\$47.0	46.8
State general fund budget (\$B)	\$15.1	\$18.2	20.7
Total number of state employees (salaried) ^d	101,728	104,368	2.6
Average state employee salary	\$38,516	\$46,238	20.0
Taxable sales (\$B)	\$89.5	\$93.3 ^f	4.3

Source: U.S. Census Bureau; Weldon Cooper Center; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Department of Agriculture; various state agencies; Virginia Association of Realtors.

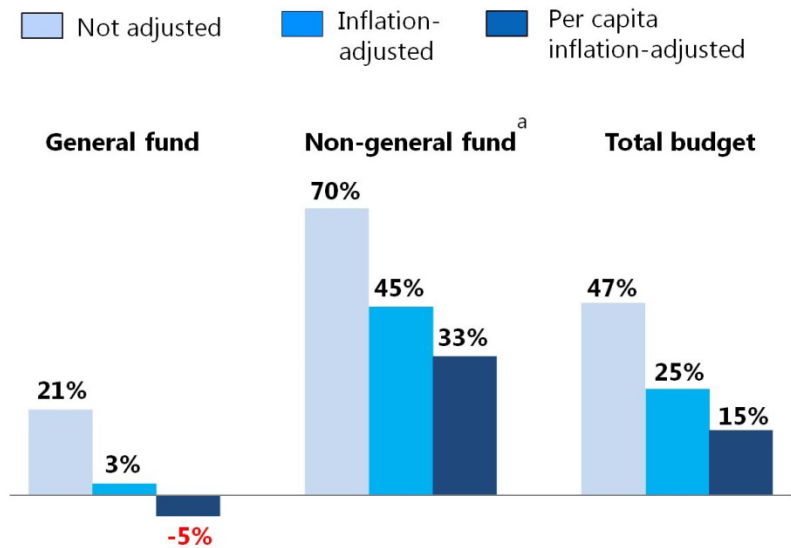
Note: Dollars not adjusted for inflation.

^a Estimated. ^b 2006 CPI rebased to 100. ^c On a fiscal year basis. ^d Includes salaried faculty at higher education institutions. ^e 2014. ^f 2013.

Trends in the budget also differed by funding source. General fund appropriations varied throughout the period, but FY 2015 levels remain close to the 10-year per capita average of \$2,194 (Figure 2). Unlike general fund appropriations, non-general fund and total appropriations for FY 2015 were somewhat higher than the 10-year per capita averages of \$2,961 and \$5,155, respectively. The FY 2015 amounts are closer to the 10-year average if the budgetary change to ISFs is excluded.

Virginia's per capita inflation-adjusted budget growth of 15% from FY 2006 through FY 2015 appears slightly higher than the 50-state average spending growth over a similar 10-year period. Appropriation data for the 50 states is unavailable, but data on state expenditures collected by the National Association of State Budget Officers (NASBO) from FY 2004 through FY 2013 (2014 and 2015 data are not available) shows that Virginia's spending growth of 19% ranked 11th among the 50 states, adjusted for inflation and population growth. When compared to regional spending growth, Virginia's growth was within the range of other states. Spending growth ranged from a high of 63% in Maryland to a low of -6% in North Carolina over this time frame. (The NASBO report focused on expenditures, including capital spending,

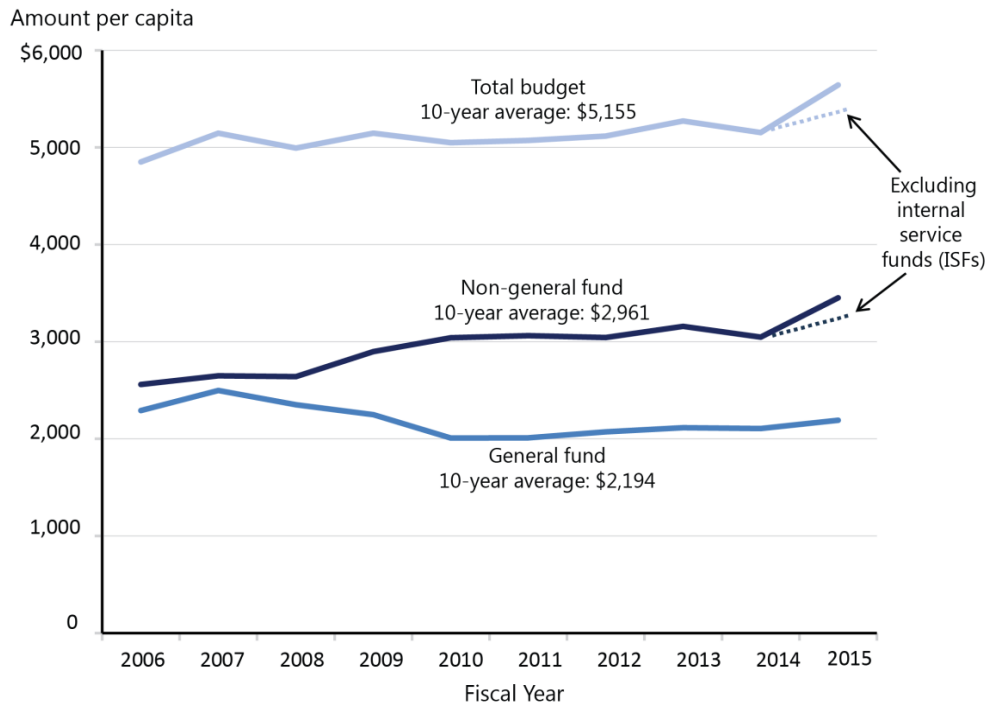
FIGURE 1
Effect of inflation and population growth on appropriations, FY 2006–FY 2015



Source: Appropriation Acts; U.S. Census Bureau; U.S. Bureau of Labor Statistics.

^a Increases in non-general funds reflect the FY 2015 budget including a specific appropriation amount for ISFs.

FIGURE 2
Non-general fund growth has been an important driver of overall budget growth, FY 2006–FY 2015



Source: Appropriation Acts; U.S. Census Bureau; U.S. Bureau of Labor Statistics. Note: Per capita, inflation adjusted.

while the majority of this report focuses on final operating appropriations, excluding capital.)

A disproportionate share of federal government spending occurs in Virginia due to its proximity to Washington, D.C., and the large military presence in the state.

Although Virginia's economic growth has outpaced the nation for most of the period under review, Virginia's growth has slowed in recent years. This is due in part to the loss of federal contracting jobs resulting from mandatory cuts to federal defense and non-military spending known as "sequestration."

Several key economic indicators point to Virginia's lower performance compared to the nation between 2006 and 2015:

- Growth in Virginia's gross domestic product (GDP) was less than that of the nation. Virginia's GDP rose by 5.0%, adjusted for inflation, compared to the U.S. GDP, which grew at the inflation-adjusted rate of 9.2% from 2006 to 2014 (2015 data unavailable).
- Virginia's personal income per capita grew less than the national average. Adjusted for inflation, personal income per capita grew by 0.6% in Virginia, compared to the nationwide inflation-adjusted increase of 3.0% from 2006 to 2014 (2015 data unavailable).
- Virginia's labor force grew less than the national average. Total employment grew by 2.2% from 2006 to 2015. In comparison, the nationwide employment rate increased by about 2.5% from 2006 to 2014 (2015 data unavailable).

In federal fiscal year (FFY) 2013, the most recent year for which data is available, Virginia ranked 11th among the states in total federal spending per capita.

Agency workload, policy decisions, and federal funding all contribute to budget trends

Although inflation, population increase, and economic growth help explain state budget trends over the past decade, additional factors are at work. Demographic and economic changes influence the workload of state agencies, although there is no consistent trend in workload among agencies. Workload grew significantly in some agencies but declined in others, and the link between measurable workloads and an agency or program budget is not always clear or consistent.

Virginia's budget fluctuated with state decisions, and in some cases local decisions, to expand or reduce programs and activities. For example, in FY 2012, \$200 million in general funds was used to support the goals of the higher education "Top Jobs" legislation. Other programs, such as the state's share of the Standards of Quality payments to public schools, funding for Medicaid payments and utilization, and payments for the securitization of the Tobacco Master Settlement Agreement's annual revenue stream occur automatically, as mandated by the Constitution of Virginia or by law.

Federal funds and policy decisions can affect state spending. Federal funds grew slightly as a portion of Virginia's budget during the 10-year period under review. At the beginning of the period, federal funds accounted for \$4.5 billion or 14% of the state budget. By FY 2015, Virginia's federal funds increased to \$7.1 billion or 15% of the state budget.

Most federal funding requires a state funding match, which varies by program. In some cases, continued participation in a federal program requires substantial state funding. Medicaid is the largest federal program in the Virginia budget, with \$4.3 billion in federal funds (61% of all federal funds in Virginia's budget) and a total budget of \$8.6 billion in FY 2015. Growth in Medicaid costs is largely driven by enrollment growth. The state match rate for Medicaid was about 50% for most of the decade under review.

Virginia has accommodated a variety of mandatory enhancements to federally supported programs over the years. Examples of federally required spending increases include rate increases for certain Medicaid-funded services and early intervention services for certain young children. In addition, state agencies are required to comply with various federal regulations designed to achieve goals such as workplace safety and environmental protection.

Non-general funds continue to grow faster than the general fund

A central reason for consistent growth in the state budget, even in years when the general fund declined, has been the steady growth of non-general funds. The uses of these funds are governed by statute. Starting in FY 2003, non-general funds constituted a majority (52%) of the state's budget, and they now account for about 61% of the total budget. Non-general funds grew by 70% over the past 10 years, outpacing the 21% growth in the general fund (Table 3).

The inclusion of non-general funds in the budget can be traced to the requirement in the Constitution of Virginia that state spending occur only through appropriations made by the General Assembly. Although the general fund budget tends to receive more attention than the non-general fund portion, in part because fewer decisions are made about non-general funds during each year's General Assembly session, funds from all sources must be included in the budget and appropriated before they are spent.

The state budget draws upon hundreds of sources of revenue. The state accounting system groups funds from all these sources into 10 broad categories, nine of which are non-general fund revenue sources. Growth in all categories of non-

Virginia and its localities received approximately \$6.3 billion in American Recovery and Reinvestment Act funds from FY 2009 through FY 2011.

Enrollment in the Family Access to Medical Insurance Security (FAMIS) and Medicaid programs grew from 75,672 in 2006 to 113,395 in 2015.

See Appendix I: Major Uses of Non-General Funds, FY 2015, online-only supplement, available to view or download with this report on the JLARC website:
<http://jlarc.virginia.gov>.

general funds exceeded the general fund's growth rate of 21%, except the highway maintenance and construction fund, which grew 10% from FY 2006 to FY 2015 (Table 3). To a large extent, growth in non-general funds reflects trends in the specific activities that generate money, such as the issuance of bonds, increased product sales (by the Department of Alcoholic Beverage Control and Virginia Lottery, for example), college tuition payments, child support payments, and funds paid by local governments and by the federal government. Growth in these sources drive increases in the state budget. However, some of the non-general funds with the highest growth rates remain relatively small as a percentage of the state's total budget.

The large share of non-general funds in the budget means that the size and growth of the state budget may be less reflective of the state's economic activity and population growth and more the consequence of policy choices that affect the amount of revenue for these funds—such as decisions about college tuition and gasoline taxes—and federal decisions about funding for states and localities.

A change in the budgetary treatment of internal service funds (ISFs) accounts for a significant portion (\$1.8 billion) of the increase in non-general funds in FY 2015. ISFs are a mechanism used to recoup costs incurred by one agency when performing services or procuring goods on behalf of other agencies. An ISF is also used to recoup employees' health insurance premiums and agency contributions for health insurance. (See Table 3 footnote for more specific examples.) Historically, the funding to cover ISF goods and services has been included in customer agency budgets, but expenditures made by the ISF service agencies were not included to avoid double counting. ISF service agencies were instead appropriated an amount that was "sum sufficient" to pay their expenses. Beginning in FY 2015, ISF service agencies received a specific appropriation amount in the budget to provide greater transparency and accountability for these funds. This resulted in a one-time increase in the non-general fund budget. \$1.2 billion of this increase is related to the ISF for state health insurance benefits.

TABLE 3
Most non-general funds grew faster than general fund, FY 2006–FY 2015 (\$M)

Non-general fund category	FY 2006	FY 2015	% of FY 2015	
			budget	% growth
Dedicated Special Revenue	\$614.5	\$1,859.7	4.0 %	203 %
Trust and Agency	1,109.6	2,377.7	5.1	114
Debt Service	170.1	326.2	0.7	92
Enterprise	699.7	1,291.3	2.7	85
Higher Education Operating	4,387.0	7,919.7	16.9	81
Federal Trust	4,519.3	7,080.7	15.1	57
Special Revenue	1,402.0	1,745.4	3.7	25
Highway Maintenance & Construction	3,978.1	4,366.9	9.3	10
Internal Service	---	1,771.9	3.8	---
Non-general funds	\$16,880.2	\$28,739.5	61.2 %	70 %
General fund	15,111.3	18,240.1	38.8	21 %
Total (all funds)	\$31,991.4	\$46,979.6	100.0 %	47 %

Source: 2006 and 2015 Appropriation Acts and the Commonwealth Accounting Policies and Procedures Manual.
 Note: Appropriations not adjusted for inflation. Numbers may not add due to rounding.

Non-General Fund Categories

Dedicated Special Revenue: Funds appropriated from fees and payments restricted to the related activity. Examples include the state's revolving funds (e.g., safe drinking water revolving fund), game protection, solid waste management permit fees, and nursing scholarship and loan repayment funds.

Trust and Agency: Funds held by the state as custodian or trustee for individuals and certain organizations (e.g., unemployment insurance, tobacco settlement funds, and the lottery and literary funds earmarked for public education).

Debt Service: Funds for debt-related activities primarily for higher education institutions. Examples of fund sources include student fees for housing, dining, and athletic services.

Enterprise: Funds for self-supporting governmental activities that provide goods and services to the general public (e.g., sales of lottery tickets, alcoholic beverage sales at Virginia's ABC stores, and prepaid tuition contracts purchased through VA529).

Higher Education Operating: Funds from tuition and fees paid by students at Virginia's colleges and universities, revenues generated by campus activities, university hospital revenue, and federal funds received for college or university operations.

Federal Trust: All federal funds received except those received by VDOT, VEC, and higher education institutions, which are budgeted separately.

Special Revenues: Revenues derived from restricted taxes and other special (non-general) revenue sources.

Highway Maintenance & Construction: All revenues designated for highway operations, maintenance, construction, and related activities generated from fuel and motor vehicle taxes, excluding toll facilities. Includes federal funding for highway construction.

Internal Service: Funds from customer agency budgets to reimburse costs incurred by an agency that performs services or procures goods on behalf of other agencies (e.g., DGS leasing office space, VITA providing IT services to other agencies, and DHRM administering state and local government employees' health plans).

Most budget growth occurs in a few state agencies

The overall state budget grew by 47% (not adjusted for inflation) between FY 2006 and FY 2015. A few large agencies accounted for most of the budget throughout this period. The five largest agencies in FY 2006 as measured by total appropriations were also the largest in FY 2015 (Table 4). The four largest agencies accounted for approximately half of Virginia's budget in both years.

The majority of Virginia's budget growth was concentrated in five agencies: 51% of all budget growth occurred in DMAS, DOE (direct aid to local school divisions), VCCS, VDOT, and UVA. Agencies with the largest growth in dollar terms generally are also those with the largest appropriations. Four of the top five agencies with the most growth (Table 5) are also among the top five in total appropriations (Table 4), and there is considerable overlap among all the large agencies.

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 come primarily from statewide taxes such as income and sales taxes, and thus are of particular interest to the public and budget decision makers. Most of the new general fund appropriations were directed to a few large agencies (Table 6). Five agencies received more than \$100 million in new general funds between FY 2006 and FY 2015 and accounted for 87% of the overall general fund growth, with DMAS accounting for 54% of that increase.

TABLE 4

Top 10 agencies with the largest appropriations, FY 2006 and FY 2015 (\$M)

FY 2006				FY 2015			
Rank	Agency	Total	% of budget	Rank	Agency	Total	% of budget
1	DOE (Direct Aid)	\$5,785.3	18%	1	DMAS	\$8,633.8	18%
2	DMAS	4,921.1	15	2	DOE (Direct Aid)	7,022.4	15
3	VDOT	3,806.7	12	3	VDOT	4,673.4	10
4	UVA	1,727.2	5	4	UVA	2,586.5	6
5	DSS	1,692.1	5	5	DSS	1,961.6	4
6	DOC	851.6	3	6	VCCS	1,654.1	4
7	Va Tech	809.3	3	7	Va Tech	1,239.9	3
8	DBHDS	781.4	2	8	DOC	1,145.6	2
9	VCCS	761.3	2	9	VCU	1,079.4	2
10	VCU	689.3	2	10	DBHDS	1,006.7	2
Top 10 agencies, subtotal		\$21,825.2	68%			\$31,003.3	66%
Other agencies, subtotal		10,166.2	32%			15,976.3	34%
Total operating budget		\$31,991.4	100%			\$46,979.6	100%

Source: 2006 and 2015 Appropriation Acts. Note: Excludes central appropriations and capital appropriations. Also excludes Personal Property Tax Relief and Administration of Health Insurance programs. Appropriations not adjusted for inflation. Data for UVA excludes UVA-Wise but includes the medical center. Numbers may not add due to rounding.

TABLE 5

Top 10 agencies with the highest growth amount in total appropriations,
FY 2006–FY 2015 (\$M)

Rank	Agency	Total appropriation		Total growth		
		FY 2006	FY 2015	\$	%	% of total
1	DMAS	\$4,921.1	\$8,633.8	\$3,712.7	75 %	25 %
2	DOE (Direct Aid)	5,785.3	7,022.4	1,237.1	21	8
3	VCCS	761.3	1,654.1	892.8	117	6
4	VDOT	3,806.7	4,673.4	866.7	23	6
5	UVA	1,727.2	2,586.5	859.2	50	6
6	VA Tech	809.3	1,239.9	430.6	53	3
7	GMU	481.4	907.2	425.8	88	3
8	VCU	689.3	1,079.4	390.1	57	3
9	DOC	851.6	1,145.6	294.0	35	2
10	DSS	1,692.1	1,961.6	269.5	16	2
Top 10 agencies, subtotal		\$21,525.2	\$30,903.8	\$9,378.5	44 %	63 %
Other agencies, subtotal		10,466.2	16,075.8	5,609.6	54 %	37
Total operating budget		\$31,991.4	\$46,979.6	\$14,988.1	47 %	100 %

Source: 2006 and 2015 Appropriation Acts.

Note: Excludes central appropriations and capital appropriations. Agencies that receive internal service funds are also excluded because increases are largely due to the FY 2015 budget including a specific amount for those funds. Appropriations not adjusted for inflation. Numbers may not add due to rounding. Appendix C includes additional tables with higher education agencies aggregated. Data for UVA excludes UVA-Wise but includes the medical center.

TABLE 6

Top 10 agencies with the highest growth amount in general fund appropriations,
FY 2006–FY 2015 (\$M)

Rank	Agency	General fund appropriation		General fund growth		
		FY 2006	FY 2015	\$	%	% of total
1	DMAS	\$2,147.2	\$3,846.8	\$1,699.7	79 %	54 %
2	DOE (Direct Aid) ^a	4,998.1	5,405.4	407.4	8	13
3	DOC	798.7	1,073.2	274.5	34	9
4	DBHDS	445.0	656.4	211.4	48	7
5	Compensation Board	530.6	649.9	119.4	22	4
6	VSP	181.3	249.4	68.1	38	2
7	DSS	332.6	392.4	59.7	18	2
8	VCCS	344.1	397.2	53.1	15	2
9	ODU	95.8	128.3	32.4	34	1
10	Circuit Courts	80.4	111.9	31.6	39	1
Top 10 agencies, subtotal		\$9,953.7	\$12,911.0	\$2,957.2	30 %	95 %
Other agencies, subtotal		5,157.5	5,329.1	171.6	3 %	5
Total general fund budget		\$15,111.3	\$18,240.0	\$3,128.8	21 %	100 %

Source: 2006 and 2015 Appropriation Acts.

Note: Includes agencies with general fund appropriations of at least \$5 million in FY 2006. Excludes DOA transfer payments, central appropriations, and capital appropriations. Appropriations not adjusted for inflation. Numbers may not add due to rounding. See Appendix C for tables with higher education agencies aggregated.

^aIn FY 2006, lottery proceeds supporting Direct Aid were classified as general funds. Starting in FY 2009, they are classified as non-general funds.

TABLE 7

Top 10 agencies with the highest growth amount in non-general fund appropriations, FY 2006–FY 2015 (\$M)

Rank	Agency	Non-general fund appropriation		Non-general fund growth		
		FY 2006	FY 2015	\$	%	% of total
1	DMAS	\$2,773.9	\$4,787.0	\$2,013.0	73 %	17 %
2	VDOT	3,621.7	4,661.2	1,039.5	29	9
3	UVA ^a	1,590.0	2,453.4	863.4	54	7
4	VCCS	417.3	1,256.9	839.7	201	7
5	DOE (Direct Aid) ^b	787.3	1,617.0	829.7	105	7
6	Va Tech	640.6	1,070.3	429.8	67	4
7	GMU	363.6	771.0	407.5	112	3
8	VCU	514.3	885.7	371.3	72	3
9	DRPT	260.9	511.2	250.3	96	2
10	DSS	1,359.4	1,569.2	209.8	15	2
Top 10 agencies, subtotal		\$12,328.9	\$19,582.9	\$7,254.0	59%	61%
Other agencies, subtotal		4,551.3	9,156.6	4,605.3	101%	39
Total non-GF operating budget		\$16,880.2	\$28,739.5	\$11,859.3	70%	100%

Source: 2006 and 2015 Appropriation Acts.

Note: Includes agencies with non-general fund appropriations of at least \$3 million in FY 2006. Excludes central appropriations and capital appropriations. Agencies that receive internal service funds are excluded because increases are largely due to the FY 2015 budget including a specific amount for these funds. Appropriations not adjusted for inflation. Numbers may not add due to rounding. Appendix C includes additional tables with higher education agencies aggregated.

^aExcludes UVA-Wise but includes the medical center. ^bIn FY 2006, lottery proceeds supporting Direct Aid were classified as general funds. Starting in FY 2009, they are classified as non-general funds.

Increases in non-general funds were less concentrated than for general funds, with the top 10 non-general fund growth agencies accounting for 61% of total non-general fund growth (Table 7). Within the top 10 agencies, DMAS, VDOT, UVA, VCCS, and DOE accounted for 47% of non-general fund growth. Similar to total appropriations and general funds, DMAS tops the list for non-general fund growth amounts.

General and non-general fund growth rates vary by agency

The total general fund and non-general fund budgets grew by 21% and 70%, respectively, between FY 2006 and FY 2015. Growth rates at individual agencies varied significantly over the time period.

Some agencies saw notable growth in general funds

The 10 fastest growing state agencies—as measured by the change in general fund appropriations between FY 2006 and FY 2015—had general fund growth rates of 41% or more, far exceeding the overall general fund growth rate of 21% over the 10-year period (Table 8). The agencies that experienced the highest growth in the *amount* of general funds received (Table 6) did not necessarily grow at the fastest *rates*. For example, DOE (Direct Aid) received the second largest increase in general funds (nearly

\$410 million over the past decade) but was not among the 10 agencies with the largest percentage increase in appropriations over the period. Additionally, most of the agencies that experienced the largest growth *rate* in general funds were relatively small, with seven of the 10 receiving less than \$50 million in general funds.

TABLE 8

Top 10 agencies with fastest growth rate in general fund appropriations, FY 2006–FY 2015 (\$M)

Rank	Agency	General fund appropriation		General fund growth		
		FY 2006	FY 2015	\$	% of total	%
1	EVMS	\$12.5	\$24.4	\$11.9	<1%	96%
2	DMAS	2,147.2	3,846.8	1,699.7	54	79
3	Supreme Court	19.5	33.7	14.2	<1	72
4	Magistrate System	19.4	30.3	11.0	<1	57
5	DBHDS	445.0	656.4	211.4	7	48
6	VSDB	6.4	9.5	3.1	<1	48
7	VMFA	7.2	10.3	3.2	<1	44
8	VTA	14.1	20.2	6.1	<1	43
9	IDC	32.1	45.6	13.6	<1	42
10	JDRDC	63.3	89.2	25.9	1	41
Top 10 agencies, subtotal		\$2,766.6	\$4,766.6	\$1,999.9	62%	72%
Other agencies, subtotal		12,344.6	13,473.5	1,128.9	38	9%
Total general fund budget		\$15,111.3	\$18,240.0	\$3,128.8	100%	21%

Source: 2006 and 2015 Appropriation Acts.

Note: Includes agencies with general fund appropriations of at least \$5 million in FY 2006. Excludes legislative agencies, DOA transfer payments, central appropriations, and capital appropriations. Appropriations not adjusted for inflation. Numbers may not add due to rounding. Appendix C includes additional tables with higher education agencies aggregated.

Explanation of general fund growth in Table 8

Eastern Virginia Medical School	The majority of this increase was an appropriation for the operation and maintenance of a new education and research building, which opened in the fall of 2011. In addition, EVMS received a 91% increase from FY 2006 to FY 2015 for medical education.
DMAS	Almost all of this increase was due to a \$1.6 billion increase in payments made to provide services to and on behalf of Medicaid recipients. This was largely due to increasing enrollment, increased use of services and increased costs, and additional federal program requirements. The recent recession and Virginia's aging population also contributed to an increase in Medicaid-eligible recipients.
Supreme Court, Magistrate System, JDRDC	This increase was mostly due to increases in appropriations for pre-trial, trial and appellate processes, as well as administrative functions and responsibilities.
DBHDS	The majority of this increase was for financial assistance for health services (\$119 million) and administrative support services (\$62 million). These increases were in large part due to efforts to bolster mental health services delivery within communities.
VSDB	This increase reflects a \$1.5 million increase in instruction costs after the closure of the VSDB at Hampton and consolidation with the VSDB at Staunton in July 2008. FY 2006 figures include only appropriations for VSDB at Staunton.
VMFA	Most of this increase was to provide additional staff to support new gallery space in FY 2010.
VTA	This increase was due to increased promotion of Virginia as a major travel destination and to manage services and facilities providing information to tourists.
IDC	Much of this increase was due to IDC providing increased legal defense services to indigents through public defenders and appointed counsel for criminal and civil suits.

Several agencies experienced significant growth in non-general funds

Non-general funds grew by 70% from FY 2006 to FY 2015 and comprised approximately 61% of the state budget in FY 2015. The agencies that experienced the highest growth in the *amount* of non-general funds received (Table 7) did not necessarily grow at the fastest *rates*. For example, DMAS received the largest increase in non-general funds (\$2 billion over the past decade) but was not among the 10 agencies with the fastest growth rate in non-general funds over the period (Table 9). Virginia Community College System is the only agency that appears in both Tables 7 and 9.

TABLE 9

Top 10 agencies with fastest growth rate in non-GF appropriations, FY 2006–FY 2015 (\$M)

Rank	Agency	Non-general fund appropriation		Non-general fund growth		
		FY 2006	FY 2015	\$	% of Total	%
1	VDEM	\$7.7	\$54.6	\$46.9	<1 %	607 %
2	DVS	14.3	47.1	32.9	<1	231
3	VCCS	417.3	1,256.9	839.7	7	201
4	VMFA	8.0	21.6	13.6	<1	171
5	VPA	65.3	167.1	101.8	1	156
6	DCR	23.2	56.4	33.3	<1	144
7	Richard Bland College	3.5	8.1	4.5	<1	128
8	UVA-W	12.6	28.0	15.4	<1	123
9	DHRM	3.6	8.0	4.4	<1	122
10	VSU	60.1	129.9	69.8	1	116
Top 10 agencies, subtotal		\$615.4	\$1,777.6	\$1,162.3	10 %	189 %
Other agencies, subtotal		16,264.8	26,961.9	10,697.1	90	66 %
Total non-GF operating budget		\$16,880.2	\$28,739.5	\$11,859.3	100 %	70 %

Source: 2006 and 2015 Appropriation Acts.

Notes: Includes agencies with non-general fund appropriations of at least \$3 million in FY 2006. Excludes legislative agencies, executive offices, DOA transfer payments, central appropriations, and capital appropriations. Agencies that receive internal service funds and VA529 are also excluded because increases are largely due to the FY 2015 budget including a specific amount for these funds.

Appropriations not adjusted for inflation. Numbers may not add due to rounding. Appendix C includes additional tables with higher education agencies aggregated.

Explanation of non-general fund growth in Table 9

VDEM	This increase resulted from substantial growth in homeland security and emergency preparedness efforts. In FY 2006, 35% of VDEM's budget was general funds. By FY 2015, this decreased to 11% and 83% of its budget was federal funds (up from 35% in FY 2006).
DVS	This increase was mostly due to the addition of 183 non-general funded positions in 2007 to operate nursing homes that house veterans. In FY 2006, DVS had 239 non-general fund positions and by FY 2015, the number of non-general fund positions had risen to 563. Revenues supporting the increase include funds from the U.S. Department of Veterans Affairs, Medicaid and Medicare, and insurance providers.
VCCS	This increase was related to a 25% growth in enrollment over the period, which resulted in additional spending on instruction, student financial assistance, and other auxiliary services.
VMFA	This increase was mostly due to admissions fees and other revenue increases to VMFA's enterprise fund, as well as dedicated special revenue to support efforts promoting education of the arts, science, and history.
VPA	This increase was due to special revenue funds used to manage the ports and port facilities, which increased both port commerce and transportation. Special revenue funds are also used to provide financial assistance to local governments for port activities. In FY 2006, 48% of the VPA budget was from special funds. By FY 2015, VPA's special revenue fund was over three times larger and accounted for 76% of its budget.
DCR	Most of DCR's non-general fund growth was the result of increased special revenue. In FY 2006, DCR's budget had \$1.6 million in dedicated special revenue; by FY 2015 it contained \$19.7 million in funding from specific fees (such as state park fees), licenses, and permits that support specific activities. DCR also received an additional \$13.3 million in special revenue (also generated through taxes and fees) between FY 2006 and FY 2015.
Richard Bland College, UVA-W, and VSU	This increase was mostly for auxiliary services, which are self-supporting goods or services provided to students, faculty, and staff such as dining, housing, books, health services, and athletics.
DHRM	This increase was mostly for personnel management services, which include services for agency human resources, health benefits, and workers compensation, among others. Additionally, \$1.2 million in non-general funds was provided for the establishment of a human resource service center to support the human resource needs of agencies.

General funds declined or grew slower than inflation in several state agencies

Fifteen agencies had general fund appropriations that declined over the 10-year period (Table 10), and the appropriations of another 23 agencies grew slower than inflation (18%). Some of these agencies still experienced total budget growth in excess of inflation because their budgets included non-general fund revenue that grew far more than their general fund appropriation over the period.

TABLE 10
General fund appropriation of 15 agencies declined, FY 2006–FY 2015 (\$M)

Agency	FY 2006	FY 2015	\$ change	% change
VSDBH	\$6.1	\$0	(\$6.1)	-100
DBA	11.1	0	(11.1)	-100
DCE	47.1	0	(47.1)	-100
VDOT	185.0	12.2	(172.8)	-93
DEQ	125.2	45.5	(79.7)	-64
Dept of Treasury	13.2	7.8	(5.4)	-41
DCR	109.5	69.1	(40.4)	-37
DOE, Central Office	61.0	51.1	(9.9)	-16
SBE	10.2	8.7	(1.6)	-15
DCJS	249.3	211.6	(37.7)	-15
Jamestown-Yorktown	8.9	7.6	(1.2)	-14
VMI	13.7	13.1	(0.6)	-5
LVA	28.4	27.3	(1.0)	-4
UVA ^a	137.2	133.0	(4.2)	-3
CWM	61.7	61.0	(0.8)	-1

Source: 2006 and 2015 Appropriation Acts.

Note: Table based on agencies with general fund appropriations of at least \$5 million in FY 2006.

Excludes executive offices, DOA transfer payments, central appropriations, and capital appropriations.

Appropriations not adjusted for inflation.

^aExcludes UVA-W, but includes the medical center.

Explanation of general fund declines in Table 10 (greater than 10%)

VSDBH	This decline reflects the closure of VSDB at Hampton after consolidation with VSDB at Staunton (July 1, 2008).
DBA	This decline reflects the merger of the Department of Business Assistance and the Department of Minority Business Enterprise into the Department of Small Business and Supplier Diversity in FY 2015.
DCE	This decline is the result of a reorganization approved by the General Assembly, which eliminated the DCE and transferred the responsibilities for education and training of adult inmates to the Department of Corrections.
VDOT	This decline reflects VDOT's reliance on non-general funds. General funds tend to fluctuate depending on initiatives.
DEQ	The vast majority of this decline has been in environmental, technical, and financial assistance to state and substate entities to protect, retain, and develop the environmental resources of the state. General fund support for this program declined from \$94.5 million in FY 2006 to \$9.8 million in FY 2015.
Dept of Treasury	The 41% decrease was primarily due to a decline in the number of general fund positions between FY 2006 and FY 2015 for revenue administration and investment, insurance, and trust services. While the number of general fund positions declined from 45.5 to 35.5 over the 10-year period, the number of non-general fund positions increased from 76.5 to 85.5.
DCR	The 37% decline was due to less funds supporting activities to enhance land and resource management. Although general funds for these activities declined by 55%, non-general fund appropriations for land and resource management increased by 74%, from \$10.9 million in FY 2006 to \$18.9 million in FY 2015. Additionally, in FY 2006, 83% of DCR's budget came from general funds; by FY 2015 this amount declined to 55%.
DOE, Central Office	The 16% decrease was primarily due to both an elimination of funds for the regulation of professions and occupations, as well as a decline in the number of general fund positions between FY 2006 and FY 2015. General fund appropriations for the regulation of professions and occupations declined from \$4.5 million in FY 2006 to \$0 in FY 2015. While the number of general fund positions declined from 168.5 to 136 over the 10-year period, the number of non-general fund positions increased from 168.5 to 178.5.
SBE	Most of this decrease has been in the area of administering elections. General fund appropriations for electoral services declined by 71% in the last 10 years.
DCJS	The 15% decrease was primarily due to a 10% decline in financial assistance to localities operating police departments, as well as an elimination of \$27 million in general funds for crime detection, investigation, and apprehension. Additionally, DCJS experienced a sharp decline in the number of general fund positions between FY 2006 and FY 2015. While the number of non-general fund positions remained unchanged at 68.5 over the 10-year period, the number of general fund positions decreased from 344.5 to 48.5.
Jamestown-Yorktown Foundation	The 14% decline in general funds was due to an increased reliance on non-general funds for museum and cultural services. While general funding for this program declined during the 10-year period, non-general funding increased by 26%. Additionally, while general fund positions decreased from 112 to 98 over the 10-year period, non-general fund positions increased from 63 to 65.

Budget growth concentrated in programs related to core state government activities

All state appropriations (general and non-general funds) are classified according to Virginia's program budget structure. The program classification is designed to assist in the planning and analysis of the state budget as well as in monitoring the activities of state government. Budget programs provide information on how funds are spent, regardless of the state agency to which they are appropriated. While some programs may be confined to a single agency, others may be distributed across multiple agencies. For example, the program called "state health services" can be found in the budgets of several different agencies. In FY 2015, Virginia's \$47 billion budget included 213 programs.

Like growth in state agencies, most of the growth in budget programs over the 10-year period from FY 2006 to FY 2015 remained concentrated among programs relating to core functions of state government (Table 11). Of all budget growth during the 10-year period, 69% occurred in just 10 of the programs. Six of these 10 are in the two core functions of health care and education and account for 55% of Virginia's budget growth over the past 10 years.

TABLE 11
Largest program increases in total appropriations, FY 2006–FY 2015 (\$M)

Rank	Program	Total appropriation		Total growth		
		FY 2006	FY 2015	\$	%	% of total
1	Medical program services (Medicaid)	\$4,672.8	\$8,148.6	\$3,475.7	74 %	23 %
2	Higher ed: Educational and general programs	2,913.4	4,418.6	1,505.2	52	10
3	State health services ^a	963.8	2,004.8	1,041.0	108	7
4	State public education assistance ^b	5,179.3	6,136.7	957.4	18	6
5	Higher ed: Auxiliary enterprises	845.9	1,643.6	797.8	94	5
6	Highway system maintenance & operations	969.8	1,580.6	610.7	63	4
7	Higher ed: Student financial assistance	300.4	909.9	609.5	203	4
8	Financial assistance to localities (transportation)	300.2	879.2	579.0	193	4
9	Financial assistance to localities (general)	314.5	816.6	502.1	160	3
10	Bond and loan retirement and redemption ^c	308.8	722.2	413.3	134	3
Top 10 programs, subtotal		\$16,768.9	\$27,260.8	\$10,491.7	63 %	69 %
Other programs, subtotal		15,222.5	19,718.7	4,496.4	30 %	31
Total operating budget		\$31,991.4	\$46,979.6	\$14,988.1	47 %	100 %

Source: 2006 and 2015 Appropriation Acts.

Note: Excludes legislative agencies, executive offices, central appropriations, capital appropriations, and programs that receive internal service funds. Appropriations not adjusted for inflation. Numbers may not add due to rounding. Appendix C includes additional tables with higher education agencies aggregated.

^a Includes activities at VDH, UVA Medical Center, and at facilities operated by DBHDS and DVS. ^b This budget program does not include federal funds in FY 2006 (\$386.5 million) or FY 2015 (\$871.4 million). ^c Includes debt service for general obligation bonds, capital leases, and VPBA and VCBA debt. Does not include debt service for transportation and 9(c) higher education institutions debt.

Some budget growth within secretariats is due to realignments

The secretarial system in Virginia was established by the General Assembly in 1972. In FY 2015, it consisted of 13 secretariats, generally reflecting the major functions of the executive branch. Over time, secretarial budgets have varied as agencies and programs moved between secretariats. Some of the apparent growth in secretarial budgets is explained by these agency realignments. For example, in FY 2006 the Department of Veterans Services was under the Secretary of Administration. In FY 2012 the agency was moved to the newly-created Secretary of Veterans Affairs and Homeland Security. This secretariat was refocused and renamed the Secretary of Veterans and Defense Affairs in FY 2015.

When Virginia's budget growth is examined by secretarial area (Table 12), education and health continue to dominate overall growth. The finance secretariat grew by 155% over the 10-year period primarily because the \$950 million personal property tax ("car tax") relief program was accounted for under the Department of Accounts in FY 2015 instead of under central appropriations as in FY 2006. Additionally, debt service, which is appropriated to the Treasury Board and falls under the Secretary of Finance,

TABLE 12
Budget growth by secretarial area, FY 2006–FY 2015 (\$M)

Rank	Secretarial area	Total appropriation		Total growth		
		FY 2006	FY 2015	\$	%	% of total
1	Education	\$12,054.2	\$17,215.7	\$5,161.5	43 %	34 %
2	Health & Human Resources	8,408.8	12,856.7	4,447.9	53	30
3	Administration	778.8	2,501.1	1,722.3 ^b	221	11
4	Finance	1,106.3	2,815.9	1,709.6	155	11
5	Transportation	4,408.2	5,761.9	1,353.7	31	9
6	Public Safety	2,149.1	2,735.4	586.3	27	4
7	Technology	43.9	391.3	347.5 ^c	792	2
8	Independent Agencies	229.4	484.6	255.2 ^d	111	2
9	Judicial agencies	337.3	486.8	149.5	44	1
10	Commerce and Trade	784.7	893.0	108.3	14	1
11	Veterans and Defense Affairs ^a	---	62.9	62.9	100	<1
12	Agriculture and Forestry	79.3	95.5	16.1	20	<1
13	Natural Resources	445.4	396.7	-48.7	-11	<1
Total operating budget		\$31,991.4	\$46,979.6	\$14,988.1	47 %	100 %

Source: 2006 and 2015 Appropriation Acts.

Note: Based on agency alignments shown in respective Appropriation Acts. Excludes legislative agencies, executive offices, central appropriations, and capital appropriations. Appropriations not adjusted for inflation. Numbers may not add due to rounding. See online Appendix H for historical appropriations by secretarial area.

^a As of 2014, this secretarial area includes only the Department of Veterans Services.

^b \$1.2 billion of this increase is due to a change in the budgetary treatment of ISFs affecting state health benefit services in FY 2015.

^c \$346 million of this increase is due to a change in the budgetary treatment of ISFs affecting IT services provided by VITA in FY 2015.

^d \$179 million of this increase is due to a departure from the use of sum-sufficient appropriations by VA529 in FY 2007.

more than doubled over the past decade. The significant growth rates for the Administration and Technology secretariats reflect the change in the FY 2015 budget to include a specific appropriation for ISFs. Similarly, the 111% growth rate for independent agencies reflects the FY 2007 budget including a specific appropriation amount for VA529 rather than a sum sufficient amount.

Outstanding debt has a measurable effect on the budget

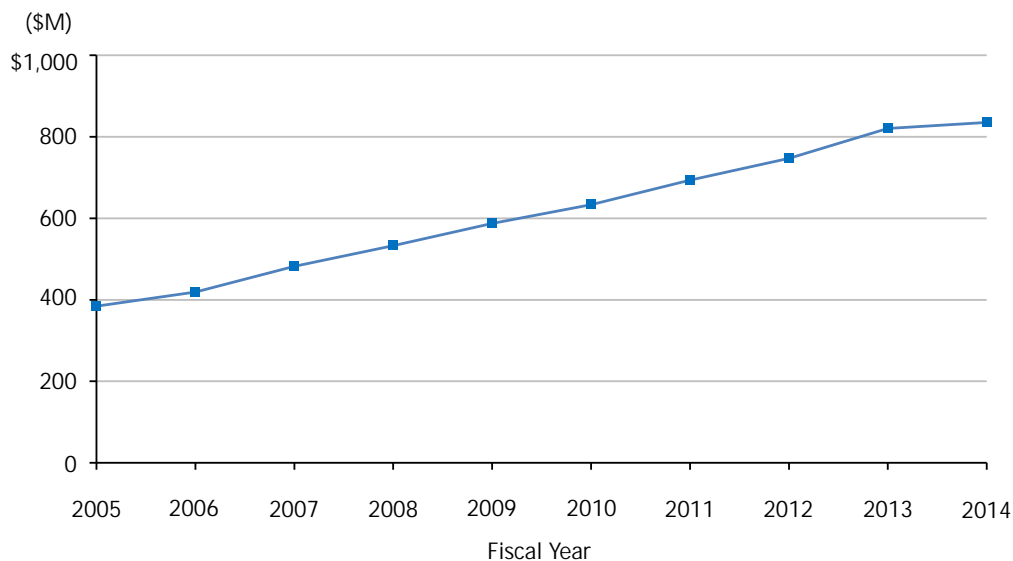
Tax-supported debt service is funded through the Treasury Board, the primary state entity designated to issue tax supported debt and make payments on the debt. The state issues two types of tax-supported debt: general obligation bonds and various kinds of appropriation-supported obligations. Expenditures to cover tax-supported debt service more than doubled over past decade (Figure 3). In FY 2005, tax-supported debt service was \$385 million, or 2.57% of the blended revenues available to fund tax-supported debt. By FY 2014, tax-supported debt service had increased to \$836 million, or 4.51% of blended revenues. (FY 2014 is the most recent year that tax-supported debt service is available.) The Debt Capacity Advisory Committee has established a target level that annual debt service should be no more than 5% of blended revenues to ensure that debt service payments do not consume too much of the state's operating budget.

General obligation bonds are authorized by referendum and the General Assembly

Authorized by a majority vote of each house of the General Assembly and approved in a referendum by the voting citizens, these bonds are used for capital projects. The state general fund pays the principal and interest for this debt.

Blended revenues comprise general fund revenues, state revenues in the Transportation Trust Fund, certain non-general fund transfers including ABC profits, the relevant portion of sales tax, the Virginia Health Care Fund, and certain recurring non-general fund Appropriation Act transfers.

FIGURE 3
Tax-supported debt service, FY 2005–FY 2014



Source: 2014 Report of the Debt Capacity Advisory Committee.
 Note: Includes lease revenue bonds issued by the Virginia Biotech Research Park Authority, Innovative Technology Authority, and Newport News Industrial Development Authority.

The increase in debt service reflects the large increase in tax-supported debt issued by the Commonwealth over the past decade. Outstanding tax-supported debt increased by approximately 132% over this time period from \$4.5 billion in FY 2005 to \$10.4 billion in FY 2014. The largest issuances of debt occurred between FY 2010 and FY 2012.

The top use of tax supported debt over the past decade was for higher education. Fifty-three percent of debt was used for capital projects, and teaching and research equipment at the institutions. Transportation projects funded through the transportation trust fund was the next highest use category (19%). Other uses of tax-supported debt include correctional facilities, local and regional jail reimbursements, and parks, conservation, and recreation facilities.

Growth occurred in other areas of state government

Budget growth in Virginia has also resulted from policies adopted by the governor and the General Assembly. The personal property tax (“car tax”) relief program began in FY 1999 as a policy initiative with a general fund appropriation of \$220 million. It increased to \$890 million in FY 2005 and reached a capped total of \$950 million in general funds in FY 2007, where it has remained. The growth rate from FY 2006 to FY 2015 was 7%.

In the early 1990s, the General Assembly established the Revenue Stabilization Fund, or “Rainy Day Fund,” for the purpose of offsetting budget shortfalls. Each year a portion of surplus general fund revenue is obligated to the fund (Virginia Constitution, Article X Section 8; Code of Virginia § 2.2-1829). The fund was drawn down during the economic recession and was being re-capitalized through FY 2015. In FY 2007 the Rainy Day Fund reached a high of \$1.2 billion, but in FY 2010 it fell to \$295 million as it was used to offset declines in general fund revenues. As of June 2015, the Rainy Day Fund balance totaled \$467.7 million.

The state offers optional health plans for local government employees, which are administered by the Department of Human Resource Management. This program grew 150% over the 10-year period, from \$135 million in FY 2006 to \$337 million in FY 2015. These funds are designated as enterprise funds, essentially a mechanism to receive local government employees’ health insurance premiums and contributions for employee health care, which are then appropriated in the budget for health insurance purposes.

Appendix A: Study Mandate

Code of Virginia

§ 30-58.3. Annual Report on State Spending.

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

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

Appendix B: Research Methods and Activities

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

Data collection

JLARC staff receive annual updates of budget and spending data from DPB and DOA and maintain a database with appropriation data at the agency, program, and fund level from FY 1981. For this report, economic and demographic data are obtained annually 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 limited historical data maintained by various state agencies and staff turnover within the agencies over this long period of time. 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 early 2000s, for example, is unavailable from many agencies. Turnover among budget staff and in other key positions within agencies may also limit 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 below.

Key elements of the fiscal and demographic data sets are included in appendixes to this report. The following supplemental materials are available online only: selected historical financial data, appropriations information for the largest state agencies, and general fund and non-general fund appropriations information from FY 1981 onward. (Online-only supplemental Appendixes D–J are available with this report on the JLARC website: <http://jlarc.virginia.gov>.)

Document review

JLARC staff utilized a variety of documents for this review. These included Appropriation Acts, Governors' executive budget documents, and summaries of General Assembly budget actions prepared jointly by staff of the House Appropriations and Senate Finance committees, all from 2005 to the present. Agency-specific and program-specific studies and documents were also reviewed. State spending reports compiled by the National Association of State Budget Officers were consulted, as were a variety of other documents such as agency annual reports and statistical publications.

Appendix C: Additional Tables Aggregating Appropriations to Higher Education Agencies

This appendix includes three tables listing the top 10 agencies that result from grouping together the 21 higher education agencies. Also included is a table illustrating the growth of each higher education agency along with the corresponding rank based on the percentage of total budget growth. The last table highlights the changes in enrollment and tuition for each college and university from FY 2006 to FY 2015 based on data reported annually by SCHEV.

TABLE C-1 (Table 5 with higher education agencies grouped)

Top 10 agencies with the highest growth amount in total appropriations, FY 2006–FY 2015 (\$M)

Rank	Agency	Total appropriation		Total growth		
		FY 2006	FY 2015	\$	%	% of total
1	Higher education	\$5,963.3	\$9,876.7	\$3,913.4	66%	26%
2	DMAS	4,921.1	8,633.8	3,712.7	75	25
3	DOE (Direct aid)	5,785.3	7,022.4	1,237.1	21	8
4	VDOT	3,806.7	4,673.4	866.7	23	6
5	DOC	851.6	1,145.6	294.0	35	2
6	DSS	1692.1	1,961.6	269.5	16	2
7	DRPT	261.1	511.2	250.1	96	2
8	DBHDS	781.4	1,006.7	225.3	29	2
9	ABC	440.4	598.0	157.6	36	1
10	VDH	487.9	641.2	153.3	31	1
Top 10 agencies, subtotal		\$24,990.9	\$36,070.6	\$11,079.8	44%	74%
Other agencies, subtotal		7,000.6	10,908.9	3,908.4	56%	26
Total operating budget		\$31,991.4	46,979.6	\$14,988.1	47%	100%

TABLE C-2 (Table 6 with higher education agencies grouped)
 Top 10 agencies with the highest growth amount in GF appropriations, FY 2006–FY 2015 (\$M)

Rank	Agency	<u>General fund appropriation</u>		<u>General fund growth</u>		
		FY 2006	FY 2015	\$	%	% of total
1	DMAS	\$2,147.2	\$3,846.8	\$1,699.7	79 %	54 %
2	DOE (Direct aid) ^a	4,998.1	5,405.4	407.4	8	13
3	DOC	798.7	1,073.2	274.5	34	9
4	DBHDS	445.0	656.4	211.4	48	7
5	Higher education	1,476.8	1,666.4	189.6	13	6
6	Compensation Board	530.6	649.9	119.4	22	4
7	VSP	181.3	249.4	68.1	38	2
8	DSS	332.6	392.4	59.7	18	2
9	Circuit Courts	80.4	111.9	31.6	39	1
10	JDRDC	63.3	89.2	25.9	41	1
Top 10 agencies, subtotal		\$11,053.9	\$14,141.1	\$3,087.2	28 %	99 %
Other agencies, subtotal		4,057.3	4,098.9	41.6	1 %	1
Total GF operating budget		\$15,111.3	\$18,240.0	\$3,128.8	21 %	100 %

^a In FY 2006, lottery proceeds supporting Direct Aid were classified as general funds. Starting in FY 2009, they are classified as non-general funds.

TABLE C-3 (Table 7 with higher education agencies grouped)
 Top 10 agencies with highest growth amount in non-GF appropriations, FY 2006–FY 2015 (\$M)

Rank	Agency	<u>Non-GF appropriation</u>		<u>Non-GF growth</u>		
		FY 2006	FY 2015	\$	%	% of total
1	Higher education	\$4,486.5	\$8,210.3	\$3,723.8	83 %	31 %
2	DMAS	2,773.9	4,787.0	2,013.0	73	17
3	VDOT	3,621.7	4,661.2	1,039.5	29	9
4	DOE (Direct aid)	787.3	1,617.0	829.7	105	7
5	DRPT	260.9	511.2	250.3	96	2
6	DSS	1,359.4	1,569.2	209.8	15	2
7	ABC	440.4	598.0	157.6	36	1
8	VDH	345.2	480.5	135.3	39	1
9	VPA	65.3	167.1	101.8	156	1
10	VDEM	7.7	54.6	46.9	607	<1
Top 10 agencies, subtotal		\$14,148.2	\$22,656.0	\$8,507.8	60 %	72 %
Other agencies, subtotal		\$2,732.8	\$6,083.5	\$3,351.5	123 %	28
Total NGF operating budget		\$16,881.0	\$28,739.5	\$11,859.3	70 %	100 %

TABLE C-4 (Table 8 with higher education agencies grouped)
 Top 10 agencies with fastest growth rate in GF appropriations, FY 2006–FY 2015 (\$M)

Rank	Agency	<u>General fund appropriation</u>		<u>General fund growth</u>		
		FY 2006	FY 2015	\$	% of total	%
1	DMAS	\$2,147.2	\$3,846.8	\$1,699.7	54 %	79 %
2	Supreme Court	19.5	33.7	14.2	<1	72
3	Magistrate System	19.4	30.3	11.0	<1	57
4	DBHDS	445.0	656.4	211.4	7	48
5	VSDB	6.4	9.5	3.1	<1	48
6	VMFA	7.2	10.3	3.2	<1	44
7	VTA	14.1	20.2	6.1	<1	43
8	IDC	32.1	45.6	13.6	<1	42
9	JDRDC	63.3	89.2	25.9	1	41
10	DMME	9.6	13.4	3.8	<1	40
Top 10 agencies, subtotal		\$2,763.8	\$4,755.6	\$1,991.8	64 %	72 %
25	Higher education	\$1,476.8	\$1,666.4	\$189.6	6	13 %
Other agencies, subtotal		10,870.7	11,818.1	947.4	30	9 %
Total GF operating budget		\$15,111.3	\$18,240.0	\$3,128.8	100 %	21 %

TABLE C-5 (Table 9 with higher education agencies grouped)
 Top 10 agencies with fastest growth rate in non-GF appropriations,
 FY 2006–FY 2015 (\$M)

Rank	Agency	<u>Non-GF appropriation</u>		<u>Non-GF growth</u>		
		FY 2006	FY 2015	\$	% of total	%
1	VDEM	\$7.7	\$54.6	\$46.9	<1%	607%
2	DVS	14.3	47.1	32.9	<1	231
3	VMFA	8.0	21.6	13.6	<1	171
4	VPA	65.3	167.1	101.8	1	156
5	DCR	23.2	56.4	33.3	<1	144
6	DHRM	3.6	8.0	4.4	<1	122
7	VRS	33.3	70.6	37.3	<1	112
8	VWCC	20.3	42.4	22.1	<1	109
9	DOE (Direct aid)	787.3	1,617.0	829.7	7	105
10	DRPT	260.9	511.2	250.3	2	96
Top 10 agencies, subtotal		\$1,223.7	\$2,596.0	\$1,372.3	12%	112%
12	Higher education	4,486.5	8,210.3	3,723.8	31	83%
Other agencies, subtotal		\$11,170.0	\$17,933.2	\$6,763.2	57	61%
Total NGF operating budget		\$16,881.0	\$28,739.5	\$11,859.3	100%	70%

TABLE C-6 (Table 11 with higher education programs grouped)
Largest program increases in total appropriations, FY 2006–FY 2015 (\$M)

Rank	Program	<u>Total appropriation</u>		<u>Total growth</u>		
		FY 2006	FY 2015	\$	%	% of total
1	Medical program services (Medicaid)	\$4,672.8	\$8,148.6	\$3,475.7	74 %	23 %
2	Higher education programs	5,199.5	8,362.4	3,162.9	61	21
3	State health services ^a	963.8	2,004.8	1,041.0	108	7
4	State public education assistance ^b	5,179.3	6,136.7	957.4	18	6
5	Highway system maintenance & operations	969.8	1,580.6	610.7	63	4
6	Financial assistance to localities (transportation)	300.2	879.2	579.0	193	4
7	Financial assistance to localities (general)	314.5	816.6	502.1	160	3
8	Bond and loan retirement and redemption	308.8	722.2	413.3	134	3
9	Highway system acquisition and construction	1191.9	1521.6	329.6	28	2
10	Financial assistance for local social services staff	154.6	411.8	257.2	166	2
Top 10 programs, subtotal		\$19,255.2	\$30,584.5	\$11,328.9	59 %	75 %
Other programs, subtotal		12,736.2	16,395.1	3,659.2	29 %	25
Total operating budget		\$31,991.4	\$46,979.6	\$14,988.1	47 %	100 %

Tables C-1, C-2, C-3, C-4, C-5, C-6:

Source: 2006 and 2015 Appropriation Acts.

Note: Excludes central and capital appropriations. Appropriations not adjusted for inflation. Numbers may not add due to rounding.

^a Includes activities at VDH, UVA Medical Center, and at facilities operated by DBHDS and DVS.

^b This budget program does not include federal funds in FY 2006 (\$386.5 million) or FY 2015 (\$871.4 million).

TABLE C-7
Growth of higher education agencies, FY 2006–FY 2015 (\$M)

Rank	Agency	Total appropriation		Total growth			Overall rank
		FY 2006	FY 2015	\$	%	% of total	
1	VCCS	\$761.3	\$1,654.1	\$892.8	117%	6%	4
2	UVA	1,727.2	2,586.4	859.2	50	6	6
3	VT	809.3	1,239.9	430.6	53	3	7
4	GMU	481.4	907.2	425.8	88	3	8
5	VCU	689.3	1,079.4	390.1	57	3	10
6	JMU	296.4	512.9	216.5	73	1	17
7	ODU	220.9	391.5	170.6	77	1	21
8	CWM	227.2	357.9	130.7	58	1	24
9	VSU	91.3	166.8	75.5	83	1	29
10	RU	128.1	192.8	64.7	50	<1	30
11	CNU	82.2	141.5	59.3	72	<1	32
12	LU	70.1	119.2	49.2	70	<1	34
13	UMW	71.5	109.8	38.3	54	<1	38
14	VMI	47.8	75.9	28.1	59	<1	42
15	NSU	131.6	154.8	23.3	18	<1	48
16	UVA-W	24.7	43.6	18.8	76	<1	53
17	SCHEV	74.8	90.7	15.9	21	<1	56
18	EVMS	12.5	24.4	11.9	96	<1	61
19	Richard Bland	8.4	14.1	5.7	68	<1	80
20	SW Va Higher Ed Ctr	5.8	9.3	3.6	62	<1	86
21	SO Va Higher Ed Ctr	1.6	4.4	2.8	168	<1	92
Total higher ed agencies		\$5,963.3	\$9,876.7	\$3,913.4	66%	26%	
Total operating budget		\$31,991.4	\$46,979.6	\$14,988.1	47%	100%	

Source: 2006 and 2015 Appropriation Acts.

Note: Excludes central and capital appropriations. Appropriations not adjusted for inflation. Numbers may not add due to rounding.

TABLE C-8
Changes in enrollment and tuition of higher education agencies, FY 2006–FY 2015

Rank ^c	Agency	Undergraduate enrollment ^a			Tuition ^b		
		FY 2006	FY 2015	% change	FY 2006	FY 2015	% change
5	VCU	20,508	23,962	17 %	\$5,385	\$12,398	130 %
8	CWM	5,594	6,299	13	7,778	17,656	127
19	Richard Bland	1,437	1,528	6	2,350	5,058	115
11	CNU	4,536	5,096	12	5,826	11,646	100
3	VT	21,627	24,247	12	6,378	12,017	88
10	RU	8,482	8,885	5	5,130	9,360	82
13	UMW	4,085	4,167	2	5,634	10,252	82
2	UVA	14,213	16,483	16	7,180	12,998	81
14	VMI	1,369	1,700	24	8,666	15,518	79
4	GMU	18,091	22,411	24	5,880	10,382	77
16	UVA-W	1,953	2,182	12	5,081	8,868	75
9	VSU	4,332	4,498	4	4,834	8,002	66
12	LU	3,751	4,574	22	7,020	11,580	65
7	ODU	15,275	20,115	32	5,614	9,250	65
15	NSU	5,336	5,356	0	4,670	7,452	60
6	JMU	15,618	19,144	23	5,886	8,762	49
Total (without VCCS)		146,207	170,647	17 %	\$93,312	\$171,199	83 %
Average (without VCCS)		9,138	10,665	17 %	\$5,832	\$10,700	83 %
1	VCCS	153,532	183,443	19 %	\$2,135	\$4,080	91 %

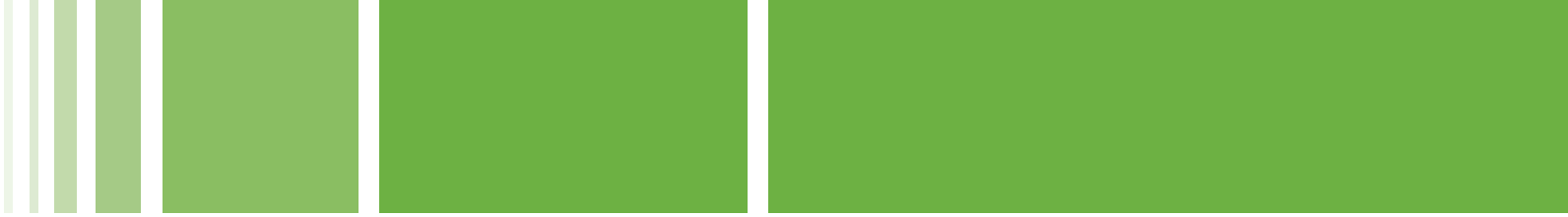
Source: Data reported on SCHEV's website.

Note: Data for UVA excludes UVA-Wise. The following institutions are not listed because data is not available or the institution is a graduate school: the Southwest Virginia Higher Education Center, the Southern Virginia Higher Education Center, and the Eastern Virginia Medical School.

^a Includes all full-time equivalent in-state and out-of-state undergraduate students for the 2005-2006 and 2014-2015 school years.

^b Tuition includes mandatory education and general (E&G) fees as well as mandatory non-E&G fees for in-state students.

^c Rank based on the total budget growth in millions of dollars (see Table C-7).



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