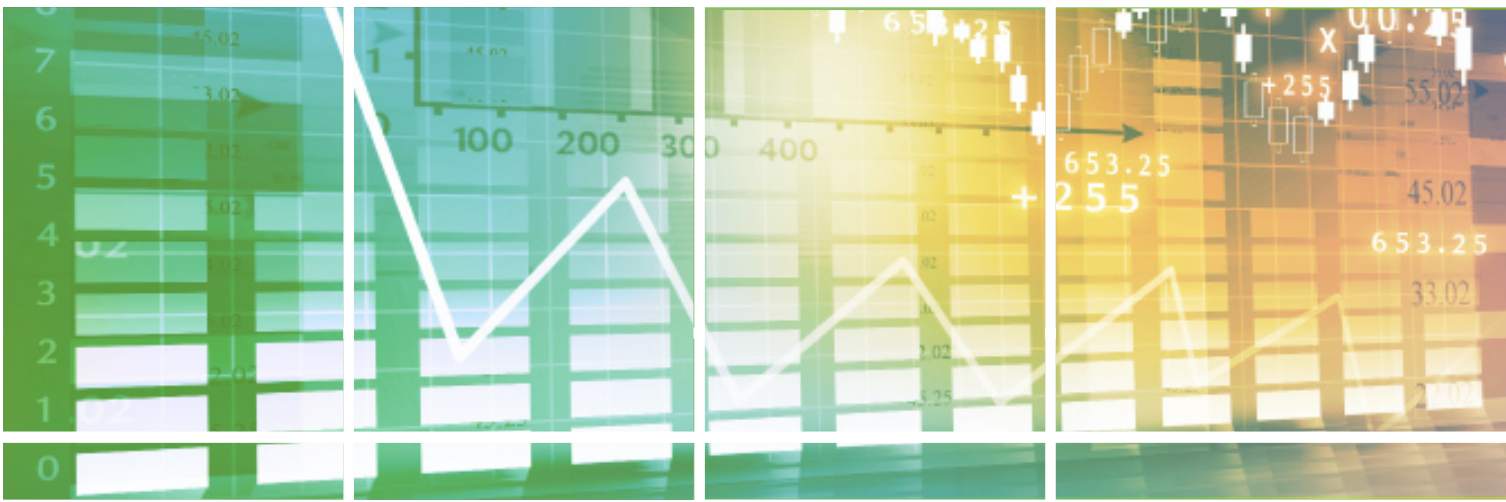


Report to the Governor and the General Assembly of Virginia

State Spending: 2016 Update



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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	GMU	George Mason University
CNU	Christopher Newport University	HERI	Higher Education Research Initiative
CWM	College of William & Mary	JMU	James Madison University
DBA	Department of Business Assistance	JDRDC	Juvenile and Domestic Relations District Courts
DBHDS	Department of Behavioral Health & Developmental Services	LU	Longwood University
DBVI	Department for the Blind & Vision Impaired	LVA	Library of Virginia
DCE	Department of Correctional Education	NSU	Norfolk State University
DCJS	Department of Criminal Justice Services	ODU	Old Dominion University
DCR	Department of Conservation and Recreation	RU	Radford University
DEQ	Department of Environmental Quality	SCHEV	State Council of Higher Education for Virginia
DGS	Department of General Services	UMW	University of Mary Washington
DHCD	Department of Housing & Community Development	UVA	University of Virginia
DHRM	Department of Human Resource Management	UVA-W	University of Virginia's College at Wise
DJJ	Department of Juvenile Justice	VA529	Virginia 529 College Savings Plan
DMAS	Department of Medical Assistance Services	Va Tech	Virginia Polytechnic Institute and State University
DOA	Department of Accounts	VEC	Virginia Employment Commission
DOC	Department of Corrections	VCCS	Virginia Community College System
DOE	Department of Education	VCU	Virginia Commonwealth University
DPB	Department of Planning & Budget	VDH	Virginia Department of Health
DRPT	Department of Rail and Public Transportation	VDOT	Virginia Department of Transportation
DSS	Department of Social Services	VMFA	Virginia Museum of Fine Arts
DVS	Department of Veterans Services	VMI	Virginia Military Institute
EVMS	Eastern Virginia Medical School	VPA	Virginia Port Authority
FAMIS	Family Access to Medical Insurance Security	VRS	Virginia Retirement System
		VSDB	Virginia School for the Deaf & Blind
		VSDBH	Virginia School for the Deaf & Blind at Hampton
		VSP	Virginia State Police
		VSU	Virginia State University

Summary

State Spending: 2016 Update

WHAT WE FOUND

- Over the past decade, Virginia’s operating budget increased by over \$14 billion (41%)—an 11% increase in general funds and a 69% increase in non-general funds. A variety of economic factors and policies contributed to this growth. With population growth of 8% from 2007 to 2015, Virginia had approximately 632,000 more residents. Inflation increased by 16% over the period while the personal income of Virginians increased by 27%.
- Adjusted for growth in population and inflation, the total budget grew by 13% over the 10-year period; non-general funds increased by 35%; and general funds decreased by 11%.
- 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 1.3%, the average annual increase in non-general funds was 6.1%. In FY16, non-general funds accounted for 62% of the total budget.
- The 10 largest state agencies (out of 147) accounted for 66% of the total state budget in FY16 and approximately 64% of all budget growth between FY07 and FY16. The agency experiencing the highest growth amount in total appropriations over the past decade was DMAS.
- Growth in general and non-general fund appropriations was concentrated in a few large state agencies over the past 10 years. DMAS and the Treasury Board had the highest growth amount in general funds. DMAS and VDOT had the highest non-general fund growth amounts over this time period.
- The general fund appropriations for 53 agencies either grew more slowly than inflation or declined.
- Budget growth was concentrated in nine large programs within three major areas: health care, education, and transportation. The nine programs (of 215 total programs) accounted for 64% 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. (See Appendix A: Study mandate.)

Prior reports reviewed spending and budget growth for all the previous 10-year periods between FY 1981 and FY15. This report is the 16th in the series and focuses on trends in the state’s operating budget during the past 10 years, from FY07 through FY16.

State Spending: 2016 Update

FY07–FY16

The budget is a complex instrument that channels money from many different sources to a variety of state functions and programs. It is perhaps the single most important statement of policies and priorities for the state of Virginia. In FY16, Virginia’s budget totaled nearly \$50 billion and included approximately 150 agencies and 215 programs.

Virginia’s overall fiscal condition affects the budget and is driven by numerous factors. Population growth impacts the number of residents paying taxes and requiring public services. Virginia’s population growth is faster than that of the majority of states (19th fastest from 2007 to 2015), and faster than population growth nationally. Economic factors also impact the budget. For example, inflation-adjusted total personal income grew at a slightly lower rate than the nation from FY07 to FY15 (2016 data is not available), although unemployment remained below the national average.

Virginia’s budget growth varied over the past decade, in part reflecting these factors. Total budget growth was slower at the start of the decade, as low as 0.3% in FY10, because of the Great Recession. Growth rates picked up starting in FY11, in part due to increased revenue collections and an infusion of federal stimulus funds. This higher level of growth has generally continued in recent years through FY16.

JLARC’s annual report on state spending

Every year, the Joint Legislative Audit and Review Commission (JLARC) produces a report on Virginia state spending over the previous 10 years. (See Appendix A: Report mandate in Virginia statute.) The report identifies the largest and fastest growing agencies and programs in the state budget, and analyzes long-term changes in state spending. This year’s report focuses on trends in the state’s operating budget from FY07 to FY16.

JLARC’s annual state spending report addresses the state budget from key economic, policy, historical, and technical perspectives, but it does not address the merits or adequacy of funding for government agencies or programs. Budget growth may change for a variety of reasons, and the budget growth reported here reflects the budget climate at the beginning and end of the 10-year period.

Appropriations, rather than agency expenditures, are depicted on the pages that follow, as indicated in table and figure notes.

Non-general fund appropriations drove budget growth

Virginia's budget has grown over time. Even in years of national recession, and when the state general fund has declined, total state budget appropriations have increased due to growth in non-general fund appropriations. This trend continued over the past decade. Total annual budget growth from FY07 to FY16 averaged 3.9%, despite reduced general fund appropriations for several years during this period (Table 1).

Internal service funds are a mechanism to recoup costs incurred by one agency when performing services or procuring goods on behalf of other agencies. Before FY15, internal service funds were shown as a *sum sufficient* in the Appropriation Acts.

TABLE 1
Virginia's operating appropriations, FY07–FY16 (\$M)

Fiscal year	General fund		Non-general fund		Total	
	Amount	% change	Amount	% change	Amount	% change
2007	\$17,033	---	\$18,062	---	\$35,095	---
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
2016	18,961 ^b	4.0	30,586	6.4	49,547	5.5
2007–2016 change	\$1,928	11.3%	\$12,524	69.3%	\$14,452	41.2%
Average annual change		1.3%		6.1%		3.9%

SOURCE: Appropriation Acts.

NOTE: Operating funds only; excludes capital appropriations.

^a \$1.8 billion of this increase is due to the FY15 budget including a specific appropriation amount for internal service funds.

^b Reflects the general fund budget as approved by the 2016 General Assembly; does not reflect adjustments made as a result of the \$266 million budget shortfall.

General fund appropriations declined five times since FY 1981:

FY 1992
FY02
FY08–FY10

FY08 to FY10 was the first time since the early 1960s that the general fund declined in two or more consecutive years.

General fund appropriations grew by an average of 1.3% annually between FY07 and FY16. General fund appropriations, which had grown steadily for several years before FY07, began to decline as a result of the Great Recession. From FY07 through FY10, 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 FY11 (4.5%), and hit its pre-recession level in FY13. Growth in general fund appropriations continued through the end of the decade, though it has slowed somewhat in the past three years (an average of 3.5%).

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 intended to offset declining general funds. For example, the federal government provided an infusion of funds to states in FY10 to offset declines in state funding for education, health care, and other activities.

FY14 was the smallest year of growth in non-general fund appropriations over the past decade, followed by FY15, which was the largest year of growth. The relatively small level of growth in FY14 was primarily due to slower growth in higher education operating appropriations (largely derived from tuition and fees) and reduced unemployment insurance payments. The large increase (12.2%) in non-general funds in FY15 was mainly due to a change in budget policy related to internal service funds. For the first time, the FY15 budget included a specific appropriation amount for internal service funds. This change in accounting created a one-time shift in non-general funds; otherwise the FY15 increase would have been 5.3%, a rate similar to the average annual change in non-general funds over the time period.

Growth in population, the economy, and inflation provide context for budget trends

Changes in population and demographics can place public sector budgets in context. Virginia's population increased by 8.2% from 2007 to 2015 (2016 population data is not available) (Table 2). Changes to two population groups in particular—older residents and school-age children—affect the provision of state services and state spending. Between 2007 and 2015, the number of Virginians 65 years of age and older grew more than three times faster than the overall population. During the same period, the number of Virginians under the age of 18 grew more slowly than the overall population.

Adjusting for inflation helps explain underlying budget changes. Inflation increased by 16% from FY07 through FY16 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 FY07. Adjusted for inflation, Virginia's total budget increased by 22% over the period, the non-general fund budget increased by 46%, and the general fund budget decreased by 4% (Figure 1). Adjusted for both inflation and population growth, the total budget increased by 13%; non-general fund appropriations increased by 35%; and general fund appropriations decreased by 11%.

Trends in the budget also differed by funding source. General fund appropriations varied throughout the period, but FY16 levels remain close to the 10-year per capita average of \$2,209 (Figure 2). Unlike general fund appropriations, non-general fund and total appropriations for FY16 were somewhat higher than the 10-year per capita averages of \$3,096 and \$5,305, respectively. The FY16 amounts are closer to the 10-year average if the budgetary change to internal service funds is excluded from the calculation.

TABLE 2
Key demographic and economic changes in Virginia, 2007–2016

Indicator	2007	2016 (except as noted)	Percentage change
Population^a			
Total	7,751,000	8,382,993 ^e	8.2%
Ages 65 and over	900,391	1,188,393 ^e	32.0
Under 18 years old	1,834,386	1,870,422 ^e	2.0
Economy			
Inflation (Consumer Price Index) ^b	100.0	115.7	15.7
Virginia GDP (\$B)	\$395.5	\$489.0 ^e	23.7
Total employment (non-farm, June)	3,770,900	3,912,800	3.8
Total state personal income (\$B)	\$344.3	\$437.1 ^e	27.0
Median home sales price (June)	\$257,012 ^a	\$277,500 ^a	8.0
Total taxable property (\$B)	\$1,095.0	\$1,136.4 ^f	3.8
Average weekly wages	\$885	\$1,036 ^{a e}	17.1
State finance^c			
State operating budget (\$B)	\$35.1	\$49.5	41.2
State general fund budget (\$B)	\$17.0	\$19.0	11.3
Total number of state employees (salaried) ^d	102,788	105,043	2.2
Average state employee salary	\$40,253	\$48,203	19.8
Taxable sales (\$B)	\$92.0	\$96.2 ^f	4.6

SOURCE: U.S. Census Bureau; 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 2007 CPI rebased to 100.

^c On a fiscal year basis.

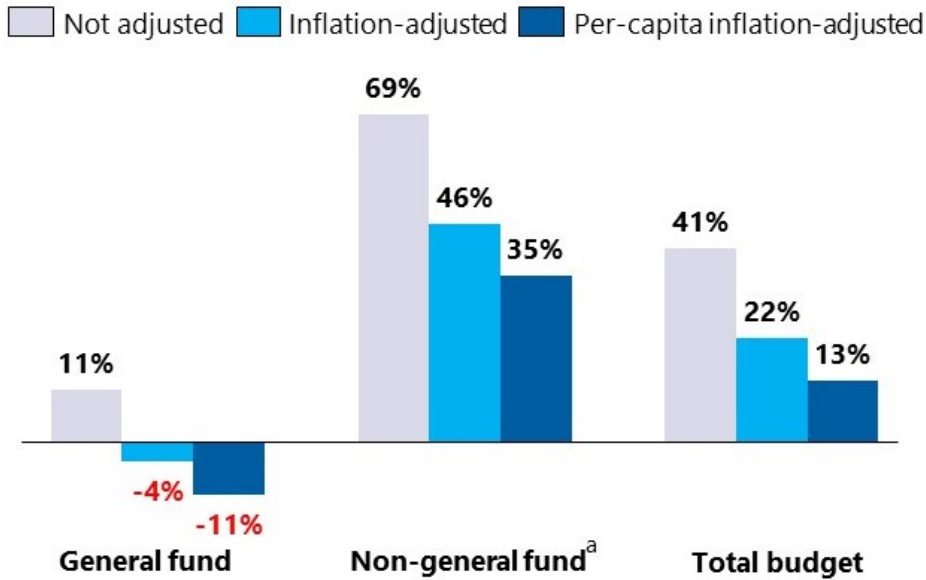
^d Includes salaried faculty at higher education institutions.

^e 2015.

^f 2014.

Virginia's per capita inflation-adjusted budget growth of 13% from FY07 through FY16 appears to be slightly lower 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 FY05 through FY14 (2015 and 2016 data are not available) shows that Virginia's spending growth of 8% ranked 27th 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 19% in Maryland to a low of -11% in North Carolina over this time frame. (The NASBO report focused on expenditures, including capital spending, while the majority of this report focuses on final operating appropriations, excluding capital.)

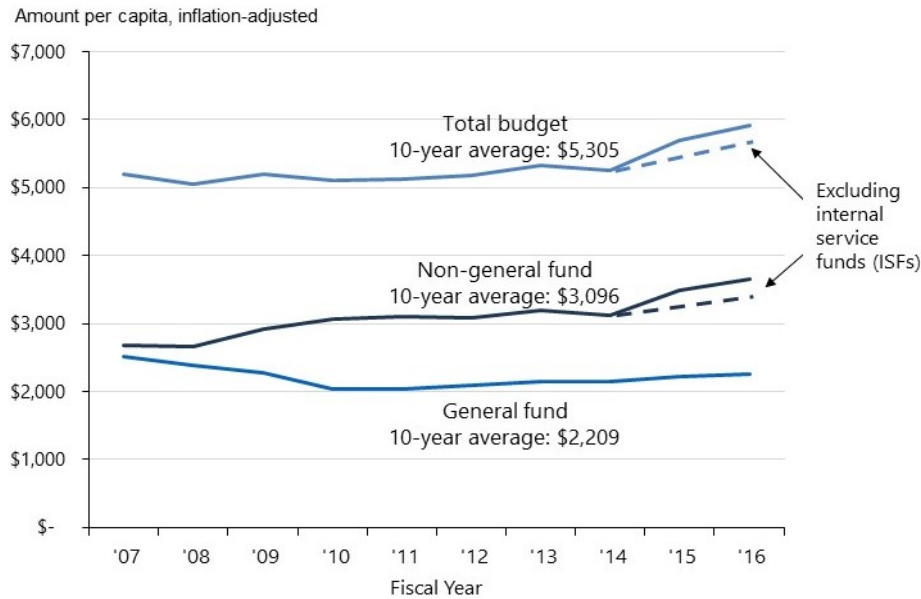
FIGURE 1
Effect of inflation and population growth on appropriations, FY07–FY16



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

^a Increases in non-general funds reflect the FY15 budget including a specific appropriation amount for ISFs.

FIGURE 2
Non-general fund growth as the main driver of overall budget growth, FY07–FY16



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

NOTE: Per capita, inflation adjusted.

In total federal spending per capita, Virginia ranked 10th among the states in federal fiscal year 2014, the most recent year for which data is available.

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

Economic growth in the U.S. and Virginia has been low compared to historical trends. Virginia's economic growth fell below the nation's growth for most years of the 10-year period under review. This is due in part to reductions in federal spending over time.

Several key economic indicators point to Virginia's economic growth compared to the nation between 2007 and 2016:

- **Virginia's gross domestic product (GDP)** grew at the same rate as the U.S. GDP. Both Virginia's GDP and U.S. GDP rose by 8.0%, adjusted for inflation, from 2007 to 2015 (2016 data unavailable).
- **Virginia's personal income per capita** grew less than the national average. Adjusted for inflation, personal income per capita grew by 2.5% in Virginia, compared to the nationwide inflation-adjusted increase of 4.5% from 2007 to 2015 (2016 data unavailable).
- **Virginia's labor force** grew less than the national average. Total employment grew by 3.8% from 2007 to 2016. In comparison, nationwide employment increased by about 4.4% from 2007 to 2016.

Agency workload, policy decisions, and federal funding affect budget trends

Although inflation, population increase, and economic growth affect 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 across agencies. Workload grew significantly in some agencies and 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, reduce, or modify programs and activities. For example, in FY12, \$200 million in general funds was used to support the goals of the higher education "Top Jobs" legislation. In addition, \$382 million in general funds was provided over FY15 and FY16 to help pay off unfunded pension liabilities at the Virginia Retirement System. 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 trust funds grew slightly as a portion of Virginia's budget during the 10-year period under review. At the beginning of the period, federal trust funds accounted for \$4.9 billion or 14% of the state budget. By FY16, Virginia's federal trust funds increased to \$7.7 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

About \$6.3 billion in Recovery Act funds were received by Virginia and its localities between FY09 and FY11.

funding. Medicaid is the largest federal program in the Virginia budget, with \$4.3 billion in federal funds (57% of all federal trust funds in Virginia's budget) and a total budget of \$8.9 billion in FY16. The state match rate for Medicaid was about 50% for most of the decade under review.

State spending has increased because of mandatory enhancements to some federal programs, including some Medicaid-funded services and early intervention services for children. Other state spending increases are attributable to agency compliance with federal regulatory changes designed to achieve goals such as workplace safety and environmental protection.

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

In the past decade, the growth in non-general funds has resulted in growth in the state budget even in years when the general fund declined. Throughout the 1980s and 1990s, the split between general fund and non-general fund appropriations hovered at around 50%. Starting in FY03, non-general funds consistently constituted a majority of the state's budget, and their share of the budget has continued to increase. Non-general funds grew by 69% over the past 10 years, outpacing the 11% growth in the general fund. They now account for about 62% of the total budget (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. 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. The use of non-general funds is governed by statute. Nevertheless, funds from all sources are included in the state budget and appropriated before they are spent.

The state budget draws upon hundreds of sources of revenue that are grouped into 10 broad categories, nine of which are non-general fund revenue sources. Growth in all categories of non-general funds exceeded the general fund's growth rate of 11%, except the special revenue fund, which grew 9% from FY07 to FY16 (Table 3).

To a large extent, growth in non-general fund appropriations reflects trends in the specific activities that generate non-general fund revenue, such as the issuance of bonds, increased product sales (by the Department of Alcoholic Beverage Control and Virginia Lottery, for example), payments for college tuition and child support, and payments received from local governments and the federal government. Growth in these sources drives increases in the state budget.

The non-general fund categories with the largest growth amounts in appropriations over the past decade were higher education operating and federal trust. A technical change to the budgeting of internal service funds, starting with FY15, appeared as a large increase to non-general funds. Collectively, these three funds account for over 60% of the increase in non-general fund appropriations between FY07 and FY16.

Growth in Medicaid costs is largely driven by enrollment growth. Enrollment in Medicaid programs grew from 730,494 in 2007 to 1,099,660 in 2016.

For major uses of non-general funds, see Appendix J (online only): jlarc.virginia.gov/state-spending2016.asp.

Although these funds constitute the majority of the non-general fund increase, several smaller funds experienced much faster growth rates (Table 3).

TABLE 3
Non-general fund growth by category, FY07–FY16 (\$M)

Non-general fund category	Total appropriation		Total growth		
	FY07	FY16	\$	% of FY16 budget	%
Dedicated Special Revenue	\$638.2	\$1,835.4	\$1,197.2	3.7%	188%
Trust and Agency	1,083.3	2,652.2	1,569.0	5.4	145
Enterprise	850.1	1,443.2	593.0	2.9	70
Higher Education Operating	4,852.8	8,029.6	3,176.8	16.2	65
Federal Trust	4,871.6	7,660.4	2,788.8	15.5	57
Debt Service	234.4	328.2	93.8	0.7	40
Highway Maintenance & Construction	3,928.5	4,975.8	1,047.3	10.0	27
Special Revenue	1,602.6	1,752.8	150.2	3.5	9
Internal Service	---	1,908.5	1,908.5	3.9	---
Non-general funds	\$18,061.5	\$30,586.1	\$12,524.6	61.7%	69%
General fund	17,033.1	18,960.7	1,927.6	38.3	11%
Total (all funds)	\$35,094.6	\$49,546.8	\$14,452.2	100.0%	41%

SOURCE: 2007 and 2016 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).

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 (See Appendix C).

Debt Service – Funds to service debt primarily issued by or on behalf of higher education institutions. Examples of fund sources include student fees for housing, dining, and athletic services.

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.

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

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 41% (not adjusted for inflation) between FY07 and FY16. A few large agencies accounted for most of the budget throughout this period. The five largest agencies in FY07 as measured by total appropriations were also the largest in FY16 (Table 4). These five agencies accounted for over 50% of Virginia's budget in both years.

The majority of Virginia's budget growth was concentrated in five agencies: 52% of all budget growth occurred in DMAS, VDOT, VCCS, UVA, and DOE (direct aid to local school divisions). Agencies with the largest growth in dollar terms generally are also those with the largest appropriations. Four of the five agencies with the highest growth (Table 5) are also among the top five in total appropriations (Table 4), and there is additional overlap among other large agencies.

Most of the growth in general fund appropriations were directed to a few large agencies (Table 6). 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. Four agencies received more than \$100 million each in new general funds between FY07 and FY16 and accounted for most of the overall growth in general fund appropriations, with DMAS accounting for 96% of that increase.

After accounting for the 10 agencies with the highest general fund growth, general fund appropriations for the remaining agencies, overall, declined over the 10-year period. This is the result of large general fund declines in several agencies, including VDOT and DEQ. This is also the first time in many years that DOE (direct aid to local school divisions) is not among the agencies with the highest 10-year growth amount in general funds. This is partly due to a technical budgetary change in FY09 that reclassified lottery funds as non-general funds. DOE (direct aid to local school divisions) would be among the top 10 agencies in terms of growth in general fund appropriations, if the effects of the budgetary change were excluded from the calculation.

Non-general fund budget growth was less concentrated than general fund budget growth. The top 10 agencies in terms of non-general fund budget growth account for 63% of total non-general fund growth (Table 7). Within the top 10 agencies, DMAS, VDOT, DOE (direct aid to local school divisions), VCCS, and UVA account for 50% of non-general fund growth. DMAS tops the list for non-general fund growth amounts, as it does in total budget growth and general fund budget growth.

TABLE 4
10 agencies with the largest appropriations, FY07 and FY16 (\$M)

FY07				FY16			
Rank	Agency	Total	% of total	Rank	Agency	Total	% of total
1	DOE (Direct Aid)	\$6,566.9	19%	1	DMAS	\$9,340.4	19%
2	DMAS	5,320.5	15	2	DOE (Direct Aid)	7,307.2	15
3	VDOT	4,183.5	12	3	VDOT	5,385.2	11
4	UVA ^a	1,904.5	5	4	UVA ^a	2,656.9	5
5	DSS	1,739.0	5	5	DSS	1,992.7	4
6	DOC	957.0	3	6	VCCS	1,676.6	3
7	Va Tech	874.4	3	7	Va Tech	1,244.9	3
8	DBHDS	870.2	3	8	DOC	1,173.9	2
9	VCCS	859.4	2	9	VCU	1,085.2	2
10	VCU	780.1	2	10	DBHDS	1,053.7	2
Top 10 agencies, subtotal		\$24,055.6	69%	Top 10 agencies, subtotal		\$32,916.6	66%
Other agencies, subtotal		11,039.1	31	Other agencies, subtotal		16,630.3	34
Total operating budget		\$35,094.6	100%	Total operating budget		\$49,546.8	100%

SOURCE: 2007 and 2016 Appropriation Acts.

NOTE: Excludes capital appropriations, the Personal Property Tax Relief program, and the Administration of Health Insurance program. Appropriations not adjusted for inflation. Numbers may not add due to rounding.

^a Excludes UVA-Wise, but includes the medical center.

TABLE 5
10 agencies with the highest growth amount in total appropriations, FY07–FY16 (\$M)

Rank	Agency	Total appropriation		Total growth		
		FY07	FY16	\$	%	% of total
1	DMAS	\$5,320.5	\$9,340.4	\$4,019.9	76%	28%
2	VDOT	4,183.5	5,385.2	1,201.6	29	8
3	VCCS	859.4	1,676.6	817.2	95	6
4	UVA ^a	1,904.5	2,656.9	752.4	40	5
5	DOE (Direct Aid)	6,566.9	7,307.2	740.3	11	5
6	Va Tech	874.4	1,244.9	370.4	42	3
7	Treasury Board	356.9	725.1	368.2	103	3
8	GMU	572.6	936.8	364.2	64	3
9	VCU	780.1	1,085.2	305.1	39	2
10	DSS	1,739.0	1,992.7	253.7	15	2
Top 10 agencies, subtotal		\$23,157.9	\$32,351.0	\$9,193.1	40%	64%
Other agencies, subtotal		11,936.7	17,195.8	5,259.1	44%	36
Total operating budget		\$35,094.6	\$49,546.8	\$14,452.2	41%	100%

SOURCE: 2007 and 2016 Appropriation Acts.

NOTE: Excludes capital appropriations and DOA transfer payments. Agencies that receive internal service funds are also excluded because increases are largely due to the FY15 budget including a specific amount for those funds. Appropriations not adjusted for inflation. Numbers may not add due to rounding. See Appendix D for additional tables with higher education agencies aggregated.

^a Excludes UVA-Wise, but includes the medical center.

TABLE 6

10 agencies with the highest growth amount in general fund appropriations, FY07–FY16 (\$M)

Rank	Agency	General fund appropriation		General fund growth		
		FY07	FY16	\$	%	% of total
1	DMAS	\$2,408.5	\$4,266.7	\$1,858.3	77%	96%
2	Treasury Board	347.7	675.0	327.4	94	17
3	DOC	894.0	1,102.1	208.1	23	11
4	DBHDS	519.2	701.9	182.7	35	9
5	Compensation Board	596.6	652.3	55.7	9	3
6	VSP	202.1	250.3	48.3	24	3
7	DSS	362.2	403.3	41.1	11	2
8	JDRDC	66.3	91.1	24.8	37	1
9	Circuit Courts	87.4	109.6	22.2	25	1
10	General District Courts	83.8	104.6	20.8	25	1
Top 10 agencies, subtotal		\$5,567.7	\$8,356.9	\$2,789.3	50%	145%
Other agencies, subtotal		11,465.4	10,603.8	-861.6	-8%	-45
Total general fund budget		\$17,033.1	\$18,960.7	\$1,927.6	11%	100%

SOURCE: 2007 and 2016 Appropriation Acts.

NOTE: Excludes capital appropriations and central appropriations. Appropriations not adjusted for inflation. Numbers may not add due to rounding. See Appendix D for tables with higher education agencies aggregated.

TABLE 7

10 agencies with the highest growth amount in non-general fund appropriations, FY07–FY16 (\$M)

Rank	Agency	Non-general fund appropriation		Non-general fund growth		
		FY07	FY16	\$	%	% of total
1	DMAS	\$2,912.1	\$5,073.7	\$2,161.6	74%	17%
2	VDOT	3,540.8	5,317.0	1,776.2	50	14
3	DOE (Direct Aid) ^a	915.8	1,786.2	870.4	95	7
4	VCCS	458.6	1,270.8	812.3	177	6
5	UVA ^b	1,748.4	2,519.5	771.2	44	6
6	Va Tech	683.7	1,070.3	386.6	57	3
7	GMU	429.5	793.9	364.4	85	3
8	VCU	576.4	886.2	309.7	54	2
9	DRPT	360.5	592.4	231.9	64	2
10	DSS	1,376.8	1,589.5	212.6	15	2
Top 10 agencies, subtotal		\$13,002.6	\$20,899.6	\$7,896.9	61%	63%
Other agencies, subtotal		5,058.9	9,686.6	4,627.7	91%	37
Total non-general fund budget		\$18,061.5	\$30,586.1	\$12,524.6	69%	100%

SOURCE: 2007 and 2016 Appropriation Acts.

NOTE: Excludes capital appropriations and DOA transfer payments. Agencies that receive internal service funds are also excluded because increases are largely due to the FY15 budget including a specific amount for those funds. Appropriations not adjusted for inflation. Numbers may not add due to rounding. See Appendix D for tables with higher education agencies aggregated.

^a In FY07, lottery proceeds supporting Direct Aid were classified as general funds. Starting in FY09, they are classified as non-general funds.^b Excludes UVA-Wise, but includes the medical center.

General and non-general fund budget growth varies by agency

The total general fund and non-general fund budgets grew by 11% and 69%, respectively, between FY07 and FY16. Growth rates at individual agencies varied significantly over the 10-year period.

Some agencies saw notable growth in general fund appropriations

The 10 fastest growing state agencies—as measured by the change in general fund appropriations between FY07 and FY16—had general fund growth rates of 34% or more, far exceeding the overall general fund growth rate of 11% 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, the Department of Corrections received the third largest increase in general funds (around \$208 million over the past decade) but was not among the 10 agencies with the largest percentage increase in general fund 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 having less than \$25 million in general fund growth over the 10-year period.

TABLE 8
10 agencies with the fastest growth rate in general fund appropriations, FY07–FY16 (\$M)

Rank	Agency	General fund appropriation		General fund growth		
		FY07	FY16	\$	% of total	%
1	Treasury Board	\$347.7	\$675.0	\$327.4	17%	94%
2	DMAS	2,408.5	4,266.7	1,858.3	96	77
3	DHRM	5.1	8.3	3.2	<1	62
4	Magistrate System	21.0	30.3	9.4	<1	45
5	Supreme Court	23.9	33.7	9.8	1	41
6	JDRDC	66.3	91.1	24.8	1	37
7	DBHDS	519.2	701.9	182.7	9	35
8	DOA	9.5	12.8	3.3	<1	35
9	VSDB	7.1	9.6	2.5	<1	35
10	Combined District Courts	18.4	24.8	6.3	<1	34
Top 10 agencies, subtotal		\$3,426.7	\$5,854.3	\$2,427.6	126%	71%
Other agencies, subtotal		13,606.4	13,106.4	-500.0	-26	-4%
Total general fund budget		\$17,033.1	\$18,960.7	\$1,927.6	100%	11%

SOURCE: 2007 and 2016 Appropriation Acts.

NOTE: Includes agencies with general fund appropriations of at least \$5 million in FY07. Excludes capital appropriations and central appropriations. Appropriations not adjusted for inflation. Numbers may not add due to rounding. See Appendix D for tables with higher education agencies aggregated.

Explanation of general fund growth in Table 8

Treasury Board – Almost all of this increase was due to an increase in debt service payments related to debt authorizations and issuances for public buildings and higher education buildings that occurred during the 10-year period under review.

DMAS – Almost all of this increase was for 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. Increased enrollment following the Great Recession and passage of the Patient Protection and Affordable Care Act contributed to an increase in Medicaid-eligible recipients.

DHRM – The majority of this growth is due to an increase to fund an upgrade of the Commonwealth's personnel management information systems.

Magistrate System, Supreme Court, JDRDC, Combined District Courts – 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 to localities for health services (\$103 million) and for state health services (\$45 million). These increases were in large part due to efforts to bolster mental health services delivery within communities.

DOA – This growth was primarily due to an increase in appropriations for Cardinal support staff and related expenses.

VSDB – This increase reflects a \$2.4 million increase in instruction and residential support costs after the closure of the VSDB at Hampton and consolidation with the VSDB at Staunton in July 2008. FY07 figures include only appropriations for VSDB at Staunton.

Several agencies experienced significant growth in non-general fund appropriations

Non-general funds grew by 69% from FY07 to FY16 and comprised approximately 62% of the state budget in FY16. 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 (more than \$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). The Virginia Community College System and DOE (direct aid to local school divisions) are the only agencies in the top 10 for both amount of growth and rate of growth in non-general fund appropriations (Tables 7 and 9).

TABLE 9
10 agencies with the fastest growth rate in non-GF appropriations, FY07–FY16 (\$M)

Rank	Agency	Non-general fund appropriation		Non-general fund growth		
		FY07	FY16	\$	% of total	%
1	Treasury Board	\$9.3	\$50.1	\$40.8	<1 %	440 %
2	DHCD	64.6	229.7	165.2	1	256
3	DCR	26.1	80.0	53.9	<1	207
4	VCCS	458.6	1,270.8	812.3	6	177
5	DVS	17.7	47.1	29.4	<1	166
6	VMFA	8.6	21.6	13.0	<1	152
7	VPA	77.9	185.1	107.2	1	138
8	VSU	67.8	132.8	65.0	1	96
9	DOE (Direct Aid) ^a	915.8	1,786.2	870.4	7	95
10	VRS	39.0	75.8	36.8	<1	94
Top 10 agencies, subtotal		\$1,685.3	\$3,879.3	\$2,194.0	18 %	130 %
Other agencies, subtotal		16,376.2	26,706.8	10,330.6	82	63 %
Total non-general fund budget		\$18,061.5	\$30,586.1	\$12,524.6	100 %	69 %

SOURCE: 2007 and 2016 Appropriation Acts.

NOTE: Includes agencies with non-general fund appropriations of at least \$5 million in FY07. Excludes executive offices, capital appropriations, central appropriations, and DOA transfer payments. Agencies that receive internal service funds and the VA529 program are also excluded because increases are largely due to the FY15 budget including a specific amount for these funds. Appropriations not adjusted for inflation. Numbers may not add due to rounding. See Appendix D for tables with higher education agencies aggregated.

^a In FY07, lottery proceeds supporting Direct Aid were classified as general funds. Starting in FY09, they are classified as non-general funds.

Explanation of non-general fund growth in Table 9

Treasury Board – This increase was due to an increase in debt service payments for higher education buildings (funded largely by student fees) and federal interest rate subsidies related to the issuance of bonds under the federal ARRA program.

DHCD – Almost all of this increase was due to an increase in federal funds for housing assistance services (\$164 million). This includes technical counseling and financial assistance to low and moderate income families, payments to individuals or shelters, and financial aid to support housing assistance services in localities.

DCR – Most of DCR's non-general fund growth was the result of increased special revenue. In FY07, DCR's budget had nearly \$4 million in dedicated special revenue; by FY16 it contained \$45 million in funding from specific fees (such as state park fees), licenses, and permits that support specific activities. DCR received an additional \$12 million in special revenue (also generated through taxes and fees) between FY07 and FY16.

VCCS – This increase was mostly due to an increase in tuition and fees for E&G services (\$281 million) and an increase in federal student financial assistance (\$395 million).

DVS – This increase was mostly due to the addition of 286 non-general funded positions since 2007 to operate nursing homes that house veterans. In FY07, DVS had 323 non-general fund positions and by FY16, 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.

VMFA – This increase was mostly due to admissions fees and other revenue increases to VMFA's enterprise fund (\$5 million), as well as private donations to support collections management; education and extension services; and operational and support services (\$5 million).

VPA – This increase was due to an increase in special revenue funds used to manage port facilities (\$84 million), as well as acquire, construct, and maintain facilities (\$21 million). In FY07, 55% of the VPA budget was from special revenue funds. By FY16, VPA's special revenue fund was over three times larger and accounted for 78% of its budget.

VSU – This increase was partly due to an increase in educational and general (E&G) programs funded through student tuition and fees (\$17 million). Auxiliary services, which are goods and services provided to students, faculty, and staff such as dining, housing, books, health services, and athletics also increased (\$25 million). Lastly, federal financial assistance for E&G services increased by \$16 million.

DOE (Direct Aid) – This increase was mostly due to a reclassification of lottery proceeds (\$539 million) from general funds to non-general funds starting in FY09. The Literary Fund also doubled in size (from \$179 million to \$358 million) and federal assistance to local education programs increased by \$153 million.

VRS – This increase was mostly due to an increase in investment management services (\$17 million) and administrative and support services (\$17 million). VRS added 23 positions in investment management services as VRS expanded its internal asset management group. VRS also increased the number of staff tasked with overseeing externally managed assets and dedicated to research.

General fund appropriations declined or grew slower than inflation for some state agencies

Twenty-seven agencies had general fund appropriations that declined over the 10-year period, 17 by 10% or more (Table 10) and the appropriations of another 26 agencies grew slower than inflation (16%). 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
The 17 agencies with declines in general fund appropriations of 10% or more, FY07–FY16 (\$M)

Agency	FY07	FY16	\$ change	% change
DCE	\$52.8	\$0	-\$52.8	-100
DBA	14.8	0	-14.8	-100
VSDBH	6.6	0	-6.6	-100
HERI	5.3	0	-5.3	-100
VDOT	642.7	68.1	-574.6	-89
Sec. of Administration	7.7	1.2	-6.5	-84
DEQ	256.7	43.3	-213.4	-83
Jamestown-Yorktown	11.5	8.5	-3.0	-26
Department of Elections	11.3	8.8	-2.5	-22
Department of Treasury	9.7	8.1	-1.6	-17
DPB	8.2	7.2	-1.0	-12
LVA	31.1	27.5	-3.6	-12
UVA ^a	156.1	137.3	-18.8	-12
DCJS	239.9	211.7	-28.2	-12
VMI	15.4	13.6	-1.8	-11
Department of Forestry	18.3	16.4	-1.9	-10
DGS	23.4	21.2	-2.2	-10

SOURCE: 2007 and 2016 Appropriation Acts.

NOTE: Includes agencies with general fund appropriations of at least \$5 million in FY07. Excludes executive offices, state grants to non-state agencies, capital appropriations, and DOA transfer payments. Appropriations not adjusted for inflation. Numbers may not add due to rounding.

^a Excludes UVA-Wise but includes the medical center.

Explanation of general fund declines in Table 10 (greater than 20%)

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 DOC.

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 FY15.

VSDBH – This decline reflects the closure of VSDB at Hampton after consolidation with VSDB at Staunton (2008).

HERI – This decline reflects changes in the approach to funding targeted research opportunities at public institutions of higher education. These funds were used to attract industry-sponsored research by recruiting faculty, buying equipment, and building or renovating laboratories. An appropriation was not made to this entity from FY13 to FY16.

VDOT – Generally, VDOT relies primarily on non-general funds, while general funds tend to fluctuate depending on initiatives. In FY07, a non-recurring general fund appropriation of \$500 million was made for the 2007 Transportation Initiative. This Initiative sought to enhance transportation capability through highway, rail, port, and mass transit improvements.

Sec. of Administration – This decline reflects the elimination of financial assistance to regional non-commercial entities to provide educational, economic, and cultural programming through public television and radio. Financial assistance for educational telecommunications and financial assistance for radio reading services were also eliminated.

DEQ – The vast majority of this decline has been in environmental, technical, and financial assistance to state and sub-state entities to protect, retain, and develop the environmental resources of the state. General fund support for this program declined from \$220 million in FY07 to \$7 million in FY16.

Jamestown-Yorktown Foundation – The 26% 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 8%.

Department of Elections – This decline is the result of a 24% decrease in funding for electoral services, which includes election administration, campaign finance disclosure administration, and voter registration services, and a 22% decline in funding for financial assistance to localities for electoral services.

Budget growth is 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 for planning and analysis of the state budget and for monitoring the activities of state government. Through analysis of the program categories, policy-makers can develop a broader understanding of how funds are spent, regardless of which agency spends them. Some programs fall under a single agency, and others are distributed across multiple agencies. For example, the program called "state health services" can be found in the budgets of several different agencies. In FY16, Virginia's \$50 billion budget included 215 programs.

Like growth in state agencies, most of the growth in budget programs over the 10-year period from FY07 to FY16 remained concentrated among programs relating to core functions of state government (Table 11). Of all budget growth during the 10-year period, 68% occurred in just 10 of the programs. Nine of the 10 programs are in the core functions of health care, education, and transportation.

TABLE 11
10 largest program increases in total appropriations, FY07–FY16 (\$M)

Rank	Program	Total appropriation		Total growth		
		FY07	FY16	\$	%	% of total
1	Medical program services (Medicaid)	\$5,037.2	\$8,850.9	\$3,813.6	76%	26%
2	Higher ed: Educational & general services	3,282.5	4,455.0	1,172.5	36	8
3	Higher ed: Auxiliary enterprises	938.0	1,672.3	734.3	78	5
4	Highway construction programs	1,498.3	2,197.8	699.6	47	5
5	State health services ^a	1,386.8	2,069.6	682.8	49	5
6	Financial assistance to localities (transportation)	328.6	923.9	595.3	181	4
7	Higher ed: Student financial assistance	336.8	931.7	595.0	177	4
8	State public education assistance ^b	5,830.1	6,398.0	567.9	10	4
9	Financial assistance to localities (general)	303.7	819.7	516.0	170	4
10	Highway system maintenance & operations	1,185.7	1,574.0	388.2	33	3
Top 10 programs, subtotal		\$20,127.6	\$29,892.8	\$9,765.3	49%	68%
Other programs, subtotal		14,967.0	19,654.0	4,686.9	31%	32
Total operating budget		\$35,094.6	\$49,546.8	\$14,452.2	41%	100%

SOURCE: 2007 and 2016 Appropriation Acts.

NOTE: Excludes capital appropriations and programs that receive internal service funds. Appropriations not adjusted for inflation. Numbers may not add due to rounding. See Appendix D for tables with higher education agencies aggregated.

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

^b Excludes federal funds. Federal funds for state public education assistance are accounted for in a separate program code.

Some budget growth within secretariats is due to realignments

The secretarial system in Virginia was established by the General Assembly in 1972. In FY16, 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 FY06 the Department of Veterans Services was under the Secretary of Administration. In FY12 the agency was moved to the newly-created Secretary of Veterans Affairs and Homeland Security. In FY15, this secretariat was refocused and renamed the Secretary of Veterans and Defense Affairs.

Health and Human Resources and Education account for the majority of budget growth over the past decade (Table 12). The Finance secretariat grew by 270% 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 FY16 instead of under central appropriations as in FY07. Additionally, debt service, which is appropriated to the Treasury Board and falls under the Secretary of Finance, more than doubled over the past decade. Significant growth rates for the Administration and Technology secretariats reflect the technical change in the FY15 budget related to internal service funds.

TABLE 12
Budget growth by secretarial area, FY07–FY16 (\$M)

Rank	Secretarial area	Total appropriation		Total growth		
		FY07	FY16	\$	%	% of total
1	Health & Human Resources	\$9,008.7	\$13,676.6	\$4,667.9	52 %	32 %
2	Education	13,658.3	17,665.7	4,007.4	29	28
3	Administration	853.5	2,695.1	1,841.6 ^b	216	13
4	Finance	662.2	2,452.8	1,790.6	270	12
5	Transportation	4,918.0	6,574.5	1,656.5	34	11
6	Public Safety	2,424.6	2,817.8	393.3	16	3
7	Technology	66.4	394.9	328.5 ^c	494	2
8	Commerce and Trade	846.6	1,093.0	246.5	29	2
9	Independent Agencies	324.7	518.1	193.4	60	1
10	Judicial	370.3	490.3	120.0	32	1
11	Veterans and Defense Affairs ^a	---	64.8	64.8	100	<1
12	Agriculture and Forestry	86.6	97.3	10.8	12	<1
13	Natural Resources	542.6	409.2	-133.4	-25	-1
Total operating budget		\$35,094.6	\$49,546.8	\$14,452.2	41 %	100 %

SOURCE: 2007 and 2016 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 I for historical appropriations by secretarial area.

^a As of 2014, this secretariat 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 FY15.

^c This increase is due to a change in the budgetary treatment of ISFs affecting IT services provided by VITA in FY15.

Budget growth is affected by outstanding debt

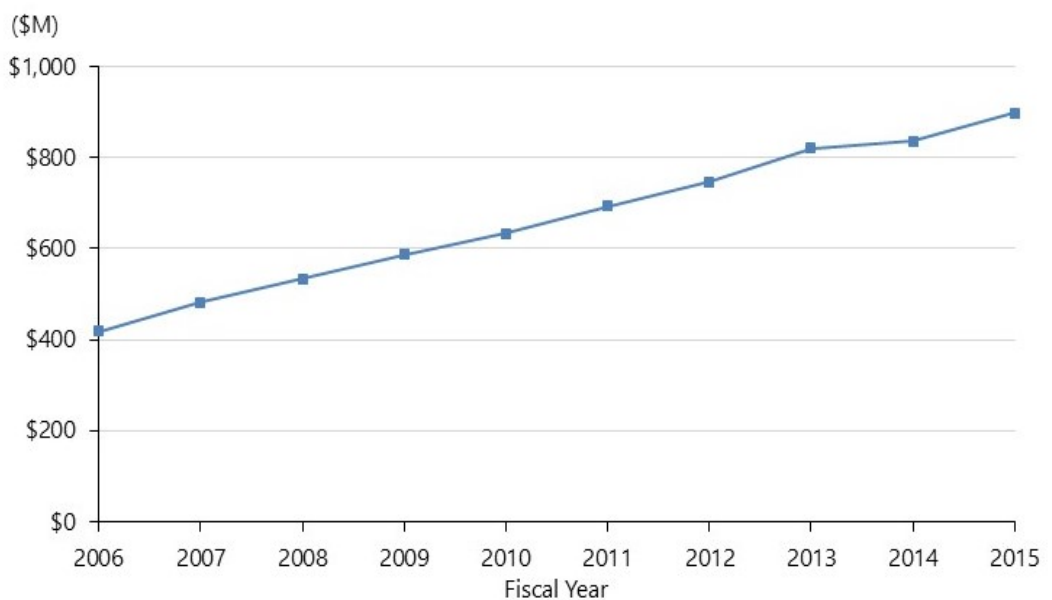
General obligation bonds are authorized by a majority vote of each house of the General Assembly and approved in a referendum by the voting citizens to finance capital projects. The state general fund pays the principal and interest for this debt.

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.

Tax-supported debt service is funded through the Treasury Board and VDOT, the primary state entities designated to make payments on tax-supported 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 from FY06 to FY15 (Figure 3; FY15 is the most recent year for which information is available). In FY06, tax-supported debt service was \$419 million, or 2.54% of the blended revenues available to fund tax-supported debt. By FY15, tax-supported debt service had increased to \$897 million, or 4.48% of blended revenues. The Debt Capacity Advisory Committee has established a target level: 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.

The increase in debt service reflects the large increase in tax-supported debt issued by the state between FY06 and FY15, when tax-supported debt increased by approximately 127% from \$4.8 billion to \$11.0 billion. The largest issuances of debt occurred between FY10 and FY12.

FIGURE 3
Tax-supported debt service, FY06–FY15



SOURCE: 2015 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 top use of tax-supported debt over the past decade was for higher education. Fifty-one percent of debt was used for capital projects and teaching and research equipment. Transportation projects funded through the transportation trust fund was the next highest use category (21%). Other uses of tax-supported debt include correctional facilities, local and regional jail reimbursements, and parks, conservation, and recreation facilities.

Budget 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 FY05 and reached a capped total of \$950 million in general funds in FY07, where it has remained.

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 (Constitution of Virginia, Article X Section 8; Code of Virginia § 2.2-1829). The fund was drawn down during the Great Recession and was being re-capitalized through FY16. In FY07 the Rainy Day Fund reached a high of \$1.2 billion, but in FY10 it fell to \$295 million as it was used to offset declines in general fund revenues. As of June 2016, the Rainy Day Fund balance totaled \$237.4 million.

The state offers optional health plans for local government employees, administered by the Department of Human Resource Management. This program grew 138% over the 10-year period, from \$165 million in FY07 to \$392 million in FY16. These funds are designated as enterprise funds, essentially a mechanism to receive local government employees’ health insurance premiums and employer 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.

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 E–K 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 the 10-year period under review. 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: Total federal funding in Virginia's budget (\$M)

The majority of federal funding received and appropriated by Virginia is accounted for in the federal trust fund category. However, federal funds for the Virginia Department of Transportation, Virginia's higher education institutions, and the Virginia Employment Commission are budgeted separately. The table below identifies the federal funds that have been appropriated by the General Assembly during the 10-year period under review.

TABLE C-1
Federal funding in Virginia's budget, by agency, FY07–FY16 (\$M)

Agency	Fund category	Appropriation		Growth	
		FY07	FY16	\$	%
VDOT	Commonwealth Transportation	\$1,124.9	\$895.3	-\$229.6	-20%
Higher education institutions	Higher Education Operating	899.5	1,418.2	518.8	58
VEC	Trust and Agency	221.6	135.6	-86.0	-39
All others	Federal Trust	4,871.6	7,660.4	2,788.8	57
Total federal funds		\$7,117.5	\$10,109.5	\$2,992.0	42%
Total non-general funds		\$18,061.5	\$30,586.1	\$12,524.6	69%

SOURCE: 2007 and 2016 Appropriation Acts.

NOTE: Appropriations not adjusted for inflation. Numbers may not add due to rounding.

Appendix D: Higher education funding in Virginia's budget

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 FY07 to FY16 based on data reported annually by SCHEV.

TABLE D-1 (Table 5 with higher education agencies grouped)
10 agencies with the highest growth amount in total appropriations, FY07–FY16 (\$M)

Rank	Agency	Total appropriation		Total growth		
		FY07	FY16	\$	%	% of total
1	DMAS	\$5,320.5	\$9,340.4	\$4,019.9	76%	28%
2	Higher education	6,742.4	10,035.2	3,292.8	49	23
3	VDOT	4,183.5	5,385.2	1,201.6	29	8
4	DOE (Direct aid)	6,566.9	7,307.2	740.3	11	5
5	Treasury Board	356.9	725.1	368.2	103	3
6	DSS	1,739.0	1,992.7	253.7	15	2
7	DRPT	360.5	592.4	231.9	64	2
8	DOC	957.0	1,173.9	216.9	23	2
9	DBHDS	870.2	1,053.7	183.5	21	1
10	ABC	476.1	652.3	176.1	37	1
Top 10 agencies, subtotal		\$27,573.1	\$38,258.0	\$10,684.9	39%	74%
Other agencies, subtotal		7,521.5	11,288.8	3,767.3	50%	26
Total operating budget		\$35,094.6	\$49,546.8	\$14,452.2	41%	100%

TABLE D-2 (Table 6 with higher education agencies grouped)
10 agencies with the highest growth amount in GF appropriations, FY07–FY16 (\$M)

Rank	Agency	<u>General fund appropriation</u>		<u>General fund growth</u>		
		FY07	FY16	\$	%	% of total
1	DMAS	\$2,408.5	\$4,266.7	\$1,858.3	77%	96%
2	Treasury Board	347.7	675.0	327.4	94	17
3	DOC	894.0	1,102.1	208.1	23	11
4	DBHDS	519.2	701.9	182.7	35	9
5	Compensation Board	596.6	652.3	55.7	9	3
6	VSP	202.1	250.3	48.3	24	3
7	DSS	362.2	403.3	41.1	11	2
8	JDRDC	66.3	91.1	24.8	37	1
9	Circuit Courts	87.4	109.6	22.2	25	1
10	General District Courts	83.8	104.6	20.8	25	1
Top 10 agencies, subtotal		\$5,567.7	\$8,356.9	\$2,789.3	50%	145%
30	Higher education	1,715.6	1,716.3	0.7	<1%	<1
Other agencies, subtotal		9,749.8	8,887.4	-862.4	-9%	-45
Total GF operating budget		\$17,033.1	\$18,960.7	\$1,927.6	11%	100%

TABLE D-3 (Table 7 with higher education agencies grouped)
10 agencies with the highest growth amount in non-GF appropriations, FY07–FY16 (\$M)

Rank	Agency	<u>Non-GF appropriation</u>		<u>Non-GF growth</u>		
		FY07	FY16	\$	%	% of total
1	Higher education	\$5,026.8	\$8,318.8	\$3,292.0	65%	26%
2	DMAS	2,912.1	5,073.7	2,161.6	74	17
3	VDOT	3,540.8	5,317.0	1,776.2	50	14
4	DOE (Direct aid)	915.8	1,786.2	870.4	95	7
5	DRPT	360.5	592.4	231.9	64	2
6	DSS	1,376.8	1,589.5	212.6	15	2
7	ABC	476.1	652.3	176.1	37	1
8	DHCD	64.6	229.7	165.2	256	1
9	VDH	368.5	480.6	112.1	30	1
10	VPA	77.9	185.1	107.2	138	1
Top 10 agencies, subtotal		\$15,119.9	\$24,225.4	\$9,105.4	60%	73%
Other agencies, subtotal		2,941.6	6,360.8	3,419.2	116%	27
Total NGF operating budget		\$18,061.5	\$30,586.1	\$12,524.6	69%	100%

TABLE D-4 (Table 8 with higher education agencies grouped)
10 agencies with the fastest growth rate in GF appropriations, FY07–FY16 (\$M)

Rank	Agency	<u>General fund appropriation</u>		<u>General fund growth</u>		
		FY07	FY16	\$	% of total	%
1	Treasury Board	\$347.7	\$675.0	\$327.4	17 %	94 %
2	DMAS	2,408.5	4,266.7	1,858.3	96	77
3	DHRM	5.1	8.3	3.2	<1	62
4	Magistrate System	21.0	30.3	9.4	<1	45
5	Supreme Court	23.9	33.7	9.8	1	41
6	JDRDC	66.3	91.1	24.8	1	37
7	DBHDS	519.2	701.9	182.7	9	35
8	DOA	9.5	12.8	3.3	<1	35
9	VSDB	7.1	9.6	2.5	<1	35
10	Combined District Courts	18.4	24.8	6.3	<1	34
Top 10 agencies, subtotal		\$3,426.7	\$5,854.3	\$2,427.6	126 %	71 %
36	Higher education	1,715.6	1,716.3	0.7	<1	<1 %
Other agencies, subtotal		11,890.9	11,390.1	-500.8	-26	-4 %
Total GF operating budget		\$17,033.1	\$18,960.7	\$1,927.6	100 %	11 %

TABLE D-5 (Table 9 with higher education agencies grouped)
10 agencies with the fastest growth rate in non-GF appropriations, FY07–FY16 (\$M)

Rank	Agency	<u>Non-GF appropriation</u>		<u>Non-GF growth</u>		
		FY07	FY16	\$	% of total	%
1	Treasury Board	\$9.3	\$50.1	\$40.8	<1 %	440 %
2	DHCD	64.6	229.7	165.2	1	256
3	DCR	26.1	80.0	53.9	<1	207
4	DVS	17.7	47.1	29.4	<1	166
5	VMFA	8.6	21.6	13.0	<1	152
6	VPA	77.9	185.1	107.2	1	138
7	DOE (Direct Aid)	915.8	1,786.2	870.4	7	95
8	VRS	39.0	75.8	36.8	<1	94
9	DJJ	5.4	10.2	4.7	<1	87
10	DBVI	32.6	59.9	27.3	<1	84
Top 10 agencies, subtotal		\$1,197.0	\$2,545.8	\$1,348.8	11 %	113 %
13	Higher education	5,026.8	8,318.8	3,292.0	26	65 %
Other agencies, subtotal		11,837.7	19,721.5	\$7,883.8	63	67 %
Total NGF operating budget		\$18,061.5	\$30,586.1	\$12,524.6	100 %	69 %

TABLE D-6 (Table 11 with higher education programs grouped)
10 largest program increases in total appropriations, FY07–FY16 (\$M)

Rank	Program	Total appropriation		Total growth		
		FY07	FY16	\$	%	% of total
1	Medical program services (Medicaid)	\$5,037.2	\$8,850.9	\$3,813.6	76 %	26 %
2	Higher education programs	5,886.3	8,467.4	2,581.1	44	18
3	Highway construction programs	1,498.3	2,197.8	699.6	47	5
4	State health services ^a	1,386.8	2,069.6	682.8	49	5
5	Financial assistance to localities (transportation)	328.6	923.9	595.3	181	4
6	State public education assistance ^b	5,830.1	6,398.0	567.9	10	4
7	Financial assistance to localities (general)	303.7	819.7	516.0	170	4
8	Highway system maintenance & operations	1,185.7	1,574.0	388.2	33	3
9	Bond and loan retirement and redemption	345.9	725.1	379.2	110	3
10	Financial assistance for public transportation	159.8	432.4	272.6	171	2
Top 10 programs, subtotal		\$21,962.3	\$32,458.7	\$10,496.4	48 %	73 %
Other programs, subtotal		13,132.3	17,088.1	3,955.8	30 %	27
Total operating budget		\$35,094.6	\$49,546.8	\$14,452.2	41 %	100 %

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

SOURCE: 2007 and 2016 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 Excludes federal funds. Federal funds for state public education assistance are accounted for in a separate program code.

TABLE D-7
Growth of higher education agencies, FY07–FY16 (\$M)

Rank	Agency	<u>Total appropriation</u>		<u>Total growth</u>			Overall rank
		FY07	FY16	\$	%	% of total	
1	VCCS	\$859.4	\$1,676.6	\$817.2	95%	6%	4
2	UVA	1,904.5	2,656.9	752.4	40	5	6
3	Va Tech	874.4	1,244.9	370.4	42	3	8
4	GMU	572.6	936.8	364.2	64	3	10
5	VCU	780.1	1,085.2	305.1	39	2	12
6	JMU	341.4	518.0	176.6	52	1	18
7	ODU	272.2	396.0	123.7	45	1	21
8	CWM	249.9	360.0	110.2	44	1	25
9	VSU	103.0	171.6	68.6	67	<1	28
10	RU	140.3	194.0	53.7	38	<1	31
11	CNU	92.4	142.2	49.8	54	<1	32
12	LU	81.6	121.5	39.9	49	<1	34
13	UMW	83.8	112.2	28.4	34	<1	38
14	VMI	52.2	76.8	24.6	47	<1	42
15	UVA-W	31.9	44.0	12.1	38	<1	55
16	NSU	144.7	156.7	11.9	8	<1	56
17	SO Va Higher Ed Ctr	1.8	7.6	5.8	327	<1	69
18	EVMS	19.4	24.4	5.0	26	<1	74
19	Richard Bland	9.7	14.5	4.8	49	<1	77
20	SW Va Higher Ed Ctr	6.3	3.0	-3.3	-52	<-1	154
21	SCHEV	120.7	92.2	-28.5	-24	<-1	167
Total higher ed agencies		\$6,742.4	\$10,035.2	\$3,292.8	49%	23%	
Total operating budget		\$35,094.6	\$49,546.8	\$14,452.2	41%	100%	

SOURCE: 2007 and 2016 Appropriation Acts.

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

TABLE D-8
Changes in enrollment and tuition of higher education agencies, FY07–FY16

Rank ^c	Agency	Undergraduate enrollment ^a			Tuition ^b		
		FY07	FY16	% change	FY07	FY16	% change
8	CWM	5,734	6,301	10 %	\$8,490	\$19,372	128 %
5	VCU	21,260	24,051	13	5,819	12,772	119
19	Richard Bland	1,368	2,178	59	2,520	5,493	118
11	CNU	4,623	5,051	9	6,460	12,526	94
2	UVA	14,676	16,736	14	7,845	14,468	84
13	UMW	4,183	4,320	3	6,084	11,070	82
3	Va Tech	21,997	25,384	15	6,973	12,485	79
14	VMI	1,377	1,717	25	9,473	16,536	75
10	RU	8,155	8,880	9	5,746	9,809	71
4	GMU	18,221	23,249	28	6,408	10,952	71
16	NSU	5,403	4,522	-16	5,056	8,366	65
15	UVA-W	1,911	2,028	6	5,692	9,220	62
7	ODU	15,464	20,101	30	6,098	9,768	60
6	JMU	16,013	19,396	21	6,290	10,066	60
12	LU	3,787	4,613	22	7,589	11,910	57
9	VSU	4,306	4,241	-2	5,440	8,226	51
Total (without VCCS)		148,478	172,768	16 %	\$101,983	\$183,039	79 %
Average (without VCCS)		9,280	10,798	16 %	\$6,374	\$11,440	79 %
1	VCCS	159,202	176,887	11 %	\$2,269	\$4,275	88 %

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 a headcount of all in-state and out-of-state undergraduate students enrolled in the Fall of the 2006-2007 and 2015-2016 school years.

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

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



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