

Report to the Governor and the General Assembly of Virginia

Review of State Spending: 2014 Update



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COMMONWEALTH of VIRGINIA

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December 23, 2014

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 to the Commission on November 10, 2014, covers the 10-year period from FY 2005 to FY 2014.

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

Sincerely,

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

Hal E. Greer
Director

Contents

Report Summary: Review of State Spending, 2014 Update (FY 2005–FY 2014)	i
Annual report on state spending	1
Virginia’s budget growth has slowed in the past decade	2
Growth in population, the economy, and inflation contribute to budget trends	3
Agency workloads, policy decisions, and state programs contribute to budget trends	6
Federal funds from national programs impact state budget	7
Non-general funds continue to grow faster than the general fund	9
Most budget growth occurs in a few state agencies	11
Some agency appropriations grew faster than others	12
Budget growth in programs is focused on core state government activities	18
Some secretarial budget growth is due to realignments	19
Growth occurred in other areas of state government	20
Appendix A: Study mandate	21
Appendix B: Research methods and activities	22
Appendix C: Additional tables aggregating appropriations to higher education agencies	23

Supplemental appendixes, online only

Appendix D: The basis of Virginia's budget

Appendix E: Ten largest annual general fund increases, 2005–2014 biennial totals

Appendix F: State expenditures by governmental function

Appendix G: Final legislative operating appropriations by fund

Appendix H: Final legislative operating appropriations by secretarial area

Appendix I: Major uses of non-general funds, FY 2014

Appendix J: Total appropriations, general, and non-general funds for the 10 agencies with the most growth in total appropriations, FY 2005–FY 2014

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

Tables and figures

Table 1: Virginia's operating appropriations, FY 2005–FY 2014

Table 2: Key demographic and economic changes in Virginia

Table 3: Federal Recovery Act funds were provided to various agencies and programs in FY 2010 and FY 2011

Table 4: Most non-general funds grew faster than the general fund

Table 5: Top 10 agencies with the largest appropriations

Table 6: Top 10 agencies with the highest growth amount in total appropriations

Table 7: Top 10 agencies with the highest growth amount in general fund appropriations

Table 8: Top 10 agencies with fastest growth rate in general fund appropriations

Table 9: Top 10 agencies with fastest growth rate in non-general fund appropriations

Table 10: General fund appropriation of 11 agencies declined

Table 11: Largest program increases in total appropriations

Table 12: Budget growth by secretarial area

Figure 1: Effects of inflation and population growth on appropriations

Figure 2: Non-general fund growth has become an important driver of overall budget growth

Abbreviations

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

Report summary

Review of State Spending: 2014 Update

WHAT WE FOUND

- Over the past decade, Virginia's operating budget increased by \$14.1 billion (48%)—a 28% increase in general funds and a 66% increase in non-general funds. When controlling for growth in population and inflation, the total budget grew by 11%, the non-general fund budget increased by 24%, and the general fund budget decreased by 4%, over the 10-year period.
- A variety of economic factors and policies contributed to this growth. With population growth of 9% from 2005 to 2013 (2014 data is not available), Virginia had approximately 683,300 more residents. The personal income of Virginians increased by 34% over the period while inflation increased by 23%.
- When general funds declined during the past decade, the total budget continued to increase due to the growth in non-general funds. However, non-general fund increases have slowed in recent years as a result of slower growth in higher education operating appropriations (largely tuition and fees) and declining federal stimulus funds.
- The 10 largest state agencies (out of 155) accounted for 68% of the total state budget in FY 2014 and 70% of all budget growth between FY 2005 and FY 2014.
- Growth in 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 37 agencies either grew more slowly than inflation or declined.
- Budget growth was concentrated in a few large programs: eight (of 204) in health care, education, and transportation accounted for 80% 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 2013. This report is the 14th in the series and focuses on trends in the state's operating budget during the past 10 years, from FY 2005 through FY 2014.

Review of State Spending: 2014 Update (FY 2005–FY 2014)

The budget is a complex instrument that channels money from many different sources to a variety of state functions and programs. It incorporates numerous economic and demographic trends, and is perhaps the single most important statement of policies and priorities for Virginia.

In FY 2014, Virginia's budget totaled \$43.3 billion and included 155 agencies and 204 programs.

Virginia's overall fiscal condition is driven by numerous factors:

- Population: Virginia is a relatively fast-growing state in terms of population (17th fastest growing from 2012 to 2013), 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 similar rate compared to that of the nation during the FY 2005 to FY 2013 period (2014 data is not available) and unemployment remained below the national average.
- State spending: Total budget growth increased after state economic activity began to improve in FY 2010. Virginia's budget grew by 4.9% in FY 2011, 3.5% in FY 2012, and 5.8% in FY 2013, due in part to an infusion of federal stimulus funds in FY 2010 and FY 2011, and to growth in other non-general funds. Overall budget growth slowed to 1.5% in FY 2014 due largely to diminished non-general fund growth and less-than-anticipated revenue collections supporting the general fund (page 3).

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 in these programs (Appendix A, report mandate).

Prior reports reviewed spending and budget growth for all the previous 10-year periods between FY 1981 and FY 2013. This report is the 14th in the series and focuses on trends in the state's operating budget during the past 10 years, from FY 2005 through FY 2014.

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

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

Virginia's budget growth has slowed in the past decade

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 2005 to FY 2014 averaged 4.5% 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 2006 and FY 2007 resulted not only from a healthy economy but also from state tax policy changes adopted in 2004, 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. The long-term upward trend in state general fund appropriations, which was continuing in FY 2005, ceased after FY 2007. From FY 2008 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 from FY 2011 to FY 2014, though growth slowed somewhat in FY 2014.

Non-general fund appropriations continued to grow over the past decade as non-general funds sources increased for various reasons. 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 represents the smallest year of growth in non-general funds over the past decade, mainly due to slower growth in higher education operating appropriations (largely tuition and fees) and reduced unemployment insurance.

FY 1992 and FY 2002

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

FY 2008 to FY 2010

For first time since the early 1960s, the general fund declined in two or more consecutive years.

TABLE 1
Virginia's operating appropriations, FY 2005–FY 2014 (\$M)

Fiscal year	<u>General fund</u>		<u>Non-general fund</u>		<u>Total</u>	
	Amount	% change	Amount	% change	Amount	% change
2005	\$13,782	---	\$15,476	---	\$29,258	---
2006	15,111	9.6 %	16,881	9.1 %	31,991	9.3 %
2007	17,033	12.7	18,062	7.0	35,095	9.7
2008	16,960	−0.4	19,044	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
2005–2014	\$3,923	28.5 %	\$10,143	65.5 %	\$14,066	48.1 %
Average annual change		3.0 %				4.5 %

Source: Appropriation Acts.

Note: Operating funds only; excludes capital appropriations.

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 9% from 2005 to 2013 (2014 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 2005 and 2013, the number of Virginians 65 years of age and older grew more than twice 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 23% from FY 2005 through FY 2014 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 2005. Controlling for the effects of inflation, Virginia's total budget increased by 21% over the period, the non-general fund budget increased by 35%, and the general fund budget increased by 5% (Figure 1). When adjusting for inflation and population growth, the total budget increased even less. The total budget increased by 11%, non-general fund appropriations increased by 24%, and general fund appropriations actually decreased by 4%.

TABLE 2
Key demographic and economic changes in Virginia, 2005–2014

Indicator	2005	2014 (except as noted)	Percent change
Population^a			
Total	7,577,105	8,260,405 (2013)	9 %
Ages 65 and over	862,030	1,105,381 (2013)	28
Under 18 years old	1,816,270	1,864,535 (2013)	3
Economy			
Inflation (Consumer Price Index) ^b	100.0	122.5	23
Virginia GDP	\$356 billion	\$453 billion (2013)	27
Total employment (non-farm, June)	3,695,500	3,766,100	2
Total state personal income	\$299.5 billion	\$402.2 billion	34
Median home sales price (June)	\$234,219 ^a	\$263,000	12
Total taxable property	\$833.3 billion	\$1,081.9 billion (2012)	30
Average weekly wages	\$813	\$999 (2013) ^a	23
State finance^c			
State operating budget	\$29.3 billion	\$43.3 billion	48
State general fund budget	\$13.8 billion	\$17.7 billion	28
Total number of state employees (salaried) ^d	99,915	104,435	5
Average state employee salary	\$36,727	\$46,041	25
Taxable sales	\$77 billion	\$93 billion (2012)	21

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.

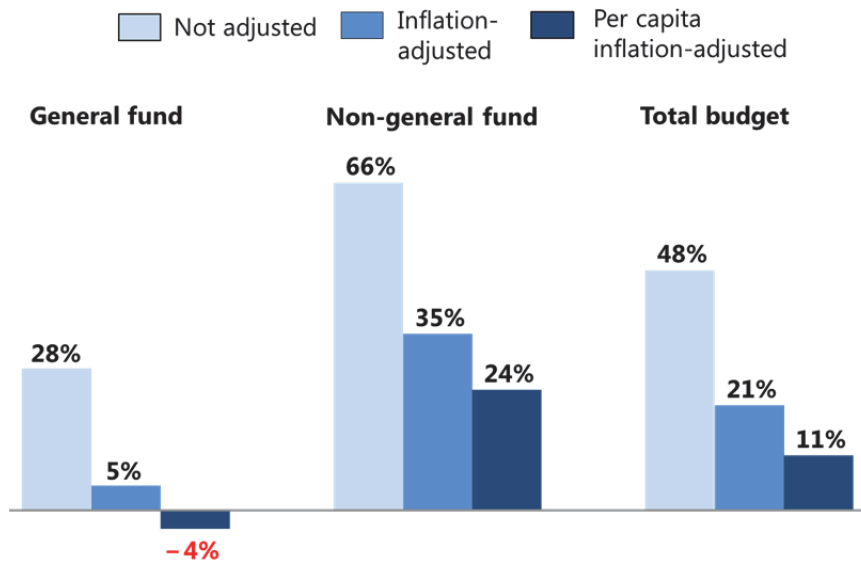
Note: Dollars not adjusted for inflation.

^a Estimated. ^b 2005 CPI rebased to 100. ^c On a fiscal year basis. ^d Includes salaried faculty at higher education institutions.

Trends in budget also varied by funding source. General fund appropriations varied throughout the period, but 2014 levels remain close to the 10-year per capita average of \$2,193 (Figure 2). Unlike general fund appropriations, non-general fund and total appropriations for FY 2014 were somewhat higher than the 10-year per capita averages of \$2,862 and \$5,055, respectively.

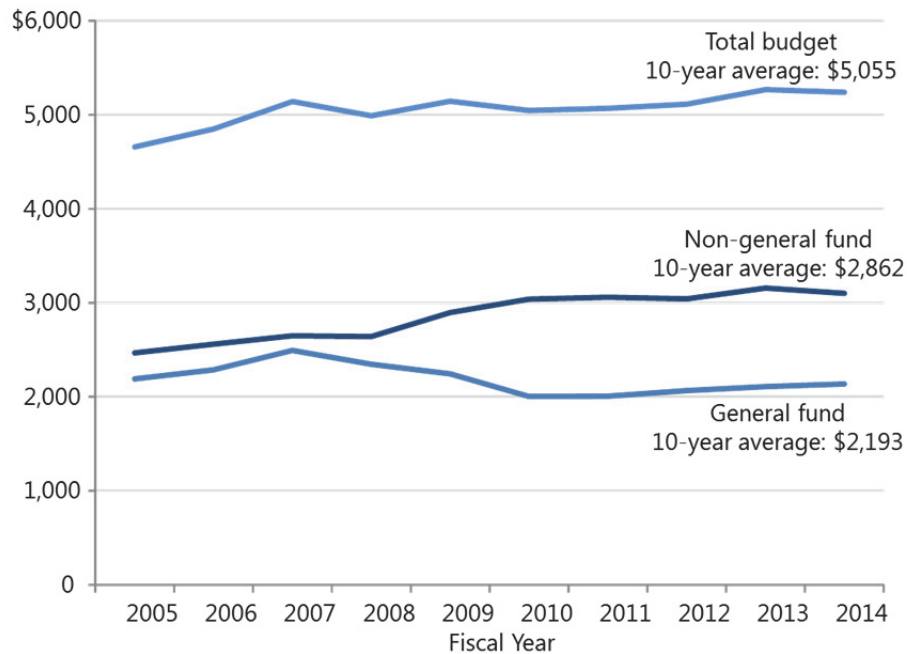
Virginia's per capita inflation-adjusted budget growth of 11% from FY 2005 through FY 2014 resembled the 50-state average spending growth over a similar 10-year period. Appropriation data for the 50 states is unavailable, but data on state expenditures collected by the National Association of State Budget Officers (NASBO) from FY 2002 through FY 2011 (2014 data is not available) shows that Virginia's spending growth of 14% ranked 23rd among the 50 states, after adjusting for inflation and population growth. In comparison, West Virginia's per capita inflation-adjusted spending growth was 102% and North Carolina's rate was 33% during that period. (The NASBO report focused on expenditures, including capital outlay and the expenditure of bond proceeds, while this report focuses on final operating appropriations, excluding capital.)

FIGURE 1
Effects of inflation and population growth on appropriations, FY 2005–FY 2014



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

FIGURE 2
Non-general fund growth has become an important driver of overall budget growth, FY 2005–FY 2014



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

Note: Per capita, inflation adjusted.

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 weakening performance between 2005 and 2014:

- Virginia’s gross domestic product (GDP) underperformed that of the nation. Virginia’s GDP rose by 3.3%, adjusted for inflation, compared to the U.S. GDP, which grew at the inflation-adjusted rate of 4.6% from 2005 to 2013 (2014 data unavailable).
- Personal income per capita in Virginia underperformed the national average. Adjusted for inflation, personal income per capita grew by 2% in Virginia, compared to the nationwide inflation-adjusted increase of 3.4% from 2005 to 2013 (2014 data unavailable).
- Virginia experienced lesser growth in its labor force than the national average. Total employment grew by approximately 2%, with over 3.7 million employed in June 2014. In comparison, the nationwide employment rate increased by about 2.9% from 2005 to 2014.

Agency workloads, policy decisions, and state programs contribute to budget trends

The broad demographic and economic changes described above influenced the workload of state agencies, although there is no consistent trend in workload among agencies. Some agency workloads grew significantly while others declined, and the link between measurable workloads and an agency or program budget is not always clear or consistent. The main reason for inconsistency is that agency budgets are driven by an array of factors, including changes in workload and the adequacy of the budget and policy decisions to change programs, staffing, and funding. An agency’s changing use of technology can also affect costs.

Although inflation, population increases, and economic growth help explain state budget growth over the past decade, additional factors are at work. 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 or by law.

Federal funds and national programs impact state budget

Federal funds and policy decisions made at the federal level can affect state spending in various areas. 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 \$4.3 billion or 15% of the state budget. By FY 2014, Virginia's federal funds increased to \$7.0 billion and their share of the state budget had risen to 16%. Part of this growth was a result of the federal government's response to the recession that began in FY 2008. The 2009 American Recovery and Reinvestment Act (Recovery Act) provided federal stimulus funds to states. Virginia and its localities received approximately \$6.3 billion from FY 2009 through FY 2011. (Most Recovery Act funds were remitted directly to localities.) Of this total, the General Assembly appropriated approximately \$1.5 billion in FY 2010 and \$1 billion in FY 2011 (Table 3). Virginia did not receive any stimulus funds after FY 2011.

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 \$4.25 billion in federal funds (60% of all federal funds in Virginia's budget) and a total budget of \$8.5 billion in FY 2014. The state's match rate for Medicaid was about 50% for most of the decade under review except during FY 2010 and FY 2011 when the Recovery Act enhanced the federal share to 65%, lowering the state-required match to 35% of program spending.

TABLE 3
Federal Recovery Act funds provided to various agencies and programs,
FY 2010 and FY 2011 (\$M)

State agency or program	FY 2010	FY 2011
DMAS (Medicaid)	\$746.4	\$713.6
Direct aid to public education (K-12)	584.2	122.9
Flexible spending	109.5	0.0
Higher education	75.0	201.7
Justice Assistance Grant (Sheriffs)	23.3	0.0
Total	\$1,538.4	\$1,038.2

Source: 2009 Summary of 2008-2010 Budget Actions and 2010 Summary of 2010-2012 Budget Actions (prepared jointly by the staff of the Virginia House Appropriations and Senate Finance Committees); www.recovery.gov.

Note: No federal Recovery Act funds were appropriated to Virginia after FY 2011. Totals for FY 2010 and FY 2011 do not include all Recovery Act funding. For example, VDOT received \$695 million in Recovery Act funds for various transportation projects; this table focuses on stimulus funding that impacted the general fund. Federal stimulus funds for Virginia under the Recovery Act totaled \$6.33 billion from 2009 to 2011, only some of which was required to be appropriated through the state budget process.

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. These requirements may not always be considered mandated services, but they add to state government's costs of doing business.

A recent JLARC study on federal spending in Virginia found that Virginia ranked 49th in federal grant receipts to the state government in 2012.

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. Virginia has the second highest number of full-time federal civilian employees, behind California. In federal fiscal year (FFY) 2012, the most recent year for which data is available, Virginia ranked fifth among the states in total federal spending per capita. In that year, the federal government spent \$112.2 billion in Virginia (down from \$117.1 billion in FFY 2011), which included \$55 billion in contracts (down from \$60 billion in FFY 2011). Although Virginia receives and appropriates a substantial amount of federal funds, the state's per capita share of federal grant funds is relatively small. Since FFY 1995, Virginia has ranked between 45th and 50th among the states in terms of per capita receipt of federal grant awards.

The following are some additional federal requirements, programs, and initiatives that have contributed to state budget growth over the last decade:

- No Child Left Behind Act, which required “highly qualified” teachers and standardized statewide annual testing of all students;
- Clean Water Act, the multi-state Chesapeake Clean Water Blueprint, and other environmental programs;
- Base Realignment and Closing Commission (BRAC) requirements, which necessitated state spending on infrastructure to accommodate realignment;
- Help America Vote Act, which required a state match for more than \$58 million in federal funds for election equipment and other improvements;
- Family Access to Medical Insurance Security (FAMIS) and Children's Health Insurance Program (CHIP) Medicaid expansion, for which Virginia enrollment grew from 66,787 in 2005 to 115,177 in 2014;
- Real ID Act of 2005, which required state-issued driver's licenses and identification cards to meet federal standards; and
- Medicare Part D prescription drug benefit, which required a state match for certain Medicaid participants.

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 represented a majority (51.5%) of the state's budget and they now account for about 60% of the total budget. Non-general funds grew by 66% over the past 10 years, outpacing the 28% growth in the general fund (Table 4).

The inclusion of non-general funds in the budget can be traced to the requirement in the Constitution of Virginia that state spending occurs 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 draws upon hundreds of sources of revenue. The state accounting system groups funds from all these sources into nine broad categories, including general fund revenue sources. Growth in most categories of non-general funds exceeded the general fund's growth rate of 28% except the special revenue fund (24%) and the highway maintenance and construction fund (24%) from FY 2005 to FY 2014 (Table 4). 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 helps 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 dominance 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 sources of revenue for these funds—such as decisions about college tuition and gasoline taxes—and federal decisions about funding for states and localities.

See Appendix I: Major Uses of Non-General Funds, FY 2014, online-only supplement, available to view or download with this report on the JLARC website: <http://jlarc.virginia.gov>.

TABLE 4
Most non-general funds grew faster than the general fund, FY 2005–FY 2014 (\$M)

Non-general fund category	FY 2005	FY 2014	% of FY 2014	
			budget	% growth
Dedicated Special Revenue ^a	\$585.2	\$1,424.2	3.3 %	143 %
Enterprise ^b	650.5	1,402.8	3.2	116
Trust and Agency ^c	1,085.3	2,249.3	5.2	107
Debt Service ^d	164.3	313.4	0.7	91
Higher Education Operating ^e	4,014.4	7,509.1	17.3	87
Federal Trust ^f	4,333.0	6,971.3	16.1	61
Special Revenue ^g	1,429.7	1,775.9	4.1	24
Highway Maintenance & Construction ^h	3,213.4	3,972.3	9.2	24
Non-general funds	\$15,475.8	\$25,618.5	59.1 %	66 %
General fund	13,781.9	17,705.2	40.9	28 %
Total (all funds)	\$29,257.7	\$43,323.7	100.0 %	48 %

Source: 2005 and 2014 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

^a **Dedicated Special Revenue:** Money from fees and payments restricted to the related activity, as with the state's revolving funds (e.g., safe drinking water revolving fund) and game protection, solid waste management permit fees, and nursing scholarship and loan repayment funds.

^b **Enterprise:** Money 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).

^c **Trust and Agency:** 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).

^d **Debt Service:** Money for all debt-related activities, such as proceeds from the sale of bonds and payments of principal and interest to retire the bonds. All appropriations for principal and interest payments are made to this fund except for principal and interest payments made for 9(b) general obligation debt, which are appropriated to the Treasury Board.

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

^f **Federal trust:** All federal moneys received except those received by VDOT, VEC, and higher education institutions, which are budgeted separately.

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

^h **Highway Maintenance & Construction:** All revenues designated for highway operations, maintenance, construction and related activities, excluding toll facilities. Includes federal funding for highway construction.

TABLE 5
Top 10 agencies with largest appropriations, FY 2005 and FY 2014 (\$M)

FY 2005				FY 2014			
Rank	Agency	Total	% of budget	Rank	Agency	Total	% of budget
1	DOE (Direct Aid)	\$5,448.8	19%	1	DMAS	\$8,498.7	20%
2	DMAS	4,563.5	16	2	DOE (Direct Aid)	6,791.8	16
3	VDOT	3,197.1	11	3	VDOT	3,988.8	9
4	DSS	1,655.2	6	4	UVA	2,514.5	6
5	UVA	1,618.9	6	5	DSS	1,854.1	4
6	DOC	837.0	3	6	VCCS	1,571.5	4
7	DBHDS	786.7	3	7	Va Tech	1,120.5	3
8	Va Tech	724.4	2	8	DOC	1,058.6	2
9	VCCS	666.7	2	9	VCU	1,040.5	2
10	VCU	615.9	2	10	DBHDS	986.2	2
Top 10 agencies, subtotal		\$20,114.2	69%			\$29,425.2	68%
Other agencies, subtotal		9,144.7	31%			13,898.6	32%
Total operating budget		\$29,257.7	100%			\$43,323.7	100%

Source: 2005 and 2014 Appropriation Acts.

Note: Excludes the Personal Property Tax Relief program, which is discussed on page 20. Excludes legislative agencies, executive offices, DOA transfer payments, central appropriations, and capital appropriations. Appropriations not adjusted for inflation. Data for UVA excludes UVA-Wise. Numbers may not add due to rounding.

Most budget growth occurs in a few state agencies

The overall state budget grew by 48% (not adjusted for inflation) between FY 2005 and FY 2014. A few large agencies accounted for most of the budget throughout this period. The largest agencies in FY 2005 as measured by total appropriations were also the largest in FY 2014 (Table 5). 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 a few agencies: 56% of all budget growth occurred in DMAS, DOE (direct aid to local school divisions), VCCS, UVA, and VDOT. 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 6) are also among the top five in total appropriations (Table 5), 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 7). Five agencies received more than \$100 million in new general funds during the period and accounted for 70% of the overall general fund growth.

TABLE 6

Top 10 agencies with the highest growth amount in total appropriations,
FY 2005–FY 2014 (\$M)

Rank	Agency	Total appropriation		Total growth		
		FY 2005	FY 2014	\$	%	% of total
1	DMAS	\$4,563.5	\$8,498.7	\$3,935.2	86 %	28 %
2	DOE (Direct Aid)	5,448.8	6,791.8	1,343.0	25	10
3	VCCS	666.7	1,571.5	904.8	136	6
4	UVA	1,618.9	2,514.5	895.6	55	6
5	VDOT	3,197.1	3,988.8	791.7	25	6
6	GMU	446.1	871.2	425.1	95	3
7	VCU	615.9	1,040.5	424.6	69	3
8	VA Tech	724.4	1,120.5	396.1	55	3
9	VA529 ^a	3.9	385.7	381.8	9,793	3
10	JMU	291.7	496.4	227.8	85	2
Top 10 agencies, subtotal		\$17,553.8	\$27,289.6	\$9,725.7	55 %	70 %
Other agencies, subtotal		11,703.8	16,044.1	4,339.7	37 %	30 %
Total operating budget		\$29,257.7	\$43,323.7	\$14,066.0	48 %	100 %

Source: 2005 and 2014 Appropriation Acts.

Note: Excludes legislative agencies, executive offices, 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. Data for UVA excludes UVA-Wise.

^a VA529 percent increase is largely due to increased participation and payouts to higher education institutions.

Some agency appropriations grew faster than others

The fastest growing state agencies—based on the change in general fund appropriations between FY 2005 and FY 2014—had general fund growth rates of 45% or more, far exceeding the overall general fund growth rate of 28% over the 10-year period. The agencies that experienced the highest growth in the *amount* of general funds received (Table 7) did not necessarily grow at the fastest *rates*. For example, DOE (Direct Aid) received the second largest increase in general funds (nearly \$590 million over the past decade) but was not among the 10 agencies with the largest percentage increase in appropriations over the period (Table 8).

Ten agencies accounted for 70% of total budget growth and 78% of general fund growth.

TABLE 7

Top 10 agencies with highest growth amount in general fund appropriations,
FY 2005–FY 2014 (\$M)

Rank	Agency	General fund appropriation		General fund growth		
		FY 2005	FY 2014	\$	%	% of total
1	DMAS	\$1,948.0	\$3,669.4	\$1,721.4	88 %	44 %
2	DOE (Direct Aid) ^a	4,653.2	5,240.3	587.1	13	15
3	DOC	781.4	989.6	208.2	27	5
4	DBHDS	450.3	572.0	121.6	27	3
5	Compensation Bd	516.2	619.8	103.6	20	3
6	DSS	305.8	388.9	83.2	27	2
7	VCCS	316.2	388.5	72.3	23	2
8	VSP	170.6	233.1	62.5	37	2
9	ODU	87.3	125.8	38.5	44	1
10	Circuit Courts	71.7	103.8	32.1	45	1
Top 10 agencies, subtotal		\$9,300.7	\$12,331.2	\$3,030.5	33 %	78 %
Other agencies, subtotal		4,481.2	5,374.0	892.8	20	22
Total general fund budget		\$13,781.9	\$17,705.2	\$3,923.3	28 %	100 %

Source: 2005 and 2014 Appropriation Acts.

Note: Includes agencies with general fund appropriations of at least \$5 million in FY 2005. Excludes legislative agencies, executive offices, 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.

^a In FY 2005, lottery proceeds supporting Direct Aid were classified as general funds. Starting in FY 2009, they are classified as non-general funds.

TABLE 8

Top 10 agencies with fastest growth rate in general fund appropriations,
FY 2005–FY 2014 (\$M)

Rank	Agency	General fund appropriation		General fund growth		
		FY 2005	FY 2014	\$	% of total	%
1	EVMS	\$12.0	\$24.4	\$12.4	<1 %	104 %
2	DHCD	28.7	57.8	29.1	1	101
3	DMAS	1,948.0	3,669.4	1,721.4	44	88
4	Supreme Court	17.9	31.7	13.9	<1	78
5	VTA	11.7	19.9	8.1	<1	69
6	IDC	28.4	43.0	14.6	<1	51
7	VMFA	6.5	9.8	3.3	<1	50
8	DMA	7.0	10.3	3.3	<1	47
9	Magistrate System	19.4	28.4	9.1	<1	47
10	Circuit Courts	71.7	103.8	32.1	1	45
Top 10 agencies, subtotal		\$2,151.2	\$3,998.5	\$1,847.3	46 %	87 %
Other agencies, subtotal		11,630.7	13,706.6	2,075.9	54 %	18 %
Total general fund budget		\$13,781.9	\$17,705.2	\$3,923.3	100 %	28 %

Source: 2005 and 2014 Appropriation Acts.

Note: Includes agencies with general fund appropriations of at least \$5 million in FY 2005. Excludes legislative agencies, executive offices, 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 103% increase from FY 2005 to FY 2014 for medical education.
DHCD	Half of this increase was due to a \$21.6 million increase for housing assistance services, which assist individuals providing or requiring residential shelter. This includes low-income individuals as well as homeless individuals. Another 43% of the increase was due to a \$14.4 million increase for economic development services, primarily the Virginia Enterprise Zone Program, which offers grants to specific geographic areas targeted for job creation and property investment.
DMAS	Almost all of this increase was due to a \$1.7 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, Circuit Courts	This increase was mostly due to increases in appropriations for pre-trial, trial and appellate processes, as well as administrative functions and responsibilities.
VTA	This increase was due to an additional \$8.1 million in general funds to increase 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 a \$14.6 million increase for IDC to provide legal defense services to indigents through public defenders and appointed counsel for criminal and civil suits.
VMFA	Most of this increase was to provide additional staff to support new gallery space in FY 2010.
DMA	This increase was due to a \$1.5 million increase in general fund support for the Virginia Commonwealth Challenge Program for at-risk youth, which promotes academic excellence, leadership, responsible citizenship, physical fitness, job skills, and community service. DMA received an additional \$1.4 million to increase financial assistance to eligible Virginia National Guard members enrolled in institutions of higher education in the Commonwealth, as well as a \$1.4 million increase in administrative costs. Some of these increases were offset by an elimination of DMA's instruction program (\$800 million).

Several agencies experienced notable growth in non-general funds

Non-general funds grew by 66% from FY 2005 to FY 2014 and comprised almost 60% of the state budget in FY 2014. (The 10 agencies whose non-general fund appropriations grew the fastest over the period are shown in Table 9, along with some reasons for that growth.)

TABLE 9

Top 10 agencies with fastest growth rate in non-general fund appropriations,
FY 2005–FY 2014 (\$M)

Rank	Agency	Non-GF appropriation		Non-GF growth		
		FY 2005	FY 2014	\$	% of Total	%
1	VA529	\$3.9	\$385.7	\$381.8	4 %	9,793 %
2	VDEM	7.7	39.3	31.6	<1	410
3	DCR	22.8	79.1	56.3	1	246
4	VCCS	350.5	1,183.0	832.5	8	238
5	DVS	14.2	46.5	32.3	<1	227
6	Compensation Bd	5.0	16.0	11.0	<1	220
7	VMFA	7.9	19.4	11.6	<1	148
8	VPA	59.8	145.2	85.4	1	143
9	DRPT	163.4	380.0	216.5	2	132
10	Richard Bland College	3.3	7.5	4.3	<1	129
Top 10 agencies, subtotal		\$638.5	\$2,301.9	\$1,663.3	16 %	260 %
Other agencies, subtotal		14,837.2	23,316.7	8,479.4	84	57 %
Total non-GF operating budget		\$15,475.8	\$25,618.5	\$10,142.8	100 %	66 %

Source: 2005 and 2014 Appropriation Acts.

Note: Includes agencies with non-general fund appropriations of at least \$3 million in FY 2005. Excludes legislative agencies, executive offices, 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 non-general fund growth in Table 9

VA529	This increase was mostly the result of growth in program participation, increased payouts from college savings plans, and a change in the budgetary treatment of college savings plans between FY 2005 and FY 2014. The steady growth in VA529 non-general funds also reflects increasing higher education tuition and administrative costs. In FY 2014, VA529 saw an increase in its appropriation of \$60 million for estimated payments from the plan to institutions of higher learning and other third parties.
VDEM	This increase was because of a substantial growth in homeland security and emergency preparedness efforts. In FY 2005, 29% of VDEM's budget was general funds. By FY 2014, this decreased to 12% and 79% of its budget was federal funds (up from 30% in FY 2005).
DCR	Most of the growth (over two-thirds) of DCR's non-general fund appropriation was the result of increased special revenue. In FY 2005, DCR's budget had \$1.6 million in dedicated special revenue; by FY 2014 it contained \$37.6 million in funding from specific fees (such as state park fees), licenses, and permits that support specific activities. DCR also received an additional \$13.4 million in special revenue (also generated through taxes and fees) and \$5 million in additional federal funds between FY 2005 and FY 2014.
VCCS	This increase was due to a 24% increase in enrollment over the period while operating revenue increased by more than 130%, primarily reflecting increased student financial assistance.

Explanation of non-general fund growth in Table 9, continued

DVS	Most of this growth was due to the addition of 183 non-general funded positions in 2007 to operate nursing homes that house veterans. In FY 2005, DVS had 239 non-general fund positions and by FY 2014, the number of non-general fund positions had risen to 561. Revenues supporting the increase include funds from the U.S. Department of Veterans Affairs, Medicaid and Medicare, and insurance providers.
Comp Board	This increase was due to increased funds for local law enforcement dispatchers and expenses related to clerks' offices.
VMFA	Most of this increase was 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 are necessary to promote both port commerce and transportation. Special revenue funds are also used to provide financial assistance to local governments for port activities. In FY 2005, 48% of the VPA budget was made up of special funds. By FY 2014, VPA's special revenue fund was almost three times larger and accounted for 74% of its budget.
DRPT	Most of this growth was attributed to increases in the Rail Enhancement Fund and the Dulles Rail Project. The Rail Enhancement Fund received non-general fund appropriations of \$23.7 million in FY 2007 and \$24.2 million in FY 2008 as a result of a 3% state tax on rental vehicles. The Dulles Rail Project received non-general fund increases of \$62.5 million in FY 2007 and \$158.6 million in FY 2008 to reflect the local revenues dedicated to the project.
Richard Bland College	Most of the growth supported auxiliary services, which are self-supporting goods or services provided to students, faculty, and staff such as dining, housing, books, health services, and athletics.

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

Eleven agencies had general fund appropriations that declined over the 10-year period (Table 10), and the appropriations of another 26 agencies grew slower than inflation (23%). 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 10-year period.

TABLE 10
General fund appropriation of 11 agencies declined, FY 2005–FY 2014 (\$M)

Agency	FY 2005	FY 2014	\$ change	% change
VSDBH	\$6.1	\$0	(\$6.1)	–100
VDOT	317.4	40.0	(277.4)	–87
DEQ	50.8	33.7	(17.1)	–34
SBE	10.2	8.2	(2.0)	–20
Dept of Treasury	9.5	7.8	(1.7)	–18
DCR	53.3	44.3	(9.0)	–17
DCJS	229.5	210.5	(19.0)	–8
VMI	13.3	12.8	(0.6)	–4
LVA	28.0	26.8	(1.2)	–4
DBVI	6.2	6.0	(0.2)	–3
DOE, Central Office	53.9	52.4	(1.5)	–3

Source: 2005 and 2014 Appropriation Acts.

Note: Table based on agencies with general fund appropriations of at least \$5 million in FY 2005. Excludes legislative agencies, executive offices, DOA transfer payments, central appropriations, and capital appropriations. Appropriations not adjusted for inflation.

Explanation of general fund declines (greater than 10%)

VSDBH	This decline reflects the closure of VSDB at Hampton after consolidation with VSDB at Staunton (July 1, 2008).
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 for 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 \$20.5 million in FY 2005 to \$2.3 million in FY 2014.
SBE	Most of this decrease has been in the area of administering elections. General fund appropriations to this program declined by more than 70% over the last 10 years.
Dept of Treasury	The 18% decrease was primarily due to a decline in the number of general fund positions between FY 2005 and FY 2014 supporting revenue administration and investment, insurance, and trust services. While the number of general fund positions decreased from 47 to 36 over the 10-year period, the number of non-general fund positions increased from 73 to 86 over the same period.
DCR	The 17% decrease was due to less funds supporting activities to enhance land and resource management, as well as leisure and recreation services. Although general funds for these programs declined by 31% and 20% respectively, non-general fund appropriations for leisure and recreation services increased by 570%, from \$11.6 million in FY 2005 to \$77.9 million in FY 2014.

Budget growth in programs is focused on core state government activities

All state appropriations (general and non-general funds) are classified according to Virginia’s program budget structure, which includes seven broad government functions plus capital expenditures. The program classification is designed to assist in the planning and analysis of the state budget as well as in monitoring the activities of state government. Budget programs provide information on how funds are spent, regardless of the state agency to which 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” may be found in the budgets of several different agencies. In FY 2014, Virginia’s \$43.3 billion budget included 204 programs.

Like growth in state agencies, most of the growth in budget programs over the 10-year period from FY 2005 to FY 2014 remained concentrated among programs relating to core functions of state government: health care and education (Table 11). Of all budget growth during the 10-year period, 87% occurred in just 10 of the programs in the FY 2005 and FY 2014 budgets. Six of these 10 are in the two core functions and account for 73% of Virginia’s budget growth over the past 10 years. Two programs—Medicaid and state public education assistance—account for nearly half of total budget growth over the period.

TABLE 11

Largest program increases in total appropriations, FY 2005–FY 2014 (\$M)

Rank	Program	Total appropriation		Total growth		
		FY 2005	FY 2014	\$	%	% of total
1	Medical program services (Medicaid)	\$4,337.4	\$8,013.8	\$3,676.3	85 %	26 %
2	Higher ed: Education and general programs	2,663.6	4,238.4	1,574.8	59	11
3	State health services ^a	954.9	1,981.8	1,026.8	108	7
4	Higher ed: Auxiliary enterprises	810.2	1,537.2	727.0	90	5
5	State public education assistance ^b	5,229.3	5,909.6	680.3	13	5
6	Higher ed: Student financial assistance	242.3	861.4	619.1	255	4
7	Highway system maintenance & operations	974.4	1,523.3	548.9	56	4
8	Financial assistance to localities (general)	299.7	804.6	504.9	169	4
9	Highway system acquisition & construction	984.5	1,388.0	403.5	41	3
10	Investment, trust, & insurance services	18.7	409.1	390.4	2,090	3
Top 10 programs, subtotal		\$16,515.0	\$26,667.2	\$10,152.0	61 %	72 %
Other programs, subtotal		12,742.7	16,656.5	3,914.0	31 %	28 %
Total operating budget		\$29,257.7	\$43,323.7	\$14,066.0	48 %	100 %

Source: 2005 and 2014 Appropriation Acts.

Note: Excludes legislative agencies, executive offices, 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.

^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 2014. However, the FY 2005 revised amount includes \$386.5 million in federal funds.

Some secretarial budget growth is due to realignments

The secretarial system in Virginia was established by the General Assembly in 1972. In FY 2014, 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 2011, the Department of Veterans Services was moved from the Secretary of Public Safety to the newly created Secretary of Veterans Affairs and Homeland Security. In 2014, this structure was realigned again when the homeland security and emergency preparedness responsibilities of the Secretary of Veterans Affairs and Homeland Security were transferred back to the Secretary of Public Safety. The Secretary of Veterans Affairs and Homeland Security is now known only as the Secretary of Veterans Affairs.

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 324% 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 2014 instead of under central appropriations as in FY 2005. Additionally, debt

TABLE 12
Budget growth by secretarial area, FY 2005–FY 2014 (\$M)

Rank	Secretarial area	<u>Total appropriation</u>		<u>Total growth</u>		
		FY 2005	FY 2014	\$	%	% of total
1	Education	\$11,204.6	\$16,528.5	\$5,323.9	48%	38%
2	Health & Human Resources	7,984.1	12,578.6	4,594.5	58	33
3	Finance	631.1	2,674.8	2,043.7	324	15
4	Transportation	3,696.9	4,892.7	1,195.8	32	9
5	Public Safety	2,041.6	2,565.5	523.9	26	4
6	Independent agencies	225.5	673.1	447.6	198	3
7	Administration	785.9	1,014.0	228.2	29	2
8	Commerce & Trade	794.5	913.2	118.7	15	1
9	Judicial agencies	320.0	458.1	138.1	43	1
10	Agriculture & Forestry	72.0	87.5	15.4	21	<1
11	Veterans Affairs & Homeland Security ^a	---	59.8	59.8	100	<1
12	Natural Resources	311.6	368.8	57.2	18	<1
13	Technology	44.8	39.2	-5.6	-13	<1
Total operating budget		\$29,257.7	\$43,323.7	\$14,066.0	48%	100%

Source: 2005 and 2014 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.

service, which is appropriated to the Treasury Board and falls under the Secretary of Finance, grew from \$292 million in FY 2005 to \$658 million in FY 2014. Independent agency appropriations grew 198%, which is mainly a result of growth in the Virginia 529 College Savings Plan (VA529) from \$4 million in FY 2005 to \$386 million in FY 2014.

Growth occurred in other areas of state government

Over time, 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, for a growth rate of 7% over the 10-year period from FY 2005 to FY 2014.

Another example is debt service, which is funded through the Treasury Board, the primary state entity designated to issue debt and make payments on 9(b) general obligation bonds as authorized by the General Assembly. The board had an increase of \$366 million in total appropriations (\$324 million of which was general funds) from FY 2005 to FY 2014. According to the 2013 report of the Debt Capacity Advisory Committee, outstanding tax-supported debt of the state increased by 178% from 2004 to 2013, with the largest increases occurring between 2010 and 2012. General obligation debt increased by 96% over the decade and had a 2013 balance outstanding of \$1.67 billion, a 6% decline from fiscal year 2012. This balance is partially a result of a \$1 billion general obligation bond referendum that was approved by voters in 2002. Bonds were issued incrementally on an as-needed basis through FY 2010. Appropriations to the Treasury Board have fluctuated over time as a result of bond payment schedules.

In the early 1990s, the General Assembly established the Revenue Stabilization Fund, or “Rainy Day Fund,” for the purpose of offsetting budget shortfalls, and 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 it was being re-capitalized through FY 2014. In FY 2007, the Rainy Day Fund reached a high of \$1.2 billion, but it fell to \$295 million in FY 2010 as it was used to offset declines in general fund revenues. As of August 2014, the Rainy Day Fund balance totaled \$687.5 million.

The state offers an optional health plan for local governments to offer local employees. The corresponding budget program, “Administration of Health Insurance,” is managed by the Department of Human Resource Management. The program grew 115% over the 10-year period, from \$135 million in FY 2005 to \$290 million in FY 2014. These funds are designated as enterprise funds, essentially a mechanism to receive local government employees’ health insurance premiums and local governments’ contributions for employee health care, which are then appropriated in the budget for health insurance purposes.

9(b) 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, and the state general fund pays the principal and interest for this debt.

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 2005 to FY 2014 based on data reported annually by SCHEV.

TABLE C-1 (TABLE 6 with higher education agencies grouped)
Top 10 agencies with the highest growth amount in total appropriations, FY 2005–FY 2014 (\$M)

Rank	Agency	Total appropriation		Total growth		
		FY 2005	FY 2014	\$	%	% of total
1	Higher education	\$5,465.5	\$9,425.9	\$3,960.4	72 %	28 %
2	DMAS	4,563.5	8,498.7	3,935.2	86	28
3	DOE (Direct aid)	5,448.8	6,791.8	1,343.0	25	10
4	VDOT	3,197.1	3,988.8	791.7	25	6
5	VA529	3.9	385.7	381.8	9,793	3
6	DOC	837.0	1,058.6	221.6	26	2
7	DRPT	163.4	380.0	216.5	132	2
8	DBHDS	786.7	986.2	199.5	25	1
9	DSS	1,655.2	1,854.1	198.9	12	1
10	ABC	391.9	564.7	172.8	44	1
Top 10 agencies, subtotal		\$22,513.0	\$33,934.5	\$11,421.5	51 %	81 %
Other agencies, subtotal		6,744.7	9,389.2	2,644.5	39 %	19
Total operating budget		\$29,257.7	\$43,323.7	\$14,066.0	48 %	100 %

TABLE C-2 (TABLE 7 with higher education agencies grouped)
 Top 10 agencies with the highest growth amount in general fund appropriations,
 FY 2005–FY 2014 (\$M)

Rank	Agency	<u>General fund appropriation</u>		<u>General fund growth</u>		
		FY 2005	FY 2014	\$	%	% of total
1	DMAS	\$1,948.0	\$3,669.4	\$1,721.4	88 %	44 %
2	DOE (Direct aid) ^a	4,653.2	5,240.3	587.1	13	15
3	Higher education	1,359.1	1,640.3	281.2	21	7
4	DOC	781.4	989.6	208.2	27	5
5	DBHDS	450.3	572.0	121.6	27	3
6	Compensation Board	516.2	619.8	103.6	20	3
7	DSS	305.8	388.9	83.2	27	2
8	VSP	170.6	233.1	62.5	37	2
9	Circuit Courts	71.7	103.8	32.1	45	1
10	CSA	186.7	217.2	30.5	16	1
Top 10 agencies, subtotal		\$10,442.9	\$13,674.2	\$3,231.4	31 %	82 %
Other agencies, subtotal		3,339.0	4,030.9	691.9	21	18
Total operating budget		\$13,781.9	\$17,705.2	\$3,923.3	28 %	100 %

^aIn FY 2005, 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 8 with higher education agencies grouped)
 Top 10 agencies with fastest growth rate in general fund appropriations, FY 2005–FY 2014 (\$M)

Rank	Agency	<u>General fund appropriation</u>		<u>General fund growth</u>		
		FY 2005	FY 2014	\$	% of total	%
1	DHCD	\$28.7	\$57.8	\$29.1	1 %	101 %
2	DMAS	1,948.0	3,669.4	1,721.4	44	88
3	Supreme Court	17.9	31.7	13.9	<1	78
4	VTA	11.7	19.9	8.1	<1	69
5	IDC	28.4	43.0	14.6	<1	51
6	VMFA	6.5	9.8	3.3	<1	50
7	DMA	7.0	10.3	3.3	<1	47
8	Magistrate System	19.4	28.4	9.1	<1	47
9	Circuit Courts	71.7	103.8	32.1	1	45
10	Court of Appeals of VA	5.9	8.4	2.6	<1	44
Top 10 agencies, subtotal		\$2,145.1	\$3,982.6	\$1,837.5	47 %	86 %
Other agencies, subtotal		11,636.8	13,722.6	2,085.8	53	18
Total operating budget		\$13,781.9	\$17,705.2	\$3,923.3	100 %	28 %
35	Higher education	\$1,359.1	\$1,640.3	\$281.2	7 %	21 %

TABLE C-4 (TABLE 9 with higher education agencies grouped)
 Top 10 agencies with fastest growth rate in non-general fund appropriations,
 FY 2005–FY 2014 (\$M)

Rank	Agency	<u>Non-GF appropriation</u>		<u>Non-GF growth</u>		
		FY 2005	FY 2014	\$	% of total	%
1	VA529	\$3.9	\$385.7	\$381.8	4%	9,793%
2	VDEM	7.7	39.3	31.6	<1	410
3	DCR	22.8	79.1	56.3	1	246
4	DVS	14.2	46.5	32.3	<1	227
5	Compensation Board	5.0	16.0	11.0	<1	220
6	VMFA	7.9	19.4	11.6	<1	148
7	VPA	59.8	145.2	85.4	1	143
8	DRPT	163.4	380.0	216.5	2	132
9	DHRM	3.5	7.7	4.3	<1	123
10	VRS	32.3	69.0	36.7	<1	114
Top 10 agencies, subtotal		\$320.5	\$1,188.1	\$867.6	9%	271%
18	Higher education	4,106.4	7,785.6	3,679.3	36	90%
Other agencies, subtotal		\$11,048.9	\$16,644.8	\$5,595.9	55%	51%
Total NGF operating budget		\$15,475.8	\$25,618.5	\$10,142.8	100%	66%

TABLE C-5 (TABLE 11 with higher education programs grouped)
 Largest program increases in total appropriations, FY 2005–FY 2014 (\$M)

Rank	Program	<u>Total appropriation</u>		<u>Total growth</u>		
		FY 2005	FY 2014	\$	%	% of total
1	Medical program services (Medicaid)	4,337.4	8,013.8	3,676.3	85 %	26 %
2	Higher education programs	3,725.7	6,656.8	2,931.1	79	21
3	State health services ^a	954.9	1,981.8	1,026.8	108	7
4	State public education assistance ^b	5,229.3	5,909.6	680.3	13	5
5	Highway sys. maintenance & operations	974.4	1,523.3	548.9	56	4
6	Financial assistance to localities (general)	299.7	804.6	504.9	169	4
7	Highway sys. acquisition & construction	984.5	1,388.0	403.5	41	3
8	Investment, trust, insurance services	18.7	409.1	390.4	2,092	3
9	Bond and loan retirement and redemption	280.7	658.0	377.3	134	3
10	Financial assistance for local social services	999.5	1,319.5	320.0	32	2
Top 10 programs, subtotal		\$17,804.8	\$28,664.5	\$10,859.5	61 %	78 %
Other programs, subtotal		11,452.9	14,659.2	3,206.5	28 %	22
Total operating budget		\$29,257.7	\$43,323.7	\$14,066.0	48 %	100 %

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

Source: 2005 and 2014 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 2014. However, the FY 2005 revised amount includes \$386.5 million in federal funds.

TABLE C-6
Growth of higher education agencies, FY 2005–FY 2014 (\$M)

Rank	Agency	<u>Total appropriation</u>		<u>Total growth</u>			Overall rank
		FY 2005	FY 2014	\$	%	% of total	
1	VCCS	\$666.7	\$1,571.5	\$904.8	136%	6 %	3
2	UVA	1,618.9	2,514.5	895.6	55	6	4
3	GMU	446.1	871.2	425.1	95	3	7
4	VCU	615.9	1,040.5	424.6	69	3	8
5	Va Tech	724.4	1,120.5	396.1	55	3	9
6	JMU	268.6	496.4	227.8	85	2	12
7	ODU	208.3	369.2	161.0	77	1	19
8	W&M	220.4	335.4	115.0	52	1	23
9	RU	118.3	191.3	73.0	62	1	27
10	VSU	87.6	158.9	71.4	81	1	28
11	CNU	72.6	128.3	55.7	77	<1	31
12	Longwood	64.5	113.4	48.9	76	<1	32
13	UMW	63.8	107.6	43.8	69	<1	35
14	VMI	46.6	71.7	25.1	54	<1	42
15	NSU	127.5	151.9	24.4	19	<1	43
16	SCHEV	70.4	90.4	20.0	28	<1	48
17	UVA at Wise	22.9	41.8	18.9	82	<1	49
18	EVMS	12.0	24.4	12.4	104	<1	58
19	SW Va Higher Ed Ctr	2.0	9.2	7.3	374	<1	73
20	Richard Bland	8.1	13.5	5.4	66	<1	77
21	SO Va Higher Ed Ctr	0.0	4.3	4.3	100	<1	81
Total higher ed agencies		\$5,465.5	\$9,425.9	\$3,960.4	72 %	28 %	
Total operating budget		\$29,257.7	\$43,323.7	\$14,066.0	48 %	100 %	

Source: 2005 and 2014 Appropriation Acts.

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

TABLE C-7
Changes in enrollment and tuition of higher education agencies, FY 2005–FY 2014

Rank ^c	Agency	<u>Undergraduate enrollment^a</u>			<u>Tuition^b</u>		
		FY 2005	FY 2014	% change	FY 2005	FY 2014	% change
4	VCU	19,180	23,656	23 %	\$5,138	\$12,002	134 %
8	CWM	5,642	6,271	11	7,096	15,463	118
11	CNU	4,540	5,094	12	5,314	11,092	109
5	Va Tech	21,330	24,034	13	5,838	11,455	96
2	UVA	14,129	16,086	14	6,600	12,458	89
9	RU	8,356	8,913	7	4,762	8,976	88
13	UMW	4,130	4,383	6	5,127	9,660	88
20	Richard Bland	1,389	1,411	2	2,200	4,020	83
3	GMU	17,364	21,990	27	5,448	9,908	82
14	VMI	1,362	1,675	23	8,054	14,404	79
17	UVA-Wise	1,836	2,291	25	4,782	8,509	78
12	Longwood	3,739	4,497	20	6,441	11,340	76
10	VSU	4,173	5,073	22	4,544	7,784	71
15	NSU	5,393	6,026	12	4,295	7,226	68
6	JMU	14,954	18,431	23	5,476	9,176	68
7	ODU	14,417	19,819	37	5,268	8,820	67
Total (without VCCS)		141,934	169,650	20 %	\$86,383	\$162,293	88 %
Average (without VCCS)		8,797	10,516	20 %	\$5,612	\$10,552	88 %
1	VCCS	152,317	189,117	24 %	2,006	3,900	94 %

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 2004-2005 and 2013-2014 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-6).

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