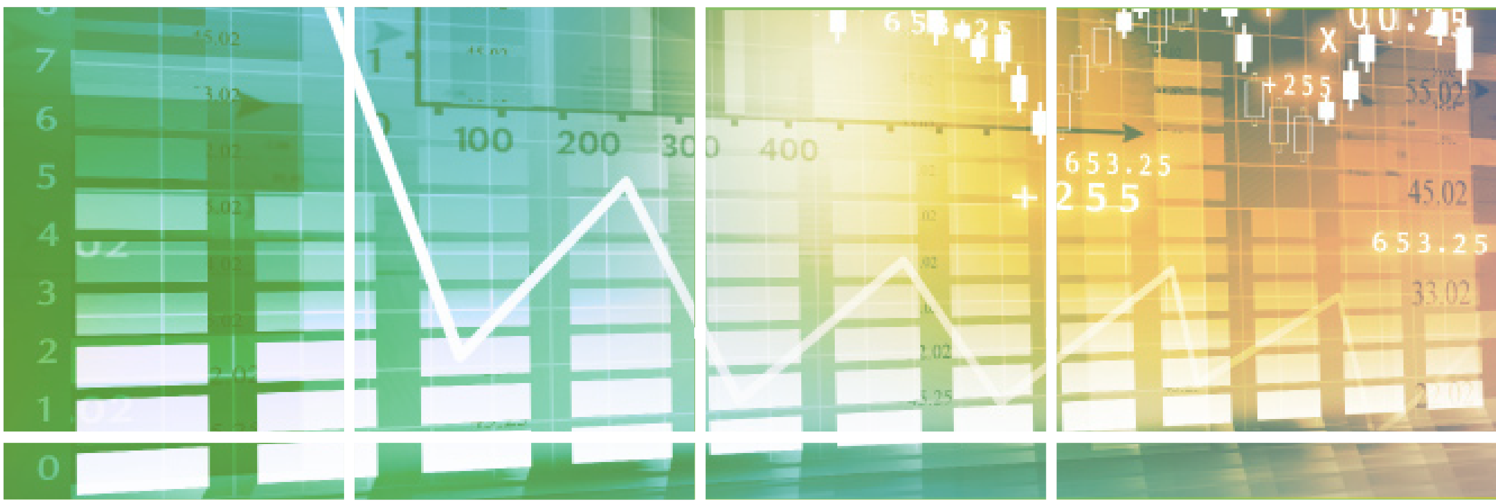
Commonwealth of Virginia
October 17, 2022

Report to the Governor and the General Assembly of Virginia

State Spending: 2022 Update



COMMISSION DRAFT

JLARC
JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION

JLARC Report 566

jlarc.virginia.gov

Contents

Tables and figures

Abbreviations

ABC .... Virginia Alcoholic Beverage Control Authority
CNU .... Christopher Newport University
CSA .... Children's Services Act
CWM .... College of William & Mary
DARS .... Department of Aging & Rehabilitative Services
DBHDS........ Department of Behavioral Health & Developmental Services
DBVI........ Department for the Blind & Vision Impaired
DEQ........ Department of Environmental Quality
DCJS .... Department of Criminal Justice Services
DCR........ Department of Conservation and Recreation
DGS........ Department of General Services
DHCD........ Department of Housing & Community Development
DHRM .... Department of Human Resource Management
DMA .... Department of Military Affairs
DMAS........ Department of Medical Assistance Services
DOA........ Department of Accounts
DOC .... Department of Corrections
DOE........ Department of Education
DPB .... Department of Planning & Budget
DRPT........ Department of Rail & Public Transportation
DSS........ Department of Social Services
DVS .... Department of Veterans Services
ELECT .... Department of Elections
EVMS........ Eastern Virginia Medical School
GMU .... George Mason University
IEIA .... Innovation and Entrepreneurship Investment Authority
JMU........ James Madison University
LU .... Longwood University
NSU........ Norfolk State University
OAG .... Office of the Attorney General

ODU .... Old Dominion University
RU .... Radford University
SBSD .... Department of Small Business & Supplier Diversity
SCC .... State Corporation Commission
SCHEV .... State Council of Higher Education for Virginia
UMW .... University of Mary Washington
UVA .... University of Virginia
UVA-W .... University of Virginia's College at Wise
Va Tech .... Virginia Tech
VCCS .... Virginia Community College System
VCU .... Virginia Commonwealth University
VDACS .... Virginia Department of Agriculture and Consumer Services
VDEM .... Virginia Department of Emergency Management
VDH .... Virginia Department of Health
VDOT .... Virginia Department of Transportation
VEC .... Virginia Employment Commission
VEDP .... Virginia Economic Development Partnership
VIPA .... Virginia Innovation Partnership Authority
Virginia529 .... Virginia 529 College Savings Plan
VITA .... Virginia Information Technologies Agencies
VMFA .... Virginia Museum of Fine Arts
VMI .... Virginia Military Institute
VMRC .... Virginia Marine Resources Commission
VPA .... Virginia Port Authority
VRS .... Virginia Retirement System
VSP .... Virginia State Police
VSU .... Virginia State University

State Spending: 2022 Update – Summary

WHAT WE FOUND

- Virginia's total operating budget, including general and non-general funds, was $83.2 billion in FY22, which is 23% ($15.7 billion) larger than the previous year, and a larger increase than any year in recent history. Most of this growth was appropriations of federal COVID-19 relief funds.
  - **Non-general fund** appropriations (about 70% of the total operating budget) grew 28 percent ($12.6 billion) between FY21 and FY22, with federal COVID-19 relief funds from the American Rescue Plan Act (ARPA) of 2021 accounting for $9.2 billion (other federal COVID-19 relief funds accounted for another $283 million). More than half of the federal ARPA funds went to local school divisions, unemployment assistance, childcare, broadband initiatives, and higher education.
  - **General fund** appropriations (about 30% of the total operating budget) were 14 percent ($3.1 billion) larger in FY22 than the previous year because of above-average revenue growth. General fund revenue growth in FY22 was more than twice as large as the average annual growth rate over the past decade and far exceeded projected revenues. A large portion of this "surplus" revenue was deposited in the state's revenue reserve funds (over $1.1 billion) and used to pay unfunded liabilities in the state retirement fund ($750 million).

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 previous 10 years, 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.)

Prior reports reviewed spending and budget growth for all the previous 10-year periods between FY1981 and FY21. This report is the 22nd in the series and focuses on trends in the state's operating budget during the past 10 years, from FY13 through FY22.

- Three agencies—DMAS, DOE, and VDOT—received nearly half of total appropriations in FY22, similar to recent years. Two agencies—DOE and DMAS—received nearly half of general fund appropriations. These three agencies administer some of the largest programs in the state budget: Medicaid, K–12 education, and highway construction and maintenance.
- Over the past 10 years, Virginia's operating budget grew by 8% per year, on average, not adjusted for inflation. Non-general funds grew 10% per year, and general funds grew 5% per year. These average growth rates are higher than in prior 10-year periods measured, primarily because of the much larger appropriation growth in FY22.
- Adjusted for growth in population and inflation, the total budget grew an average of 4.4% per year during the 10-year period; the non-general fund budget increased an average of 6.1% per year; and the general fund budget increased an average of 1.4% per year. The total budget (adjusted), excluding federal ARPA and other COVID-19 relief funds, remained flat between FY21 and FY22, however, because

the non-general fund budget (excluding federal COVID-19 relief funds) grew less than inflation.

- The majority of budget growth was concentrated in a few agencies and programs between FY13 and FY22. Ten agencies (out of 147) accounted for 55% of total budget growth, with DMAS and VDOT accounting for 38%. Ten budget programs, mostly within the core functions of health care, education, and transportation, accounted for 51% of total budget growth. These largest agencies and programs, however, have a lower share of total budget growth than reported in prior years because the appropriation of federal ARPA funds accounted for 14% of total budget growth.
- General fund budget growth was also concentrated by agency and program. Ten agencies accounted for 58% of general fund budget growth, with DMAS and DOE accounting for more than one-third (36%). The share of general fund growth for these largest agencies is lower than in prior years because the large deposits of surplus general fund revenue in the state's revenue reserve funds and retirement fund were responsible for 24% of total general fund growth.
- Some agencies have had very large percentage increases in general fund appropriations since FY13. Most of these agencies are relatively small or—like VDOT, which is a sizable agency—generally receive minimal general fund appropriations so their growth made up a small proportion of total general fund budget growth

State Spending: 2022 Update FY13–FY22

Virginia's budget is perhaps the state's most important statement of policies and priorities. Through the budget, the General Assembly directs money from different sources to a variety of state functions and programs. State spending can occur only through appropriations made by the General Assembly. Factors that affect the budget include the state's fiscal condition, population growth, inflation, and other economic changes.

The Joint Legislative Audit and Review Commission (JLARC) produces a report each year on Virginia's state spending over the previous 10-year period. (See Appendix A.) The report identifies the largest and fastest-growing agencies and programs (out of 147 agencies and 218 programs) in the state budget and analyzes long-term state spending changes. This year's report focuses on state budget trends from FY13 to FY22 and identifies factors influencing these trends.

This report does not address the merits or adequacy of funding for government agencies or programs. Budget growth may change for a variety of reasons. The growth reported here reflects the budget from economic, policy, historical, and technical perspectives during the 10-year period.

Virginia's budget was $83.2 billion in FY22

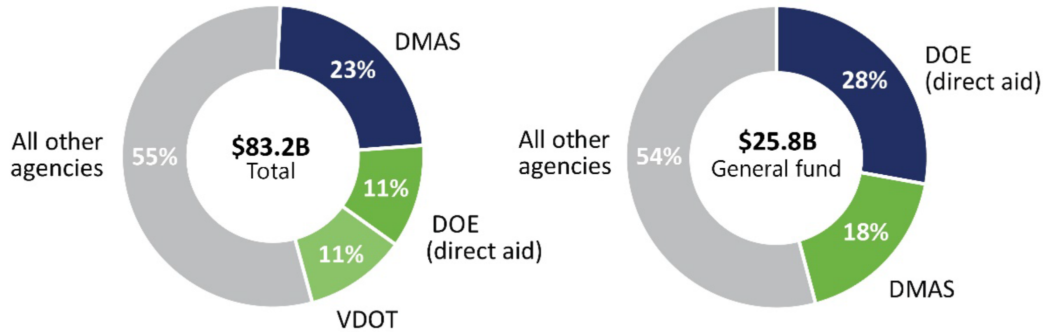
In FY22, Virginia's total budget was $83.2 billion. This amount is 23% larger ($15.7 billion) than Virginia's total budget in FY21, and is a larger increase than any year in recent history. The majority of this growth ($9.5 billion or 60%) was federal COVID-19 relief distributions primarily from the American Rescue Plan Act (ARPA) of 2021 ($9.2 billion); a relatively small amount of funding ($283 million) was from other federal COVID-19 relief funding. In FY20 and FY21, federal COVID-19 relief funds distributed to Virginia agencies and localities ($5.4 billion in FY20 and $12.6 billion in FY21) were not included in the General Assembly's budget totals.

Like previous years, appropriation amounts in FY22 were concentrated in a small number of agencies that focus on core government activities, such as Medicaid, K–12 education, and highway construction and maintenance. Three agencies received nearly half of total appropriations in FY22, and two agencies received nearly half of general fund appropriations (Figure 1).

Appropriations also were concentrated in a small number of programs. Ten programs received 69% of total appropriations in FY22 (Table 1). Medicaid program services and state education assistance programs have historically been the largest two programs for total appropriations. This year, however, disaster planning and operations, which is typically a small program with annual appropriations of less than $2 million, is the second-largest program because it received $9.2 billion in federal ARPA funds for COVID-19.

The state's budget classification system classifies all state appropriations by **program**. The program classification is designed for planning and analysis of the state budget by activity or function. Some programs fall under a single agency, and others are distributed across multiple agencies. Through analysis of program categories, policymakers can develop a broader understanding of how funds are spent, regardless of which agency spends them.

FIGURE 1
A small number of agencies received almost half of total and general fund appropriations (FY22)



SOURCE: Chapter 1, 2022 Acts of Assembly, Special Session I.
NOTE: See Appendix C for more information on the top 10 agencies that received appropriations (total, general fund, and non-general fund) in FY22. Numbers may not sum because of rounding.

Virginia received **$18 billion in federal COVID-19 relief funds** in FY20 and FY21 that are not included in the FY20 and FY21 operating budget amounts pursuant to Chapter 1283 (2020) and Chapter 552 (2021). (See Appendix D for more information about the relief funds and the agencies and programs that received funding.)

Virginia appropriated **$9.2 billion in federal ARPA funds in FY22,** and this amount is included in operating budget amounts pursuant to Chapter 1 (2022). The funds were appropriated to central appropriations, disaster planning, and operations. (See Appendix D for more information about where the money was allocated.)

General fund appropriations were more concentrated among programs, with two programs accounting for 45% of general fund appropriations, and 10 programs accounting for 72%. Three programs that typically are not on this list together received large general fund appropriations in FY22 because of general fund revenue surpluses. These programs include personnel management services, which was appropriated $750 million for VRS unfunded liabilities, and the state's two revenue reserve funds, which together received appropriations of over $1.1 billion.

TABLE 1
10 programs with the largest total and general fund appropriations (FY22)

Total appropriations			
Rank	**Program name**	**Total ($M)**	**% of total**
1	Medicaid program services	$18,292.7	22%
2	Disaster planning and operations [a]	9,200.6	11
3	State education assistance programs	8,037.4	10
4	Higher ed: Education & general (E&G) services	5,675.0	7
5	Highway construction programs	4,398.5	5
6	Personnel management services [b]	3,211.6	4
7	State health services [c]	2,886.0	3
8	Highway system maintenance and operations	2,044.2	2
9	Higher ed: auxiliary enterprises	1,858.9	2
10	Higher ed: Financial assistance for E&G services	1,843.6	2
Top 10 programs, subtotal		**$57,448.4**	**69%**
Other programs, subtotal		**$25,716.3**	**31%**
Total operating budget		**$83,164.8**	**100%**

General fund appropriations			
Rank	**Program name**	**Total ($M)**	**% of total**
1	State education assistance programs	$7,135.7	28%
2	Medicaid program services	4,409.1	17
3	Higher ed: E&G services	1,959.7	8
4	Personal property tax relief program	950.0	4
5	Bond and loan retirement and redemption [d]	853.5	3
6	Operation of secure correctional facilities	838.9	3
7	Personnel management services [b]	758.3	3
8	Revenue cash reserve	650.0	3
9	Revenue Stabilization Fund [e]	498.7	2
10	Financial assist. for sheriff's offices and regional jails	492.3	2
Top 10 programs, subtotal		**$18,546.2**	**72%**
Other programs, subtotal		**$7,255.4**	**28%**
Total operating budget		**$ 25,801.6**	**100%**

SOURCE: Chapter 1, 2022 Acts of Assembly, Special Session I.
[a] Includes services to plan for and conduct operations necessary to protect persons and property from adverse effects of natural or manmade disasters. [b] Includes services for employee compensation, health benefits, insurance, retirement, and other human resource services. [c] Includes activities at VDH, UVA Medical Center, and facilities operated by DBHDS and DVS. [d] Includes debt service payments for capital lease payments and general obligation and other bonds. [e] Deposited in the Revenue Reserve Fund until FY23 when it will be transferred to the Revenue Stabilization Fund.

Some agencies operate **internal service funds** to recoup costs incurred when performing services or procuring goods for other agencies. In FY15, the budget was changed so that internal service fund agencies began receiving appropriations for the cost of goods and services provided to other agencies. This change was implemented to improve transparency. See Appendix E for information on growth in internal service fund appropriations since FY15.

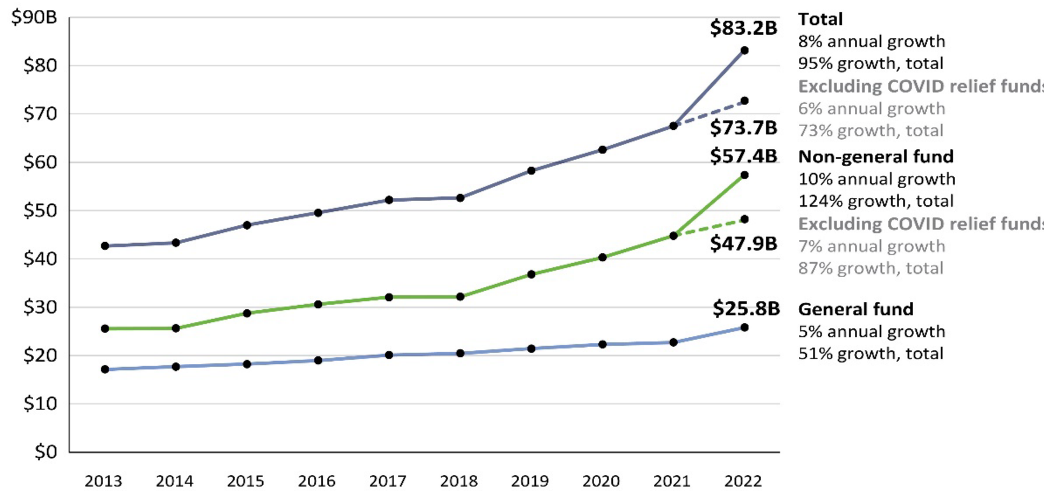
Virginia's budget has grown 8% per year since FY13

Virginia's total budget grew 8% per year, on average, between FY13 and FY22 (Figure 2). This equated to a total growth rate of 95% over the 10-year period, not adjusted for inflation. A majority of this growth was in the non-general fund budget, which grew 10% per year, on average, or 124% over the 10-year period. The non-general fund budget's largest annual growth was between FY21 and FY22 (28% or $12.6 billion) primarily because of the appropriation of federal ARPA funds in FY22. When excluding federal ARPA and other COVID-19 relief funds, the non-general fund budget grew 8 percent per year, on average, or 87% over the 10-year period, both of which are similar to the rates reported in last year's report, *State Spending: 2021 Update,* which covered the 10-year period between FY12 and FY21. The policy decision to include a specific appropriation for internal service funds in the non-general fund budget starting in FY15 also resulted in earlier increases to the total and non-general fund budgets during the 10-year time period.

General fund revenues and appropriations are intended for the general purposes of government and are not dedicated or restricted to a specific use. These funds are of particular interest to the public and budget decision makers as they come primarily from statewide taxes, such as income and sales taxes.

The state general fund budget grew at a slower rate than the total and non-general fund budgets, growing 5% per year, on average (51% total growth) between FY13 and FY22. However, like the total budget, the general fund budget grew at a higher than usual rate from the prior year (14% since FY21). This growth occurred because general fund revenue growth in FY22 was more than twice as large as the average annual growth rate over the past decade and far exceeded projected revenues. A large portion of this "surplus" revenue was deposited in the state's revenue reserve funds (over $1.1 billion) and retirement fund ($750 million).

FIGURE 2
Total appropriations grew 8% per year, but general fund appropriations grew more slowly (FY13–FY22)



SOURCE: DPB data on appropriations, 2013–2022.
NOTE: See Appendix D for more detail on spending and growth by year. Appropriations not adjusted for inflation. FY20 and FY21 amounts exclude appropriations of federal COVID-19 relief funds, including nearly $65M included in operating budget totals in each year. FY22 amounts include $9.2B of federal ARPA funds appropriated to central appropriations and $282.5M of other federal COVID-19 relief funds appropriated to other agencies.

Adjusted for inflation and population, total budget grew 4.4% per year

Economic and demographic factors, such as inflation and population, affect the budget and should be accounted for when assessing Virginia's budget growth. Inflation increased 2.7% per year, on average, between FY13 and FY22 (Table 2), which means that Virginia's budget needed to grow by at least that amount per year to have the same purchasing power over time. Adjusted for inflation using the consumer price index, Virginia's total operating budget increased 5.0% per year between FY13 and FY22. The general fund budget increased 1.9% per year, and the non-general fund budget increased 6.7% per year, on average, between FY13 and FY22 (Figure 3).

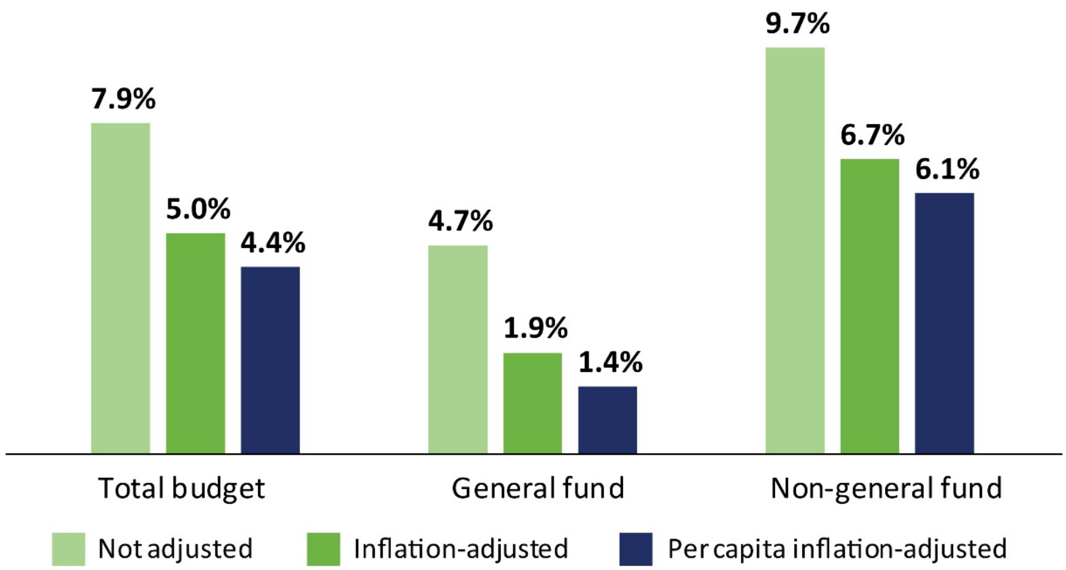
As the population grows, so does the need for some state services. Adjusted for both inflation and population growth, the total budget increased 4.4% per year; general fund appropriations increased 1.4% per year; and non-general fund appropriations increased 6.1% per year, on average (Figure 3). These growth rates are higher than those reported in past *State Spending* reports because of the inclusion of federal ARPA funds in operating budget totals in FY22. When federal ARPA and other COVID-19 relief funds are excluded, the growth rates for the total and non-general fund budgets adjusted for both inflation and population growth are lower (2.9% and 3.9%, respectively) and are slightly lower than the average annual growth rates reported in last year's *State Spending: 2021 Update*.

TABLE 2
Key demographic and economic changes in Virginia, 2013–2022

			% change 2013–2022	
Indicator	**2013**	**2022**	**Total**	**Annual average**
Population				
Total	8,260,405	8,702,103 [a]	5.4%	0.6%
Ages 65 and over	1,105,554	1,418,443 [a]	28.3	2.8
Under 18 years old	1,864,735	1,897,058 [a]	1.7	0.2
Living in poverty [f]	938,733	854,145 [a,e]	-9.0	-1.1
Economy				
Inflation (Consumer Price Index) [b]	100.0	127.1	27.1	2.7
Virginia GDP ($B)	$456.5	$623.0	36.5	3.5
Total Virginia employment (non-farm, June)	3,756,800	4,045,100	7.7	0.9
Total state personal income ($B)	$401.2	$583.2	45.4	4.3
Median Virginia home sales price (June)	$268,200	$397,300	48.1	4.6
Average weekly wages in Virginia	$998	$1,307 [e]	31.0	3.4
State finances [c]				
State operating budget ($B)	$42.7	$83.2	94.9	7.9
State general fund budget ($B)	$17.1	$25.8	50.7	4.7
Total number of state employees (salaried) [d]	104,053	105,456 [e]	1.3	0.2
Median state employee salary [d]	$39,342	$50,038 [e]	27.7	3.1
Taxable sales ($B) [f]	$94.6	$118.7 [e]	25.5	1.4

SOURCE: U.S. Census Bureau; Bureau of Economic Analysis; Bureau of Labor Statistics; various state agencies; Virginia Association of Realtors.
NOTE: Dollars not adjusted for inflation.
[a] Estimated. [b] 2013 Consumer Price Index rebased to 100. [c] On a fiscal year basis unless otherwise noted. [d] Includes salaried faculty at higher education institutions. [e] 2021. [f] Calendar year.

FIGURE 3
Average annual change in appropriations adjusted for inflation and population growth, FY13–FY22



SOURCE: DPB data on appropriations; Weldon Cooper Center; Bureau of Labor Statistics.

Adjusted for population and inflation, Virginia's budget generally increased each year during the 10-year period and grew fastest after FY18 (Figure 4). The largest increases occurred after FY18 and again after FY21, primarily because of non-general fund budget growth for implementation of Medicaid expansion (after FY18) and federal COVID-19 relief, primarily from ARPA funds (after FY21). Non-general fund budget growth since FY18 has been higher than average (15.8% per year on average, unadjusted) and has been substantially higher than inflation (4.2% per year, on average).

Adjusted for population and inflation, the total budget *excluding* federal ARPA and other COVID-19 relief funds remained flat between FY21 and FY22. This occurred primarily because the non-general fund budget (unadjusted) excluding federal COVID-19 relief funds grew less than inflation. This decline in the non-general fund budget offset the growth in the general fund budget after FY21.

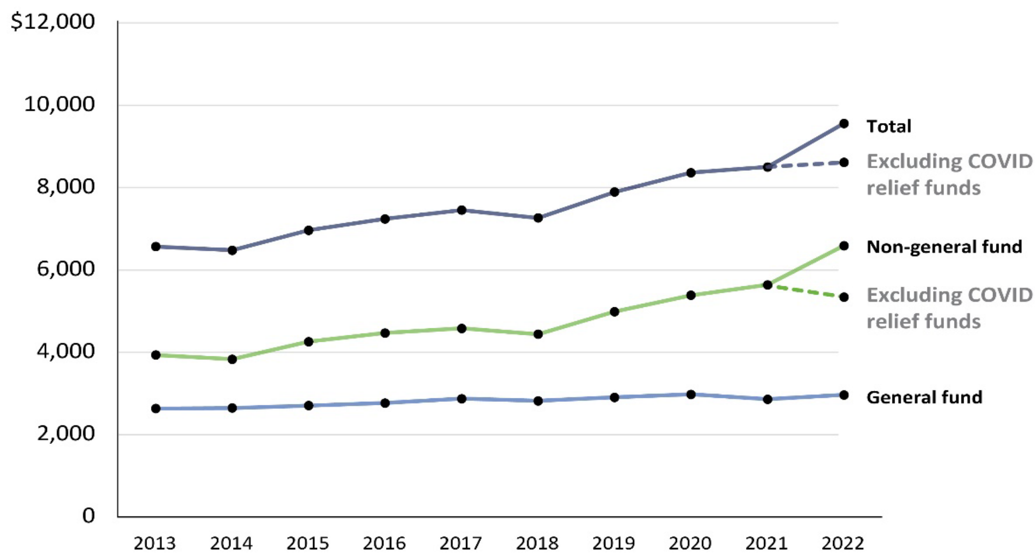
This **Virginia state spending report**, published annually by JLARC, focuses on final operating appropriations, excluding capital spending.

JLARC'S **Virginia Compared with the Other States** features comparisons of expenditures, including capital spending. http://jlarc.virginia.gov/va-compared-landing.asp

Adjusted for population and inflation, the general fund budget also increased in most years but at a slower rate than the total budget. The adjusted general fund budget decreased between FY20 and FY21 but then increased in FY22 to nearly its FY20 amount. The decrease between FY20 and FY21 occurred primarily because the federal government lowered state funding match rates for Medicaid during the COVID-19 pandemic, which resulted in a decline in general fund appropriations overall (8%) in FY21. Medicaid is the second-largest program for general fund appropriations.

Virginia ranked ninth for state per capita spending growth (inflation-adjusted and including capital spending) between FY11 and FY20, the most recent years for which comparable data is available (*Virginia Compared with the Other States*, JLARC 2021). Virginia's total growth rate (2.8%) for this measure was higher than most other states in the Southeast region during the same time period, with the exception of Alabama (3.1%) and Kentucky (3.1%).

FIGURE 4
Adjusted for inflation, Virginia's total budget per capita generally increased each year, with the largest increase between FY21 and FY22



SOURCE: DPB data on appropriations, 2013–2022; Weldon Cooper Center; and U.S. Bureau of Labor Statistics.
NOTE: Average annual growth. Changes to the total and non-general fund budgets reflect a budgetary decision, starting in FY15, to include specific appropriations for internal service funds.

Labor force **statistics** reflect the annual average change from June 2013 to June 2022. Statistics for personal income per capita and GDP reflect the annual average change from the second quarter of 2013 to the second quarter of 2022.

In total **federal spending** per capita, Virginia ranked 10th among the states in federal fiscal year 2020, the most recent year for which data is available.

A large 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 affects revenue available for the budget

Virginia's GDP, total personal income, and employment levels increased between FY13 and FY22 (Table 2). As Virginia's employment and personal income levels grow, state general fund revenues, comprising mostly income and sales tax revenues, also grow. Annual general fund appropriations have consistently remained the same proportion of Virginia GDP over time and have been 3.9% of Virginia GDP, on average, since FY1997.

Virginia's economic growth, however, was lower than the nation's growth during the 10-year period for several key economic measures.

- **Virginia GDP** grew at a slower rate (1.5% annual average) than national GDP (2.2% annual average) between 2013 and 2022, adjusted for inflation.
- **Virginia's labor force** grew less (0.9% annual average) than the nation's (1.3% annual average) between 2013 and 2022.

- **Virginia's personal income per capita** grew less (3.7% annual average) than the nation's (4.3% annual average) between 2013 and 2022, adjusted for inflation.

Previous *State Spending* reports indicated Virginia's economic growth had been lower than the nation's, particularly between FY09 and FY13, because the state did not recover as quickly from the Great Recession. Since 2016, Virginia's growth rates on these three measures have more closely mirrored national growth rates. Virginia's GDP growth rate between 2019 and 2021 slightly exceeded the nation's GDP growth rate, and Virginia's income growth rate between 2021 and 2022 declined slightly less than the nation's.

Policy decisions and program growth affect budget trends

State policy decisions affect Virginia's budget growth and budget allocations across agencies and budget programs. For example, in 2018 the state authorized the expansion of Medicaid to parents and childless adults with income up to 138 percent of the federal poverty level. Medicaid expansion, which is mostly federally funded, increased non-general fund appropriations and therefore total appropriations for the Medicaid program beginning in FY19.

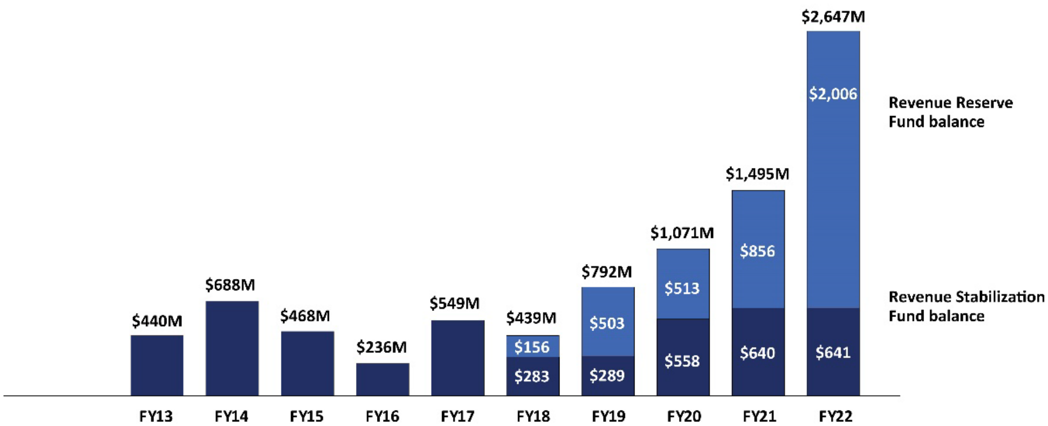
Several major policy decisions affect the general fund budget. For example, the General Assembly provided $382 million in general funds in FY15 and FY16 and $750 million in FY22 to help pay down unfunded liabilities in the Virginia Retirement System. Other funding, such as the state's share of the Standards of Quality payments to public schools, is set through formulas in the Virginia Constitution or statute.

Virginia's policy decision to reserve revenue in years of above-average revenue growth also affects the general fund budget. Each year, the legislature appropriates surplus revenues to two reserve funds if there are surplus revenues and certain requirements are met. As of FY22, the total amount in the reserves was $2.6 billion (Figure 5). The Revenue Stabilization (rainy day) Fund was established in the early 1990s to reserve funds that can be used in years when state revenue collections are less than projected. Each year general fund revenue collections are evaluated to determine if surplus revenues exist, and if so, the portion to be obligated to the fund based on a formula in Virginia's constitution. In some years, no appropriations are made from the general fund.

Six deposits to the Revenue Stabilization Fund occurred between FY13 and FY22 (Figure 5), based on surplus revenues in previous years. The largest deposit totaled $606 million in FY17, representing more than half the growth in general fund appropriations between FY16 and FY17. The General Assembly appropriated $499 million to the Revenue Stabilization Fund in FY22, as an advance reserve for the estimated $905 million mandatory deposit in FY24. These funds, however, were deposited into the state's second reserve fund—the Revenue Reserve Fund (discussed below)—and will be transferred to the Revenue Stabilization Fund in FY24. The General Assembly made four withdrawals from the fund to offset general fund revenue deficiencies during the 10-year period, reducing the amount of spending reductions that otherwise would have been necessary.

In 2018, the General Assembly created an additional reserve fund, the Revenue Reserve Fund, for excess revenue that does not have to be committed to the Revenue Stabilization Fund or other funds. As of FY22, the General Assembly has made four deposits to this fund, which is now the larger of the two funds with a balance of $2 billion, including the funds held for future deposit to the Revenue Stabilization Fund.

FIGURE 5
Revenue in reserves totaled $2.6 billion as of FY22



	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Deposits	$133M	$245M	$243M		$606M	$156M[a]	$343M[a]	$263M	$416M[b]	$1,149M[b]
Withdrawals			-$468M	-$236M	-$295M	-$273M				

SOURCE: Secretary of finance presentations to the Senate Finance and Appropriations, House Appropriations, and House Finance committees; Department of Accounts Preliminary General Fund Annual Reports and other documents; and information from DPB.
NOTE: Fund balance figures are adjusted for deposits, withdrawals, and interest earned at end of fiscal year. Part ($498.7 million) of the FY22 appropriation to the Revenue Reserve Fund is being held for deposit to the Revenue Stabilization Fund in FY24.
[a] Revenue Reserve Fund deposits. [b] Revenue Stabilization Fund and Revenue Reserve Fund deposits. All other deposits and all withdrawals were to/from the Revenue Stabilization Fund.

Program growth, which also affects budget growth, can occur over time for several reasons, including policy changes and changes to the population served. For example, Medicaid and Children's Health Insurance Program (CHIP) enrollment grew 96% (from 992,600 to 1,949,297 average monthly enrollees) between FY13 and FY22. Funding for the programs is largely enrollment driven, and the Medicaid program had the largest growth amount in total appropriations during the 10-year period.

Federal funding affects state budget trends

Federal funding trends and policy decisions can affect state spending. Federal trust funds have grown as a portion of Virginia's budget over time, from an average of 14% of Virginia's annual budget between FY1990 and FY1999 to an average of 18% between FY13 and FY22. The policy decision to expand Medicaid eligibility beginning in FY19 increased federal funding as a portion of Virginia's budget from about 15% to 16% between FY12 and FY18 to 22% of Virginia's total budget in FY21. Federal trust funds grew 74% between FY21 and FY22, primarily because of federal ARPA funding.

The **Families First Coronavirus Response Act** was enacted in March 2020 in response to the economic impacts of the ongoing COVID-19 pandemic. The act includes several provisions such as expanded nutrition assistance, enhanced unemployment insurance coverage, and a temporary increase of 6.2 percentage points to federal Medicaid matching rates.

Participation in federal programs generally requires a state funding match, which varies by program. The state match is substantial for some programs like Medicaid, the largest federal program in Virginia's budget, with $12.3 billion in federal funds (48% of all federal trust funds in Virginia's budget) in FY22. Virginia's state match rate for individuals enrolled in the base Medicaid program has historically been 50%. The federal Families First Coronavirus Response Act temporarily increased the federal match for the base Medicaid population, which lowered the state's match rate to 43.8% for the second half of FY20 through the end of the public health emergency, which is still effective through at least October 2022. The lower state match rate resulted in a decrease in required general fund appropriations for Medicaid services. Virginia's state match rate for individuals enrolled under Medicaid expansion (which is unaffected by the law) was 7% in 2019 and 10% thereafter, and is funded by the new provider assessment on hospitals rather than state general funds.

Mandatory enhancements to some federal programs, such as some Medicaid-funded services and early intervention services for children, have increased state spending. Other state spending increases are attributable to agency compliance with federal regulatory changes, such as improving workplace safety and environmental protections.

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.

Decisions to issue debt affect budget trends

When the state issues debt, the debt service required to pay off that debt affects the state's budget. Tax-supported debt service, which does not have a designated funding source, is funded through appropriations to the Treasury Board and VDOT. The state issues two types of tax-supported debt: general obligation bonds and other appropriation-supported obligations. The largest uses of tax-supported debt over the past decade were for higher education capital projects and teaching and research equipment (56%) and transportation projects funded through the Transportation Trust Fund (18%). Tax-supported debt also financed capital projects for correctional facilities; local and regional jails; and parks, conservation, and recreation facilities.

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.

The state's outstanding tax-supported debt increased 29% (from $10.3 billion to $13.0 billion) between FY12 and FY21 (the most recent year available), with the largest issuance of debt occurring in FY21. Expenditures to cover tax-supported debt service increased 40% (from $747 million to $1.04 billion) between FY12 and FY21. To ensure that tax-supported debt service does not consume too much of the state's operating budget, the Debt Capacity Advisory Committee has established a target debt service level. The committee has determined tax-supported debt service should not exceed 5% of blended revenues. Debt service was 4.2% of blended revenues in FY12 and 3.7% of blended revenues in FY21.

Majority of budget growth was concentrated in a few agencies and programs

The majority of budget growth between FY13 and FY22 was concentrated in a few agencies. More than one-third of total budget growth (38%) occurred in just two agencies: DMAS and VDOT (Table 3). These two agencies are responsible for a lower share of total budget growth than the 10-year period measured in last year's spending report (48%), though their average annual growth rate is similar. This difference is primarily because federal ARPA funds were appropriated to central appropriations in FY22, and, as a result, the "agency" accounted for 14% of the growth in total appropriations for the 10-year period. (Central appropriations is excluded from the "top 10 list" in Table 3). VDH is the only agency on this year's list of 10 agencies with the highest growth amount in total appropriations that was not on the same list in last year's report. Most of VDH's growth occurred in FY22, when it was appropriated additional federal funds for mass vaccination efforts and expansion of epidemiological and lab capacity to respond to COVID-19.

TABLE 3
10 agencies with the highest growth amount in total appropriations, FY13–FY22 ($M)

		Total appropriation		Average annual growth		% of total
Rank	**Agency**	**FY13**	**FY22**	**$**	**%**	**growth**
1	DMAS [a]	$8,072.9	$19,122.7	$1,227.8	10%	27%
2	VDOT	4,441.3	9,059.3	513.1	9	11
3	DOE (Direct aid)	6,686.1	9,185.7	277.7	4	6
4	UVA [b]	2,424.4	3,987.1	173.6	6	4
5	DRPT	379.6	935.5	61.8	12	1
6	Va Tech	1,093.2	1,535.4	49.1	4	1
7	ABC	548.5	968.0	46.6	7	1
8	GMU	824.5	1,210.1	42.8	4	1
9	DOC	1,027.5	1,410.0	42.5	4	1
10	VDH	621.4	933.5	34.7	5	1
Top 10 agencies, subtotal		**$26,119.5**	**$48,347.3**	**$2,469.8**	**7%**	**55%**
Other agencies, subtotal		**$16,555.2**	**$34,817.5**	**$2,029.1**	**9%**	**45%**
Total operating budget		**$42,674.7**	**$83,164.8**	**$4,498.9**	**8%**	**100%**

SOURCE: DPB data on appropriations, 2013–2022.
NOTE: Excludes capital appropriations. Top 10 list excludes central appropriations (to which federal ARPA funds were appropriated), transfer payments (such as DOA transfer payments), and administration of health insurance. Top 10 list also excludes the Virginia Lottery, which received a $350 million increase in appropriations beginning in FY19 because of the technical change to appropriate lottery prizes, and agencies that operate internal service funds. (The budget began including specific appropriations to these funds beginning in FY15, causing an increase in appropriations). Appropriations not adjusted for inflation. Numbers may not sum because of rounding. See Appendix F for alternative rankings, in which the 21 higher education agencies are grouped as a single line item.
[a] Includes $7,905.1M in FY13 and $18,785.8M in FY22 for Medicaid Services and CHIP. [b] Excludes UVA-Wise but includes the medical center.

Six of these 10 agencies with the highest growth amount in total appropriations were also among the 10 largest agencies in terms of FY22 total appropriations. Four were not (DRPT, ABC, GMU, and VDH). (See Appendix C, Table C-1.)

More than one-third of total general fund budget growth (36%) occurred in DOE and DMAS (Table 4). DOE and DMAS were responsible for a larger share of growth in the 10-year period measured in last year's spending report (49%), though their average annual growth rate is the same. The difference from last year is the large deposits in the state's revenue reserve funds (over $1.1 billion) and retirement fund to pay down unfunded liabilities ($750 million), which were responsible for 24% of total general fund growth. (These are excluded from the "top 10" list in Table 4 because they are not technically agencies, even though they have their own "agency" codes for budgeting purposes.)

VDOT, which is primarily funded through non-general funds, is the only agency on this year's list of agencies with the largest growth in general fund appropriations that did not appear on the same list in last year's report. In FY22, VDOT was appropriated a portion of the FY21 general fund surplus as well as additional general funds for strategic transportation initiatives. All but two (DHCD and VSP) of the 10 agencies with the highest growth amount in general fund appropriations were also among the 10 largest agencies in terms of FY22 general fund appropriations. (See Appendix C, Table C-2.)

TABLE 4
10 agencies with the highest growth amount in general fund appropriations, FY13–FY22 ($M)

		General fund appropriation		Average annual growth		
Rank	**Agency**	**FY13**	**FY22**	**$**	**%**	**% of total growth**
1	DOE (Direct aid)	$5,172.2	$7,180.9	$223.2	4%	23%
2	DMAS [a]	3,547.8	4,650.0	122.5	3	13
3	DBHDS	589.7	1,076.4	54.1	7	6
4	DOC	953.3	1,342.3	43.2	4	4
5	VDOT	40.0	342.5	33.6	31	3
6	Treasury Board	607.7	853.5	27.3	4	3
7	DHCD	47.7	204.8	17.5	21	2
8	VCCS	377.7	515.4	15.3	4	2
9	VSP	230.6	348.4	13.1	5	1
10	Compensation Board	613.5	729.8	12.9	2	1
Top 10 agencies, subtotal		**$12,180.1**	**$17,244.0**	**$562.7**	**4%**	**58%**
Other agencies, subtotal		**$4,935.9**	**$8,557.6**	**$402.4**	**7%**	**42%**
Total general fund budget		**$17,116.0**	**$25,801.6**	**$965.1**	**5%**	**100%**

SOURCE: DPB data on appropriations, 2013–2022.
NOTE: Excludes capital appropriations. Top 10 list excludes agency central appropriations (including funding for unfunded pension liabilities), transfer payments such as Department of Accounts transfer payments (including funding for the Revenue Reserve Fund), and appropriations to the Revenue Stabilization Fund. Appropriations not adjusted for inflation. Numbers may not sum because of rounding. See Appendix F for alternative rankings, in which the 21 higher education agencies are grouped as a single line item.
[a] Includes $3,486.3M in FY13 and $4,547.0M in FY22 for Medicaid Services and CHIP.

The majority of budget growth was also concentrated in a few programs. Excluding ARPA funds for disaster preparedness (responsible for 7% of budget growth between FY21 and FY22 and 23% of annual average budget growth during the 10-year period), half of the budget growth during the 10-year period occurred in 10 programs (Table 5). All but one of the 10 programs are in the core functions of health care, education, and transportation.

TABLE 5
10 programs with the highest growth amount in total appropriations, FY13–FY22 ($M)

		Total appropriation		Average annual growth		% total
Rank	**Program**	**FY13**	**FY22**	**$**	**%**	**growth**
1	Medicaid program services	$7,622.5	$18,292.7	$1,185.6	10%	26%
2	Highway construction programs	1,925.3	4,398.5	274.8	11	6
3	State education assistance programs [a]	5,805.2	8,037.4	248.0	4	6
4	Higher ed: E&G services	4,065.1	5,675.0	178.9	4	4
5	Financial assistance to localities (transportation)	389.9	1,349.9	106.7	18	2
6	State health services [b]	1,931.5	2,886.0	106.1	5	2
7	Highway system maintenance and operations	1,454.2	2,044.2	65.6	4	1
8	Higher ed: financial assistance for E & G services	1,304.6	1,843.6	59.9	4	1
9	Alcoholic beverage merchandising	530.6	942.3	45.7	7	1
10	Financial assistance for public transportation	313.7	713.0	44.4	11	1
Top 10 programs, subtotal		**$25,342.6**	**$46,182.7**	**2,315.6**	**7%**	**51%**
Other programs, subtotal		**$17,332.0**	**$36,982.1**	**2,183.3**	**10%**	**49%**
Total operating budget		**$42,674.7**	**$83,164.8**	**4,498.9**	**8%**	**100%**

SOURCE: DPB data on appropriations, 2013–2022.
NOTE: Excludes capital appropriations. Top 10 list excludes programs that operate internal service funds, the Revenue Cash Reserve, and appropriation of ARPA funds for disaster preparedness. Appropriations not adjusted for inflation. Numbers may not sum because of rounding. See Appendix F for alternative rankings, in which the 21 higher education agencies are grouped as a single line item.
[a] Includes state funding for K–12 education only. The federal program has a separate program code. [b] Includes activities at VDH, UVA Medical Center, and at facilities operated by DBHDS and DVS.

By program, general fund budget growth was even more concentrated, with two programs (state education assistance programs and Medicaid program services) responsible for about one-third (35%) of the growth. Seven of the 10 programs with the highest general fund budget growth provide services in education, health care, and public safety (Table 6). Personnel management services, which typically receives less than $10 million in general fund appropriations annually, was responsible for 9% of total general fund growth because of the large appropriation to pay down unfunded pension liabilities in FY22. Economic development services increased because of additional funding for the consolidation of multiple entities under the newly created VIPA and related new initiatives, workforce training services at VCCS, and increased economic development incentive payments to businesses beginning in FY20.

TABLE 6
10 programs with the highest growth amount in general fund appropriations, FY13–FY22 ($M)

		General fund appropriation		Avg. annual growth		
Rank	**Program**	**FY13**	**FY22**	**$**	**%**	**% total growth**
1	State education assistance programs [a]	$5,162.2	$7,135.7	$219.3	4%	23%
2	Medicaid program services	3,402.0	4,409.1	111.9	3	12
3	Personnel management services	4.7	758.3	83.7	239	9
4	Higher ed: E&G services	1,335.0	1,959.7	69.4	4	7
5	Bond and loan retirement and redemption	605.1	853.5	27.6	4	3
6	Higher ed: Student financial services	236.6	430.4	21.5	7	2
7	Financial assistance for health services [b]	285.4	468.8	20.4	6	2
8	State health services	151.2	296.7	16.2	8	2
9	Admin. & support: admin. of justice [c]	146.4	278.6	14.7	8	2
10	Economic development services	121.9	234.8	12.5	9	1
Top 10 programs, subtotal		**$11,450.5**	**$16,825.6**	**$597.2**	**5%**	**62%**
Other programs, subtotal		**$5,665.5**	**$8,976.0**	**$367.8**	**6%**	**38%**
Total general fund budget		**$17,116.0**	**$25,801.6**	**$965.1**	**5%**	**100%**

SOURCE: DPB data on appropriations, 2013–2022.
NOTE: Excludes capital appropriations. Excludes central appropriations and the revenue reserve funds, which are addressed elsewhere. Appropriations not adjusted for inflation. Numbers may not sum because of rounding. See Appendix F for alternative rankings, in which the 21 higher education agencies are grouped as a single line item.
[a] Includes state funding for K–12 education only. The federal program has a separate program code. [b] Includes funding for services provided by community services boards. [c] Includes administrative and support services for DOC, DCJS, DJJ, VSP, and the Supreme Court.

State appropriations are also classified by their designated use, such as salaries or IT services. Appendix G provides detailed information about the largest categories for FY22 appropriations and the categories with the largest appropriation growth amounts.

Non-general fund appropriations continue to drive total budget growth

The state budget draws upon hundreds of revenue sources that are grouped into 10 broad categories, nine of which are non-general fund revenue sources. Statute governs the use of non-general funds and requires fewer decisions than the use of general funds. Non-general funds—which include a variety of pass-through payments such as child support, college tuition, lottery and ABC sales, and payments from the federal government—are still appropriated because the Virginia Constitution requires that state spending occur only through appropriations made by the General Assembly. These non-general funds are responsible for 79% of total budget growth (Table 7). Five non-general fund categories exceeded average annual general fund growth (4.7%) over the 10-year period.

The non-general fund categories with the largest growth amounts in appropriations over the past decade were federal trust, commonwealth transportation, dedicated special revenue, and higher education operating. These funds constitute 70% of the total increase in non-general fund appropriations between FY13 and FY22. The federal trust fund also experienced the fastest growth rate, at an average annual rate of 18% over the last decade because of federal ARPA funds and other federal COVID-19 relief funds that were appropriated through the budget in FY22 (Table 7). The federal trust fund is usually the non-general fund category with the largest growth amount, but it historically has not had the fastest annual growth rate. When federal COVID-19 relief funds are excluded from this fund, the average annual growth of the federal trust fund was only 11% during the 10-year period.

TABLE 7
Non-general fund growth by category, FY13–FY22 ($M)

	Total appropriation		Avg annual growth		% of total
Non-general fund category	**FY13**	**FY22**	**$**	**%**	**growth**
Federal Trust	$6,707.30	$25,843.3	$2,126.2	18%	47%
Commonwealth Transportation	3,988.0	8,008.8	446.8	8	10
Dedicated Special Revenue	1,425.8	4,186.1	306.7	13	7
Higher Education Operating	7,279.5	9,831.5	283.5	4	6
Internal Service	0.3	2,293.9	254.8	--	6
Enterprise	1,318.6	2,437.9	124.4	7	3
Debt Service	292.9	358.1	7.2	2	<1
Special	1,794.7	1,742.1	(5.8)	<0	<0
Trust and Agency	2,751.5	2,661.5	(10.0)	<0	<0
Non-general funds	**$25,558.6**	**$57,363.1**	**$3,533.8**	**10%**	**79%**
General fund	**$17,116.0**	**$25,801.6**	**$965.1**	**5%**	**21%**
Total all funds	**$42,674.7**	**$83,164.8**	**$4,498.9**	**8%**	**100%**

SOURCE: DPB data on appropriations, 2013–2022; Commonwealth Accounting Policies and Procedures Manual.
NOTE: Excludes capital appropriations. Appropriations not adjusted for inflation. Numbers may not sum because of rounding. SCHEV received an internal service fund appropriation of $290,000 annually between FY13 and FY16. This appropriation started prior to the technical change in FY15 to appropriate all internal service funds, resulting in an artificially high average annual growth rate.

Non-general fund categories

Federal Trust – All federal funds except those received by VDOT, VEC, and higher education institutions, which are budgeted separately. Includes federal ARPA funds (FY22) and most other federal COVID-relief funds (FY20–FY22). (See Appendix H.)

Commonwealth Transportation – All revenues designated for highway operations, maintenance, construction, and related activities generated from fuel, motor vehicle, and general sales taxes, excluding toll facilities. Includes federal funding for highway construction.

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 for college or university operations.

Dedicated Special Revenue – Funds appropriated from fees and payments restricted to the related activity (e.g., the state's safe drinking water revolving fund, permit fees for game protection, Northern Virginia and Hampton Roads transportation funds, health-care provider assessment fund, and the Virginia communication sales and use tax).

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 the state employees' health plan).

Enterprise – Funds for self-supporting governmental activities that provide goods and services to the public (e.g., lottery tickets, alcoholic beverages at ABC stores, and prepaid tuition contracts sold by Virginia529).

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.

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

Special – Revenues derived from restricted taxes and other special (non-general) revenue sources (e.g., child support, Medicaid and Medicare reimbursement, and operating income transferred from Virginia International Terminals to the Virginia Port Authority).

DMAS, VDOT, and several universities are among the 10 agencies with the largest increases in non-general fund appropriations (Table 8). DMAS by far has had the largest growth because of Medicaid expansion and the enhanced federal match rate during the COVID-19 pandemic. DMAS accounted for 31 percent of total non-general fund growth during the 10-year period. DOE (central office) is new to this list, because the early childhood programs operated by DSS were transferred to DOE in FY22. VDH is also new to this list because of additional federal funds to respond to the COVID-19 emergency.

TABLE 8
10 agencies with the highest growth amount in non-general fund appropriations, FY13–FY22 ($M)

		Non-general fund appropriation		Average annual growth		%
Rank	**Agency**	**FY13**	**FY22**	**$**	**%**	**total growth**
1	DMAS [a]	$4,525.1	$14,472.7	$1,105.3	14%	31%
2	VDOT	4,401.3	8,716.8	479.5	8	14
3	UVA [b]	2,294.0	3,819.5	169.5	6	5
4	DRPT	379.6	935.5	61.8	12	2
5	DOE (direct aid)	1,513.9	2,004.7	54.5	3	2
6	ABC	548.5	968.0	46.6	7	1
7	Va Tech	933.5	1,322.2	43.2	4	1
8	GMU	695.1	1,002.0	34.1	4	1
9	DOE (central office)	42.6	304.9	29.1	51	1
10	VDH	464.6	721.6	28.6	5	1
Top 10 agencies, subtotal		**$15,798.3**	**$34,267.9**	**$2,052.2**	**9%**	**58%**
Other agencies, subtotal		**$9,760.4**	**$23,095.2**	**$1,481.7**	**12%**	**42%**
Total non-general fund budget		**$25,558.6**	**$57,363.1**	**$3,533.8**	**10%**	**100%**

SOURCE: DPB data on appropriations, 2013–2022.
NOTE: Excludes capital appropriations. Top 10 list excludes central appropriations (which includes federal ARPA funds), transfer payments (such as DOA transfer payments), and administration of health insurance. Top 10 list also excludes the Virginia Lottery, which received a $350 million increase in appropriations in FY19 because of the technical change to appropriate lottery prizes, and agencies that operate internal service funds. (The budget began including specific appropriations to these funds beginning in FY15 causing an increase in appropriations.) Appropriations not adjusted for inflation. Numbers may not sum because of rounding. See Appendix F for alternative rankings, in which the 21 higher education agencies are grouped as a single line item.
[a] Includes $4,418.7M in FY13 and $ 14,238.8M in FY22 for Medicaid Services and CHIP. [b] Excludes UVA-Wise but includes the medical center.

The growth in non-general funds in the past decade has resulted in sustained 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 was 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 now account for about 69% of the total state budget (Table 7). Excluding federal ARPA and other COVID-relief funds from the budget, non-general funds account for 65% of the total state budget.

For **major uses of non-general funds**, see Appendix M: jlarc.virginia.gov/state-spending2021.asp.

Some agencies have had very large percentage increases in appropriations since FY13

Some agencies experienced very large total growth *rates* between FY13 and FY22. These agencies, however, did not necessarily experience the largest growth in appropriation *amounts*.

General fund appropriations have declined five times since FY1981: FY1992, FY02, and FY08–FY10. FY08–FY10 was the first time since the early 1960s that the general fund declined in two or more consecutive years.

Twenty-two agencies had total general fund growth rates that exceeded the general fund growth rate over the 10-year period. The 10 fastest-growing state agencies each had general fund growth rates of 90% or more (Table 9), far exceeding the total general fund growth rate of 51% over the 10-year period. Most of these agencies are relatively small or—like VDOT, which is a sizable agency—generally receive minimal general fund appropriations. Therefore, even though these agencies experienced high general fund growth rates, their growth made up a small proportion of total general fund budget growth.

TABLE 9
10 agencies with the fastest growth rates in general fund appropriations, FY13–FY22 ($M)

		General fund appropriation		General fund growth		
Rank	**Agency**	**FY13**	**FY22**	**$M**	**%**	**% of total**
1	VDOT	$40.0	$342.5	$302.5	756%	3%
2	VIPA (formerly IEIA)	5.9	41.6	35.6	601	<1
3	DHCD	47.7	204.8	157.1	329	2
4	VDEM	7.1	22.3	15.2	214	<1
5	DVS	9.7	28.5	18.9	195	<1
6	ELECT	8.5	23.7	15.2	178	<1
7	VEDP	17.8	45.2	27.3	153	<1
8	DCR	66.4	153.0	86.5	130	1
9	Court of Appeals	8.5	18.2	9.7	115	<1
10	Richard Bland	5.7	10.8	5.1	90	<1
Top 10 agencies, subtotal		**$217.3**	**$890.5**	**$673.1**	**310%**	**8%**
Other agencies, subtotal		**$16,898.7**	**$24,911.2**	**$8,012.5**	**47%**	**92%**
Total general fund budget		**$17,116.0**	**$25,801.6**	**$8,685.6**	**51%**	**100%**

SOURCE: DPB data on appropriations, 2013 and 2022.
NOTE: Excludes capital appropriations. Top 10 list includes agencies with general fund appropriations of at least $5 million in FY13 and excludes central appropriations. Appropriations not adjusted for inflation. Numbers may not sum because of rounding. See Appendix F for alternative rankings, in which the 21 higher education agencies are grouped as a single line item.

Explanation of general fund growth in Table 9

VDOT – This growth occurred because additional general funds, including a portion of the undesignated general fund surplus in FY21, as required, were provided for strategic transportation initiatives, most of which went to widening a nine-mile portion of I-64 east of Richmond.

VIPA – Growth was because of consolidation of several entities, including the former IEIA, into VIPA and funding for new initiatives that began in FY21.

DHCD – The majority of this increase was for appropriations to the Virginia Housing Trust Fund and to expand broadband access (Virginia Telecommunication Initiative).

VDEM– Growth was primarily because of appropriations for emergency response services to purchase and distribute personal protective equipment during the COVID-19 pandemic and to operate the Virginia Emergency Operations Center.

DVS – This increase was for the establishment of new programs and facilities, including eight new field offices, the Virginia Veteran and Family Support program, and a third cemetery; increases in staff and facility support for the Virginia War Memorial; and projects within the National Museum of the United States Army in Fairfax County.

ELECT– Growth was primarily for appropriations to improve the voter registration system (VERIS) and to replace federal funds for improving voting systems and voter access with state funds.

VEDP – Growth was for funding to expand and rebrand the Virginia Jobs Investment Program; support Virginia exporters through several grant programs; increase site development activities in the Business Ready Sites Program; and develop a customized workforce recruitment and training incentive program.

DCR – Most of this increase was mandatory deposits to the Water Quality Improvement Fund, which is administered by DCR (and DEQ) and used to implement agricultural best management practices and other nonpoint source pollution prevention strategies.

Court of Appeals – Growth was primarily to support additional judges and staff to address anticipated workload increases related to 2021 legislation that expanded the jurisdiction and organization of the court to include appeals of civil cases.

Richard Bland – Growth was primarily for increased appropriations for instruction and student financial aid.

The non-general fund budgets of six agencies grew as fast, or faster, than the overall non-general fund budget of 124% during the 10-year period, and eight agencies experienced non-general fund growth rates of over 100% (Table 10). The combined growth of these fastest-growing agencies, with the exception of DMAS and VDOT, made up only a small percentage of total non-general fund growth during the time period.

TABLE 10
10 agencies with the fastest growth rate in non-general fund appropriations, FY13–FY22 ($M)

		Non-general fund appropriation		Non-general fund growth		
Rank	**Agency**	**FY13**	**FY22**	**$**	**%**	**% of total**
1	DOE (central office)	$42.6	$304.9	$262.3	616%	0.8%
2	Dept. of Treasury	10.7	42.1	31.3	292	0.1
3	DMAS	4,525.1	14,472.7	9,947.6	220	31.3
4	DRPT	379.6	935.5	555.9	146	1.7
5	DHCD	59.4	139.9	80.4	135	0.3
6	DVS	44.4	99.6	55.2	124	0.2
7	VDEM	40.1	82.6	42.4	106	0.1
8	DCJS	53.2	108.4	55.2	104	0.2
9	VDOT	4,401.3	8,716.8	4,315.6	98	13.6
10	VPA	142.0	255.3	113.2	80	0.4
Top 10 agencies, subtotal		**$9,698.5**	**$25,157.7**	**$15,459.1**	**159%**	**48.6%**
Other agencies, subtotal		**$15,860.1**	**$32,205.5**	**$16,345.4**	**103%**	**51.4%**
Total non-general fund budget		**$25,558.6**	**$57,363.1**	**$31,804.5**	**124%**	**100.0%**

SOURCE: DPB data on appropriations, 2013 and 2022.
NOTE: Excludes capital appropriations. Top 10 list excludes central appropriations (which includes federal ARPA funds), transfer payments (such as DOA transfer payments), and administration of health insurance. Top 10 list also excludes the Virginia Lottery, which received a $350 million increase in appropriations beginning in FY19 because of the technical change to appropriate lottery prizes, and agencies that operate internal service funds. (The budget began including specific appropriations to these funds beginning in FY15 causing an increase in appropriations.) Appropriations not adjusted for inflation. Numbers may not sum because of rounding. See Appendix F for alternative rankings, in which the 21 higher education agencies are grouped as a single line item.

Explanation of non-general fund growth in Table 10

DOE (central office) – Growth was primarily because responsibility for the federal Child Care Development Fund grant was transferred from DSS to DOE.

Dept. of Treasury – The increase was primarily for establishing an appropriation for risk management claims and administrative costs for state insurance trust funds, in accordance with federal guidelines for recording internal service fund expenditures.

DMAS – The increase was primarily appropriations of federal funding to implement Medicaid expansion and enhanced federal funding (enhanced federal match) during the COVID-19 pandemic**.**

DRPT – The increase was primarily the result of (1) increased tax revenue to fund rail transportation projects because of legislative changes, (2) new passenger rail initiatives, and (3) transferring appropriations for the Washington Metropolitan Area Transit Authority from VDOT to DRPT.

DHCD – Growth was primarily because of the appropriation of federal funds to provide COVID-19 relief in FY22.

DVS – This increase was mostly to operate and staff new veterans care facilities in FY20 and in FY22.

VDEM – Growth was mostly due to transferring emergency response systems development from VITA to VDEM in FY21.

DCJS – Growth was mostly due to additional federal funding for a grant program that provides services to victims of crime in FY19 and after.

VDOT – The increase was primarily the result of increased retail sales and use and motor vehicle sales tax revenue to fund transportation projects and additional federal funding because of a revision to procedures for processing federal receipts.

VPA - This increase was because of increased transportation revenues; increased lease payments for the APM terminal, now Virginia International Gateway; the transfer of appropriations and staffing from Virginia International Terminals to VPA; and debt service payments for equipment leases.

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

General fund appropriations declined for only three agencies over the 10-year period: DEQ (-31%), SBSD (-53%), and Treasury (-4%). DEQ's budget was higher in FY13 than in FY22 because the agency received a $45 million deposit to the Water Quality Improvement Fund in FY13. SBSD's general fund decline reflects savings from merging the Department of Business Assistance and the Department of Minority Business Enterprise to create SBSD in FY15, and the transfer of the Virginia Jobs Investment Program (previously administered by the Department of Business Assistance) to VEDP. Treasury's budget declined because general funds for investment, trust, and insurance services slightly declined during the 10-year period. The appropriations of 19 other agencies grew slower than inflation (27.1%). Many of these agencies, with the exception of four (DCJS, DMA, VMFA, and APA) also experienced total budget growth that was less than inflation.

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 FY1981 through the most recent fiscal year. For this report, economic and demographic data are obtained annually from federal agencies such as the Census Bureau and the Bureau of Economic Analysis.

There are several constraints on collection and analysis of state appropriation and expenditure data. Because agencies are not required to keep budget records longer than five years, older information is often unavailable. Changes to the structure and staffing of agencies further complicate the collection and analysis of data. JLARC staff supplement the information provided by agencies by referring to a variety of alternative sources, as noted below.

Key elements of the fiscal and demographic data sets are included in appendixes to this report. More detailed information for this report is available in online appendixes: http://jlarc.virginia.gov/state-spending2022.asp.

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 & Appropriations committees, all from the 10-year period under review. Agency-specific and program-specific studies and documents also were 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: 10 agencies with largest appropriations

TABLE C-1
10 agencies with largest total appropriations, FY13 and FY22 ($M)

FY13				FY22			
Rank	Agency	Total	% of total	Rank	Agency	Total	% of total
1	DMAS [a]	$8,072.9	19%	1	DMAS [a]	$19,122.7	23%
2	DOE (Direct aid)	6,686.1	16	2	DOE (Direct aid)	9,185.7	11
3	VDOT	4,441.3	10	3	VDOT	9,059.3	11
4	UVA [b]	2,424.4	6	4	UVA [b]	3,987.1	5
5	DSS	1,880.2	4	5	DSS	2,130.8	3
6	VCCS	1,558.0	4	6	Va Tech	1,535.4	2
7	Va Tech	1,093.2	3	7	DOC	1,410.0	2
8	DOC	1,027.5	2	8	VCU	1,320.3	2
9	VCU	1,008.9	2	9	DBHDS	1,313.5	2
10	DBHDS	1,007.2	2	10	VCCS	1,311.3	2
Top 10 agencies, subtotal		**$29,199.7**	**68%**	**Top 10 agencies, subtotal**		**$50,376.1**	**61%**
Other agencies, subtotal		**$13,475.0**	**32%**	**Other agencies, subtotal**		**$32,788.6**	**39%**
Total operating budget		**$42,674.7**	**100%**	**Total operating budget**		**$83,164.8**	**100%**

SOURCE: DPB data on appropriations, 2013 and 2022.
NOTE: Excludes capital appropriations. Top 10 list excludes the Personal Property Tax Relief program and the Administration of Health Insurance program. Appropriations not adjusted for inflation. Numbers may not add because of rounding.
[a] Includes $7,905.1M in FY13 and $18,785.8M in FY22 for Medicaid Services and the Children's Health Insurance Program (CHIP).
[b] Excludes UVA-Wise but includes the medical center.

TABLE C-2
10 agencies with largest general fund appropriations, FY13 and FY22 ($M)

FY13				FY22			
Rank	Agency	Total	% of total	Rank	Agency	Total	% of total
1	DOE (Direct aid)	$5,172.2	30%	1	DOE (Direct aid)	$7,180.9	28%
2	DMAS [a]	3,547.8	21	2	DMAS [a]	4,650.0	18
3	DOC	953.3	6	3	DOC	1,342.3	5
4	Compensation Board	613.5	4	4	DBHDS	1,076.4	4
5	Treasury Board	607.7	4	5	Treasury Board	853.5	3
6	DBHDS	589.7	3	6	Compensation Board	729.8	3
7	VCCS	377.7	2	7	VCCS	515.4	2
8	DSS	377.0	2	8	DSS	470.2	2
9	VSP	230.6	1	9	VSP	348.4	1
10	CSA	225.4	1	10	VDOT	342.5	1
Top 10 agencies, subtotal		**$12,694.8**	**74%**	**Top 10 agencies, subtotal**		**$17,509.5**	**68%**
Other agencies, subtotal		**$4,421.2**	**26%**	**Other agencies, subtotal**		**$8,292.2**	**32%**
Total general fund budget		**$17,116.0**	**100%**	**Total general fund budget**		**$25,801.6**	**100%**

SOURCE: DPB data on appropriations, 2013 and 2022.
NOTE: Excludes capital appropriations. Top 10 list excludes 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] Includes $3,486.3M in FY13 and $4,547.0M in FY22 for Medicaid Services and CHIP.

TABLE C-3
10 agencies with largest non-general fund appropriations, FY13 and FY22 ($M)

FY13

Rank	Agency	Total	% of total
1	DMAS [a]	$4,525.1	18%
2	VDOT	4,401.3	17
3	UVA [b]	2,294.0	9
4	DOE (Direct aid)	1,513.9	6
5	DSS	1,503.2	6
6	VCCS	1,180.3	5
7	Va Tech	933.5	4
8	VCU	826.6	3
9	VEC	723.4	3
10	GMU	695.1	3
Top 10 agencies, subtotal		**$18,596.4**	**73%**
Other agencies, subtotal		**$6,962.2**	**27%**
Total non-general fund budget		**$25,558.6**	**100%**

FY22

Rank	Agency	Total	% of total
1	DMAS [a]	$14,472.7	25%
2	VDOT	8,716.8	15
3	UVA [b]	3,819.5	7
4	DOE (Direct aid)	2,004.7	3
5	DSS	1,660.6	3
6	Va Tech	1,322.2	2
7	VCU	1,063.7	2
8	GMU	1,002.0	2
9	ABC	968.0	2
10	DRPT	935.5	2
Top 10 agencies, subtotal		**$35,965.7**	**63%**
Other agencies, subtotal		**$21,397.4**	**37%**
Total non-general fund budget		**$57,363.1**	**100%**

SOURCE: DPB data on appropriations, 2013 and 2022.
NOTE: Excludes capital appropriations. Top 10 list excludes the Administration of Health Insurance program. Appropriations not adjusted for inflation. Numbers may not add because of rounding.
[a] Includes $4,418.7M in FY13 and $ 14,238.8M in FY22 for Medicaid Services and CHIP. [b] Excludes UVA-Wise, but includes the medical center.

Appendix D: Virginia's operating appropriations, FY13–FY22 and federal COVID-19 funds in the budget

Virginia's total operating budget appropriations totaled $83.2 billion in FY22 (Table D-1). The total operating budget grew 8 percent per year, on average, during the 10-year period, primarily because of growth in non-general fund appropriations.

TABLE D-1
Virginia's operating appropriations, FY13–FY22 ($M)

	General fund		Non-general fund		Total	
Fiscal year	**Amount**	**% change**	**Amount**	**% change**	**Amount**	**% change**
2013	$17,116	--	$25,559	--	$42,675	--
2014	17,705	3.4%	25,619	0.2%	43,324	1.5%
2015	18,240	3.0	28,740 [a]	12.2	46,980	8.4
2016	18,961	4.0	30,586	6.4	49,547	5.5
2017	20,114	6.1	32,073	4.9	52,187	5.3
2018	20,450	1.7	32,164	0.3	52,614	0.8
2019	21,443	4.9	36,799	14.4	58,242	10.7
2020	22,283	3.9	40,288	9.5	62,572	7.4
2021	22,720	2.0	44,774	11.1	67,495	7.9
2022	25,802	13.6	57,363 [b]	28.1	83,165	23.2
Change 2013–2022	**$8,686**	**50.7%**	**$31,805**	**124.4%**	**$40,490**	**94.9%**
Average annual change		**4.7%**		**9.7%**		**7.9%**

SOURCE: DPB data on appropriations, 2013–2022.
NOTE: Operating funds only; excludes capital appropriations.
[a] $1.8 billion of this increase reflects the non-general fund budget including a specific appropriation amount for internal service funds starting in FY15. [b] $9.5 billion of this increase reflects the non-general fund budget including federal ARPA and other funds for COVID-19 pandemic relief.

Virginia received $18 billion in federal COVID-19 relief funds in FY20 and FY21 through the Coronavirus Preparedness and Response Supplemental Appropriations Act; the Families First Coronavirus Response Act; and the Coronavirus Aid, Relief, and Economic Security Act. These funds were appropriated or allocated to various state agencies and programs but are not included in the FY20 and FY21 operating budget amounts in the appropriations act (Table D-1) because a different process was used to appropriate these funds than is typical. The General Assembly authorized the governor to appropriate funds to state agencies, institutions of higher education, and other permissible entities in the 2020 Appropriation Act (Chapter 1289) and directed the governor how to appropriate remaining federal relief funds in the 2021 Appropriation Act (Chapter 552, Special Session I). The vast majority of the funds were provided to 10 programs each year (Table D-2).

TABLE D-2
10 programs or services with largest federal COVID-19 relief appropriations, FY20 and FY21

Federal COVID-19 relief appropriations FY20

Rank	Program or service name	Total ($M)	% of total
1	Unemployment insurance services	4,088.8	76%
2	Financial assistance to localities: pandemic response	644.6	12
3	Federal assistance to local education programs	299.7	6
4	Higher ed: financial assistance for E&G services	76.3	1
5	Emergency response and recovery [a]	56.4	1
6	Higher education: auxiliary enterprises	39.0	1
7	State health services [b]	38.7	1
8	Higher ed: student financial assistance	29.8	1
9	Housing assistance services	15.5	0
10	Higher ed: institutional support	15.1	0
Top 10 programs/services, subtotal		**$5,304.0**	**98%**
Other programs/services, subtotal		**$107.2**	**2%**
Total federal COVID-19 relief appropriations		**$5,411.2**	**100%**

Federal COVID-19 relief appropriations, FY21

Rank	Program or service name	Total ($M)	% of total
1	Unemployment insurance services	$8,392.0	67%
2	Financial assistance to localities: pandemic response	1,047.9	8
3	Federal assistance to local education programs	606.9	5
4	Housing assistance services	579.9	5
5	Higher ed: Financial assistance for E&G services	367.2	3
6	Emergency response and recovery [a]	260.4	2
7	Payments for special/unanticipated expenditures [c]	206.2	2
8	Financial assistance for self-sufficiency programs/services	157.4	1
9	Rebuild Virginia	145.0	1
10	Communicable disease prevention and control	144.7	1
Top 10 programs/services, subtotal		**$11,907.5**	**95%**
Other programs/services, subtotal		**$677.4**	**5%**
Total federal COVID-19 relief appropriations		**$12,584.9**	**100%**

SOURCE: DPB website.
NOTE: FY20 and FY21 amounts exclude funds that were legislatively appropriated through a general appropriation act (Chapter 1289 or 552) and included in operating budget totals.
[a] Emergency response efforts by VDEM. [b] Includes COVID-19 response activities at VDH, UVA Medical Center, and at facilities operated by DBHDS and DVS. [c] Includes additional expenditures primarily for hazard pay and PPE for personal care attendants and reimbursing hospitals and nursing homes for COVID-19 related costs.

The General Assembly included $9.2 billion in appropriations of federal COVID-19 relief funds from the American Rescue Plan Act of 2021 (ARPA) in the FY22 operating budget ($83.2 billion in total) in Item 479.20 (central appropriations). Like prior COVID-19 relief funding distributions, local school divisions and the unemployment assistance program were among the top recipients of ARPA funds (Table D-3).

TABLE D-3
10 service categories with largest federal ARPA appropriations, FY22

Rank	Service category	Total ($M)	% of total
1	Direct aid to public education	$1,974.27	21%
2	Unemployment assistance services	1,456.12	16
3	Child care grants	794.10	9
4	Broadband initiatives	709.24	8
5	Higher education emergency relief	667.28	7
6	Emergency rental assistance	465.51	5
7	Grants to localities	316.88	3
8	Sewer and wastewater treatment facilities	305.75	3
9	Education – local school division ventilation systems	257.00	3
10	Rebuild VA	250.00	3
Top 10 service categories, subtotal		**$6,661.6**	**72%**
Other service categories, subtotal		**$2,537.1**	**28%**
Total federal ARPA appropriations		**$9,198.7**	**100%**

SOURCE: DPB website.
NOTE: Of the ARPA funds appropriated, $3.2 billion were from the State and Local Recovery Fund, $222 million were from the Capital Project Fund, and $5.7 billion were Elementary & Secondary School Emergency Relief and other grants. The FY22 total operating budget also included another $282.5 million in federal COVID-19 relief funds appropriated directly to DOE and VDH that are not included in this table.

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