



Review of State Spending: 2012 Update



HOUSE DOCUMENT NO. 19 (2012)
COMMONWEALTH OF VIRGINIA
RICHMOND

NOVEMBER 2012

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Glen S. Tittermary

JLARC Staff for This Report

Walt Smiley, Project Leader (Fiscal Analysis)
Paula Lambert
Anna Haley

Report No. 432

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COMMONWEALTH of VIRGINIA

Glen S. Tittermary
Director

*Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219*

(804) 786-1258

December 12, 2012

The Honorable John M. O'Bannon III
Chair, Joint Legislative Audit and Review Commission
General Assembly Building
Richmond, Virginia 23219

Dear Delegate O'Bannon:

Section 30-58.3 of the *Code of Virginia* requires JLARC to produce an annual report on state spending growth over the prior ten years. This report covers the period from FY 2003 to FY 2012 and is the twelfth report in the series.

The findings of this review were presented to the Commission on November 13, 2012.

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

Sincerely,

A handwritten signature in black ink that reads "Glen S. Tittermary".

Glen S. Tittermary
Director

GST/mle

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Abbreviations Used in This Report

CNU	Christopher Newport University
CSA	Comprehensive Services for At-Risk Youth and Families
DBHDS	Department of Behavioral Health and Developmental Services
DBVI	Department for the Blind and Vision Impaired
DCJS	Department of Criminal Justice Services
DCR	Department of Conservation and Recreation
DGS	Department of General Services
DHCD	Department of Housing and 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
DRPT	Department of Rail and Public Transportation
DSS	Department of Social Services
DVS	Department of Veteran Services
EVMS	Eastern Virginia Medical School
FAMIS	Family Access to Medical Insurance Security
GMU	George Mason University
IDC	Indigent Defense Commission
IEIA	Innovation and Entrepreneurship Investment Authority (<i>formerly the Innovative Technology Authority</i>)
JDRDC	Juvenile and Domestic Relations District Courts
JMU	James Madison University
LVA	Library of Virginia
NSU	Norfolk State University
ODU	Old Dominion University
RU	Radford University
SBE	State Board of Elections
SCHEV	State Council of Higher Education for Virginia
SOQ	Standards of Quality
UMW	University of Mary Washington
UVA	University of Virginia
Va Tech	Virginia Tech
VCCS	Virginia Community College System
VCSP	Virginia College Savings Plan
VCU	Virginia Commonwealth University
VDEM	Virginia Department of Emergency Management
VDH	Virginia Department of Health
VDOT	Virginia Department of Transportation
VEC	Virginia Employment Commission
VMI	Virginia Military Institute
VPA	Virginia Port Authority
VSDBH	Virginia School for the Deaf and Blind–Hampton
VSDBS	Virginia School for the Deaf and Blind–Staunton
VSP	Virginia State Police
VSU	Virginia State University
VTA	Virginia Tourism Authority
W&M	College of William and Mary

KEY FINDINGS: Review of State Spending (FY 2003–FY 2012)

- Over the last decade, Virginia’s operating budget increased by \$15.4 billion (62%)—a 35% increase in general funds and an 86% increase in non-general funds. When controlling for growth in population and inflation, budget growth was 18% over the ten-year period. (pp. 3-5)
 - A variety of economic and policy factors contributed to this growth. With a population growth of 10% from 2003 to 2011, Virginia had approximately 730,000 more residents. Virginians also saw a 50% increase in personal income over the period, although inflation increased by 25%. (pp. 4-5)
 - Overall budget growth was largely the result of growth in non-general funds in FYs 2008-2011, led in part by an infusion of federal stimulus funds in FYs 2010-2011. (pp. 7-10)
 - The ten largest state agencies (of 151 agencies) accounted for 70% of the entire state budget in FY 2012 and 73% of all budget growth between FYs 2003 and 2012. (pp. 11-12)
 - Growth in general fund appropriations is concentrated in a few large state agencies. The general fund appropriation of 54 agencies grew more slowly than inflation or even declined. (pp. 11-16)
 - Several agencies experienced substantial growth in general and non-general fund appropriations over the last ten years. (pp. 13-15)
 - Growth in budget programs was also concentrated in a few large core programs: nine programs (of 196) in health care, education, and transportation accounted for 78% of total budget growth over the ten-year period. (p. 17)
-

Overview of Virginia's Budget

The budget is a complex instrument that channels money from many different sources to a variety of functions and programs. It incorporates numerous trends and changes into a single dollar figure representing all state government activities, and is perhaps the single most important statement of policies and priorities for Virginia.

In FY 2012, Virginia's budget totaled \$40.4 billion and included 151 agencies and 196 programs.

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

- **Population:** As a fast-growing state in terms of population (12th fastest growing in 2011), each year more residents are paying taxes and requiring public services.
- **Economic factors:** Wages and personal income in Virginia outpaced the nation during the FY 2003 to FY 2012 period, and unemployment remained below the national average.
- **State spending:** Overall budget growth slowed dramatically in FY 2008 as a result of the nationwide economic downturn, but increased by nearly 5% in FY 2011 and 3.5% in 2012, due in part to an infusion of federal stimulus funds and growth in other non-general funds. The overall budget continued to grow even though most state agency budgets were reduced during the period.

Annual Reports on State Spending

Section 30-58.3 of the *Code of Virginia* (Appendix A) requires the Joint Legislative Audit and Review Commission (JLARC) to develop an annual report on growth in state spending over the prior five biennia, and to identify the largest and fastest growing functions and programs in the budget and analyze long-term trends and causes of spending in these programs.

Prior reports reviewed spending and budget growth over different periods between FYs 1981 and 2011. This report is the 12th in the series and focuses on trends during the past ten years, from FY 2003 through FY 2012. The report focuses on the state's operating budget and therefore excludes capital spending.

As in prior editions, this report does not address the merits or adequacy of funding for governmental 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 the 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 Recent Years

Virginia has had long-term budget growth for many years. As noted in the first JLARC report on state spending, issued in January 2002, Virginia's total operating appropriations grew 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, the total state budget continued to increase due to growth in non-general funds.

In the general fund's "down" years over the last decade (FYs 2008-2010), growth in non-general funds continued to drive up total appropriations. Overall annual budget growth from FY 2003 to FY 2012 averaged 5.5%, with non-general fund growth increasing 7.2% on average. General fund growth, however, averaged 3.6% over the ten-year period.

General funds are derived from broad-based taxes like income and sales taxes. They are not restricted as to their use and so are available for the general purposes of government.

Non-general funds are taxes, fees, and revenues limited by statute to specific purposes, such as college tuition or gasoline taxes.

Growth in total appropriations continued through the 2000s but slowed to a near stop by FY 2010 only to resume in FYs 2011 and 2012 (Table 1). Total appropriations grew by about 6% in FYs 2003 and 2004. The nearly 11% growth in FY 2005 stemmed not only from a healthy economy but also from state tax policy changes adopted in 2004, leading to three years of above-average budget growth. By FY 2008, total budget growth slowed to less than 3% and in FY 2010 was only 0.3%. FY 2012's total budget grew by 3.5% as a result of increases in general and non-general funds.

The upward trend in state general fund appropriations ceased in FY 2007, although the total budget continued to grow slowly in subsequent years. Prior to FY 2007, there had been only two "down" years for the general fund (FYs 1992 and 2002). FYs 2008 through 2010 saw general fund appropriations decline by \$2.2 billion, or 13%, an average decline of more than 4% per year. This was the first time since at least the early 1960s that the general fund declined in two or more consecutive years. In FY 2012, there was a 5.7% increase in general funds and a 2.1% increase in non-general funds.

Table 1: Virginia's Operating Appropriations, FYs 2003-2012 (\$ in Millions)

Fiscal year	General fund		Non-general fund		Total	
	Amount	% change	Amount	% change	Amount	% change
2003	\$12,105	---	\$12,878	---	\$24,983	---
2004	12,370	2.2%	14,009	8.8%	26,379	5.6%
2005	13,782	11.4	15,476	10.5	29,258	10.9
2006	15,111	9.6	16,881	9.1	31,991	9.3
2007	17,033	12.7	18,062	7.0	35,095	9.7
2008	16,960	-0.4	19,043	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
2003-2012		35.0%		86.4%		61.5%
Average annual change		3.6%		7.2%		5.5%

Note: Operating funds only; excludes central and capital appropriations.
Source: Appropriation Acts.

Non-general funds continued to grow for several reasons, including increases in federal funds, tuition payments at colleges and universities, and child support enforcement payments. Some of this shift was expressly to offset the decline in 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.

Another important change occurred during the last decade—the general fund declined as a portion of the total state budget. In FY 2002, for example, general funds totaled 51% of operating appropriations. Starting in FY 2003, however, non-general funds represented a majority of the state’s budget. By FY 2012, non-general funds represented 60% of operating appropriations, compared to just 40% for general funds. 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, gasoline taxes, and the unemployment trust fund—and federal decisions about funding for states and localities.

Growth in Population, the Economy, and Inflation Contribute to Budget Trends

Changes in population levels and demographics can drive public sector budgets. Virginia’s population increased 10% from 2003 to 2011, the most recent year for which data is available (Table 2). Not only do localities that are gaining or losing significant numbers of people tend to have different needs and expectations for public services, two age groups in particular—older residents and the school-age population—may influence the provision of state services and funding. The number of Virginians 65 years of age and older increased 12% more than the overall population between 2003 and 2011. Over the same period, the number of Virginians under the age of 18 grew more slowly than the overall population.

On a per capita basis, general fund appropriations have declined by 12% since their peak in FY 2007.

Inflation also explains some of the increase in Virginia’s budget. As measured by the change in the consumer price index from FY 2003 through FY 2012, inflation increased by 25%. This means that the state budget would have had to increase by that percentage just to maintain the same service levels as in FY 2003. Controlling for the effects of inflation, Virginia’s total appropriations increased by 29% over the period, the non-general fund budget increased 49%, and the general fund budget increased 8% (Figure 1).

Adjusting for inflation by converting FY 2003 appropriations into FY 2012 dollars helps better explain underlying budget changes. Taking into account both inflation and population growth, general fund appropriations varied by small amounts throughout most of the period, running fairly close to the ten-year per capita average of \$2,037 (Figure 2).

Table 2: Key Demographic and Economic Changes in Virginia (2003–2012)

Indicator	2003 (except as noted)	2012 (except as noted)	Percent change
Population			
Total	7,366,977 ^a	8,096,604 (2011)	10%
Ages 65 and over	829,028	1,012,076 (2011)	22
Under 18 years old	1,783,917	1,854,122 (2011)	4
Economy			
Inflation (Consumer Price Index)	183.1	228.6	25
Total employment (non-farm, June)	3,522,900	3,744,100	5
Total state personal income	\$252.2 billion	\$379.5 billion	50
Median home sales price (June) ^a	\$135,750	\$185,000	36
Average price per acre of farm land	\$2,650	\$4,450	70
Total taxable property	\$648.5 billion	\$1,059.6 billion (2010)	63
Average weekly wages	\$774	\$974 (2011)	26
State Finance^b			
State operating budget	\$25.0 billion	\$40.3 billion	62
State general fund budget	\$12.1 billion	\$16.3 billion	35
Total number of state employees (salaried) ^c	102,736	103,444	1
Average state employee salary	\$34,590	\$43,987	27
Taxable sales	\$75.0 billion	\$86.4 billion (2010)	22

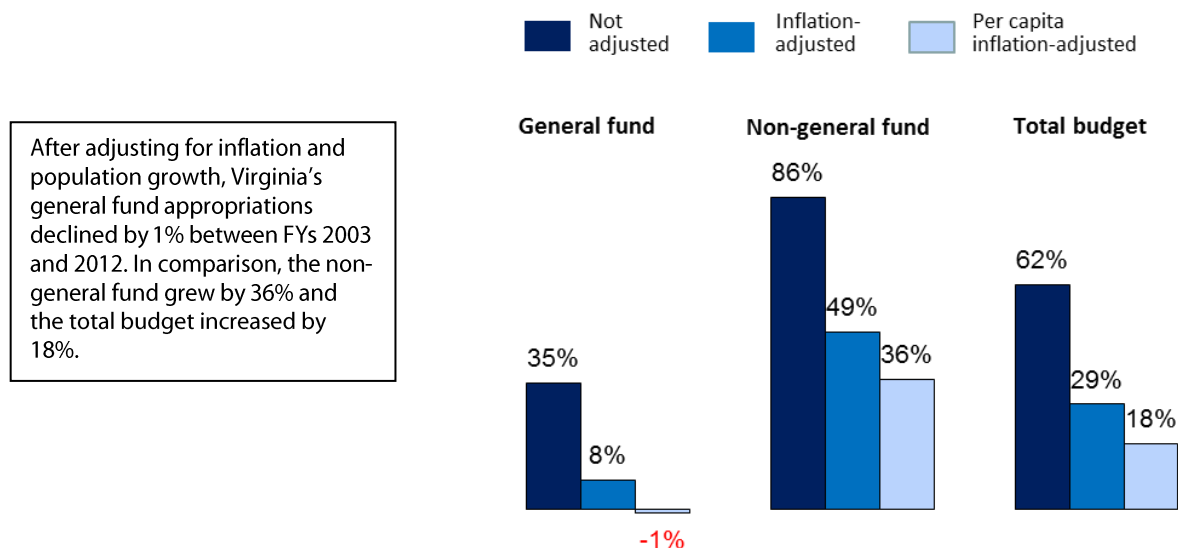
Note: Dollars not adjusted for inflation.

^a Estimated.

^b On a fiscal year basis.

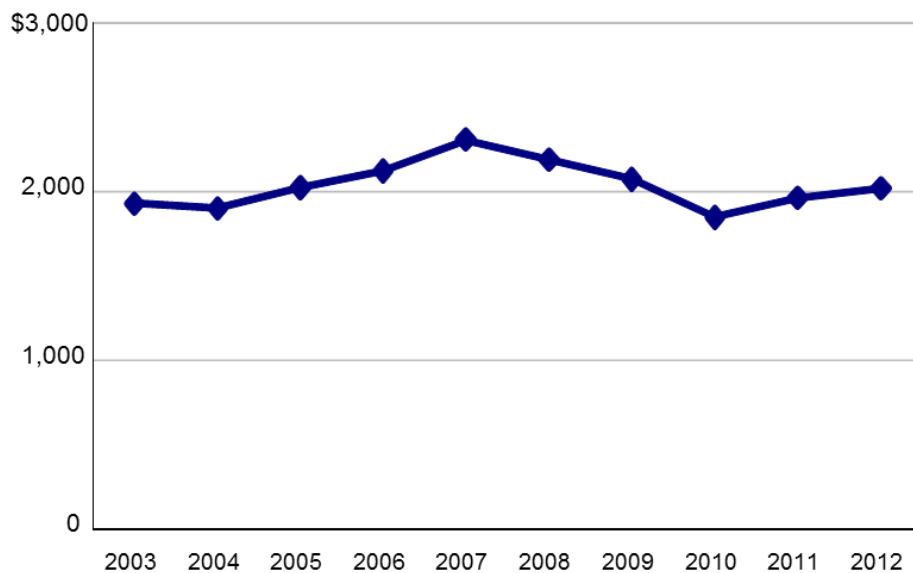
^c Includes salaried faculty at institutions of higher education.

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

Figure 1: Effects of Inflation and Population Growth on Appropriations (FYs 2003-2012)

Source: Appropriation Acts; Weldon Cooper Center; U.S. Bureau of Labor Statistics.

Figure 2: General Fund Appropriations on a Per Capita Inflation-Adjusted Basis (FYs 2003-2012)



Source: Appropriation Acts; Weldon Cooper Center; U.S. Bureau of Labor Statistics.

Virginia's per capita inflation-adjusted overall budget growth of 18% from FY 2003 through FY 2012 resembled the 50-state average spending growth over a similar ten-year period. Appropriation data for the 50 states are unavailable, but data on state expenditures collected by the National Association of State Budget Officers (NASBO) from FYs 2001 through 2010 shows that Virginia's spending growth of 22% ranked 21st among the 50 states, after adjusting for inflation and population growth. In comparison, West Virginia's per capita inflation-adjusted spending growth was 114% and North Carolina's rate was 25% 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.)

Virginia's economic growth outpaced the nation for most of the period under review. A growing economy typically means an increasing, wealthier population that generates increasing revenues as well as expectations of additional public services, from roads to schools and public safety. Importantly, economic growth favored some regions of the state more than others.

Several key economic indicators point to Virginia's strong performance during this period. For example,

- Virginia's share of the gross domestic product (GDP) outperformed that of the nation as a whole between 2003 and 2012, rising by 40% compared to the national rate of 34%. When adjusted for inflation, Virginia's GDP increased by 12% between 2003 and 2011. This growth compares favorably to the 8% inflation-adjusted increase in the U.S. GDP.

- Personal income in Virginia also increased over the last decade. On an inflation-adjusted basis, personal income in Virginia rose by 12% between 2003 and 2011 compared to a nationwide increase of 8%.
- Virginia also experienced growth in its labor force over the last ten years. The statewide unemployment rate in July 2011 (6.1%) ranked 42nd (ninth lowest among the 50 states). Total employment in Virginia grew by approximately 4% over the period under review, totaling over 3.6 million employed in July 2011. Comparatively, nationwide employment only increased by 0.8% during the ten-year period.

Agency Workloads, Policy Decisions, Federal Funding, and National Programs Also Contribute to Budget Trends

While inflation, population growth, and economic growth help explain state budget growth over the last decade, additional factors are also at work. Policy decisions that establish and change programs and services for specific populations are reflected in the budgets for those programs. Virginia's budget also fluctuated with federal, state, and in some cases, local decisions to expand or diminish programs and activities.

The broad demographic and economic changes described above influenced the workload of state agencies, although there is no consistent trend. 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 this inconsistency is that agency budgets are driven by an array of factors, including not only changes in workload but also the adequacy of the budget and policy decisions to change programs, staffing, and funding levels. An agency's increased use of technology can also affect costs.

Federal funds grew as a portion of Virginia's budget during the period under review. At the beginning of the period, federal funds accounted for \$3.7 billion or 15% of the state budget. By FY 2012, Virginia's federal funds increased to \$6.3 billion and their share of the state budget had risen to 16%. Part of this growth occurred late in the ten-year period as a result of the federal government's response to the recession that began in 2008. The 2009 American Recovery and Reinvestment Act (ARRA) provided additional federal funds (stimulus funds) to the states. Virginia and its localities received approximately \$6.3 billion from FY 2009 through FY 2011. Of this total, the General Assembly appropriated approximately \$1.54 billion in FY 2010 and \$1 billion in FY 2011 (Table 3). Virginia did not receive any stimulus funds in FY 2012.

Most federal funding requires a state funding match under federal law. The match rate varies from program to program. In some cases, simply to continue participating in a federal program requires substantial state funding. For example, Medicaid is the largest federal program in the Virginia budget, with \$3.8 billion in federal funds (53% of all federal funds in Virginia's budget) and a total budget of \$7.4 billion in FY 2012. The state's match rate for Medicaid was about 50% for most of the decade under review. ARRA enhanced the federal share to 65% for FYs 2010 and 2011, lowering the state-required match to 35% of program spending.

Table 3: Federal ARRA Funds Were Provided to Various Agencies or Programs in FYs 2010 and 2011 (\$ in Millions)

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

Note: There were no federal ARRA funds appropriated to Virginia in FY 2012. Totals for FYs 2010 and 2011 do not include all ARRA funding. For example, VDOT received \$695 million in ARRA funds for various transportation projects; this table focuses on stimulus funding that impacted the general fund. Federal stimulus funds for Virginia under ARRA totaled \$6.33 billion from 2009 to 2011, only some of which was required to be appropriated through the state budget process.

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

Virginia has accommodated a variety of mandatory federal enhancements of the Medicaid program 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 still add to state government's costs of doing business.

Virginia enjoys a disproportionate share of federal government spending due to its proximity to Washington, D.C., and the large military presence in the state. For instance, in federal FY (FFY) 2010 (the most recent year for which data is available), Virginia ranked second among the states in total federal spending per capita. In that year, the federal government spent \$136 billion in Virginia (down from \$155.6 billion in FFY 2009). The largest share of federal spending in Virginia (\$58 billion or 43%) was for procurement of goods and services, including services provided by federal contractors based in Virginia.

Although Virginia receives and appropriates a substantial amount of federal funds, the Commonwealth is not a large recipient of federal funds in per capita terms. Since FFY 1995, Virginia has ranked between 47th and 50th among the states in terms of per capita receipt of federal grant awards. In 2010, Virginia ranked 48th.

The following are some of the requirements and federal programs that also contribute to state budget growth:

- No Child Left Behind Act, and special education funding requirements
- Clean Water Act, and other environmental programs
- Base Realignment and Closing Commission (BRAC) requirements, which led to state spending on infrastructure to accommodate realignment
- 2002 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)
- Real ID Act, which required state-issued driver's licenses and identification cards to meet federal standards
- Medicare Part D prescription drug benefit
- Tobacco Master Settlement Agreement

Non-General Funds Continue to Grow Faster Than the General Fund

A key 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 and now account for 60% of the total budget. Non-general funds grew by 86% over the last ten years, outpacing the 35% 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 all state spending can occur only as provided by 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 may be spent.

The Commonwealth draws upon more than 1,600 sources of revenue. The state accounting system groups funds from all these sources into the nine broad categories shown in Table 4. (See Appendix I: Major Uses of Non-General Funds, FY 2012, available at <http://jlarc.virginia.gov> under Fiscal Analysis.)

As illustrated in Table 4, growth in all categories of non-general funds exceeded the general fund's overall growth rate of 35% from FY 2003 to FY 2012. 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 (in the case of the Department of Alcoholic Beverage Control or the Virginia Lottery, for example), increasing college tuition payments, increased 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.

Table 4: Non-General Funds Grew Faster Than the General Fund, FYs 2003-2012 (\$ in Millions)

Non-general fund category	FY 2003	FY 2012	% of FY 2012	Growth
			budget	
Trust and agency ^a	\$898	\$3,136	7.8%	249%
Dedicated special revenue ^b	285	807	2.0	183
Enterprise ^c	566	1,174	2.9	107
Higher education operating ^d	3,240	6,672	16.5	106
Federal trust ^e	3,718	6,292	15.6	69
Debt service ^f	167	250	0.6	50
Highway maintenance and construction ^g	2,680	3,884	9.6	45
Special revenue ^h	1,323	1,795	4.4	36
Non-general funds (Total)	\$12,878	\$24,009	59.5%	86%
General fund	\$12,015	\$16,342	40.5%	35%
Total (all funds)	\$24,983	\$40,351		62%

Note: Totals may not add due to rounding.

Source: 2003 and 2012 Appropriation Acts and DOA.

^a 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.

^b Money from fees and payments restricted to the related activity, e.g., the State's revolving funds (such as the safe drinking water revolving fund) and game protection, solid waste management permit fee, and nursing scholarship and loan repayment funds.

^c Money for self-supporting governmental activities that provide goods and services to the general public, e.g., the sale of lottery tickets, alcoholic beverage sales at Virginia's ABC stores, and the Virginia College Savings Plan.

^d 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.

^e All federal monies received except those received by VDOT, VEC, and higher education institutions, which are budgeted separately.

^f 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.

^g All revenues designated for highway operations, maintenance, construction and related activities, excluding toll facilities. Includes federal funding for highway construction.

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

Most Budget Growth Occurs in a Few State Agencies

The overall state budget grew by 62% (unadjusted for inflation) between FYs 2003 and 2012. A handful of large agencies dominated the budget throughout this period. In addition, the largest agencies in FY 2003 in terms of total appropriations were also the largest in FY 2012 (Table 5). The four largest agencies accounted for half of Virginia's budget in both years.

Table 5: Ten Largest Agency Appropriations, FY 2003 and FY 2012 (\$ in Millions)

FY 2003				FY 2012			
Rank	Agency	Total	% of budget	Rank	Agency	Total	% of budget
1	DOE (Direct Aid)	\$4,666.6	19%	1	DMAS	\$7,412.7	18%
2	DMAS	3,719.9	15	2	DOE (Direct Aid)	6,331.6	16
3	VDOT	2,565.2	10	3	VDOT	4,777.5	12
4	DSS	1,428.1	6	4	UVA	2,364.5	6
5	UVA	1,418.6	6	5	DSS	1,902.4	5
6	DOC	793.4	3	6	VCCS	1,397.6	3
7	DBHDS	745.0	3	7	DOC	1,017.0	3
8	Va Tech	611.2	2	8	DBHDS	972.2	2
9	VCU	543.8	2	9	Va Tech	969.8	2
10	VCCS	506.9	2	10	VCU	908.0	2
Total, 10 largest agencies		\$16,998.7	68%	Total, 10 largest agencies		\$28,053.4	70%
Total operating appropriations		\$24,982.9	100%	Total operating appropriations		\$40,351.2	100%

Note: Excludes the Personal Property Tax Relief program and the Treasury Board, both of which are discussed on page 19. Excludes central and capital appropriations. Totals may not add due to rounding.

Source: 2003 and 2012 Appropriation Acts.

The vast majority of Virginia's budget growth was concentrated in a handful of agencies: 55% of all budget growth occurred in DMAS, VDOT, DOE (direct aid to local school divisions), and UVA. Agencies with the largest growth generally are also those with the largest appropriations. Four of the top five agencies with the most growth in total appropriations (Table 6) are also among the top five in Table 5, and there is considerable overlap among the remaining agencies in each table. (Tables C-1 through C-3 in Appendix C supplement Tables 6, 10, and 12 by showing the results of aggregating the 18 higher education agencies.)

Ten agencies accounted for 73% of total budget growth and more than 79% of general fund growth.

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 the income and sales taxes, and thus are of particular interest to the public and budget decision-makers.

Most of the new general fund appropriations went to a few large agencies (Table 7). Six agencies that each received more than \$100 million in new general funds during the period accounted for 73% of the overall general fund growth. However, 13 agencies' general fund appropriation (among those with a general fund appropriation of at least \$5 million in FY 2003) decreased from FYs 2003 to 2012 (see Table 11).

Table 6: Ten Agencies With the Most Growth in Total Appropriations, FYs 2003-2012 (\$ in Millions)

Agency	Total appropriation		Total growth		
	FY 2003	FY 2012	\$	Percent	% of total
1 DMAS	\$3,719.9	\$7,412.7	\$3,692.8	99%	24%
2 VDOT	2,565.2	4,777.6	2,212.3	86	14
3 DOE (Direct Aid)	4,666.6	6,331.6	1,665.0	36	11
4 UVA	1,418.6	2,364.5	945.9	67	6
5 VCCS	506.9	1,397.6	890.7	176	6
6 DSS	1,428.1	1,902.4	474.4	33	3
7 GMU	340.7	738.0	397.3	117	3
8 VCU	543.8	908.0	364.3	67	2
9 Va Tech	611.2	969.8	358.6	59	2
10 VEC	481.2	825.6	344.4	72	2
Total for top 10 agencies	\$16,282.1	\$27,627.9	\$11,345.8	70%	73%
Total operating budget	\$24,982.9	\$40,351.2	\$15,368.2	62%	100%

Note: Excludes central and capital appropriations. Totals may not add due to rounding. Appendix C includes additional tables with higher education agencies aggregated.

Source: 2003 and 2012 Appropriation Acts.

Table 7: Ten Agencies With the Most General Fund Growth, FYs 2003-2012 (\$ in Millions)

Agency	General fund appropriation		General fund growth		
	FY 2003	FY 2012	\$	Percent	% of total
1 DMAS	\$1,788.0	\$3,367.2	\$1,579.2	88%	37%
2 DOE (Direct Aid)	3,923.3	4,891.2	967.9	25	23
3 DOC	722.7	934.2	211.5	29	5
4 DBHDS	412.4	578.0	165.6	40	4
5 DSS	269.4	381.3	111.9	42	3
6 Compensation Board	496.6	598.8	102.2	21	2
7 CSA	162.3	245.2	82.9	51	2
8 VCCS	290.8	353.0	62.1	21	1
9 VSP	163.9	219.4	55.5	34	1
10 ODU	79.9	109.5	29.6	37	1
Total for top 10 agencies	\$8,309.3	\$11,677.7	\$3,368.4	41%	79%
Total general fund budget	\$12,105.2	\$16,342.3	\$4,237.1	35%	100%

Note: Excludes central and capital appropriations. Totals may not add due to rounding.

Source: 2003 and 2012 Appropriation Acts.

Why Did Some Agency Appropriations Grow Faster Than Others?

The fastest growing state agencies, based on general fund appropriations in FY 2003 and FY 2012, had general fund growth rates over 40%, exceeding the overall general fund growth rate of 35% for that period (Table 8). Not all of the top agencies based on the most general fund growth (listed in Table 7) also had the fastest rates of growth. For example, DOE (Direct Aid) ranked second in Table 7 but was not among the ten fastest growing agencies shown in Table 8, having grown by 25% over the period (the same as the rate of inflation).

Table 8: Fastest Growing Agencies Based on General Fund Appropriations, FYs 2003-2012
(\$ in Millions)

Agency	General fund appropriation		General fund growth		
	FY 2003	FY 2012	\$	% of Total	%
1 DHCD	\$22.4	\$48.9	\$26.4	1%	118%
2 IDC	22.1	42.6	20.5	<1	93
3 DMAS	1,788.0	3,367.2	1,579.2	37	88
4 Supreme Court	17.4	30.9	13.6	<1	78
5 EVMS	12.5	20.6	8.1	<1	65
6 CSA	162.3	245.2	82.9	2	51
7 Magistrate System	18.6	28.2	9.6	<1	51
8 VSDBS	6.2	9.2	3.0	<1	49
9 VTA	13.3	19.7	6.4	<1	48
10 JDRDC	54.3	79.0	24.7	1	45
Total for 10 fastest growing agencies	\$2,117.0	\$3,891.5	\$1,774.5	42%	84%
Total general fund operating budget	\$12,105.2	\$16,342.3	\$4,237.1	100%	35%

Note: Excludes central and capital appropriations. Totals may not add due to rounding.

Source: 2003 and 2012 Appropriation Acts.

Explanation of General Fund Growth

DHCD	The majority of this increase was due to a \$14 million increase in DHCD's economic development services budget between FYs 2003 and 2012. This additional funding was necessary to support efforts to manage state services and facilities providing information and services to industrial and commercial clients. These services account for approximately one-third of DHCD's general fund budget. In addition, DHCD's dedicated special revenue fund increased substantially from FY 2003 to FY 2012 (\$180,000 to \$7.4 million) as a result of an additional 37 non-general fund positions over the ten-year period.
IDC	In FY 2003, the Public Defender Commission was appropriated \$22.1 million and had 346 full-time equivalent (FTE) staff positions. Major changes occurred in 2004-05 when the agency was re-named the Indigent Defense Commission. A requirement was implemented for certification of counsel for indigent defendants, and fees paid to such counsel were increased. By FY 2012, IDC had 540 FTE staff and \$42.6 million in appropriations.
DMAS	The majority of the increase is due to budget adjustments for increasing enrollment, utilization, and cost increases, as well as additional federal program requirements. For example, FAMIS enrollment increased from approximately 49,000 to more than 114,000 children over the period. The recent recession and Virginia's aging population also contributed to an increase in Medicaid-eligible recipients.
Supreme Court Magistrate System JDRDC	See next section and Table 9
Eastern Virginia Medical School	The majority of this increase was a result of EVMS receiving an appropriation for a new education and research building to expand enrollment, which opened in the fall of 2011 and was funded by the state and other donors. The \$20.6 million state appropriation in FY 2012 accounted for ten percent of all funding received by EVMS that year.
CSA	For the period in review, CSA saw an increase in caseload, residential foster care spending, and special education/private day services. However, CSA expenditures have fallen in each of the last three fiscal years in part due to changes in the increased local match rate for residential treatment services.
VSDBS	Effective July 1, 2008, the Virginia School for the Deaf and Blind (VSDB) at Hampton was consolidated with the VSDB in Staunton.
VTA	VTA received an additional \$6.4 million in general funds as a result of increased efforts to promote Virginia as a major travel destination and to manage those state services and facilities providing information to tourists.

Judicial Agencies' Growth Was Due to Increases in Criminal Fund and Staffing

In addition to the Supreme Court, Magistrate System, and JDRDC (listed in Table 8), four other judicial branch agencies had notable increases in general fund appropriations in recent years: Court of Appeals, Combined District Courts, General District Courts, and Circuit Courts. These agencies each received an increase in their general fund appropriation in FY 2009 for the Criminal Fund, which is used to pay for court-appointed counsel and certain court-ordered services for indigent defendants in criminal cases (Table 9). In addition, fees paid to attorneys have been raised in recent years. The Criminal Fund is a pass-through account administered by the Office of the Executive Secretary pursuant to the *Code of Virginia* and may only be used to pay for expenses incurred by third parties. Payment of such expenses is authorized by the *Code* (§53.1-40 and §19.2-68).

The increase in the general fund budget for the Magistrate System, however, is not related to the increase in Criminal Fund appropriations. In FYs 2009 and 2010, improvements in staffing, oversight, and technology were funded in the Magistrate System, resulting in 46 additional full-time positions and \$6.7 million more in general funds.

Table 9: Six Judicial Branch Agencies Receive General Funds for the Criminal Fund, FYs 2008-2012

Agency	General fund appropriation (\$ in Millions)				
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Circuit courts	\$49.80	\$59.21	\$59.13	\$59.13	\$59.88
JDRDC	20.37	23.11	23.11	26.36	26.85
General district courts	12.01	13.97	13.97	12.58	12.86
Combined district courts	5.55	6.47	6.47	6.47	6.59
Supreme Court	23.21	4.21	4.21	4.21	4.21
Court of Appeals	<0.01	<0.01	<0.01	<0.01	<0.01
Total	\$110.96	\$106.97	\$106.89	\$108.75	\$110.40

Source: Appropriation Acts.

Several Agencies Experienced Notable Growth in Non-General Funds

Non-general funds grew by 86% from FY 2003 to FY 2012 and comprised 60% of the state budget in FY 2012. Table 10 lists the ten agencies whose non-general fund appropriations grew the most over the period and identifies some reasons for that growth. Two of these ten agencies are in the higher education system and accounted for about \$1.2 billion or ten percent of the \$11.1 billion increase in non-general funds across all state agencies over the last decade.

Table 10: Fastest Growing Agencies Based on Non-General Funds, FYs 2003-2012 (\$ in Millions)

Agency	Non-GF appropriation		Non-GF growth		
	FY 2003	FY 2012	\$	% of total	Percent
1 VCSP	\$3.7	\$272.3	\$268.6	2%	7,350%
2 DOA	3.1	38.5	35.4	<1	1,148
3 VCCS	216.0	1,044.7	828.6	7	384
4 DCR	20.5	85.1	64.6	<1	315
5 DVS	11.8	41.4	29.6	<1	250
6 VDEM	11.7	39.2	27.5	<1	236
7 DRPT	125.0	376.4	251.4	2	201
8 VPA	47.7	135.2	87.6	<1	184
9 DMA	16.1	41.9	25.8	<1	160
10 GMU	238.4	615.4	376.9	3	158
Total for 10 fastest growing agencies	\$694.1	\$2,690.1	\$1,996.0	18%	281%
Total non-GF operating budget	\$12,877.7	\$24,008.6	\$11,130.9	100%	86%

Note: Excludes central and capital appropriations. Totals may not add due to rounding. Appendix C includes additional tables with higher education agencies aggregated.

Source: 2003 and 2012 Appropriation Acts.

Explanation of Non-General Fund Growth

VCSP	VCSP experienced a substantial increase in program participation between FYs 2003 and 2012. The steady increase in its non-general funds reflects the annual increase in higher education tuition and administrative costs. In FY 2009 and FY 2010, VCSP saw an increase in its appropriation of \$30 million and \$45 million, respectively, for estimated payments from the plan to all institutions of higher learning and other third parties.
DOA	Much of this growth in non-general funds was a result of a \$20 million appropriation in FY 2012 for DOA to provide personnel management services necessary for ongoing operations of state government that were not previously provided by the agency.
VCCS and GMU	Most of the growth was due to an increase in tuition revenues and enrollment over the last ten years. VCCS enrollment increased by 30% and its tuition revenue nearly tripled from FYs 2003 to 2012. GMU's enrollment increased by 12% and its tuition revenue more than doubled. Appropriations across all public colleges and universities (including VCCS) grew from \$4.5 billion in FY 2003 to \$8.2 billion in FY 2012 (81%). Enrollment across all higher education institutions increased by 22% and tuition revenues grew by 129%.
DCR	DCR's total budget grew by 152%, but most of the growth was in dedicated special revenue. In FY 2002, DCR's budget had no dedicated special revenue; by FY 2012 it contained \$47.1 million of such funding from specific fees (such as state park fees), licenses, and permits that support specific activities. DCR also received an additional \$13.6 million in special revenue (also generated through taxes and fees) and \$6 million in additional federal funds between FY 2003 and FY 2012.
DVS	Most of the growth in DVS's budget was due to the addition of 183 new non-general funded positions in 2007 (up from 323 positions to 509) to operate the State-run nursing homes housed by veterans. The source of non-general fund revenue includes payments from the U.S. Department of Veteran's Affairs, Medicaid and Medicare, and third-party issuers.
VDEM	VDEM's non-general funds more than doubled over the last ten years as a result of increased homeland security efforts. In FY 2003, 21% of VDEM's budget was general funds. By FY 2012, this decreased to 10% and 81% of its budget was federal funds (up from 63% in FY 2003).
DRPT	The non-general fund growth is attributed to increases in the Rail Enhancement Fund and the Dulles Rail Project. The Rail Enhancement Fund received non-GF 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-GF increases of \$62.5 million in FY 2007 and \$158.6 million in 2008 to reflect the local revenues dedicated to the project.
VPA	VPA's non-general funds nearly doubled over the last ten years. In FY 2003, 44% of its budget was made up of special funds. By FY 2012, VPA's special fund was five times greater and accounted for 83% of its budget. The special funds are used to manage the ports and port facilities necessary to promote both port commerce and transportation, as well as to provide financial assistance to local governments for port activities.
DMA	DMA's increase in non-general funds over the last ten years was primarily a result of a 152% increase in federal funding. In FY 2003, DMA received \$15.5 million in federal funds. By FY 2012, 78% of its budget was comprised of federal funds (\$39.1 million).

General Funds in Several State Agencies Declined or Grew Slower Than Inflation

While some agencies saw their general fund appropriations grow at above-average rates, 13 agencies had general fund appropriations that declined over the ten-year period (Table 11), and the appropriations of another 41 agencies grew slower than inflation (25%). However, several agencies listed had overall budget growth in excess of inflation due to other sources of revenue that grew more rapidly. In other words, they had non-general fund revenue that increased more than their general fund appropriation over the ten-year period.

Table 11: General Fund Appropriation of 13 Agencies Declined, FYs 2003-2012 (\$ in Millions)

Agency	FY 2003	FY 2012	\$ change	% change
VSDBH	\$6.2	\$0	(\$6.2)	-100%
IEIA	8.2	5.0	(3.2)	-40
VMI	13.9	11.2	(2.7)	-19
Dept of Treasury	9.3	7.8	(1.5)	-16
LVA	29.2	26.1	(3.1)	-10
SBE	9.2	8.4	(0.8)	-9
DCJS	222.8	208.6	(14.2)	-6
DBVI	6.4	6.1	(0.3)	-5
VDOT	140.6	135.2	(5.4)	-4
W&M	57.6	55.8	(1.8)	-3
Va Tech	156.1	153.2	(2.9)	-2
UVA	137.9	135.7	(2.2)	-2
DGS	18.8	18.6	(0.2)	-1

Note: Table based on agencies with general fund appropriations of at least \$5 million in FY 2003. Excludes central and capital appropriations. Totals may not add due to rounding.

Source: 2003 and 2012 Appropriation Acts.

Explanation of General Fund Decline (10% or greater)

VSDBH	VSDB at Hampton was closed following consolidation with VSDB in Staunton (July 1, 2008).
IEIA	The 40% decrease in appropriation from FY 2003 to FY 2004 reflected the General Assembly's stated intent for IEIA to rely more heavily on non-general fund revenues.
VMI	While VMI experienced a 19% decline in general fund appropriations from FY 2003 to FY 2012, its total budget increased by 47%, which was primarily a result of an 81% increase in tuition and fees during the ten-year period.
Dept of Treasury	The 16% decrease was primarily due to a decline in the number of general fund positions between FYs 2003 and 2012. The department had 51 general fund positions in FY 2003 compared to 38.5 positions by FY 2012. In comparison, the number of non-general fund positions increased from 66 to 82.5 over the ten-year period. Although Treasury's general fund appropriation decreased by 16%, trust and agency funds increased by 33% over the ten-year period. These funds made up approximately 40% of the department's total budget in FY 2012.
LVA	The 10% decrease in appropriations from FY 2003 to FY 2012 was primarily due to reduction in the number of full-time staff positions. Over the ten-year period, 14 positions were eliminated resulting in a \$3 million reduction in LVA's general fund budget. However, its special revenue (non-general funds) grew 92% from \$2.7 million in FY 2003 to \$5.2 million in FY 2012, and federal funding increased by 44% over that period.

Budget Growth in Programs Is Focused on Core State Government Activities

All state appropriations 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 funds are appropriated. While some programs may be confined to a single agency, others may be distributed across multiple agencies. For example, the program called "education and general programs" (E&G programs) may be found in the budgets of all colleges and universities. In FY 2012, Virginia's \$40 billion budget included 196 programs.

Like growth in state agencies, most of the growth in budget programs over the ten-year period from FY 2003 to FY 2012 remained concentrated among programs relating to the core functions of state government, health care and education (Table 12). Of all budget growth during the ten-year period, 80% occurred in just ten of the programs included in the FY 2003 and FY 2012 budgets. Seven of these ten are in the two core functions and account for nearly 70% of Virginia's budget growth over the last ten years. As shown in Table 12, five education programs accounted for \$5.9 billion or 39% of all budget growth over the period.

Table 12: Largest Program Increases in Total Appropriations, FYs 2003-2012 (\$ in Millions)

Program	Total appropriation		Growth		
	FY 2003	FY 2012	\$	%	% of total
1 Medical program services (Medicaid)	\$3,482.2	\$6,973.6	\$3,491.4	100%	23%
2 Financial assistance for public ed (SOQ)	2,663.3	5,487.1	2,823.8	106	18
3 Higher ed: Education and general programs	2,290.1	3,683.4	1,393.3	61	9
4 Highway system acquisition & construction	1,250.1	2,379.1	1,129.0	90	7
5 State health services ^a	847.4	1,773.3	925.9	109	6
6 Higher ed: Auxiliary services	673.9	1,305.9	632.0	94	4
7 Higher ed: Student financial assistance	118.8	717.7	598.9	504	4
8 Highway system maintenance	865.3	1,412.6	547.2	63	4
9 Higher ed: Financial assistance (E&G programs)	712.0	1,196.2	484.2	68	3
10 Bond and loan retirement and redemption	250.6	616.3	365.7	146	2
Total for top 10 programs	\$13,153.7	\$25,545.1	\$12,391.4	94%	80%
Total operating budget	\$24,982.9	\$40,351.2	\$15,368.2	62%	100%

^aIncludes activities at VDH, UVA Medical Center, and at facilities operated by DBHDS and DOC.

Note: Excludes central and capital appropriations. Totals may not add due to rounding. Appendix C includes additional tables with higher education agencies aggregated.

Source: 2003 and 2012 Appropriation Acts.

Some Secretarial Budget Growth Is Due to Realignments

The secretarial system in Virginia was established by the General Assembly in 1972. By FY 2010, it consisted of 13 secretaries generally reflecting the major functions of the executive branch. In FY 2011, a new Secretary of Veteran Affairs and Homeland Security was authorized. As a result, several agencies previously under other secretarial areas were re-aligned beneath it beginning in FY 2012.

Over time, secretarial budgets have varied as agencies and programs move between secretariats. Some of the apparent growth in secretarial budgets is explained by these agency realignments. For example, the Secretary of Agriculture and Forestry was established by legislation in 2004. In FY 2007, two agencies (Forestry, and Agriculture and Consumer Services) were moved from the Secretary of Commerce and Trade to the Secretary of Agriculture and Forestry. This resulted in the reduction of \$87 million in FY 2007 from the Commerce and Trade secretariat and the addition of a like amount to the Agriculture and Forestry secretariat.

Table 13 shows the growth in the budgets by secretarial area. When examining Virginia's budget growth by secretarial area, health and education continue to dominate overall growth. The Finance secretariat grew by 298% over the ten-year period primarily because the \$950 million personal property tax ("car tax") relief program was accounted for under the Department of Accounts in FY 2012 instead of under central appropriations, as in FY 2003. Additionally, debt service grew from \$269 million in FY 2003 to \$621 million in FY 2012, which is appropriated to the Treasury Board. Independent agency appropriations grew 138%, mainly a result of growth in the Virginia College Savings Plan (VCSP) from \$4 million in FY 2003 to \$272 million in FY 2012.

Table 13: Budget Growth by Secretarial Area, FYs 2003-2012 (\$ in Millions)

Rank	Secretarial area	Total appropriation		Growth		
		FY 2003	FY 2012	\$	Percent	% of total
1	Education	\$9,552.3	\$15,011.8	\$5,459.5	57%	36%
2	Health and Human Resources	6,751.6	11,479.7	4,728.0	70	31
3	Transportation	2,954.7	5,545.5	2,590.8	88	17
4	Finance	468.2	1,865.3	1,397.1	298	9
5	Public Safety	1,897.6	2,515.4	617.8	33	4
6	Commerce and Trade	668.6	1,086.7	418.1	63	3
7	Independent agencies	222.6	529.4	306.8	138	2
8	Administration	686.5	925.6	239.1	35	2
9	Judicial agencies	304.0	443.6	139.6	46	1
10	Natural Resources	252.7	369.4	116.7	46	<1
11	Technology	8.8	55.2	46.4	530	<1
12	Agriculture and Forestry	68.0	86.2	18.2	27	<1
13	Veteran Affairs and Homeland Security	--	49.9	49.9	100	<1
Total operating budget		\$24,982.9	\$40,351.2	\$15,368.2	62%	100%

Note: Based on agency alignments shown in respective Appropriation Acts. Excludes legislative agencies, executive offices, and central and capital appropriations. Appropriations not adjusted for inflation. Totals may not add due to rounding.

Source: 2003 and 2012 Appropriation Acts.

Growth Also Occurred in Other Areas of State Government Over the Last Decade

Virginia's budget growth can be analyzed from several perspectives. This report has examined growth by agency, fund, program, and secretarial area. Budget growth has also resulted from policy decisions made over time. Examples include the personal property tax relief program and debt service (funded through the Treasury Board).

The personal property tax relief program (the "car tax") began in FY 1999 as a policy initiative with a general fund appropriation of \$220 million. It increased to \$874 million in FY 2003 and reached a capped total of \$950 million in general funds in FY 2007 where it has remained, for a growth rate of 9% over the ten-year period from FY 2003 to FY 2012.

The Treasury Board is the primary state entity for issuing debt and making payments on bonds as authorized by the General Assembly. The board saw an increase of \$352 million in total appropriations (\$308 million of which was general funds) from FY 2003 to FY 2012. According to the 2011 report of the Debt Capacity Advisory Committee, outstanding tax-supported debt of the Commonwealth increased by 150% from 2002 to 2011, with the largest increases occurring between 2009 and 2011. General obligation debt, which had a 2011 balance outstanding of \$1.73 billion, increased 81% over the ten-year period. This is due in part to a \$1 billion general obligation bond referendum approved by the voters in 2002. Bonds from the 2002 authorization were issued incrementally as needed, with the final issue occurring during FY 2010. Appropriations to the Treasury Board have fluctuated over time as a result of bond payment schedules. Details of prior bond issues are listed in the Comprehensive Annual Financial Report issued annually by DOA.

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

To conduct this review of state spending, JLARC staff collected appropriation and expenditure data from a variety of sources, including the Department of Planning and Budget (DPB), the Department of Accounts (DOA), and various other agencies. 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. Data on agency workload and populations served were also collected from various state agencies. Finally, economic and demographic data were obtained from federal agencies such as the Census Bureau and the Bureau of Economic Analysis, and from the Weldon Cooper Center at the University of Virginia.

Key constraints in collecting information about budget changes over time are the limited historical data maintained by various state agencies and staff turnover within the agencies over this long period of time. 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 also limits the amount of information available for historical purposes. Agency reorganizations, consolidations, eliminations, and additions of agencies, as well as changes in program structure or services further constrain analysis. JLARC staff attempted to supplement information provided by agencies by referring to a variety of documentation noted below.

Key elements of the fiscal and demographic data sets are included in appendixes to this report. To facilitate access to the data developed in this review, selected historical financial data have been placed on the JLARC website. Currently, the online information includes most of the tables in the appendixes, as well as appropriations for the largest state agencies, and general fund and non-general fund appropriations from FY 1981. This information is available on JLARC's website at <http://jlarc.virginia.gov> under Fiscal Analysis.

Document Review

JLARC staff utilized a variety of documents for this review. These included Appropriation Acts from FY 2003 to the present, Governor's executive budget documents over the same period, and summaries of General Assembly budget actions prepared jointly by staff of the House Appropriations and Senate Finance committees from 2003 to the present. Agency-specific and program-specific studies and documents were also reviewed, as were reports from legislative and gubernatorial study commissions and panels. State spending reports compiled by the National Association of State Budget Officers were consulted, as were a variety of other documents such as agency annual reports and statistical publications.

Appendix C: Additional Tables Aggregating Higher Education Agencies

This appendix includes three tables listing the top ten agencies that result from grouping together the 18 higher education agencies (16 state colleges and universities, VCCS, and SCHEV). 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 2003 to FY 2012 based on data reported annually by SCHEV.

**Table C-1 (Table 6 With Higher Education Agencies Grouped):
Ten Agencies With the Most Growth in Total Appropriations, FYs 2003-2012 (\$ in Millions)**

Rank	Agency	Total appropriation		Total growth		
		FY 2003	FY 2012	\$	Percent	% of total
1	Higher education	\$4,617.9	\$8,353.6	\$3,735.6	81%	24%
2	DMAS	3,719.9	7,412.7	3,692.8	99	24
3	VDOT	2,565.2	4,777.6	2,212.3	86	14
4	DOE (Direct aid)	4,666.6	6,331.6	1,665.0	36	11
5	DSS	1,428.1	1,902.4	474.4	33	3
6	VEC	481.2	825.6	344.4	72	2
7	VCSP	3.7	272.3	268.6	7,350	2
8	DRPT	125.0	376.4	251.4	201	2
9	DBHDS	745.0	972.2	227.2	30	1
10	DOC	793.4	1,017.0	223.5	28	1
Total for top 10 agencies		\$19,415.1	\$32,862.6	\$13,447.5	69%	88%
Total operating budget		\$24,982.9	\$40,351.1	\$15,368.2	62%	100%

**Table C-2 (Table 10 With Higher Education Agencies Grouped): Fastest-Growing Agencies Based on
Non-General Fund Appropriations, FYs 2003-2012 (\$ in Millions)**

Rank	Agency	NGF Appropriation		NGF Growth		
		FY 2003	FY 2012	\$	% of Total	%
1	VCSP	\$3.7	\$272.3	\$268.6	2%	7,350%
2	DOA	3.1	38.5	35.4	<1	1,148
3	DCR	20.5	85.1	64.6	<1	315
4	DVS	11.8	41.4	29.6	<1	250
5	VDEM	11.7	39.2	27.5	<1	236
6	DRPT	125.0	376.4	251.4	2	201
7	VPA	47.7	135.2	87.6	<1	184
8	DMA	16.1	41.9	25.8	<1	160
9	DGS	16.8	40.7	23.9	<1	142
10	DHRM	3.1	7.4	4.2	<1	135
Total for 10 Fastest-Growing Agencies		\$259.5	\$1,078.0	\$818.5	7%	315%
15	Higher Education Agencies	\$3,334.0	\$6,889.9	\$3,555.9	32%	107%
Total NGF Operating Budget		\$12,877.7	\$24,008.6	\$11,130.9	100%	86%

**Table C-3 (Table 12 With Higher Education Programs Grouped):
Largest Program Increases in Total Appropriations, FYs 2003-2012 (\$ in Millions)**

Rank	Program	Total Appropriation		Growth		
		FY 2003	FY 2012	\$	%	% of Total
1	Medical program services (Medicaid)	\$3,482.2	\$6,973.6	\$3,491.4	100%	23%
2	Higher education programs	3,802.4	6,921.1	3,118.7	82	20
3	Financial assistance for public ed (SOQ)	2,663.3	5,487.1	2,823.8	106	18
4	Highway system acq and construction	1,250.1	2,379.1	1,129.0	90	7
5	State health services ^a	847.4	1,773.3	925.9	109	6
6	Highway system maintenance	865.3	1,412.6	547.2	63	4
7	Bond & loan retirement & redemption	250.6	616.3	365.7	146	2
8	Investment, trust, insurance services	13.3	281.5	268.2	2,018	2
9	Financial assistance for local SS staff	140.1	381.1	241.0	172	2
10	ABC merchandising	307.9	514.5	206.6	67	1
Total for top 10 agencies		\$13,735.9	\$27,056.6	\$13,230.7	97%	85%
Total operating budget		\$24,982.9	\$40,351.2	\$15,368.2	62%	100%

^aIncludes activities at VDH, UVA Medical Center, and at facilities operated by DBHDS and DOC.
Note: Excludes central and capital appropriations. Totals may not add due to rounding.

Source: 2003 and 2012 Appropriation Acts.

Table C-4: Growth of Higher Education Agencies, FYs 2003-2012 (\$ in Millions)

Rank	Agency	Total Appropriation		Total Growth			Overall Rank
		FY 2003	FY 2012	\$	%	% of Total	
1	UVA	\$1,418.6	\$2,364.5	\$945.9	67%	6%	4
2	VCCS	506.9	1,397.6	890.7	176	6	5
3	GMU	340.7	738.0	397.3	117	3	7
4	VCU	543.6	908.0	364.3	67	2	8
5	Va Tech	611.2	969.8	358.6	59	2	9
6	JMU	231.9	426.6	194.7	84	1	17
7	ODU	183.9	335.8	151.9	83	1	19
8	W&M	195.3	294.8	99.4	51	1	23
9	RU	103.0	159.4	56.4	55	<1	29
10	VSU	77.3	133.1	55.8	72	<1	30
11	CNU	61.9	110.5	48.6	78	<1	34
12	Longwood	55.5	100.1	44.7	81	<1	36
13	UMW	55.2	97.6	42.4	77	<1	37
14	NSU	117.9	143.8	25.9	22	<1	44
15	SCHEV	63.6	86.3	22.7	36	<1	50
16	VMI	41.8	61.7	19.8	47	<1	55
17	SW Va Higher Ed Ctr	2.2	9.0	6.8	316	<1	77
18	Richard Bland	7.2	12.8	5.6	77	<1	81
Total higher ed agencies		\$4,617.9	\$8,353.6	\$3,735.6	81%	22%	
Total operating budget		\$24,982.9	\$40,351.1	\$15,368.2	62%	100%	

Note: Excludes central and capital appropriations. Totals may not add due to rounding.

Source: 2003 and 2012 Appropriation Acts.

Table C-5: Changes in Enrollment and Tuition of Higher Education Agencies, FYs 2003-2012

Rank ^b	Agency	Undergraduate enrollment ^a			Tuition ^a		
		FY 2003	FY 2012	Percent change	FY 2003	FY 2012	Percent change
11	CNU	5,192	4,667	-10%	\$3,586	\$10,084	181%
5	Va Tech	21,473	25,004	16	3,936	10,509	167
8	W&M	5,694	5,818	2	5,092	13,132	158
1	UVA	15,437	17,578	14	4,595	11,576	152
9	RU	8,200	7,898	-4	3,344	8,320	149
4	VCU	18,069	21,625	20	3,918	9,517	143
18	Richard Bland	1,305	1,361	4	1,742	4,183	140
12	Longwood	3,640	4,126	13	4,661	10,530	126
13	UMW	4,275	4,068	-5	3,934	8,806	124
3	GMU	16,687	18,756	12	4,416	9,266	110
14	NSU	5,968	5,294	-11	3,296	6,690	103
6	JMU	14,828	17,658	19	4,228	8,448	100
10	VSU	4,144	5,187	25	3,554	7,090	99
16	VMI	1,299	1,841	42	6,617	13,184	99
7	ODU	13,578	16,361	20	4,264	8,144	91
Total – without VCCS		139,789	157,242	12%	\$61,183	\$139,479	128%
Average – without VCCS		9,319	10,483	12%	\$4,079	\$9,299	128%
2	VCCS	150,016	195,417	30%	\$1,304	\$3,570	174%

^a Includes all full-time equivalent in-state and out-of-state students.

^b Rank based on the percentage of total budget growth (see Table C-4).

Source: Data reported on SCHEV's website.

Appendix D: The Basis of Virginia's Budget

Virginia's budget operates within a legal framework including the *Constitution of Virginia*, the *Code of Virginia*, and the Appropriation Act. It is proposed by the Governor in the form of the budget bill, is amended and approved by the General Assembly, and covers a two-year period (a biennium). Everything in the State budget stems from this review and approval process by the State's elected officials. The JLARC report *Interim Report: Review of State Spending* (House Document 30 (2002)) described Virginia's budget process, including discussions of the program budget structure, revenue forecasting process, and performance measures. Additional discussion of Virginia's budget processes may be found in the 2008 JLARC report, *The Potential for Improving Budget Review in Virginia*.

Data used in assessing Virginia budget growth come from several sources and are available at several levels of detail. Financial data are available in the form of appropriations and expenditures, at the function, program, and agency levels of detail. The time periods vary for which various levels of data are available and are noted, where relevant, throughout this report.

Budget Terminology

There are several specialized terms used in the Virginia budget process. This section explains them and how they are used.

Appropriations

An *appropriation* can be considered a limit on spending, or a spending ceiling, that is authorized by the General Assembly and approved by the Governor. Expenditures may be made only if the agency or program has an appropriation (legal authority) to do so. Appropriations are maximum limits that expenditures cannot exceed. In addition, appropriations are payable in full only if sufficient revenues are available to pay all appropriations in full. A non-general funded program or agency must have both an appropriation and sufficient cash on deposit in the State treasury in order to expend the funds.

This report primarily focuses on appropriations. Unless otherwise noted, appropriations used in this report are the final appropriations approved (voted on and adopted) by the General Assembly and approved by the Governor. This includes all legislative changes made to appropriations during a biennium, such as second year changes to first year amounts and "caboose bill" (a third and final Appropriation Act during a biennium) changes to second year amounts. Administrative adjustments made to appropriations subsequent to the adoption of the Appropriations Act are not included. The Appropriations Act authorizes the Governor, under certain conditions, to make limited adjustments to appropriations.

Expenditures

Expenditures are actual amounts spent or transferred by State agencies and certified by the Department of Accounts. Expenditures include financial assistance to localities for personal property tax relief as well as deposits made to the revenue stabilization fund. Expenditures also include payments made on capital projects in a given year, regardless of when appropriations were made to the projects. Expenditures may vary from appropriations because of

administrative adjustments to the legislative appropriation amount, as authorized in the Appropriation Act.

Functions and Programs

Virginia's budget is based on a *program structure*, a mechanism intended to conveniently and uniformly identify and organize the State's activities and services. Under this structure, services that the State provides are classified into three levels of detail: functions, programs, and agencies.

Functions represent the broadest categories of State government activities. Virginia government is grouped into seven broad operating functions, such as "administration of justice" and "individual and family services."

Budget *programs* include funding directed toward specific objectives such as developing or preserving a public resource, preventing or eliminating a public problem, or improving or maintaining a service or condition affecting the public. Programs are grouped by function, and may appear in several agencies. First adopted by Virginia in the mid-1970s, program budgeting is an attempt to avoid the excessive detail of line-item budgets by combining logical groupings of governmental activities into broader "programs."

Programs are more specific than the broad governmental functions and may appear in several agencies. For example,

The budget program "State health services" within the broad individual and family services function includes efforts to provide direct health care services to individuals and families through State-operated facilities, including services relating to child development, drug and alcohol abuse, geriatric care, inpatient medical, maternal and child health, mental health, mental retardation, outpatient medical, technical support and administration, and other services. This program is included in several agencies, including the University of Virginia Medical Center, Virginia Commonwealth University, Department of Behavioral Health and Developmental Services, Department of Corrections, and others.

The budget program "administrative and support services" within the broad function of administration of justice combines a wide variety of discrete services, including computer services, architectural and engineering services, food and dietary services, housekeeping, personnel services, power plant operation, nursing and medical management, and others. This program is included in several agencies under the Secretary of Public Safety, including the Departments of Corrections and Juvenile Justice.

State "agency" defined

An *agency* represents the major unit of operational and budgetary control and administration of State services. Agencies are generally thought of as including a set of programs under the purview of an agency head who is typically appointed by the Governor, along with a staff who implement the agency's programs.

There are, however, differing notions about what constitutes a State agency and how many there are in Virginia. The 2012 Appropriation Act (Chapter 2) provided funding to entities identified by 187 unique agency codes, and the Department of Planning and Budget assigned 203 agency codes to its budget analysts in 2012. In 2003, 144 State agencies were identified in the JLARC report, *Review of State Spending: June 2002 Update* (House Document 3). In 2008, JLARC staff and the Department of Human Resource Management identified 145 agencies with classified employees.

The State accounting and budgeting system essentially regards anything assigned an agency code to be equivalent to a State agency, although such codes are often merely a matter of administrative convenience. For instance, appropriations for agency codes 720 (central office), 790 (grants to localities), 792 (mental health treatment centers), 793 (mental retardation training centers, and 794 (Virginia Center for Behavioral Rehabilitation) must be combined to arrive at a budget total for the Department of Behavioral Health and Developmental Services (formerly the Department of Mental Health, Mental Retardation and Substance Abuse Services).

Agency codes are sometimes used as a way of entering a new program or activity into the State financial system and ensuring budget control. Thus, the “personal property tax relief program” (746), interstate organization contributions (921), and “compensation supplements” (757) are examples of programs (just financial accounts, in reality), which have been assigned a program budget code for administrative convenience.

This report uses the Appropriation Act as a basis for identifying State agencies. The 187 unique agency budget codes are then adjusted for situations where multiple codes are assigned to a single agency, and to exclude various financial accounts (Table D-1).

Table D-1: Counting State Agencies, FY 2012

Unique agency codes in 2011 Appropriation Act	187
Codes assigned to DBHDS Facilities & Programs	5
Codes assigned to UVA Academic Division (207), Medical Center (209), and UVA at Wise (246)	3
Codes assigned to William & Mary (204) and VIMS (268)	2
Codes assigned to DRS (262) & Woodrow Wilson Rehab Center (203)	2
Codes assigned to Department for the Blind and Vision Impaired (702) and Rehab Center for the Blind and Vision Impaired (263)	2
Codes assigned to Councils, Commissions and Boards under the Division of Legislative Services ^a	23
Codes assigned to various financial activities ^b :	6
DOA transfer payments (162) ^c	
Central appropriations (995)	
Towing and Recovery operations (507)	
State Grants to Non-State Agencies (986)	
Legislative Department Reversion Clearing Account (102)	
Contributions to Interstate Organizations (921)	
Total Number of State Agencies	151

^a There were 23 agency codes in FY 2012 under the Division of Legislative Services.

^b The six agency codes assigned to various financial activities were not included in the total number of State agencies for FY 2012.

^c The Department of Accounts has a separate line item for transfer payments, which excludes the Revenue Stabilization Fund (program 735). Note: Total number of State agencies is calculated by subtracting the number of codes assigned from the number of unique agency codes, ensuring that the principal agency is correctly counted—e.g. from 187, subtract 5 for DBHDS facilities and programs and add back 1 for the overall agency.

Source: 2012 Appropriation Act (Chapter 2); Department of Planning and Budget.

This process identified 151 State agencies, which is the number used throughout this report. While this approach consolidates DBHDS programs and facilities into a single agency, it counts each of the courts—Circuit Courts, the various types of district courts, and the Magistrate System, as separate agencies, as does the Appropriation Act.

This report, however, does not treat the personal property tax relief program as a separate State agency. In FY 2012, this program received an appropriation of \$950 million and was larger than all but nine State agencies. However, it was not included as an agency in the analysis of growth in appropriations over the last ten years among State agencies. Instead, it was discussed separately on page 19 of the report, along with debt service, which is funded through the Treasury Board.

General and Non-General Funds

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

General and non-general funds comprised 40 and 60 percent, respectively, of the FY 2012 Virginia budget. This is important because the expenditure of non-general funds is controlled by their authorizing statute—thus, more than half the State budget is determined by statute more than by the appropriation process. This ensures that child support payments, for example, are spent for child support and not some other purpose. It also means that growth in more than half the budget is determined by factors other than the annual budget decision-making process.

Appendix E: Ten Largest Annual General Fund Increases, 2003 – 2012 Biennial Totals (\$ in Millions)

Note: In the following tables, the number labeled “Ten Largest as a Percentage of Total” reflects only new funds added to the budget but does not reflect funds reduced elsewhere that offset additions. These offsets vary from year to year.

Ten Largest Increases in 2010-2012 Budget Made by 2012 General Assembly

Source: Analysis of “Summary of 2010-2012 Budget Actions” (2012 Session, Chapter 2) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

Rank	Agency	Program	General Fund
1	DMAS	Adds funding for Medicaid utilization and inflation	\$85.4
2	DOE (Direct Aid)	Adjusts funding to reflect increase in projected Lottery Proceeds	37.2
3	Central Appropriations	Held in reserve to address future federal budget reductions	30.0
4	VDOT	Provide GF for Virginia Transportation Infrastructure Bank	28.7
5	VDOT	One-time capitalization of the Intercity Passenger Rail Operating and Capital Fund	28.7
6	Colleges and Universities	Eliminate higher education reversion	10.0
7	DOC	Increased costs of off-site inpatient and outpatient medical care and services provided by specialists	7.4
8	DSS	Projected increases in the foster care and adoption subsidy programs	6.4
9	Compensation Board	Additional funding for per diem payments to local and regional jails	5.8
10	Central Appropriations	Cover costs associated with the 2012 presidential primary	3.0
	Subtotal, Ten Largest		\$242.6
	Total of All General Fund Adjustments, 2012 Session		\$467.7
	Ten Largest as a Percentage of Total		52%

Ten Largest Increases in 2010-2012 Budget Made by 2011 General Assembly

Source: Analysis of “Summary of 2010-2012 Budget Actions” (2011 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

Rank	Agency	Program	General Fund
1	DMAS	GF to suspend Medicaid payment delays in FY 2011	\$113.6
2	DCR	Provide for Water Quality Improvement Fund deposit	32.8
3	VDOT	Provide GF for VA transportation infrastructure bank	32.7
4	Central Appropriations	Funding for VITA rate increases	26.6
5	DOE (Direct Aid)	Sales tax revenue forecast net adjustment	19.5
6	DMAS	Adjust funding for Virginia Health Care Fund	10.0
7	Compensation Board	Restore sheriff’s funding	8.3
8	Compensation Board	Provide funding for jail per diems	6.1
9	General District Courts	Increase funding for the Criminal Fund	5.4
10	DBHDS	Increase GF for loss of federal Medicaid match for Hancock Geriatric Facility and add 8 positions	5.4
	Subtotal, Ten Largest		\$260.4
	Total of All General Fund Adjustments, 2011 Session		\$284.0
	Ten Largest as a Percentage of Total		92%

Ten Largest Increases in 2008-2010 Budget Made by 2010 General Assembly

Source: Analysis of "Summary of 2008-2010 Budget Actions" (2010 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

Rank	Agency	Program	General Fund
1	DMAS	Add funding for Medicaid utilization and inflation	\$80.1
2	DCR	Provide funding for agricultural best management practices	15.2
3	DOE (Direct Aid)	Update student enrollment projections	14.5
4	DMAS	Adjust funding for Virginia Health Care Fund	9.8
5	Central Appropriations	Add supplemental funding for VITA rate charges	9.7
6	Secretary of Commerce and Trade	Rolls Royce incentive payments (HB 29 ARRA Swap)	9.4
7	DSS	Fund Unemployed Parents Cash Assistance Program growth	5.5
8	DMAS	Fund medical assistance services for low-income children (SCHIP)	3.1
9	DMAS	Fund medical services for involuntary mental commitments	3.1
10	Treasury Board	Restore jail reimbursement (Arlington & Chesapeake)	2.6
	Subtotal, Ten Largest		\$153.0
	Total of All General Fund Adjustments, 2010 Session		\$256.6
	Ten Largest as a Percentage of Total		60%

Ten Largest Increases in 2008-2010 Budget Made by 2009 General Assembly

Source: Analysis of "Summary of 2008-2010 Budget Actions" (2009 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

Rank	Agency	Program	General Fund
1	DMAS	Add funding for Medicaid utilization and inflation	\$451.7
2	Treasury Board	Provide debt service on proposed new debt	14.7
3	Compensation Board	Restoration of Constitutional officer funding reductions	14.3
4	Colleges and Universities	Provide additional student financial aid for all institutions	10.0
5	Circuit Courts	Provide additional funding for the Criminal Fund	8.8
6	DMAS	Fund FAMIS utilization and inflation	8.4
7	Colleges and Universities	Increase interest earnings & credit card rebate (Central Accounts)	8.3
8	Central Appropriations	Add funding for interest earnings and credit card rebates for institutions of higher education	8.3
9	Public Education	Correct special education data	6.8
10	DMAS	Adjust funding for the Virginia Health Care Fund	6.7
	Subtotal, Ten Largest		\$538.0
	Total of All General Fund Adjustments, 2009 Session		\$614.5
	Ten Largest as a Percentage of Total		88%

Ten Largest Increases in 2006-2008 Budget Made by 2008 General Assembly

Source: Analysis of "Summary of 2006-2008 Budget Actions" (2008 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

Rank	Agency	Program	General Fund
1	CSA	Mandatory caseload and cost increases	\$54.3
2	Supreme Court	Increase Criminal Fund	15.0
3	Compensation Board	Constitutional officer retirement rate adjustment shortfall	12.3
4	Compensation Board	Increased per diem payments to local and regional jails	11.9
5	Central Appropriations	Reduce the impact of the savings requirement for information technology related operational efficiencies	4.9
6	Central Appropriations	Provide funding for an unbudgeted increase in information technology rates	4.7
7	Central Appropriations	Provide funding to cover FY 2007 shortfall for interest earnings and credit card rebates at the institutions of higher education	4.0
8	DSS	Offset loss of federal funds for child welfare services	3.9
9	Central Appropriations	Fund the cost of the 2008 presidential primary	2.5
10	State Police	Increased gasoline costs for State police vehicles	2.4
Subtotal, Ten Largest			\$115.8
Total of All General Fund Adjustments, 2008 Session			\$124.1
Ten Largest as a Percentage of Total			93%

Ten Largest Increases in 2006-2008 Budget Made by 2007 General Assembly

Source: Analysis of "Summary of 2006-2008 Budget Actions" (2007 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

Rank	Agency	Program	General Fund
1	VDOT	Transportation initiatives	\$161.0
2	Capital Outlay	Project cost overruns and supplements	123.1
3	DMAS	Virginia Health Care Fund shortfall	58.2
4	DOE	3% salary increase for SOQ positions	41.9
5	Capital Outlay	Equipment for previously approved projects	38.5
6	Non-State Agencies	Grants	26.7
7	DEQ	Water Quality Improvement Fund-Point Source	21.6
8	Capital Outlay	Project planning	20.1
9	DSS	Costs to comply with federal TANF requirements	19.9
10	Central Appropriations	Second year employee salary increase: additional 1%	16.9
Subtotal, Ten Largest			\$527.9
Total of All General Fund Adjustments, 2007 Session			\$929.0
Ten Largest as a Percentage of Total			57%

Ten Largest Increases in 2006-2008 Budget Made by 2006 General Assembly

Source: Analysis of "Summary of 2006-2008 Budget Actions" (2006 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

Rank	Agency	Program	General Fund
1	DOE	Re-benchmarking SOQ & technical updates	\$941.9
2	DMAS	Medicaid funding for utilization & inflation	483.5
3	Capital Outlay (various agencies)	New construction	437.1
4	VDOT	Transportation initiatives	567.9
5	General Government	State & local employees salary & benefits increase	389.9
6	DOE	Teacher & support staff salary & benefits increase	244.8
7	Colleges and Universities	Enrollment growth, base adequacy	237.3
8	DEQ	Wastewater treatment improvements	216.6
9	General Government	Revenue Stabilization (Rainy Day) Fund deposit	138.3
10	DOC	Operating costs of new prisons	130.8
Subtotal, Ten Largest			\$3,788.1
Total of All General Fund Adjustments, 2006 Session			\$4,853.5
Ten Largest as a Percentage of Total			78%

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

Source: Analysis of "Summary of 2004-2006 Budget Actions" (2006 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

Rank	Agency	Program	General Fund
1	DOA	Revenue Stabilization (Rainy Day) Fund deposit	\$402.2
2	DEQ	Water Quality Improvement Fund	56.6
3	DMAS	Tobacco tax shortfall	9.0
4	Various	Energy and utility costs	8.2
5	CSA	Special education	7.5
6	DBHDS	Pharmaceutical costs/Medicare Part D program	5.7
7	State Police	70 State trooper positions	5.4
8	Supreme Court	Criminal Fund	5.1
9	DGS	Property and casualty insurance	4.7
10	DOE	SOQ adjustments (ADM/sales tax/technical)	4.7
Subtotal, Ten Largest			\$509.1
Total of All General Fund Adjustments, 2006 Session			\$508.1
Ten Largest as a Percentage of Total			~100%

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

Source: Analysis of "Summary of 2004-2006 Budget Actions" (2005 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

Rank	Agency	Program	General Fund
1	VDOT	Transportation initiatives	\$347.6
2	DOA	Revenue Stabilization (Rainy Day) Fund Deposit	229.4
3	DMAS	Medicaid funding for utilization, inflation, and initiatives	212.2
4	Various	Capital outlay and building maintenance	163.9
5	Various	Employee salary increases (State & local)	131.7
6	DEQ, DCR	Water quality improvements	86.4
7	DOE	Increased lottery & sales tax revenue; other actions	68.8
8	Various	Non-State agencies	34.1
9	DHCD	Economic development, workforce consortia	27.3
10	DBHDS	Community crisis, aftercare, early intervention, other actions	20.1
	Subtotal, Ten Largest		\$1,321.5
	Total of All General Fund Adjustments, 2005 Session		\$1,512.5
	Ten Largest as a Percentage of Total		87%

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

Source: Analysis of "Summary of 2004-2006 Budget Actions" (2004 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

Rank	Agency	Program	General Fund
1	DOE	Changes to SOQ funding	\$839.4
2	DOE	SOQ funding revisions (Chapters 939 and 955, 2004 Acts of Assembly)	326.1
3	Colleges and Universities	Provide base adequacy funding for colleges and universities	175.8
4	DOE	Update benefit contribution rates for SOQ-related positions	168.0
5	DOE	Increase in direct aid due to net increase of 1/8 cent sales tax and other sales tax adjustments	148.7
6	Treasury	Additional FY 2006 Revenue Stabilization Fund deposit	87.0
7	DMAS	Medicaid utilization and inflation	84.8
8	Central Accounts	3% salary increase for State employees	79.4
9	DOE	Finish phase-in of support positions, fix rollover of fringe costs	66.9
10	Central Accounts	Fund increased health benefit premiums for State employees	66.0
	Subtotal, Ten Largest		\$2,042.1
	Total of All General Fund Adjustments, 2004 Session		\$2,561.0
	Ten Largest as a Percentage of Total		80%

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

Source: Analysis of "Summary of 2002-2004 Budget Actions" (2003 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

Rank	Agency	Program	General Fund
1	DMAS	Medicaid funding for utilization and inflation	\$142.4
2	Central Accounts	Maintain personal property tax relief reimbursement at 70%	127.6
3	DOE	Provide additional lottery proceeds to school divisions	44.6
4	Central Accounts	2.25% salary increase for State employees, faculty and State-supported local employees	38.5
5	CSA	Fund mandated foster care and special education services	35.7
6	DOE	Update costs of the SOQ programs	31.7
7	DOE	2.25% teacher salary increase	27.5
8	Central Accounts	Technical-spread Central Accounts reduction	26.8
9	DOC	Replace out-of-State inmate revenue with general fund revenue	24.0
10	DMAS	Fund indigent health care at teaching hospitals	18.4
Subtotal, Ten Largest			\$517.2
Total of All General Fund Adjustments, 2003 Session			\$717.9
Ten Largest as a Percentage of Total			72%

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

Source: Analysis of "Summary of 2002-2004 Budget Actions" (2002 Session) prepared jointly by the staffs of the House Appropriations Committee and Senate Finance Committee.

Rank	Agency	Program	General Fund
1	DMAS	Medicaid funding for utilization and inflation	\$609.1
2	DOE	Update costs of the SOQ programs	379.9
3	VDOT	Deposit general fund revenue into Priority Transportation Fund	146.6
4	CSA	Fund mandated foster care and special education services	137.7
5	Central Accounts	FY 2004 compensation reserve for all State and State-supported local employees	101.4
6	Central Accounts	Increase health benefit premiums for State employees (11% average increase)	82.6
7	DOE	End deduction of locally generated revenues (JLARC Tier 1)	74.8
8	Central Accounts	2.5% bonus or paid vacation for State classified employees and equivalent for faculty (August 2001)	63.4
9	Compensation Board	Provide funding for local and regional jail per diem payments	62.7
10	DOE	Phase-in State share of administrative positions	58.3
Subtotal, Ten Largest			\$1,716.5
Total of All General Fund Adjustments, 2002 Session			\$2,213.0
Ten Largest as a Percentage of Total			78%

Appendix F: State Expenditures by Governmental Function Including Capital (\$ in Millions, Unadjusted for Inflation)

Fiscal Year	Education	Administration of Justice	Individual and Family Services	Resource and Economic Development	Transportation	General Government	Enterprises	Capital Projects	Total Expenditures
1981	\$1,916	\$339	\$1,853	\$145	\$924	\$290	\$285	\$158	\$5,909
1982	2,049	430	1,992	156	732	284	306	148	6,095
1983	2,170	481	2,044	165	830	230	432	178	6,530
1984	2,357	502	2,058	174	903	232	453	171	6,849
1985	2,633	549	2,191	200	1,064	269	485	146	7,536
1986	2,961	626	2,387	224	1,331	296	508	170	8,502
1987	3,256	692	2,573	267	1,494	349	576	198	9,405
1988	3,539	763	2,837	290	1,716	370	607	256	10,378
1989	3,878	857	3,095	348	1,825	390	726	271	11,389
1990	4,169	964	3,389	402	1,913	417	765	280	12,298
1991	4,333	1,020	3,989	405	1,907	397	885	190	13,126
1992	4,325	1,034	4,439	389	1,812	382	941	208	13,530
1993	4,599	1,070	4,860	381	1,670	398	957	167	14,102
1994	4,758	1,143	5,047	419	1,833	893	1,012	277	15,382
1995	5,067	1,250	5,316	501	2,265	1,037	1,034	355	16,825
1996	5,195	1,326	5,445	480	2,330	1,008	1,065	332	17,181
1997	5,568	1,387	5,562	482	2,449	1,088	1,085	460	18,081
1998	5,941	1,550	5,594	539	2,573	1,174	1,140	553	19,064
1999	6,622	1,745	5,888	624	2,867	1,514	1,198	444	20,902
2000	7,058	1,914	6,385	673	2,797	1,880	1,230	428	22,365
2001	7,570	2,091	6,897	790	3,158	2,198	1,286	451	24,441
2002	7,742	2,069	8,275	743	3,359	2,546	1,375	466	26,575
2003	7,875	2,021	8,608	659	3,209	2,625	1,397	532	26,926
2004	8,363	2,034	8,814	693	3,147	2,969	1,499	710	28,231
2005	9,327	2,170	9,288	734	3,366	3,003	1,689	890	30,467
2006	10,144	2,338	9,904	844	3,454	3,008	1,853	1,179	32,724
2007	11,318	2,401	10,175	818	3,424	3,564	1,839	1,294	34,833
2008	10,793	2,611	10,084	887	4,151	3,885	1,727	1,192	35,330
2009	12,428	2,618	11,960	983	4,099	4,031	2,008	1,898	40,025
2010	12,236	2,466	13,683	1,048	3,719	4,101	2,140	1,381	40,774
2011	12,572	2,536	13,901	1,057	4,259	4,693	2,207	1,245	42,470
2012	13,013	2,573	13,654	982	4,827	4,823	2,456	1,157	43,485

Note: Expenditures are on a budgetary or cash basis.
Includes all operating and capital spending as well as expenditure of bond proceeds.

Source: Comprehensive Annual Financial Reports; Department of Accounts' correspondence for FYs 2003–2012 data.

Appendix G: Final Legislative Operating Appropriations by Fund (\$ in Millions, Unadjusted for Inflation)

Fiscal Year	Total	General	Special Revenue	Higher Education Operating	Highway Maintenance and Construction	Enterprise	Trust and Agency	Debt Service	Dedicated Special Revenue	Federal Trust	Total Non-General
1981	\$5,713	\$2,687	\$189	\$549	\$982	\$206	\$133	\$22	\$15	\$930	\$3,026
1982	6,033	2,904	212	614	968	217	181	24	15	898	3,129
1983	6,477	3,111	249	748	949	248	219	22	24	908	3,366
1984	6,841	3,268	271	834	971	254	235	31	25	952	3,573
1985	7,682	3,753	251	911	1,092	214	339	37	29	1,057	3,929
1986	8,269	4,032	299	984	1,174	217	393	44	31	1,097	4,237
1987	9,351	4,599	333	1,144	1,384	219	405	100	31	1,135	4,751
1988	10,021	4,932	423	1,203	1,618	218	333	84	33	1,178	5,089
1989	11,383	5,619	575	1,386	1,673	227	487	77	44	1,296	5,765
1990	11,836	5,989	668	1,464	1,598	228	428	39	46	1,377	5,847
1991	12,620	6,315	676	1,631	1,553	294	401	80	58	1,612	6,305
1992	12,858	6,140	775	1,806	1,600	296	380	42	59	1,760	6,717
1993	13,927	6,402	842	2,087	1,728	300	467	34	64	2,004	7,526
1994	14,686	6,777	878	2,228	1,906	303	386	34	68	2,105	7,909
1995	15,854	7,356	937	2,395	1,948	359	419	104	76	2,260	8,498
1996	16,291	7,597	915	2,487	1,919	371	449	108	78	2,368	8,694
1997	17,131	8,134	918	2,570	1,953	365	447	87	134	2,522	8,997
1998	17,621	8,715	940	2,219	2,106	366	463	92	123	2,596	8,905
1999	19,962	9,967	938	2,471	2,706	391	486	104	142	2,757	9,995
2000	21,369	11,093	1,029	2,489	2,597	399	486	108	140	3,028	10,276
2001	23,323	12,284	1,156	2,616	2,785	429	614	119	245	3,074	11,039
2002	23,483	12,014	1,202	2,704	2,876	428	767	121	250	3,120	11,469
2003	24,983	12,105	1,324	3,240	2,680	566	898	167	285	3,718	12,878
2004	26,379	12,370	1,352	3,575	3,194	590	893	171	258	3,976	14,009
2005	29,258	13,782	1,430	4,014	3,213	650	1,085	164	585	4,333	15,476
2006	31,991	15,111	1,402	4,387	3,978	700	1,110	170	614	4,519	16,881
2007	35,095	17,033	1,603	4,853	3,929	850	1,083	234	638	4,872	18,062
2008	36,003	16,960	1,766	5,147	3,884	879	1,360	244	718	5,046	19,043
2009	37,057	16,192	1,834	5,518	3,751	941	1,966	261	861	5,732	20,865
2010	37,165	14,785	1,872	5,837	3,469	982	2,347	213	847	6,814	22,380
2011	38,983	15,457	1,743	6,658	3,528	1,146	2,327	256	811	7,056	23,525
2012	40,351	16,342	1,795	6,672	3,884	1,174	3,136	250	807	6,292	24,009

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

Appendix H: Final Legislative Operating Appropriations by Secretarial Area (\$ in Millions, Unadjusted for Inflation)

Fiscal Year	Administration and Finance	Administration	Agriculture and Forestry	Commerce and Resources	Economic Dev./Commerce and Trade	Education	Finance	Health and Human Resources	Natural Resources	Technology	Transportation & Public Safety	Public Safety	Transportation	Veteran Affairs & Homeland Security
1981	\$182			\$110		\$2,211		\$1,449				\$455	\$1,072	
1982	182			107		2,378		1,500				490	1,064	
1983	223			124		2,665		1,576				580	1,049	
1984	217			131		2,918		1,677				594	1,080	
1985		\$203		472		3,214	\$91	1,586			\$1,750			
1986		209		485		3,552	89	1,691			1,873			
1987		247			\$446	4,013	103	1,844	\$82		2,261			
1988		253			450	4,240	107	1,927	84		2,584			
1989		313			543	4,721	120	2,355	125		2,814			
1990		327			552	5,051	126	2,560	161		2,738			
1991		363			522	5,271	137	2,957	160			987	1,783	
1992		343			524	5,317	143	3,220	172			1,005	1,769	
1993		366			602	5,721	152	3,620	174			1,003	1,892	
1994		379			555	5,954	196	3,828	181			1,038	2,077	
1995		402			611	6,497	318	4,083	153			1,126	2,148	
1996		403			634	6,727	328	4,150	196			1,186	2,121	
1997		426			614	6,747	403	4,397	178			1,280	2,188	
1998		453			639	7,042	423	4,504	208			1,348	2,358	
1999		499			670	7,908	527	4,811	265	\$17		1,519	2,855	
2000		530			668	8,325	574	5,360	275	19		1,690	2,751	
2001		596			720	8,780	555	5,830	288	20		1,928	3,222	
2002		578			713	8,968	659	6,079	246	22		1,911	3,034	
2003		708			737	9,553	468	6,752	254	64		1,898	2,955	
2004		701			736	9,970	564	7,131	254	43		1,899	3,404	
2005		786	\$0.1		866	11,205	631	7,984	312	45		2,042	3,697	
2006		779	0.1		864	12,054	1,106	8,409	445	44		2,149	4,408	
2007		873	87		849	13,658	662	9,009	543	66		2,402	4,918	
2008		940	82		852	14,178	794	9,551	345	63		2,506	4,706	
2009		941	87		831	14,857	746	9,988	422	58		2,615	4,603	
2010		909	83		1,202	14,361	759	10,736	425	52		2,508	4,211	
2011		939	84		1,332	14,983	1,785	11,595	400	52		2,555	4,124	
2012		926	86		1,087	15,012	1,865	11,480	369	55		2,515	5,546	\$50

Note: This table reflects the varying organizational structure and agency assignments of the Governor's Secretaries over the period. Details will not sum to total appropriations because of omissions. For example, the Judicial and Legislative departments are independent of the executive branch and thus are not shown. The independent agencies, central appropriations, and the Executive Offices also are not under Secretaries and thus are not shown. The revenue stabilization fund and the personal property tax relief program have not been coded consistently over the period; currently they are under the Finance Secretariat but previously were in central appropriations. The amounts shown average about 95 percent of the total appropriation each year.

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

Appendix I: Major Uses of Non-General Funds, FY 2012

Note: The tables identify, for each class of non-general funds, the five largest (by dollar amount) budget programs that receive appropriations from the fund. The tables also indicate the sum of the five largest program appropriations for each fund class, and the percentage that sum represents of the respective non-general funds.

Agency	Programmatic Purpose	\$ in Millions
Dedicated Special Revenue Funds		
DMAS	Medical Program Services: Reimb to State-Owned Mental Health Facilities	\$281.6
VDH	State Health Services (local health departments)	79.0
TAX	Efforts to provide for the processing of State tax returns and payments	62.0
VITA	Financial Assistance for Emergency Communications Systems	39.5
DCR	Statewide Agricultural and Urban Nonpoint Source Water Quality Improvements	36.7
Total, Top 5		\$498.7
Top 5 as Percentage of This Non-General Fund		62%
Debt Service Funds		
GMU	Higher Education Auxiliary Enterprises	\$42.8
VCU	Higher Education Auxiliary Enterprises	28.2
JMU	Higher Education Auxiliary Enterprises	23.4
ODU	Higher Education Auxiliary Enterprises	22.6
UVA	Higher Education Auxiliary Enterprises	20.9
Total, Top 5		\$138.0
Top 5 as Percentage of This Non-General Fund		55%
Trust & Agency Funds		
VDOT	Highway System Acquisition and Construction	\$1,215.0
VEC	Workforce Systems Services (Unemployment Benefits, Job Placement Services)	813.2
DOE (Direct Aid)	Financial Assistance for Public Education (SOQ)	603.4
VDOT	Non-Toll Supported Transportation Debt Services	178.9
Central Approp	Distribution of Tobacco Settlement	88.4
Total, Top 5		\$2,898.8
Top 5 as Percentage of This Non-General Fund		92%
Enterprise Funds		
ABC	ABC Merchandising	\$514.5
VCSP	Investment Services	263.4
DHRM	Personnel Management Services (Health Benefits Administration)	225.0
Lottery	Lottery Operations	76.9
DBVI	Rehabilitative Industries Operations	25.5
Total, Top 5		\$1,105.3
Top 5 as Percentage of This Non-General Fund		94%
Higher Education Operating Funds		
UVA	State Health Services	\$1,240.5
VCCS	Educational & General Programs (Instruction, Research, & Student Services)	467.7
VCCS	Higher Ed Student Financial Assistance	440.9
UVA	Educational & General Programs (Instruction, Research, & Student Services)	376.6
Va Tech	Educational & General Programs (Instruction, Research, & Student Services)	346.7
Total, Top 5		\$2,872.4
Top 5 as Percentage of This Non-General Fund		43%

Agency	Programmatic Purpose	\$ in Millions
Federal Funds		
DMAS	Medical Program Services (Medicaid)	\$3,457.4
DOE (Direct Aid)	Federal Assistance to Local Education Programs	834.1
DSS	Financial Assistance for Local Social Services Staff (Elig Determ, Social Work)	266.8
DSS	Financial Assistance for Self-Sufficiency Programs (TANF, etc.)	197.7
DSS	Financial Assistance for Supplemental Assistance Services	106.8
Total, Top 5		\$4,862.7
Top 5 as Percentage of This Non-General Fund		77%
Commonwealth Transportation (Highway Maintenance & Construction) Funds		
VDOT	Highway System Maintenance & Operations	\$1,412.6
VDOT	Highway System Acquisition & Construction	1,096.9
VDOT	Financial Assistance to Localities for Ground Transportation	379.7
DRPT	Financial Assistance for Public Transportation	316.4
VDOT	Administrative and Support Services	214.9
Total, Top 5		\$3,420.5
Top 5 as Percentage of This Non-General Fund		88%
Special Revenue		
DSS	Child Support Enforcement Services	\$702.9
DBHDS	State Health Services	205.8
VDH	Community Health Services	98.0
DBHDS	Facility Administration & Support Services	84.7
DOC	Operation of Secure Correctional Facilities	71.1
Total, Top 5		\$1,162.5
Top 5 as Percentage of This Non-General Fund		65%

Note: Operating appropriations only; excludes central and capital appropriations. Totals may not add due to rounding.
Source: 2012 Appropriation Act (Chapter 2) data from Department of Planning & Budget.

Appendix J: Total Appropriations, General, and Non-General Funds for the Ten Agencies With the Most Growth in Total Appropriations FYs 2003–2012 (\$ in Millions)

10 Agencies With the Most Growth in Total Appropriations (Table 6, page 12 of the report)					
Rank	Agency	FY 2003	FY 2012	Growth (\$)	% of Total Growth
1	DMAS	\$3,719.9	\$7,412.7	\$3,692.8	24%
2	VDOT	2,565.2	4,777.6	2,212.3	14
3	DOE (Direct Aid)	4,666.6	6,331.6	1,665.0	11
4	UVA	1,418.6	2,364.5	945.9	6
5	VCCS	506.9	1,397.6	890.7	6
6	DSS	1,428.1	1,902.4	474.4	3
7	GMU	340.7	738.0	397.3	3
8	VCU	543.8	908.0	364.3	2
9	Va Tech	611.2	969.8	358.6	2
10	VEC	481.2	825.6	344.4	2
Total for Top 10 Agencies		\$16,282.1	\$27,627.9	\$11,345.8	73%
Total Operating Budget		\$24,982.9	\$40,351.2	\$15,368.2	100%
General Fund Growth for the 10 Agencies With the Most Growth in Total Appropriations					
	Agency	FY 2003	FY 2012	Growth (\$)	% of Total Growth
	DMAS	\$1,788.0	\$3,367.2	\$1,579.2	37%
	VDOT	140.6	135.2	(5.4)	--
	DOE (Direct Aid)	3,923.3	4,891.2	967.9	23
	UVA	137.9	135.7	(2.2)	--
	VCCS	290.8	353.0	62.1	1
	DSS	269.4	381.3	111.9	3
	GMU	102.3	122.7	20.4	<1
	VCU	155.2	171.1	15.9	<1
	Va Tech	156.1	153.2	(2.9)	--
	VEC	No General Funds			
Total for Top 10 Agencies		\$6,963.6	\$9,710.6	\$2,746.9	64%
Total General Fund Budget		\$12,105.2	\$16,342.3	\$4,237.1	100%
Non-General Fund Growth for the 10 Agencies With the Most Growth in Total Appropriations					
	Agency	FY 2003	FY 2012	Growth (\$)	% of Total Growth
	DMAS	\$1,931.9	\$4,045.5	\$2,113.6	14%
	VDOT	2,424.6	4,642.3	2,217.7	14
	DOE (Direct Aid)	743.4	1,440.5	697.1	5
	UVA	1,280.8	2,228.8	948.1	6
	VCCS	216.0	1,044.7	828.6	5
	DSS	1,158.6	1,521.1	362.5	2
	GMU	238.4	615.4	376.9	3
	VCU	388.5	736.9	348.4	2
	Va Tech	455.1	816.7	361.5	2
	VEC	481.2	825.6	344.4	2
Total for Top 10 Agencies		\$9,318.5	\$17,917.5	\$8,598.8	55%
Total Non-General Fund Budget		\$12,877.7	\$24,008.6	\$11,130.9	100%

Note: Excludes central and capital appropriations. Totals may not add due to rounding. Total general fund growth is less than the total growth for these 10 agencies because 13 other agencies' general fund appropriation decreased from FY 2003 to FY 2012.

Source: 2003 and 2012 Appropriation Acts.

JLARC Staff

Lauren W. Axselle
Jamie S. Bitz
Justin C. Brown
Andrew B. Dickinson
Christopher J. Duncombe
Martha L. Erwin
Kathryn A. Francis
Nicole K. Gaffen
Harold E. Greer III
Mark R. Gribbin
Anna B. Haley
Nia N. Harrison
Joan M. Irby
Betsy M. Jackson
Borna Kazerooni
Paula C. Lambert
Joseph M. McMahon
Ellen J. Miller
Nathalie Molliet-Ribet
Laura C. Parker
Gregory J. Rest
David A. Reynolds
Kimberly A. Sarte
Walter L. Smiley
Tracey R. Smith
Glen S. Tittermary
Massey S. J. Whorley
Christine D. Wolfe

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201 North 9th Street • General Assembly Building • Suite 1100 • Richmond, Virginia 23219
804-786-1258 • Fax 804-371-0101 • <http://jlarc.virginia.gov>