

Virginia's Budget Process

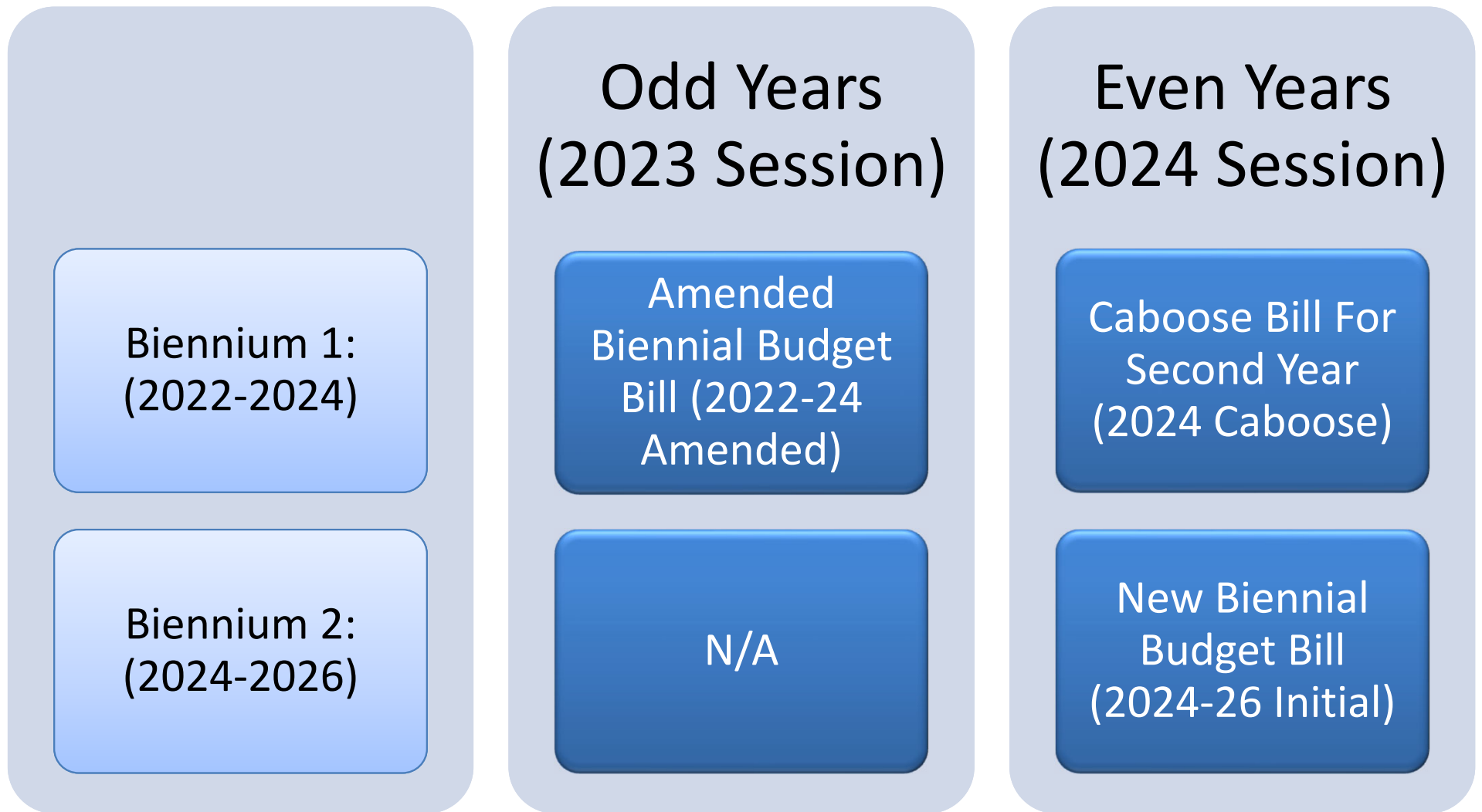
Virginia Department of Planning and Budget



What is the Budget?

- Legislation that presents and governs the Commonwealth's planned revenues and spending for a given biennium (two-year period).
- Mechanism to pay for the programs operated by state government, including certain funds passed through to localities.

Budget Types By General Assembly Session Year



Organization of Virginia's Budget

Four major sections:

1. Operating Budget

Includes the appropriation for the operating expenses of state government along with associated authorizing language.

2. Capital Budget

Includes the appropriation for the capital outlay expenses of state government along with associated authorizing language.

3. Miscellaneous

Deals primarily with the transfer of funds but also includes language governing certain revenue transactions.

4. General Provisions

Includes conditions and stipulations governing appropriations.

Organization of Virginia's Budget

Operating and Capital hierarchy:

- **Department/Branch of Government**

Legislative, Judicial, and Executive Departments and Independent Agencies

- **Secretarial Area**

Used primarily to describe the Executive Department cabinet secretary.

- **Agency**

The legally-authorized organizational entities through which State services are provided.

- **Program/Fund (Project/Fund for Capital Outlay)**

Program is defined as a distinct organization of resources directed toward a specific objective. Capital Projects are for things such as renovation of or the construction of facilities/buildings. Amounts at the Program or Capital Project level are appropriated by Fund. Programs (operating budget) and Projects (capital budget) are identified in the Appropriation Act with Item Numbers.

- **Service Area**

Sometimes referred to as Subprogram, the broadest subdivision, as nearly as practicable, of a Program. Resources provided for subprograms may be interchanged for maximum accomplishment of Program objectives (not applicable for capital outlay).

Authority to Control Spending

- Each agency must have an appropriation from the General Assembly to spend money from the state treasury

State Constitution

- Individual agency heads may be held personally liable for (deficit) spending in excess of their appropriation

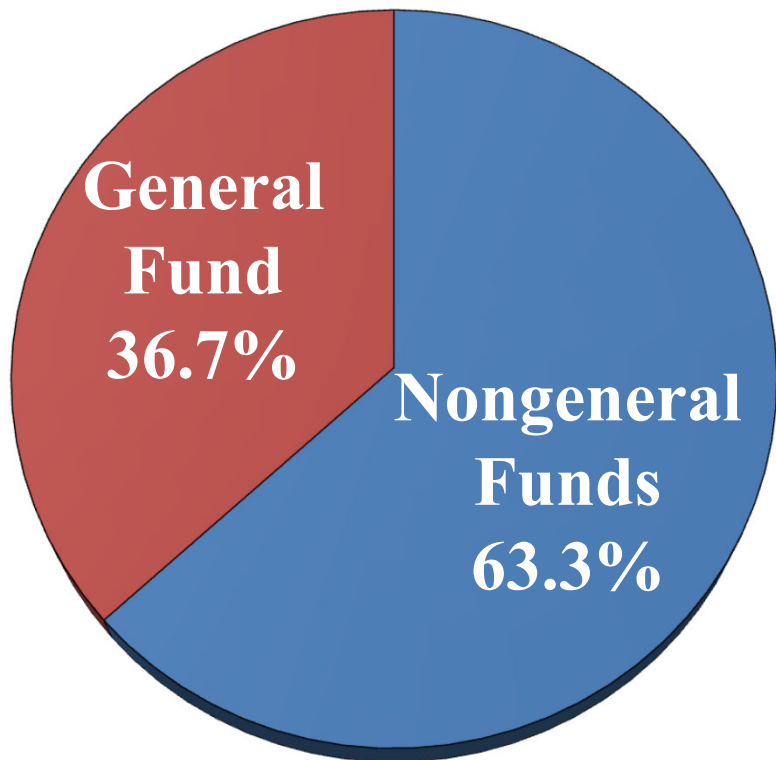
Appropriation Act

- The Governor must take all steps to see that spending is within revenue collections during the course of the biennium (two-year) budgetary period

State Constitution and Appropriation Act

- The Department of Planning and Budget (DPB) provides access to the legislatively approved appropriation through the allotment process
- The Department of Accounts (State Comptroller) monitors spending against appropriation allotments

2022-2024 Budget: Nongeneral Fund vs. General Fund



General Fund (36.7%)

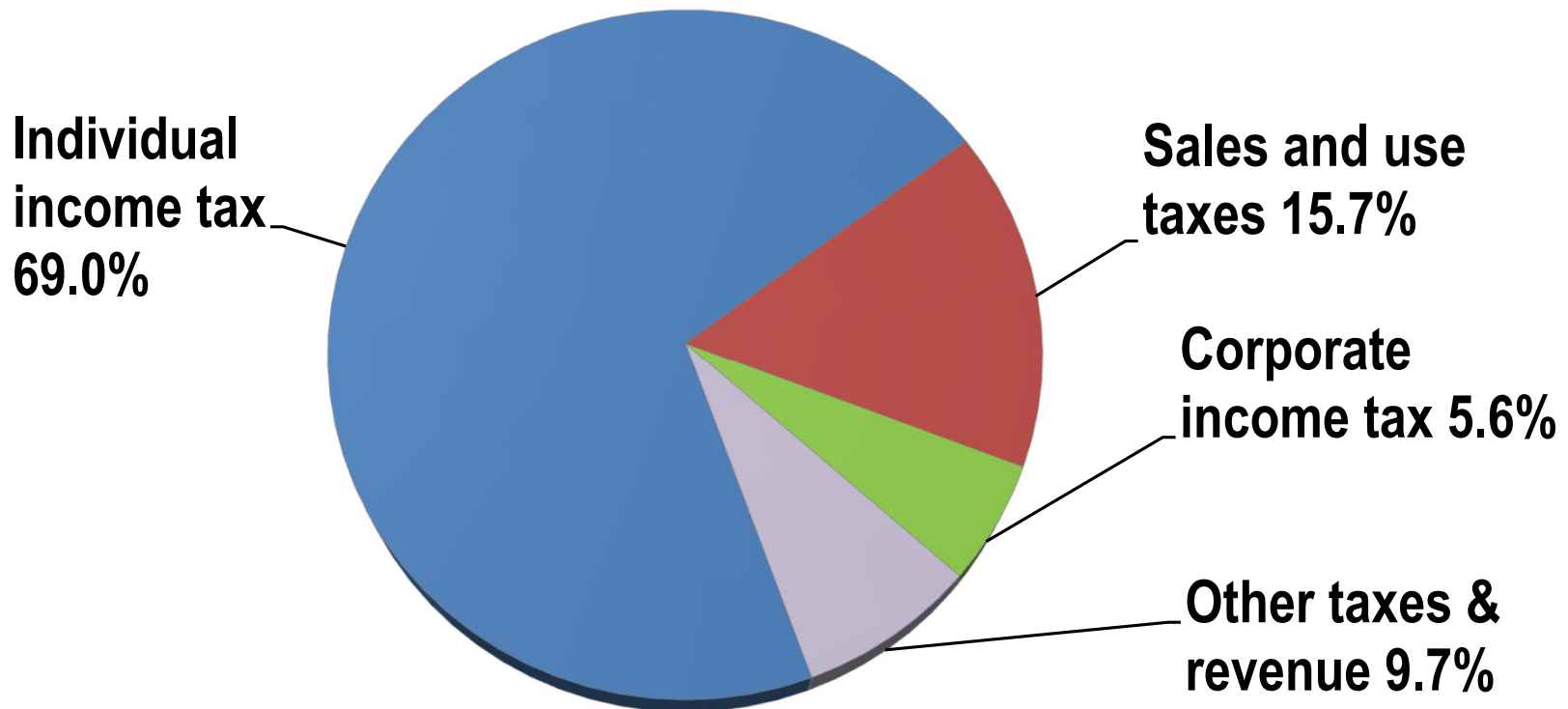
- From income and sales taxes paid by citizens and businesses
- Can be used for a variety of government programs
- Governor and General Assembly have the most discretion

Nongeneral Funds (63.3%)

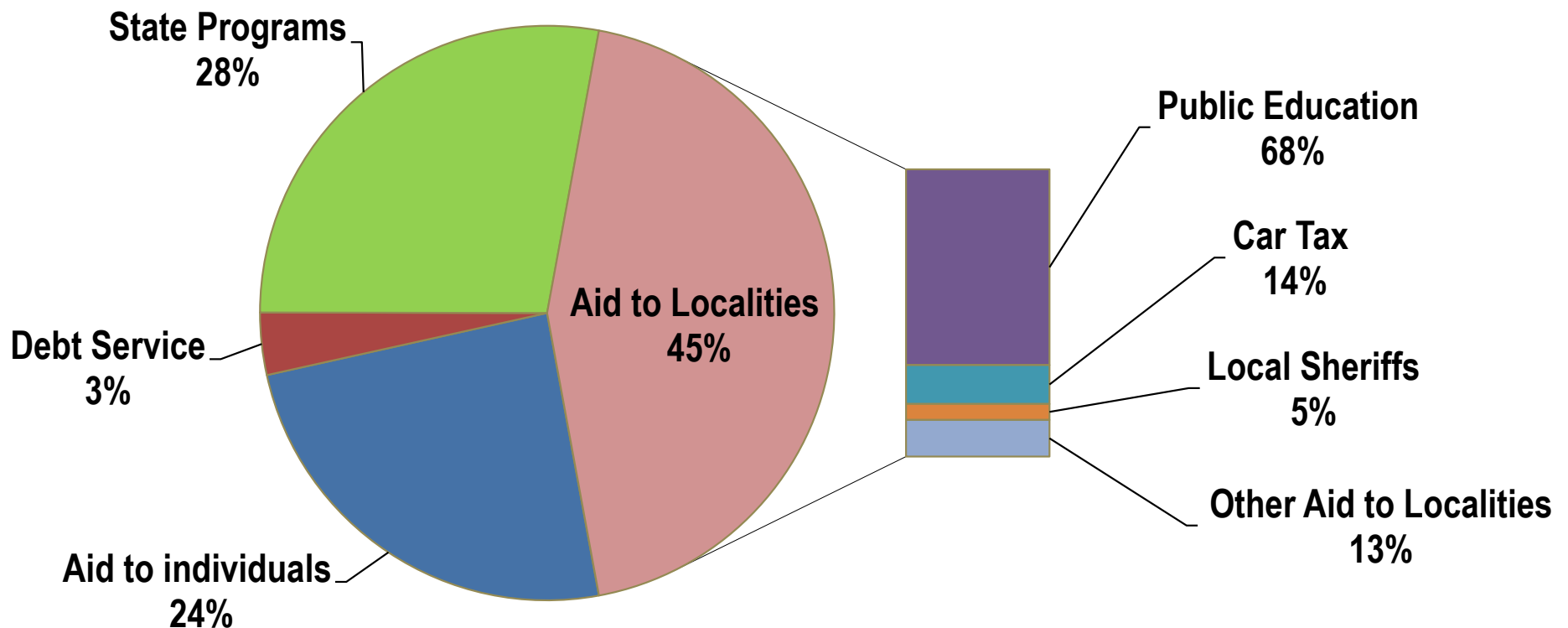
- Receipts set aside for specific purposes:
 - motor vehicle and gas taxes for transportation programs
 - student tuition and fees for higher education
 - federal grants for specific activities

General Fund Revenues for 2022-2024

- Economic trends are important
- Employment, wage gains, and consumer spending account for 90% of all general fund revenues
- 2022-2024 general fund operating appropriation = \$58.5 billion



Over two-thirds of the General Fund goes to localities and individuals

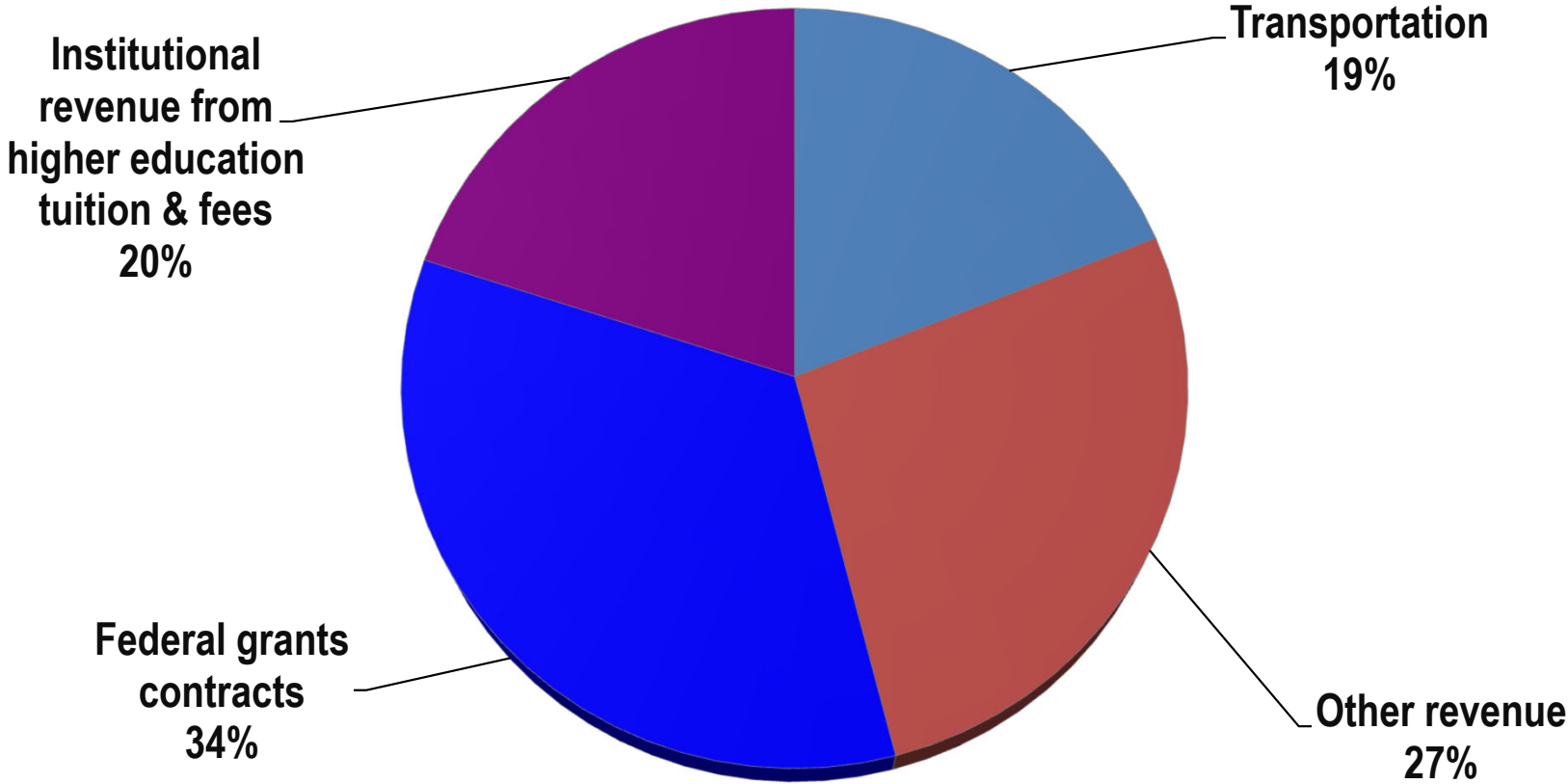


Where the operating money goes: General Fund 2022-2024

Government (Administration & Finance)	9.6 %
Commerce & Trade/Agriculture and Forestry/Labor	2.2 %
Education	41.2 %
Health and Human Resources	29.3 %
Natural Resources	1.3 %
Public Safety/Veterans/Homeland Security	11.4 %
Transportation	0.3 %
Other	4.7 %
(legislative & judicial branch, executive offices, independent agencies, central appropriations, and nonstate agencies)	

Nongeneral Fund Appropriations for 2022-2024

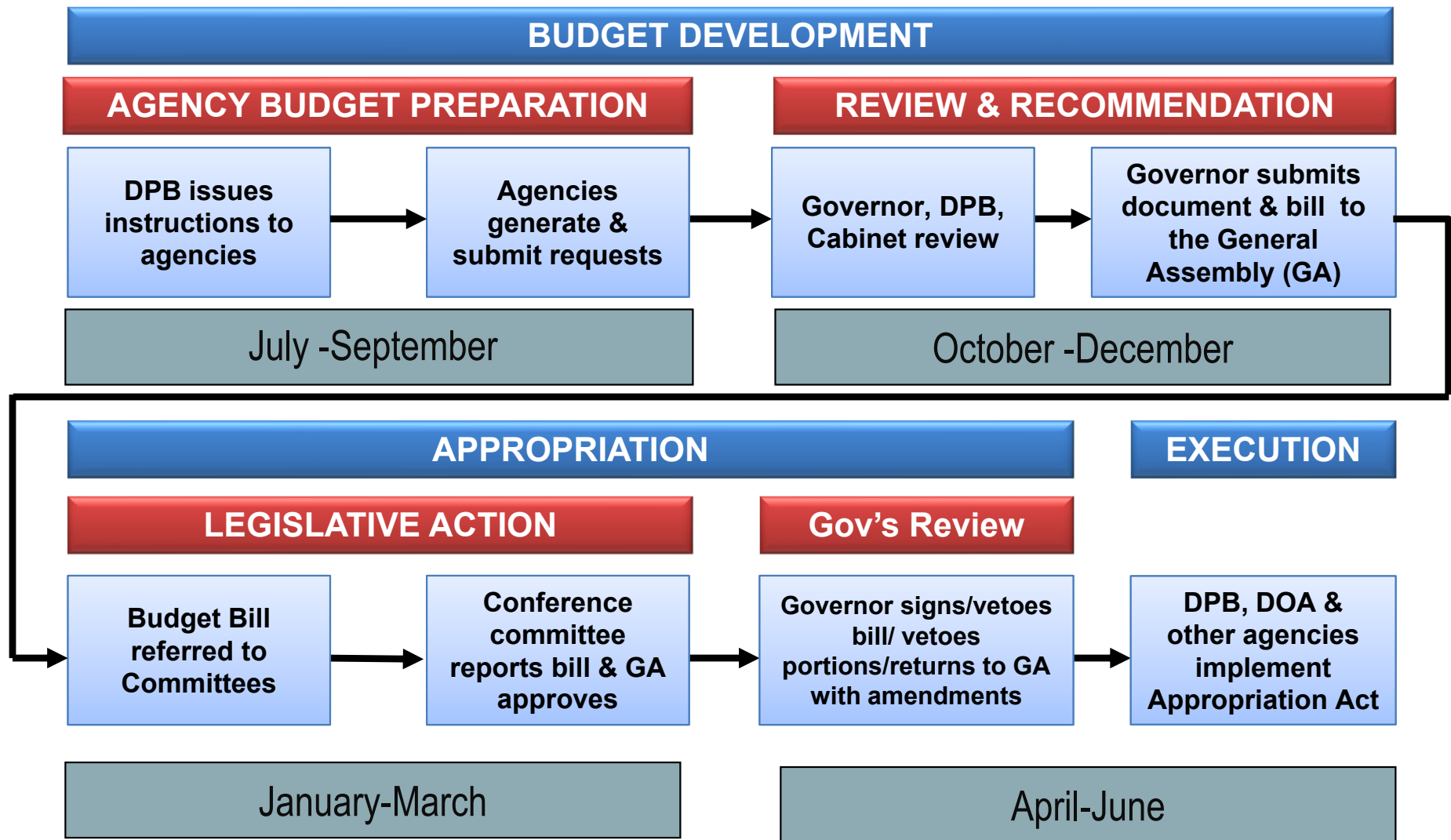
- 2022-2024 nongeneral fund operating appropriation = \$102 billion
- Federal grants account for 34% of all nongeneral fund operating appropriation



Budgetary authorization for higher education involves several major programs

- Educational and General (E&G)
 - General fund and nongeneral fund sources (tuition and fee revenue)
- Student Financial Assistance
 - General fund and nongeneral fund (federal assistance and tuition revenue)
- Sponsored Programs (Research)
 - General fund and nongeneral fund (federal and private grants)
 - Institution specific initiatives
- Auxiliary Enterprises
 - Nongeneral fund only (self-supporting activities such as residential facilities, dining halls, and parking)

Budget Creation Timeline



Budget Development Phase

(July - September)

AGENCY BUDGET PREPARATION

- DPB provides guidance on Governor's priorities and instructions for preparing budget requests (Budget Instructions)
- Agencies analyze programs and needs as they prepare requests
- Agencies work with cabinet secretaries to finalize budget requests
- Agencies submit budget requests to DPB

Many factors and perspectives influence budget development



Priorities of the Governor



Priorities of the General Assembly



Public sentiment



Increases/Decreases in federal funds



Changes in laws and regulations



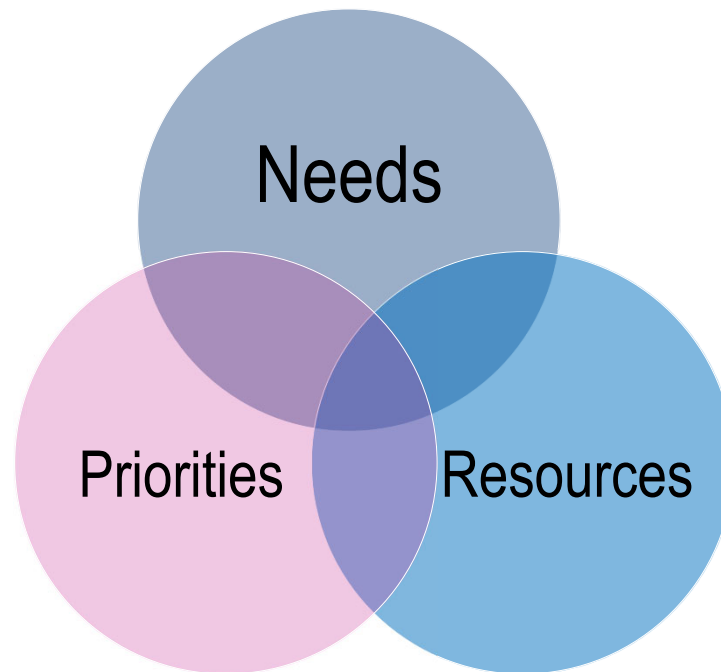
Traditional practices



Change in number of clients

Governor and DPB must view budget as zero-sum game and balance competing demands

- Increases/decreases in available revenues
- Efficiency, effectiveness, and economy
- Continuing need for programs and agencies
- Reconcile agency requests with Governor's priorities



Budget Development Phase

(October - December)

BUDGET REVIEW & RECOMMENDATION

- DPB analyzes budget requests to verify costs, confirm need for services, investigate funding alternatives, identify policy issues, and review performance
- DPB, working with the Governor and cabinet secretaries, prepares proposed budget to reflect Governor's priorities
- Governor makes final decisions regarding what to include in the budget
- Governor submits budget to General Assembly

Appropriation Phase

(January – March)

LEGISLATIVE ACTION

- General Assembly refers budget bill to money committees (Senate Finance and Appropriations; House Appropriations), holds public hearings and committee/subcommittee discussions
- Budget bill is discussed and acted on in each house; conference committee resolves any differences
- General Assembly passes budget bill with amendments and sends it to Governor for action

Appropriation Phase

(March – April)

GOVERNOR'S REVIEW

- Governor reviews budget bill forwarded by General Assembly
- Governor may sign bill, or may veto entire bill or line items
- Governor may send proposed amendments to General Assembly

Appropriation Phase

(April)

LEGISLATIVE VETO SESSION

- General Assembly may adopt some or all of the Governor's recommended amendments.
 - If all amendments adopted, bill becomes law without Governor's signature
 - If some amendments adopted, a re-enrolled bill including the adopted amendments is submitted to Governor for action
 - If General Assembly rejects all of the Governor's proposed amendments, the original enrolled bill is returned to the Governor for action (veto or signature) unless the General Assembly enacts the original enrolled bill into law by a two-thirds vote

State funding challenges

- Continuing impact of COVID-19
- Economic outlook
- Revenue growth versus mandatory expenses growth
 - Increasing health insurance costs for state employees
 - Enhancing funding of retirement system
 - Increasing Medicaid costs (not related to expansion)
 - Increasing K-12 costs
 - Tax reform/conformity
- Federal budgetary actions
- Support economic development projects
- Maintain bond credit ratings

Unique Features of Virginia's Budget

- Two-year budget
 - Year-by-year operating appropriations
 - Movement between years
- Unauthorized deficits not allowed
 - Governor's responsibility in execution
 - Personal liability of officials
- Planning and evaluation
 - Strategic planning initiatives
 - Six-year capital outlay plan
 - Consensus revenue forecasting
 - Debt capacity model
 - Financial Plan (Projections)

Resources

- Governor Youngkin: www.governor.virginia.gov
- Secretary Guidera: www.education.virginia.gov
- Virginia Legislative Information System:
www.lis.virginia.gov
- Department of Planning and Budget:
www.dpb.virginia.gov
- Senate Finance and Appropriations Committee:
www.sfac.virginia.gov
- House Appropriations Committee:
www.hac.virginia.gov