



## How Virginia's Budget is Developed and Adopted

Virginia has a biennial budget system, which means it adopts a two-year budget. The biennial budget is enacted into law in even-numbered years, and amendments to it are enacted in odd-numbered years. For example, the current budget for the 2000-2002 biennium was adopted by the 2000 General Assembly. In its upcoming 2002 session, the General Assembly will consider and adopt a new two-year budget for the 2002-2004 biennium.

Developing the Commonwealth's budget is a process that takes many months and involves many participants, from state agencies to the legislature and the public. The process includes five distinct phases: agency budget preparation, budget development, legislative action, Governor's review, and budget implementation.

### Agency budget preparation phase

State agencies develop their proposed operating budgets through the state's "performance management" process, introduced seven years ago. Agencies undertake a strategic planning process that provides a foundation for budget requests.

The process begins with an "issues assessment," in which agencies take a critical look at their mission, activities, role and purpose, customer needs, organizational structure, and accomplishments. In addition, agencies list their strengths, weaknesses, opportunities, and threats. As an outgrowth of these assessments, agencies identify their critical issues. Agencies present the results of their issues assessments to

their Cabinet Secretaries and receive guidance for developing their strategic plans.

Agencies then develop strategic plans that set forth goals, objectives, and strategies for achieving their mission and addressing their critical issues over the next six years.

Based on this planning process, agencies prepare and submit their requests for operating funds to the Department of Planning and Budget (DPB), generally in the early fall.

When the biennial budget is being developed, agencies submit an activity-based budget request that justifies and costs out each of their ongoing activities. In addition, they may submit specific requests for funding for new or expanded services.

Agencies also report to DPB during the year on their success in achieving the "performance measures" adopted to evaluate how well the agency accomplishes its mission.

### Budget development phase

DPB analyzes the budget requests of agencies to verify costs, confirms the need for services, investigates any alternatives for funding, and identifies policy issues for the Governor's consideration. This analysis takes place during the fall.

In the late fall, the Governor and the Cabinet Secretaries work together, with DPB serving as staff, to prepare a proposed budget that allocates resources among state activities based on consideration of the Administration's priorities and the revenue forecast. The Governor's Advisory Board of Economists (GABE) and the Governor's

Advisory Council on Revenue Estimates (GACRE) provide input in developing revenue forecasts on which to base the proposed budget.

The Governor is required by law to submit his budget proposals to the General Assembly on or before December 20. The submission consists of the Budget Bill, which is proposed legislation containing all the appropriations he recommends, as well as a budget document (this publication) that provides an explanation of the proposals.

**Legislative action**

The General Assembly convenes each year on the second Wednesday in January. The Governor’s proposed budget, submitted to the General Assembly in the form of the Budget Bill, is referred to the Appropriations Committee of the House of Delegates and the Finance Committee of the Senate. The committees hold public hearings and conduct committee discussions that may result in amendments to the Budget Bill.

After review by each of these committees, the amended Budget Bill is brought to the floor of each house, where other amendments may be made. Each house votes on the amended Budget Bill. After each house votes on its own version of the Budget Bill, the bill “crosses over” to the other house where it is again debated and voted on. A conference committee resolves any differences between the versions passed by the two houses, resulting in the enrolled bill.

The General Assembly then sends the enrolled Budget Bill to the Governor for his action.

**Governor’s review phase**

The Governor has 30 days following the adjournment of the General Assembly to review the enrolled appropriation bill passed by the General Assembly. He may sign it, veto the entire bill or selected line items, or recommend amendments. If the Governor vetoes the bill or any items of the bill, it goes back to the General Assembly, during a reconvened session in the spring, for consideration and action on whether to sustain or override the veto. If he recommends amendments, the bill is returned to the

**Key dates for developing the 2002-04 Executive Budget**

<i>Date</i>	<i>Action</i>
September 2001	Instructions go out to agencies on preparing their budget requests for the 2002-2004 budget
October 1, 2001	Agencies submit base budget requests for the 2002-2004 biennium
October 15, 2001	Agencies submit budget requests for the 2002-2004 biennium
December 19, 2001	Governor submits recommended budget to General Assembly
January 9, 2002	General Assembly convenes
March 9, 2002	General Assembly adjourns ( <i>tentative date</i> )
April 17, 2002	Reconvened General Assembly session ( <i>tentative date; session will be sixth Wednesday after adjournment</i> )

reconvened session for consideration and action by the General Assembly on the Governor’s proposed amendments.

**Budget implementation phase**

The budget passed by the General Assembly and enacted into law goes into effect on July 1 in even-numbered years and on the date of passage in odd-numbered years. The Commonwealth’s 2000-02 budget went into effect on July 1, 2000.

The 2002-04 biennial budget, which the General Assembly will adopt at its upcoming 2002 session, will become effective July 1, 2002.

**The capital budget process**

The process for determining the Commonwealth’s capital budget follows a slightly different path from development of the operating budget.

Every two years, all state agencies with a physical plant develop a six-year capital outlay plan in which they identify their long-term capital requirements. Agencies rank the projects in priority order and justify the need for each with respect to their programs and services.

The long-range capital plan assists the Commonwealth in prudently staying within the limits of its self-imposed debt capacity limits. It distinguishes between immediate capital needs and longer-term demands, assesses the state's ability to meet its highest priority capital requirements, and outlines an approach for addressing priorities in terms of costs, benefits, and financing.

DPB analyzes the programmatic need for the projects and assesses the impact each project will have on future operating costs. The Department of General Services (DGS) reviews each project's budget and the technical aspects of the project. For certain high-priority projects, interagency teams, consisting of representatives from DPB, DGS, the requesting agency, and House and Senate money committee staffs, are established to review the project budget and design.

After this review of agency six-year capital plan submissions and analysis of the need for each project, the Governor and his Cabinet Secretaries work together to prepare a capital budget in the same way they prepare an operating budget. The Governor's proposed capital and operating recommendations are contained in the same budget bill, which undergoes legislative action.