



Commonwealth of Virginia
Office of Governor Ralph S. Northam

September 14, 2018

MEMORANDUM

TO: Executive Branch Agency Heads

CC: Cabinet Secretaries

FROM: Clark Mercer, Chief of Staff

SUBJECT: Budget Requests for 2019 GA Session

DUE DATES: Operating Spending Requests – October 9, 2018
Capital Spending Requests – October 9, 2018

Governor Northam and I want to thank you for your support and cooperation throughout these first nine months of the administration. In our first General Assembly session, much was accomplished, including passage of a strong budget that reflects key priorities of the Governor including expanding Medicaid coverage to approximately 400,000 individuals, increasing compensation for state employees, teachers and state and local public safety personnel, and shoring up our cash reserves.

While the current biennial budget was passed just three months ago, the next round of the budget process – budget development for the 2019 General Assembly – is already upon us. This memo outlines the policy guidance for agencies to follow as they develop budget

submissions for consideration and inclusion in the budget amendments that Governor Northam will introduce in December. The Department of Planning and Budget (DPB) will issue separate technical instructions for those submissions to accompany this guidance.

General Guidance

All requests for new general fund appropriation should be in support of one or more of the Governor's key priorities:

Generally, the Governor's priorities include:

- Strengthening the foundation of our economy through improved public education, workforce development, transportation, environment and clean energy, and health care;
- Building a Commonwealth where every person, particularly every child, has the same opportunity for a healthy, safe, and successful life; and,
- Maximizing the benefit of taxpayer dollars by running a smart, efficient, and responsive government.

Capital Budget Requests

For the upcoming budget, agencies should limit capital requests to one of the following categories:

1. Projects that address emergency or life/safety issues;
2. Projects for new construction that previously have been approved for planning and for which planning has been completed;
3. Funding needed to supplement a previously approved project;
4. Projects that directly support one of the Governor's priorities;
5. Projects that take advantage of limited, one-time economic opportunities that will not exist if they are delayed;
6. Additional maintenance reserve to care for existing facilities; or,
7. Equipment for projects that have been or will be completed prior to the 2020 General Assembly.

DPB will issue detailed instructions for submission of requests for capital project funding through the Performance Budget System. The submission deadline for capital requests is October 9, 2018.

General Fund Operating Requests

Revenue growth over the last year has been strong. Recent federal tax changes will result in additional state revenue, much of which is temporary. The Governor will prioritize funding

current obligations and a limited number of priority initiatives in order to ensure a structurally-sound budget.

In developing operating budget requests, agencies should consider the following guidelines.

First, changes to the current year budget will not be enacted until the end of this fiscal year.

Second, agencies should not submit requests to restore previously approved budget reductions.

Third, requests to increase operating spending should be limited to the following criteria:

1. directly supporting the Governor's goals;
2. emergencies;
3. life/safety concerns;
4. unavoidable cost increases that are formula driven based on changes in the number of clients, caseloads, or enrollment; or,
5. cost increases due to circumstances that are beyond your ability to control.

Each request for additional funding will be examined thoroughly and assessed in comparison to other needs and priorities.

To support this examination, and keeping in mind the Governor's goal of maximizing taxpayer dollars, agencies should answer the following questions:

1. Why is the additional funding needed?
2. How will the funds be used?
3. What will the funds accomplish?
4. How will success or goals be measured?
5. What alternatives exist?
6. Does the program or service need to be done at all?

Agencies must submit all requests for new general fund operating spending through DPB's Performance Budget System no later than October 9, 2018.

Nongeneral Fund Operating Requests

Requests for additional nongeneral fund appropriation should closely follow the same guidelines for general fund requests stated above. Nongeneral fund requests also must address several additional questions in order to be submitted.

1. Does the request directly support the purpose for which the nongeneral fund revenue was intended?

2. Can the current and ongoing future costs of the request be supported by the current revenue stream and the fees or other means by which the revenues are derived?
3. Is a fee increase needed to support this request or any of its ongoing cost in the future?

Each agency should evaluate its nongeneral fund programs and services to ensure that all services and expenditures meet the purpose for which the supporting revenue source was intended. Proposals to reduce discretionary spending and thus reduce fees are encouraged.

Agencies must submit all requests for new nongeneral fund spending through DPB's Performance Budget System no later than October 9, 2018.

Conclusion

Finally, your budget submissions (both capital and operating) should be discussed in advance with your respective Cabinet Secretary, and should not be submitted unless the Secretary has given you approval for such submission. All requests must meet one or more of the criteria discussed in this memorandum. DPB will be issuing specific guidance for submission of all requests through the Performance Budget System.

If you have any concerns interpreting the guidance in this memorandum, please discuss it with your respective Secretary or contact your DPB analyst for clarification.

Once again, the Governor and I appreciate all that you do for the Commonwealth of Virginia.