Budget Execution Adjustments

Operating Budget Training for Virginia State Agencies
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Budget Execution Adjustments (BEXs) Overview

The Appropriation Act grants the Governor, Secretary of Finance, and DPB Director the authority to make certain administrative budget adjustments during the fiscal year. These adjustments are commonly referred to as BEXs.

BEXs can be used to increase, decrease, or transfer appropriations and to adjust allotments.

Agencies should remember that, absent budget language specifically directing a budget adjustment, BEXs are a privilege and not a right.

Agencies generally should not ask for appropriation increases early in the year, as DPB will wait to see how agency spending progresses throughout the year so as to not "over-appropriate" the agency.

BEXs expire on June 30 each year. If your agency is requesting the same BEX every year, talk to your DPB analyst about options for a Base Budget Adjustment or a Decision Package.

Today we're talking about BEXs that affect the Operating Budget (Part 1 of the Appropriation Act). BEXs for the Capital Budget (Part 2) are very similar but have their own unique approval process and documentation requirements which won't be discussed in this training.

What happens when a BEX reaches DPB?

A DPB analyst will review the BEX to ensure that the transaction is needed, that there is proper authority to approve the transaction, that there is sufficient appropriation and cash to support the requested action, and that the transaction is sufficiently documented for audit purposes.

The DPB analyst may send the transaction back to the agency for additional edits or information if the initial submission is not complete.

Depending on the type and amount of the transaction, it may be approved by the DPB Analyst or may require one to two levels of additional review within DPB. If not approved, the BEX can be denied or sent back to the agency to be voided.

What happens after DPB approves a BEX?

All approved BEXs are sent nightly in a batch to Cardinal at 5:30 PM. DOA reviews the transactions the next business day and will either post them in Cardinal or notify DPB of any issues that require the BEX to be reversed and resubmitted.

Cardinal or DOA may find an issue with a BEX transaction that will not allow the transaction to be posted in Cardinal. Under those circumstances, DPB must either reverse the original BEX and have the agency submit a new BEX or have the agency take action to clear the error.

Example: An agency posts expenditures to a program/fund that uses up all remaining appropriation, as DPB concurrently approves a BEX that transfers appropriation from that same program/fund. This action would cause a negative appropriation if allowed to post. The BEX could be reversed or the agency can move expenditures if appropriate.

Documentation

BEXs must be supported by appropriate documentation.

Transactions require a narrative explanation from the agency justifying the nature of the request, and depending on the type of request, will require additional information from the agency to ensure the request meets statutory criteria.

For some transactions, documentation may be as simple as the Item language in the Appropriation Act authorizing or directing a particular action.

The requirements described in this presentation should be viewed as "minimums" – your DPB analyst may request additional information or documentation before approving the transaction.

Most transactions will require some combination of Cardinal reports be attached, such as:

- Cardinal Trial Balance (to demonstrate available cash or new revenue if already collected)
- Statement of Appropriation, Allotment, and Expense (to demonstrate available appropriation and allotments)

BEX Types

BEX Types - Overview

There are 20 unique BEX types, each of which has been assigned a letter of the alphabet for quick reference.

Each BEX type corresponds to a particular type of action (different types of transfers, different types of appropriation increases, etc.) and each type has certain documentation and approval requirements.

Choosing the correct BEX type is critical - if the BEX type does not align with the actions taken in the BEX or the required approval authority, this can cause errors when the batch is sent to Cardinal and requires the BEX to be redone.

Most BEX types can be used for both operating and capital budgets. Some may be used only for one or the other. This presentation focuses on operating budget adjustments and will discuss only BEX types that can be used for operating budget adjustments.

BEX Types Generally Used by DPB Only

The following Types are generally only selected by DPB staff (generally Budget Operations). Agencies should not select these Types unless directed to do so.

A - Mandated Reappropriation: Used to reappropriate unexpended appropriation from the prior fiscal year based on explicit requirements in the Appropriation Act. Usually just GF.

B - Discretionary Reappropriation: Used to reappropriate unexpended appropriation from the prior fiscal year based on a signed decision brief from the Governor. Usually just GF.

C - Special Legislative Adjustment: Used to record special legislative appropriations made in laws other than the regular Appropriation Act.

D - Amended Legislative Appropriation: Used to record legislative amendments in Amended or Caboose budget bills.

J - Transfer from Second Year to First Year: Transfers appropriation between the Second Year of a biennium to the First Year.

BEX Types Used In Special Circumstances

The following BEX Types are used in special circumstances with language explicitly directing their actions or with guidance from DPB.

F - Sum Sufficient Appropriation: Increases in appropriation if specifically authorized using "a sum sufficient" language in the Appropriation Act.

H - Other Nongeneral Fund Adjustment: To record NGF adjustments other than those involving additional or existing revenue. Most recently this Type has been used to reappropriate ARPA dollars left unexpended in the previous fiscal year.

I - Deficit Appropriation: To record a deficit appropriation authorized by the Act or the Governor.

X - Additional General Fund Revenue Appropriation: To record additional GF revenue appropriations authorized through specific action the Act.

Y - Legislatively Authorized Actions: To appropriate dollars or positions authorized in language in the Appropriation Act, such as NGF increases to cover the NGF cost of salary increases authorized in Central Appropriations.

BEX Types Most Commonly Used by Agencies

E - Nongeneral Fund Cash Balance: To increase appropriation based on the NGF cash balance on hand June 30 of the prior fiscal year.

G - Nongeneral Fund Revenue Adjustment: To adjust appropriation based on changes in NGF revenues in the current fiscal year.

L - Adjustment to Allotments: Net-zero transfers of appropriation between allotted and unallotted subobject codes.

M - Adjustment to Service Areas and Subobject Codes: Net-zero transfers of appropriation within a program or service area to "true up" an agency operating plan. If moving appropriation between programs or funds, agencies should use an Appropriation Transfer Type (described below).

Appropriation Transfers (N - GF to GF, P - NGF to NGF, R - Between GF and NGF, T - Between GF and HEOF, V - HEOF to HEOF): Net-zero transfers of appropriation between agencies or between programs/funds within an agency.

Guidance on most common BEX Types

E - Nongeneral Fund Cash Balance

§4-1.04.a.4 of the Act allows the DPB Director to appropriate nongeneral fund cash balances unexpended on the last day of the fiscal year for use in the succeeding fiscal year.

DPB will not approve requests that exceed the fiscal year end balance. Agencies should also take into account any cash balances that were planned to be used as part of their legislative appropriation before requesting an increase.

Agencies should attach a June 30 Cardinal Trial Balance report documenting the year end cash balance, net of any accounts payable at that time. The same report should be run for the current fiscal month to demonstrate that the cash is still present.

Agencies should also address the following questions in their narrative justification:

1. Is the cash essential to meet an obligation of the prior year that the agency could not otherwise meet?
2. What is the nature of the obligation (describe it) and what are the consequences of not approving the transaction?
3. Is the obligation one-time or ongoing? If ongoing, what is the source of future funding? If the adjustment is ongoing, has the agency adjusted its base to account for the nongeneral fund revenue?
4. Is the cash essential for continuing services, addressing workload increases, or providing better quality services in the second year?
5. Are the services for clients or for activities specifically mandated by the Governor, General Assembly, federal government, or the courts?
6. What are the program consequences of not approving the transaction?
7. What assumptions, if any, are used in calculating the request?

Cardinal Trial Balance - Determining Cash

Business Unit	Fund Code		Account	Description	Beginning Balance	Net Activity	Ending Balance
12900	05220						
			101010	Cash With The Treasurer Of VA	90,589.20	16,875.15	107,464.35
Asset Total :					90,589.20	16,875.15	107,464.35
			205025	Accts Payable-AP/EX Accruals	0.00	(4,708.87)	(4,708.87)

When determining available cash, any accounts payable should be subtracted from the current Cash with the Treasurer.

G - Nongeneral Fund Revenue Adjustment

These adjustments are governed by §4-1.04 (Appropriation Increases) and 4-2.01 (Nongeneral Fund Revenues) of the Act.

These adjustments must be for amounts in excess of the original legislative appropriation, and should also be for revenues not already accounted for the in the agency's Six Year Nongeneral Fund Revenue forecast submitted as part of fall budget development.

If the revenues were already accounted for in the Six Year NGF Revenue forecast, agencies can instead use a Type H or Y BEX. If the agency continues with a G, they will need to complete additional forms sent by DOA Financial Reporting after year-end as part of the ACFR process.

Agencies should attach documentation of the additional revenue, such as a grant/award letter or if the revenue has already been received, a Cardinal Trial Balance or Revenue Status report demonstrating the received revenue.

Type G BEXs require agencies to specify a revenue source code. This revenue source code should be the same one the agency intends to use when the revenue is recorded in Cardinal.

Please note that for federal funds, DOA may need to first establish a new revenue source code to align with the ALN (formerly CFDA) number. Once established, DPB will need to link that code to the agency in the PB System chart of accounts.

G - Nongeneral Fund Revenue Adjustment, continued

In addition to the documentation discussed previously, agencies should also address the following questions in their narrative justification:

1. Which of the criteria specified in §4-1.04.a.3.a) are met by this request?
2. What is the source of additional revenue?
3. Is it one-time or ongoing? If the adjustment is ongoing, has the agency adjusted its base to account for the nongeneral fund revenue?
4. How will additional revenue affect agency programs, e.g., expand services or maintain service levels?
5. Does the additional revenue imply a general fund commitment, e.g., state match or long term spending commitment?
6. Can general fund appropriations be reduced as a result of additional nongeneral fund revenue?
7. Why was the additional revenue not included in the agency's biennial budget request?

Type G - Criteria found in §4-1.04.a.3.a)

Based on the current Act these criteria include:

- Sale of surplus material
- Insurance recovery
- Gifts, grants, and other nongeneral funds authorized or required to:
  - Address a threat to life, safety, health or property or
  - Provide for unbudgeted increases in costs for services required by statute or services mandated by the federal government, in order to continue those services at the present level or implement compensation adjustments approved by the General Assembly, or
  - Provide for payment of overtime salaries and wages, when the obligations for payment of such overtime were incurred during a situation deemed threatening to life, safety, health, or property, or
  - Continue a program at the present level of service or at an increased level of service when required to address unanticipated increases in noncredit instruction at institutions of higher education or business and industrial development opportunities which will benefit the state's economy, or
  - Participate in a federal or sponsored program provided that the provisions of § 4-5.03 shall also apply to increases in appropriations for additional gifts, grants, and other nongeneral fund revenue which require a general fund match as a condition of their acceptance; or
  - Realize cost savings in excess of the additional funds provided, or
  - Permit a state agency or institution to use a donation, gift or grant for the purpose intended by the donor, or
  - Provide for cost overruns on capital projects and for capital projects authorized under § 4-4.01 l of this act, or
  - Address caseload or workload changes in programs approved by the General Assembly.

Cardinal Trial Balance - Revenue Source Code

| 4004205 | Reimburse-Health Svc Expense | (1,367,663.04) | (195,019.46) | (1,562,682.50) |
| | | (1,367,663.04) | (195,019.46) | (1,562,682.50) |

Running the Cardinal Trial Balance with the "details" setting will show you the revenue source codes used to date by the agency.

Revenue Status Report - Revenue Source Code

Bus Unit	Fund	Account	Description	Estimated Revenue	Year to Date Current Year
13600	02101	4009060	Miscellaneous Revenues	19,346,970.00	21,652,859.36

The Revenue Status Report shows Estimated Revenue compared to actual revenue, which can help document the need for Type "G".

L - Adjustments to Allotments

In some instances, agencies receive appropriation which is unallotted. In these instances there is generally language stating "Of this appropriation $X shall be unallotted until…" Agencies have the appropriation, but without an allotment Cardinal will not allow the appropriation to be used. Unallotments are a method for the General Assembly to require certain conditions to be met (such as a report being filed) before the agency can spend.

Unallotted funds can be found in Cardinal using the Statement of Appropriation, Allotment, and Expense (SAAE) report or in PB Reports using the Operating Plan report and looking for appropriation budgeted in subobjects 1188 (unallotted personnel services) or 1611 (unallotted nonpersonnel services).

Funds appropriated in subobjects 1188 and 1611 are considered unallotted. All other subobject codes are considered allotted. These adjustments should move appropriation from 1188 or 1611 to the appropriate subobject codes.

These adjustments must be net neutral and should be within the same service area and fund. The agency may allocate the funds to multiple subobject codes using a Type L BEX, as long as all entries are within the same service area and fund detail. Crossing service areas, programs, or fund details would require a **subsequent** transfer BEX (Types M, N, P, R, etc.)

Agencies should provide documentation demonstrating that the conditions on the allotment have been met, an SAAE Report, and the relevant portion of the Operating Plan report.

M - Adjustment to Service Areas and Subobject Codes

These adjustments are frequently referred to as an "Operating Plan" adjustment, because their primary purpose is to make technical adjustments to the agency's Operating Plan in the PB System. One example would be to clear out convenience subobject codes such as xx95 or 4100.

These adjustments must be net zero and cannot result in a net increase or decrease in a fund detail's appropriation or a program's appropriation.

Agencies may move appropriation between subobjects within a service area/ fund detail (other than unallotted subobjects - see Type L) or between service areas within the same program/ fund detail.

If making adjustments to multiple programs and/or funds in one BEX, all transfers must be net zero within each program and/or fund, as applicable.

Agencies should describe the adjustment and justify the need in the BEX.

Think of this: Cardinal balances at the program/ fund detail level. If the BEX will not affect those levels in Cardinal, then a Type M BEX is appropriate.

Appropriation Transfers (Types N, P, R, T, and V)

These adjustments all follow the same rules/documentation requirements. The Type depends on the funds involved in the transfer (general fund, higher education operating, all other nongeneral funds).

Appropriation transfers are generally governed by §4-1.03 but may be directed by specific language elsewhere in the Act.

These transactions can be used to transfer appropriation between programs within an agency, between fund groups and details within an agency, or between agencies.

Note that all transactions involved must involve the correct fund groups for the Type (GF, HEOF, all other NGF). If an agency is trying to move GF to GF and NGF to NGF, those must be done as two separate BEXs.

If linking BEXs between multiple agencies, make sure that they all use the same Type.

Appropriation Transfers (Types N, P, R, T, and V), cont.

Agencies should attach a Statement of Appropriation, Allotment, and Expense (SAAE) Report from Cardinal to demonstrate that there is sufficient appropriation to be transferred.

For NGF or HEOF BEX transfers involving appropriation and cash, agencies should coordinate with DOA to make sure that the cash is moved. The BEX transaction only moves appropriation - agencies must ensure the cash moves.

Agencies should also address the following questions in their narrative justification:

1. Does the request meet at least one of the conditions in §4-1.03, "Appropriation Transfers," of the Appropriation Act (e.g. closely and related purpose, legislatively mandated agency reorganizations or new responsibilities, unbudgeted increases for essential services)? In other words, why is the transfer needed?
2. What will be the impact on the delivery of services?
3. What will be the fiscal impact on the program?
4. How will program changes (that may result from the transfer) be consistent with legislative intent and administrative policy?

Which transfer Type should I pick?

N - GF to GF: The only fund involved in the transaction is 01000 (GF).

P - NGF to NGF: All funds involved in the transaction are NGF (NOT fund 01000). If all funds involved are in fund group 03, use a Type V (see below).

R - Between GF and NGF: At least one fund is 01000 (GF) and at least one fund is any other fund group EXCEPT fund group 03.

T - Between GF and HEOF: At least one fund is 01000 (GF) and at least one fund is in fund group 03.

V - HEOF to HEOF: All funds involved in the transaction are in fund group 03.

Statement of Approp., Allot., and Expense Example

```
Business Unit :    12700
Appr. Ledger  :    C_APPROP_B
Allt. Ledger  :    C_ALLOT_B
Fiscal Year   :    2022          Period:  11
```

Business Unit	Program	Project	Fund	Appropriation	Allotment	Unalloted	Expended MTD	Expended YTD	Available Appropriation
12700	7110		09051	2,755,882.00	2,755,882.00	0.00	61,963.42	2,019,463.84	736,418.16
			09998	0.00	0.00	0.00	0.00	0.00	0.00
Program 7110 Total				2,755,882.00	2,755,882.00	0.00	61,963.42	2,019,463.84	736,418.16
	7120		09281	23,006,035.00	22,006,035.00	1,000,000.00	1,001,023.48	15,301,071.30	7,704,963.70
			09998	0.00	0.00	0.00	0.00	0.00	0.00
Program 7120 Total				23,006,035.00	22,006,035.00	1,000,000.00	1,001,023.48	15,301,071.30	7,704,963.70

The SAAE Report will show available appropriation by program and fund detail, as well as any of the appropriation that is currently unallotted.

For DBHDS, DOC, and VCCS: Make sure when doing a BEX transferring appropriation that the appropriation has been moved in Cardinal from the facility/sub-agency level to the main/parent agency.

Statement of Approp., Allot., and Expense IHE Example

```
Business Unit :    21500
Appr. Ledger  :    C_APPROP_B
Allt. Ledger  :    C_ALLOT_B
Fiscal Year   :    2022              Period:   11
```

								Available
Business Unit	Program	Project	Fund	Appropriation	Allotment	Unalloted	Expended MTD	Expended YTD	Appropriation
21500	1000		01000	1,017,269.35	1,017,269.35	0.00	0.00	0.00	1,017,269.35
			03000	90,310,923.13	90,310,923.13	0.00	3,350,307.61	64,375,154.88	25,935,768.25
			03710	85,408.48	85,408.48	0.00	85,408.48	85,408.48	0.00
Program 1000 Total				91,413,600.96	91,413,600.96	0.00	3,435,716.09	64,460,563.36	26,953,037.60

Please note for Institutions of Higher Education (IHE), programs 101 through 107 (E&G activities) are combined as program 100 in Cardinal. IHEs should ensure that the cumulative available appropriation and allotment is available using the Cardinal SAAE Report.

BEX Module Guidance

Overview – New Adjustment Transaction tab

Agency and Budget type should be selected first (Budget type: Operating, Capital, or Positions)

Available Adjustment Types will vary based on Budget Type selection

Copy button will copy any information already in a row – helpful when you have multiple rows of the same service area/fund

Created by system when you Save or Continue Working

Fields with a search icon (like the magnifying glass) can either be typed in directly (pulls up relevant values) or go through a decision tree

Makes the grid full screen

Adjusts number of rows displayed per page (default up to 200)

Add – New Rows
Import/Export – More on next slides
Clear – Erase everything
Choose Rows – Select the number of rows to display

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Unique fields in Type "G"

Since we selected a Type "G", there is one additional field where the Revenue Source Code (RSC) needs to be entered. The RSC will be used by DOA Financial Reporting at year end – please make sure it lines up with where revenues will actually be recorded.

Linking Grid

If you select a transfer type BEX, you will also see the Linking Grid.

The Linking Grid is ONLY used if appropriation is being transferred between agencies.

Internal agency appropriation transfers should net to zero in the Adjustment Information Grid.

Linking Grid, continued

Do not attempt to link BEXs until all BEXs in the transaction have been created and populated with the dollar information or instructed to do so by your DPB analyst.

It's also OK (and sometimes preferred with multi-agency BEXs) to submit your BEX unlinked and let DPB create the linkages.

If linking with another agency, make sure to communicate and select the correct BEX. Agencies may have multiple transfer BEXs available to link to.

Import/Export functionality

If you have a BEX with multiple rows of data, you can use the Import and Export buttons to expedite creating the Adjustment Information.

Click "Export" to get an Excel file of the Adjustment grid.

You only need to fill in the numeric grids in the Excel file (Program, Fund, Subobject, Amount). The other fields will be filled out after Import.
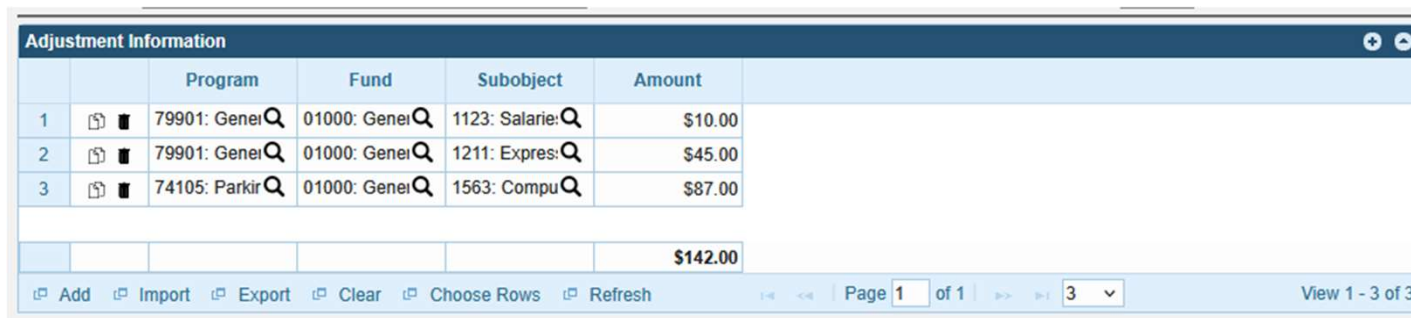
"Fund" require a leading "0", such as "01000" for GF. You can do this in Excel by typing an apostrophe before the numbers like '01000 in the cell.

	A	B	C	D	E	F	G
1	Program	Program Name	Fund	Fund Name	Subobject	Subobject Name	Amount
2	79901		01000		1123		10
3	79901		01000		1211		45
4	74105		01000		1563		87
5							

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Import/Export functionality, continued

After saving your Excel file, click the "Import" button in the Adjustment Information grid. Navigate to where you saved your file and select it.

If done correctly, the details should now show in the Adjustment Information grid

BEX type rules will apply to the funds you are able to select – you can't select fund 01000 if doing a NGF to NGF transfer.

Pro-tip: This feature is also available in other PB modules like Base Budget Adjustments and Decision Packages.

Transaction Brief tab

Agencies should describe what they are requesting be done via the BEX, as well as include any narrative documentation required by the BEX.

Agencies should attach any required documentation such as Cardinal Trial Balance, Appropriation, Allotment, and Expense Reports, decision briefs, etc.

Validating information

There is a "Validation" and a "Validate" button in the BEX module. Use Validate once you have everything entered. The resulting screen will show you potential issues with your BEX.

Red "X" issues need to be resolved before the BEX can be advanced for approvals.

Yellow warning signs are potential issues but won't stop the BEX.

Example: internal transfer BEXs may show a warning that you haven't completed the linking grid – that's OK because you aren't trying to link to another BEX!
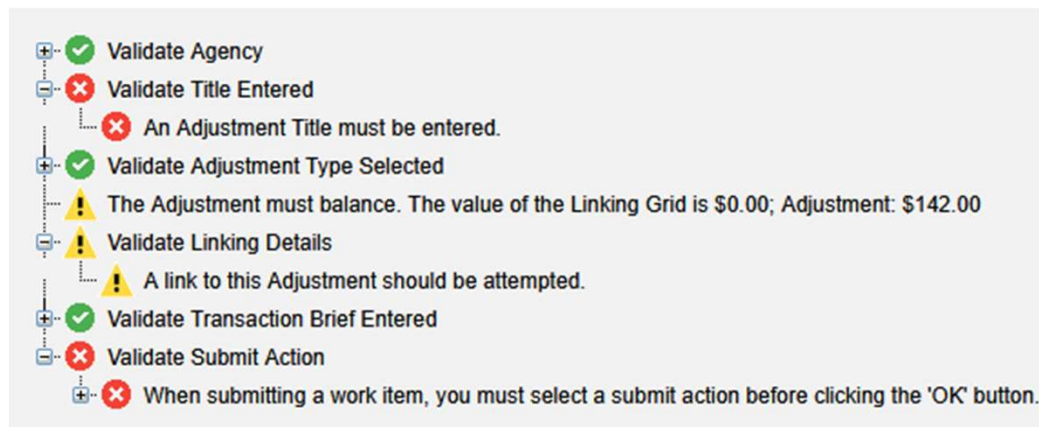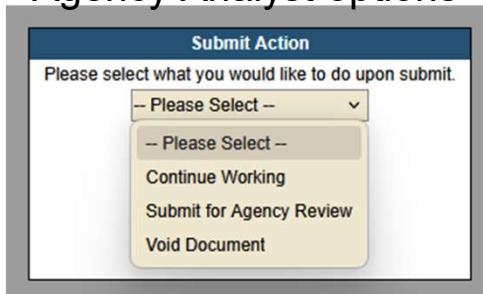
Submit button

Agency Analysts have 3 submit options:

- ○ Continue Working/Review: This saves your work and releases your "claim" on the BEX. It's best practice to choose this option each time you're done working on a BEX but not ready to submit so that your work is preserved and others in your agency can select the BEX.
- ○ Submit for Agency Review: Advances the BEX to those at the agency with the "Agency Reviewer" role, who can then submit to DPB (or additional Reviewers if set up by the agency).
- ○ Void Document: Eliminates the document if no longer needed. All unapproved BEXs must be voided by the agency or denied by DPB before fiscal year end.
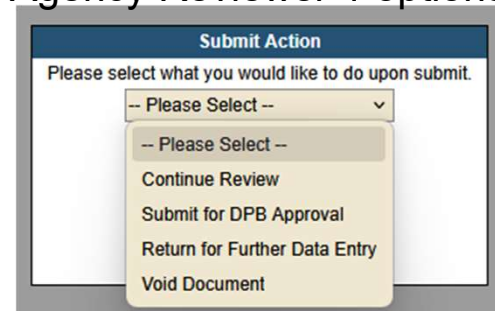
As mentioned, Agency Reviewers may submit to DPB, submit for additional agency reviews, or return for further data entry by the prior submitter.

Agency Analyst options

Agency Reviewer 1 options

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Useful PB Reports for BEXs

- Adjustment Listing allows you to see all BEXs for your agency that have ever been created (approved, denied, voided, etc.). Useful for seeing how a transaction was done previously or for understanding past adjustments.
- Operating Plan allows you to see how your agency budget is allocated at various grouping levels, including down to the subobject level.

Report Menu

Enter search term in either box (used in combination) User Type Show Descriptions

BE [   ] [   ] Agency ⌄ ☐ [Submit]

ReportTitle	User Category
BE1.00 - Adjustment Listing	Agency,DGS,DPB,APA
BE1.10 - Adjustment Listing with Narrative	Agency,DGS,DPB,APA
BE1.22 - Expendwise 2	Agency,DPB,DGS,APA,MoneyComm
BE1.50 - Operating Plan	Agency,DGS,DPB,APA

Questions?