

**STATEWIDE ANALYSIS
OF
OPERATING APPROPRIATIONS**

**FOR THE YEAR ENDED
JUNE 30, 2012**

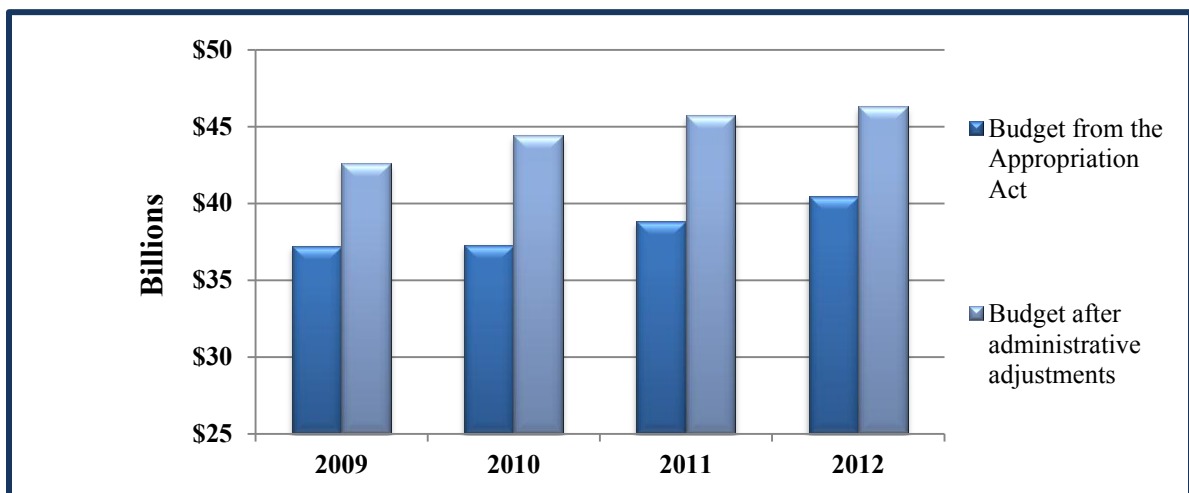


SUMMARY

The Governor and the Department of Planning and Budget (Planning and Budget) need to improve current reporting requirements over changes made to the budget after its enactment as the Appropriation Act. These changes, called administrative adjustments, occur outside of the legislative budget process and can significantly change the budget. The current reporting procedures do not provide adequate information for either the legislature or the public to understand these changes.

The Governor and Planning and Budget have certain statutory authority to increase, decrease, or transfer appropriations and positions during the implementation of the budget. This authority is primarily set forth in various sections of the Appropriation Act. Planning and Budget and agencies process these budget adjustments for a variety of reasons and collectively refer to them as “administrative adjustments.” These administrative adjustments significantly impact the budget and the following chart shows the effect of these adjustments on the operating budget over the last four fiscal years.

**Impact of Administrative Adjustments on the Operating Budget
Fiscal Year 2009 – 2012**



The General Assembly does approve some of these changes during the legislative budget process, but Planning and Budget processes many changes under the general authority they have in the Act. These changes significantly impact the budget approved by the General Assembly as shown above; however, there is a lack of information available on administrative adjustments. This limits citizens' and legislators' abilities to effectively analyze budget and actual activity for individual agencies, as well as the Commonwealth as a whole. The current reporting requirements over administrative adjustments require strengthening to improve the transparency of this part of the budget process.

This report provides a statewide analysis of administrative adjustment activity including a detailed analysis of the various types of administrative adjustments and how administrative adjustments impact the general fund and the non-general fund portions of the budget. We also discuss how these adjustments can impact individual agencies. We perform this work to support the Commonwealth's Annual Financial Report and our financial audits, and we report the results of this work in the Secretary of Finance report that we expect to issue in February 2013.

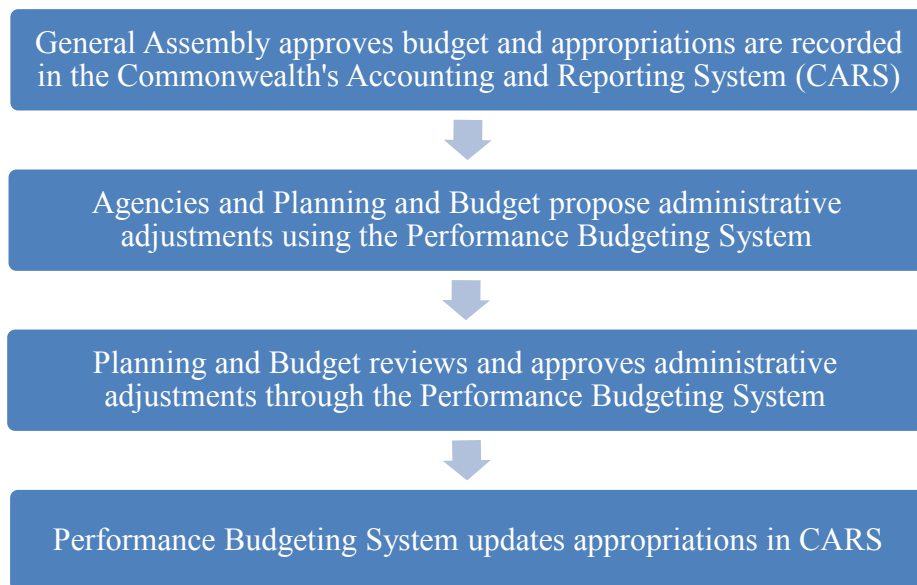
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Statewide Analysis of Operating Appropriation Adjustments

The Governor and Planning and Budget have certain statutory authority to increase, decrease, or transfer appropriations and positions during the implementation of the budget. Given that budgeting is an inexact science, this authority provides flexibility for dealing with situations that can occur throughout the year. This authority is primarily found in Section 4-1.00 of the Appropriation Act (the Act), but there are also other specific requirements throughout the Appropriation Act. These requirements generally lay out the situations where appropriation increases and transfers can occur, but do not limit the amount of the appropriation adjustments. The relevant requirements are included in Appendix A of this report.

Planning and Budget and agencies process these adjustments for a variety of reasons and refer to them as “administrative adjustments.” The steps in the overall process are as follows:



The General Assembly approves in the Act some administrative adjustments to implement a specific action. As an example, the General Assembly may include a requirement to transfers funds from one agency to another in the Act, and Planning and Budget will process an administrative adjustment to record this transfer.

Other administrative adjustments increase or transfer appropriations under the general authority granted to Planning and Budget in the Act. These changes are occurring outside of the legislative budget process because the change was either not known during the budget development process or was not considered during that part of the process. As an example, Planning and Budget will process an administrative adjustment to increase appropriations if an agency collects more in a fee than originally estimated during the budget development process. Another example is Planning and Budget will process an adjustment to appropriate cash balances left over at the end of a year because the agency could not predict how much the balance would be during the budget development process.

Planning and Budget processes a significant number of administrative adjustments each year and these adjustments can significantly change the budget from what the General Assembly originally approved. In fiscal year 2012, Planning and Budget processed over 2,500 administrative adjustments to the operating budget which resulted in an overall \$5.8 billion net increase to appropriations as shown below.

Statewide Summary of Operating Appropriations – Fiscal Year 2012

Original appropriations of as July 1, 2012 (Chapter 890)	\$ 39,567,009,510
Subsequent legislative amendments from 2012 General Assembly Session	872,602,840
Administrative adjustments processed by Planning and Budget	<u>5,846,961,544</u>
Adjusted appropriations as of June 30, 2012	<u>\$ 46,286,573,894</u>

As a general rule, this process results in a significant decrease in general fund appropriations and a significant increase in non-general fund appropriations. There are multiple reasons for these increases and decreases that we will analyze in more detail later in this report.

What are the different types of administrative adjustments?

Planning and Budget has developed several different classifications for administrative adjustments processed in the Performance Budgeting System. Some of these adjustments affect only general or non-general fund appropriations, and some adjustments can affect both fund types. There are over twenty individual adjustment classifications in Planning and Budget's system, but the adjustment types can be grouped into three general categories.

Additional revenue or balances – adjustments that increase appropriations for additional revenues collected, balances available, or resources not considered or known when the budget was originally developed

Sum Sufficient – adjustments used to appropriate funds for unique programs

Transfers – adjustments that move appropriations between agencies, programs, and/or funds

As discussed above, administrative adjustments processed in fiscal year 2012 resulted in a \$5.8 billion net increase in appropriations. When analyzing administrative adjustment activity, it is important to distinguish between adjustments to implement approved actions, either directly or indirectly, by the General Assembly, and adjustments that the General Assembly did not specifically approve. Planning and Budget processes the latter type of adjustments under their general authority in the Act and these adjustments are not specifically part of the legislative budget process. The following table shows the amount of adjustments made in fiscal year 2012 by type as well as how they are generally processed or approved.

Summary of Administrative Adjustments – Fiscal Year 2012

Type of Adjustment	Amount	Authority or Approval
Additional revenue or balance adjustments	\$3,346,113,843	<i>Usually processed under the general authority granted to Planning and Budget</i>
Sum sufficient adjustments	2,499,864,126	<i>Usually approved by the General Assembly during the legislative budget process</i>
Transfers (net)	<u>983,575</u>	<i>Usually approved by the General Assembly during the legislative budget process</i>
Total	<u>\$5,846,961,544</u>	

Of the adjustment types shown above, *additional revenue or balance adjustments* are usually processed under the general authority granted to Planning and Budget and do not have specific General Assembly approval. These adjustments usually represent increases to the General Assembly's approved budget. Planning and Budget processes these types of adjustments for a variety of reasons such as cash balances that carry forward from a previous year or additional revenues available that were not considered or known about when the agency originally developed the budget.

Sum sufficient adjustments represent increases in appropriations, but these are unique situations that the General Assembly approves as part of the budget. Sum sufficient appropriations may have limits set by a "not to exceed" amount within the language of the Act, or the Act provides no specific dollar spending limit but instead sets a limit of actual amounts the agency can collect. The Act uses this type of appropriation primarily in two situations: when a program revenue or expense requires some flexibility, or to avoid double counting expenses in the budget.

Transfers typically move appropriations between agencies, programs, and/or funds. There are generally three types of transfers – transfers within general funds, transfers within non-general funds, and transfers between general and non-general funds. The General Assembly approves most of these transfers either in the Act or as set forth in the Code of Virginia. One normally expects that transfers would not significantly impact net appropriations due to the nature of the adjustments. However, transfers can significantly impact the appropriations between general and non-general funds, resulting in some transparency issues which we have discussed in previous reports and will discuss again in the following section.

How do administrative adjustments impact the General Fund budget?

As part of our analysis, we reviewed administrative adjustments and how they impact both general fund and non-general fund sides of the budget. As a general rule, administrative adjustments result in a significant decrease in general fund appropriations due to various transfers, as was the case again in fiscal year 2012. The following table shows the impact of administrative adjustments on general fund appropriations by the three general categories of adjustments discussed earlier – *additional revenue or balance adjustments*, *sum sufficient adjustments* and *transfers*.

Analysis of General Fund Operating Appropriations – Fiscal Year 2012

Original appropriation as of July 1, 2012 (Chapter 890)	\$ 16,548,024,211
Subsequent legislative amendments from 2012 General Assembly Session	(163,615,700)
Administrative adjustments:	
Additional revenue or balance adjustments	135,863,273
Sum sufficient adjustments	6,644,395
Transfers	<u>(1,615,882,231)</u>
Adjusted Appropriation as of June 30, 2012	<u>\$ 14,911,033,948</u>

Overall general fund appropriations decreased by approximately \$1.6 billion during the year, most of this being due to administrative adjustments as opposed to legislative changes. Most of the decrease in general fund appropriations is due to *transfers* which move appropriations from general funds to non-general funds. These transfers, required by the Appropriation Act or the Code of Virginia, usually occur so that the Commonwealth can maintain separate bookkeeping for certain types of general fund activities. Historically, the Department of Accounts transfers these general fund amounts to non-general fund accounts to separate the funds to monitor and control the spending of the appropriation. The creation and use of these funds changes the nature of how both the accounting and budget systems show these funds and creates budget transparency issues as we have reported previously.

The most significant of these transfers is the higher education operating fund transfer from the General Fund to non-general funds before the colleges and universities spend the appropriations. These higher education transfers account for most of total transfers and, by far, have the most impact on general fund appropriations. There are similar transfers of general funds to non-general funds for other activities like the Water Quality Fund and the Governor's Development Opportunity Fund that are included in the \$1.6 billion transfers figure above.

Planning and Budget has taken steps in recent years to reclassify certain programs and minimize the impact of these types of transfers, but some budget transparency issues remain. By transferring general funds to non-general funds before they can be spent, there is a disconnect between the budgeted expenses and actual expenses that can make it difficult to follow how general fund resources are used for programs like higher education.

How do administrative adjustments impact the Non-general Fund budget?

Generally, administrative adjustments result in significant increases in non-general fund appropriations, but the changes on the non-general fund side of the budget are a little more complex. There are a variety of funding sources supporting non-general fund appropriations, some of which come from outside entities such as the federal government, which can impact an agency's ability to predict and forecast these funding sources. As a result, more changes, in the form of

administrative adjustments, will usually occur on the non-general fund side of the budget. There is less precision in the forecasting of non-general funds, and as a result, more flexibility is required in the budgeting process.

The following table shows the impact of administrative adjustments on non-general fund appropriations by the three general categories of adjustments – *additional revenue or balance adjustments*, *sum sufficient adjustments* and *transfers*. Overall non-general fund appropriations increased by over \$8 billion during the year.

Analysis of Non-general Fund Operating Appropriations – Fiscal Year 2012

Original appropriation as of July 1, 2012 (Chapter 890)	\$ 23,018,985,299
Subsequent legislative amendments from 2012 General Assembly Session	1,036,218,540
Administrative adjustments:	
Additional revenue or balance adjustments	3,210,250,570
Sum sufficient adjustments	2,493,219,731
Transfers	<u>\$ 1,616,865,806</u>
Adjusted Appropriation as of June 30, 2012	<u>\$ 31,375,539,946</u>

As shown above, administrative adjustments processed during the year significantly impacted non-general fund appropriations. Of these changes, some adjustments implement actions approved by the General Assembly, while other adjustments occur outside of the legislative budget process. There are multiple reasons for these administrative adjustments, some of which we have previously discussed. The *sum sufficient adjustments* and the *transfers* in the table above show transfers which we have already discussed.

The remaining adjustment type in the table, *additional revenue or balance adjustments*, has a significant impact on non-general fund appropriations and warrants some additional discussion and analysis. These adjustments resulted in a \$3.2 billion increase in non-general fund appropriations during the year and generally occur under Planning and Budget's general authority. There can be a variety of different situations that warrant this type of adjustment, but agencies must request these increases before they can spend additional funds which were either not part of the budget development process or were unknown.

Examples of different scenarios where agencies would request this type of appropriation increase is when they collect more in a fee than the original estimate or additional funds become available under a federal grant that an agency did not anticipate. This last situation occurred frequently over the last several years in relation to federal stimulus funding which agencies were not always able to predict during the budget development phase. Another situation that commonly occurs is an agency will request an appropriation increase for unspent non-general fund cash balances because they could not predict the amount of these balances during the budget development process.

Following are some specific examples of additional revenue or balance adjustments during fiscal year 2012. The 2011 General Assembly did not consider these adjustments during the legislative budget process.

<i>\$551 million increase at Virginia Employment Commission for unemployment benefit extensions approved by the Federal government in December 2010</i>
<i>\$620 million increase at Department of Education, mostly for balances in unspent federal stimulus funds that needed to carryover into 2012</i>
<i>\$547 million increase at Department of Transportation for unspent stimulus and other federal cash balances that needed to carryover into 2012, as well as some additional federal funding in some programs</i>
<i>\$60 million increase at Virginia Community College System for tuition and fee increases and enrollment increases</i>

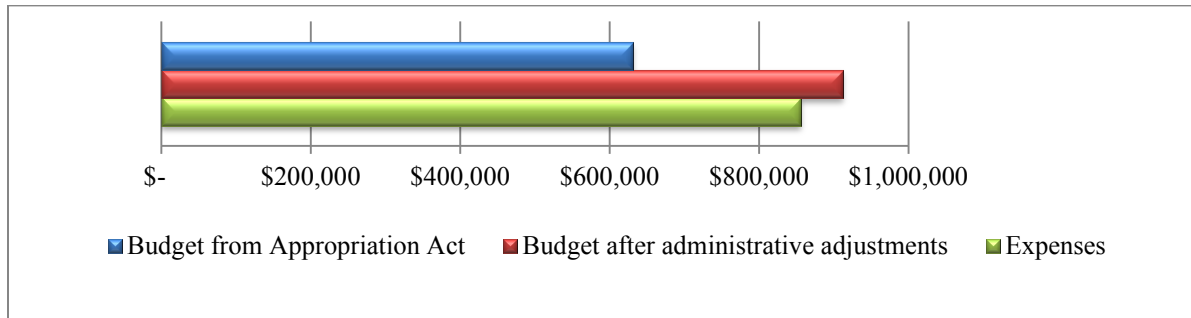
Overall, the Commonwealth's increasing reliance on federal funds affects the budget process because agencies cannot predict the actions of the federal government. Often, agencies with significant federal funding streams have to request adjustments to handle various situations that arise after they have developed their budgets. As a result, administrative adjustments can significantly impact non-general fund appropriations after the General Assembly approves the budget.

How do administrative adjustments impact individual agencies?

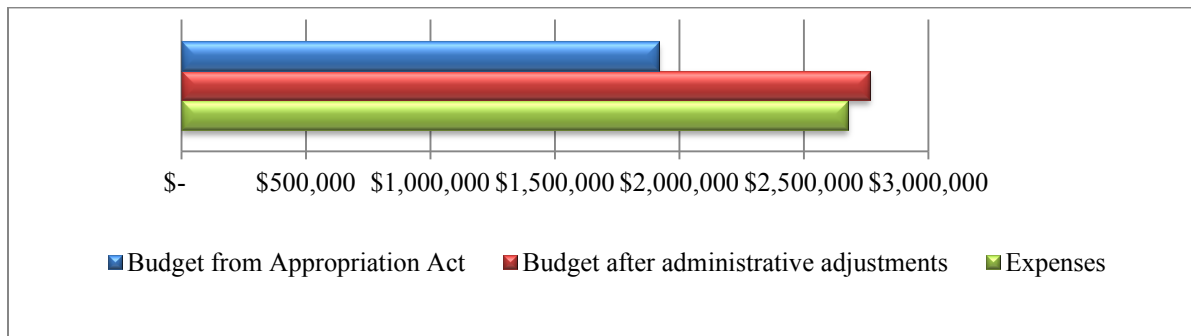
As seen in some of the earlier examples, administrative adjustments can result in significant changes in an agency's budget, particularly when an agency relies on non-general funding sources. Most of the examples discussed so far relate to larger agencies, but other agencies can also experience this impact as well. While some administrative adjustments are not significant in relation to statewide activity, they may significantly impact an individual agency budget.

The following charts show fiscal year 2012 budget and actual activity for several smaller agencies. In each case, administrative adjustments processed during the year resulted in significant increases in the budget approved by the General Assembly.

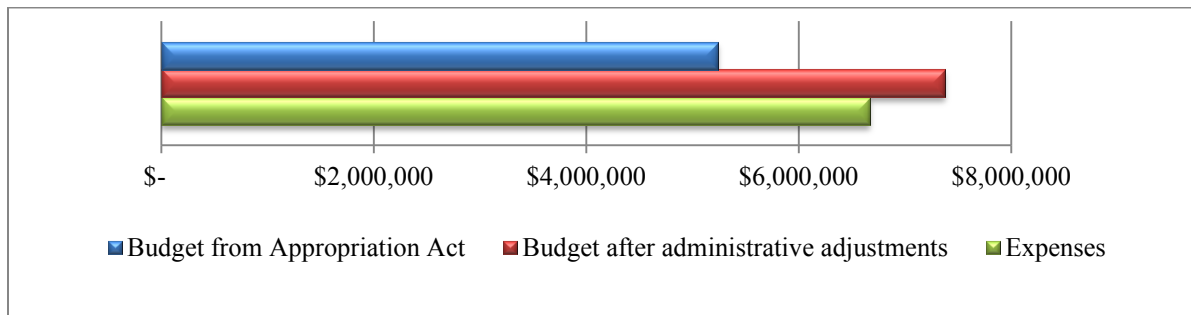
Budget and Actual Analysis – Commonwealth Attorney’s Services Council



Budget and Actual Analysis – Secretary of the Commonwealth



Budget and Actual Analysis – Department of Historic Resources



These examples are provided to reiterate the point that administrative adjustments can significantly impact the budget, whether it is statewide activity or one particular agency. As a result, it is important that information be available on administrative adjustments for users to effectively analyze budget and actual activity.

How are administrative adjustments reported?

Reporting requirements for administrative adjustments are generally set out in Section 4 of the Appropriation Act. Under these requirements, Planning and Budget provides information to the House Appropriation and Senate Finance Committees on a monthly basis on operating appropriations. The requirements specify that Planning and Budget provide information on increases and decreases of appropriation, transfers and additional revenues as well as the status of sum sufficient appropriations.

To satisfy this requirement, Planning and Budget sends a monthly report to Senate Finance and House Appropriations which shows administrative adjustments during the month. The report comes from the Performance Budgeting System and lists each adjustment along with some general information such as agency, amount of the adjustment and the adjustment type. There is no information on why the adjustment was necessary. While this reporting process satisfies the intent of the requirement in the Act, the information has limited usefulness.

Aside from the monthly reporting to the committees, Planning and Budget provides no other information to the legislature on changes made to the budget after the General Assembly's approval. In addition, Planning and Budget does not provide any information to the public on this part of the budget process, so citizens have no way of understanding changes that occur after the budget's approval.

The only information available to the public on this part of the budget process is information provided by this office, either in this report or on our Commonwealth Data Point website. Our Commonwealth Data Point website includes financial information on state agencies, including a summary of administrative adjustments for each agency. Although the Commonwealth Data Point information provides information on adjustments and transfers, it does not include any information to help the user understand why these adjustments were made nor was the website designed for this purpose.

Overall, the current reporting process does not provide adequate information for either the legislature or the public to understand these changes that occur after the General Assembly's approval of the budget. The Governor and Planning and Budget need to review and modify the current reporting requirements over administrative adjustments to improve the transparency over this part of the budget process. These requirements have not significantly changed in over 20 years. During this time, the makeup of the Commonwealth's budget has changed and the Commonwealth has increased its reliance on non-general funding sources. Technology has also changed during this time and public expectations regarding accountability and transparency over public funds have increased. The lack of information available on this part of the budget process limits the ability of users to effectively analyze budget and actual activity for individual agencies as well as the Commonwealth as a whole.



Commonwealth of Virginia

Auditor of Public Accounts

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January 3, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
and Review Commission

As part of our financial audits of agencies and the work we do for the Commonwealth's Comprehensive Annual Financial Report, we review administrative adjustments to appropriations processed by Planning and Budget throughout the year. We review administrative adjustments through the Performance Budgeting System to ensure they are properly documented, approved and in compliance with requirements in the Appropriation Act. We report on the results of this work in the Secretary of Finance report which we expect to issue in February 2013.

Based on this work, we have prepared an analysis of statewide administrative adjustment activity and operating appropriations for fiscal year 2012, and submit this analysis entitled "**Statewide Analysis of Operating Appropriations**" for your review.

Exit Conference and Report Distribution

We discussed this report with Planning and Budget management on January 15, 2013. Planning and Budget management elected not to provide a formal agency response.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

LCW/alh

APPENDIX A

Related Requirements from the Appropriation Act –Chapter 890

§ 4-1.00 APPROPRIATIONS

§4-1.03 APPROPRIATION TRANSFERS

GENERAL

- a. During any fiscal year, the Director, Department of Planning and Budget, may transfer appropriation authority from one state or other agency to another, to effect the following:
 - 1) distribution of amounts budgeted in the central appropriation to agencies, or withdrawal of budgeted amounts from agencies in accordance with specific language in the central appropriation establishing reversion clearing accounts;
 - 2) distribution of pass-through grants or other funds held by an agency as fiscal agent;
 - 3) correction of errors within this act, where such errors have been identified in writing by the Chairmen of the House Appropriations and Senate Finance Committees;
 - 4) proper accounting between fund sources 0100 and 0300 in higher education institutions;
 - 5) transfers specifically authorized elsewhere in this act or as specified in the Code of Virginia;
 - 6) to supplement capital projects in order to realize efficiencies or provide for cost overruns unrelated to changes in size or scope; or
 - 7) to administer a program for another agency or to effect budgeted program purposes approved by the General Assembly, pursuant to a signed agreement between the respective agencies.
- b. During any fiscal year, the Director, Department of Planning and Budget, may transfer appropriation authority within an agency to effect proper accounting between fund sources and to effect program purposes approved by the General Assembly, unless specifically provided otherwise in this act or as specified in the Code of Virginia. However, appropriation authority for local aid programs and aid to individuals, with the exception of student financial aid, shall not be transferred elsewhere without advance notice to the Chairmen of the House Appropriations and Senate Finance Committees. Further, any transfers between capital projects shall be made only to realize efficiencies or provide for cost overruns unrelated to changes in size or scope.

- c. 1. In addition to authority granted elsewhere in this act, the Director, Department of Planning and Budget, may transfer operating appropriations authority among sub-agencies within the Judicial System, the Department of Corrections, and the Department of Behavioral Health and Developmental Services to effect changes in operating expense requirements which may occur during the biennium.
2. The Director, Department of Planning and Budget, may transfer appropriations from the Department of Behavioral Health and Developmental Services to the Department of Medical Assistance Services, consisting of the general fund amounts required to match federal funds for reimbursement of services provided by its institutions and Community Services Boards.
3. The Director, Department of Planning and Budget, may transfer appropriations from the Office of Comprehensive Services to the Department of Medical Assistance Services, consisting of the general fund amounts required to match federal funds for reimbursement of services provided to eligible children.
4. The Director, Department of Planning and Budget, may transfer an appropriation or portion thereof within a state or other agency, or from one such agency to another, to support changes in agency organization, program or responsibility enacted by the General Assembly to be effective during the current biennium.
5. The Director, Department of Planning and Budget, may transfer appropriations from the second year to the first year, with said transfer to be reported in writing to the Chairmen of the Senate Finance and House Appropriations Committees within five calendar days of the transfer, when the expenditure of such funds is required to:
 - a) address a threat to life, safety, health or property, or
 - b) provide for unbudgeted cost increases for statutorily required services or federally mandated services, in order to continue those services at the present level, or
 - c) 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
 - d) provide for payments to the beneficiaries of certain public safety officers killed in the line of duty, as authorized in Title 2.2, Chapter 4, Code of Virginia and for payments to the beneficiaries of certain members of the National Guard and United States military reserves killed in action in any armed conflict on or after October 7, 2001, as authorized in § 44-93.1 B., Code of Virginia, or
 - e) continue a program at the present level of service or at an increased level of service when required to address unanticipated increases in workload such as enrollment, caseload or like factors, or unanticipated costs, or

- f) to address unanticipated business or industrial development opportunities which will benefit the state's economy, provided that any such appropriations be used in a manner consistent with the purposes of the program as originally appropriated.
 - 6. An appropriation transfer shall not occur except through properly executed appropriation transfer documents designed specifically for that purpose, and all transactions effecting appropriation transfers shall be entered in the state's computerized budgeting and accounting systems.
 - 7. The Director, Department of Planning and Budget, may transfer from any other agency, appropriations to supplement any project of the Virginia Public Building Authority authorized by the General Assembly and approved by the Governor. Such capital project shall be transferred to the state agency designated as the managing agency for the Virginia Public Building Authority.
 - 8. In the event of the transition of a city to town status pursuant to the provisions of Chapter 41 of Title 15.2 of the Code of Virginia (§ 15.2-4100 et seq.) or the consolidation of a city and a county into a single city pursuant to the provisions of Chapter 35 of Title 15.2, Code of Virginia (§ 15.2-3500 et seq.) subsequent to July 1, 1999, the provisions of § 15.2-1302 shall govern distributions from state agencies to the county in which the town is situated or to the consolidated city, and the Director, Department of Planning and Budget, is authorized to transfer appropriations or portions thereof within a state agency, or from one such agency to another if necessary, to fulfill the requirements of § 15.2-1302.
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§4-1.04 APPROPRIATION INCREASES

a. UNAPPROPRIATED NONGENERAL FUNDS:

1. Sale of Surplus Materials:

The Director, Department of Planning and Budget, is hereby authorized to increase the appropriations to any state agency by the amount of credit resulting from the sale of surplus materials under the provisions of [§2.2-1125](#), Code of Virginia.

2. Insurance Recovery:

The Director, Department of Planning and Budget, shall increase the appropriation authority for any state agency by the amount of the proceeds of an insurance policy or from the State Insurance Reserve Trust Fund, for expenditures as far as may be necessary, to pay for the repair or replacement of lost, damaged or destroyed property, plant or equipment.

3. Gifts, Grants and Other Non-general Funds:

- a) Subject to § 4-1.02 c, Increased Non-general Fund Revenue, and the conditions stated in this section, the Director, Department of Planning and Budget, is hereby authorized to increase the appropriations to any state agency by the amount of the proceeds of donations, gifts, grants or other non-general funds paid into the state treasury in excess of such appropriations during a fiscal year. Such appropriations shall be increased only when the expenditure of moneys is authorized elsewhere in this act or is required to:
- 1) address a threat to life, safety, health or property, or
 - 2) 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
 - 3) 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
 - 4) 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
 - 5) participate in a federal or sponsored program, or
 - 6) realize cost savings in excess of the additional funds provided, or
 - 7) permit a state agency or institution to use a donation, gift or grant for the purpose intended by the donor, or
 - 8) provide for cost overruns on capital projects and for capital projects authorized under § 4-4.01 m of this act, or
 - 9) address caseload or workload changes in programs approved by the General Assembly.
- b) The above conditions shall not apply to donations and gifts to the endowment funds of institutions of higher education.
- c) Each state agency and institution shall ensure that its budget estimates include a reasonable estimate of receipts from donations, gifts or other non-general fund revenue. The Department of Planning and Budget shall review such estimates and verify their accuracy, as part of the budget planning and review process.
- d) No obligation or expenditure shall be made from such funds until a revised operating budget request is approved by the Director, Department of Planning and Budget. Expenditures from any gift, grant or donation shall be in accordance with the purpose for which it was made; however, expenditures for property, plant or equipment, irrespective of fund source, are

subject to the provisions of §§ 4-2.03 Indirect Costs, 4-4.01 Capital Projects General, and 4-5.03 b Services and Clients-New Services, of this act.

- e) Nothing in this section shall exempt agencies from complying with § 4-2.01 a Solicitation and Acceptance of Donations, Gifts, Grants, and Contracts of this act.
- 4. Any non-general fund cash balance recorded on the books of the Department of Accounts as unexpended on the last day of the fiscal year may be appropriated for use in the succeeding fiscal year with the prior written approval of the Director, Department of Planning and Budget, unless the General Assembly shall have specifically provided otherwise.

5. Reporting:

The Director, Department of Planning and Budget, shall report on increases in unappropriated non-general funds in accordance with § 4-8.00, Reporting Requirements, or as modified by specific provisions in this subsection.

§4-1.05 REVERSION OF APPROPRIATIONS AND REAPPROPRIATIONS

a. GENERAL FUND OPERATING EXPENSE:

~~1.a) General fund appropriations which remain unexpended on (i) the last day of the previous biennium, ending on June 30, 2010, and (ii) the last day of the first year of the current biennium, ending on June 30, 2011, shall be reappropriated and allotted for expenditure in the respective succeeding year for the following agencies and programs, provided however, that the reappropriations shall not be used to create ongoing obligations or expand or create new programs, but shall be applied to nonrecurring costs:~~

1.a) General fund appropriations which remain unexpended on (i) the last day of the previous biennium or (ii) the last day of the first year of the current biennium, shall be reappropriated and allotted for expenditure where required by the Code of Virginia, where necessary for the payment of preexisting obligations for the purchase of goods or services, or where desirable, in the determination of the Governor, to address any of the six conditions listed in § 4-1.03 c.5 of this act or to provide financial incentives to reduce spending to effect current or future cost savings. With the exception of the unexpended general fund appropriations of agencies in the Legislative Department, the Judicial Department, the Independent Agencies, or institutions of higher education, all other such unexpended general fund appropriations unexpended on the last day of the previous biennium or the last day of the first year of the current biennium shall revert to the general fund.

General fund appropriations for agencies in the Legislative Department, the Judicial Department, and the Independent Agencies shall be reappropriated, except as may be specifically provided otherwise by the General Assembly. General fund appropriations

shall also be reappropriated for institutions of higher education, subject to § 2.2-5005, Code of Virginia.

- ~~1) Agencies in the Legislative Department, the Judicial Department, and the Independent Agencies, except as may be specifically provided otherwise by the General Assembly;~~
- ~~2) Agencies in the Executive Department, subject to the prior written approval of the Governor, except as may be specifically provided otherwise by the General Assembly;~~
- ~~3) Specific program balances in Executive Department agencies identified by the General Assembly through language in this act; and~~
- ~~4) Institutions of higher education, subject to § 2.2-5005, Code of Virginia.~~

2. a. The Governor shall report within five calendar days after completing the reappropriation process to the Chairmen of the Senate Finance and House Appropriations Committees on the reappropriated amounts for each state agency in the Executive Department. He shall provide a preliminary report of reappropriation actions on or before November 1 and a final report on or before December 20 to the Chairmen of the House Appropriations and Senate Finance Committees.
- b. The Director, Department of Planning and Budget, may transfer reappropriated amounts within an agency to cover nonrecurring costs.
3. Pursuant to subsection E of § 2.2-1125, Code of Virginia, the determination of compliance by an agency or institution with management standards prescribed by the Governor shall be made by the Secretary of Finance and the Secretary having jurisdiction over the agency or institution, acting jointly.
4. The general fund resources available for appropriation in the first enactment of this act include the reversion of certain unexpended balances in operating appropriations as of June 30 of the prior fiscal year, which were otherwise required to be reappropriated by language in the Appropriation Act.
5. Upon request, the Director, Department of Planning and Budget, shall provide a report to the Chairmen of the House Appropriations and Senate Finance Committees showing the amount reverted for each agency and the total amount of such reversions.

§ 4-8.00 REPORTING REQUIREMENTS

§4-8.01 GOVERNOR

b. Operating Appropriations Reports:

1. Status of Adjustments to Appropriations. Such information must include increases and decreases of appropriations or allotments, transfers and additional revenues. A report of appropriation transfers from one agency to another made pursuant to § 4-1.03 of this act shall be made to the Chairmen of the House Appropriations and Senate Finance Committees by the tenth day of the month following that in which such transfer occurs, unless otherwise specified in § 4-1.03.
2. Status of each sum sufficient appropriation. The information must include the amount of expenditures for the period just completed and the revised estimates of expenditures for the remaining period of the current biennium, as well as an explanation of differences between the amount of the actual appropriation and actual and/or projected appropriations for each year of the current biennium.
3. Status of Economic Contingency Appropriation. The information must include actions taken related to the appropriation for economic contingency.
4. Status of Withholding Appropriations. The information must include amounts withheld and the agencies affected.
5. Status of reductions occurring in general and non-general fund revenues in relation to appropriations.
6. Status of approvals of deficits.

AGENCY OFFICIALS

Daniel S. Timberlake, Director
Department of Planning and Budget