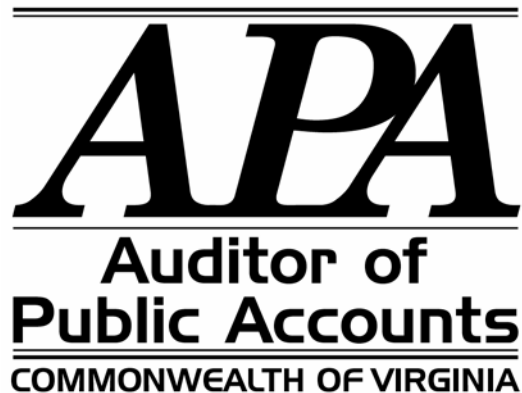


**REPORT ON BUDGET AND APPROPRIATION
PROCESSING CONTROL SYSTEM**

RICHMOND, VIRGINIA

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2004**



EXECUTIVE SUMMARY

We have completed a **Review of the Budget and Appropriation Processing Control System** administered by the Department of Planning and Budget for the fiscal year ended June 30, 2004 as part of our audit of the State Comptroller's Comprehensive Annual Financial Report.

Overall, we determined that policies and procedures for the budget and appropriation processing were adequate. Specifically, we determined that:

1. The Commonwealth Accounting and Reporting System (CARS) properly includes the budget approved by the General Assembly.
2. Appropriation controls in CARS are adequate to ensure program expenses do not exceed appropriations.
3. Budget adjustments recorded by Planning and Budget are properly approved.
4. Access to the Form 27 Automated Transaction System (FATS) and Web-based Budget Entry and Report System is reasonable.
5. Critical system programs and data are protected with adequate operating and application system controls.
6. Budget information recorded in FATS and CARS is reconciled at a statewide level.

Planning and Budget operates a budget system to ensure that agencies conduct their activities within the fund limitations provided in the Appropriation Act and in accordance with gubernatorial and legislative intent. The Governor and Planning and Budget have certain statutory authority to increase, decrease, or transfer funds and personnel positions during the fiscal year within constraints set in the Appropriation Act. Section 4-1.00 of the Appropriation Act is the primary source of this authority, but there are also other requirements throughout the Appropriation Act as well as other general statutory requirements. During fiscal year 2004, Planning and Budget processed over 20,000 operating budget adjustments totaling over \$6 billion. We have included a table on page 7 detailing the total number and amount of operating adjustments by FATS adjustment type.

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Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

November 9, 2004

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have completed a **Review of the Budget and Appropriation Processing Control System** administered by the Department of Planning and Budget for the fiscal year ended June 30, 2004 as part of our audit of the State Comptroller's Comprehensive Annual Financial Report. We conducted our review in accordance with the standards for performance audits set forth in Government Auditing Standards, issued by the Comptroller General of the United States.

Objectives

We had several objectives in our review of the budget and appropriation processing control system. Our objectives were to determine whether policies and procedures were adequate to ensure that:

1. The budget approved by the General Assembly is properly recorded in the Commonwealth Accounting and Reporting System (CARS).
2. Appropriation controls in CARS are adequate to ensure program expenses do not exceed appropriations.
3. Budget adjustments recorded by Planning and Budget are properly approved.
4. Access to the Form 27 Automated Transaction System (FATS) and Web-based Budget Entry and Report System is reasonable.
5. Critical system programs and data have adequate operating and application system controls.
6. Budget information recorded in FATS and CARS is reconciled at a statewide level.

Scope and Methodology

In conducting this review, we researched the Code of Virginia, the Appropriation Act, and applicable policies and procedures at the Departments of Planning and Budget, and Accounts. Our review included gaining an understanding of the overall budget process and how the Departments of Planning and Budget, and Accounts record and monitor the budget once approved by the General Assembly. In addition, we reviewed and analyzed adjustments made to the budget, appropriation controls in CARS, and access to the budget execution and budget development systems.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations.

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the controls were adequate, operating, and followed.

Conclusions

We determined that policies and procedures for budget and appropriation process control system were adequate to ensure that:

1. The Commonwealth Accounting and Reporting System (CARS) properly includes the budget approved by the General Assembly.
2. Appropriation controls in CARS are adequate to ensure program expenses do not exceed appropriations.
3. Budget adjustments recorded by Planning and Budget are properly approved.
4. Access to the Form 27 Automated Transaction System (FATS) and Web-based Budget Entry and Report System is reasonable.
5. Critical system programs and data have adequate operating and application system controls.
6. Budget information recorded in FATS and CARS is reconciled at a statewide level.

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.

We discussed this report with Planning and Budget on January 10, 2005.

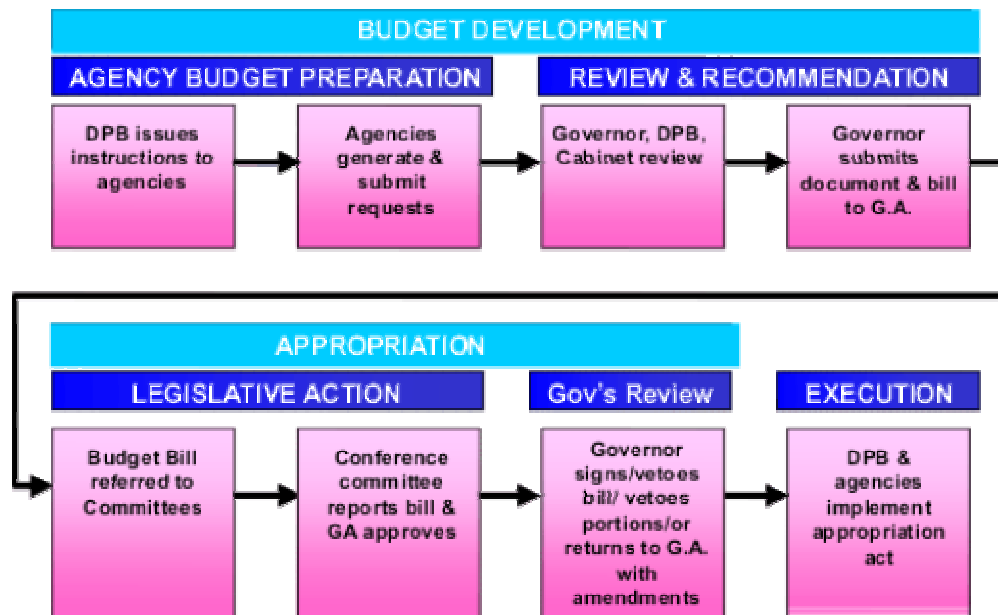
AUDITOR OF PUBLIC ACCOUNTS

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REVIEW OF BUDGET AND APPROPRIATION PROCESS CONTROL SYSTEM

Introduction

Virginia has a biennial budget system, which means it adopts a two-year budget. The biennial budget becomes law in even numbered years, and the Governor and General Assembly consider amendments in odd-numbered years. Developing the Commonwealth's budget is a process that takes many months and involves many participants, from the public to state agencies to the legislature. The process includes five distinct phases – agency budget preparation, review and recommendation, legislative action, Governor's review, and budget execution. The following chart shows the overall steps in the process.



Source: Department of Planning and Budget (DPB) Internet website

The Commonwealth's budget uses projected state revenues, which state statutes divide into two broad types: general fund and non-general fund. Non-general funds are the collections of revenues to support specific programs, activities, or purposes. General funds are the collections of taxes, fees, and other revenues, which do not support a specific activity, but a variety of government programs. The Governor and General Assembly have the most discretion to spend the general funds. General funds come primarily from taxes paid by the citizens and businesses in Virginia.

The "Appropriation Act" is a special piece of legislation to appropriate (or authorize to be spent) the projected revenues approved by the General Assembly and the Governor. Any act appropriating funds has, by the Constitution, a limited life of 2 years and 6 months, unless shortened by the act. The following chart shows the projected revenue and appropriation for the 2002-04 biennium. Chapter 899 represents the original budget for the biennium and the additional chapters represent amendments approved by the Governor and the General Assembly in subsequent sessions.

Fiscal Year 2002-04 Biennium Projected Revenue and Appropriation

<u>General Assembly Session</u>	<u>Appropriation Act Chapter</u>	<u>Projected Revenues</u>	<u>Appropriation</u>
2002	Chapter 899	\$ 52,790,829,832	\$ 52,071,890,388
2003	Chapter 1042	54,984,728,889	52,755,271,142
2004	Chapter 943	56,148,514,078	53,181,910,068

Appropriation Act

The Appropriation Act (the Act) establishes appropriations, annual legal spending limits, for each secretarial area and agency. The Act sets detailed appropriations by agency using a program structure adopted by the Commonwealth for budgeting and accounting. Planning and Budget has responsibility for maintaining the program structure and codes, including determining agency participation in certain programs and subprograms. The Act also supplements the general statutes and provides special provisions on the use of state funds.

The Act has four parts – operating expenses, capital project expenses, miscellaneous, and general provisions. Below is a description of each section. The Act also has an enacting clause at the beginning which contains the statutory appropriation language, the statutory definition of the general fund, and a summary of the appropriations.

Operating expenses

These expenses are for daily activities of the government. This section includes state agency and institution operating activities by branch of government, secretarial area, and then by agency. This section also includes Central Appropriations, which includes amounts for activities that affect many agencies and are subject to allocations that may vary by agency and other factors if certain events occur. The Central Appropriations section includes such things as employee compensation, economic contingency, employee health insurance premiums, and personal property tax relief. Central Appropriations also reflects statewide savings for various actions, such as a reduction in fringe benefit calculations.

Capital project expenses

These expenses are for the purchase, construction, and renovation of capital assets. This section includes capital expenses organized by agency and project.

Miscellaneous

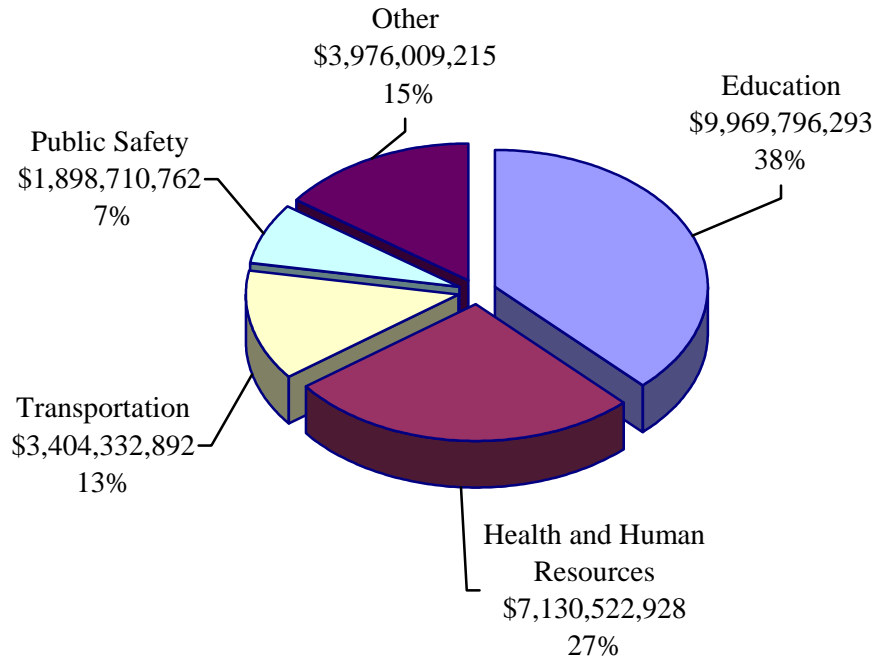
This section includes actions affecting state debt, various revenue transactions, interfund transfers, and required deposits to the general fund.

General provisions

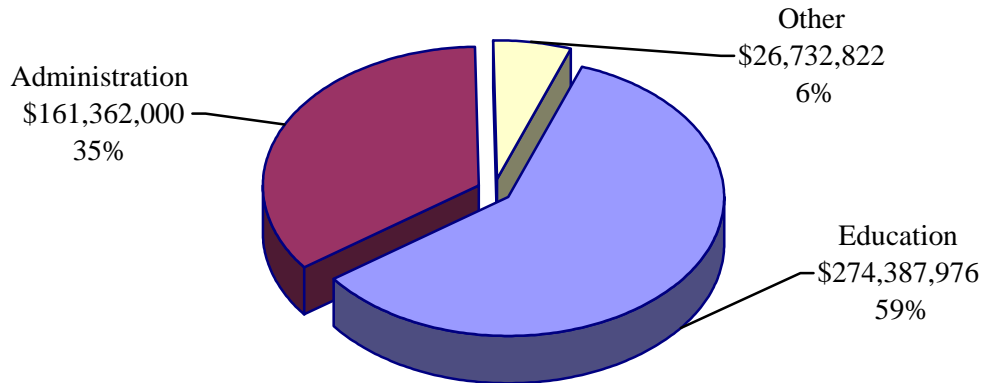
This section sets forth requirements on various issues including the Governor's authority to withhold appropriations; appropriation transfers between agencies; revenue collections; salaries for agency heads, judges, and other officials; and employee benefits. The general provisions also set the effective date and the expiration date for the Act.

Operating expenses make up the largest portion of the Act, accounting for 94 percent of the total in fiscal year 2004. The following charts show the breakdown of the fiscal year 2004 operating and capital sections of the Appropriation Act, Chapter 943.

Summary of 2004 Operating Budget by Secretarial Area



Summary of 2004 Capital Budget by Secretarial Area

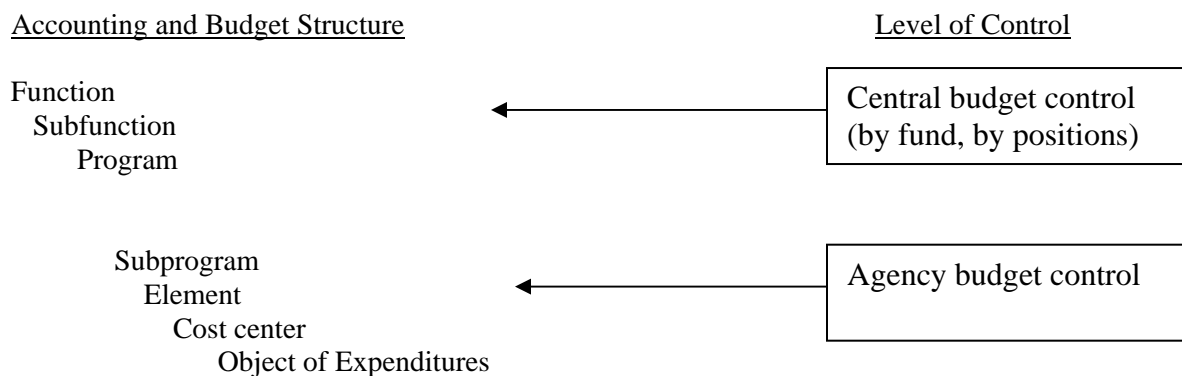


Budget Execution Process

Planning and Budget operates a budget system to ensure that agencies conduct their activities within the fund limitations provided in the Act and in accordance with gubernatorial and legislative intent. Upon approval of the Act, Planning and Budget receives the Act in an electronic file from the Division of Legislative Services. Planning and Budget uses this file to create the Act on in the budget development master (BDM) file. Planning and Budget performs various analyses and checks on this file to ensure the file is complete and accurate. Planning and Budget procedures may vary depending on whether it is a new biennial budget or amendments to an existing budget.

After Planning and Budget has determined the BDM file is complete and accurate, they use this file to create a new execution master file, called the EXM file. For the new fiscal year, Planning and Budget transmits the Act to the Department of Accounts (Accounts), where Accounts staff perform various analyses and checks to ensure the file is complete and in agreement with the Act. Accounts uses the transaction file to update appropriation and allotment information in the Commonwealth Accounting and Reporting System (CARS).

Accounts maintains and operates CARS, the Commonwealth's centralized automated accounting and reporting system that records and accounts for all transactions involving state funds. While CARS serves as the state's central accounting system, it also maintains appropriation controls using appropriation and allotment accounts. The appropriation controls in CARS are at the fund and program level, based on the state's budget and accounting structure. Planning and Budget can also use allotments to further control and monitor spending. The following graph shows the state's budget and accounting structure, and where the level of control is.



CARS has automated edit controls to ensure agencies do not exceed their spending authority, at the fund, program, and project levels. CARS edit controls analyze expenses to determine if appropriations and allotments are sufficient before paying an expense transaction. An agency must have sufficient unspent appropriations and allotments available in order to pay an agency expense; however, there are instances where Accounts can override transactions that do not meet appropriation edit controls. Although Accounts overrides the controls, agencies can only spend within their authorized appropriation levels.

The Governor and Planning and Budget have certain statutory authority to increase, decrease, or transfer funds and/or positions during the implementation of the budget. This authority is primarily set forth in Section 4-1.00 of the Appropriations Act, but there are also other requirements throughout the Appropriations Act. Section 4-1.00 establishes the overall criteria by which appropriations adjustments can be made. The Director of Planning and Budget has further delegated his authority over certain types of adjustments to Planning and Budget staff. This delegation of authority is detailed in a memorandum, effective August 1, 2001. Under this delegation, for example, Planning and Budget analysts have the authority to transfer appropriations between programs within an agency; however, appropriations transfers between agencies must be authorized by a Planning and Budget Associate Director or the Director.

Planning and Budget processes these adjustments through the Form 27 Automated Transaction System (FATS). FATS is a statewide system, so agencies can submit adjustment requests through the system. Agencies prepare and request FATS transactions; however, only Planning and Budget staff can initiate and process certain types of transactions. Agencies prepare adjustments to move appropriations between programs, funds, agencies, and capital projects. Planning and Budget must initiate transactions to reappropriate funds, transfer funds between fiscal years, and to revert and restore funding for capital projects.

Planning and Budget staff review and approve FATS transactions requested by an agency. The level of Planning and Budget approval required depends on the type of the transaction. FATS transactions are subject to a series of edits that verify the accuracy of the information. These edit controls include verifying funding availability, validity of program codes, agency codes, project codes, fund detail and the completion of transaction briefs. Planning and Budget maintains transaction briefs in FATS to explain details of certain FATS transactions.

Planning and Budget's approved FATS transactions go into in an EXM file, which updates CARS on a nightly basis. Planning and Budget, and Accounts staff review a daily listing to verify the proper processing of FATS transactions in CARS. Amendments to the Appropriations Act approved by the General Assembly Assembly are not processed through FATS. These amendments are updated directly to the EXM and then sent to Accounts in file format for loading to CARS. Within FATS, Planning and Budget uses codes to differentiate types of budget adjustments. Each FATS adjustment has an adjustment type, which initiates the proper program budgeting adjustment and will identify the correct transaction codes for recording in CARS.

During fiscal year 2004, Planning and Budget processed over 20,000 budget adjustments through FATS, most of which were adjustments to operating budgets. The following table shows the total number and amount of operating adjustments by FATS adjustment type. The table also shows who is responsible for initiating each type of adjustment.

2004 FATS Budget Adjustments - Operating

Type	Description of Adjustment	Amount of Adjustments	Number of Adjustments	Initiator
A	Mandated reappropriation	\$ 108,867,064	200	DPB
B	Discretionary reappropriation	15,452,481	59	DPB
C	Special legislative adjustment	855,781	24	DPB
E	Appropriation increase for non-general fund cash balance	502,303,715	509	DPB, SA
F	Sum sufficient appropriation	1,200,096,399	196	SA
G	Additional revenue appropriation .	1,993,682,045	1,889	DPB,SA
H	Other non-general fund	90,000	1	SA
J	Transfer from second year to first year	(41,800,000)	1	DPB
L	Adjustment to allotment and operating plan	-	292	SA
M	Adjustment to operating plan only	-	10,639	SA
N/O	Transfers to/from general fund	583,100,626	3,467	SA
P/Q	Transfers to/from non-general fund	823,917,589	2,482	SA
R/S	Transfers to/from general fund and non-general fund	1,212,576,759	132	SA
T/U	Transfers to/from general fund and higher education operating fund	63,238,286	330	SA
V/W	Transfers to/from higher education operating fund and fund detail	<u>53,847,577</u>	163	SA
	Total operating adjustments	<u>\$ 6,516,228,322</u>	20,384	

Key: DPB – Department of Planning and Budget SA – State agencies

Over 10,000 of the adjustments were Type M adjustments, which transfer appropriations at the object code level, and do not affect appropriations by program. As a result, there is no dollar impact shown in the table above. Sum sufficient appropriation adjustments (Type F) and additional revenue appropriations (Type G) represented significant dollar amounts, and we discuss these types of adjustments in more detail below. We have also included additional details on one transfer of appropriations between years (Type J) and transfers between the general fund and non-general fund (Type R and S).

Type F - Sum Sufficient Appropriations

Sum sufficient appropriations adjustments increase appropriations where the Governor authorizes an agency to exceed the amount shown in the Appropriation Act if required to carry out the purpose of the appropriation. In fiscal year 2004, these sum sufficient adjustments occurred in the following agencies and programs. The authority is set forth in the Act with respect to the affected items.

Summary of 2004 Sum Sufficient Appropriation Adjustments

Act Item #	Agency Name	Program	Amount
47	Office of the Governor	Disaster Planning and Operations	\$ 53,721,256
85	Administration of Health Insurance	Personnel Management Services	700,000,000
74 - 81	Department of General Services	Various programs	91,879,837
471.15 471.20	Virginia Information Technologies Agency	Various programs	122,642,553
274	Department of Accounts	Financial assistance to localities	7,600,715
524	Lottery Department	Disbursement of Lottery Prize Payments	180,000,000
526	Virginia College Savings Plan	Investment, Trust and Insurance Services	44,081,797
292	Treasury Department	Investment, Trust and Insurance Services	<u>170,241</u>
	Total		<u>\$ 1,200,096,399</u>

Type G - Additional Revenue Appropriations

Additional revenue appropriations adjustments request the use of revenues over the appropriated amount for both general and non-general funds. These increases are necessary to authorize spending of additional funds that are available, and can occur when actual revenue collections are more than anticipated. An example could be when additional federal funds become available. The following agencies make up the majority of these adjustments.

Summary of 2004 Additional Revenue Appropriation Adjustments

Agency Name	Fund Source	General Explanation for Adjustment	Amount
Department of Emergency Management	General and Federal	Additional funds for Hurricane Isabel recovery and Homeland Security	\$ 238,917,062
State Board of Elections	Federal	Additional funds available under the 2004 Help America Vote Act	32,403,000
Department of Transportation	Various	Reappropriate June 30, 2003 cash balances in various funds	471,041,531
Direct Aid to Public Education	Federal	Additional federal funds under No Child Left Behind Act	268,772,668
Department of Social Services	Federal	Additional federal funds for energy assistance, TANF, and foster care (revenue maximization)	77,438,450
Virginia Employment Commission	Federal	Additional federal unemployment insurance benefits	313,612,314
Department of Medical Assistance Services	Federal and Special	Increased Medicaid expenses	<u>95,907,324</u>
Total			<u>\$ 1,498,092,349</u>

Type J – Transfer from Second Year to First Year

This adjustment transfers appropriations from the second year of the biennium to the first year. In this case, there was one adjustment for the Department of Transportation, which moved Transportation Trust Fund appropriations from fiscal year 2004 to 2003.

Type R and S – Transfers of Appropriations

This type of appropriation transfer is between general and non-general funds. This type of transfer is used to process appropriation adjustments necessary to administer personal property tax relief, as well as other adjustments. In fiscal year 2004, almost \$900 million was transferred from a Central Appropriations account (general funds) into a non-general fund account to administer personal property tax relief payments.

In addition to processing adjustments, Planning and Budget has responsibility for executing items within Central Appropriations accounts. As discussed previously, Central Appropriations includes appropriations for activities that affect many agencies. Planning and Budget initiates and processes transactions for the Central Appropriations accounts; however, some of these transactions use information supplied by other agencies. For example, Planning and Budget processes the appropriations adjustments in Central Appropriations accounts for the personal property tax relief using information provided by Taxation. Planning and Budget also uses payroll information from Department of Accounts and agencies to distribute salary increased and fringe benefit amounts.

Appendix A

Code of Virginia , Section 2.2-1501 (Department of Planning and Budget) Duties of Department.

The Department shall have the following duties:

1. Development and direction of an integrated policy analysis, planning, and budgeting process within state government.
2. Review and approval of all sub-state district systems boundaries established or proposed for establishment by state agencies.
3. Formulation of an executive budget as required in this chapter. In implementing this provision, the Department shall utilize the resources and determine the manner of participation of any executive agency as the Governor may determine necessary to support an efficient and effective budget process notwithstanding any contrary provision of law. The budget shall include reports, or summaries thereof, provided by agencies of the Commonwealth pursuant to subsection E of § 2.2-603.
4. Conduct of policy analysis and program evaluation for the Governor.
5. Continuous review of the activities of state government focusing on budget requirements in the context of the goals and objectives determined by the Governor and the General Assembly and monitoring the progress of agencies in achieving goals and objectives.
6. Operation of a system of budgetary execution to ensure that agency activities are conducted within fund limitations provided in the appropriation act and in accordance with gubernatorial and legislative intent. The Department shall make an appropriate reduction in the appropriation and maximum employment level of any state agency or institution in the executive branch of government that reports involuntary separations from employment with the Commonwealth due to budget reductions, agency reorganizations, or workforce down-sizings, or voluntary separations from employment with the Commonwealth as provided in the second and third enactments of the act of the General Assembly creating the Workforce Transition Act of 1995 (§ 2.2-3200.). In the event an agency reduces its workforce through privatization of certain functions, the funds associated with such functions shall remain with the agency to the extent of the savings resulting from the privatization of such functions.
7. Development and operation of a system of standardized reports of program and financial performance for management.
8. Coordination of statistical data by reviewing, analyzing, monitoring, and evaluating statistical data developed and used by state agencies and by receiving statistical data from outside sources, such as research institutes and the federal government.

9. Assessment of the impact of federal funds on state government by reviewing, analyzing, monitoring, and evaluating the federal budget, as well as solicitations, applications, and awards for federal financial aid programs on behalf of state agencies.
10. Review and verify the accuracy of agency estimates of receipts from donations, gifts or other nongeneral fund revenue.
11. Development, coordination and implementation of a performance management system involving strategic planning, performance measurement, evaluation, and performance budgeting within state government. The Department shall ensure that information generated from these processes is useful for managing and improving the efficiency and effectiveness of state government operations, and is available to citizens and public officials.
12. Development, implementation and management of an Internet-based information technology system to ensure that citizens have access to performance information.
13. Development, implementation and management of an Internet-based information technology system to ensure that citizens have access to meeting minutes and information pertaining to the development of regulatory policies.

Code of Virginia , Section 2.2-1508 (Department of Planning and Budget) Submission of executive budget to General Assembly.

- A. On or before December 20 in the year immediately prior to the beginning of each regular session of the General Assembly held in an even-numbered year, the Governor shall submit to the presiding officer of each house of the General Assembly printed copies of a budget document, which shall be known as "The Executive Budget," based on his own conclusions and judgment, containing the following:
 1. For each agency, the amount and number of positions appropriated for the current appropriation year and the amount and number of positions recommended for each year of the ensuing biennial period beginning with the first day of July thereafter, accompanied by an explanation of the recommended amount and number of positions.
 2. A statement of historical and projected trends that influence the general economic conditions in the Commonwealth and a statement of the economic assumptions upon which revenue projections are based.
 3. A statement of the Governor's proposed goals, objectives, and policies in the areas of:
 - a. Administration of justice;
 - b. Education, including intellectual and cultural development;
 - c. Individual and family services;

- d. Resources and economic development, including specific references to economic development and management of natural resources;
 - e. Transportation; and
 - f. General government, including therein or as separate categories areas of multiple impact, such as telecommunications, energy, and urban development.
 - 4. A statement organized by function, primary agency, and proposed appropriation item that sets forth:
 - a. Identification of common programs and services;
 - b. Service attainments or lack of attainments and service terminations or reductions for the biennium;
 - c. Major goals, objectives, and specific outcomes related to expenditures for programs;
 - d. Program measures and performance standards to be used in monitoring and evaluating services; and the development of appropriate evaluation cycles, within available resources;
 - e. The amount of each primary agency's budget that is direct aid to localities.
 - 5. A statement of proposed capital appropriations organized by the primary agency that sets forth the program need for the project and the proposed source of funding.
 - 6. A listing of all activity, program-related, agency or departmental evaluations performed in the previous two years with guidance indicating the manner in which the public can gain access to the full text of such studies.
 - 7. A schedule and description of all data processing or other projects in which the Commonwealth has entered into or plans to enter into a contract, agreement or other financing agreement or such other arrangement that requires that the Commonwealth either pay for the contract by foregoing revenue collections, or allows or assigns to another party the collection on behalf of or for the Commonwealth any fees, charges, or other assessment or revenues to pay for the project. Such schedule shall include by agency and project (i) a summary of the terms, (ii) the anticipated duration, and (iii) cost or charges to any user, whether a state agency or institutions or other party not directly a party to the project arrangements. The description shall also include any terms or conditions that bind the Commonwealth or restrict the Commonwealth operations and the methods of procurement employed to reach such terms.
- B. On or before December 20 of the year immediately prior to the beginning of the regular session of the General Assembly held in odd-numbered years, the

Governor shall submit to the presiding officer of each house of the General Assembly printed copies of a budget document, which shall be known as "Executive Amendments to the Appropriation Act," describing all gubernatorial amendments proposed to the general appropriation act enacted in the immediately preceding even-numbered session.

- C. The Department of Planning and Budget shall prepare "The Executive Budget" and the "Executive Amendments to the Appropriation Act" in a manner and with language that can be easily understood by the citizens of the Commonwealth and that provides, to the extent practical, a cross-reference to the Governor's recommended budget bill or amendments to the Appropriation Act. Such documents shall also be placed on the Internet to provide easy access by the public.

Code of Virginia , Section 2.2-1509 (Department of Planning and Budget) Budget Bill.

- A. On or before December 20 of the year immediately prior to the beginning of each regular session of the General Assembly held in an even-numbered year, the Governor also shall submit to the presiding officer of each house of the General Assembly, at the same time he submits "The Executive Budget," copies of a tentative bill for all proposed appropriations of the budget, for each year in the ensuing biennial appropriation period, which shall be known as "The Budget Bill." "The Budget Bill" shall be organized by function, primary agency, and proposed appropriation item and shall include (i) an identification of, and authorization for, common programs and (ii) the appropriation of funds according to programs. Strategic plan information and performance measurement results developed by each agency shall be made available to the General Assembly as it considers "The Budget Bill." Except as expressly provided in an appropriation act, whenever the amounts in a schedule for a single appropriation item are shown in two or more lines, the portions of the total amount shown on separate lines are for information purposes only and are not limiting. No such bill shall contain any appropriation the expenditure of which is contingent upon the receipt of revenues in excess of funds unconditionally appropriated.
- B. The salary proposed for payment for the position of each cabinet secretary and administrative head of each agency and institution of the executive branch of state government shall be specified in "The Budget Bill," showing the salary ranges and levels proposed for such positions.
- C. "The Budget Bill" shall include all proposed capital appropriations, including each capital project to be financed through revenue bonds or other debt issuance, the amount of each project, and the identity of the entity that will issue the debt.
- D. Concurrently with the submission of "The Budget Bill," the Governor shall submit a tentative bill involving a request for authorization of additional bonded indebtedness if its issuance is authorized by, or its repayment is proposed to be made in whole or in part, from revenues or appropriations contained in "The Budget Bill."
- E. On or before December 20 of the year immediately prior to the beginning of each regular session held in an odd-numbered year of the General Assembly, the

Governor shall submit to the presiding officer of each house printed copies of all gubernatorial amendments proposed to the general appropriation act adopted in the immediately preceding even-numbered year session. In preparing the amendments, the Governor may obtain estimates in the manner prescribed in §§ 2.2-1504, 2.2-1505, and 2.2-1506. On the same date he shall also submit a tentative bill during the second year of the appropriation period, a request for authorization of additional bonded indebtedness if its issuance is authorized by, or its repayment is proposed to be made in whole or in part, from revenues or appropriations contained in the proposed gubernatorial amendments.

- F. The proposed capital appropriations or capital projects described in, or for which proposed appropriations are made pursuant to, this section shall include the capital outlay projects required to be included in "The Budget Bill" pursuant to § 2.2-1509.1. The Governor shall propose appropriations for such capital outlay projects in "The Budget Bill" in accordance with the minimum amount of funding and the designated sources of funding for such projects as required under § 2.2-1509.1.

Code of Virginia , Section 2.2-1509.1 (Department of Planning and Budget) Budget Bill to include appropriations for capital outlay projects.

- A. For purposes of this section:

"Projected general fund revenues" for a fiscal year means the estimated general fund revenues for such year as contained in the six-year revenue plan submitted in the prior calendar year pursuant to § 2.2-1503.

"Capital outlay project" means the same as that term is defined in § 2.2-1503.2.

- B. In "The Budget Bill" submitted pursuant to § 2.2-1509, the Governor shall provide for the funding of capital outlay projects, as specified herein. Such funding recommendations shall be in addition to any appropriation for capital outlay projects from the Central Maintenance Reserve of the general appropriation act.

- 1. The Governor shall include in "The Budget Bill" submitted pursuant to § 2.2-1509 a biennial appropriation for the capital improvement plan required by § 2.2-1503.2. The biennial appropriation shall not be less than two percent of the projected general fund revenues for the biennium.

- a. When the projected general fund revenues for a fiscal year or years are eight percent or greater than the projected general fund revenues for the immediately preceding fiscal year the amount of the biennial appropriation for the capital improvement plan that the Governor shall provide from general fund revenues shall not be less than two percent of the projected general fund revenues for each fiscal year.
- b. When the projected general fund revenues for a fiscal year or years are at least five percent but less than eight percent greater than the projected general fund revenues for the immediately preceding fiscal year, the Governor may recommend funding of up to one-half of the required biennial appropriation from alternative financing mechanisms, including, but not limited to, bonded indebtedness. The Governor shall submit such bill or bills for consideration by the General

Assembly as are necessary to implement such alternative financings, and shall include in "The Budget Bill" submitted pursuant to § 2.2-1509 proposed appropriations from general fund revenues for the remaining one-half of the required biennial appropriation.

- c. When the projected general fund revenues for a fiscal year or years are less than five percent greater than the projected general fund revenues for the immediately preceding fiscal year, the Governor may recommend funding of up to the entire required biennial appropriation from alternative financing mechanisms, including, but not limited to, bonded indebtedness. The Governor shall submit such bill or bills for consideration by the General Assembly as are necessary to implement such alternative financings.
 - 2. In implementing the provisions of this section, the amount of general funds to be included in the biennial appropriation for the capital improvement plan shall be calculated on a year-to-year basis, but may be apportioned on a biennial basis; provided, however, that the combined total of general fund appropriations and alternative financing mechanisms for the capital improvement plan included in "The Budget Bill" submitted pursuant to § 2.2-1509 shall equal at least two percent of the projected general fund revenues for the biennium.
- C. The capital outlay projects proposed under this section and to be included in "The Budget Bill" submitted pursuant to § 2.2-1509 shall be consistent with those capital outlay projects included in the corresponding fiscal year of the current six-year capital improvement plan submitted under § 2.2-1503.2. The Governor may deviate from the plan and may propose other projects in "The Budget Bill" so long as he substantially complies with the capital improvement plan and justifies the inclusion of such other projects.

