



# Office Hours: The Budget

SFAC Staff

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# Budget Organization

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# Sources of Revenues for Virginia's Budget

State revenues are defined as either general fund or nongeneral fund.

## General Fund (GF) Revenues

- Include income tax, sales tax, and corporate tax (three largest sources).
- Used for any purpose, such as education, health care, public safety, and social services.
- The Department of Taxation administers and collects most general fund revenue.

## Nongeneral Fund (NGF) Revenues

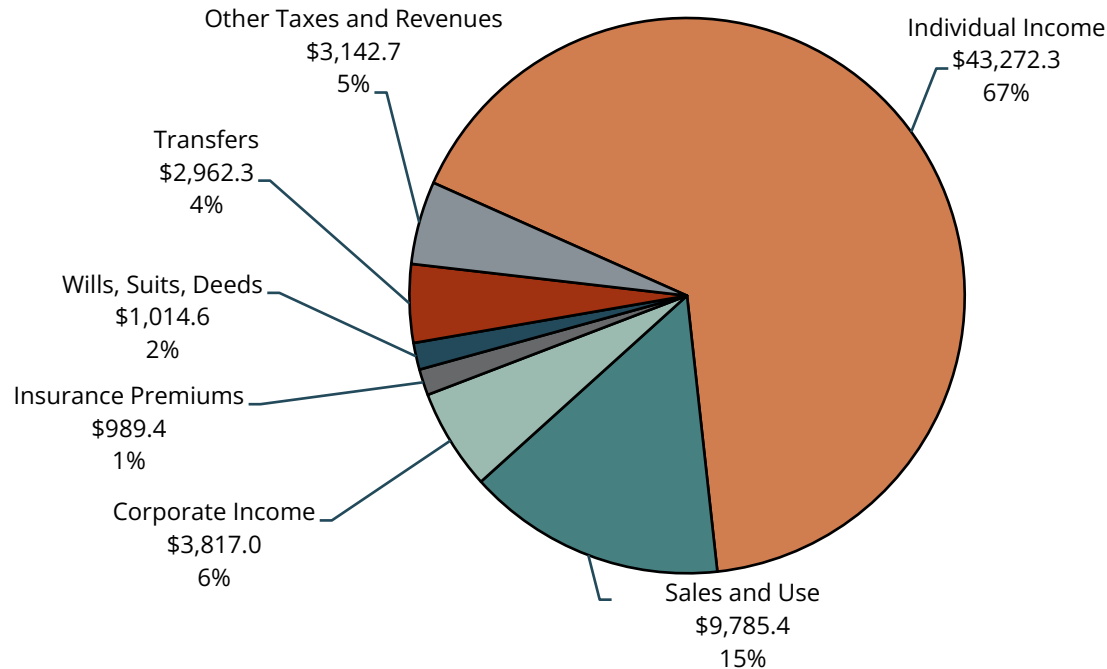
- Include federal revenue, tuition and fees, gas taxes, lottery, unemployment taxes, other fees, etc.
- Tend to be earmarked for specific programs or purposes and self-supported programs, such as transportation.
- Several agencies administer and collect NGF taxes, including Department of Motor Vehicles, Department of Taxation, and Virginia Employment Commission.

# GF Revenue: Largely Income and Sales and Use Taxes

**2024-2026 General Fund Revenues = \$65.0 Billion**

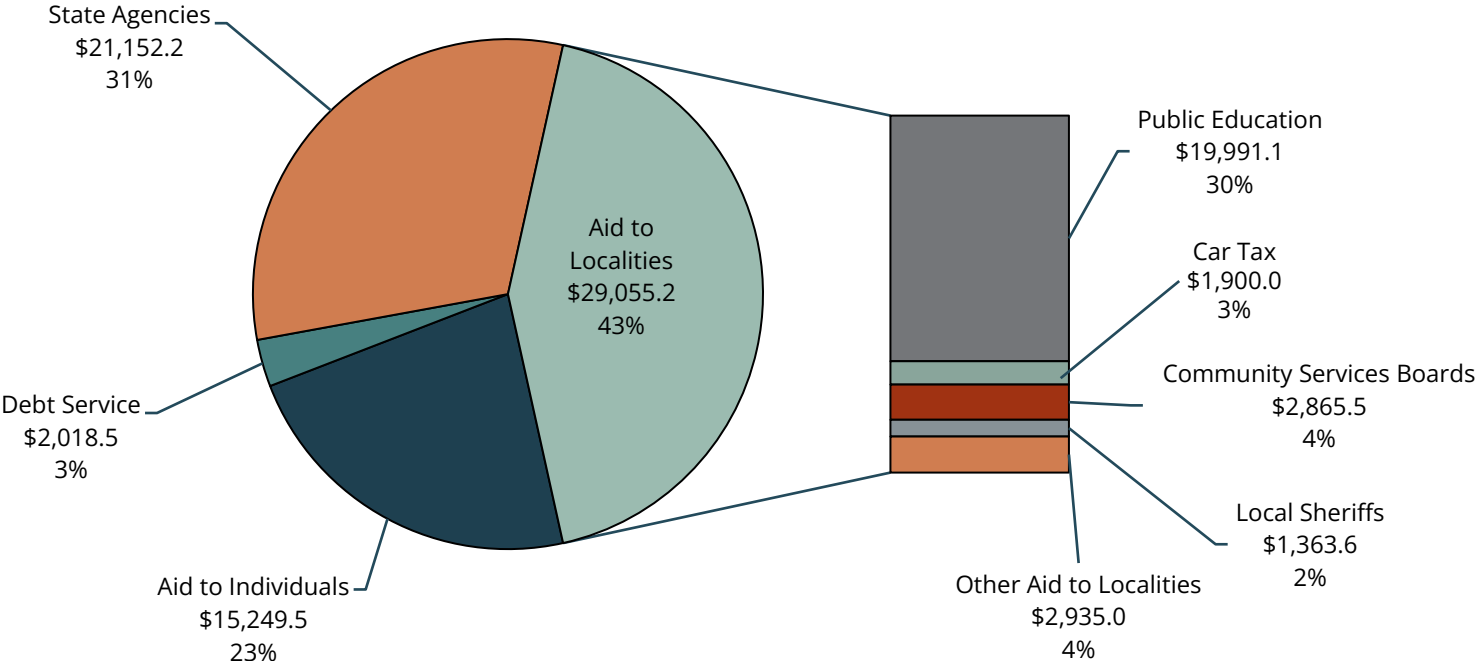
(Chapter 725, as Enacted)

(\$ in millions)



# Operating Spending: Mostly K-12 and Medicaid

**2024-26 GF Operating Budget = \$67.5 Billion**  
(Chapter 725, as Enacted)  
(\$ in millions)



# Budget Organization

- Like any legislation, the budget reflects policies and priorities.
- Appropriates GF/NGF revenues and spending for a two-year period (biennium).
  - Front Page: Official revenue estimates
  - Part 1: Operating budget appropriations
  - Part 2: Capital outlay budget appropriations and related general conditions
  - Part 3: Transfers to GF, various revenue and tax policy actions
  - Part 4: General Provisions – guidance on spending, budget reductions, authority delegated to the Governor, agency head salaries, etc.
  - Part 5: Stand-alone enactments – codifies Code sections, primarily tax and revenue policy actions

# The “Front Page” of the Budget Bill

- The first pages of the bill include summary tables detailing revenues by major sources and by fiscal year. Referred to as the “front page” of the budget bill.
- Establishes the official general fund revenue estimate, the GF balances available for appropriation, and transfers to the GF.
- The unappropriated balance = total GF support in the approved budget minus GF spending in the approved budget.
  - The unappropriated biennial balance is carried forward to the next biennium as a resource.
  - Ongoing spending should match the ongoing GF revenue forecast for the budget to be structurally balanced.

2024 SPECIAL SESSION I			
CHAPTER 2			
Approved May 13, 2024			[H 6001]
§ 3. The appropriations made in this act from the general fund are based upon the following:			
	First Year	Second Year	Total
Unreserved Beginning Balance	\$2,989,627,272	\$0	\$2,989,627,272
Additions to Balance	\$47,000,000	(\$500,000)	\$46,500,000
Official Revenue Estimates	\$28,563,750,000	\$30,275,550,000	\$59,839,300,000
Transfer	\$1,128,073,149	\$1,714,755,410	\$2,842,828,559
Total General Fund Resources Available for			
Appropriation	\$32,728,450,421	\$31,989,805,410	\$64,718,255,831



# Part 1 and 2: Operating and Capital Expenses

## Part 1: Operating Expenses

- “What keeps the lights on”, initiating new programs/ administration of programs, paying for salaries, etc.
- Identifies the total appropriations for each agency/program, broken out by fund source.
- Establishes authority for the funding and the parameters of the appropriated funds.

## Part 2: Capital Expenses

- Capital outlay expenses for state agencies and public higher education institutions (e.g. long-term assets including buildings, equipment, or infrastructure).
- Projects are funded with GF cash, GF tax supported debt, NGF cash, and NGF supported debt.
- Large projects are appropriated in a pool of projects to not disclose a project’s funded amounts.

# Central Appropriations or Central Accounts

- Any appropriation action that does not have an agency home, or that might cross multiple agencies, is included in central appropriations.
  - The appropriations are administratively allocated to agencies for certain across-the-board actions.
    - Examples are employee compensation, health insurance, retirement benefits, etc.
  - May include budget reduction actions to be executed by the Department of Planning Budget (DPB).
  - May also contain contingent spending amounts and reservations of GF revenue surplus.
- A Central Appropriations section is in both Part 1 Operating and Part 2 Capital Outlay.
  - Central Capital includes capital pools for construction, planning, and equipment.

# Part 3: Miscellaneous or “Transfers”

- Part 3 generally directs nongeneral funds to the general fund as transfers to support GF appropriations.
  - The sum of these actions totals to the “Transfers” figures on the “Front Page” of the Act.
  - Transfers include ABC profits, Lottery profits, and dedicated K-12 sales tax revenues.
- Includes a section called “Adjustments and Modifications to Tax Collections”.
  - Language that modifies, nullifies, or otherwise changes tax policy set out in the Code.
  - Examples include modifications to the Neighborhood Assistance Act Tax Credit, tobacco tax rates, the hospital provider assessment for Medicaid, the vehicle registration fee, and the sales and use tax dealer discount.

# Part 4: General Provisions

## *“Instructions to execute the Appropriation Act”*

- Sets out the provisions and conditions that govern all appropriations in the Act and for the Governor as chief budget officer (e.g., limitations on withholding of spending authority; process to handle a GF revenue shortfall; and authority to increase nongeneral fund appropriations administratively).
- Establishes the authority and criteria for the Governor to authorize deficit funding for state agencies and provides the criteria for treasury loans for state agencies.
- Includes limitations on the ability of state agencies to create future general fund obligations on the Commonwealth without General Assembly approval.
- Establishes provisions governing capital projects and allows the Governor to authorize a nongeneral fund project.
- Includes conditions on the purchase of certain goods and services by state agencies, such as motor vehicles, travel, and cell phones.

# Part 5: Additional Enactments

- Language in Part 4 contains additional enactments commonly referred to as ***“Part 5”***.
- These enactments act like a bill and, depending on the language, can be made permanent through codification.
- Tax policy enactments are commonly included in “Part 5” to ensure structural balance between GF spending and the official revenue estimate.

# How Other Legislation Impacts Virginia's Budget?

- Legislation with a fiscal impact is typically requested to be rereferred to the Senate Finance & Appropriations Committee (SFAC) when a bill passes out of another committee.
  - Goal is to adequately account for the fiscal impact from legislation in the Senate budget.
  - If funding is not accounted for in the budget, it can place the bill at a disadvantage in the other body (e.g., may result in a committee not passing a bill or put it in jeopardy during budget conference).
- Analysts review dockets to assess the fiscal impact before rereferral letters are sent to other standing committees.
  - Some bills will not be requested if the impact is minimal, etc., or if the Chair provides alternative guidance.
- Senate rules currently require bills that create a fund to come to SFAC.
  - *Rule 20 (n). Any bill, except the budget bill sent down by the Governor, whose principal objective is taxation or which establishes a special fund or any type of nonreverting fund, whether or not such bill may also require an appropriation, tax, special or general revenue, shall first be referred to the Standing Committee which has jurisdiction of the subject matter of the bill as defined in rules 18 (a) through 18 (j) of the Rules of the Senate. If said bill is reported by the Committee of original jurisdiction then said bill shall be rereferred by the Committee to the Committee on Finance and Appropriations.*

# Budget Amendments

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# 2026 Session – Two Budget Bills

In even-numbered sessions, action is taken to amend the **current year budget (FY 2026)** and to adopt **a budget for the biennium that starts on July 1, 2026.**

## Caboose Budget Bill (SB 29)

- Amends the CURRENT budget for FY 2026 (Chapter 725) to reflect the revised revenue estimate, required spending, and any savings in FY 2026.
- Mainly amendments for technical changes, required updates for K-12 and Medicaid, immediate clean up, or emergency actions.
- Effective upon signature of the Governor for a few months.

## 2026-2028 Biennial Budget (SB 30)

- Appropriates funds and sets official revenue for the next two fiscal years, **FY 2027 and FY 2028.**
- **Most budget amendment requests will be to SB 30.**
- Effective July 1, 2026, to June 30, 2028.



# Member Input - The Budget Amendment Form...

  
**SENATE OF VIRGINIA**  
**2026 SESSION BUDGET AMENDMENT FORM**

TO: Senate Finance & Appropriations Committee      FROM: Senator

An item number identifies the specific section of the Budget Bill which your amendment would affect. Item numbers are listed in the Budget Bill on the left side of each page. The number of items for an agency depends on the diversity of its programs. Some agencies have only one item; others have more than 10. If you are unsure of the item number leave the space blank.

ITEM NUMBER: ☐ SB 29 (2024-2026)  
AGENCY NAME: ☐ SB 30 (2026-2028)  
SHORT TITLE:

Use this section to indicate whether your amendment would require an increase or decrease in appropriated funds. General fund (GF) monies are derived from taxes levied on individual and corporate income, sales, public service corporations and insurance companies. The GF is the major source of support for many state functions. Non-general fund (NGF) monies consist of special fund revenues, higher education operating monies (tuition, special revenues and federal grants), highway maintenance and construction funds, trust and agency funds, and federal trust funds.

<u>FUNDING</u>	<u>FIRST YEAR</u>	<u>SECOND YEAR</u>
<input type="checkbox"/> Increase	GF	GF
<input type="checkbox"/> Decrease	NGF	NGF

Use this section to indicate if a change in the employment level of the agency is desired or necessary. If you are unsure, leave the space blank.

<u>EMPLOYMENT LEVEL</u>	<u>FIRST YEAR</u>	<u>SECOND YEAR</u>
<input type="checkbox"/> Increase	GF	GF
<input type="checkbox"/> Decrease	NGF	NGF

Please explain the purpose of your amendment or attach explanatory materials. This is the most important part of requesting an amendment as it ensures the staff has adequate background information to correctly draft your budget amendment request.

EXPLANATION OF CHANGE:

- The Budget Amendment form is the first step in the amendment process.
  - Not available until after release of Governor Youngkin's proposed budget (December 17<sup>th</sup>).
- Serves as a guidepost for SFAC staff in developing the half-sheet for consideration by the Senate.
  - Must be submitted by a Member.
  - Forms will be filled out electronically through the Efiling system.
    - Separate training will be done in December for members and/or legislative assistants.

# ...Results in the “Half-Sheet”

- The “half-sheet” is the official request.
- Serves as a set of instructions for where and how to amend the introduced bill.
  - Adds, deletes, or modifies from the introduced budget bill(s).
- Can be spending, policy, or both.
- Assigned to a subcommittee for consideration within the broader context of all expenditure and policy requests.

VIRGINIA STATE BUDGET			
2024 Session Budget Amendments - SB30 (Member Request) By Member » Item 148 #1s Chief Patron: McDougle VIMS - American Shad Recovery			
Item 148 #1s	First Year - FY2025	Second Year - FY2026	
<b>Education: Higher Education</b>			
Virginia Institute of Marine Science	\$2,500,000	\$2,500,000	GF
<b>Language</b> Page 201, line 49, strike "\$32,866,726" and insert "\$35,366,726". Page 201, line 49, strike "\$32,716,726" and insert "\$35,216,726".  Page 203, after line 32, insert: "P. Out of this appropriation, \$2,500,000 the first year and \$2,500,000 the second year from general fund is provided to implement the recommendation of the Shad Roe stock recovery."			
<b>Explanation</b>  (This amendment provides \$2,500,000 from the general fund each year to implement the Stock Recovery Recommendations as outlined by VIMS in their report to the Secretary of Natural and Historic Resources, the Senate Agriculture, Conservation, and Natural Resources Committee, and the House Agriculture, Chesapeake, and Natural Resources Committee.)			

# How to Craft an Effective Budget Amendment

*Ensure “Explanation of Change” answers these questions:*

- **What: What is it doing? What is the goal?**
  - Be clear in your explanation.
- **Where: Where in the budget?**
  - Most amendments will be in SB 30 for the 2026 Session, impact the general fund, and be either in Part 1 Operating Expenses or Part 2 Capital Project Expenses.
- **How: How should it operate and which agency will be responsible?**
  - Look up the agency and its corresponding item number.
- **Who: Who is the focus? Who benefits?**
  - Provide explanations for the components of the request.

# Budget Amendments: Helpful Tips

- SFAC staff cannot see legislative drafts in Division of Legislative Services' systems. Instead of referring to an "LD number", please attach a PDF of the legislation in the Efiling system.
- When attaching files, common file types are preferred (Word, Excel, PDF, etc.).
- Even if you provide an attachment, please sufficiently summarize the desired budget change in the provided text box **instead of saying "see attached."**
  - This way, if documents are *not* attached by mistake, or there is difficulty opening or reading the attachments, the analyst has a better idea of the intention of the amendment and/or what questions to ask.
  - The more specific you are in the text box, the more useful it's going to be, and the less likely analysts will need to contact you over the budget weekend.
    - "Tutoring program" versus "Tutoring program statewide that focuses on math remediation for grades 3-5"
- Analysts want to ensure the intent of the budget amendment is accurately reflected. Therefore, SFAC staff will ask for a contact person to provide clarification, if necessary, over budget amendment weekend.

# Budget Amendments: Helpful Tips

- Reminder: general fund revenues can be used for a wide-range of government programs, while nongeneral funds are earmarked by law for specific purposes.
  - Most budget amendments will be to the general fund (GF).
- “Employment level” is only used if the request is for one or more positions.
- For the 2026 Session, most amendments will be to SB 30 (2026-2028 biennial budget).
- When you are unsure of the item number or agency, make it very clear in your title which policy area or agency this is impacting (e.g., public education, transportation, higher education, Virginia State Police, etc.).
- Once amendments are drafted by SFAC and returned for review, budget amendments will not retain submission numbers and item/agency may not reflect the original submission.
  - For your records, please maintain submission materials and confirm the drafted amendment meets the intent.

# Budget Amendments: Helpful Tips

- The back pages of the printed Appropriation Act indexes the agencies in the Act by Part (e.g., Part 1 Operating Expenses – Radford University, Part 2 Capital Project Expenses – Radford University).
  - Following these page numbers will provide the item number(s) for that agency within the Act.
- [The Department of Planning and Budget \(DPB\)](#) will post resources (e.g., excel sheets) that can sort the Governor’s introduced budget by agency, agency code, or item number.
- [LIS State Budget page](#) posts the entire budget in a full PDF view and allows the budget to be viewed by Part, by agency, or by item.
  - The full PDF view allows for the entire Act to be searched with the “ctrl + F” function.

# Upcoming Dates and Information

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# Important Upcoming Dates

- Wednesday, December 17<sup>th</sup> – Joint Money Committee Meeting  
(Governor's introduced budgets are available on [LIS](#) and [DPB](#).)
- Wednesday, January 7<sup>th</sup> – Public hearings on the budget
- Wednesday, January 14<sup>th</sup> – 2026 Session Convenes
- Friday, January 16<sup>th</sup> – Senate member budget amendments will be due by 5:00 p.m. (Budget amendments must be submitted electronically through the Efiling system.)