



# Virginia's Budget Process – What you need to know

*Presented to*

**New Board of Visitors  
Virginia Colleges and Universities**

K. Joseph Flores  
Secretary of Finance  
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# Overview

- Players in the Budget Process
- General and Nongeneral Fund Revenues and Expenditures
- Review of FY 2021 General Fund Revenues
- Next steps

# Governor's Role in the Budget Process

- According to Virginia's Constitution, governors are elected to serve a four-year term.
  - The governor has a limited amount of time to accomplish his (or her) goals.
  - Governor's must quickly assemble staff to push agenda.
- Governors' initiatives are generally tied to campaign promises or responses to the state's economic conditions.
- Governor's proposed budget is comprehensive. The budget:
  - Is developed during the fall months;
  - Addresses "must do" spending;
  - Includes new initiatives if funding is available; and
  - Establishes the ground rules for budget deliberations.
- The Governor executes the budget once it is approved by the General Assembly.

# General Assembly's Role in the Budget Process

- Like the Governor, one of the primary responsibilities of the General Assembly is to craft a budget.
- *“The Governor proposes and the legislature disposes.”*
  - The House and Senate budgets are actually amendments to the Governor's introduced budget.
  - The General Assembly adds, modifies, endorses, or deletes items in the Governor's proposed budget.
  - The General Assembly also increases or decreases proposed funding levels.
- In even-numbered years, the General Assembly enacts a two-year or biennial budget. In odd years, the House and Senate tend to address unexpected increases or decreases.

# Budget Process – Key Takeaways

- The Governor and the General Assembly operate on the margin when it comes to the budget.
- Many funding decisions are required by federal mandates, state law, previous commitments, and formulae related to enrollment and population growth.
- Discretionary spending proposals outside of the “base budget” compete against members’ budget proposals and new items included in the Governor’s proposed budget.

# **2020 - 2022**

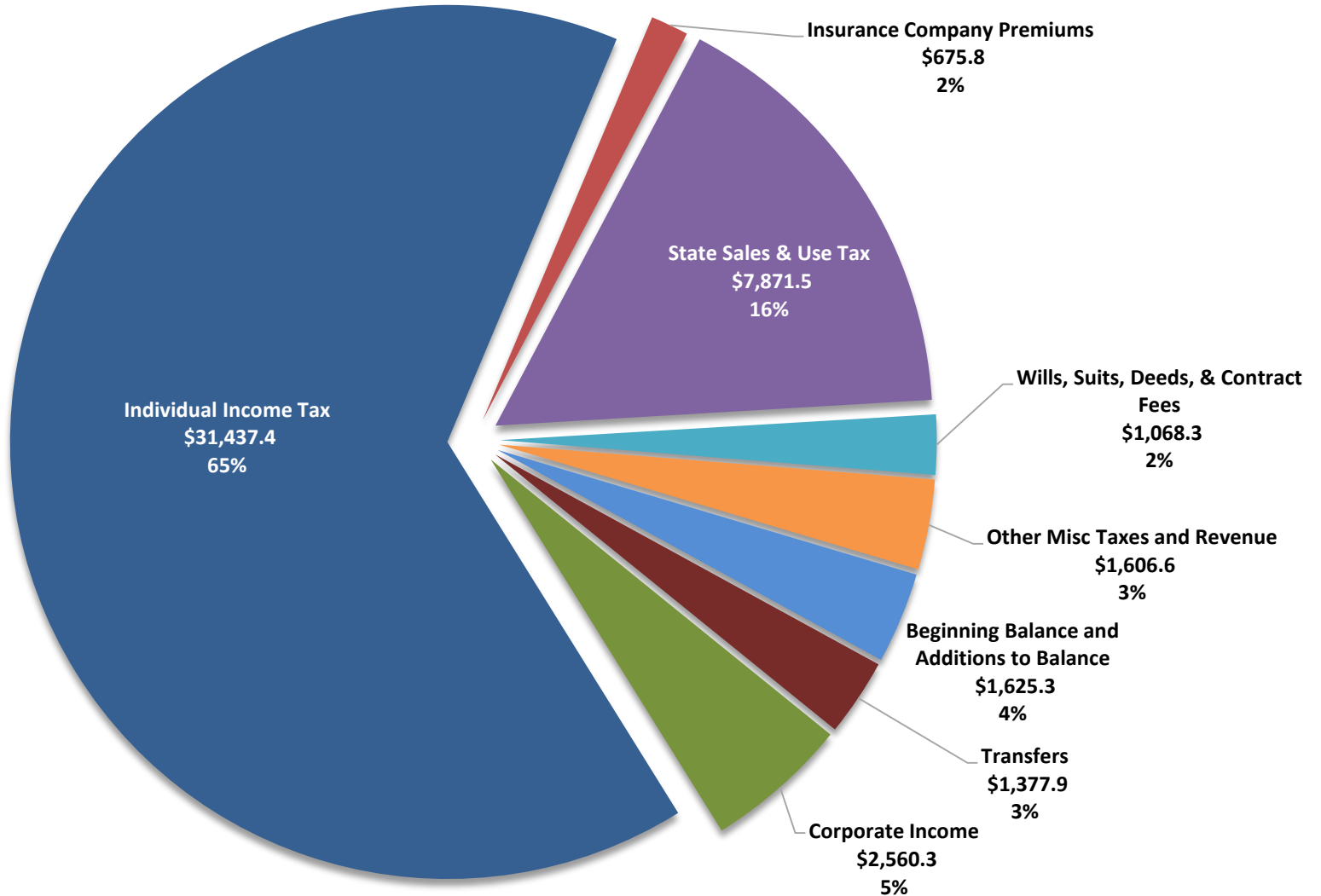
# **Biennium Budget**

*As Amended by the 2021 Special Session I*  
*Chapter 552, 2021 Acts of Assembly, Special Session I*

# 2020-2022 BIENNIUM GENERAL FUND REVENUES/RESOURCES = \$48.2 BILLION

Chapter 552, 2021 Acts of Assembly, Special Session I

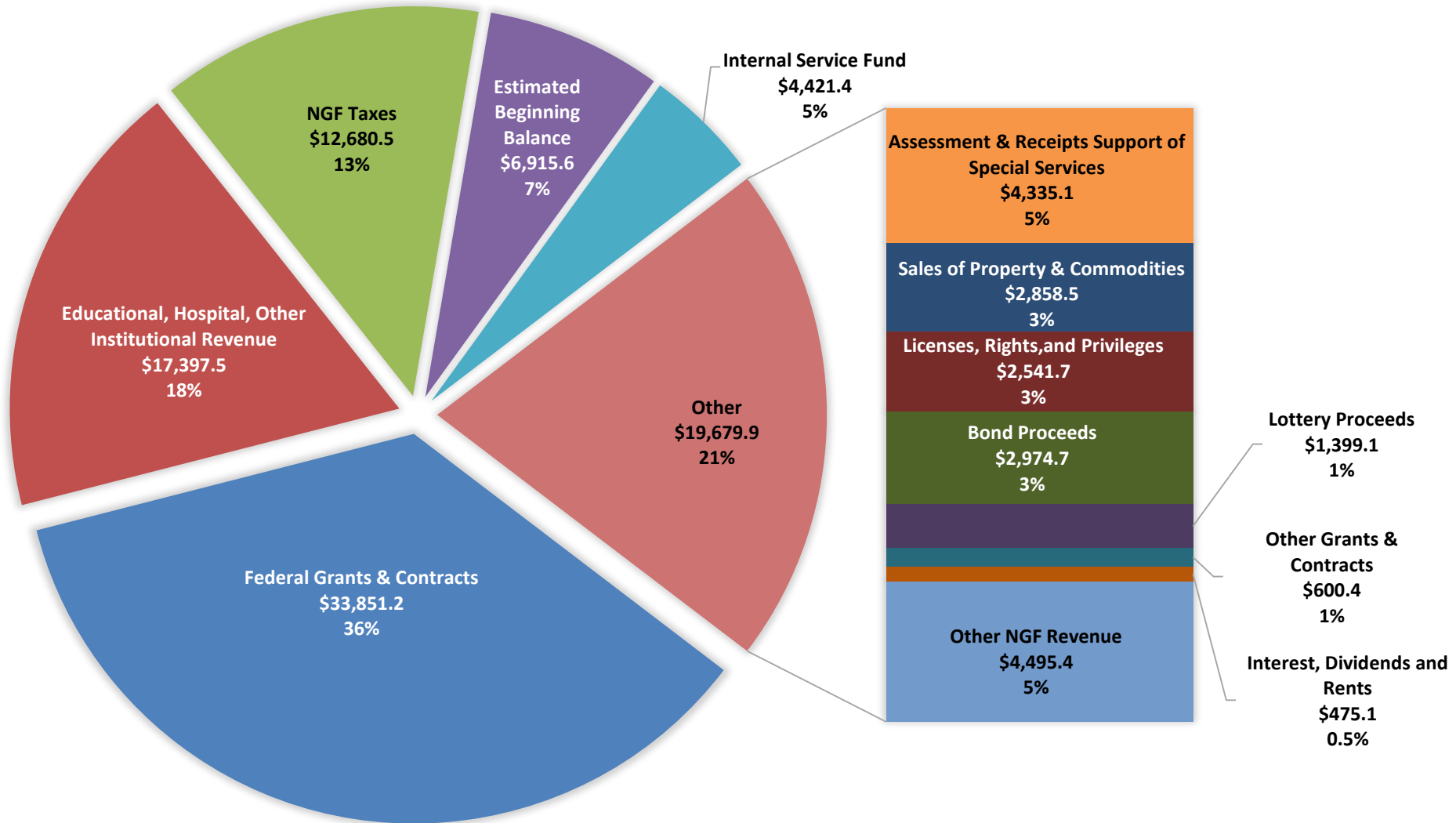
(Dollars in Millions)



# 2020-2022 BIENNIUM NONGENERAL FUND REVENUES / RESOURCES = \$94.946 BILLION

Chapter 552, 2021 Acts of Assembly, Special Session I

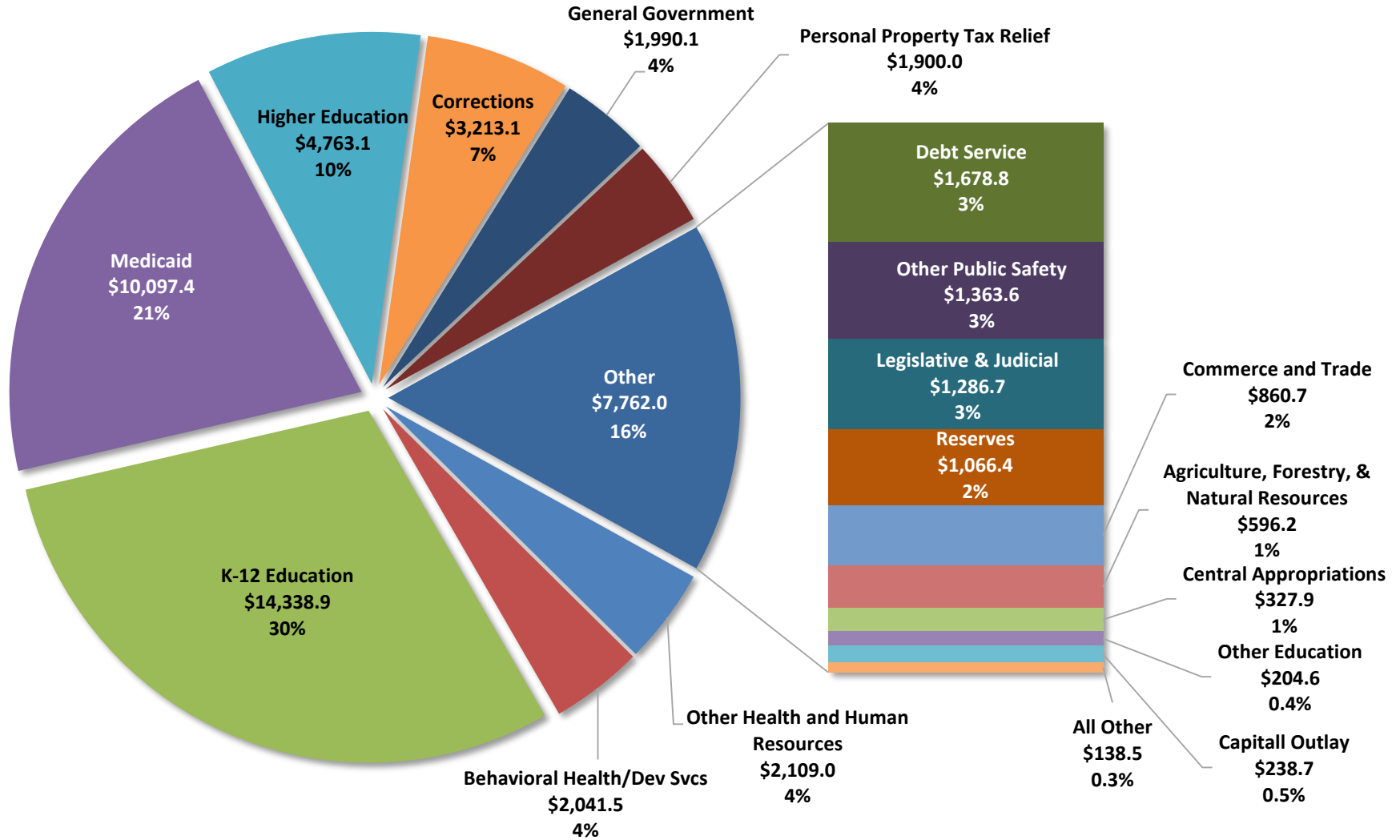
(Dollars in Millions)





# 2020-2022 BIENNIUM GF BUDGET = \$48.2 BILLION

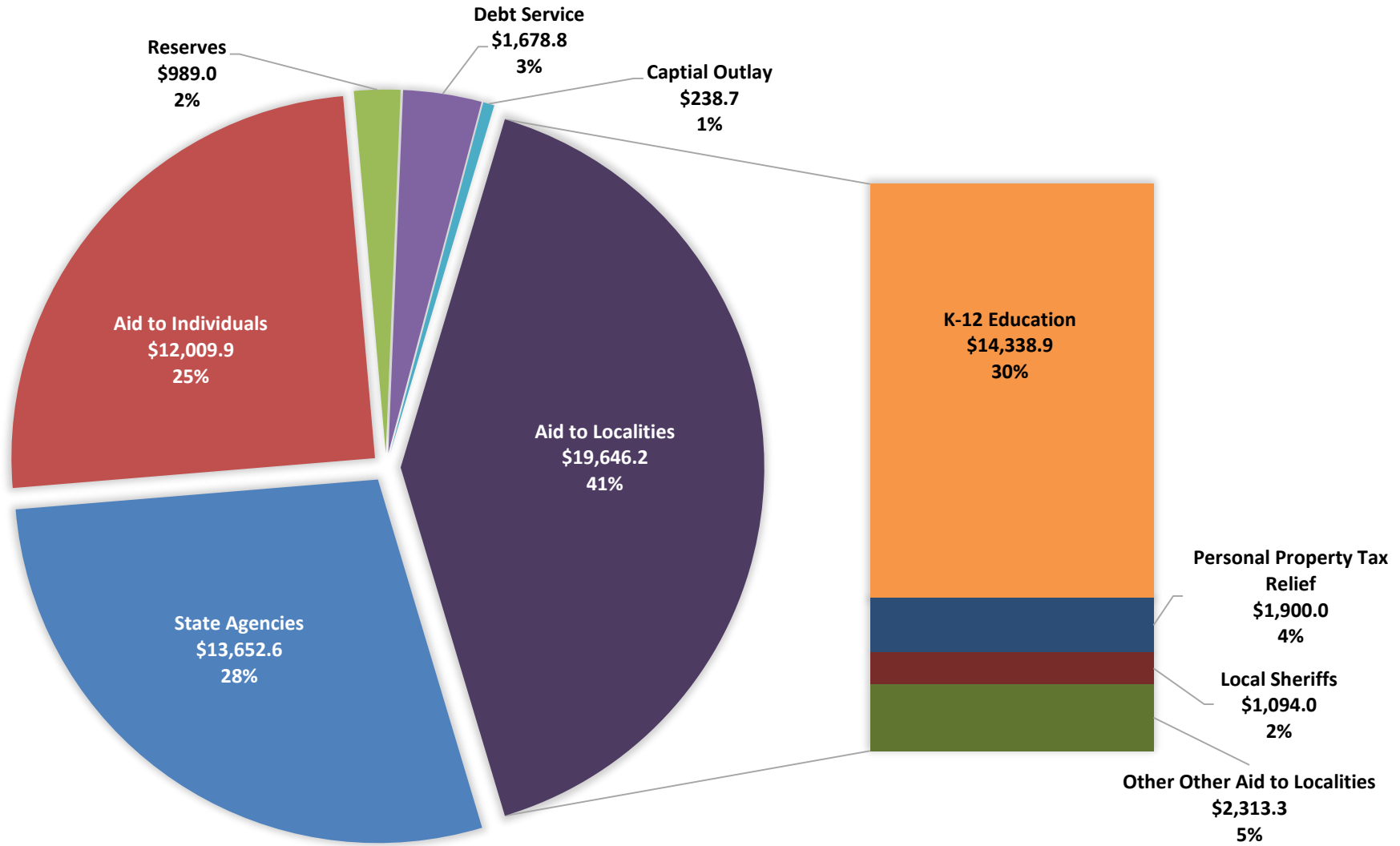
Chapter 552, 2021 Acts of Assembly, Special Session I  
(Dollars in Millions)



# 2020-2022 BIENNIUM GF BUDGET = \$48.2 BILLION

Chapter 552, 2021 Acts of Assembly, Special Session I

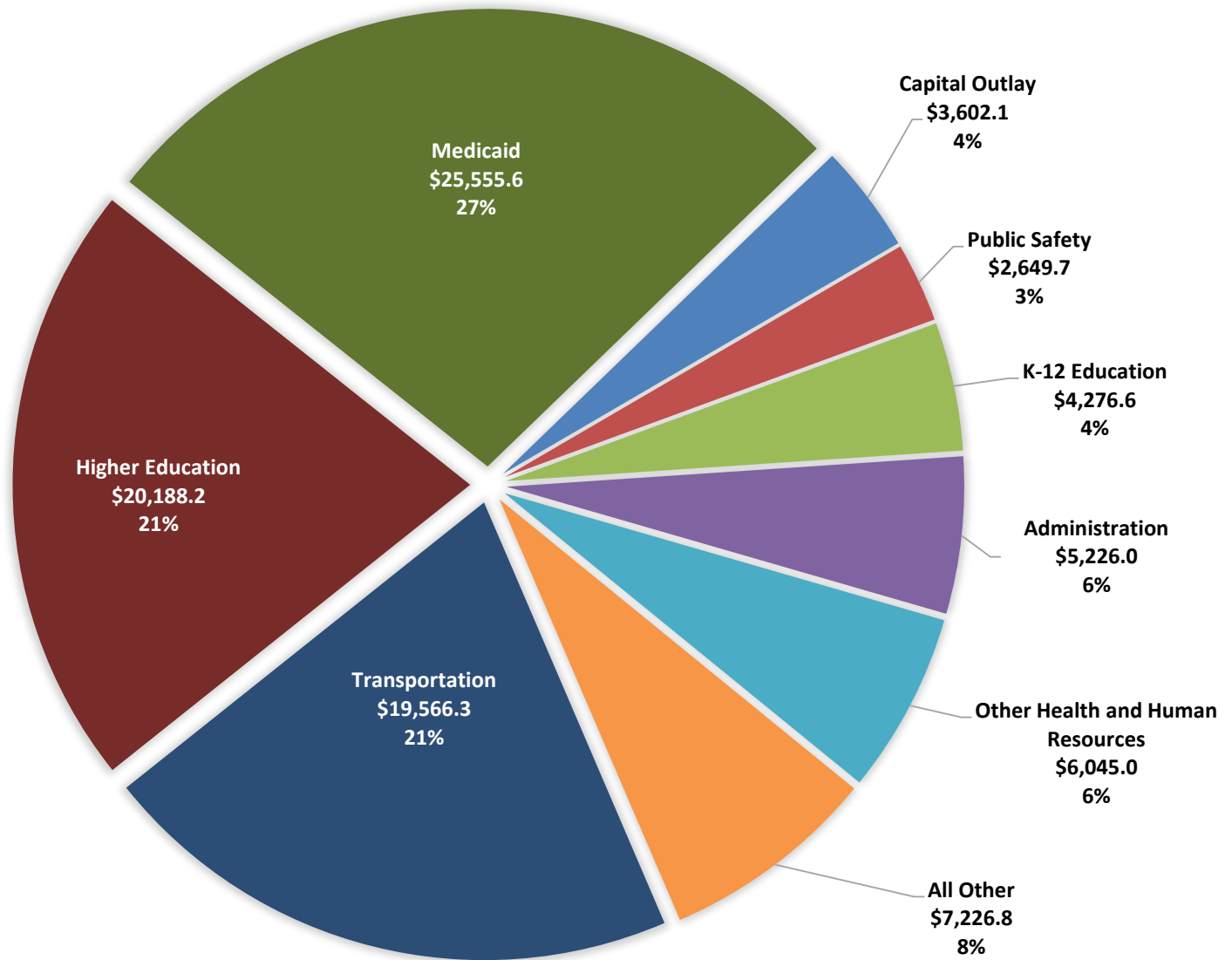
(Dollars in Millions)



# 2020-2022 BIENNIUM NGF BUDGET = \$94.3 BILLION

Chapter 552, 2021 Acts of Assembly, Special Session I

(Dollars in Millions)



**FY 2021**  
**General Fund Revenues**  
**Year-in-Review**

# FY 2021 GF Revenues Changes in Context

- **When the forecast was developed last fall, the economic outlook was cloudy.**
  - COVID cases were rising dramatically
  - No vaccines had been approved
  - Not clear if additional federal assistance was coming
  - Economic recovery seemed fragile
- **So what happened?**
  - The economic impact of COVID-19 didn't mirror prior recessions.
    - Recession was deeper, but shorter than anticipated
  - High income earners were largely unaffected
  - Stock market continued to soar
  - Housing market exploded
- **The development and roll-out of the vaccine and federal stimulus funds put us on path to recovery.**

# Including Transfers, FY 2021 General Fund Resources Grew 14.2 Percent and Finished \$2.6 Billion Above Forecast

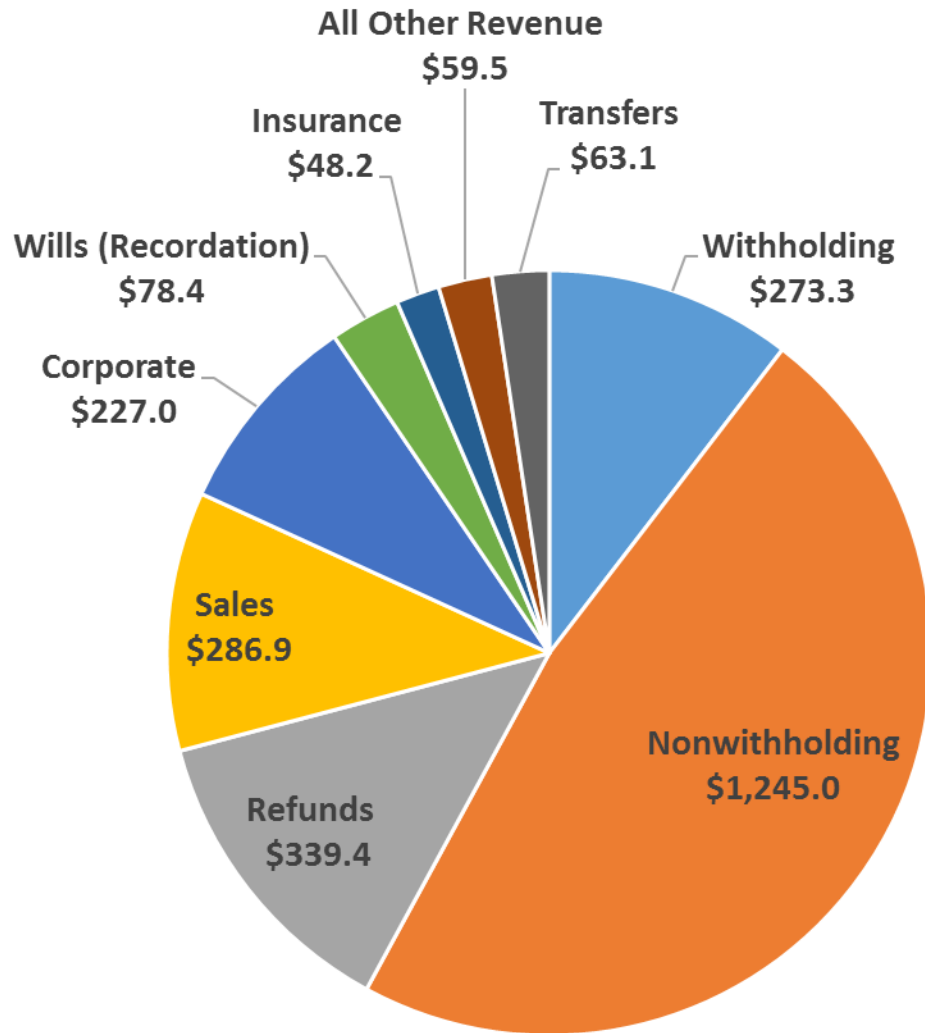
## Summary of Fiscal Year 2021 Revenue Collections (millions of dollars)

	As a % of Total General Fund	Fiscal Year 2021			% Growth Over FY20	
		Official	Actual	Change	Official	Actual
Withholding	54.7%	\$13,739.6	\$14,012.9	\$273.3	2.7 %	4.7 %
Nonwithholding	20.3%	3,972.0	5,217.0	1,245.0	4.4	37.1
Refunds	-7.5%	(2,265.6)	(1,926.2)	339.4	23.7	5.2
Net Individual	67.5%	\$15,446.0	\$17,303.7	\$1,857.7	0.6	12.7
Sales	16.3%	\$3,879.3	\$4,166.2	\$286.9	4.7	12.4
Corporate	5.9%	1,288.7	1,515.7	227.0	27.4	49.8
Wills (Recordation)	2.7%	601.3	679.7	78.4	24.4	40.6
Insurance	1.4%	314.9	363.1	48.2	(12.7)	0.7
All Other Revenue	3.3%	790.6	850.1	59.5	(4.0)	3.2
<b>Total Revenue</b>	<b>97.0%</b>	<b>\$22,320.8</b>	<b>\$24,878.5</b>	<b>\$2,557.7</b>	<b>2.7 %</b>	<b>14.4 %</b>
A.B.C. Profits	0.7%	\$159.5	\$177.9	\$18.4	16.0 %	29.4 %
Sales Tax (0.375%)	1.8%	421.6	458.4	36.8	3.8	12.9
Transfers Per Act	0.5%	114.4	122.3	7.9	(23.8)	(23.8)
<b>Total Transfers</b>	<b>3.0%</b>	<b>\$695.5</b>	<b>\$758.6</b>	<b>\$63.1</b>	<b>(1.2) %</b>	<b>7.8 %</b>
<b>TOTAL GENERAL FUND</b>	<b>100.0%</b>	<b>\$ 23,016.3</b>	<b>\$ 25,637.1</b>	<b>\$ 2,620.8</b>	<b>2.6 %</b>	<b>14.2 %</b>

- Payroll withholding and sales tax collections grew 6.4 percent in fiscal year 2021.

# Where Did the \$2.6 Billion Surplus Come From?

(GF dollars in millions)



Nearly one-half of the surplus driven by nonwithholding, a volatile revenue source.

## Disposition of FY 2021 Year-End General Fund Surplus

(dollars in millions)

Rainy Day Fund	\$1,128
Water Quality Improvement Fund (WQIF) – Part A	\$256
WQIF – Part B	\$58
Natural Disaster – <i>sum sufficient</i>	\$14
Potential Super Deposit	\$564
Replace Public Sector Revenue	\$222
Continue ARPA Initiatives	\$170
Transportation Trust Fund	\$116
Nonrecurring Expenditures	\$58
<b>TOTAL</b>	<b>\$2,586</b>

**NOTE:** Total may differ due to rounding; actual amounts are equal.



# Factors Shaping the Commonwealth's Next Budget and Financial Future

- General Fund Revenue Outlook
- Spending requests
  - Mandatory spending (i.e., Medicaid and K-12 spending)
  - Discretionary spending
- Impact of Pandemic on Virginia's Economy
- November Elections
  - New Governor
  - New House of Delegates

For more  
information on Virginia's  
budget, visit:

[www.dpb.virginia.gov](http://www.dpb.virginia.gov)

[www.finance.virginia.gov](http://www.finance.virginia.gov)

*Thank You*