

## Finance

The Governor's proposed 2000-2002 budget for Finance agencies contains a net increase of \$325.2 million GF and \$31.8 million NGF over the adjusted appropriation for current operations.

The single largest increase in general funds is \$200.1 million for two payments into the Revenue Stabilization or "Rainy Day" Fund. Additional funding increases include:

- \$103.0 million GF in debt service payments for the Higher Education Equipment Trust Fund (mostly a transfer from various institutions of higher education);
- \$10.7 million GF for payments to localities from higher shared tax sources (like wine taxes and alcoholic beverage control profits);
- \$6.4 million GF in debt service payments for the Newport News Advanced Shipbuilding and Carrier Integration Center;
- \$1.6 million GF for debt service on three new Virginia Public Building Authority projects;
- \$1.1 million GF for service fees to banks for Virginia's banking accounts; and
- \$1.0 million GF to begin the eventual replacement of the Commonwealth's program budgeting computer system.

Funding increases in nongeneral funds include \$27.1 million NGF for contractor payments and agency costs of the Tax Department's public-private technology partnership, and \$4.8 million NGF in debt service payments for the Higher Education Equipment Trust Fund.

- **Secretary of Finance**

- **Study Pharmaceutical Costs.** Directs the Secretaries of Finance, Administration, and Health and Human Resources to study the impact of rising pharmaceutical costs on the state budget. The report is to be submitted to the Governor and General Assembly by October 20, 2000.
- **Study Taxing of Internet Providers.** Directs the Secretaries of Finance and Technology to study the taxation of tangible personal property purchased by Internet services providers. The report is to

be submitted to the Governor and General Assembly by October 1, 2000.

- **Department of Accounts**

- **Required Payments for the Revenue Stabilization Fund.** Adds \$200.1 million GF for payments to the Revenue Stabilization (or Rainy Day) fund. Of this amount, a payment of \$103.3 million GF will be required in the first year of the 2000-02 biennium, based on FY 1999 actual revenues. A second payment of \$96.8 million GF is anticipated, based on updated revenue estimates for FY 2000. The fund is expected to reach \$847.6 million GF by the end of the 2002 -- about \$244.0 million below the cap for that year.
- **Updated Revenue Projections for Aid to Localities.** Projects an additional \$5.0 million GF the first year and \$5.7 million GF the second year for payments to localities from shared tax sources. The amount reflects projected increases in alcoholic beverage control profits, proceeds from the wine and rolling stock taxes, and sales tax revenues generated by qualifying public facilities in Roanoke and Suffolk.
- **Increased Line of Duty Payments.** Adds \$140,000 GF each year of the biennium for the Line of Duty Act, which entitles beneficiaries of deceased public safety officers payments of \$50,000 or \$25,000, depending on the circumstances of death.

- **Department of Planning and Budget**

- **Replace State's Program Budgeting Computer System.** Recommends \$1.0 million GF the first year to address deficiencies in the current program budgeting computer system (PROBUD) and to begin replacing the system. An additional \$300,000 GF is recommended for the same purpose in HB/SB 29. The current program budgeting system was purchased in fiscal year 1981, and was updated in fiscal years 1985 and 1990.

- **Department of Taxation**

- **Technology Partnership Payments.** Adds \$12.0 million NGF the first year and \$15.1 million NGF the second year to reflect increased revenues anticipated from the public-private partnership contract. The public-private partnership allows the Tax Department to contract with a private vendor who provides management services and upgraded hardware and software, in order to improve the tax compliance program. The Tax Department pays the private vendor from the increased tax revenues attributable to the vendor services, which are deposited in a special Technology Partnership Fund. Up

to 10 percent of the Fund is used to reimburse the Tax Department's expenses attributable to the partnership.

- **Roof Collapse Estimates.** Recommends \$2.9 million GF in the next biennium above the \$3.0 million GF recommended in HB/SB 29 to relocate the Department's operations. A portion of the roof at the Department of Taxation's central office building recently collapsed. The Department has been advised to vacate the building so engineers can determine the full extent of necessary repairs. The current year costs include leasing replacement space, relocating computers, running new computer lines into the leased space, and telephone set-up. Costs in the next biennium include continued lease payments, on-going costs for computer lines, and maintenance agreements for equipment. These estimates do not include any of the capital costs that will be necessary to repair the Department's building (see Capital Outlay).
- **Administration of Enacted and Proposed Legislation.** Recommends \$741,668 GF the first year and \$625,305 GF the second year for the Department to administer previously enacted and proposed legislation. A portion of the funding will be used to hire 3.0 FTE (using existing MEL authority). Proposed legislation includes the tax credits for the Virginia Technology Internship Program and the teleworking program.
- **Department of the Treasury**
  - **Increase GF Support to Pay Bank Fees.** Recommends \$569,100 GF each year to pay bank fees that are currently being covered by leaving balances in bank accounts. By using general funds instead of bank balances, the balances can be invested, earning a higher interest rate. It is projected that this action would result in higher revenues of \$857,000 GF annually, as reflected in the revenue assumptions in HB/SB 30.
  - **New Positions.** Adds \$89,178 NGF and 2.0 FTE each year to support the Virginia Public School Authority. The Authority's board authorized the transfer of funding to support the creation of the positions, one in the debt management division and the other in trust accounting.
  - **Continue Maintenance of Bank Reconciliation System.** Adds \$71,447 GF each year for 1.0 FTE and an annual software maintenance contract for the new bank reconciliation computer system funded by the 1999 General Assembly.
  - **Lease Additional Bloomberg Terminal.** Proposes \$12,000 GF each year to lease an additional Bloomberg terminal. The additional

terminal will allow the Department's trading assistants to have access to the Bloomberg database of financial data on stocks and bonds available for public resale.

- **Treasury Board**

- ***Debt Service Payments for Shipbuilding and Carrier Integration Center in Newport News.*** Proposes \$1.9 million GF the first year and \$4.6 million GF the second year for debt service payments for 10-year bonds to be issued by the Newport News Industrial Development Authority (IDA) for the construction of a building for the Advanced Shipbuilding and Carrier Integration Center. The proceeds from the sale of the bonds will be used to fund the remaining \$37.0 million commitment for investment grants to the project. The amounts recommended would pay debt services on the IDA bonds through the 2000-02 biennium.
- ***Debt Service for VPBA Projects.*** Recommends \$347,281 GF the first year and \$1.2 million GF the second year for debt service payments on bonds and bond anticipation notes of the Virginia Public Building Authority (VPBA) for three new projects. The three projects are renovation of the old Finance building, renovation of the exterior, elevators, and windows in the General Assembly Building, and construction of a parking deck and other improvements at the Virginia Museum of Fine Arts.
- ***Debt Service for Higher Education Equipment Trust Fund.*** Recommends \$46.7 million GF and \$2.4 million NGF the first year and \$56.3 million GF and \$2.4 million NGF the second year for debt service payments for the higher education equipment trust fund. The majority of the funding is transferred from the institutions of higher education to the Treasury Board in an effort to centralize debt service funding on outstanding obligations. Of the total, \$14.4 million is provided for debt service payments on new bonds to be issued in the 2000-02 biennium.
- ***Revised Debt Service Schedule.*** Proposes reductions of \$5.2 million GF and \$186,347 NGF the first year and an increase of \$25,859 GF and a decrease of \$206,117 NGF the second year based on revised debt service schedules.
- ***Transfer Capital Lease Payments for Tidewater Community College.*** Moves \$739,090 GF the first year and \$737,963 GF the second year from the Virginia Community College System to the Treasury Board for the lease payments for the Norfolk Campus of Tidewater Community College's capital lease project.