

Finance

The Governor's recommended amendments result in a net increase of \$21.9 million GF for the biennium when compared to the original appropriation. This total reflects new spending of \$28.2 million, offset by \$6.3 million in reductions.

The major appropriation increase relates to the \$24.0 million adjustment that is required for the FY 2002 deposit to the Rainy Day Fund, based on FY 2000 revenue activity. Other new spending includes \$2.5 million for Tax Department operations, \$864,675 for debt service on regional jails, and \$516,000 for the Department of Accounts.

Of the general fund reductions, \$2.5 million in savings result from lower-than-projected interest rates on VPBA and VCBA bonds issued and from later than expected issuance dates. The remainder of the savings is obtained from across-the-board reductions, productivity savings, or technical adjustments to agency budgets. Most of these savings, \$2.3 million, occur in the Department of Taxation's budget.

Reductions in the operating budgets of the Finance agencies range from 1.4 percent to 4.0 percent of these agencies' base budgets in Chapter 1073. However, for the majority of Finance agencies, proposed operating budget supplements will offset funding reductions.

- **Secretary of Finance**
 - ***Change in Higher Education Decentralization Language.*** Limits the review and approval responsibility for the Secretary of Finance to higher education decentralization issues in the area of finance and accounting and places remaining language under Item 55, Secretary of Administration.
 - ***Budget Reductions.*** Decreases general fund support by \$58 in FY 2001 and by \$205 in FY 2002 for technical adjustments, productivity savings, and across-the-board cuts.
- **Department of Accounts**
 - ***Required Deposit for the Revenue Stabilization "Rainy Day" Fund.*** Chapter 1073 included \$163.1 million for a FY 2002 payment to the Revenue Stabilization Fund, based on FY 2000 revenue estimates. Actual revenue collections will require an additional deposit of \$24.0 million.
 - ***Security Enhancements and Increased Technology Costs.*** Recommends \$204,000 GF in FY 2001 and \$137,000 in FY 2002 for hardware and software that is designed to improve the security of

electronic fund transfers and for the increased cost of support provided by the Department of Information Technology.

- **Provide Payroll Services to Additional Agencies.** Proposes adding 4.0 FTE positions, at a cost of \$175,000 GF, to expand the provision of payroll services from 38 small agencies to 51 such agencies. Savings of \$275,000 GF are projected from this action and are located in the Central Appropriation portion of the budget.
 - **Updated Revenue Projections for Aid to Localities.** Projects a net reduction of \$131,880 GF the first year and \$209,280 GF the second year for payments to localities from shared tax sources. In the first year, small decreases in Alcoholic Beverage Control profits, proceeds from rolling stock taxes and Tennessee Valley Authority (TVA) payments are anticipated, with a slight increase in proceeds from wine taxes. In the second year, decreases in proceeds from wine and rolling stock taxes, and TVA payments are expected, with a slight increase in Alcoholic Beverage Control profits.
 - **Strikes Line of Duty Language.** Strikes language adopted by the 2000 General Assembly granting the department authority to use the economic contingency account to cover health insurance benefits authorized by the 1998 General Assembly under the line of duty act. The Department of Planning and Budget indicates that language in Part 4 of the budget provides sufficient authority for the department to use the economic contingency account for these payments.
 - **Budget Reductions.** Decreases general fund support by \$195,612 in FY 2001 and by \$348,977 in FY 2002 for technical adjustments, productivity savings, and across-the-board cuts. The second year reductions are equal to 3.5 percent of the department's general fund budget.
- **Department of Planning and Budget**
 - **Budget Reductions.** Decreases general fund support by \$128,329 in FY 2001 and by \$225,678 in FY 2002 for technical amendments, productivity savings, and across-the-board cuts. The second year reductions are equal to 4.0 percent of the department's budget.
 - **Department of Taxation**
 - **Continue Relocation Expenses.** Chapter 1073 included \$2.9 million to relocate the department's operations due to collapse of a portion of the roof at the central office building. However, initial amounts did not include a full-year of lease payments. The proposed amendment assumes that the department will remain at its

temporary location until July 2003, requiring an additional \$197,602 GF in FY 2001 and \$1.6 million GF in FY 2002.

- **Temporary Worker Salary Increases.** Adds \$250,000 GF each year to increase hourly wage rates for the temporary workers who assist with handling state tax returns.
 - **Website Protections.** Recommends \$105,000 GF in FY 2001 and \$30,000 GF in FY 2002 to evaluate the department's website for adequate privacy protection control. As part of the review, the department anticipates obtaining a web-trust seal from the American Institute of Certified Public Accountants. The second year amount is an ongoing cost to keep the web-trust seal.
 - **Increase Postage.** Provides \$24,141 GF in FY 2001 and \$79,104 GF in FY 2002 for the one cent increase in postage rates that will become effective January 7, 2001.
 - **Budget Reductions.** Decreases general fund support by \$711,754 million GF in FY 2001 and by \$1.6 million in FY 2002 for technical amendments, productivity savings, and across-the-board cuts. The second year reductions are equal to 2.9 percent of the department's general fund budget.
- **Department of the State Internal Auditor**
 - **Establish New Audit Program.** Provides \$121,613 GF and 1.0 FTE position in FY 2002 to begin an information technology audit program.
 - **Budget Reductions.** Decreases general fund support by \$12,671 in FY 2001 and by \$13,120 in FY 2002 for technical amendments, productivity savings, and across-the-board cuts. The second year reductions are equal to 1.7 percent of the department's general fund budget.
 - **Department of the Treasury**
 - **Transfer Transportation Debt Financing Function.** Provides increases of \$199,100 NGF the first year and \$242,263 NGF the second year and 4.0 FTE positions in each year from the Commonwealth Transportation Fund. This transfers staff for bond issuance and financial advisory analysis and assistance that is associated with the Public Private Transportation Act from the Department of Transportation to Treasury.
 - **Authorizing Third-Party Services.** Includes language directing the Department of Transportation to transfer "appropriate funding" to

Treasury for such third-party consultant or legal services for transportation financing proposals as necessary.

- **Increased Staffing.** Adds \$15,000 GF the first year and \$106,969 GF the second year and 2.0 FTE positions in each year. The positions are recommended due to anticipated additional workload in the Division of Debt Management.
- **Increase Postage.** Adds \$26,580 GF the first year and \$37,160 GF the second year for the one-cent increase in postal rates that will become effective January 7, 2001.
- **Exemption from Centralized Mail.** Includes language authorizing agencies to be exempted from participating in the centralized mail service if the Department of the Treasury deems it in the best interest of the participant and the centralized mail process.
- **Budget Reductions.** Decreases general fund support by \$42,163 GF the first year and \$112,289 GF the second year for technical amendments, productivity savings, and across-the-board cuts. The second year reductions are equal to 1.4 percent of the department's budget.

- **Treasury Board**

- **Juvenile Detention Home Financing through VPBA.** Recommends that future reimbursement of the state share of capital costs for 12 juvenile detention facilities (estimated at \$25.2 million) be paid through the issuance of VPBA bonds. The proposed budget for the Treasury Board includes \$864,675 GF the second year for debt service for this purpose. Language authorizing the issuance of bonds also is included.
- **Budget Reductions.** Reduces the Treasury Board's budget by \$1.4 million GF the first year and \$1.1 million GF the second year due to a variety of actions. Savings will be achieved from lower-than-projected interest rates on VPBA and VCBA bonds issued and updated draw schedules for bond projects resulting in the later issuance of debt and lower debt service requirements. The reduction also incorporates the elimination of per diem payments for Board members and savings from the use of web-based publishing.