

# Finance

The Governor's proposed 2002-04 budget for Finance agencies contains a net decrease of \$604,073 GF and a net increase of \$4.8 million NGF over the adjusted appropriation for current operations. This total reflects new general fund spending of \$25.3 million, offset by \$25.9 million in reductions

In addition, reductions totaling \$1.9 million as part of the 6 percent across-the-board cut are included in Central Appropriations. Actions for achieving these savings are not specified in the budget.

The single largest decrease proposed is \$16.8 million GF for reductions in aid to localities from shared sources. Additional funding decreases include \$8.5 million GF for adjustments to current debt service requirements; and \$475,000 GF for the transfer of the Line of Duty program to the Virginia Retirement System and the Department of Human Resource Management.

Increased general fund spending of \$25.3 million includes an increase of \$17.0 million GF for new debt service payments in the Treasury Board budget for capital outlay projects and for the Higher Education Equipment Trust Fund. Other funding increases include \$6.2 million GF to transfer debt service payments from the Virginia Public Broadcasting Board to the Treasury Board; \$0.7 million GF for bank service fees in the Department of Treasury; \$0.6 million GF to create a Tobacco Enforcement Unit in the Department of Taxation; \$0.5 million GF to cover increased operating costs for the Payroll Service Bureau in the Department of Accounts; and \$0.2 million GF for additional Treasury staff.

Funding increases in nongeneral funds include \$5.2 million NGF for contractor payments and agency costs for the Tax Department's public-private technology partnership.

- **Department of Accounts**

- **Payroll Service Bureau.** Adds \$245,119 GF each year of the biennium to cover increased operational costs. The Payroll Services Bureau provides centralized payroll processing and leave accounting for 37 state agencies.
- **Aid to Localities.** Recommends a net reduction of \$8.1 million GF the first year and \$8.7 million GF the second year for payments to localities from shared sources. The table below summarizes the recommended changes:

<b>Payments to Localities from Shared Sources</b>		
	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>
Alcoholic beverage control profits	(7,434,303)	(8,100,970)
Wine taxes	50,000	50,000
Rolling stock taxes	(600,000)	(500,000)
Sales tax revenues from public facilities	(31,000)	(31,000)
Other services (Tennessee Valley Authority)	(120,000)	(120,000)
<b>Total</b>	<b>(8,135,303)</b>	<b>(8,701,970)</b>

- ***Transfer Line of Duty Payments.*** Recommends a decrease of \$475,000 GF the second year for transferring responsibility for the Line of Duty death benefit payments to the Virginia Retirement System and the health insurance benefit payments to the Department of Human Resource Management. Language is included for a joint study of the proposal.
- **Department of Taxation**
  - ***Continue Relocation Expenses.*** Recommends \$1.2 million GF in FY 2002 to annualize lease payment costs and operating costs related to the relocation of the department.
  - ***Tobacco Enforcement Unit.*** Proposes \$281,900 GF each year to create a unit to enforce the non-participating manufacturers provision of the Master Tobacco Settlement Agreement with cigarette manufacturers. The general fund is reimbursed from the Tobacco Indemnification and Revitalization Fund and from the Tobacco Settlement Fund through Part III transfers.
  - ***Technology Partnership Payments.*** Adds \$2.6 million NGF each 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 in FY 2003 and 30 percent in FY 2004.

- **Department of the Treasury**

- ***Increase General Fund Support to Pay Bank Fees.*** Recommends \$358,868 GF each year to pay bank fees that are currently being covered by leaving idle funds in bank accounts. By using general funds to pay fees instead of leaving higher balances, more of the idle funds can be invested, earning a higher interest rate. It is projected that this action would result in higher revenues of \$600,000 GF annually.
- ***New Debt Management Position.*** Adds \$77,587 GF and 1.0 FTE the first year and \$78,639 GF and 1.0 FTE the second year to support debt programs of the Commonwealth.

- **Treasury Board**

- ***Revised Debt Service Schedule.*** Proposes an increase of \$1.2 million GF the first year and a decrease of \$9.8 million GF the second year based on changes in debt service requirements for previously issued or authorized obligations.
- ***Public Broadcasting Debt Service.*** Transfers \$3.1 million GF each year for debt service payments from the Virginia Public Broadcasting Board for bonds issued to assist local public television stations' conversion to digital signals.
- ***Debt Service Increase.*** Proposes \$1.9 million GF the first year and \$15.1 million GF the second year for debt service payments on bonds of the Virginia College Building Authority and the Virginia Public Building Authority to be issued for new projects. An interest rate of 5.50 percent was assumed on these 20-year bonds. The table below summarizes the amounts for each program.

<b>Proposed Increases in Debt Service Payments</b>		
	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>
Volvo Worker Training Center (through Pulaski IDA)	\$ 450,000	\$ 450,000
Higher Education Equipment Trust Fund (through VCBA)	0	6,893,750
New VPBA Projects	202,540	2,395,044
New VCBA 21 <sup>st</sup> Century Projects	1,013,915	5,183,678
Kiptopeke State Park – VPBA debt (fund switch from NGF to GF)	220,000	220,000
<b>Total</b>	<b>\$1,886,455</b>	<b>\$ 15,142,472</b>

- **Juvenile Detention Home Financing through Virginia Public Building Authority.** Recommends that reimbursement of the state share of capital costs for 11 juvenile detention facilities (estimated at \$24.5 million) be paid through the issuance of VPBA bonds. Language authorizing the issuance of bonds also is included.
- **Industrial Site Development Grants.** Includes language authorizing the issuance of \$2.0 million in VPBA bonds each year to provide grants through the Industrial Site Development Fund. The grants would be administered through the Department of Housing and Community Development. A list of 10 potential grantees is included.
- **Regional Jail Financing.** Includes language authorizing the issuance of VPBA bonds to pay the state reimbursement costs for four new regional jail projects – Southwest Virginia Regional Jail, Middle River Regional Jail, Hampton City Jail and Loudoun County Adult Detention Center.