

Finance

The adopted 2002-04 budget for Finance agencies contains a net increase of \$17.2 million GF and a net increase of \$6.2 million NGF over the adjusted appropriation for current operations. This total reflects new general fund spending of \$50.6 million, offset by \$33.4 million in reductions

The single largest decrease is \$16.8 million GF for reductions in aid to localities from shared sources, primarily ABC profits. Additional funding decreases include \$8.5 million GF for adjustments to current debt service requirements; \$1.5 million GF from the elimination of funding for the State Internal Auditor, 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 \$50.6 million includes an increase of \$36.0 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; \$2.6 million GF for the Department of Taxation's establishment of toll-free telephone services; \$1.4 million GF for Personal Property Tax Relief Act (PPTRA) compliance at the Department of Taxation; \$2.8 million GF for bank service fees in the Department of Treasury; \$0.7 million to the Department of Taxation for transportation revenue forecasting; \$0.7 million GF to the Department of the Treasury for a claims bill; \$0.6 million GF to create a Tobacco Enforcement Unit in the Department of Taxation; and \$0.3 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, and \$1.4 million NGF for Debt Service in the Treasury Board

- **Secretary of Finance**
 - ***Across-the-Board Reductions.*** Includes a reduction of \$35,818 GF the first year and \$40,935 GF the second year as part of the general 7 and 8 percent across-the-board reductions.
- **Department of Accounts**
 - ***Aid to Localities.*** Provides for 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 changes:

PAYMENTS TO LOCALITIES FROM SHARED SOURCES		
	<u>FY 2003</u>	<u>FY 2004</u>
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)
Total	(8,135,303)	(8,701,970)

- ***Transfer Line of Duty Payments.*** Includes 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.
- ***Across-the-Board Reductions.*** Includes a reduction of \$0.7 million GF the first year and \$0.7 million GF the second year as part of the general 7 and 8 percent across-the-board reductions.
- **Department of Planning and Budget**
 - ***Across-the-Board Reductions.*** Includes a reduction of \$0.4 million GF the first year and \$0.5 million GF the second year as part of the general 7 and 8 percent across-the-board reductions.
- **Department of Taxation**
 - ***Tobacco Enforcement Unit.*** Provides \$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 3 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.

- **Consolidation of Functions from the Department of Motor Vehicles.** Language and \$4.7 million GF is included to finalize the consolidation of duplicate functions between the Department and DMV. These include the revenue forecasting process of all transportation funds, along with the forecasting of costs for the Personal Property Tax Relief Act (PPTRA). Language directs DPB to transfer \$591,038 back to DMV for the cost of its administrative functions relative to the PPTRA program. In addition, telephone customer service operations between the two agencies are to be examined by the Governor's Commission on Efficiency and Effectiveness.
- **PPTRA Compliance Process.** Language requires the Tax Commission to design and implement a program to increase compliance with the Act. The creation of a PPTRA audit and compliance program was a recommendation of the Auditor of Public Accounts.
- **Across-the-Board Reductions.** Includes a reduction of \$0.7 million GF the first year and \$0.8 million GF the second year as part of the general 7 and 8 percent across-the-board reductions.
- **Department of the State Internal Auditor**
 - **Eliminate Funding.** Eliminates funding of \$0.8 million each year and 9.00 FTE positions for the Department of the State Internal Auditor. A separate amendment provides \$125,000 GF each year to the Department of Accounts for internal audit training.
- **Department of the Treasury**
 - **Increase General Fund Support to Pay Bank Fees.** Includes \$1.4 million 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 \$3.0 million GF annually. In addition, the budget includes \$68,284 each year for a position to more aggressively monitor bank balances.

- ***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.
- ***Collection of Fines and Court Costs by Commonwealth's Attorneys.*** Allows the continuation, for one year, of a program under which Commonwealth's Attorneys and private attorneys selected by them collect unpaid fines and court costs in the same manner as collected by the Department of Taxation.
- ***Claims Bill for Jeffrey D. Cox.*** Includes \$660,000 GF the first year to provide for the relief of Jeffrey D. Cox, pursuant to Senate Bill 267/ House Bill 789, for the purchase of an annuity and a lump sum payment.
- ***Across-the-Board Reductions.*** Includes a reduction of \$0.4 million GF each year as part of the general 7 and 8 percent across-the-board reductions.
- **Treasury Board**
 - ***Revised Debt Service Schedule.*** Provides 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.*** Includes \$3.5 million GF the first year and \$24.1 million GF the second year for debt service payments on the "Building Virginia's Future" package of general obligation bonds and bonds issued by the Virginia College Building Authority and the Virginia Public Building Authority for new projects. The table below summarizes the amounts for each program.

PROPOSED INCREASES IN DEBT SERVICE PAYMENTS		
	<u>FY 2003</u>	<u>FY 2004</u>
Higher Education Equipment Trust Fund (through VCBA)	0	7,888,750
Building Virginia's Future Debt Service	3,317,078	23,898,044
Kiptopeke State Park – VPBA debt (fund switch from NGF to GF)	220,000	220,000
Total	\$3,537,078	\$ 32,006,794

- **Higher Education Equipment Trust Fund.** Includes \$7.9 million GF the second year for debt service payments on a \$35.0 million Higher Education Equipment Trust fund note issuance in FY 2003. The proceeds from the notes are used for instructional equipment purchases.
- **Juvenile Detention Home Financing through Virginia Public Building Authority (VPBA).** Provides 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.
- **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.
- **Costs of Issuance Language.** Includes language authorizing the expenditure of funds for the costs associated with issuing the general obligation bonds authorized by the 2002 General Assembly, contingent on voter approval.