

## Finance

The Governor's recommended amendments for Finance agencies result in a net reduction of \$6.8 million GF and a net increase of \$1.0 million NGF in FY 2003 and a net reduction of \$2.1 million GF and a net increase of \$2.2 million NGF in FY 2004. This total reflects total new spending of \$23.1 million, offset by \$28.9 million in reductions for the biennium.

The major appropriation increases relate to proposed revenue-generating initiatives at the Department of Taxation, including \$11.8 million for enhanced compliance efforts, and \$1.0 million to initiate a federal debt setoff program. To implement the enhanced compliance efforts 83 additional positions also are provided to the Department of Taxation. In addition, \$7.8 million is provided to the Treasury Board to support debt service costs of bonds to be issued to supplant general fund expenditures for a number of capital projects.

Of the proposed reductions, \$4.2 million in savings result from debt service savings achieved by refunding outstanding bonds. The remainder of the savings is obtained from targeted reductions – largely those announced in October – including \$1.0 million from the Department of Planning and Budget, \$1.3 million from the Department of Accounts, \$2.1 million from the Department of Taxation, and \$1.0 million from the Department of Treasury.

The Governor proposes a 60-day tax amnesty program in separate legislation. The proposed amnesty would run from September through October 2003 and is anticipated to generate one-time revenues of \$39.3 million for the Commonwealth.

In addition to the targeted reductions, a series of amendments is included to capture anticipated savings from the Governor's Information Technology initiative. Appropriations for agencies in the Finance Secretariat are reduced \$5.3 million, representing the anticipated savings. The vast majority of the IT savings are from the Department of Taxation.

- **Secretary of Finance**
  - ***Governor's October Reductions.*** Reduces appropriations by \$34,463 in the first year and a proposed \$47,003 in the second year. The savings derive from the operational efficiencies and require no position level reductions or layoffs.

- **Department of Accounts**
  - ***Governor’s October Reductions.*** Reduces appropriations by \$386,650 GF in the first year and \$950,442 GF in the second year. Major strategies include the elimination or reduction of certain services and programs, the use of nongeneral fund support for the payroll service bureau, and the recovery of a portion of costs associated with savings bond and miscellaneous insurance payroll deductions. The savings require a cumulative reduction of 13 positions and nine layoffs.
  - ***Aid to Localities.*** Provides for a net reduction of \$4.3 million GF the first year and \$8.3 million GF the second year in payments to localities from Alcoholic Beverage Control profits and wine taxes. The reduction reflects an increase in Part 3 transfers from the ABC Enterprise Fund to the general fund for expenses incurred for care, treatments, study and rehabilitation of alcoholics by the Department of Mental Health, Mental Retardation and Substance Abuse Services.
  - ***Use Criminal Injuries Compensation Fund for Line of Duty Payments.*** Provides \$1.0 million NGF in the first year and \$2.2 million NGF in the second year from the balances in the Criminal Injuries Compensation Fund to cover the payment of death and health insurance benefits under the Line of Duty Act. The Criminal Injuries Compensation Fund has a balance of approximately \$6.5 million.
  - ***Creation of a Fiscal Service Center.*** Language is included to create a proposed fiscal services center within the Department of Accounts to manage these activities for a number of small state agencies. Center will be modeled after DOA’s existing payroll service bureau.
- **Department of Planning and Budget**
  - ***Governor’s October Reductions.*** Reduces appropriations by \$338,994 in the first year and a proposed \$622,353 in the second year, representing reductions of 10.0 percent in FY 2003 and 12.0 percent in FY 2004. The savings derive from the operational efficiencies and staff reductions resulting in the elimination of 10 positions and three layoffs.

- **Department of Taxation**
  - ***Initiate Tax Amnesty Program.*** Includes language implementing a 60-day Tax Amnesty Program proposed in separate legislation. The proposed amnesty would run from September through October 2003 and is anticipated to generate one-time revenues of \$39.3 million.
  - ***Enhance Tax Compliance Efforts.*** Provides \$3.6 million in FY 2003 and \$7.8 million in FY 2004 to initiate an enhanced tax compliance program to accelerate the desk audit program, increase field and compliance program efforts and expand the customer service collection staff. This proposal includes authorization and funding for 83 new compliance positions at the Department.
  - ***Initiate Federal Debt Setoff Program.*** Provides \$976,277 in FY 2004 to initiate a federal debt setoff program that will improve taxpayer compliance and generate an anticipated \$2.8 million of additional revenues in FY 2004.
  - ***Clarify Personal Property Tax Relief Act Language.*** Includes language that clarifies the reporting requirements contained in the current Appropriation Act concerning nonqualifying vehicles under the PPTRA program, and changes an existing reporting requirement from a calendar to fiscal year basis.
  - ***Governor's October Reductions.*** Reduces appropriations by \$812,647 in the first year and a proposed \$1.3 million in the second year, representing reductions of non-exempt programs of 15 percent each year. Major savings strategies include delayed implementation of the toll-free telephone service, the closure of district offices, and elimination of extended customer service hours, the Telefile system, distribution of tax forms at libraries and toll-free service for tax professionals. The savings result in a cumulative reduction of 24 positions and 27 layoffs.
  - ***Tax Partnership Funding Transfer.*** Language is included in Part 3 transferring \$14.7 million NGF in FY 2004 from the Department of Taxation's share of the Tax Partnership revenues to the general fund.

- **Department of the Treasury**
  - ***Governor’s October Reductions.*** Reduces appropriations by \$397,625 in the first year and a proposed \$525,186 in the second year, representing reductions of non-exempt programs of 15 percent each year. Savings are generated through increased reliance on nongeneral fund sources, cost recovery, position eliminations, and administrative efficiencies. The savings require the elimination of five positions and 4 layoffs. An increase of \$87,500 NGF is included to reflect cost recovery activities.
  - ***Transfer Funding from General Liability Insurance Fund.*** Includes language which proposes a transfer of balances from the state insurance reserve trust fund to the general fund. This action would transfer \$5.0 million from the balance in one of the state’s insurance programs, leaving sufficient reserves to pay the claims and cover the costs of the program.
  
- **Treasury Board**
  - ***Governor’s October Reductions.*** Reduces appropriations by \$2.8 million GF in FY 2003 and \$1.4 million GF in FY 2004 to reflect savings generated from the refunding of several general obligation bond issues carried out to take advantage of low interest rates.
  - ***Debt Service Increase.*** Includes \$7.6 million GF the second year for debt service payments on bonds issued by the Virginia College Building Authority and the Virginia Public Building Authority, which supplant capital projects, previously authorized with general and nongeneral fund.