

# Finance

The proposed amendments for the Finance agencies result in a net increase of \$102.2 million, above the 2006-2008 base budget. These amendments include the addition of \$128.2 million GF and \$415,721 NGF for the biennium, which are offset by recommended reductions of \$1.3 million GF, and \$25.1 NGF.

Among the recommended amendments, the single largest general fund increase is \$113.8 million for debt service payments: \$106.4 million to reflect current estimates of debt service needed for existing bond authorizations, another \$7.1 million for debt service on proposed bond issues, and \$293,123 for debt service payments on higher education equipment. Other general fund spending items include: \$9.7 million to fund benefits payable under the Line-of-Duty Act, \$1.4 million to strengthen tax compliance efforts, \$665,907 for oversight of the Land Preservation Tax Credit; \$515,568 for additional staff for the Department of Planning and Budget; \$277,484 to strengthen financial controls at the Department of Accounts; \$272,930 for analysis and reporting on sales tax exemptions, \$176,100 to increase funding for the State Land Evaluation advisory Commission; and \$143,590 to provide additional staff for administration of the Line-of-Duty Act.

Proposed general fund reductions are: \$641,690 to transfer administration of non-participating manufacturers under the Master Tobacco Settlement Agreement from the Department of taxation to the office of the Attorney General, and a technical adjustment of \$706,586 at Taxation. Nongeneral fund reductions proposed are: \$23.1 million NGF to accurately reflect the final payments under the Tax partnership agreement, and \$2.0 million to reflect actual requirements of the Edvantage Reserve Fund in the Department of Accounts Transfer payments.

- **Department of Accounts**
  - *Provide Additional Staffing for Payroll Service and Fiscal Service Bureaus.* Includes two positions to assume the payroll and fiscal functions of several executive branch agencies. Funding will be provided through service charges.
  - *Provide Additional Staffing for the Line of Duty Act.* Provides \$74,295 GF and one position the first year and \$69,295 and one position the second year for increased workload in the Line-of-Duty Act.

- *Strengthen Financial Controls.* Provides \$138,742 GF and two positions the first year and \$138,742 and two positions the second year to strengthen the Commonwealth’s financial controls.
- *Commonwealth Charge Card Rebate Program.* Provides \$275,000 NGF and one position the first year and \$275,000 and one position the second year to establish the Commonwealth Charge Card Rebate Program, which will receive deposits of rebates earned on the Commonwealth’s charge cards.
- **Department of Accounts Transfer Payments**
  - *Rainy Day Fund Deposit.* Provides a technical base budget reduction of \$181.9 million each year to remove the impact of the FY 2006 Rainy Day Fund appropriation that was related to 2004 revenue collections. The Rainy Day Fund payment required for 2005 revenue collections is appropriated in FY 2006 through HB/SB 29. The FY 2006 payment will place the Fund at the Constitutional limit calculated in December 2005.
  - *Edvantage Reserve Fund.* Proposes to reduce funding for the Edvantage Reserve Fund by \$1.0 million NGF the first year and \$1.0 million NGF the second year to reflect actual program requirements.
  - *Additional Funding for Line of Duty Act.* Provides \$3.5 million GF the first year and \$6.2 million GF the second year to provide health insurance and death benefits to public safety officers injured or killed in the line of duty.
- **Department of Planning and Budget**
  - *Council on Virginia’s Future.* Proposes to transfer \$500,000 GF the first year and \$500,000 GF the second year currently in the Central Appropriations to the department for support of the Council on Virginia’s Future. A funding increase is also proposed for the Council in the Central Appropriations.
  - *Additional Staffing for Workload Changes.* Recommends \$257,874 GF and two positions the first year and \$257,874 and two positions the second year for increased workload.
- **Department of Taxation**

- ***Reporting on Sales Tax Exemptions.*** Proposes the addition of two positions with related funding of \$137,400 GF the first year and \$135,530 GF the second year for analysis and reporting on exemptions to the retail sales and use tax.
- ***Land Preservation Tax Credit.*** Recommends the addition of two positions and funding of \$327,573 GF the first year and \$338,334 GF the second year to better administer the Land Preservation Tax Credit, including securing independent appraisals for certain donations.
- ***State Land Evaluation Advisory Commission.*** Proposes funding of \$130,400 GF the first year and \$45,700 GF the second year to develop a new system to calculate agricultural and horticultural land use values for local property tax adjustment programs.
- ***Transfer Administration of Non-participating Manufacturers.*** Proposes to transfer administration of non-participating manufacturers under the Master Tobacco Settlement Agreement to the Office of the Attorney General. If approved, this transfer would result in a reduction of \$320,845 GF the first year and \$320,845 GF the second year and roughly equivalent increases for the Office of the Attorney General. The four positions assigned to MSA administration remain in the Tax Department.
- ***Tax Compliance Efforts.*** Recommends the addition of ten positions and related funding of \$710,345 GF the first year and \$695,010 GF the second year for increased tax compliance efforts. Additional revenue of \$15.8 million for the 2006-08 biennium is projected to result from these efforts.
- ***Public-Private Partnership Payments.*** Proposes to reduce nongeneral fund appropriation authority by \$10.3 million in the first year and \$12.8 million in the second year, to accurately reflect the final payments to CGI-AMS under the terms of the existing tax partnership agreement.
- ***“True Object Test”.*** Includes language to modify the use of the “true object test” when determining sales tax treatment for government contracts. Effective July 1, 2006, the department will make this determination based on the true object of each component of the contract (work order, statement of work, and task order) rather than on the underlying contract in its entirety. This change resulted from a pilot effort undertaken by the department

to recognize changes in the way the federal government writes contracts for goods and services.

- **Department of the Treasury**

- *Additional Staffing for Fund Trust Accounting.* Recommends \$36,264 GF, \$36,266 NGF and one position the first year and \$38,090 GF, \$38,090 NGF and one position the second year for Fund Trust Accounting.
- *Administrative Support Staff.* Proposes \$39,666 NGF and one position the first year and \$43,767 NGF and one position the second year for administrative support of the Local Government Investment Pool and the Tobacco endowment Fund.

- **Treasury Board**

- *Amend Debt Service Needs for Existing Bond Issues.* Proposes an increase of \$28.7 million GF and a reduction of \$145,277 NGF the first year and \$77.7 million GF and a reduction of \$146,791 NGF the second year to reflect current estimates of debt service needed for existing bond authorizations. Included in those amounts are \$1.4 million GF the first year and \$12.2 million GF the second year for the additional \$201.9 million in debt authorization for the State Agency Radio System (STARS) proposed in HB83/SB27.
- *Debt Service Needs for Proposed Bond Issues.* Recommends an increase of \$878,000 GF and \$6.2 million GF the second year to reflect current estimates of debt service needed for new bond authorizations.
- *Debt Service Needs for Higher Education Equipment.* Proposes a net increase of \$293,123 GF the second year to reflect the Administration's \$9.2 million GF estimate for the first year of debt service on \$103.4 million authorized for the purchase of higher education equipment, as proposed in HB/SB 30, as introduced.