

Finance

The Governor's proposed amendments for the Finance secretariat include \$142.0 million in additional general funds and \$376,907 in additional nongeneral funds for the biennium. When compared to current appropriations, these additional amounts would result in an increase of 11.2 percent in general fund support and less than 1 percent in nongeneral fund support for the secretariat.

Proposed general fund spending includes \$106.7 million in the first year and \$46.1 million in the second year for the constitutionally-mandated deposit to the Revenue Stabilization Fund required by Article X, Section 8 of the Constitution of Virginia; \$129,850 in the first year and \$1.3 million in the second year for risk management and internal control positions at the Department of Accounts; and \$800,000 to fund a disaster recovery site for the Department of Taxation's critical applications and computer systems.

In addition, the Governor's proposed amendments include a number of decreases in general fund support for the secretariat. These decreases include a reduction of \$10.0 million in the first year and \$1.2 million in the second year to adjust the debt service requirements for currently authorized bond issuances, a reduction of \$1.0 million in the second year due to rebalancing the Commonwealth's bank service fees, and a reduction of \$660,000 each year in the local aid distributed to localities from items such as ABC profits, wine taxes, and rolling stock taxes. These local aid reductions reflect the estimated reductions in the collection of these taxes projected by the Department of Taxation.

- **Department of Accounts**

- *Provide Funding and Positions for Risk Management and Internal Control Functions.* Includes \$129,850 in the first year and \$1.3 million in the second year and 14 positions from the general fund to improve the guidance, assistance, training, monitoring, and oversight the department provides to other state agencies regarding financial reporting. National standards governing accountability and control over financial reporting, adopted in response to private sector malfeasance, have more recently been applied to state government financial reporting documents. The added positions will ensure that Virginia reduces the risk of inaccurate reporting, financial losses or fraud, and maintains clean audit opinions on a statewide basis.
- *Increase Salaries for DOA Accounting Professionals.* Provides \$348,802 from the general fund in the second year to ensure the department's ability to attract and retain qualified accounting personnel. Due to the enactment of the Sarbanes-Oxley Act of 2002 and the ensuing nationwide demand for high level accounting personnel, salaries for the entire accounting profession have been rising, making employee recruitment and retention a concern for the agency.

- *Establish an Alternate Cold Site Location to Enhance Disaster Recovery Preparedness.* Includes \$100,000 from the general fund in the second year to establish an alternative location with additional information technology hardware in order to restore all agency critical business functions within two days.
- *Upgrade Web Applications Software.* Provides \$75,000 from the general fund in the second year to upgrade the computer software enabling the agency to run various Web applications. In addition to providing a stable and better supported computer environment, these upgrades would deliver more capabilities and flexibility and improve the agency’s capabilities to support future enhancements to its on-line offerings.
- *Provide Support for Administration of the Procurement Card Program.* Includes \$50,000 in nongeneral funds each year and two positions to administer the procurement card program. The department has a contract with General Electric to provide procurement card services. The contract provides for rebates based upon certain levels of volume. The nongeneral fund revenue to support these two positions is derived from those rebates.

- **Department of Accounts Transfer Payments**

- *Provide Additional Funding for Revenue Stabilization Fund Deposits.* Includes an additional \$106.7 million in the first year and \$46.1 million in the second year from the general fund to provide for the mandatory deposits to the “Rainy Day Fund” required by Article X, Section 8 of the Constitution of Virginia. These deposits are based on 2006 revenue collections.
 - The proposed amendments recast the fiscal year 2008 Rainy Day Fund payment that is included in the adopted budget from a net amount (payment less refund back to general fund for amount over cap) to a gross payment, with the refund being entered as a revenue adjustment. In addition, amendments add a super deposit related to fiscal year 2006 activity, which is half of the regular mandatory payment. However, since payments related to fiscal year 2006 already exceed the Constitutional cap, the super payment will be returned to the general fund through a revenue refund in fiscal year 2008. These returned sums equal \$36.9 million the first year and \$120.4 million the second year.
 - Following the additional deposits to the Revenue Stabilization Fund, the fund balance at the end of FY 2008 will equal \$1,314.4 billion.
- *Adjust Appropriations for Aid to Localities.* Reduces the general fund distributions paid to localities for such items as ABC profits, wine taxes, rolling stock taxes, recordation taxes, and Tennessee Valley Authority payments by \$660,000 each year. This reduction reflects projected reductions in the collection of these types of taxes provided by the Department of Taxation.

- **Department of Taxation**

- *Fund Disaster Recovery Hot-Site for Equipment Not Housed at the Virginia Information Technologies Agency.* Proposes \$800,000 in the second year from the general fund to establish a “hot-site” location where the agency’s critical applications and computer systems can be quickly restored in the event of a major disaster.
- *Provide Additional Full-Time Positions.* Provides 20 additional positions but no additional funding for the agency. The added positions would permit the department to convert part-time positions, primarily located within the department’s customer services and tax return processing units, to full-time positions. The positions that would be converted to full-time status will be based on the number of hours worked and the technical training required for the function. The additional positions are expected to reduce turnover among its currently trained and part-time staff.

- **Department of the Treasury**

- *Administer and Enhance Division of Risk Management On-Line Applications.* Provides \$78,396 in nongeneral funds in the second year for the development, enhancement, and database management of the division’s on-line applications. New modules are to be developed to unify billing, generate reports for legislative and actuarial requirements, and streamline the data transfer functions between claimants, the agency, and actuaries.
- *Fund Costs for Administration of Local Government Investment Pool.* Includes \$68,500 in nongeneral funds each year for the administration of the Local Government Investment Pool (LGIP) in order to maintain its credit agency rating obtained last year. Costs include the annual rating fee, research material, and licenses required for the administration of the LGIP.
- *Hire Claims Paralegal Assistant for the Unclaimed Property Division.* Includes \$61,511 in nongeneral funds in the second year to support a paralegal in the unclaimed property division. The position will assist in interpreting wills, trust and estate documents, ensuring compliance with the Course of Descents when the account owner has died intestate, and contacting appropriate court personnel when additional legal documents or further clarification is needed.
- *Increase Line of Credit for State Insurance Reserve Trust Fund.* Increases the line of credit provided in § 3-2.03 of the Appropriation Act for the State Insurance Reserve Trust Fund by \$10 million. If approved, the new line of credit would equal \$25 million. The additional amount is being requested to address potential

catastrophic property events caused by natural disasters, such as hurricanes and flooding, or other disaster events.

- *Rebalance Bank Service Fees and Compensating Balances.* Reduces the department’s bank service fees and compensating balances by \$1 million in the second year due to the negotiation of a favorable earnings credit rate and consolidating compensating fund balances at a single financial institution and generally increasing interest rates. This represents a one-time reduction.

- **Treasury Board**

- *Adjust Debt Service Funding.* Reduces the general fund amounts required for debt service on outstanding obligations and issuances of currently authorized General Obligation, Virginia College Building Authority, and Virginia Public Building Authority bond projects by \$10.0 million in the first year and \$1.2 million in the second year. The reductions reflect changes in the issuance of bonds, the amounts to be bonded, interest rate assumptions, and refunding and refinancings.