

Finance

The Governor's proposed amendments for the Finance secretariat result in a net decrease of \$21.3 million GF and an increase of \$231,306 NGF for the biennium. This represents a 1.6 percent reduction in GF appropriations for the biennium.

Significant spending initiatives included within the Secretariat include \$5.8 million for the Department of Taxation to hire 55 new tax compliance and audit staff; and \$2.1 million to relocate Tax staff to the Main Street Center, and a \$3.5 million net increase in debt service expenditures at the Treasury Board.

Major savings initiatives within the Secretariat include \$5.5 million in savings at the Department of Accounts from reverting to pay-as-you-go for the Line of Duty Benefit, \$3.5 million at the Department of Taxation in reduced expenditures to VITA, \$9.7 million in savings at the Treasury Board from delaying the issuance of Higher Education Equipment Trust Fund bonds and savings of \$8.6 million from deferring the payment of principle on VCBA variable rate bonds.

In addition to the spending reductions, there are several initiatives within the Secretariat which are expected to result in \$29.3 million in additional revenues during the biennium. The majority of this revenue, \$22.9 million, is realized from the initiative within the Department of Taxation to enhance tax compliance efforts.

- **Secretary of Finance**
 - *Remove Additional Funding for Pay Practices.* Includes a reduction of \$2,620 GF the second year to remove the half-percent pay practices funding provided to executive branch agencies during the 2006-08 biennium.
 - *Transfer Internal Service Funds to the General Fund.* Includes language enabling the transfer to the general fund of annual profits of internal service funds that exceed the cost of providing services.
- **Department of Accounts**
 - *Convert Payroll Service Bureau to an Internal Service Fund.* Includes two additional positions to expand the payroll service bureau. In addition, it authorizes the creation of an internal service fund to enable the Department to recover the cost of administering the payroll service bureau. The general fund appropriation is reduced by \$609,824 GF in the second year which will be supplanted by the internal service fund.
 - *Reallocate Current Agency Support for the Payroll Service Bureau.* Reallocates \$127,900 GF in the second year, from the payroll service bureau back to the other agency programs that were previously lending operating support for the bureau.

- *Transfer Non-General Funds from the Virginia Education Loan Authority Reserve Funds.* Authorizes transfers from the Virginia Education Loan Authority to the General Fund in both years of the biennium. The budget proposes to transfer \$550,000 the first year and \$300,000 the second year.
- *Charge Administrative Cost to the Line of Duty Program Budget.* Reduces the Department of Accounts administrative budget by \$100,000 GF the first year and \$250,000 the second year and assumes the administrative cost associated with the Line of Duty program will be charged to the program.
- *Adjust Fee Structure for Fiscal Service Bureau.* Includes a reduction of \$28,496 GF in the second year and authorizes the Department of Accounts to increase the fees charged to agencies that use the centralized fiscal service bureau. The revised rates reflect the total cost for the services.
- *Remove Additional Funding for Pay Practices.* Includes a reduction of \$29,721 GF the second year to remove the half-percent pay practices funding provided to executive branch agencies during the 2006-08 biennium.
- *Charge Localities a Fee for Using the Commonwealth's Small Purchase Charge Card Vendor.* Assumes savings of \$15,000 GF the second year from authorizing the Department of Accounts to charge a nominal 2.5 basis point fee to localities that utilize the Commonwealth's small purchase charge card vendor. The fee will enable the Commonwealth to recover the cost of the program.

- **Department of Accounts Transfer Payments**

- *Adjust Transfer Payments to Localities to Reflect Revised Projections.* Proposes an increase in the general fund appropriation for transfer payments to localities by \$510,000 GF each year to reflect the updated projections. The nongeneral fund appropriation is increased by \$2.6 million in the first year and decreased by \$3.6 million in the second year.
- *Fund the Line of Duty Program on a Pay-As-You-Go Basis.* Reduces the general fund appropriation for the Line of Duty Benefit by \$2,944,516 the first year and \$2,590,145 the second year from returning the funding for the program to a pay-as-you-go basis. The Line of Duty program had been funded on this basis on a pay-as-you-go basis prior to FY 2009.

- **Department of Planning and Budget**

- *Reduce Funding for School Efficiency Review.* Reduces the general fund appropriation by \$726,553 the first year and \$736,507 the second year from a proposal to reduce the number of school efficiency review studies from eight to two studies each year.

- *Turnover and Vacancy Savings.* Reflects savings of \$168,774 GF the first year and \$160,938 GF the second year resulting from recent retirements and other vacancies. In addition, this addenda reduces the number of authorized positions for the Department by four positions.
- *Reduce Funding for the Council of Virginia's Future.* Includes a \$76,000 GF reduction in each year of the biennium in the funding for the Council of Virginia's Future. This reduction amount represents 10 percent of the current funding for the council.
- *Reduce Expenditures for Computer Equipment.* Assumes savings of \$26,478 GF the first year and \$35,304 GF the second year from the reduction in the number of computers used by the agency.
- *Remove Additional Funding for Pay Practices.* Includes a reduction of \$22,025 GF the second year to remove the half-percent pay practices funding provided to executive branch agencies during the 2006-08 biennium.

- **Department of Taxation**

- *Relocate Department Staff to Main Street Center.* Provides \$2.0 million GF in the first year and \$83,032 GF the second year to cover costs associated with the consolidation of the Department's administrative staff at the Main Street Center.
- *Administrative Cost for Land Preservation Tax Credit.* Proposes an appropriation of \$579,100 NGF in the second year to cover the costs of administering the land perseveration tax credit.
- *Implement Enhanced Compliance Initiative.* Assumes an increase in revenues of \$1.2 million GF the first year and \$21.7 million GF the second year from 55 new tax compliance audit staff at the Department of Taxation. The proposed cost of the audit staff is \$1.2 million the first year and \$4.6 million the second year.
- *Transfer Court Debt and Land Preservation Tax Credit Fee.* Proposes a transfer to the general fund of \$1.2 million in additional court debt collections in the first year and an additional \$500,000 in the second year, along with \$500,000 per year in new fees collected from taxpayers who sell their land preservation tax credits.
- *Reduce Information Technology Cost.* Includes savings of \$1.7 million GF the first year and \$1.8 million GF the second year from reduced expenditures for information technology services under the assumption that the Virginia Information Technology Agency will pay for the agency's conversion to Microsoft exchange and cover other software and technology support.
- *Reduce Agency Training.* Captures savings of \$306,783 GF each year of the biennium from the reduction in training on technical platforms and tax policy training.

- ***Reduce Discretionary Nonpersonal Services Costs.*** Assumes savings of \$282,684 GF the first year and \$324,860 GF the second year from reduced expenditures for recruitment, supplies, equipment, and travel.
- ***Reduce Wage Payroll.*** Includes savings of \$280,281 GF the first year and \$321,275 GF the second year from the elimination of 14 wage positions throughout the agency.
- ***Reduced Expenditures for Building Security.*** Proposes savings of \$138,496 GF each year from decreases in expenditures to private security companies at the agency's three primary locations in the Richmond area.
- ***Recover Costs of Administering Programs.*** Assumes savings of \$115,855 GF each year, and a \$225,000 NGF increase in the second year, from authorizing the Department of Taxation to recover the total administrative costs associated with the Communication Sales and Use Tax, and the Railroad and Pipeline programs.
- ***Delay Processing Paper Returns.*** Captures savings of \$75,752 GF the first year and \$151,504 GF the second year from the reduction of the number of temporary employees used during the tax filing season and the elimination of one wage employee.
- ***Eliminate Positions Throughout the Agency.*** Proposes savings of \$44,255 GF the first year and \$212,685 GF the second year from the elimination of five positions within the agency, including two layoffs. The positions proposed for elimination are not compliance positions.
- ***Savings from Vacancies and a Reduction in Work Hours.*** Realizes savings of \$120,712 GF the first year and \$20,712 GF the second year from the conversion of four classified positions to 32 hour positions and savings related the agency deferring the filling of the director of tax processing position.
- ***Remove Additional Funding for Pay Practices.*** Includes a reduction of \$221,987 GF the second year to remove the half-percent pay practices funding provided to executive branch agencies during the 2006-08 biennium.

- **Department of the Treasury**

- ***Eliminate Vacant Positions.*** Reflects savings of \$269,513 GF the first year and \$228,936 GF the second year from the elimination of three vacant positions.
- ***Reallocate Cost of Positions to Nongeneral Fund Sources.*** Assumes savings of \$310,734 GF the first year and \$351,343 GF the second year from a proposal to supplant general fund expenditures for personal services with nongeneral funds based on the programs the positions support. This proposal increases the nongeneral fund appropriation by \$351,343 the second year.

- ***Eliminate Cost of Accounting Services.*** Assumes savings of \$25,000 GF each year of the biennium from a proposal to have the Department prepare the financial statement for the Tobacco Settlement Financial Corporation using in-house staff. Prior to FY 2009 the financial statements were prepared by a private company.
- ***Reduce Purchase of Check Stock.*** Proposes savings of \$118,957 GF the first year and \$73,616 GF the second year from a reduction in the amount of paper stock purchased for issuing paper checks. The number of paper checks being processed has decrease in recent years due to the increased use of electronic payments.
- ***Reduce Check Processing Staff.*** Assumes savings of \$32,700 GF the second year and an increase of \$32,000 NGF the second year, from the elimination of one check processing position due to the decrease in the number of paper checks being processed in recent years.
- ***Reduce Purchase of Earnings Notices Paper Stock.*** Assumes savings of \$50,000 GF the first year and \$75,000 GF the second year from a reduction in the amount of paper stock purchased for earning notices.
- ***Reduce Expenditures for Banking Services Fees.*** Captures savings of \$57,000 GF each year of the biennium from the renegotiation of certain banking contracts and the discontinuance of certain banking services.
- ***Reduce Expenditures for Information Systems Hardware.*** Assumes saving of \$36,000 GF the first year and \$48,000 GF the second year from a reduction in expenditures to the Virginia Information Technology Agency resulting from reducing the inventory of non-essential information technology equipment.
- ***Increase Revenue from Reinvesting Compensating Balances.*** Provides \$1.5 million GF in the second year for additional banking fees. This funding will free up balances that are required to be in the accounts which would then be invested in the Primary Liquidity Investment Portfolio. The budget assumes \$2.6 million in additional revenues in the second year of the biennium resulting from the investment of these funds.
- ***Capture Savings Due to Lower Maintenance Costs.*** Captures savings of \$30,000 GF each year of the biennium from lower hardware maintenance costs.
- ***Remove Additional Funding for Pay Practices.*** Includes a reduction of \$11,958 GF the second year fund to remove the half-percent pay practices funding provided to executive branch agencies during the 2006-08 biennium.
- ***Virginia College Building Authority Pool Fee Revenue.*** Assumes \$100,000 GF in additional revenue in the first year from anticipated additional revenue generated from the Virginia College Building Authority pool fee which is charged to the higher education institutions for participating in pool.

- *Virginia College Building Authority Pool Fee Revenue.* Reflects \$150,000 GF in additional revenue in the second year from a transfer of excess VCBA private college financing fee revenues to the general fund. The fees paid by private colleges are deposited into a nongeneral fund which currently has a balance of \$170,000. Under this proposal any balance in excess of \$20,000 will be transferred into the general fund.

- **Treasury Board**

- *Delay Higher Education Equipment Trust Fund Issuance.* Assumes savings of \$9.7 million GF in the second year from postponing the issuance of approximately \$58.0 million in equipment allocations authorized for FY 2009 in Chapter 879. Delaying the issuance will result in savings in debt service payments in FY 2010.
- *Defer Payment of Principle on VCBA Variable Rate Demand Bonds.* Proposes savings of \$4.3 million GF in each year of the biennium from deferring the principle payments, only making the interest payment, during the biennium on the Virginia College Building Authority Variable Rate Demand Bonds.
- *Adjust Debt Service Funding.* Assumes a decrease in debt service funding of \$7.7 million GF in the first year and an increase of \$11.2 million GF to reflect revised assumptions for projects financed through the Virginia College Building Authority and the Virginia Public Building Authority. The adjusted funding reflects additional debt service costs from the proposed supplanting in FY 2009 of \$350 million GF dollars for capital projects with bond proceeds, which is partially offset by reduced expenditures for previously planned projects.