

# Finance

The approved amendments for the Finance secretariat result in a net decrease of \$39.9 million GF and an increase of \$10.2 million NGF for the biennium. This represents a 2.9 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.

The largest savings in the Office of Finance are in the Treasury Board. These total \$34.9 million and include: \$10.0 million from an increase in the out-of-state student capital fee, \$9.7 million in savings at the Treasury Board from delaying the issuance of Higher Education Equipment Trust Fund bonds, savings of \$8.6 million from deferring the payment of principle on VCBA variable rate bonds, and net savings of \$4.0 million from adjustments in assumptions on bond issuance dates and rates. Other 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, and \$3.5 million at the Department of Taxation in reduced expenditures to VITA.

In addition to the spending reductions, there are several initiatives within the Secretariat which are expected to result in \$67.3 million in additional revenues during the biennium. Enhanced tax compliance efforts are projected to generate \$22.9 million, and \$38.0 million is estimated to come from a tax amnesty program for FY 2010.

- **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 authorizes transfers of \$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.* Captures 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.* Increases the general fund appropriation for transfer payments to localities by \$913,143 GF the first year and \$914,651 GF the second year to reflect 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 \$2.9 million the first year and \$2.6 million 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 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 due to a

reduction in the number of school efficiency reviews 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 amendment reduces the number of authorized positions for the Department by four positions.
- *Reduce Funding for the Council on Virginia's Future.* Includes a \$76,000 GF reduction in each year of the biennium for the Council on Virginia's Future. This reduction amount represents 10 percent of the current funding for the council.
- *Reduce Expenditures for Computer Equipment.* Captures 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.
- *Revert Productivity Investment Fund Balances.* Reverts \$500,000 from the June 30, 2008 general fund balance of the Productivity Investment Fund.

- **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.* Provides an appropriation of \$579,100 NGF in the second year to cover the costs of administering the land preservation 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 projected 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.* Includes 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.*** Captures 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.*** Captures 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.*** Includes 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 in the number of temporary employees used during the tax filing season and the elimination of one wage employee.
- ***Eliminate Positions Throughout the Agency.*** Captures 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 hourly positions and savings related to 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.
- ***Recordation and Grantor Taxes Working Group.*** Language requires the Tax Department to convene a working group to examine the basis on which recordation and grantor taxes are calculated, and report its recommendations to the House Finance and Senate Finance Committees by November 30, 2009.

- ***Sales and Use Tax Allocation.*** Language requires the Department of Taxation to take several actions to address misallocation of the local option sales and use tax to localities, and report to the Chairmen of the Senate Finance and House Appropriations Committees by September 1, 2009, on options for providing incentives and/or penalties for erroneous reporting of sales and use tax data by merchants.
- ***Tax Amnesty Program Start-up Costs.*** Authorizes a treasury loan estimated at \$7.0 million for the planning and implementation of the Virginia Tax Amnesty Program. Repayment of this loan will be from the gross revenues generated by the amnesty program.
- ***Administration of the Digital Media Fee.*** Authorizes the Department of Taxation to recover the direct cost of administration incurred in implementing and collecting the digital media fee provided for in §58.1-1731 of the Code of Virginia.
- ***Power of Attorney.*** Provides \$549,492 GF the second year for implementation of Chapter 503 of the 2009 Acts of Assembly (Senate Bill 905), which requires the Department of Taxation to provide copies of any written correspondence or other written materials that were provided to the taxpayer to a taxpayer's representative with a power of attorney.
- ***Federal Income Tax Refund Offsets.*** Language provides for the provision of a treasury loan to the Department of Taxation to modify its computer systems so that the agency may initiate a local tax debt set off from federal income tax refunds. This treasury loan is to be extended only upon adoption of federal legislation permitting the use of federal income tax refund offsets for satisfying outstanding local taxes.

- **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.*** Captures 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.*** Captures 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.*** Includes 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.*** Realizes 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.*** Captures 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.*** Includes 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.*** Captures \$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 the 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.

- *Virginia Railway Express Liability Insurance.* Language allows the Northern Virginia and Potomac Rappahannock Transportation Commissions, in cooperation with the Department of Rail and Public Transportation, to competitively procure liability insurance from either public or private providers for the Virginia Railway Express.
- *Relief of Teddy Pierries Thompson.* Provides \$259,995 GF the second year for the relief of Teddy Pierries Thompson, who was wrongfully incarcerated for six years. The sum of \$51,999 will be paid to Mr. Thompson on or before August 1, 2009, and the remaining \$207,996 will be used to purchase an annuity providing for equal monthly payments for a period of 25 years commencing on or before September 1, 2009.

- **Treasury Board**

- *Delay Higher Education Equipment Trust Fund Issuance.* Captures 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 of the 2008 Acts of Assembly. Delaying the issuance will result in savings in debt service payments in FY 2010.
- *Defer Payment of Principle on VCBA Variable Rate Demand Bonds.* Realizes savings of \$4.3 million GF in each year of the biennium from deferring the principle payments and making interest-only payments during the biennium on the Virginia College Building Authority Variable Rate Demand Bonds.
- *Adjust Debt Service Funding.* Includes a decrease in debt service funding of \$8.4 million GF in the first year and an increase of \$10.4 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 \$350.0 million GF dollars for capital projects with bond proceeds, which is partially offset by reduced expenditures for previously planned projects.
- *Jail Reimbursements.* Language sets out the Virginia Public Building Authority bond authorization for each local or regional jail project eligible to receive a contribution from the Commonwealth.
- *Jail Reimbursement Savings.* Captures \$2.6 million GF provided for two jail reimbursement projects in the second year. Item 475.50 authorizes the Governor to use \$2.6 million from the American Reinvestment and Recovery Act of 2009 for the reimbursement of certain jail construction costs.
- *Interest Rate Assumptions.* Captures savings of \$6.0 million from the general fund in the second year resulting from lower debt service payments based on revised interest rate assumptions.

- ***Out-of-State Capital Fee.*** Captures savings of \$10.0 million from the general fund the second year by increasing the capital fee for out-of-state students from \$8 to \$10 per credit hour and distributes the revenue among the institutions of higher education based on the distribution of out of state credit hours as reported by the State Council for Higher Education in Virginia. The revenue will be used to offset general fund debt service payments.