

Finance

Adopted Adjustments (\$ in millions)				
	FY 2013 Adopted		FY 2014 Adopted	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch. 890	\$1,811.4	\$179.9	\$1,811.4	\$179.9
Increases	180.3	601.0	247.6	602.2
Decreases	<u>(135.5)</u>	<u>(107.6)</u>	<u>(137.7)</u>	<u>(108.0)</u>
\$ Net Change	44.8	493.4	109.9	494.2
Chapter 3 (HB 1301, as Adopted)	\$1,856.2	\$673.3	\$1,921.3	\$674.1
% Change	2.5%	274.2%	6.1%	274.7%
FTEs	1,096.50	157.50	1,096.50	157.50
# Change	(70.50)	14.00	(70.50)	14.00

- **Department of Accounts**

- *Increased General Fund Revenue from Charge Card Rebates.* Assumes additional general fund revenues of \$1.5 million in FY 2013 and \$2.0 million in FY 2014 from increased credit card rebates as a result of a new payment processing service, E-payables, being implemented by the Department.
- *Implement New Statewide Financial Management System - “Cardinal”.* Includes language authorizing a \$60.0 million treasury loan to the Department of Accounts for the cost of finalizing the development and the implementation of the new financial management system, Cardinal. Cardinal will replace the CARS system which was first implemented in 1978. The Secretaries of Finance and Technology must approve any expenditure prior to the agency accessing any of the \$60.0 million treasury loan. Furthermore, the State Comptroller must first certify to the Auditor of Public Accounts that the systems standards for vendor accounting information are in compliance with requirements adopted by the General Assembly in 2009 prior to accessing the loan. In addition, the budget provides a sum sufficient appropriation to authorize the expenditure of internal service fund revenue, which will be realized from charging agencies and institutions that use the new Cardinal system. The sum sufficient appropriation is estimated to be \$14.9 million the first year and \$16.8 million the second year. Actual revenues

during the biennium will be significantly impacted by the timing of the implementation.

- ***Increase the Sum Sufficient Appropriation for the New Performance Budgeting System.*** Increases the sum sufficient appropriation, from \$490,947 in FY 2012 to \$4.0 million each year, for the internal service fund revenue which will be realized from charging agencies and institutions that use the new Performance Budgeting system.
- ***Staffing for the Payroll Services Bureau.*** Provides eight additional staff positions for the payroll services bureau, increasing total employment to 27 positions. The budget also increases the sum sufficient appropriation for the bureau by \$737,110 each year of the biennium.
- ***Move Funding for the Commonwealth Health Research Fund to DOA Transfer Payments.*** Includes amendments which transfer the base appropriation for the Commonwealth Health Research Fund, \$1.2 million NGF each year, from the budget for the Department of Accounts to the Department of Accounts Transfer Payments section.

- **Department of Accounts Transfer Payments**

- ***Revenue Stabilization Fund Deposits.*** Includes \$132.7 million for the FY 2013 required revenue stabilization deposit and \$166.4 million in FY 2014 which is the current estimated deposit requirement for FY 2014. The FY 2014 deposit requirement will be finalized by the Auditor of Public Accounts based on FY 2012 revenue collections. The \$132.7 million FY 2013 deposit is funded completely from FY 2011 year-end surplus funds that were set aside for the required deposit. In addition, \$114.0 million of the \$166.4 million FY 2014 appropriation is available from the revenue reserve appropriated in FY 2012 in anticipation of the 2012-14 biennium deposits.
- ***Distribution Payments to Localities.*** Reduces the appropriation for the distribution of payments to localities by \$364,000 GF each year to reflect current projections. The amendment decreases the appropriation for the distribution of rolling stock taxes by \$300,000, and decreases the distribution to the Tennessee Valley Authority for payments in lieu of taxes by \$64,000 each year.
- ***Establish an Appropriation for Distribution of Payments which were Previously the Responsibility of the Tax Department.*** Includes \$554.6 million NGF in FY 2013 and \$555.8 million NGF in FY 2014 for the distribution payments which were administered by the Department of Tax during the 2010-12 biennium. The appropriation includes \$440.0 million each year in distribution payments from the communication and sales tax, and \$36.0 million each year in distribution payments from the rental vehicle tax. In addition, the budget includes \$78.6 million in FY 2013 and \$79.8 million in FY 2014 from the sales tax on fuel which is limited to the

localities embraced by the Northern Virginia Transportation Commission and the Potomac Rappahannock Transportation Commission.

- ***State Employee Flexible Spending Accounts.*** Increases the NGF appropriation by \$5.7 million each year for increases in the flexible spending accounts for health care and child care expenses for participating state employees.
- ***Increased Local Flexibility for Line of Duty.*** Includes several language amendments increasing local flexibility for administering the Line of Duty program. The amendments allow localities that opt-out of the state-run program to provide benefits to their employees directly, independently of the State Comptroller, and states that the localities that opt-out are not responsible for contributing to the administrative cost of running the statewide program. The budget also includes language allowing localities that have established trusts for the purposes of funding OPEB benefits to use these trusts to fund the cost of the Line of Duty program.
- ***Line of Duty Workgroup.*** Creates a Line of Duty Workgroup lead by the Governor's chief of staff and includes the Secretary of Finance, Secretary of Public Safety, and Legislative appointees to review the current policies for the Line of Duty program and to make recommendations for reforms by October 1, 2012.
- ***Move Funding for the Commonwealth Health Research Fund to DOA Transfer Payments.*** Includes amendments which transfer the base appropriation for the Commonwealth Health Research Fund, \$1.2 million NGF each year, from the budget for the Department of Accounts to the Department of Accounts Transfer Payments section. A second amendment increases the appropriation for the Fund by \$99,200 NFG each year and provides 1 FTE each year pursuant to the passage of Chapters 683 (HB 180) and 682 (SB 53) of the 2012 Acts of Assembly which converted employees of the Commonwealth Health Research Board to employees of the Department of Accounts.

- **Department of Planning and Budget**

- ***Additional Budget Staff.*** Includes \$105,284 GF in FY 2013 and \$140,376 GF in FY 2014 to hire two additional budget analysts.
- ***School Efficiency Review Program.*** Includes \$37,004 GF the first year and \$42,004 GF the second year to bring the funding for the school Efficiency Review Program up to \$200,000 each year. The percentage cost of the review that is recovered from the locality is also increased from 37.5 percent to 50 percent.
- ***Reduce Funding for Council on Virginia's Future.*** Saves \$22,867 GF each year by reducing funding for the Council on Virginia's Future by 4 percent.

- **Department of Taxation**

- *Staffing Pursuant to Chapter 777 (HB 777).* Includes \$157,000 GF the first year and \$156,000 GF the second year, and 2 FTEs, for the Department to provide administrative support to the General Assembly's Joint Subcommittee to Evaluate Tax Preferences that was established pursuant to the passage of Chapter 777 of the 2012 Acts of Assembly (HB 777).
- *Eliminate Paper Checks for Income Tax Refunds.* Provides \$200,000 GF in FY 2013 and \$50,000 GF in FY 2014 to replace paper checks for income tax refunds with debit cards. Taxpayers will continue to have the option to receive their refund through direct deposit to their bank account or may request a check under special circumstances. The majority of the cost is a one-time transition cost. A companion amendment within the Department of Treasury reflects \$200,000 GF savings each year from the elimination of the paper checks.
- *Across-the-Board Reductions.* Includes savings of \$1.2 million GF in FY 2013 and \$1.4 million GF in FY 2014 from a number of savings actions including reducing by one the number of computer servers used by the Department; eliminating the service which allows business to pay their taxes over the phone; eliminating the requirement of the Department to print and mail certain tax forms; mandating electronic filing of sales tax payments and returns; and reducing Tax Department staffing by 11 positions, including eliminating the mapping unit with three staff that develops property tax maps for localities on request.
- *Transfer Appropriation Responsibility for Distribution Payments to the Department of Accounts Transfer Payments.* The budget transfers responsibility for distribution payments from the communication and sales tax, the rental vehicle tax, and the sales tax on fuel which is limited to the Northern Virginia Transportation Commission and the Potomac Rappahannock Transportation Commission to the Department of Accounts Transfer Payments.

- **Department of the Treasury**

- *Chapter 611 (SB 41) Claims Relief.* Provides \$1.1 million GF in FY 2013 pursuant to the passage of Chapter 611 of the 2012 Acts of Assembly (SB 41) which authorized relief payments for Thomas Edward Haynesworth.
- *Eliminating Paper Checks for Income Tax Refunds.* Realizes \$200,000 GF savings each year from the proposal by the Tax Department to eliminate paper checks for tax refunds. Tax payers could elect to receive their refunds either through direct deposit or a debit card. This action will reduce expenditures for check stock and postage.

- **Treasury Board**

- ***Projected Debt Service Requirements.*** Increases the general fund amounts required for debt service on outstanding obligations and issuances of currently authorized General Obligation, Virginia College Building Authority (VCBA), and Virginia Public Building Authority (VPBA) bond projects by \$40.8 million in FY 2013 and \$74.6 million in FY 2014. In addition, the budget reduces the NGF appropriation by \$3.3 million in FY 2013 and \$3.7 million in FY 2014.
- ***Capital Fee for Out-of-State State Students.*** Captures debt service savings of \$2.7 million GF each year and provides an offsetting \$2.7 million NGF increase in each year, based on an increase in the capital-fee charged to out-of-state students at the public colleges and universities of \$1.50 per credit hour and based on updated projections of enrollment of out of state students.
- ***Higher Education Equipment Trust Fund.*** Provides \$940,000 GF in the second year for increased research-related equipment allocations.
- ***Adjust Debt Service.*** Reflects savings of \$4.7 million GF the first year and \$6.8 million GF the second year as the result of changes in the issuance schedule and lower than previously assumed interest rates on Virginia College Building Authority and Virginia Public Building Authority bonds.