

# Finance

The adopted amendments to the 2002-2004 budget for Finance agencies results in a net reduction of \$5.9 million in FY 2003 and \$2.3 million in FY 2004. The total reflects new spending of \$24.1 million, offset by \$32.3 million in reductions for the biennium.

The major appropriation increases relate to proposed revenue-generating initiatives at the Department of Taxation, including \$11.3 million GF for enhanced compliance efforts, and \$1.0 million GF to initiate a federal debt setoff program. To implement the enhanced compliance efforts, 90.5 additional positions also are provided to the Department of Taxation. House Bill 2454 authorizes the Department of Taxation to implement a 60 to 75 day tax amnesty program during the fall of 2003. This initiative complements the enhanced compliance activities and is anticipated to generate one-time revenues of \$44.8 million for the Commonwealth. In other spending actions, \$7.6 million GF is provided to the Treasury Board to support debt service costs of bonds to be issued to supplant general fund expenditures for a number of capital projects.

Of the proposed reductions, \$9.1 million GF result from debt service savings achieved by refunding outstanding bonds and issuing debt at lower than anticipated rates. The remaining savings are obtained from targeted reductions – largely those announced in October – including \$1.0 million from the Department of Planning and Budget, \$1.3 million from the Department of Accounts, \$2.1 million from the Department of Taxation, and \$1.0 million from the Department of Treasury.

- **Secretary of Finance**
  - ***October Reductions.*** Reduces appropriations by \$34,463 GF in the first year and \$47,003 in the second year. The savings derive from operational efficiencies and require no position level reductions or layoffs.
- **Department of Accounts**
  - ***Aid to Localities.*** Provides for a net reduction of \$4.3 million GF the first year and \$8.3 million GF the second year in payments to localities from Alcoholic Beverage Control profits and wine taxes. The reduction reflects an increase in Part 3 transfers from the ABC Enterprise Fund to the general fund for expenses incurred for care, treatment, study and rehabilitation of alcoholics.

- ***Use Criminal Injuries Compensation Fund for Line of Duty Payments.*** Provides \$1.0 million NGF in the first year and \$2.2 million NGF in the second year from balances in the Criminal Injuries Compensation Fund to cover the payment of death and health insurance benefits under the Line of Duty Act.
  - ***Creation of a Fiscal Service Center.*** Language is included creating a fiscal services center modeled after DOA’s existing payroll service bureau to manage fiscal activities for a number of small state agencies.
  - ***October Reductions.*** Reduces appropriations by \$319,150 GF in the first year and \$815,442 GF in the second year. Major strategies include the elimination or reduction of certain services and programs, and the use of nongeneral fund support for other services provided.
- **Department of Planning and Budget**
    - ***October Reductions.*** Reduces appropriations by \$338,994 GF in the first year and \$622,353 GF in the second year, representing reductions of 10.0 percent in FY 2003 and 12.0 percent in FY 2004.
  - **Department of Taxation**
    - ***Initiate Tax Amnesty Program.*** Includes language implementing a 60 to 75 day Tax Amnesty Program authorized in House Bill 2454. The amnesty program will occur in fall 2003 and is anticipated to generate one-time revenues of \$44.8 million.
    - ***Enhance Tax Compliance Efforts.*** Provides \$3.4 million GF in FY 2003 and \$7.9 million GF in FY 2004 to initiate an enhanced tax compliance program to accelerate the desk audit program, increase field and compliance program efforts, initiate a program to identify nonfiling partnerships and LLCs, and expand the customer service collection staff. This proposal includes authorization and funding for 90.5 new compliance positions at the Department.
    - ***Initiate Federal Debt Setoff Program.*** Provides \$976,277 GF in FY 2004 to initiate a federal debt setoff program that will improve taxpayer compliance and generate an anticipated \$2.8 million of additional revenues in FY 2004.

- **Tax Partnership Funding Transfer.** Language is included in Part 3 transferring \$21.1 million NGF in FY 2004 from the Department of Taxation’s share of the Tax Partnership revenues to the general fund.
  - **Sales Tax Compliance Cost Allocation.** Part 3 language allocates a share of the costs associated with the collection of additional sales tax through the enhanced compliance and amnesty initiatives to the Transportation Trust Fund and local share of sales tax collections.
  - **October Reductions.** Reduces appropriations by \$812,647 in the first year and \$1.3 million in the second year, representing reductions of non-exempt programs of 15 percent each year. Major savings strategies include delayed implementation of the toll-free telephone service, the closure of district offices, and elimination of extended customer service hours, the Telefile system, distribution of tax forms at libraries and toll-free phone service for tax professionals.
- **Department of the Treasury**
    - **Anderson Claims Bill.** Provides \$660,000 GF to settle the claim of Mr. Marvin Anderson as approved by Senate Bill 863 of the 2003 Session. Mr. Anderson was wrongly incarcerated from 1983 to 1997. SB 863 authorizes a cash payment to Mr. Anderson of \$200,000 by August 1, 2003 and also provides \$460,000 purchase an annuity projected to provide \$1.1 million to Mr. Anderson over his lifetime.
    - **Transfer Funding from General Liability Insurance Fund.** Includes language transferring \$8.2 million in balances from the state insurance reserve trust fund to the general fund. Sufficient reserves are maintained to pay the claims and cover the costs of the program.
    - **October Reductions.** Reduces appropriations by \$397,625 GF in the first year and \$525,186 GF in the second year, representing reductions of non-exempt programs of 15 percent each year. Savings are generated through increased reliance on nongeneral fund sources, cost recovery, position eliminations, and administrative efficiencies. An increase of \$87,500 NGF is included to reflect cost recovery activities.

- **Treasury Board**

- ***Debt Service Increase.*** Includes \$7.6 million GF the second year for debt service payments on bonds issued by the Virginia College Building Authority and the Virginia Public Building Authority, which supplant capital projects, previously authorized with general and nongeneral fund. Also provided is \$300,000 for VPBA debt service for the renovation of the Capitol.
- ***Debt Service Savings.*** Reduces appropriations by \$9.1 million GF to reflect savings generated from lower than anticipated debt service costs and the refunding of several general obligation bond issues carried out to take advantage of low interest rates.
- ***Out-of-State Student Debt Service.*** An amendment stipulates that \$2.0 million of the debt service requirements of the VCBA will be paid from a capital fee charged to out-of-state students at Virginia institutions of higher education. The amount of the charge is \$1.67 per credit at four-year institutions and \$1.50 per credit at two-year institutions.