

Finance

The proposed amendments for the Office of Finance result in a net decrease of \$24.6 million GF and an increase of \$27.6 NGF for the biennium. General Fund spending initiatives are limited to \$3.2 million in debt service for new and currently authorized projects and \$1.2 million in relocation and additional rent cost for the Department of Taxation to relocate to the new processing facility. The majority of the GF savings are realized from a \$24.5 million reduction in debt service for recently issued bonds.

The significant increase in NGF appropriation is the result of a proposed \$21.2 million appropriation for federal ARRA funds at the Treasury Board and a \$5.4 increase for the State Employee Flexible Benefits program within the DOA transfer payments budget.

- **Department of Accounts**

- *Capture Turnover and Vacancy Savings.* Includes turnover and vacancy savings of \$102,026 GF in FY 2011.
- *Implement Service Charges for Mandated Services.* Assumes savings of \$204,052 GF in FY 2012 from authorizing DOA to recover some of their administrative cost through NGF cost recoveries. The proposal would allow DOA to retain up to \$80,000 a year from the Small Card Rebate Fund to support the cost of entering expenditure information from the Tier 3 higher education facilities (UVA, Tech, W&M, and VCU) into CARS. The remaining savings will be realized by allowing the Department to retain a portion of the non-tax related debt collection amounts that DOA collects on behalf of other agencies.
- *Establish an Internal Service Fund for Enterprise Application Expenses.* Includes a language amendment creating an internal service fund to manage the costs related to the Commonwealth's Enterprise Applications systems. The language estimates the cost for the fund at \$490,947 in FY 2012 and requires the Comptroller to submit to JLARC by September 1st each year an updated estimate of revenues and expenditures for the internal service fund.

- **Department of Accounts Transfer Payments**

- *Increase Nongeneral Fund Appropriation for State Employee Flexible Benefit Programs.* Proposes an increase of \$5.4 million NGF in FY 2012 in the appropriation for State Employee Flexible Benefit Programs. The increase, from \$21.6 million to \$27.0 million, adjusts the appropriation to reflect actual expenditure levels.
- *Authorize Expenditures from Reserve for Revenue Stabilization Deposit.* Proposes language to allow the Governor to spend all, or any portion, of the \$50.0 million appropriated in FY 2012 for the expected FY 2013 Rainy Day Fund deposit

if needed to cover the cost of any unfunded federal mandates, or to cover costs incurred related to declared emergencies. The language requires the Governor to notify the Chairmen of the House Appropriations and Senate Finance Committees in writing prior to any actual expenditure from the \$50.0 million reserve.

- ***Remove Mandatory Re-appropriation Language.*** Proposes to strike language requiring the mandatory carry forward of any June 30th unspent GF balances for the Personal Property Tax Relief Program. The mandatory carry forward language has been stricken from all executive branch agencies except for the higher education institutions.
- ***Allow for Collection of Line of Duty Administrative Expenses from Nonparticipating Localities.*** Includes language enabling the Comptroller to collect reasonable costs from localities that have not chosen to participate in the statewide Line of Duty program. Localities that do not participate in the program are required to establish stand-alone programs and are required to make the payments of their benefits through the Comptroller. In addition, this amendment adjusts the language to clarify that the VRS is authorized to continue to advance funds from the Group Life Insurance fund to the Line of Duty Act until the new funding model is implemented.
- ***Authorize Medical Eligibility Review of Line of Duty Claims.*** Includes language authorizing the Comptroller to request that a medical eligibility review be completed by the VRS Medical Board regarding eligibility for benefits under the Line of Duty Act.

- **Department of Planning and Budget**

- ***Turnover and Vacancy Savings.*** Reflects savings of \$40,746 GF in FY 2011 resulting from a recently vacant position, which will remain vacant through the end of the fiscal year.

- **Department of Taxation**

- ***Fund Cost of Relocating Tax Processing Facility.*** Provides \$240,000 GF in FY 2012 to fund the cost of moving the Department of Taxation’s processing facility from the West Broad Street facility to a new facility in eastern Henrico. The move is necessary due to structural deficiencies in the current building. This is a one-time cost.
- ***Provide Funding to Reflect Higher Rent in New Tax Processing Facility.*** Provides \$975,728 GF in FY 2012 to fund the increased rent cost for the Department of Taxation as a result of moving the processing facility from the West Broad Street facility to a new facility in eastern Henrico.

- ***Decrease Reliance on Information Technology Consultants.*** Includes savings of \$327,633 GF in FY 2011 and \$1.0 million in FY 2012 from reducing expenditures for IT consultants. The strategy includes savings from converting 10 IT contractors to full time classified employees.
- ***Reduce Expenditures for Disaster Recovery Services.*** Proposes savings of \$829,936 GF in FY 2012 from decreased expenditures for disaster recovery services. The changes would remove some general administrative systems from the immediate disaster recovery plan and would have a minimal impact on the agency's core functions in the event a disaster occurs.
- ***Eliminate the Automatic Mailing of Individual Tax Forms and Instructions.*** Proposes savings of \$389,000 GF in FY 2012 from eliminating the annual mailing of individual tax forms. In recent years, the Department has automatically mailed out tax forms to approximately 200,000 taxpayers. All forms are available online and going forward taxpayers will have to call to request a tax form before it will be mailed. Budget language is included to override Code requirements pertaining to the mailing of forms.
- ***Increase Number of Electronic Transactions.*** Includes savings of \$100,000 GF in FY 2012 from requiring employers with an average monthly tax liability of at least \$1,000 and a monthly withholding requirement of at least \$500 to file their tax forms and withholding payments electronically. Budget language is included to override Code requirements related to these filings.
- ***Reduced Expenditures for Personnel Cost.*** Includes savings of \$169,621 GF in FY 2011 and \$330,556 in FY 2012 from reduced personnel costs for the Department of Taxation. The savings result from eliminating a vacant Deputy Commissioner position and three other filled positions.
- ***Reduce Expenditures for Private Security Guards.*** Assumes savings of \$75,103 GF in FY 2011 and \$94,208 GF FY 2012 from reduced expenditures for private security guards at the three Richmond area offices.
- ***Reduce Office Space at Main Street Centre.*** Captures savings of \$190,324 GF in FY 2012 in reduced expenditures for rent from vacating the 4th floor of the Main Street Center Building. This action is possible because some staff from the Main Street Centre building will relocate to the new processing facility in eastern Henrico.
- ***Reduce Wage Payroll.*** Includes savings of \$55,000 GF in FY 2012 from a reduction in expenditures for wage employees as a result of efficiencies that will be realized by consolidating warehouse and processing operations at the new facility.
- ***Reduce Expenditures Communications Equipment.*** Realizes savings of \$1,000 GF in FY 2011 and \$5,000 GF in FY 2012 from reduced expenditures for Blackberries and wireless aircards.

- *Modify Filing Requirement Language.* Proposes language to clarify that the Department is only required to report on public-private partnership contracts when the contract is active.

- **Department of the Treasury**

- *Reduce Purchase of Check Stock.* Assumes savings of \$80,134 GF in each year from a reduction in the amount of paper stock purchased for issuing paper checks. As a result of efforts to increase the use of electronic payments, the number of paper checks processed by the Treasury has decreased from 7.6 million in 2005 to 3.2 million in 2010.
- *Reduce Expenditures for Banking Services Fees.* Captures savings of \$112,492 GF in FY 2012 from the renegotiation of the banking services contract. Expenditures for the banking services contract are expected to decrease from \$3.5 million to \$3.4 million per year.
- *Reduce Expenditures for Information Systems Hardware.* Assumes savings of \$23,888 GF FY 2012 from replacing the agency's current ISDN phone system with a voice over IP system provided by VITA.
- *Additional Staffing to Address Workload for Unclaimed Property Division.* Includes an additional \$57,071 NGF in FY 2011 and \$214,984 NGF in FY 2012 to hire three additional FTE employees to address the increased workload for the unclaimed property division.
- *Increase Nongeneral Fund Appropriation for Insurance Collateral Safekeeping.* Proposes an additional \$95,749 NGF in FY 2011 and \$101,334 NGF in FY 2012 to fund increased expenditures for the safekeeping of insurance company collateral deposit securities held by the Treasury. The funds needed to support these costs are generated from fees charged to the insurance companies.
- *Increase Nongeneral Fund Appropriation for IT Contractors.* Includes an additional \$52,800 NGF in FY 2011 and \$211,200 NGF in FY 2012 to hire two temporary IT contractors to make systems enhancements for improved claims processing and customer service for the risk management division.
- *Provide Nongeneral Fund Appropriation to Support VITA Cost Increases.* Proposes an additional \$118,000 NGF in FY 2011 and \$118,000 NGF in FY 2012 to fund increases in VITA rates.

- **Treasury Board**

- *Adjust Debt Service Funding.* Recommends a decrease in debt service of \$11.6 million GF in FY 2011 and \$20.2 million GF in FY 2012 to reflect lower interest

rates and revised debt issuance assumptions for bonds recently issued through the Virginia College Building Authority and the Virginia Public Building Authority.

- ***Fund Debt Service Requirements for Previously Authorized Projects.*** Recommends \$10.5 million GF in FY 2012 for debt service on bonds to be issued by Virginia College Building Authority and the Virginia Public Building Authority for previously approved capital projects including maintenance reserve and capital equipment.
- ***Regional Jails.*** Proposes a \$3.1 million supplement by adding the Eastern Shore Regional Jail to the list of projects approved for jail reimbursement.
- ***Provide Nongeneral Fund Appropriation for Build America Bonds.*** Proposes a \$21.1 million NGF appropriation in FY 2012 to reflect federal funding for three bond issues that will be partially subsidized through the American Recovery and Reinvestment Act (ARRA) Build America Bonds program.