

OFFICE OF FINANCE

THE HONORABLE JODY M. WAGNER., SECRETARY OF FINANCE

Finance agencies handle the financial transactions of the Commonwealth, from collecting taxes to paying the bills and distributing aid to localities. Responsibilities of Finance agencies include forecasting and collecting revenues, managing the Commonwealth's cash and investments, selling bonds, training agency internal auditors, and preparing and executing the Commonwealth's budget.



FINANCE AGENCIES INCLUDE:

- Department of Accounts
- Department of Planning and Budget
- Department of Taxation
- Department of the Treasury
- Treasury Board

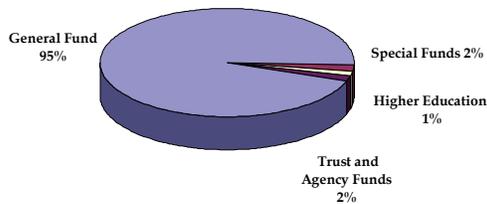


Accomplishments:

Maintaining the Triple-A bond rating: Virginia retained its highest possible ranking as a Tier 1 state in the 2007 Moody's U.S. States Credit Scorecard in September. Virginia also retained its Triple-A bond rating. Likewise, Standard & Poor's, another leading rating agency, also affirmed Virginia's Triple-A status in its June U.S. Public Finance Report Card. Fitch, the third bond rating agency, also reaffirmed Virginia's Triple-A bond rating in June. Virginia has held a Triple-A bond rating since 1938, when Moody's first began to rate state and municipal governments. These ratings reflect Virginia's bipartisan history of strong fiscal management, diverse economy, and business-friendly environment.



Financing of Finance Agencies*
 (Based on 2008 - 2010 Proposed Operating Budget)



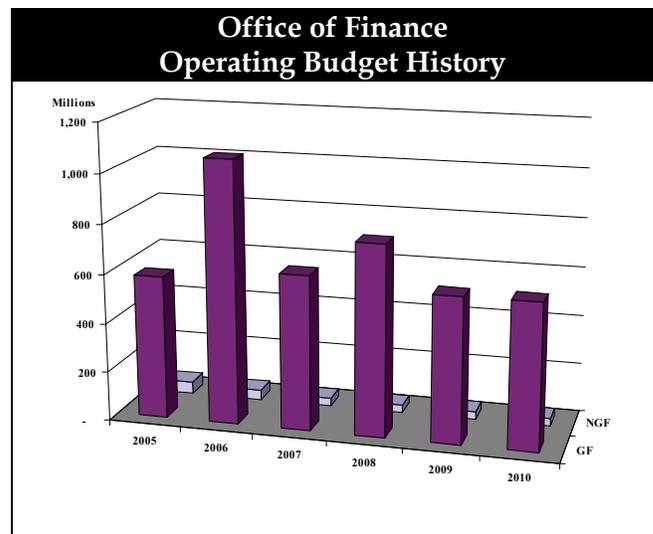
*Funds with totals less than 1% have not been included.

Revenue Stabilization Fund: The balance in the Revenue Stabilization Fund, more commonly referred to as the “Rainy Day Fund,” has been at its Constitutional maximum since 2006. The balance at the end of 2007 was almost \$1.2 billion. Even with the Governor’s proposed \$261.1 million withdrawal in 2008, the fund balance is projected to still be more than \$1.1 billion at the end of 2008 and at its highest level ever (more than \$1.2 billion) at the end of the 2008-10 biennium.

Agency Risk Management and Internal Control Standards: The Department of Accounts provided agency guidance, assistance, training, monitoring, and oversight of agency financial controls related to financial reporting. National standards governing accountability and control over financial reporting, including OMB Circular A-123 and Statement on Auditing Standards No. 112, have evolved in response to corporate and government frauds and corresponding citizen demands for increased oversight and accountability. This effort reduces the risk of inaccurate

financial reporting and the related consequences, including reduced budgetary accountability, increased risk of financial losses due to mistakes or fraud, increased risk of audit deficiencies or failure to achieve a clean audit opinion on the statewide audit.

Comprehensive Annual Financial Report: The Commonwealth was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officer's Association for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. The Commonwealth has received this Certificate of Achievement for the last 20 consecutive years (fiscal years 1986-2005).



Secretary of Finance

<http://www.finance.virginia.gov/>

Provide policy and technical guidance and assistance to the Governor of Virginia and other key state leaders regarding the financial matters of the Commonwealth. Provide policy and administrative guidance and leadership to the finance agencies of the Commonwealth, which include the Department of Accounts, the Department of Planning and Budget, the Department of Taxation, and the Department of the Treasury. These agencies are responsible for either making or overseeing all financial transactions of the Commonwealth including collecting taxes, paying businesses that provide services to the state, and distributing state funding support to local governments.

Operating Budget History

	<u>General Fund</u>	<u>Nongeneral Fund</u>	<u>Positions</u>
2005 Appropriation	\$460,542	\$0	5.00
2006 Appropriation	\$580,969	\$0	5.00
2007 Appropriation	\$626,392	\$0	5.00
2008 Appropriation	\$626,592	\$0	5.00

New Operating Budget Summary

	<u>General Fund</u>	<u>Nongeneral Fund</u>	<u>Positions</u>
2009 Base Budget	\$626,592	\$0	5.00
2009 Addenda	\$30,874	\$0	0.00
2009 TOTAL	\$657,466	\$0	5.00
2010 Base Budget	\$626,592	\$0	5.00
2010 Addenda	\$30,874	\$0	0.00
2010 TOTAL	\$657,466	\$0	5.00

Recommended Operating Budget Addenda

► **Distribute Central Appropriations amounts to agency budgets**

Adjusts the agency budget to reflect amounts moved from Central Appropriations to cover the cost of items such as the continuation of 2007 and 2008 salary and health insurance premium increases, as well as changes in retirement and disability contribution rates and other centrally funded items. For each year, \$63,688 (GF).

► **Continue 2008 budget reductions**

Continues the budget reductions included in the Governor's 2008 reduction plan into the 2008-10 biennium. For each year, a reduction of \$32,814 (GF).

Department of Accounts

<http://www.doa.virginia.gov/>

Provide a uniform system of accounting, financial reporting, and internal control adequate to protect and account for the Commonwealth's financial resources while supporting and enhancing the recognition of Virginia as the best managed state in the nation.

Key Objectives and Performance Measures

► **We will enhance Commonwealth of Virginia internal controls by reconciling cash in CARS and cash in the Treasurer's system, and identifying and resolving general ledger anomalies and agency identified reconciliation discrepancies within one month.**

Ensure that the number of recurring APA Internal Control Findings are 20 or below.

► **We will process payroll requests timely.**

Review and process all payrolls by the final certification date.

► **We will produce a quality Comprehensive Annual Financial Report (CAFR).**

Receive the Certificate of Excellence in Financial Reporting for the 23rd consecutive year.

Operating Budget History

	<u>General Fund</u>	<u>Nongeneral Fund</u>	<u>Positions</u>
2005 Appropriation	\$8,182,413	\$42,000	103.00
2006 Appropriation	\$8,546,452	\$42,000	97.00
2007 Appropriation	\$9,463,551	\$383,665	105.00
2008 Appropriation	\$11,039,146	\$383,665	119.00

New Operating Budget Summary

	<u>General Fund</u>	<u>Nongeneral Fund</u>	<u>Positions</u>
2009 Base Budget	\$11,039,146	\$383,665	119.00
2009 Addenda	\$811,049	\$35,978	6.00
2009 TOTAL	\$11,850,195	\$419,643	125.00
2010 Base Budget	\$11,039,146	\$383,665	119.00
2010 Addenda	\$855,773	\$35,978	6.00
2010 TOTAL	\$11,894,919	\$419,643	125.00

Recommended Operating Budget Addenda

► **Distribute Central Appropriations amounts to agency budgets**

Adjusts the agency budget to reflect amounts moved from Central Appropriations to cover the cost of items such as the continuation of 2007 and 2008 salary and health insurance premium increases, as well as changes in retirement and disability contribution rates and other centrally funded items. For each year, \$734,224 (GF) and \$35,978 (NGF).

► **Eliminate one-time funding that was to be used to establish an alternate cold site location**

Eliminates one-time funding to establish a cold site location to enhance disaster recovery preparedness. At this time, the agency has not used the funding and included this amount in its carryforward from 2007. For each year, a reduction of \$100,000 (GF).

► **Provide General Assembly authorized salary increase and payroll fringe benefits for new Accounting and Internal Control Compliance Oversight staff**

Adjusts the agency budget to cover the cost of items such as the continuation of 2008 salary and health insurance premium increases, changes in retirement and disability contribution rates, and other centrally funded items for 14 authorized positions for the Accounting and Internal Control Compliance Oversight staff. These are recently filled positions and are not included in the amendment to distribute Central Appropriations

Department of Accounts (Continued)

amounts to the agency. For each year, \$59,912 (GF).

▶ **Continue 2008 budget reductions**

Continues the budget reductions included in the Governor's 2008 reduction plan into the 2008-10 biennium. For each year, a reduction of \$201,957 (GF).

▶ **Consolidate support for small agencies to meet the information technology security audit standards**

Provides funding for the agency to assist small agencies with the support needed to comply with the requirements of the information technology security policy (SEC500-02). Meeting the security standards outlined in the policy is difficult for small agencies with little or no information technology staff. The funds will be used to establish a section within the Internal Control Compliance Oversight section to provide support and assistance to the small agencies. For 2009, \$318,870 (GF) and two positions. For 2010, \$363,594 (GF).

▶ **Increase positions in payroll service bureau due to increased workload**

Provides additional positions to address an increased workload resulting from the inclusion of new agencies. The payroll service bureau recently assumed responsibility for the payroll functions for the Department of Motor Vehicles (DMV). No additional funding is necessary as the positions will be supported with revenue from DMV. For 2009, four positions.

Adjusts the agency's budget to provide funding for the one-time mandatory deposit to the Revenue Stabilization Fund as certified by the Auditor of Public Accounts. For 2009, \$21.3 million (GF).

▶ **Fund line of duty estimated "other post employment benefits"**

Provides additional funding to meet obligations to fund line of duty other post employment benefits (OPEB), based on actuarial estimates. For 2009, \$1.3 million (GF). For 2010, \$2.6 million (GF).

▶ **Limit distribution of alcoholic beverage control profits to towns**

Removes funds for cities and counties from the distribution of alcoholic beverage control profits. Profits will be distributed to towns. For each year, a reduction of \$3.9 million (GF).

▶ **Limit distribution of wine tax to towns**

Removes funds for cities and counties from the distribution of revenue from the wine tax. Revenue will be distributed to towns. For each year, a reduction of \$4.1 million (GF).

Department of Accounts Transfer Payments

To provide financial assistance to the localities and to administer the Revenue Stabilization Fund, Virginia Education Loan Authority Reserve Fund, and the Line of Duty Act as required by the Code of Virginia.

Operating Budget History

	General Fund	Nongeneral Fund	Positions
2005 Appropriation	\$191,568,057	\$2,044,778	0.00
2006 Appropriation	\$644,219,759	\$2,044,778	0.00
2007 Appropriation	\$168,597,412	\$1,044,778	0.00
2008 Appropriation	\$248,895,905	\$1,044,778	0.00

New Operating Budget Summary

	General Fund	Nongeneral Fund	Positions
2009 Base Budget	\$248,895,905	\$1,044,778	0.00
2009 Addenda	(\$169,664,102)	\$0	0.00
2009 TOTAL	\$79,231,803	\$1,044,778	0.00
2010 Base Budget	\$248,895,905	\$1,044,778	0.00
2010 Addenda	(\$189,684,629)	\$0	0.00
2010 TOTAL	\$59,211,276	\$1,044,778	0.00

Recommended Operating Budget Addenda

▶ **Remove Revenue Stabilization Fund deposit**

Adjusts the agency's budget to remove the one-time deposit for the Revenue Stabilization Fund. This is a technical amendment. For each year, a reduction of \$184.3 million (GF).

▶ **Provide funding for the mandatory Revenue Stabilization Fund deposit**

Department of Planning and Budget

<http://www.dpb.virginia.gov/>

The Department of Planning and Budget advises the Governor on how to wisely use public resources for the benefit of all Virginians by analyzing, developing, and carrying out various fiscal, programmatic, and regulatory policies.

Key Objectives and Performance Measures

➔ **We will develop a financially sound budget in which proposed recurring spending can be maintained by recurring revenue over time.**

Ratio of recurring general fund revenue to recurring general fund spending

➔ **We will maintain a high level of satisfaction from the Governor's Policy Office and the Cabinet regarding information and analysis provided to them by DPB.**

Average rating of survey respondents' satisfaction with the timeliness and quality of DPB's analyses.

Operating Budget History

	General Fund	Nongeneral Fund	Positions
2005 Appropriation	\$5,551,734	\$250,000	67.00
2006 Appropriation	\$6,702,532	\$250,000	68.00
2007 Appropriation	\$8,200,057	\$250,000	70.00
2008 Appropriation	\$8,199,102	\$250,000	70.00

New Operating Budget Summary

	General Fund	Nongeneral Fund	Positions
2009 Base Budget	\$8,199,102	\$250,000	70.00
2009 Addenda	\$419,288	\$0	3.00
2009 TOTAL	\$8,618,390	\$250,000	73.00
2010 Base Budget	\$8,199,102	\$250,000	70.00
2010 Addenda	\$498,468	\$0	3.00
2010 TOTAL	\$8,697,570	\$250,000	73.00

Recommended Operating Budget Addenda

► **Distribute Central Appropriations amounts to agency budgets**

Adjusts the agency budget to reflect amounts moved from Central Appropriations to cover the cost of items such as the continuation of 2007 and 2008 salary and health insurance premium increases, as well as changes in retirement and disability contribution rates and other centrally funded items. For each year, \$547,563 (GF).

► **Continue 2008 budget reductions**

Continues the budget reductions included in the Governor's 2008 reduction plan into the 2008-10 biennium. For 2009, a decrease of \$410,042 (GF) and two positions. For 2010, a decrease of \$410,042 (GF).

► **Capture savings using an alternative method to produce the Budget Document**

Captures savings by using more efficient techniques than printing to produce the annual Budget Document. For each year, a reduction of \$6,000 (GF).

► **Establish the finance management training program**

Establishes a finance intern program to develop professional expertise in the finance arena in state government. Five positions will be established to create the first training cohort. These positions will rotate throughout the involved agencies over a two year period. The initial cadre of agencies includes: the Departments of Planning and Budget, Taxation, Accounts, Treasury, Office of the State Auditor of Public Accounts, Joint Legislative and Audit Review Commission, Senate Finance Committee, and House Appropriations Committee. For 2009, \$287,767 (GF) and five positions. For 2010, \$366,947 (GF).

Department of Taxation

<http://www.tax.virginia.gov/>

The Virginia Department of Taxation's mission is to serve the public by administering the tax laws of the Commonwealth of Virginia with integrity, efficiency, and consistency.

Key Objectives and Performance Measures

↔ **We will issue current year electronically filed individual income tax refunds within 12 days of receipt of the return.**

Issue current year refunds for 98 percent of electronically filed returns within 12 days of receipt of the return.

↔ **We will increase electronic interactions with citizens.**

Increase the number of taxpayer transactions through TAX's electronic channels by eight percent.

↔ **We will respond to taxpayer inquiries in a timely manner.**

Answer 87 percent of calls before the caller disconnects.

Operating Budget History

	General Fund	Nongeneral Fund	Positions
2005 Appropriation	\$81,690,979	\$32,605,335	935.50
2006 Appropriation	\$81,425,023	\$21,476,094	908.50
2007 Appropriation	\$86,054,998	\$12,579,537	945.50
2008 Appropriation	\$86,771,193	\$9,315,597	946.50

New Operating Budget Summary

	General Fund	Nongeneral Fund	Positions
2009 Base Budget	\$86,771,193	\$9,315,597	946.50
2009 Addenda	\$1,105,369	\$203,731	0.00
2009 TOTAL	\$87,876,562	\$9,519,328	946.50
2010 Base Budget	\$86,771,193	\$9,315,597	946.50
2010 Addenda	\$1,605,369	\$203,731	0.00
2010 TOTAL	\$88,376,562	\$9,519,328	946.50

Recommended Operating Budget Addenda

► **Distribute Central Appropriations amounts to agency budgets**

Adjusts the agency budget to reflect amounts moved from Central Appropriations to cover the cost of items such as the continuation of 2007 and 2008 salary and health insurance premium increases, as well as changes in retirement and disability contribution rates and other centrally funded items. For each year, \$5.8 million (GF) and \$143,731 (NGF).

► **Increase the nongeneral fund appropriation for rail and pipeline activities**

Increases the nongeneral fund appropriation used to support the agency's rail and pipeline activities. The related tax is collected by the State Corporation Commission and the revenue is transferred to the department to cover administrative costs. This action accounts for appropriation increases provided administratively in previous years. For each year, \$60,000 (NGF).

► **Transfer nongeneral fund appropriation to the correct fund**

Transfers the appropriation (\$273,100) for the Communication Sales and Use Tax Trust Fund provided in 2008 to the correct fund. The department is allowed to recover the direct cost incurred in implementing and collecting the tax.

► **Increase funding for postage**

Provides additional funding to cover the increased postage costs resulting from rate increases that were effective January 2006 and May 2007. The department sends over eight million pieces of outgoing mail using a variety of postage rates depending upon weight and class. For each year, \$340,000 (GF).

► **Capture savings attributable to the Virginia Information Technologies Agency rate structure**

Captures anticipated savings associated with the implementation of the Virginia Information Technologies Agency's rate structure. For each year, a reduction of \$685,802 (GF).

► **Continue 2008 budget reductions**

Continues the budget reductions included in the Governor's 2008 reduction plan into the 2008-10 biennium. For 2009, a decrease of \$4.4 million (GF). For 2010, a decrease of \$3.9 million (GF).

► **Expand use of the Contract Collector Fund to include audit functions**

A language amendment to allow the department to use the Contract Collector Fund to pay costs associated with improving its existing audit selection process.

► **Administer the new locally imposed motor vehicle fuel sales**

tax and sales and use tax on motor vehicle repairs

A language amendment to allow the department to recover its direct costs of administering the new Motor Vehicle Fuel Sales Tax in the Hampton Roads Transportation Authority, and the new sales and use tax on motor vehicle repairs in the Hampton Roads Transportation Authority and the Northern Virginia Transportation Authority.

Recommended Capital Outlay Addenda

► **Authorize the Department of Taxation to enter into capital lease agreements**

Authorizes the agency to enter into one or more capital lease arrangements for office space. The agency currently occupies leased office space in several locations with leases due to expire prior to the end of the 2008-2010 biennium.

Department of the Treasury

<http://www.trs.virginia.gov/>

The Department of the Treasury is dedicated to serving the Commonwealth by providing excellent financial management and outstanding customer service.

Key Objectives and Performance Measures

↔ **We will achieve better rates on Virginia's bonds than the average rates of comparable bonds issued nationwide.**

Average yield on bond issues

↔ **We will ensure, over a trailing five-year period, the yield on the state's general fund investment earnings in the Primary Liquidity Portfolio will exceed the iMoney Net Money Fund Monitor Yield.**

Number of basis points by which the industry benchmark is exceeded.

↔ **We will ensure that Commonwealth checks are printed and distributed accurately and timely in accordance with agency procedures.**

Percentage of checks delivered in a timely and accurate manner.

Operating Budget History

	General Fund	Nongeneral Fund	Positions
2005 Appropriation	\$9,452,975	\$7,548,369	120.00
2006 Appropriation	\$13,213,986	\$7,885,709	122.00
2007 Appropriation	\$9,688,512	\$8,352,347	123.00
2008 Appropriation	\$7,851,264	\$8,498,179	123.00

New Operating Budget Summary

	General Fund	Nongeneral Fund	Positions
2009 Base Budget	\$7,851,264	\$8,498,179	123.00
2009 Addenda	(\$26,238)	\$659,583	1.00
2009 TOTAL	\$7,825,026	\$9,157,762	124.00
2010 Base Budget	\$7,851,264	\$8,498,179	123.00
2010 Addenda	(\$26,238)	\$664,411	1.00
2010 TOTAL	\$7,825,026	\$9,162,590	124.00

Recommended Operating Budget Addenda

► **Distribute Central Appropriations amounts to agency**

budgets

Adjusts the agency budget to reflect amounts moved from Central Appropriations to cover the cost of items such as the continuation of 2007 and 2008 salary and health insurance premium increases, as well as changes in retirement and disability contribution rates and other centrally funded items. For each year, \$301,912 (GF) and \$495,000 (NGF).

► **Increase nongeneral fund appropriation for charges by the Virginia Information Technologies Agency**

Increases the agency's unclaimed property nongeneral fund appropriation to cover anticipated charges by the Virginia Information Technologies Agency. In 2007, the appropriation was increased administratively. For each year, \$119,000 (NGF).

► **Increase nongeneral fund appropriation to cover rent increases during the last biennium**

Increases the nongeneral fund appropriation for Risk Management for increases in rent charged by the Department of General Services. For each year, \$19,057 (NGF).

► **Increase the nongeneral fund appropriation for unclaimed property compliance services and securities portfolio custody services**

Increases the nongeneral fund sum sufficient appropriation to pay fees for unclaimed property compliance services and securities portfolio custody services from \$700,000 to \$900,000 per year due to increases in stock portfolio and mutual fund holdings and three new compliance services contracts. For each year, \$200,000 (NGF).

► **Move appropriation to the correct program**

Transfers funding for payments related to the department's investment accounting system to the program where the funds are expended.

► **Reduce nongeneral fund appropriation for check processing costs**

Reduces the nongeneral fund appropriation for check processing costs associated with processing Virginia Employment Commission benefit and Department of Social Services child support checks because both agencies have switched to paycards for payment of these claims. For each year, a reduction of \$304,755 (NGF).

► **Increase nongeneral fund appropriation for rent**

A technical adjustment to increase the nongeneral fund appropriation to fund the increased rental expenses for space occupied by the Unclaimed Property Administration Division. For each year, \$60,189 (NGF).

► **Fund postage rate increases**

Provides additional funding for postage to cover the increased costs associated with the last two postage rate increases authorized by the United States Postal Service in January 2006 and May 2007. For each year, \$113,850 (GF).

► **Continue 2008 budget reductions**

Continues the budget reductions included in the Governor's 2008 reduction plan into the 2008-10 biennium. For each year, a reduction of \$442,000 (GF).

► **Establish an additional credit analyst position for investments made by the Local Government Investment Pool**

Provides an additional credit analyst position for investments made by the Local Government Investment Pool. The position

Department of the Treasury (Continued)

will analyze the credit worthiness of available securities for investment decisions and select alternative investment options. The source of funds for this position will be the Local Government Investment Pool fee income. For 2009, \$71,092 (NGF) and one position. For 2010, \$75,920 (NGF).

(VPBA), and the Virginia College Building Authority (VCBA). The estimates reflect the issuance of bonds in the spring of calendar year 2009. For 2010, \$50.5 million (GF).

► **Amend debt service reporting requirement**

A language amendment to require the department to report annually on changes in the Commonwealth's debt service requirements. Current language requires that the department report quarterly.

Treasury Board

To provide sufficient appropriations for the payment of outstanding and future debt obligations of the Commonwealth. (While the Treasury Board is tasked by statute with many duties, the Treasury Board budget is limited to amounts required to pay principal and interest on tax-supported debt obligations of the Commonwealth.)

Operating Budget History

	General Fund	Nongeneral Fund	Positions
2005 Appropriation	\$284,718,976	\$6,995,367	0.00
2006 Appropriation	\$310,489,287	\$9,415,155	0.00
2007 Appropriation	\$347,676,692	\$9,269,878	0.00
2008 Appropriation	\$409,851,776	\$11,268,364	0.00

New Operating Budget Summary

	General Fund	Nongeneral Fund	Positions
2009 Base Budget	\$409,851,776	\$11,268,364	0.00
2009 Addenda	\$54,935,032	(\$1,883)	0.00
2009 TOTAL	\$464,786,808	\$11,266,481	0.00
2010 Base Budget	\$409,851,776	\$11,268,364	0.00
2010 Addenda	\$143,185,948	(\$3,847)	0.00
2010 TOTAL	\$553,037,724	\$11,264,517	0.00

Recommended Operating Budget Addenda

► **Adjust funding for debt service on outstanding and authorized obligations**

Provides the funds necessary to pay debt service on bonds or other obligations. The total debt service appropriation provides for payments on outstanding obligations and amounts estimated to be necessary for debt service on projects authorized for general obligation, Virginia Public Building Authority, and Virginia College Building Authority (VCBA) financing. This adjustment reflects the net effect of additional issues less amounts retired over time. These amounts also assume \$50 million in additional VCBA equipment authorization in each year. For 2009, an increase of \$54.9 million (GF) and a decrease of \$1,883 (NGF). For 2010, an increase of \$92.7 million (GF) and a decrease of \$3,847 (NGF).

► **Provide debt service for new issuances through the Virginia Public Building Authority, Virginia College Building Authority and for general obligation**

Provides debt service funding for amounts owed on new authorizations and issuance in the 2008-2010 biennium for general obligation, the Virginia Public Building Authority