



# Office of Finance

Finance agencies handle the financial transactions of the Commonwealth, from collecting the 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.

## Secretarial Area Budget Summary

|                                      | General Fund         | Nongeneral Fund     | TOTAL                | Personnel Costs     | Other Costs          | Positions       |
|--------------------------------------|----------------------|---------------------|----------------------|---------------------|----------------------|-----------------|
| <b>OPERATING BUDGET HISTORY:</b>     |                      |                     |                      |                     |                      |                 |
| FY 2003                              | \$409,073,345        | \$59,121,142        | \$468,194,487        | \$66,410,066        | \$401,784,421        | 1,207.00        |
| FY 2004                              | \$499,591,410        | \$64,144,364        | \$563,735,774        | \$69,302,852        | \$494,432,922        | 1,206.50        |
| FY 2005                              | \$581,625,676        | \$49,485,849        | \$631,111,525        | \$73,424,525        | \$557,687,000        | 1,230.50        |
| FY 2006                              | \$675,583,079        | \$41,113,736        | \$716,696,815        | \$75,823,624        | \$640,873,191        | 1,200.50        |
| <b>NEW OPERATING BUDGET SUMMARY:</b> |                      |                     |                      |                     |                      |                 |
| FY 2007 Base Budget                  | \$675,583,079        | \$41,113,736        | \$716,696,815        | \$74,746,631        | \$641,950,184        | 1,200.50        |
| FY 2007 Addenda                      | (\$141,886,519)      | (\$10,389,071)      | (\$152,275,590)      | \$7,613,348         | (\$159,888,938)      | 23.00           |
| <b>FY 2007 TOTAL</b>                 | <b>\$533,696,560</b> | <b>\$30,724,665</b> | <b>\$564,421,225</b> | <b>\$82,359,979</b> | <b>\$482,061,246</b> | <b>1,223.50</b> |
| FY 2008 Base Budget                  | \$675,583,079        | \$41,113,736        | \$716,696,815        | \$74,746,631        | \$641,950,184        | 1,200.50        |
| FY 2008 Addenda                      | (\$84,612,586)       | (\$12,884,660)      | (\$97,497,246)       | \$7,692,396         | (\$105,189,642)      | 23.00           |
| <b>FY 2008 TOTAL</b>                 | <b>\$590,970,493</b> | <b>\$28,229,076</b> | <b>\$619,199,569</b> | <b>\$82,439,027</b> | <b>\$536,760,542</b> | <b>1,223.50</b> |

# **Secretary of Finance**

## **Mission Statement**

Provide policy and administrative guidance to the Department of Taxation, Department of Accounts, Department of the Treasury, and the Department of Planning and Budget within the Finance Secretariat. These agencies handle all the financial transactions of the Commonwealth—from collecting taxes to paying state obligations to distributing aid to localities.

## **Agency Goals:**

- Continue successful implementation of tax reform legislation.
- Maintain Virginia's AAA bond rating.
- Maintain fiscal stability over the long-term.
- Complete the AMS partnership project; convert to advantage revenue.
- Integrate performance management into the budget process.
- Advance efforts of the Council on Virginia's Future.
- Strengthen oversight and improve agency internal financial controls.
- Analyze and, as appropriate, move toward implementation of a new financial management systems proposed in PPEIA process.
- Increase use of electronic payment systems.
- Implement new risk management plans.
- To effectively oversee the implementation of the Governor's priorities in a manner consistent with applicable state and federal requirements.

## **Customers Served:**

- Bondholders
- Executive Branch Officials, Agencies and Institutions
- Legislative Branch
- Boards and Authorities
- Local Government Officials and Participants
- Holders of Unclaimed Property
- Financial Institutions
- Insurance Companies
- Taxpayers of the Commonwealth

## Agency Budget Summary

|                                      | General Fund     | Nongeneral Fund | TOTAL            | Personnel Costs  | Other Costs     | Positions   |
|--------------------------------------|------------------|-----------------|------------------|------------------|-----------------|-------------|
| <b>OPERATING BUDGET HISTORY:</b>     |                  |                 |                  |                  |                 |             |
| FY 2003                              | \$442,022        | \$0             | \$442,022        | \$443,967        | (\$1,945)       | 5.00        |
| FY 2004                              | \$424,743        | \$0             | \$424,743        | \$443,967        | (\$19,224)      | 5.00        |
| FY 2005                              | \$460,542        | \$0             | \$460,542        | \$422,357        | \$38,185        | 5.00        |
| FY 2006                              | \$580,969        | \$0             | \$580,969        | \$555,494        | \$25,475        | 5.00        |
| <b>NEW OPERATING BUDGET SUMMARY:</b> |                  |                 |                  |                  |                 |             |
| FY 2007 Base Budget                  | \$580,969        | \$0             | \$580,969        | \$555,494        | \$25,475        | 5.00        |
| FY 2007 Addenda                      | \$45,423         | \$0             | \$45,423         | \$40,965         | \$4,458         | 0.00        |
| <b>FY 2007 TOTAL</b>                 | <b>\$626,392</b> | <b>\$0</b>      | <b>\$626,392</b> | <b>\$596,459</b> | <b>\$29,933</b> | <b>5.00</b> |
| FY 2008 Base Budget                  | \$580,969        | \$0             | \$580,969        | \$555,494        | \$25,475        | 5.00        |
| FY 2008 Addenda                      | \$45,623         | \$0             | \$45,623         | \$40,965         | \$4,658         | 0.00        |
| <b>FY 2008 TOTAL</b>                 | <b>\$626,592</b> | <b>\$0</b>      | <b>\$626,592</b> | <b>\$596,459</b> | <b>\$30,133</b> | <b>5.00</b> |

### Agency Summary of Recommended Operating Budget Addenda

► **Transfer centrally funded 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 2005 and 2006 salary and health insurance premium increases, and changes in retirement and disability contribution rates. For each year, \$41,303 (GF).

► **Adjust funding for agency expenditures related to cost of basic operations**

Adjusts funding for changes in operating costs related to central agency services and various charges. These include rental charges at the seat of government, procurement fees, property insurance premiums, and workers compensation insurance premiums. It also includes adjustments for changes in project management and security provided by the Virginia Information Technologies Agency and the transformation to service-based billing for technology services other than hardware and software. For 2007, \$4,120 (GF). For 2008, \$4,320 (GF).

### Agency Service Areas:

#### Administrative and Support Services

This service area provides the resources to provide general management and direction to agencies. It also specifically defines broad policy goals, defines how state and federal funds are to be allocated, and details special reports the Secretary and reporting agencies are to provide to the General Assembly or other groups.

| Service Area Budget   | 2007 Dollars     | 2008 Dollars     | 2007 Positions | 2008 Positions |
|---|------------------|------------------|----------------|----------------|
| Base Budget   | \$580,969        | \$580,969        | 5.00           | 5.00           |
| <i>Transfer centrally funded amounts to agency budgets</i>                        | \$41,303         | \$41,303         | 0.00           | 0.00           |
| <i>Adjust funding for agency expenditures related to cost of basic operations</i> | \$4,120          | \$4,320          | 0.00           | 0.00           |
| <b>Total for Service Area</b>   | <b>\$626,392</b> | <b>\$626,592</b> | <b>5.00</b>    | <b>5.00</b>    |

**Objective:** To ensure that resources are used efficiently and programs are managed effectively, and in a manner consistent with applicable state and federal requirements.

| Key Performance Measure(s)  | Measure Baseline(s) | Measure Targets(s) |
|---|---------------------|--------------------|
| Percent of agencies that "Meet Expectations" in each of the five management functions in Virginia Excels. | 100%                | 100%               |

# Department of Accounts

## Mission Statement

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.

## Agency Goals:

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.
- Strengthen oversight and improve agency internal controls.
- Produce a comprehensive annual financial report (CAFR) that receives an unqualified audit opinion and receives the Certificate of Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).
- Coordinate and develop enterprise systems.
- Retain and develop staff.
- Efficiently and effectively operate service bureaus to serve the payroll and accounting needs of agencies participating.

## Customers Served:

- Commonwealth Agencies and Institutions
- Local Political Subdivisions
- Citizens of the Commonwealth
- Commonwealth Employees
- Commonwealth goods and service providers
- Bond Ratings Agencies
- Legislative Branch Members and Employees

## Agency Budget Summary

|                                      | General Fund       | Nongeneral Fund  | TOTAL              | Personnel Costs    | Other Costs        | Positions     |
|--------------------------------------|--------------------|------------------|--------------------|--------------------|--------------------|---------------|
| <b>OPERATING BUDGET HISTORY:</b>     |                    |                  |                    |                    |                    |               |
| FY 2003                              | \$69,221,342       | \$3,086,778      | \$72,308,120       | \$7,683,553        | \$64,624,567       | 102.00        |
| FY 2004                              | \$150,383,729      | \$4,236,778      | \$154,620,507      | \$6,400,491        | \$148,220,016      | 102.00        |
| FY 2005                              | \$8,182,413        | \$42,000         | \$8,224,413        | \$6,873,371        | \$1,351,042        | 103.00        |
| FY 2006                              | \$8,546,452        | \$42,000         | \$8,588,452        | \$7,526,523        | \$1,061,929        | 97.00         |
| <b>NEW OPERATING BUDGET SUMMARY:</b> |                    |                  |                    |                    |                    |               |
| FY 2007 Base Budget                  | \$8,546,452        | \$42,000         | \$8,588,452        | \$6,007,867        | \$2,580,585        | 97.00         |
| FY 2007 Addenda                      | \$787,249          | \$291,665        | \$1,078,914        | \$1,021,935        | \$56,979           | 6.00          |
| <b>FY 2007 TOTAL</b>                 | <b>\$9,333,701</b> | <b>\$333,665</b> | <b>\$9,667,366</b> | <b>\$7,029,802</b> | <b>\$2,637,564</b> | <b>103.00</b> |
| FY 2008 Base Budget                  | \$8,546,452        | \$42,000         | \$8,588,452        | \$6,007,867        | \$2,580,585        | 97.00         |
| FY 2008 Addenda                      | \$776,465          | \$291,665        | \$1,068,130        | \$1,021,935        | \$46,195           | 6.00          |
| <b>FY 2008 TOTAL</b>                 | <b>\$9,322,917</b> | <b>\$333,665</b> | <b>\$9,656,582</b> | <b>\$7,029,802</b> | <b>\$2,626,780</b> | <b>103.00</b> |

## Agency Summary of Recommended Operating Budget Addenda

### ► Transfer centrally funded 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 2005 and 2006 salary and health insurance premium increases, and changes in retirement and disability contribution rates. For each year, \$535,882 (GF) and \$16,665 (NGF).

► **Adjust funding for agency expenditures related to cost of basic operations**

Adjusts funding for changes in operating costs related to central agency services and various charges. These include rental charges at the seat of government, procurement fees, property insurance premiums, and workers compensation insurance premiums. It also includes adjustments for changes in project management and security provided by the Virginia Information Technologies Agency and the transformation to service-based billing for technology services other than hardware and software. For 2007, \$38,330 (GF). For 2008, \$32,546 (GF).

► **Support the increased workload in the Payroll Service Bureau and the Fiscal Service Bureau.**

Provides two positions for the Payroll Service Bureau and the Fiscal Service Bureau to enable the agency to have the manpower to provide the services required. No additional funding is needed since the positions are funded through a reimbursement for services rendered by the agencies served. For 2007, two positions.

► **Provide one position for the Line of Duty Program**

Provides funding and one position to support processing of the Line of Duty insurance claims. The 2005 General Assembly passed a bill allowing state employees injured in the line of duty anytime after July 1, 1972 to submit claims for health insurance benefits. This action has resulted in an increased number of Line of Duty insurance claims, necessitating an additional position to handle the increased workload. For 2007, \$74,295 (GF) and one position. For 2008, \$69,295 (GF).

► **Strengthen Enterprise Risk Management in the Commonwealth**

Provides funding for two positions for the expansion of statewide internal control and oversight initiatives. Strengthening and improving internal controls is important in securing the continued public trust in the Commonwealth's financial operations. For 2007, \$138,742 (GF) and two positions. For 2008, \$138,742 (GF).

► **Establish the Commonwealth Charge Card Rebate Fund**

Establishes the Commonwealth Charge Card Rebate Fund to deposit rebate revenue earned on the Commonwealth's statewide charge card programs in order to support administration and oversight of the programs. For 2007, \$275,000 (NGF) and one position. For 2008, \$275,000 (NGF).

**Agency Service Areas:**

**Financial Systems Development**

DOA management recognizes the increasing value of information generation as a service. Integration between systems continues to increase, particularly between mainframe and desktop processing environments. This functional activity supports the operation of the statewide general ledger system (CARS), the statewide payroll system (CIPPS), and the statewide fixed asset system (FAACS), as well as other related statewide financial information systems.

This area includes the ongoing planning needed to promote the coordinated development and integration of hardware, database systems, application programs, and communications within DOA and between DOA and its customers. All planning is done in conformance with the guidelines of the Virginia Information Technology Agency (VITA). Weekly management status meetings and the annual update to the agency information technology plan are used to support this activity.

| <b>Service Area Budget</b>                                 | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | \$625,807           | \$625,807           | 6.00                  | 6.00                  |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$47,264            | \$47,264            | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                              | \$673,071           | \$673,071           | 6.00                  | 6.00                  |

**Objective: Comply with established deadlines to upgrade software and implement systems enhancements to be legislative mandates.**

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|--|----------------------------|---------------------------|
| Percent of the time vendor established software upgrade deadlines are met. | 100%, 2005.                | 100%, 2006-2008 biennium. |

**Financial Systems Maintenance**

Systems maintenance area maintains existing systems including CARS, CIPPS, & FAACS. This area also maintains existing web applications such as Reportline, Payline, and Redi Virginia. Maintenance is distinguished from development in that development involves creating new functionality, whereas maintenance supports the continued use of existing functionality.

| <b>Service Area Budget</b>                                 | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | \$938,710           | \$938,710           | 10.00                 | 10.00                 |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$70,896            | \$70,896            | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                              | \$1,009,606         | \$1,009,606         | 10.00                 | 10.00                 |

**Objective: Comply with legislated deadlines for system upgrades.**

| <b>Key Performance Measure(s)</b>                                 | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|---|----------------------------|---------------------------|
| Percent of time legislated deadlines for system upgrades are met. | 100%, 2005.                | 100%, 2006-2008 biennium. |

### **Computer Services**

Integration between systems continues to increase, particularly between mainframe and desktop processing environments. This service area supports the operation of the statewide general ledger system (CARS), the statewide payroll system (CIPPS), and the statewide fixed asset system (FAACS), as well as other related statewide financial information systems. DOA transitioned to VITA in July, 2004. At that time the staff associated with these functions became employees of VITA. DOA continues to monitor the performance of these functions, in conjunction with VITA.

| <b>Service Area Budget</b>    | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|-------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>            | \$1,756,837         | \$1,756,837         | 0.00                  | 0.00                  |
| <b>Total for Service Area</b> | \$1,756,837         | \$1,756,837         | 0.00                  | 0.00                  |

**Objective: Ensure that agency systems are available for use by DOA customers.**

| <b>Key Performance Measure(s)</b>                 | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b>  |
|---|----------------------------|----------------------------|
| Percent of time that major systems are available. | 100%, June 2005.           | 95%, 2006 - 2008 biennium. |

## **General Accounting**

The Department of Accounts (DOA) maintains the official accounts for the Commonwealth in the Commonwealth Accounting and Reporting System (CARS). Deposit and disbursement transactions are entered by agencies on-line during the workday and computer edited against authorized spending levels in nightly batch runs. A daily reconciliation of the state's cash position in the books of the Comptroller to the books of the State Treasurer is performed. Various accounting reports are generated for use by agency and DOA staff to reconcile the accounts each day and identify and resolve any discrepancies that are identified. All disbursements of public funds must be processed through CARS. This service area also includes management of the state-aid-intercept program.

### **Appropriation Control**

This service area involves the internal control procedures used by state government to enforce compliance with appropriation law. Following enactment of the Appropriation Act, two agencies become responsible for ensuring that appropriation law is followed. DPB authorizes the expenditure of appropriated funds through the allotment process, while DOA enforces this authorization through the automated edits and manual procedures that support the general ledger. This service area includes the preparation of year-end reconciliations that account for all expenditures as authorized in the Appropriation Act.

### **Support Locality Revenue Deposits**

DOA has general oversight for deposit reconciliation for all sources of state revenue. However, a separate service involves the processing of deposits from local governments and the court system. Given the many different administrative environments found among local governments and the various state courts, DOA has assumed a higher level of processing responsibility for these deposits. Each month DOA handles an average of 33,000 local deposit certificates that account for between \$55 million and \$70 million in state receipts. Following a decentralization initiative begun in early 2003, entry of these deposit transactions into the central accounting system is largely executed by localities. A related responsibility is the monthly summarization and certification of recordation taxes, a portion of which are ultimately due to localities. This service also includes procedures for refunding forfeited bail bonds as ordered by a court.

### **Interest Calculation**

Virginia statutory and appropriation law frequently allocates interest income earned by the Treasurer to specific non-general funds. This requires detailed calculations and record keeping necessary to allocate interest and demonstrate compliance with the related legal provisions.

### **Debt Setoff Program**

Section 2.2-4806 of the Code authorizes the recovery of overdue debts owed the Commonwealth from suppliers for amounts to be paid for procured goods and services. This is a debt setoff program similar to that used by Tax to recover debts from state tax refunds. Since its inception in 1991 through FY 2002 this program has recovered in excess of \$47.8 million in overdue debts owed the Commonwealth.

### **Loan, Line of Credit and Grant Coordination**

The Appropriation Act provides for intra-governmental loans and lines of credit from the Treasury to support state programs that are anticipating non-general funds from federal grants and contracts, bond sales, and similar situations. The Comptroller's office is responsible for development of procedures for agencies to follow in applying and justifying such requests. DOA must administer these financial transactions including interest calculation, timing of repayment, and proper accounting and reporting. This service includes the processing of state grants to non-state agencies as authorized by the Appropriation Act and regulated by DPB.

### **Financial Electronic Data Interchange (FEDI)**

FEDI increases administrative efficiency and reduces costs through the replacement of check payments with automated transactions. The program was implemented in 1994. The Commonwealth has over eleven thousand trading partners accepting electronic payments including vendors, localities, state agencies/employees and grant recipients.

### **Revenue Report**

A report is prepared monthly to report General Fund and Lottery revenue collections tracked against the latest official revenue forecast. Comparative data on the various revenue sources are provided reflecting actual revenues collected for the month and year-to-date compared to collections for the same period in the previous fiscal year. The percentage change in revenues for the month and year-to-date are also compared to the percentage change required by the revenue estimate.

### **Distributions to Local Governments**

The State Comptroller is mandated by law to distribute certain funds to local governments. Such distributions include funds allocated to localities pursuant to the sales and use tax based upon school age population, a percentage of ABC profits based on total population, and recordation tax for which the total distribution is fixed but each locality's share is based upon their collections compared to total collections.

### **Personal Property Tax Relief Act (PPTRA)**

DOA disburses funds to local governments pursuant to the Personal Property Tax Relief Act.

Agency Accounting/Internal Control Oversight

As the Commonwealth's central accounting agency, DOA develops and promulgate accounting and internal control policies and procedures. In this role, DOA oversees each agency fiscal office in the Commonwealth. These responsibilities include publication of the Commonwealth Accounting Policies and Procedures Manual, preparation and publication of year-end closing procedures, development of agency fiscal officer training, conducting quality control analytical procedures, and development of an agency risk management and internal control standards including best practices for internal control policies and procedures for state agencies.

| Service Area Budget                                 | 2007 Dollars       | 2008 Dollars       | 2007 Positions | 2008 Positions |
|---|--------------------|--------------------|----------------|----------------|
| Base Budget   | \$1,206,497        | \$1,206,497        | 15.00          | 15.00          |
| Transfer centrally funded amounts to agency budgets | \$91,698           | \$91,698           | 0.00           | 0.00           |
| Establish the Commonwealth Charge Card Rebate Fund  | \$275,000          | \$275,000          | 1.00           | 1.00           |
| <b>Total for Service Area</b>                       | <b>\$1,573,195</b> | <b>\$1,573,195</b> | <b>16.00</b>   | <b>16.00</b>   |

**Objective: Ensure cash in CARS and cash in the Treasurer's system are reconciled.**

| Key Performance Measure(s)   | Measure Baseline(s) | Measure Targets(s)        |
|--|---------------------|---------------------------|
| Percentage of reconciliations occurring within one business day of each CARS edit. | 100 %, FY 2005.     | 100%, 2006-2008 biennium. |

**Objective: Enhance Commonwealth Internal Controls.**

| Key Performance Measure(s)  | Measure Baseline(s)              | Measure Targets(s)               |
|---|----------------------------------|----------------------------------|
| Publication of a statewide directive on Enterprise Risk Management. | Publication of an ERM directive. | Publication of an ERM directive. |

**Objective: Execute fiscal year-end close.**

| Key Performance Measure(s)                                 | Measure Baseline(s) | Measure Targets(s)          |
|--|---------------------|-----------------------------|
| Close the books of the Commonwealth by August 1 each year. | August, 2005.       | August, 2006-2008 biennium. |

**Objective: Analyze and report general fund revenues.**

| Key Performance Measure(s)   | Measure Baseline(s) | Measure Targets(s)        |
|--|---------------------|---------------------------|
| Percent of time the general fund revenue report is prepared within two business days after the CARS monthly close. | 100%, FY2005.       | 100%, 2006-2008 biennium. |

**Objective: Process legislatively mandated distributions to localities.**

| Key Performance Measure(s)   | Measure Baseline(s) | Measure Targets(s)        |
|--|---------------------|---------------------------|
| Percent of distributions to local governments processed by legislated time frames. | 100%, FY2005.       | 100%, 2006-2008 biennium. |

**Objective: Ensure compliance with original legislative appropriations.**

| Key Performance Measure(s)  | Measure Baseline(s) | Measure Targets(s)        |
|---|---------------------|---------------------------|
| Percent of time original legislative appropriations are recorded within 7 days. | 100%, 2005.         | 100%, 2006-2008 biennium. |



## Disbursements Review

This service involves the promulgation and interpretation of policies, procedures and controls governing the disbursement of public funds, and the review of transactions prior to payment to ensure that policies and controls are being enforced by agency fiscal personnel. Disbursements review responsibility prior to payment has been largely delegated to individual agencies. Agency performance is monitored through periodic post-disbursement reviews and reported to the Governor and Cabinet. Several agencies are still required to submit documents to DOA for review to support all disbursements prior to payment. These agencies have either not demonstrated the capability to manage a delegated program or are small agencies for which the cost of delegation is greater than the efficiency benefits to be gained. A few agencies, primarily those that support elected officials, are considered too sensitive to delegate.

This service area also includes the Division of the State Internal Auditor who provides an effective and efficient method for state employees to report fraud, waste, and abuse through the administration of the State Employee Fraud, Waste, and Abuse Hotline. DOA also assists in the establishment, development, and maintenance of agency Internal Audit Programs through training and technical assistance.

| <b>Service Area Budget</b>                                       | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | <b>\$545,414</b>    | <b>\$545,414</b>    | <b>8.00</b>           | <b>8.00</b>           |
| <i>Transfer centrally funded amounts to agency budgets</i>       | \$39,873            | \$39,873            | 0.00                  | 0.00                  |
| <i>Strengthen Enterprise Risk Management in the Commonwealth</i> | \$138,742           | \$138,742           | 2.00                  | 2.00                  |
| <b>Total for Service Area</b>                                    | <b>\$724,029</b>    | <b>\$724,029</b>    | <b>10.00</b>          | <b>10.00</b>          |

### **Objective: Audit decentralized agencies.**

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b>   | <b>Measure Targets(s)</b>   |
|---|--|---|
| Conduct audits of decentralized agencies a minimum of once every two years. | Currently, audits are conducted on an irregular basis due to lack of staffing. | Conducting audits once every two years is the minimum necessary to ensure that agencies are complying with CAPP manual policies and procedures. |

### **Objective: Administer the Fraud, Waste, and Abuse Hotline in accordance with Executive Order 24.**

| <b>Key Performance Measure(s)</b>                               | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|---|----------------------------|---------------------------|
| Percent of the hotline cases assigned within two business days. | 85%, 2005.                 | 80%, 2006-2008 biennium.  |

## Payroll Operations

The State Payroll Operations service area administers the central payroll system (CIPPS) and ensures and facilitates the calculation of payroll and benefits for state employees by agency payroll personnel. Most state employees are served by CIPPS, although the largest state-supported colleges and universities operate independent payroll systems. In addition to payroll related services, this unit is responsible for the state's charge card services (both purchasing and travel), compliance monitoring and reporting.

Agencies may calculate several payrolls on a weekly, biweekly, semimonthly or monthly basis or "as needed" to cover special situations and demands. About 1,300 payroll staff at over 200 agencies and institutions are granted secure access to the central payroll system. The distribution of pay is either by direct deposit (about 90% of all salaried employees) or by payroll check.

Employers are subject to severe financial penalties for inaccurate reporting of federal tax withholding. DOA deposits about \$195 million each quarter on behalf of over 200 state agency employers. This activity includes the administration of the Federal Automated Deposit program (FAD), preparation and electronic filing of quarterly withholding reports (IRS Form 941), preparation of year end filings for over 120,000 W-2 forms, electronic reporting to the IRS and the Social Security Administration, and preparation and filing of adjusted forms as needed (Forms 941C, W-2C, and W-3C).

Accounting and disbursements processing for benefits covers the deduction, reconciliation, disbursement and accounting for all amounts deducted from employee pay for both state benefit and supplemental deduction programs. The major benefit deductions include health care, Section 125 flexible spending accounts, and the Section 457 deferred compensation program. This service also includes the transmission of data to the VRS for retirement service credit recording, as well as the accounting of funds for employees who are eligible and have elected to participate in one of the three optional retirement programs offered in place of VRS. All deducted amounts are reconciled before the funds are disbursed to the appropriate receiving party. Deductions for other purposes are also supported including, CVC (charitable foundation contributions), U.S. Savings Bond purchases, child support orders, garnishment fees, dues for employee associations and premiums for supplemental insurance coverage and tax-deferred annuities.

The Small Purchase Charge Card Program (SPCC) was initiated in order to reduce the volume and cost of accounts payable transactions. The program was implemented in January 1, 1995 and offers state agencies and institutions an alternative payment method when making small purchases under \$5,000. A "gold card" program also enables certain types of purchases to be charged up to \$50,000. In 2005, over \$220 million was purchased under this program and the Commonwealth received over \$1.5 million in rebates from the charge card vendor. The program is currently being converted to a new Mastercard platform.

The travel charge card program is used by individuals who travel overnight more than two times a year to pay for official state travel expenses. Employees request and receive reimbursement for travel expenses as they complete travel, but must pay their travel charge card bills monthly. In 2005, 6,300 travel charge cards are in use.

This service area is responsible for the Report On Statewide Financial Management and Compliance. Each quarter DOA provides the Governor, Cabinet and Agency Heads with a comprehensive report on various measures used to monitor the degree to which agencies have complied with various accounting and financial management policies, procedures and standards of performance.

| <b>Service Area Budget</b>                                 | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | \$781,654           | \$781,654           | 16.00                 | 16.00                 |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$80,675            | \$80,675            | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                              | <b>\$862,329</b>    | <b>\$862,329</b>    | <b>16.00</b>          | <b>16.00</b>          |

### **Objective: Maximize efficiency and minimize processing costs related to the Commonwealth Purchasing Card.**

| <b>Key Performance Measure(s)</b>                                       | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|---|----------------------------|---------------------------|
| Percent that the Commonwealth procurement card charge volume increases. | 5%, FY 2006.               | 5%, 2006-2008 biennium.   |

### **Objective: Process payroll requests timely.**

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b>  |
|---|----------------------------|----------------------------|
| Percent of payrolls reviewed and processed by the final certification date. | 100%, FY 2005.             | 100%, 2006-2008 biennium.. |

**Objective: Manage payroll deductions.**

| Key Performance Measure(s)                                      | Measure Baseline(s) | Measure Targets(s)        |
|---|---------------------|---------------------------|
| Percent of payroll deductions transmitted to the vendor timely. | 100%, FY2005.       | 100%, 2006-2008 biennium. |

**Objective: Meet quarterly IRS reporting requirements and payment deadlines.**

| Key Performance Measure(s)   | Measure Baseline(s) | Measure Targets(s)                            |
|--|---------------------|---|
| Percent of the 941 reports transmitted in accordance with IRS deadlines. | 100%, each quarter. | 100%, each quarter in the 2006-2008 biennium. |

**Objective: Process employee W-2's timely.**

| Key Performance Measure(s)   | Measure Baseline(s) | Measure Targets(s)                         |
|--|---------------------|--|
| Percent of W-2's processed by the employee deadline of January 28. | 100%, FY 2005.      | 100%, each year of the 2006-2008 biennium. |

**Financial Reporting**

The Virginia Constitution requires that accounts be maintained and reported based on when cash is received and paid out. This service area involves ongoing reporting of cash activity in the state accounts throughout the year. DOA reports cash activity in state accounts throughout the year for the Governor, Secretary of Finance and General Assembly include the monthly report on the cash position of the Commonwealth. A general fund preliminary annual report is prepared by August 15 as required by law.

This service area produces the Comprehensive Annual Financial Report (CAFR) of the Commonwealth, which is audited by the Auditor of Public Accounts. Generally accepted accounting principals (GAAP) are promulgated by the Governmental Accounting Standards Board (GASB) and include the recognition of accrued assets and liabilities along with other non-cash accounting requirements. Planning, information gathering, and preparation of this report take approximately 6 1/2 months. In order to obtain all of the financial information necessary to prepare the CAFR, DOA issues the State Agency, Higher Education, and Component Unit Financial Statement Directives. These Directives provide guidance and assistance to State Agencies, Institutions of Higher Education, and Component units on the GAAP presentation of financial statement information.

This service area summarizes and simplifies the presentation of information contained in the Commonwealth's Comprehensive Annual Financial Report in a report often referred to as the "popular report." This report is intended to better inform the public about the Commonwealth's financial condition without excessive detail or the use of technical accounting terms. This service area also produces the Schedule of Expenditures of Federal Awards for inclusion in the Statewide Single Audit Report. The schedule is prepared in accordance with the requirements of OMB Federal Circular A-133.

The Code of Virginia (§2.2-4801 et seq., the Virginia Debt Collection Act) assigns DOA the responsibility to provide oversight reporting, and monitoring for the procedures used by state agencies to collect accounts receivable. Data on accounts receivable balances are compiled quarterly. These data are also used for the Comprehensive Annual Financial Report of the Commonwealth (CAFR) and the Report to the Citizens of the Commonwealth (PAFR).

This service area prepares two indirect cost allocation plans. The first is prepared in accordance with OMB Circular A-87 and is used by agencies entitled to recover indirect costs from federal grants and contracts. The plan is audited and approved by the federal government on behalf of the Commonwealth and recovered over \$190 million from federal sources in FY 2004. In addition, a second "full costing" plan is developed for DPB that supports the recovery of indirect costs borne by the General Fund on behalf of non-general funded agencies and programs. The Appropriation Act is used to recover these costs for the General Fund. In FY 2004, \$7.5 million was recovered for the General Fund through this program.

This service area accounts for all major land, building and equipment assets of the Commonwealth. Also included is the accounting for certain capital leases, which are reflected as assets in the Commonwealth financial statements. Typically about 40,000 fixed asset transactions are processed annually.

| <b>Service Area Budget</b>                                 | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | \$1,195,589         | \$1,195,589         | 16.00                 | 16.00                 |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$88,174            | \$88,174            | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                              | \$1,283,763         | \$1,283,763         | 16.00                 | 16.00                 |

**Objective: Produce a quality Comprehensive Annual Financial Report (CAFR).**

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b>  |
|--|----------------------------|----------------------------|
| Number of consecutive years to receive an unqualified audit opinion and the Certificate of Excellence in Fin. Reporting. | 18 years, FY 2005.         | FY 2006- 19; FY 2007 - 20. |

**Objective: Ensure statewide compliance with the Prompt Payment Act.**

| <b>Key Performance Measure(s)</b>                                    | <b>Measure Baseline(s)</b>              | <b>Measure Targets(s)</b>            |
|--|---|--------------------------------------|
| Monitor vendor payments to determine which are paid by the due date. | DOA monitors vendor payments quarterly. | Continue monitoring vendor payments. |

**Objective: Develop statewide Indirect Cost Allocation Plans.**

| <b>Key Performance Measure(s)</b>                               | <b>Measure Baseline(s)</b>   | <b>Measure Targets(s)</b>     |
|---|--|-------------------------------|
| Develop a Full-Costing Statewide Indirect Cost Allocation Plan. | Annual, FY 2004. ( In 2004, \$7.5 million was collected for the General Fund of the Commonwealth.) | Annual, 2006 - 2008 biennium. |

**Payroll Service Bureau**

DOA operates a payroll service bureau that supports agency level payroll, leave, and certain human resource and benefit data entry activities for over 6,000 employees in 37 agencies. In addition to performing the processing responsibilities for payroll, leave accounting and benefit administration, the Payroll Service Bureau also prepares payroll related reconciliations such the monthly Healthcare reconciliation, the VRS reconciliation of retirement benefits, the administration of reciprocal taxing for non-Virginia state employees, the Quarterly and Annual Certifications of Taxable Wages and the Leave Liability Attachment to satisfy the financial reporting directive issued by DOA.

To support certain Human Resource policies relevant to payroll, the Bureau prepares and enters the monthly Employee Position Report (EPR) information and maintains the 1,500 Hour Wage Reporting for the participating agencies' wage employee rolls. It also prepares responses for any CIPPS/PMIS Exceptions that occur as a result of differences detected between PMIS and CIPPS.

| <b>Service Area Budget</b>   | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | \$458,979           | \$458,979           | 11.00                 | 11.00                 |
| <i>Transfer centrally funded amounts to agency budgets</i>   | \$50,654            | \$50,654            | 0.00                  | 0.00                  |
| <i>Support the increased workload in the Payroll Service Bureau and the Fiscal Service Bureau.</i> | \$0                 | \$0                 | 2.00                  | 2.00                  |
| <b>Total for Service Area</b>  | \$509,633           | \$509,633           | 13.00                 | 13.00                 |

**Objective: Provide high quality payroll, fringe benefit and leave administration services for agencies participating in the payroll service bureau.**

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b>   | <b>Measure Targets(s)</b>  |
|---|--|--|
| Achieve a satisfactory ranking on the overall customer service survey for each agency served. | Achieve a satisfactory customer service ranking from all participating agencies. | Continue to receive a satisfactory service rating from all participating agencies. |

## Administrative and Support Services

DOA's administrative services section provide payroll, invoice processing/accounts payable and accounting reconciliation services in support of the Departments of Accounts, Treasury, and Planning and Budget. DOA staff provides accounts payable services to the State Council of Higher Education in Virginia, the Commonwealth Health Research Board & the Virginia Racing Commission.

DOA was among the first agencies to adopt an administrative service bureau that supports the routine technical aspects of administrative operations for more than one agency. To accomplish this, the DOA administrative services staff adopted a customer oriented approach to their work which emphasized quality attention to service needs regardless of whether the service was for DOA or another supported agency.

In order to provide uniform accounting procedures for state government, DOA publishes the Commonwealth Accounting Policies and Procedures Manual (CAPP). The CAPP is a four volume set of prescribed accounting practices which is used by all agencies of state government. A publications unit manages the frequent revisions to the CAPP which are required by changes in state or federal law, generally accepted accounting principals, or administrative policy. Starting in FY 2003, the CAPP manual is no longer printed, but is still updated regularly and posted on the internet.

This service area also publishes other documents, such as the Quarterly Report, that require high quality finishing and numerous copies to be distributed. In addition to printed items, the publishing unit utilizes the DOA Web Page as a means of making DOA publications electronically accessible. This technique significantly reduces the production and distribution costs for DOA, particularly for very lengthy publications such as the Comprehensive Annual Financial Report (CAFR).

This service area also manages the process of Line of Duty claims for the Commonwealth. DOA is responsible for making lump sum payments to the beneficiaries of certain public safety personnel (e.g., police, fire, rescue) who die from work-related causes and an increasing number of monthly payments for health insurance for disabled public safety personnel injured in the line of duty and their spouses and dependents.

Code § 2.2-814 requires the Comptroller be served for claims against the Commonwealth whenever the specific responsible state official cannot be determined.

DOA's public records unit is the official repository for all documents pertaining to cash deposit and disbursement transactions, unless that responsibility has been delegated by the Comptroller pursuant to the decentralization initiative described earlier. The public records unit has been steadily reducing in size as decentralization moved forward. However, a residual responsibility will remain for the storage of records pertaining to non-decentralized agencies, including those of elected officials, and for the records generated by DOA's own central processing activity.

| <b>Service Area Budget</b>  | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|---|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>  | <b>\$1,078,965</b>  | <b>\$1,078,965</b>  | <b>15.00</b>          | <b>15.00</b>          |
| <i>Transfer centrally funded amounts to agency budgets</i>                        | \$83,313            | \$83,313            | 0.00                  | 0.00                  |
| <i>Adjust funding for agency expenditures related to cost of basic operations</i> | \$38,330            | \$32,546            | 0.00                  | 0.00                  |
| <i>Provide one position for the Line of Duty Program</i>                          | \$74,295            | \$69,295            | 1.00                  | 1.00                  |
| <b>Total for Service Area</b>   | <b>\$1,274,903</b>  | <b>\$1,264,119</b>  | <b>16.00</b>          | <b>16.00</b>          |

**Objective: Manage service bureau agencies in accordance with state policies.**

| <b>Key Performance Measure(s)</b>               | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b>             |
|---|----------------------------|---------------------------------------|
| Percent compliance with the Prompt Payment Act. | 99%, 2005.                 | Greater than 95%, 2006-2008 biennium. |

**Objective: To ensure that resources are used efficiently and programs are managed effectively, and in a manner consistent with applicable state and federal requirements.**

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|--|----------------------------|---------------------------|
| Percent of Governor's Management Scorecard categories marked as meets expectations for agency. | 100%, FY 2005              | 100%, 2006-2008 biennium. |

# Department of Accounts Transfer Payments

## Mission Statement

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.

## Agency Goals:

- Process transfers/payments in a timely and efficient manner meeting Code requirements.

## Customers Served:

- Localities-ABC net profits and Wine Tax
- Line of Duty claimants - Death Benefits
- Line of Duty claimants - Health Insurance Benefits
- Localities-Rolling Stock
- Localities- Recordation Tax
- Localities-Sales Taxes for qualified facilities
- Student Loan holder
- Localities - Tennessee Valley Authority

## Agency Budget Summary

|                                      | General Fund        | Nongeneral Fund    | TOTAL               | Personnel Costs | Other Costs         | Positions   |
|--------------------------------------|---------------------|--------------------|---------------------|-----------------|---------------------|-------------|
| <b>OPERATING BUDGET HISTORY:</b>     |                     |                    |                     |                 |                     |             |
| FY 2003                              | \$0                 | \$0                | \$0                 | \$0             | \$0                 | 0.00        |
| FY 2004                              | \$0                 | \$0                | \$0                 | \$0             | \$0                 | 0.00        |
| FY 2005                              | \$191,568,057       | \$2,044,778        | \$193,612,835       | \$0             | \$193,612,835       | 0.00        |
| FY 2006                              | \$240,546,113       | \$2,044,778        | \$242,590,891       | \$0             | \$242,590,891       | 0.00        |
| <b>NEW OPERATING BUDGET SUMMARY:</b> |                     |                    |                     |                 |                     |             |
| FY 2007 Base Budget                  | \$240,546,113       | \$2,044,778        | \$242,590,891       | \$0             | \$242,590,891       | 0.00        |
| FY 2007 Addenda                      | (\$178,444,049)     | (\$1,000,000)      | (\$179,444,049)     | \$0             | (\$179,444,049)     | 0.00        |
| <b>FY 2007 TOTAL</b>                 | <b>\$62,102,064</b> | <b>\$1,044,778</b> | <b>\$63,146,842</b> | <b>\$0</b>      | <b>\$63,146,842</b> | <b>0.00</b> |
| FY 2008 Base Budget                  | \$240,546,113       | \$2,044,778        | \$242,590,891       | \$0             | \$242,590,891       | 0.00        |
| FY 2008 Addenda                      | (\$175,772,837)     | (\$1,000,000)      | (\$176,772,837)     | \$0             | (\$176,772,837)     | 0.00        |
| <b>FY 2008 TOTAL</b>                 | <b>\$64,773,276</b> | <b>\$1,044,778</b> | <b>\$65,818,054</b> | <b>\$0</b>      | <b>\$65,818,054</b> | <b>0.00</b> |

## Agency Summary of Recommended Operating Budget Addenda

### ► Eliminate funding for Revenue Stabilization Fund deposit

Eliminates one-time funding for the Revenue Stabilization Fund deposit. For each year, a reduction of \$181.9 million (GF).

### ► Reduce nongeneral fund appropriations for the Edvantage Reserve Fund

Reduces nongeneral fund appropriations for the Edvantage Reserve Fund. The appropriations are not anticipated to be needed. For each year, a reduction of \$1.0 million (NGF).

### ► Provide additional funding for line of duty program

Increases funds for payments under the Line of Duty Act, which provides for death benefit payments and health insurance benefits for certain deceased or disabled public safety officers. The additional funds are needed to meet increased costs associated with the program, primarily related to health insurance benefit payments. For 2007, \$3.5 million (GF). For 2008, \$6.2 million (GF).

## Agency Service Areas:

### **Distribution of Alcoholic Beverage Control Profits**

Distribution of ABC net profits to the localities as certified to DOA by ABC.

| <b>Service Area Budget</b> | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|----------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Base Budget                | \$4,150,000         | \$4,150,000         | 0.00                  | 0.00                  |
| Total for Service Area     | \$4,150,000         | \$4,150,000         | 0.00                  | 0.00                  |

**Objective: Complete Alcoholic Beverage Control profit transfers to the localities in a timely and efficient manner meeting the Code requirements.**

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|---|----------------------------|---------------------------|
| Percentage of Alcoholic Beverage Control profit transfers made in an accurately and timely manner | 100% of FY 2005            | 100% for FY 2007          |

### **Distribution of Wine Taxes**

Distribution of Wine taxes to the localities as certified by ABC to DOA.

| <b>Service Area Budget</b> | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|----------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Base Budget                | \$4,350,000         | \$4,350,000         | 0.00                  | 0.00                  |
| Total for Service Area     | \$4,350,000         | \$4,350,000         | 0.00                  | 0.00                  |

**Objective: Complete wine tax transfers to the localities in a timely and efficient manner meeting the Code requirements.**

| <b>Key Performance Measure(s)</b>                                      | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|--|----------------------------|---------------------------|
| Percentage of wine tax transfers made in an accurate and timely manner | 100% of FY 2005            | 100% for FY 2007          |

### **Distribution of Rolling Stock Taxes**

Distribution of Rolling Stock taxes to the localities as certified by the Department of Taxation to DOA.

| <b>Service Area Budget</b> | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|----------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Base Budget                | \$5,600,000         | \$5,600,000         | 0.00                  | 0.00                  |
| Total for Service Area     | \$5,600,000         | \$5,600,000         | 0.00                  | 0.00                  |

**Objective: Complete rolling stock tax transfers to the localities in a timely and efficient manner meeting the Code requirements.**

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|--|----------------------------|---------------------------|
| Percentage of rolling stock tax transfers made in a accurate and timely manner | 100% of FY 2005            | 100% for FY 2007          |

### **Distribution of Recordation Taxes**

Distribution of Recordation taxes to the localities as certified by Tax to DOA.

| <b>Service Area Budget</b> | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|----------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Base Budget                | \$40,000,000        | \$40,000,000        | 0.00                  | 0.00                  |
| Total for Service Area     | \$40,000,000        | \$40,000,000        | 0.00                  | 0.00                  |

**Objective:** Complete recordation tax transfers to the localities in a timely and efficient manner meeting the Code requirements.

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|---|----------------------------|---------------------------|
| Percentage of recordation tax transfers made in an accurate and timely manner | 100% of FY 2005            | 100% for FY 2007          |

**Distribution of Sales Tax Revenues from Certain Public Facilities**

Distribution of Sales tax revenues from qualified public facilities to the localities as certified by Tax to DOA.

| <b>Service Area Budget</b> | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|----------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Base Budget                | \$620,000           | \$620,000           | 0.00                  | 0.00                  |
| Total for Service Area     | \$620,000           | \$620,000           | 0.00                  | 0.00                  |

**Objective:** Complete transfer of sales tax revenues from certain public facilities to the appropriate localities in a timely and efficient manner meeting the Code requirements.

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|--|----------------------------|---------------------------|
| Percentage of transfers of sales tax revenues from certain public facilities made in an accurate and timely manner | 100% of FY 2005            | 100% for FY 2007          |

**Distribution of Tennessee Valley Authority Payments in Lieu of Taxes**

Distribution of Tennessee Valley Authority Payments in lieu of taxes to the localities as certified by Tax to DOA.

| <b>Service Area Budget</b> | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|----------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Base Budget                | \$80,000            | \$80,000            | 0.00                  | 0.00                  |
| Total for Service Area     | \$80,000            | \$80,000            | 0.00                  | 0.00                  |

**Objective:** Complete transfer of Tennessee Valley Authority payments in lieu of taxes to the appropriate localities in a timely and efficient manner meeting the Code requirements.

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|--|----------------------------|---------------------------|
| Percentage of transfers of Tennessee Valley Authority payments in lieu of taxes transfers made in an accurate and timely manner. | 100% of FY 2005            | 100% for FY 2007          |

**Payments to the Revenue Stabilization Fund**

Make payment into the Revenue Stabilization Fund as required by the COV and certified by the APA.



| <b>Service Area Budget</b>                                      | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|---|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>  | \$181,936,113       | \$181,936,113       | 0.00                  | 0.00                  |
| <i>Eliminate funding for Revenue Stabilization Fund deposit</i> | (\$181,936,113)     | (\$181,936,113)     | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                                   | \$0                 | \$0                 | 0.00                  | 0.00                  |

**Objective:** Make payments into the Revenue Stabilization Fund by the required due date meeting Code requirements.

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|--|----------------------------|---------------------------|
| Percentage of payments made into the Revenue Stabilization Fund in an accurate and timely manner | 100% of FY 2005            | 100% for FY 2007          |

**Loan Servicing Reserve Fund**

Administration of VELA Loan Reserve Fund.

| <b>Service Area Budget</b>    | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|-------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>            | \$544,778           | \$544,778           | 0.00                  | 0.00                  |
| <b>Total for Service Area</b> | \$544,778           | \$544,778           | 0.00                  | 0.00                  |

**Objective:** To address any claims against the Virginia Education Loan Authority fund.

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|---|----------------------------|---------------------------|
| Percentage of Virginia Education Loan Authority claims handled in an accurate and timely manner | 100% of FY 2005            | 100% for FY 2007          |

**Edvantage Reserve Fund**

To make loan payments in case of default by student loan holder.

| <b>Service Area Budget</b>  | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|---|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>  | \$1,500,000         | \$1,500,000         | 0.00                  | 0.00                  |
| <i>Reduce nongeneral fund appropriations for the Edvantage Reserve Fund</i> | (\$1,000,000)       | (\$1,000,000)       | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>   | \$500,000           | \$500,000           | 0.00                  | 0.00                  |

**Objective:** To process payments for defaults from the Edvantage Reserve Fund to make the lending institution whole.

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|---|----------------------------|---------------------------|
| Percentage of Edvantage Reserve Fund payments made in an accurate and timely manner | 100% of FY 2005            | 100% for FY 2007          |

**Death Benefit Payments Under the Line of Duty Act**

To provide to surviving spouses a death benefit payment for claimants that qualify for benefits under the Line of Duty Act.

| <b>Service Area Budget</b> | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|----------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Base Budget                | \$750,000           | \$750,000           | 0.00                  | 0.00                  |
| Total for Service Area     | \$750,000           | \$750,000           | 0.00                  | 0.00                  |

**Objective:** To process Line of Duty death benefit claims and payments in a timely manner.

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|--|----------------------------|---------------------------|
| Percentage of Line of Duty death benefit claims processed in an accurate and timely manner | 100% of FY 2005            | 100% for FY 2007          |

### **Health Insurance Benefit Payments Under the Line of Duty Act**

To provide to health insurance benefits to claimants that qualify for benefits under the Line of Duty Act.

| <b>Service Area Budget</b>                          | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|---|---------------------|---------------------|-----------------------|-----------------------|
| Base Budget   | \$3,060,000         | \$3,060,000         | 0.00                  | 0.00                  |
| Provide additional funding for line of duty program | \$3,492,064         | \$6,163,276         | 0.00                  | 0.00                  |
| Total for Service Area                              | \$6,552,064         | \$9,223,276         | 0.00                  | 0.00                  |

**Objective:** To process Line of Duty health insurance claims and payments in a timely manner.

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|---|----------------------------|---------------------------|
| Percentage of Line of Duty health insurance claims processed in an accurate and timely manner | 100% of FY 2005            | 100% for FY 2007          |

## **Department of Planning and Budget**

### **Mission Statement**

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.

### **Agency Goals:**

- Protect the Commonwealth's fiscal integrity through state of the art financial management.
- Provide objective, accurate, and timely information with respect to planning, analysis, and evaluation of the Commonwealth's fiscal, legislative, and regulatory policies.
- Continue to strengthen communications and relationships between DPB and state policy decision-makers, program managers, certain external groups, and the general public.
- Ensure that DPB attracts and retains highly qualified an energetic individuals to carry out the mission of the agency.

### **Customers Served:**

- Governor
- Governor's Secretaries and Deputy Secretaries
- Governor's Policy staff
- General Assembly members
- General Assembly (money committee) staff
- State agencies
- Council on Virginia's Future (members)
- Commonwealth Competition Council (members)

## Customers Served:

- Participants in the rulemaking process (members of public interest and regulated communities, members of the legal community)
- DPB staff
- General Public

## Agency Budget Summary

|                                      | General Fund       | Nongeneral Fund  | TOTAL              | Personnel Costs    | Other Costs        | Positions    |
|--------------------------------------|--------------------|------------------|--------------------|--------------------|--------------------|--------------|
| <b>OPERATING BUDGET HISTORY:</b>     |                    |                  |                    |                    |                    |              |
| FY 2003                              | \$4,957,795        | \$0              | \$4,957,795        | \$5,088,855        | (\$131,060)        | 66.00        |
| FY 2004                              | \$4,608,962        | \$0              | \$4,608,962        | \$4,174,274        | \$434,688          | 64.00        |
| FY 2005                              | \$5,551,734        | \$250,000        | \$5,801,734        | \$5,018,489        | \$783,245          | 67.00        |
| FY 2006                              | \$7,002,532        | \$250,000        | \$7,252,532        | \$5,255,397        | \$1,997,135        | 68.00        |
| <b>NEW OPERATING BUDGET SUMMARY:</b> |                    |                  |                    |                    |                    |              |
| FY 2007 Base Budget                  | \$7,002,532        | \$250,000        | \$7,252,532        | \$5,099,482        | \$2,153,050        | 68.00        |
| FY 2007 Addenda                      | \$1,197,525        | \$0              | \$1,197,525        | \$669,137          | \$528,388          | 2.00         |
| <b>FY 2007 TOTAL</b>                 | <b>\$8,200,057</b> | <b>\$250,000</b> | <b>\$8,450,057</b> | <b>\$5,768,619</b> | <b>\$2,681,438</b> | <b>70.00</b> |
| FY 2008 Base Budget                  | \$7,002,532        | \$250,000        | \$7,252,532        | \$5,099,482        | \$2,153,050        | 68.00        |
| FY 2008 Addenda                      | \$1,196,570        | \$0              | \$1,196,570        | \$669,137          | \$527,433          | 2.00         |
| <b>FY 2008 TOTAL</b>                 | <b>\$8,199,102</b> | <b>\$250,000</b> | <b>\$8,449,102</b> | <b>\$5,768,619</b> | <b>\$2,680,483</b> | <b>70.00</b> |

## Agency Summary of Recommended Operating Budget Addenda

### ▶ Transfer centrally funded 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 2005 and 2006 salary and health insurance premium increases, and changes in retirement and disability contribution rates. For each year, \$418,082 (GF).

### ▶ Transfer funding for the Council on Virginia's Future from Central Appropriations

Transfers the operating funding for the Council on Virginia's Future from Central Appropriations to the Department of Planning and Budget which acts as the fiscal agent for the Council. These funds are used to cover the cost of Council meetings, consulting fees, and other activities of the Council. For each year, \$500,000 (GF).

### ▶ Adjust funding for agency expenditures related to cost of basic operations

Adjusts funding for changes in operating costs related to central agency services and various charges. These include rental charges at the seat of government, procurement fees, property insurance premiums, and workers' compensation insurance premiums. It also includes adjustments for changes in project management and security provided by the Virginia Information Technologies Agency and the transformation to service-based billing for technology services other than hardware and software. For 2007, \$21,659 (GF). For 2008, \$20,704 (GF).

### ▶ Add funding and two positions due to workload changes

Provides resources and positions to respond to additional workload due to changes in responsibilities and agency statutory requirements. For 2007, \$257,784 (GF) and two positions. For 2008, \$257,784 (GF).

## Agency Service Areas:

### **Budget Development and Budget Execution Services**

This service area consists of two components – budget development and budget execution. The two work in tandem to produce Virginia's biennial budget and subsequent amended budgets. Each one is described below in detail and mandated by Section 2.2-1501 of the Code of Virginia. Both include operating and capital budgets.

Budget development is the methodical process used to create the Governor's executive budget. In general, the biennial budget development process begins in spring with the preparation of budget instructions for state agencies. This initial phase is followed by a second in September or October whereby funding requests for new initiatives are submitted by state agencies to the Department of Planning and Budget (DPB) for analysis and evaluation. This second phase also requires DPB staff to make forecasts of major

budget drivers. Both phases are essential for making recommendations to the Governor on funding issues and levels. They lead to the production of the budget document, budget bill, budget press package, and subsequent executive amendments, if necessary. Thereafter, budget development is directed toward analyzing the General Assembly's committee and conference amendments. This effort assists the Governor in taking actions for the reconvened General Assembly session (amendments and item vetoes) and actions on the re-enrolled budget bill. Budget development concludes in late April or early May upon signing of the budget by the Governor.

Budget execution is the implementation component of Virginia's budget process that allows state agencies to spend appropriations. Within this component, appropriations and allotments are reviewed and approved, expenditures are monitored, and instructional guidance is issued to state agencies on matters such as year-end close and new-year start-up. Budget execution also includes the preparation of decision briefs that are used in making certain budgetary decisions. Although much of budget execution follows budget development, it is a year-round activity.

| <b>Service Area Budget</b>                                   | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | <b>\$4,228,172</b>  | <b>\$4,228,172</b>  | <b>47.10</b>          | <b>47.10</b>          |
| <i>Transfer centrally funded amounts to agency budgets</i>   | \$296,905           | \$296,905           | 0.00                  | 0.00                  |
| <i>Add funding and two positions due to workload changes</i> | \$257,784           | \$257,784           | 2.00                  | 2.00                  |
| <b>Total for Service Area</b>                                | <b>\$4,782,861</b>  | <b>\$4,782,861</b>  | <b>49.10</b>          | <b>49.10</b>          |

**Objective: Develop a financially balanced and structurally sound budget for Virginia.**

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b>             | <b>Measure Targets(s)</b>  |
|--|--|----------------------------|
| One-time general fund revenues and savings actions in the introduced budget as a percent of proposed general fund spending | 4.48 percent in FY 2005                | Less than 10 percent       |
| Number of contingent appropriations in budget  | 5 for 2004-2006 biennium               | 1 for economic contingency |
| Percent of new budget initiatives in the budget bill with specified performance measures or outcomes.                      | Baseline data available in Spring 2006 | 100 percent                |

**Objective: Ensure timely and accurate actions in executing the state budget.**

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b>             | <b>Measure Targets(s)</b> |
|---|--|---------------------------|
| Number of FATS transaction per 1,000 transactions that hit the error file   | 6.27 per 1,000 transactions in FY 2005 | 5 per 1,000 transactions  |
| Rating of budget execution instructions by state agencies   | Baseline data available in Fall 2006   | Good to Excellent         |
| Administratively approved special fund and dedicated special fund operating appropriations as percent of the total special fund and dedicated special fund operating appropriations in the Appropriation Act each year. | 4.33 percent for FY 2005               | 5 percent                 |

**Objective: Demonstrate fairness and openness in the budget development process.**

| <b>Key Performance Measure(s)</b>                                | <b>Measure Baseline(s)</b>              | <b>Measure Targets(s)</b> |
|--|---|---------------------------|
| Rating of budget development process by the Governor and cabinet | Baseline data available in Spring 2006  | Good to Excellent         |
| Rating of budget development instructions by state agencies      | Baseline data available in October 2006 | Good to Excellent         |

**Objective: Conduct timely and comprehensive analyses of the federal budget.**

| Key Performance Measure(s)  | Measure Baseline(s)                       | Measure Targets(s) |
|---|---|--------------------|
| Rating of DPB federal budget analysis by the Governor and cabinet officials | Baseline data available in September 2006 | Good to Excellent  |

**Legislation and Executive Order Review Service**

The legislation review portion of this service area provides information to enable the Governor and members of the General Assembly to assess proposed legislation and to make informed decisions regarding budget, regulatory, and policy issues. It also helps the Governor and General Assembly provide adequate resources to implement statutory changes that have a fiscal impact. The service produces an electronic fiscal impact statement system (EFIS) that makes fiscal impact statements readily available to the public.

Legislative review is not mandated within DPB's codified responsibilities. It was, however, originally assigned to the agency in a 1975 executive order. The legislative review process begins in July and runs through April, with most work occurring in the January-April period.

The executive order portion of this service area deals with the coordination of the executive order process. DPB drafts or reviews most orders before issuance, ensures consistency of format, style and language, and aids in the distribution of final orders to affected Cabinet secretaries and other interested parties. DPB also maintains an inventory of all executive orders so it can track when orders are due to expire and call them to the attention of the Governor's Office and Cabinet Secretaries to determine if expiring orders should be renewed, revised, or allowed to expire.

Executive Order review is not mandated within DPB's codified responsibilities. It was, however, originally assigned to the agency at the request of the Office of the Governor. Between 25 and 40 new Governor's executive orders are issued annually, with most orders distributed during the beginning of a new Governor's term. Executive Orders Service is a year-round activity.

| Service Area Budget  | 2007 Dollars    | 2008 Dollars    | 2007 Positions | 2008 Positions |
|--|-----------------|-----------------|----------------|----------------|
| Base Budget  | \$55,772        | \$55,772        | 0.50           | 0.50           |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$4,114         | \$4,114         | 0.00           | 0.00           |
| <b>Total for Service Area</b>                              | <b>\$59,886</b> | <b>\$59,886</b> | <b>0.50</b>    | <b>0.50</b>    |

**Objective: Provide accurate, timely analysis of the fiscal and related impacts of legislation.**

| Key Performance Measure(s)   | Measure Baseline(s)                       | Measure Targets(s) |
|--|---|--------------------|
| Percentage of bills with fiscal impact statements issued   | 63.5 percent in the 2005 session.         | 75 percent         |
| Percentage of enacted legislation with fiscal impacts funded in Appropriation Act  | Baseline data to be provided in June 2006 | 100 percent        |
| Satisfaction of the Governor's policy staff with the quality and timeliness of the legislative process as reflected in an annual e-mail survey | Baseline data to be provided June 2006    | Good to Excellent  |

**Objective: Coordinate and oversee the development and issuance of Governor's executive orders as directed by the Office of the Governor.**

| Key Performance Measure(s)   | Measure Baseline(s)                      | Measure Targets(s) |
|--|--|--------------------|
| Percent of Executive Orders reviewed   | 80 percent in FY 2005                    | 100 percent        |
| Satisfaction of the Governor's policy staff with the quality and timeliness of the Executive Order process as reflected in an annual e-mail survey | Baseline date available in December 2005 | Good to Excellent  |

## **Forecasting and Regulatory Review Service**

The department is required by statute to evaluate the economic impact of regulations and to ensure that state agencies write regulations that are clear, necessary, and enforceable. DPB advises the Governor on whether regulatory proposals are unnecessarily costly or intrusive. The process is interactive and iterative. It includes the maintenance of a web-based system (Virginia Regulatory Town Hall) for managing and tracking regulatory activity as well as providing the public access to regulatory information.

The department also develops in-house forecasts for several major state programs (e.g., Medicaid expenditures, correctional facilities population, involuntary mental commitment expenditures, etc.). These forecasts are provided to decision makers for use in budget development and long range planning.

| <b>Service Area Budget</b>                                 | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | \$588,554           | \$588,554           | 7.15                  | 7.15                  |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$45,988            | \$45,988            | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                              | <b>\$634,542</b>    | <b>\$634,542</b>    | <b>7.15</b>           | <b>7.15</b>           |

### **Objective: Analyze the economic impact of proposed regulations**

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|---|----------------------------|---------------------------|
| The percentage of economic impact analyses that are completed on or before the statutory deadline | 41 percent                 | 90 percent                |

### **Objective: Facilitate stakeholder participation in developing regulations**

| <b>Key Performance Measure(s)</b>                                    | <b>Measure Baseline(s)</b>         | <b>Measure Targets(s)</b>                    |
|--|------------------------------------|--|
| The frequency by which the Virginia Regulatory Town Hall is accessed | 3,596,672 (August - November 2005) | 2% increase in the number of hits each year. |

### **Objective: Develop forecasts for major state programs for planning and budgeting purposes**

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b>   | <b>Measure Targets(s)</b>  |
|-------------------------------------|--|--|
| Accuracy of Medicaid forecasts      | Actual Medicaid expenditures exceeded forecasts by .8% in FY2003. In FY2004, Actual Medicaid expenditures exceeded forecasts by .4%.   | Actual Medicaid expenditures will fall within +/-3% of the consensus forecast.   |
| Accuracy of Public Safety forecasts | Actual values for the DOC new core commitment streams exceeded forecasts by 7.54% in FY2003. In FY2004, Actual values for the DOC new core commitment streams fell short of forecasted values by 5.1%. | Actual public safety admission and population values will fall within +/-10% of DPB forecasts. Percentage error will be an average of all public safety forecast streams weighted by inmate populations. |

## Program Evaluation Services

The Program Evaluation Services includes Best Management Practice studies, School efficiency reviews, and support for the Commonwealth Competition Council.

Best Management Practice studies analyze managerial and programmatic issues and present recommendations to ensure effective and efficient outcomes for the citizens of Virginia. These studies serve as the primary program evaluation instrument for the executive branch.

School efficiency reviews are part of the overall Education For A Lifetime initiative. The purpose of the reviews is to identify savings that can be gained through best practices in organization, service delivery, human resources, facilities, finance, transportation, technology management and other non-instructional areas, thereby allowing local school divisions to divert administrative savings back into the classroom for an even greater investment in the children of Virginia. Business practices that appear to be more efficient than those found elsewhere are also documented and shared with other school divisions across the Commonwealth.

Support for the Commonwealth Competition Council (CCC) includes staffing and operational support through the following:

- documenting and validating savings recommendations,
- providing logistical support for all CCC activities,
- preparing required reports and presentations, and
- maintaining the CCC website.

| <b>Service Area Budget</b>   | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | \$1,968,886         | \$1,968,886         | 8.15                  | 8.15                  |
| <i>Transfer centrally funded amounts to agency budgets</i>                               | \$41,808            | \$41,808            | 0.00                  | 0.00                  |
| <i>Transfer funding for the Council on Virginia's Future from Central Appropriations</i> | \$500,000           | \$500,000           | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>  | <b>\$2,510,694</b>  | <b>\$2,510,694</b>  | <b>8.15</b>           | <b>8.15</b>           |

**Objective: To identify opportunities to make executive branch agency operations more efficient and effective through objective evaluation of programs and processes.**

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b>                     | <b>Measure Targets(s)</b>  |
|------------------------------------|--|--|
| Acceptance rate of recommendations | Baseline data to be provided by December 2006. | Acceptance of 90 percent of recommendations by end of 12 month period. |

**Objective: Identify ways for local school divisions to save money in non-instructional areas.**

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|---|----------------------------|---------------------------|
| Net savings identified in school efficiency reviews as a percentage of total operating budgets in studied divisions | 1.87 percent               | 2.5 percent               |
| Acceptance rate of recommendations  | 91.5 percent               | 95 percent                |

**Objective: To identify best practices that can be shared among local school divisions to improve their efficiency.**

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b> | <b>Measure Targets(s)</b> |
|---|----------------------------|---------------------------|
| Percent of practices or processes captured per study that demonstrate an excellent or unique way to manage a business issue or to administer a policy | 8.3 percent                | 10 percent                |

**Objective: Provide staffing and operational support to the Commonwealth Competition Council in its evaluation of competitive opportunities for the executive branch of state government.**

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b>                     | <b>Measure Targets(s)</b>     |
|-------------------------------------|--|-------------------------------|
| Dollar value of recommended savings | \$350,000 based on CCC savings recommendations | \$450,000 CCC recommendations |

## Administrative Services

This service area consists of three primary subunits: employee relations, fiscal services, and facilities management.

Employee relations provides a wide range of personnel services to the agency. Services include benefits administration, payroll coordination, state/federal policy interpretations, employee performance evaluations, position classification reviews, and employee development/training opportunities. (Although administrative services coordinates payroll activity, the Department of Accounts keys and processed the agency's payroll, including the reporting of wage data to the federal government.) Employee relations also develops the agency's workforce plan, which describes and analyzes staff issues, projects attrition, and forecasts future staffing needs.

Fiscal services provides accounting, budgeting, and procurement services to the agency. Invoices and purchase orders are processed and reconciled in a manner consistent with standards established by the Commonwealth Accounting and Reporting System, vendor Prompt Pay, eVA (electronic procurement), and the Agency Procurement and Surplus Property Manual. Budgeting/expenditure services are also provided to ensure that expenditures are always within allotted appropriation levels.

Facilities management provides space allotments, renovations, and communication coordination in the agency. It is also responsible for problem resolution on matters that affect employees such as safety/security and comfort in the work environment. Further, it coordinates actions (mandates, directives, changes, etc.) initiated by the Virginia Information Technologies Agency.

| <b>Service Area Budget</b>  | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|---|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>  | <b>\$411,148</b>    | <b>\$411,148</b>    | <b>5.10</b>           | <b>5.10</b>           |
| <i>Transfer centrally funded amounts to agency budgets</i>                        | \$29,267            | \$29,267            | 0.00                  | 0.00                  |
| <i>Adjust funding for agency expenditures related to cost of basic operations</i> | \$21,659            | \$20,704            | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>   | <b>\$462,074</b>    | <b>\$461,119</b>    | <b>5.10</b>           | <b>5.10</b>           |

**Objective: Ensure that resources are used efficiently and programs are managed effectively, and in a manner consistent with applicable state and federal requirements.**

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b>                            | <b>Measure Targets(s)</b>                       |
|--|---|---|
| Percent of scorecard categories marked as "meet expectations" for the agency | 100% of scorecard categories met expectations in 2005 | 100% of scorecard categories meets expectations |

## Department of Taxation

### **Mission Statement**

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.

### **Agency Goals:**

- Provide Accurate and Timely Analyses of Tax Related Issues, Effectively Resolve Complex Technical Issues, and Monitor Tax Issues Nationally.
- Ensure That Virginia Citizens and Businesses Understand and Comply with Virginia Tax Obligations as Prescribed by Law.
- Ensure Customer Satisfaction.
- Implement innovative technologies for core business services to maximize operational efficiency and effectiveness.
- Provide for the effective performance of TAX personnel.
- Provide Valuation and Assessment Assistance to Localities.

### **Customers Served:**

- Taxpayers of the Commonwealth
- Governor's Office
- General Assembly
- Attorney General's Office



## Customers Served:

- IRS / Professional Associations
- Federal/ State/ Local Governments
- Agency Management / Employees
- State Agencies
- Localities
- Local Assessing Officers
- Tobacco Wholesalers
- Cigarette Stamping Agents
- Motor Fuel Districts

## Agency Budget Summary

|                                      | General Fund        | Nongeneral Fund     | TOTAL               | Personnel Costs     | Other Costs         | Positions     |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------|
| <b>OPERATING BUDGET HISTORY:</b>     |                     |                     |                     |                     |                     |               |
| FY 2003                              | \$62,525,152        | \$41,742,735        | \$104,267,887       | \$46,056,898        | \$58,210,989        | 916.00        |
| FY 2004                              | \$64,066,688        | \$41,742,735        | \$105,809,423       | \$51,735,028        | \$54,074,395        | 918.50        |
| FY 2005                              | \$81,690,979        | \$32,605,335        | \$114,296,314       | \$54,030,867        | \$60,265,447        | 935.50        |
| FY 2006                              | \$81,425,023        | \$21,476,094        | \$102,901,117       | \$55,169,734        | \$47,731,383        | 908.50        |
| <b>NEW OPERATING BUDGET SUMMARY:</b> |                     |                     |                     |                     |                     |               |
| FY 2007 Base Budget                  | \$81,425,023        | \$21,476,094        | \$102,901,117       | \$55,955,650        | \$46,945,467        | 908.50        |
| FY 2007 Addenda                      | \$4,645,128         | (\$9,933,597)       | (\$5,288,469)       | \$5,225,010         | (\$10,513,479)      | 14.00         |
| <b>FY 2007 TOTAL</b>                 | <b>\$86,070,151</b> | <b>\$11,542,497</b> | <b>\$97,612,648</b> | <b>\$61,180,660</b> | <b>\$36,431,988</b> | <b>922.50</b> |
| FY 2008 Base Budget                  | \$81,425,023        | \$21,476,094        | \$102,901,117       | \$55,955,650        | \$46,945,467        | 908.50        |
| FY 2008 Addenda                      | \$4,566,648         | (\$12,433,597)      | (\$7,866,949)       | \$5,293,807         | (\$13,160,756)      | 14.00         |
| <b>FY 2008 TOTAL</b>                 | <b>\$85,991,671</b> | <b>\$9,042,497</b>  | <b>\$95,034,168</b> | <b>\$61,249,457</b> | <b>\$33,784,711</b> | <b>922.50</b> |

## Agency Summary of Recommended Operating Budget Addenda

- ▶ **Transfer centrally funded 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 2005 and 2006 salary and health insurance premium increases, and changes in retirement and disability contribution rates. For each year, \$4.0 million (GF) and \$349,762 (NGF).
- ▶ **Fund costs related to reporting on retail sales and use tax exemptions**  
Provides positions and funding to support one additional tax policy analyst and one economist to conduct the necessary analysis and prepare the annual report on the fiscal, economic, and policy impacts of all miscellaneous and nonprofit retail sales and use tax exemptions required by legislation enacted by the 2005 General Assembly. For 2007, \$137,400 (GF) and two positions. For 2008, \$135,530 (GF).
- ▶ **Administer the Land Preservation Tax Credit**  
Provides additional positions and funding to administer provisions of the Land Preservation Tax Credit. The funds will also be used for independent appraisals. For 2007, \$327,573 (GF) and two positions. For 2008, \$338,334 (GF).
- ▶ **Increase funding for the State Land Evaluation Advisory Commission**  
Provides additional funding to cover one-time costs associated with developing a new program to calculate agricultural and horticultural use values, and to support a part-time research specialist to assist in the development and use of cost of production budgets in the use-value program. For 2007, \$130,400 (GF). For 2008, \$45,700 (GF).

► **Adjust funding for agency expenditures related to cost of basic operations**

Adjusts funding for changes in operating costs related to central agency services and various charges. These include rental charges at the seat of government, procurement fees, property insurance premiums, and workers compensation insurance premiums. It also includes adjustments for changes in project management and security provided by the Virginia Information Technologies Agency and the transformation to service-based billing for technology services other than hardware and software. For 2007, a decrease of \$359,625 (GF). For 2008, a decrease of \$346,961 (GF).

► **Transfer non-participating tobacco manufacturers to the Office of the Attorney General**

Transfers the agency's responsibilities in the enforcement of the Master Settlement Agreement to the Office of the Attorney General. For each year, a reduction of \$320,845 (GF).

► **Initiate new and enhanced compliance initiatives**

Provides funds to initiate new and enhanced compliance programs to increase tax revenue collections. The new and enhanced programs will include increased audit program efforts. Revenue estimates include an estimate of \$15.8 million from this initiative in this biennium. For 2007, \$710,345 (GF) and 10 positions. For 2008, \$695,010 (GF).

► **Align nongeneral fund appropriation with expenditures**

Adjusts nongeneral fund appropriation to reflect estimated final payments to CGI-AMS, the department's private partner in the existing Public-Private Partnership. The fund source is balances in the Technology Partnership Fund. For 2007, a decrease of \$10.3 million (NGF). For 2008, a decrease of \$12.8 million (NGF).

► **Modify application of "true object test"**

Requires the department to modify its usage of the "true object test" with respect to government contractors. Beginning effective July 1, 2006 the department shall make the taxability determination regarding the true object of the transaction entered into by a government contractor with the government entity based upon the true object of each separate "work order", "statement of work" and "task order," rather than the true object of the underlying contract between the government entity and such contractor.

**Agency Service Areas:**

**Tax Policy Research and Analysis**

- This area provides research, revenue estimation and analysis of legislation and state and local tax topics for which a report is required by law, executive or legislative request.
- This area develops and implements tax policy for the benefit of TAX customers, employees and stakeholders.
- This area implements tax legislation by promulgating regulations and issuing rulings, tax bulletins and other public documents addressing issues of first impression.
- This area also monitors developments in Congress and other states that may affect Virginia tax revenue.
- The analysis included in its work product provides explanations, revenue data, and other information to ensure that the reader understands the tax and budget issues involved in the subject of each document, and is provided with the data and alternatives necessary to make an informed decision.

| <b>Service Area Budget</b>  | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|---|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>  | <b>\$1,153,250</b>  | <b>\$1,153,250</b>  | <b>16.00</b>          | <b>16.00</b>          |
| <i>Transfer centrally funded amounts to agency budgets</i>                    | \$44,953            | \$44,953            | 0.00                  | 0.00                  |
| <i>Fund costs related to reporting on retail sales and use tax exemptions</i> | \$137,400           | \$135,530           | 2.00                  | 2.00                  |
| <b>Total for Service Area</b>   | <b>\$1,335,603</b>  | <b>\$1,333,733</b>  | <b>18.00</b>          | <b>18.00</b>          |

**Objective: Provide a fiscal impact statement before state and local tax legislation is considered by the Legislative Branch.**

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b>   | <b>Measure Targets(s)</b>                   |
|--|--|---|
| Percentage of fiscal impact statements provided to the House or Senate Finance Committee before consideration. | Not Available-TAX has provided timely fiscal impact statements in the past, although timeliness has not been specifically tracked. | 100% timely submissions during the session. |

**Objective: Develop regulations required to explain more fully complex tax statutes.**

| Key Performance Measure(s)  | Measure Baseline(s)   | Measure Targets(s)   |
|---|---|--|
| The percentage of regulations that have been reviewed within 12 months. | Not Available-TAX has approximately 700 regulations in effect. Most were adopted in 1984 and many have not been substantively changed since (except for recodification into the Administrative Code). | By June 30, 2006, 100% of the regulations currently in effect determined to be obsolete or unnecessary will be repealed. |

**Objective: Provide ongoing support to legislative studies.**

| Key Performance Measure(s)   | Measure Baseline(s)   | Measure Targets(s)               |
|--|---|----------------------------------|
| Percentage of requests for policy and fiscal analyses for which a response was provided. | Not Available-The Section currently responds to all requests for policy and fiscal analysis received from legislative and executive branch personnel, but does not formally track them. | Respond to 100% of the requests. |

**Appeals and Rulings**

The Appeals and Rulings unit performs the dispute resolution function for TAX by resolving administrative appeals and offers in compromise that primarily arise through field audits or desk examinations of taxpayer records. This service area also provides staff support to the Tax Commissioner in the development of new policy and the Attorney General's Office in suits brought against TAX.

| Service Area Budget  | 2007 Dollars     | 2008 Dollars     | 2007 Positions | 2008 Positions |
|--|------------------|------------------|----------------|----------------|
| Base Budget  | \$929,257        | \$929,257        | 14.00          | 14.00          |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$44,953         | \$44,953         | 0.00           | 0.00           |
| <b>Total for Service Area</b>                              | <b>\$974,210</b> | <b>\$974,210</b> | <b>14.00</b>   | <b>14.00</b>   |

**Objective: Accurately and timely issue rulings on appeals of local taxes and advisory opinions.**

| Key Performance Measure(s)                                     | Measure Baseline(s)   | Measure Targets(s)                            |
|--|---|---|
| The percentage of open local tax cases less than 120 days old. | As of June 1, 2005, 65% (13 out of 20) of all active local tax cases were less than 120 days old. | 75% of local tax cases less the 120 days old. |

**Objective: Accurately and timely resolve appeals of state tax issues, issue rulings, and provide support to the Office of the Attorney General on tax litigation.**

| Key Performance Measure(s)   | Measure Baseline(s)  | Measure Targets(s)                    |
|--|--|---------------------------------------|
| The percentage of open individual income tax appeals less than 120 days old. | As of June 1, 2005, 52% (16 out of 31) of all individual income tax cases were less than 120 days old. As of June 1, 2005, 44% (72 out of 164) of all sales tax cases were less than 120 days old. | 75% of appeals less the 120 days old. |

**Revenue Forecasting**

Revenue Forecasting is responsible for preparation of the forecast of the Virginia Economy and General Fund revenue estimates; responsible for preparing a six-year forecast of the Commonwealth's transportation revenues; estimates the reimbursements to localities under the Personal Property Tax Relief Act; and responsible for providing a six-year forecast of the Department of Motor Vehicle's (DMV) operating revenues.

| <b>Service Area Budget</b>                                 | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | \$650,841           | \$650,841           | 6.00                  | 6.00                  |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$44,953            | \$44,953            | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                              | <b>\$695,794</b>    | <b>\$695,794</b>    | <b>6.00</b>           | <b>6.00</b>           |

**Objective: Accurately forecast general fund revenue.**

| <b>Key Performance Measure(s)</b>    | <b>Measure Baseline(s)</b>   | <b>Measure Targets(s)</b>  |
|--------------------------------------|--|--|
| Percentage variance on the forecast. | Official forecast, FY05- 4.1%, FY04 – 2.8%, FY03 – 0.6%, FY02 - -2.2%, FY01 - -0.7%, FY00 – 0.1% | The official forecast is within 2 percent of actual collections. |

### **Tobacco Master Settlement Agreement Enforcement**

Provides support to the Office of the Attorney General (OAG) for oversight responsibilities under the Master Tobacco Settlement Agreement (MSA) and the Non-Participating Manufacturer (NPM) statute. Also supports the OAG in the diligent enforcement of the NPM statute.

| <b>Service Area Budget</b>  | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|---|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>  | \$309,078           | \$309,078           | 4.00                  | 4.00                  |
| <i>Transfer centrally funded amounts to agency budgets</i>                                    | \$30,845            | \$30,845            | 0.00                  | 0.00                  |
| <i>Transfer non-participating tobacco manufacturers to the Office of the Attorney General</i> | (\$320,845)         | (\$320,845)         | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>   | <b>\$19,078</b>     | <b>\$19,078</b>     | <b>4.00</b>           | <b>4.00</b>           |

**Objective: Support the Office of the Attorney General in the enforcement of the Tobacco Master Settlement Agreement.**

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b>    | <b>Measure Targets(s)</b>  |
|---|-------------------------------|----------------------------|
| Percentage of total number of complete NPM reports provided versus total number of NPM reports. | 100% of complete NPM reports. | Maintain current baseline. |

### **Tax Return Processing**

Tax Return Processing (Channel) processes state tax returns and payments to include opening and screening return and payment mail, capturing tax return and payment data to post to taxpayer accounts, and resolving errors made in the preparation of returns and payments. Besides processing this area also designs the tax forms for returns. In addition, this service area provides individual electronic filing and promotes the use of available electronic services in the administration of state taxes.

| <b>Service Area Budget</b>                                 | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | \$11,147,020        | \$11,147,020        | 158.50                | 158.50                |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$387,366           | \$387,366           | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                              | <b>\$11,534,386</b> | <b>\$11,534,386</b> | <b>158.50</b>         | <b>158.50</b>         |

**Objective: Issue individual income tax refunds within 12 days of receipt of the return.**

| <b>Key Performance Measure(s)</b>                                  | <b>Measure Baseline(s)</b>  | <b>Measure Targets(s)</b>                     |
|--|---|---|
| Timeframes are measured from receipt of return to refund issuance. | Through both June 3, 2005 and June 30 2004, 96% of refunds were issued in twelve days or fewer. | Issue at least 90% of refunds within 12 days. |

**Objective: Increase electronic interactions with citizens.**

| Key Performance Measure(s)   | Measure Baseline(s)   | Measure Targets(s) |
|--|---|--------------------|
| Increase the joint federal-state electronic filing program participation annually. | Through June of 2005 returns had grown 18% over June of 2004. | 5% growth          |
| Increase taxpayer interactions through TAX's new electronic channels.              | No current baseline   | 5% growth          |

**Customer Services**

Customer Services provides guidance information to the taxpayers of Virginia through the Customer Service Contact Center. The office, composed of more than 120 employees, provides assistance via the telephone, correspondence, the Internet, and in person. In calendar year 2004 the office handled:

- 605,253 Phone calls
- 146,328 Pieces of correspondence
- 48,040 E-mails
- 12,595 Secure Messages

| Service Area Budget  | 2007 Dollars       | 2008 Dollars       | 2007 Positions | 2008 Positions |
|--|--------------------|--------------------|----------------|----------------|
| Base Budget  | \$8,275,161        | \$8,275,161        | 130.00         | 130.00         |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$649,547          | \$649,547          | 0.00           | 0.00           |
| <i>Administer the Land Preservation Tax Credit</i>         | \$327,573          | \$338,334          | 2.00           | 2.00           |
| <b>Total for Service Area</b>                              | <b>\$9,252,281</b> | <b>\$9,263,042</b> | <b>132.00</b>  | <b>132.00</b>  |

**Objective: Respond to taxpayer inquiries in a timely manner.**

| Key Performance Measure(s)                              | Measure Baseline(s)  | Measure Targets(s)  |
|---|--|---|
| Percentage of calls handled versus total calls offered. | Service level is 80%   | Handle 80% of incoming phone calls  |
| Average mail turnaround time.                           | 11 days - Correspondence at the end of any quarter in FY05 averaged no more than 11.3 days | Maintain average mail turnaround time at no more than 25 days at the end of each quarter. |

**Compliance Audit**

Compliance Audit's program is designed to ensure compliance with the tax laws through automated and manual examination of taxpayer records and returns.

| Service Area Budget  | 2007 Dollars        | 2008 Dollars        | 2007 Positions | 2008 Positions |
|--|---------------------|---------------------|----------------|----------------|
| Base Budget  | \$15,539,871        | \$15,539,871        | 252.00         | 252.00         |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$657,628           | \$657,628           | 0.00           | 0.00           |
| <i>Initiate new and enhanced compliance initiatives</i>    | \$710,345           | \$695,010           | 10.00          | 10.00          |
| <b>Total for Service Area</b>                              | <b>\$16,907,844</b> | <b>\$16,892,509</b> | <b>262.00</b>  | <b>262.00</b>  |

**Objective: Maintain core audit programs at current levels.**

| Key Performance Measure(s)          | Measure Baseline(s)  | Measure Targets(s)   |
|-------------------------------------|--|--|
| Number of field audit cases closed. | Three year average of field audit cases closed - 2,962.            | Maintain or exceed the three year average.                             |
| Number of desk audit cases created. | Three year average of new desk audit cases created equals 262,306. | Maintain or exceed the three year average of desk audit cases created. |

## Compliance Collections

Compliance collections is dedicated to the task of identifying and collecting delinquent state taxes from both individuals and businesses that fail to satisfy tax obligations imposed by statute.

| <b>Service Area Budget</b>                                 | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| Base Budget  | \$16,537,976        | \$16,537,976        | 169.00                | 169.00                |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$723,444           | \$723,444           | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                              | <b>\$17,261,420</b> | <b>\$17,261,420</b> | <b>169.00</b>         | <b>169.00</b>         |

**Objective:** To efficiently and effectively resolve state tax delinquencies.

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b>                      | <b>Measure Targets(s)</b>                |
|--|---|--|
| Meet or exceed delinquent revenue estimates with no increase in resources. | Compliance Collections for FY04 - \$244,170,895 | Increase collections by 2 1/2 % per year |

**Objective:** Collect delinquent court fees.

| <b>Key Performance Measure(s)</b>          | <b>Measure Baseline(s)</b>                 | <b>Measure Targets(s)</b>                  |
|--|--|--|
| Meet or exceed court fines revenue target. | Gross collections of \$27 million annually | Gross collections of \$29 million annually |

## Training for Local Assessors

As part of TAX's continuing education program for assessing officers, the Property Tax Unit administers the Advanced Assessor School that is currently conducted annually at the College of William & Mary with attendance by over 150 local assessors. The program is designed basically to provide coursework that will meet the requirements for full certification offered by the International Association of Assessing Officers (IAAO).

| <b>Service Area Budget</b>    | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|-------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Base Budget                   | \$81,401            | \$81,401            | 0.00                  | 0.00                  |
| <b>Total for Service Area</b> | <b>\$81,401</b>     | <b>\$81,401</b>     | <b>0.00</b>           | <b>0.00</b>           |

**Objective:** To offer local officials an economically feasible range of advanced courses designed to provide full certification by the International Association of Assessing Officers (IAAO).

| <b>Key Performance Measure(s)</b>        | <b>Measure Baseline(s)</b>                          | <b>Measure Targets(s)</b>  |
|--|---|--|
| The number of students that participate. | The school trains on average 150 students per year. | 150 students annually. Number of students attending can vary widely depending upon locality's financial situation. Courses may not be offered unless an adequate number of students express an interest. |

## Valuation and Assessment Assistance for Localities

Provide quality original and revised local property tax maps, ensure compliance with the Commonwealth's property tax laws by providing local advisory aid and assistance, and provide fair and equitable assessments of the rolling stock of freight car line companies and of the real and personal property of railroads and interstate pipeline companies while providing quality customer service.

| <b>Service Area Budget</b>  | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|---|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>  | \$853,189           | \$853,189           | 14.00                 | 14.00                 |
| <i>Transfer centrally funded amounts to agency budgets</i>                | \$50,125            | \$50,125            | 0.00                  | 0.00                  |
| <i>Increase funding for the State Land Evaluation Advisory Commission</i> | \$130,400           | \$45,700            | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>   | <b>\$1,033,714</b>  | <b>\$949,014</b>    | <b>14.00</b>          | <b>14.00</b>          |

**Objective: Promote statewide fair and equitable assessments of real estate and tangible personal property.**

| <b>Key Performance Measure(s)</b>   | <b>Measure Baseline(s)</b>  | <b>Measure Targets(s)</b>                                |
|---|---|--|
| Measure the success of local assessors in achieving the mandate of assessing property at 100% of fair market value. | While law requires assessments at 100% of fair market value, it provides that a ratio of not less than 70% in the year following a reassessment will be evidence of having achieved the 100% requirement. | 100% of localities attain a sales ratio of at least 70%. |

### **Public/Private Partnerships for Revenue Administration**

Public/Private Partnerships for Revenue Administration (Partnership)

In July 1998, TAX entered into a Public Private Partnership with CGI-AMS, Inc. (formerly American Management Systems, Inc.) to reengineer our business processes and leverage appropriate technology to enable business success. This benefits-funded modernization project has already resulted in significant operational improvements and customer service improvements, including entirely new customer services, taxpayer compliance initiatives, new filing channels, a complete modernization of all technology platforms, as well as significant organizational improvements and operational efficiencies.

The Partnership Project has already successfully completed over twenty large information technology projects, covering a wide-range of business processes, including compliance, document processing, customer service, etc. In addition, a complex and highly visible Tax Amnesty program was added to the scope of the Partnership Project and was successfully executed. The final implementation occurred during Summer 2005 with the replacement of TAX's legacy back office taxpayer accounting system (STARS) with the new accounting system Advantage Revenue (AR). The contract will conclude in July 2006.

| <b>Service Area Budget</b>                                   | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | \$12,783,359        | \$12,783,359        | 0.00                  | 0.00                  |
| <i>Align nongeneral fund appropriation with expenditures</i> | (\$10,283,359)      | (\$12,783,359)      | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                                | <b>\$2,500,000</b>  | <b>\$0</b>          | <b>0.00</b>           | <b>0.00</b>           |

**Objective: Have the Advantage Revenue (AR) implementation complete with system performing normally through its first tax season.**

| <b>Key Performance Measure(s)</b>                             | <b>Measure Baseline(s)</b>     | <b>Measure Targets(s)</b> |
|---|--------------------------------|---------------------------|
| Meeting prior year (2004 filing season) performance measures. | 2004 tax filing season numbers | 100%                      |

## Administrative and Support Services

This area contains the administrative functions of TAX with the combining of the following sections: Fiscal Office, Human Resources, Internal Audit, Public Relations and Purchasing and Facilities. The Fiscal Office provides financial support to the agency, to include, budgeting, accounts payable, revenue accounting, and preparation of financial statements while the Human Resources area provides human resource services for all of TAX management and employees and is our liaison with the Department of Human Resource Management. The Internal Audit section performs scheduled audits of activities throughout TAX to ensure activities are being performed as intended and to identify opportunities to improve operational efficiencies, controls and lessen risks. The Public Relations Department provides effective public relations and marketing services for TAX. Specifically, the duties include publicizing, promoting, marketing, internal communications and educating the public and TAX employees about TAX's initiatives, programs, services, and accomplishments. The Purchasing & Facilities office has the following functions within its area:

- Purchasing – Procures goods and services for the agency in accordance with the VA Public Procurement Act and state procurement policies and procedures, works to insure an uninterrupted supply of goods and services that meet end-user needs and requirements, and administers eVA and the Small Purchasing Card Program for TAX.
- Fleet Management – Administers the agency fleet activities for 78 permanently assigned and 8 agency-owned vehicles.
- Facility Management – deals with all of TAX's physical plant issues.
- Security – Provides, monitors, and maintains security services to all employees.

| Service Area Budget   | 2007 Dollars       | 2008 Dollars       | 2007 Positions | 2008 Positions |
|---|--------------------|--------------------|----------------|----------------|
| Base Budget   | \$9,777,561        | \$9,777,561        | 55.00          | 55.00          |
| <i>Transfer centrally funded amounts to agency budgets</i>                        | \$499,801          | \$499,801          | 0.00           | 0.00           |
| <i>Adjust funding for agency expenditures related to cost of basic operations</i> | (\$359,625)        | (\$346,961)        | 0.00           | 0.00           |
| <b>Total for Service Area</b>   | <b>\$9,917,737</b> | <b>\$9,930,401</b> | <b>55.00</b>   | <b>55.00</b>   |

**Objective: Account for all revenue flowing through TAX and produce daily reports.**

| Key Performance Measure(s)                                      | Measure Baseline(s)   | Measure Targets(s)   |
|---|---|--|
| Timely submission of the daily deposit report and CARS reports. | Currently the agency is able to accurately account for all revenue with the use of STARS. | Submission of the daily deposit reports each day and continue to have the ability to deposit all revenue in Revenue Source Code 01200 and then have the funds transferred to the proper fund and revenue source code once the return is processed. |

**Objective: Submit all financial statements timely and without any material adjustments from the Department of Accounts (DOA) and the Auditor of Public Accounts (APA).**

| Key Performance Measure(s)                 | Measure Baseline(s)  | Measure Targets(s)                                    |
|--|--|---|
| The Financial statements submitted to DOA. | TAX was able to submit all financial statements timely and without any material adjustments in FY04. | Zero material adjustments to the Financial Statements |

**Objective: Effectively communicate with the media and other external entities.**

| Key Performance Measure(s)  | Measure Baseline(s)   | Measure Targets(s) |
|---|---|--------------------|
| Number of media inquiries received and responded to in a timely manner. | The Public Relations Department responded to 49 media requests, or an average of just fewer than 10 per month, during the first five months of 2005. The department responded to each of these media requests in a timely manner. | 100%               |



**Objective: Attract and retain qualified workers by strategically utilizing flexibilities afforded in HR management and compensation policies.**

| Key Performance Measure(s) | Measure Baseline(s) | Measure Targets(s)                         |
|----------------------------|---------------------|--|
| Vacancy rate               | 4.5%                | Vacancy rate should be no greater than 5%. |
| Average time to hire       | 58 days to fill.    | Positions should be filled within 60 days. |

**Objective: Make sufficient investment in the training and development of the workforce to be able to meet the current and future business needs of the agency.**

| Key Performance Measure(s)  | Measure Baseline(s)             | Measure Targets(s)                            |
|---|---------------------------------|---|
| Average number of non-technical courses per quarter for managers/supervisors. | 1.43 courses/manager/supervisor | Annual increase over baseline of at least 5%  |
| Average number of courses per quarter for all employees                       | 2.06 courses/employee           | At least 7.5% increase over baseline annually |

**Objective: To assist TAX's Leadership Team effectively discharge their responsibilities through systematic and disciplined evaluations that improve the effectiveness of agency risk management, control, and governance processes.**

| Key Performance Measure(s)                                 | Measure Baseline(s)                          | Measure Targets(s)                                 |
|--|--|--|
| Examinations of top 10 high-risk activities of the agency. | 20% of top 10 high-risk activities examined. | Examination of 30% of top 10 high-risk activities. |

**Objective: To ensure that resources are used efficiently and programs are managed effectively, and in a manner consistent with applicable state and federal requirements.**

| Key Performance Measure(s)  | Measure Baseline(s)   | Measure Targets(s) |
|---|---|--------------------|
| Percent of Governor's Management scorecard categories marked as meets expectations for the agency | The 2005 percentage calculated based on the agency scorecard is 100%. | Maintain 100%      |

## Information Technology Services

Information Technology Support is responsible for leveraging technology to enable all of TAX's business objectives and priorities, by developing, enhancing and maintaining systems, including application software and supporting hardware. TAX, as an agency, is dependant on technology in every aspect of daily operations. Nearly every employee relies on available and accurate information systems to perform essentially all of their daily responsibilities, and most employees, including auditors, collectors and customer service staff, are unable to perform the majority of their core responsibilities when these systems are not available.

TAX supports and maintains a broad range of complex information systems. Examples of the more than twenty information systems supported include:

- STRATA – A collection prioritization and risk assessment tool.
- Sales Tax Audit and Nexus (STAUDN), Withholding, Corporate – An application used to perform audits at the taxpayer's place of business.
- Computer Automated Collections System for Government (CACSG) – An automated collections system that provides for tracking of assessments through various collection stages.
- Customer Relationship Management (CRM) – An approach to meeting customer's needs that relies on a suite of technology systems that provides customer assistance, customer contact tracking, correspondence tracking, and case management.
- Imaging/Optical Character Recognition (OCR)/Intelligent Character Recognition (ICR) – Automated data and image capture of returns and correspondence.
- Remittance Processing – A system that provides for preparation of checks for bank deposit and data extraction for input into the enterprise system.
- Compliance Repository and Auditor's Toolkit – A data warehouse of taxpayer information and an application that allows for comparison of data to select audit candidates and manage the resulting audit activities.
- Lotus Notes – Administrative applications that support applications such as an online Agency Operating Procedures application, Collaborative Work Environment application, Configuration Change Management Tracking application, a Procurement Tracking application, and a Legislative Tracking application.
- ADVANTAGE Revenue (AR) – Back office taxpayer accounting system that maintains taxpayer demographic and account information.
- VATAX Online – A full suite of online services for businesses and individual income tax customers.
- The iReg for Business application allows new businesses to register online and allows existing businesses to add business locations and consolidate their filings.
- The iFile for Business application allows taxpayers to file sales, use, and withholding taxes over the Internet.
- The iFile for Individual application allows individual taxpayers to file over the Internet, to check their refund, and to change their name and address.

| <b>Service Area Budget</b>                                 | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | <b>\$24,863,153</b> | <b>\$24,863,153</b> | <b>90.00</b>          | <b>90.00</b>          |
| <i>Transfer centrally funded amounts to agency budgets</i> | <i>\$1,236,027</i>  | <i>\$1,236,027</i>  | <i>0.00</i>           | <i>0.00</i>           |
| <b>Total for Service Area</b>                              | <b>\$26,099,180</b> | <b>\$26,099,180</b> | <b>90.00</b>          | <b>90.00</b>          |

**Objective: Maintain customer satisfaction levels with online self-service technologies.**

| <b>Key Performance Measure(s)</b>  | <b>Measure Baseline(s)</b>   | <b>Measure Targets(s)</b>                             |
|--|--|---|
| Utilize the results of on-line surveys to measure customer satisfaction. | Individual iFile:98% of users found the service easy to use, 99% of users stated they would use the service again. iReg:97% of users would recommend to other businesses. Business iFile:99% of users would use iFile in the future. | Maintain at least a 98% customer satisfaction rating. |

## Department of the Treasury

### **Mission Statement**

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

## Agency Goals:

- Encourage a culture of continuous improvement, delivering the highest quality, customer-focused services possible and driven by a diverse, well-trained workforce capable of accomplishing the agency's mission and being accountable for their actions.
- Deliver high-quality cash management services, driven by cost effective solutions, creativity and fiduciary prudence.
- Deliver debt management and issuance services in the most efficient and effective manner while striving to maintain the Commonwealth's high debt ratings.
- Deliver the highest quality, cost effective risk management services to meet the needs of the Commonwealth.
- Deliver the most efficient and responsive unclaimed property program possible in an effort to meet the needs of our citizens and holders.
- Deliver statewide and agency accounting, budgeting, trust, and operational services timely and accurately while striving to improve efficiency, promote accountability, and reduce costs.

## Customers Served:

- Virginia Citizens
- Bondholders
- Executive Branch Officials, Agencies and Institutions
- Legislative Branch
- Boards and Authorities
- Local Governments for K-12 Financing Services
- Local Government Officials and Participants - Insurance Services
- Local Government Investment Pool Customers
- Holders of Unclaimed Property
- Financial Institutions Holding Virginia Public Deposits
- Insurance Companies Conducting Business in Virginia
- Intra-Agency Staff
- Business Partners

## Agency Budget Summary

|                                      | General Fund       | Nongeneral Fund    | TOTAL               | Personnel Costs    | Other Costs        | Positions     |
|--------------------------------------|--------------------|--------------------|---------------------|--------------------|--------------------|---------------|
| <b>OPERATING BUDGET HISTORY:</b>     |                    |                    |                     |                    |                    |               |
| FY 2003                              | \$9,307,151        | \$7,852,999        | \$17,160,150        | \$7,134,493        | \$10,025,657       | 118.00        |
| FY 2004                              | \$9,104,443        | \$7,869,443        | \$16,973,886        | \$6,546,792        | \$10,427,094       | 117.00        |
| FY 2005                              | \$9,452,975        | \$7,548,369        | \$17,001,344        | \$7,077,141        | \$9,924,203        | 120.00        |
| FY 2006                              | \$8,513,986        | \$7,885,709        | \$16,399,695        | \$7,314,176        | \$9,085,519        | 122.00        |
| <b>NEW OPERATING BUDGET SUMMARY:</b> |                    |                    |                     |                    |                    |               |
| FY 2007 Base Budget                  | \$8,513,986        | \$7,885,709        | \$16,399,695        | \$7,125,838        | \$9,273,857        | 122.00        |
| FY 2007 Addenda                      | \$337,734          | \$398,138          | \$735,872           | \$656,301          | \$79,571           | 1.00          |
| <b>FY 2007 TOTAL</b>                 | <b>\$8,851,720</b> | <b>\$8,283,847</b> | <b>\$17,135,567</b> | <b>\$7,782,139</b> | <b>\$9,353,428</b> | <b>123.00</b> |
| FY 2008 Base Budget                  | \$8,513,986        | \$7,885,709        | \$16,399,695        | \$7,125,838        | \$9,273,857        | 122.00        |
| FY 2008 Addenda                      | \$337,278          | \$404,063          | \$741,341           | \$666,552          | \$74,789           | 1.00          |
| <b>FY 2008 TOTAL</b>                 | <b>\$8,851,264</b> | <b>\$8,289,772</b> | <b>\$17,141,036</b> | <b>\$7,792,390</b> | <b>\$9,348,646</b> | <b>123.00</b> |

## Agency Summary of Recommended Operating Budget Addenda

► **Transfer centrally funded 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 2005 and 2006 salary and health insurance premium increases, and changes in retirement and disability contribution rates. For each year, \$231,487 (GF) and \$322,206 (NGF).

► **Transfer funding for the State Non-Arbitrage Program to the appropriate service area**

Transfers funding for the State Non-Arbitrage Program (SNAP) to the correct service area. SNAP is administered by the banking and investment area of Treasury. (Net zero adjustment)

► **Correct position level**

Converts a nongeneral fund position to a general fund position. When two of Treasury's information technology positions were transferred to the Virginia Information Technology Agency (VITA) both positions were coded as general fund positions. One of the positions should have been coded as nongeneral fund. This adjustment restores one general fund position to Treasury.

► **Adjust funding for agency expenditures related to cost of basic operations**

Adjusts funding for changes in operating costs related to central agency services and various charges. These include rental charges at the seat of government, procurement fees, property insurance premiums, and workers compensation insurance premiums. It also includes adjustments for changes in project management and security provided by the Virginia Information Technologies Agency and the transformation to service-based billing for technology services other than hardware and software. For 2007, \$69,983 (GF). For 2008, \$67,701 (GF).

► **Fund trust accounting senior analyst position**

Provides funding to support an analyst position in the agency's trust accounting section. The position will coordinate financial reporting responsibilities and provide accounting services for the Commonwealth, including the Tobacco Indemnification and Community Revitalization Endowment and the Tobacco Settlement Financing Corporation. For 2007, \$36,264 (GF) and \$36,266 (NGF). For 2008, \$38,090 (GF) and \$38,090 (NGF).

► **Fund an administrative support position to support the Local Government Investment Pool and the Tobacco Endowment Fund**

Funds a position to assist in the daily oversight of the Local Government Investment Pool and the Tobacco Endowment Fund. This position will be responsible for the clerical duties associated with these two functions thereby allowing senior staff to focus on the newly required reporting and monitoring duties. For 2007, \$39,666 (NGF) and one position. For 2008, \$43,767 (NGF).

**Agency Service Areas:**

**Debt Management**

This service area provides debt issuing and advisory services for the Commonwealth, state agencies and institutions. The products and services of this service area include:

- Financing review and program development services
- Program administration, including compliance and continuing disclosure, investor relations, and rating agency relationships to maintain the high credit quality of bonds
- Issuance of bonds or other securities
- Review of refunding opportunities on outstanding debt obligations
- Program administration for equipment and energy project financing for state agencies
- Debt affordability analysis and recommendations to executive branch and legislature
- Staffing services to boards and authorities
- Financing and advisory services to local governments
- Technical assistance on the financial aspects of legislative proposals, impact on debt capacity, financial studies and initiatives

| <b>Service Area Budget</b>                                 | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | \$864,333           | \$864,333           | 11.00                 | 11.00                 |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$86,993            | \$86,993            | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                              | <b>\$951,326</b>    | <b>\$951,326</b>    | <b>11.00</b>          | <b>11.00</b>          |

**Objective:** To execute bond transactions that on average achieve more favorable yields than prevailing rates then in effect for tax-supported debt programs issued by the service area, and to take advantage of refunding opportunities.

| Key Performance Measure(s) | Measure Baseline(s)  | Measure Targets(s)   |
|----------------------------|--|--|
| Yields on tax-exempt bonds | N/A. This is a new performance measure. Data will be collected going forward on new issues beginning July 1, 2005. | The average annual variance of all tax-supported debt issued by boards and authorities staffed by Treasury will be within 10 basis points. |

### **Insurance Services**

This service area administers risk management, insurance, self insurance and claims management and related services for agencies, officials, employees and certain affiliates of the Commonwealth of Virginia, its political subdivisions, entities and organizations as specified by statute. Insurance Services' mission is to provide highly skilled expertise resulting in the delivery of the most cost effective insurance coverage, claim and litigation management, and loss control activities, protecting the assets of the Commonwealth of Virginia including its tangible property and the work product of its employees.

Products and services include:

- State Insurance Reserve Trust Fund management
- Property inventory and asset valuation
- Property and liability risk management plans
- Commercial insurance procurement and administration
- Claims and litigation management
- Third party claims administration
- Loss prevention, loss control and training programs

| Service Area Budget  | 2007 Dollars       | 2008 Dollars       | 2007 Positions | 2008 Positions |
|--|--------------------|--------------------|----------------|----------------|
| Base Budget  | \$1,867,796        | \$1,867,796        | 18.00          | 18.00          |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$77,965           | \$77,965           | 0.00           | 0.00           |
| <b>Total for Service Area</b>                              | <b>\$1,945,761</b> | <b>\$1,945,761</b> | <b>18.00</b>   | <b>18.00</b>   |

**Objective: Improve efficiency of Insurance Services' responses to clients' requests for services by providing on-line access to customers and measuring the usage by clients.**

| Key Performance Measure(s)  | Measure Baseline(s)   | Measure Targets(s)   |
|---|---|--|
| Percentage of active Civitas system client base making use of the system's on-line, self-service system to update their Virginia Agency Property System (VAPS) and Virginia Auto Count and Car Care System (VACCS) records will exceed 25% by fiscal year 2008. | N/A. This will be a new measure. Data will be collected going forward beginning July 1, 2005. | The target is a 25% increase in self-service transactions by fiscal year 2008. |

### **Banking and Investment Services**

This service area provides for (1) the management and investment of state and local government funds, (2) the administration of the State Non-Arbitrage Program to ensure the investment of bond proceeds are in compliance with federal arbitrage rebate regulations, (3) the development and management of the Commonwealth's statewide banking network and cash concentration system, and (4) the development of banking and cash management services for state agencies and institutions.

Products and services include:

- Portfolio management and investment of the Commonwealth's general account operating funds and special and trust funds
- Management and investment of the Local Government Investment Pool (LGIP) available to all local and public entities
- Development and issuance of a credit card contract administration for the benefit of public agencies and institutions
- Administration of the Community Bankers Bank Agreement that streamlines the placement of time deposits
- Wire transfer and disbursement services for investments, certain vendor payments, and debt service payments
- Administration of the State Non-Arbitrage Program (SNAP)
- Management of external investment managers program for the general account portfolio
- Statewide banking cash management contracts and agreements
- Statewide regional depository cash concentration system
- Interest income forecast and cash flow projections
- Investment program for the Tobacco Indemnification and Community Revitalization Endowment
- Custody of financial assets held by the Commonwealth.

| <b>Service Area Budget</b>  | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|---|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>  | <b>\$4,333,188</b>  | <b>\$4,333,188</b>  | <b>9.00</b>           | <b>9.00</b>           |
| <i>Transfer centrally funded amounts to agency budgets</i>  | \$64,618            | \$64,618            | 0.00                  | 0.00                  |
| <i>Transfer funding for the State Non-Arbitrage Program to the appropriate service area</i>                                   | \$50,000            | \$50,000            | 0.00                  | 0.00                  |
| <i>Fund an administrative support position to support the Local Government Investment Pool and the Tobacco Endowment Fund</i> | \$39,666            | \$43,767            | 1.00                  | 1.00                  |
| <b>Total for Service Area</b>   | <b>\$4,487,472</b>  | <b>\$4,491,573</b>  | <b>10.00</b>          | <b>10.00</b>          |

**Objective:** Achieve investment earnings yield on the Commonwealth's General Fund Primary Liquidity Portfolio that exceed the benchmark one-year Constant Maturity Treasury yield by 15 basis points over a five-year period.

| <b>Key Performance Measure(s)</b>                                       | <b>Measure Baseline(s)</b>  | <b>Measure Targets(s)</b>  |
|---|---|--|
| General Fund investment earnings yield for primary liquidity portfolio. | Investment earnings for the Primary Liquidity Portfolio for fiscal year 2005 exceeded the benchmarked one-year Constant Maturity Treasury yield by 66 basis points above the 15 basis points target set in the performance measure. | Over a five-year period, the Primary Liquidity Portfolio investment earnings yield will exceed the one-year Constant Maturity Treasury yield by 15 basis points. |

### **Unclaimed Property Administration**

This service area administers the Virginia Uniform Disposition of Unclaimed Property Act (UPA) and the Escheats Generally Statute. The UPA protects the property rights of owners of tangible and intangible personal property held by holders. The Escheats Generally Statute assists localities by returning abandoned real estate back to an active tax-earning status. The products and services of this service area include:

- Custodian for the unclaimed property until the rightful owner can be located
- Maintain the unclaimed property database
- Process unclaimed property claims
- Outstanding customer service to Virginia citizens, former Virginia citizens, non-citizens, local, state, and federal agencies, organizations and businesses during the claims and the reporting process
- Conduct educational outreach and audits to enhance holder compliance and enforcement
- Conduct owner outreach to enhance location of rightful owners
- Provide financial record keeping for all receipts of unclaimed property, claim disbursements, the securities portfolio, and escheat transactions
- Administration of searchable database on the Internet for citizens to search for unclaimed property
- Monitor escheat activities with local government officials and escheators

| <b>Service Area Budget</b>                                 | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | <b>\$3,568,474</b>  | <b>\$3,568,474</b>  | <b>42.00</b>          | <b>42.00</b>          |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$141,637           | \$141,637           | 0.00                  | 0.00                  |
| <i>Correct position level</i>                              | \$0                 | \$0                 | -1.00                 | -1.00                 |
| <b>Total for Service Area</b>                              | <b>\$3,710,111</b>  | <b>\$3,710,111</b>  | <b>41.00</b>          | <b>41.00</b>          |

**Objective:** Increase the percentage of valid unclaimed property claims paid within 90 calendar days of receipt of verifying information.

| Key Performance Measure(s)  | Measure Baseline(s)  | Measure Targets(s)  |
|---|--|---|
| Percentage by which the number of valid unclaimed property claims are paid within 90 calendar days. | Over the last five years, the percentage of valid unclaimed property claims that were paid within 90 calendar days exceeded 99.0%. | The service area target for this performance measure is 100.0%. |

### Accounting and Trust Services

This service area provides statewide trust accounting and reporting services to Commonwealth agencies, institutions, and several of its debt-issuing authorities.

Products and services include:

- Accounting for and reporting of Commonwealth debt,
- Accounting for and reporting of Commonwealth investments,
- Payment of Commonwealth debt service,
- Accounting for and reporting of Commonwealth bond and trust funds,
- Accounting and reporting for the Virginia Public School Authority,
- Preparation of annual financial statements for debt-issuing authorities staffed by Treasury including the Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority,
- Accounting and reporting, including the preparation of year-end financial data, for the Local Government Investment Pool and the Literary Fund,
- Accounting for Treasury's risk management funds,
- Administration of the Security for Public Deposits Act which protects Virginia public deposits held by banking institutions through the collateralization of securities,
- Administration and safekeeping of the securities pledged by insurance companies transacting the business of insurance in Virginia,
- Accounting and budgeting for Treasury and Treasury Board.

| Service Area Budget   | 2007 Dollars       | 2008 Dollars       | 2007 Positions | 2008 Positions |
|---|--------------------|--------------------|----------------|----------------|
| <b>Base Budget</b>  | \$1,251,307        | \$1,251,307        | 10.00          | 10.00          |
| <i>Transfer centrally funded amounts to agency budgets</i>                                  | \$53,453           | \$53,453           | 0.00           | 0.00           |
| <i>Transfer funding for the State Non-Arbitrage Program to the appropriate service area</i> | (\$50,000)         | (\$50,000)         | 0.00           | 0.00           |
| <i>Fund trust accounting senior analyst position</i>  | \$72,530           | \$76,180           | 0.00           | 0.00           |
| <b>Total for Service Area</b>   | <b>\$1,327,290</b> | <b>\$1,330,940</b> | <b>10.00</b>   | <b>10.00</b>   |

**Objective: Ensure that all debt obligations are paid on time.**

| Key Performance Measure(s)                                    | Measure Baseline(s)  | Measure Targets(s)   |
|---|--|--|
| Percentage of debt payment obligations that are paid on time. | Over the last five years, this service area has made 100% of all debt obligation payments on time. | Since missing a debt obligation payment has serious consequences for the Commonwealth, the target for this performance measure is 100% of all debt obligation payments will be made on time. |

## **Check Processing and Bank Reconciliation**

This service area prints and distributes Commonwealth checks and reconciles Commonwealth bank accounts.

Products and services include:

- Printing and distribution of Commonwealth checks, including state payroll, retirement, tax refunds, social service benefit and child support, unemployment benefit, and vendor payment checks
- Reconciliation of state treasury bank accounts on a monthly basis to the records of the State Comptroller
- Reconciliation of the state treasury cash position daily in conjunction with the Department of Accounts
- Processing of requests by state agencies for stop payments on vendor payment and payroll checks
- Processing of forgery claims relating to all check types
- Maintenance of a database of paid Commonwealth vendor payment and payroll checks for research and information purposes
- Research and resolution of outstanding debits and credits on state bank accounts
- Administration of the Commonwealth's unclaimed property statutes as it relates to outstanding vendor payment and payroll checks
- Daily monitoring of the Commonwealth's disbursement and credit card accounts for unauthorized activity

| <b>Service Area Budget</b>                                 | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>   | <b>\$3,144,111</b>  | <b>\$3,144,111</b>  | <b>20.00</b>          | <b>20.00</b>          |
| <i>Transfer centrally funded amounts to agency budgets</i> | \$52,087            | \$52,087            | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                              | <b>\$3,196,198</b>  | <b>\$3,196,198</b>  | <b>20.00</b>          | <b>20.00</b>          |

**Objective: Ensure that Commonwealth checks are printed and distributed accurately and timely in accordance with agency procedures.**

| <b>Key Performance Measure(s)</b>                               | <b>Measure Baseline(s)</b>  | <b>Measure Targets(s)</b>   |
|---|---|---|
| Percentage of checks that are distributed timely and accurately | Over the last five years, the baseline for this performance measure has exceeded 99.7%. | The target for this performance measure is that the number of checks distributed in a timely and accurate manner will exceed 99.7%. |

## **Administrative Services**

As a central state agency, the Department of the Treasury provides statewide services to citizens and agencies and institutions of the Commonwealth. The Administrative Services service area of Treasury provides the day-to-day management and control of the agency and its seven service areas. This service area includes the State Treasurer, Deputy State Treasurer and the functional areas of Financial Policy, Human Resources, Information Systems, Internal Audit, and Procurement. Products and services include:

- Strategic planning for the agency
- Development and monitoring of agency goals, objectives and critical issues
- Development and management of the agency's budget
- Development and management of agency policies and procedures
- Monitoring of performance of service areas
- Providing direction and assistance to boards and authorities staffed by the agency
- Legislative development and coordination
- Development and coordination of Legislative Studies
- Regulatory development and coordination
- Development and enhancement of information systems and agency programs
- Human resource personnel administration and staff development
- Internal auditing of operational functions, internal controls and risk assessment
- Procurement of agency goods and services
- Procurement contract development and management
- Facilities and telecommunications development and management
- Management of agency equipment assets and surplus property
- Freedom of Information Act management and coordination
- Development of agency publications and public relations
- Management of agency records management program



| <b>Service Area Budget</b>  | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|---|---------------------|---------------------|-----------------------|-----------------------|
| <b>Base Budget</b>  | <b>\$1,370,486</b>  | <b>\$1,370,486</b>  | <b>12.00</b>          | <b>12.00</b>          |
| <i>Transfer centrally funded amounts to agency budgets</i>                        | \$76,940            | \$76,940            | 0.00                  | 0.00                  |
| <i>Correct position level</i>   | \$0                 | \$0                 | 1.00                  | 1.00                  |
| <i>Adjust funding for agency expenditures related to cost of basic operations</i> | \$69,983            | \$67,701            | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>   | <b>\$1,517,409</b>  | <b>\$1,515,127</b>  | <b>13.00</b>          | <b>13.00</b>          |

**Objective:** To ensure that resources are used efficiently and programs are managed effectively, and in a manner consistent with applicable state and federal requirements.

| <b>Key Performance Measure(s)</b> | <b>Measure Baseline(s)</b>  | <b>Measure Targets(s)</b>   |
|-----------------------------------|---|---|
| Agency Management Scorecard       | The 2005 percentage calculated based on the agency scorecard is 100%. | 100% of the Governor's Management Standards Scorecard categories will be marked as meeting expectations for the agency by fiscal year 2008. |

## **Treasury Board**

### **Mission Statement**

To review, and approve debt obligations of the Commonwealth consistent with law.

(While the Treasury Board is tasked by statute with many duties, the Treasury Board budget is limited to amounts required for debt service on primarily general fund obligations of the Commonwealth.)

### **Customers Served:**

- Virginia Public Broadcasting Board
- Virginia Public Building Authority
- Virginia College Building Authority
- State agencies and local governments
- Citizens using general obligation bond funded facilities/bondholders

### **Agency Budget Summary**

|                                      | <b>General Fund</b>  | <b>Nongeneral Fund</b> | <b>TOTAL</b>         | <b>Personnel Costs</b> | <b>Other Costs</b>   | <b>Positions</b> |
|--------------------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------|
| <b>OPERATING BUDGET HISTORY:</b>     |                      |                        |                      |                        |                      |                  |
| FY 2003                              | \$262,619,883        | \$6,438,630            | \$269,058,513        | \$2,300                | \$269,056,213        | 0.00             |
| FY 2004                              | \$271,002,845        | \$10,295,408           | \$281,298,253        | \$2,300                | \$281,295,953        | 0.00             |
| FY 2005                              | \$284,718,976        | \$6,995,367            | \$291,714,343        | \$2,300                | \$291,712,043        | 0.00             |
| FY 2006                              | \$328,968,004        | \$9,415,155            | \$338,383,159        | \$2,300                | \$338,380,859        | 0.00             |
| <b>NEW OPERATING BUDGET SUMMARY:</b> |                      |                        |                      |                        |                      |                  |
| FY 2007 Base Budget                  | \$328,968,004        | \$9,415,155            | \$338,383,159        | \$2,300                | \$338,380,859        | 0.00             |
| FY 2007 Addenda                      | \$29,544,471         | (\$145,277)            | \$29,399,194         | \$0                    | \$29,399,194         | 0.00             |
| <b>FY 2007 TOTAL</b>                 | <b>\$358,512,475</b> | <b>\$9,269,878</b>     | <b>\$367,782,353</b> | <b>\$2,300</b>         | <b>\$367,780,053</b> | <b>0.00</b>      |
| FY 2008 Base Budget                  | \$328,968,004        | \$9,415,155            | \$338,383,159        | \$2,300                | \$338,380,859        | 0.00             |
| FY 2008 Addenda                      | \$84,237,667         | (\$146,791)            | \$84,090,876         | \$0                    | \$84,090,876         | 0.00             |
| <b>FY 2008 TOTAL</b>                 | <b>\$413,205,671</b> | <b>\$9,268,364</b>     | <b>\$422,474,035</b> | <b>\$2,300</b>         | <b>\$422,471,735</b> | <b>0.00</b>      |

## Agency Summary of Recommended Operating Budget Addenda

### ► Adjust funding for debt service payments

Increases funding for debt service to reflect the latest schedules for the issuance of bonds, changes to the projected size of future debt issues, and to reflect older bonds being paid off or refinanced at lower interest rates. For 2007, an increase of \$28.7 million (GF) and a decrease of \$145,277 (NGF). For 2008, an increase of \$77.7 million (GF) and a decrease of \$146,791 (NGF).

### ► Provide debt service for new projects

Increases funding for debt service on bonds to be issued by the Virginia Public Building Authority for new capital projects and supplements to existing capital projects authorized for bond financing. For 2007, \$878,000 (GF). For 2008, \$6.2 million (GF).

### ► Provide debt service funding for higher education equipment

Adds funding for debt service required to support additional instructional and information technology equipment at institutions of higher education on short term debt issued in 2007 and 2008. For 2008, \$293,123 (GF).

## Agency Service Areas:

### Financial Assistance for Regional Jails

This service area provides for payments on two outstanding regional jail agreements for Arlington and Chesapeake. The Arlington agreement began in 1994 and is completed in FY 2013. The Chesapeake agreement began in 1995 and is completed in FY 2014. Other regional jail obligations have been financed or refinanced through the Virginia Public Building Authority. Currently, these obligations are financed through the Public Building Authority, however certain outstanding payment agreements remain outstanding.

| Service Area Budget                             | 2007 Dollars       | 2008 Dollars       | 2007 Positions | 2008 Positions |
|---|--------------------|--------------------|----------------|----------------|
| Base Budget                                     | \$2,636,727        | \$2,636,727        | 0.00           | 0.00           |
| <i>Adjust funding for debt service payments</i> | (\$3,237)          | (\$4,632)          | 0.00           | 0.00           |
| <b>Total for Service Area</b>                   | <b>\$2,633,490</b> | <b>\$2,632,095</b> | <b>0.00</b>    | <b>0.00</b>    |

### Community Access to Educational, Economic, and Cultural Programming through Public Television

This service area provides for payments on a ten-year note entered into by the Virginia Public Broadcasting Board on February 22, 2001. The \$23.8 million note provided grants to local public broadcasting stations to assist in the conversion to digital technology required by the Federal Communications Commission.

| Service Area Budget           | 2007 Dollars       | 2008 Dollars       | 2007 Positions | 2008 Positions |
|-------------------------------|--------------------|--------------------|----------------|----------------|
| Base Budget                   | \$3,100,000        | \$3,100,000        | 0.00           | 0.00           |
| <b>Total for Service Area</b> | <b>\$3,100,000</b> | <b>\$3,100,000</b> | <b>0.00</b>    | <b>0.00</b>    |

### Financial Assistance for Economic Development

This service area provides for the Commonwealth's share of the costs of the Virginia Advance Shipbuilding and Carrier Integration Center (VASCIC) in Newport News pursuant to a 2000 payment agreement between the Industrial Development Authority (IDA) of the City of Newport News and the Treasury Board.

| Service Area Budget                             | 2007 Dollars       | 2008 Dollars       | 2007 Positions | 2008 Positions |
|---|--------------------|--------------------|----------------|----------------|
| Base Budget                                     | \$5,322,190        | \$5,322,190        | 0.00           | 0.00           |
| <i>Adjust funding for debt service payments</i> | (\$2,787)          | (\$12,095)         | 0.00           | 0.00           |
| <b>Total for Service Area</b>                   | <b>\$5,319,403</b> | <b>\$5,310,095</b> | <b>0.00</b>    | <b>0.00</b>    |

### **Debt Service Payments on General Obligation Bonds**

This service area provides for the payment of principal and interest on full faith and credit obligations of the Commonwealth and per diem and travel expenses of Treasury Board members.

| <b>Service Area Budget</b>                      | <b>2007 Dollars</b> | <b>2008 Dollars</b>  | <b>2007 Positions</b> | <b>2008 Positions</b> |
|---|---------------------|----------------------|-----------------------|-----------------------|
| Base Budget                                     | \$96,398,986        | \$96,398,986         | 0.00                  | 0.00                  |
| <i>Adjust funding for debt service payments</i> | (\$7,324,204)       | \$7,383,156          | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                   | <b>\$89,074,782</b> | <b>\$103,782,142</b> | <b>0.00</b>           | <b>0.00</b>           |

### **Capital Lease Payments**

This service area provides for amounts appropriated from the general fund to pay certain long-term capital lease payments.

| <b>Service Area Budget</b>                      | <b>2007 Dollars</b> | <b>2008 Dollars</b> | <b>2007 Positions</b> | <b>2008 Positions</b> |
|---|---------------------|---------------------|-----------------------|-----------------------|
| Base Budget                                     | \$14,026,398        | \$14,026,398        | 0.00                  | 0.00                  |
| <i>Adjust funding for debt service payments</i> | \$132,725           | \$134,563           | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                   | <b>\$14,159,123</b> | <b>\$14,160,961</b> | <b>0.00</b>           | <b>0.00</b>           |

### **Debt Service Payments on Public Building Authority Bonds**

This service area provides for the payment of principal and interest on obligations issued by the Virginia Public Building Authority (VPBA) and to pay on-going program expenses (e.g., trustee fees, rebate fees, counsel).

| <b>Service Area Budget</b>                      | <b>2007 Dollars</b>  | <b>2008 Dollars</b>  | <b>2007 Positions</b> | <b>2008 Positions</b> |
|---|----------------------|----------------------|-----------------------|-----------------------|
| Base Budget                                     | \$135,473,405        | \$135,473,405        | 0.00                  | 0.00                  |
| <i>Adjust funding for debt service payments</i> | \$17,218,115         | \$44,870,458         | 0.00                  | 0.00                  |
| <i>Provide debt service for new projects</i>    | \$878,000            | \$6,231,000          | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                   | <b>\$153,569,520</b> | <b>\$186,574,863</b> | <b>0.00</b>           | <b>0.00</b>           |

### **Debt Service Payments on College Building Authority Bonds**

This service area provides for the amounts appropriated for the payment of principal and interest on obligations issued under the Virginia College Building Authority (VCBA) 21st Century Program to finance capital projects and equipment. Amount is also provided to pay on-going program expenses (e.g., trustee fees, counsel, rebate calculation fees).

| <b>Service Area Budget</b>   | <b>2007 Dollars</b> | <b>2008 Dollars</b>  | <b>2007 Positions</b> | <b>2008 Positions</b> |
|--|---------------------|----------------------|-----------------------|-----------------------|
| Base Budget  | \$81,425,453        | \$81,425,453         | 0.00                  | 0.00                  |
| <i>Adjust funding for debt service payments</i>                    | \$18,500,582        | \$25,195,303         | 0.00                  | 0.00                  |
| <i>Provide debt service funding for higher education equipment</i> | \$0                 | \$293,123            | 0.00                  | 0.00                  |
| <b>Total for Service Area</b>                                      | <b>\$99,926,035</b> | <b>\$106,913,879</b> | <b>0.00</b>           | <b>0.00</b>           |