

OFFICE OF FINANCE

THE HONORABLE RICHARD D. BROWN, SECRETARY OF FINANCE

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



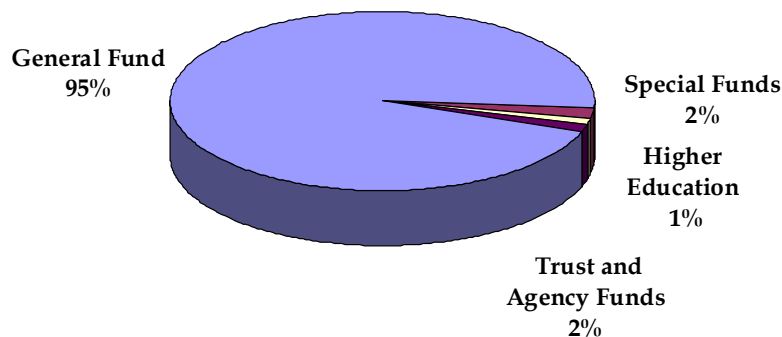
FINANCE AGENCIES INCLUDE:

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

Financing of Finance Agencies*

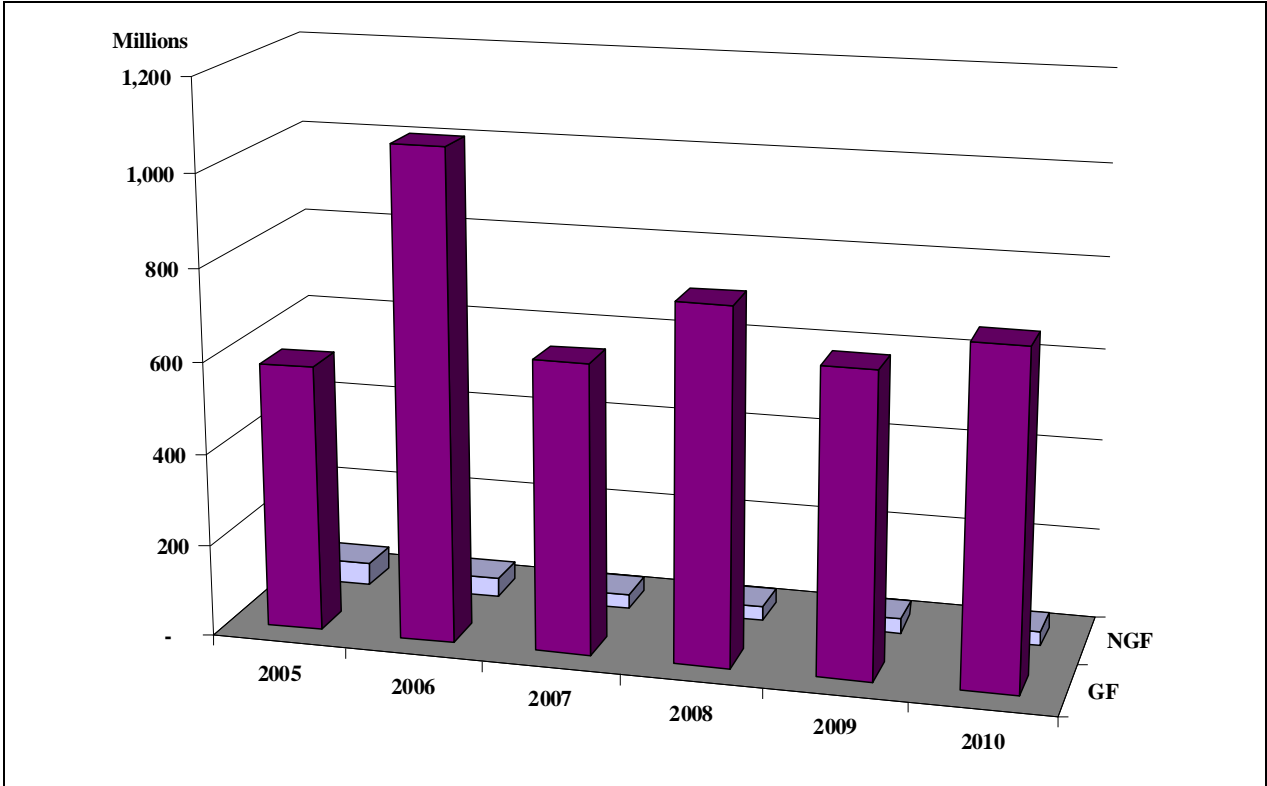
Based on 2008 - 2010 Biennial Operating Budget

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





Office of Finance Operating Budget History



Secretary of Finance

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

Operating Budget History

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

New Operating Budget Summary

	<u>General Fund</u>	<u>Nongeneral Fund</u>	<u>Positions</u>
2009 Base Budget	\$657,466	\$0	5.00
2009 Addenda	\$0	\$0	0.00
2009 TOTAL	\$657,466	\$0	5.00
2010 Base Budget	\$657,466	\$0	5.00
2010 Addenda	(\$2,620)	\$0	0.00
2010 TOTAL	\$654,846	\$0	5.00

Recommended Operating Budget Addenda

► Implement targeted reductions

Implements targeted reductions for 2009 and 2010 included in Governor Kaine's 2008-2010 Budget Reduction Plan. In addition to the targeted reduction, the office will share in the administrative savings identified in the 2008-2010 Budget Reduction Plan for the Office of the Governor. The reduction amount will be distributed during execution of the budget. Reduction details for the targeted reductions can be found in Part D of this document. For 2010, a decrease of \$2,620 (GF).

► Provide authority to charge internal service fund profits indirect costs

Authorizes the transfer to the general fund of reasonable sums from annual profits of internal service funds that exceed the cost of providing services, or that represent over-recoveries from the general fund.

Department of Accounts

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

Key Objectives and Performance Measures

☛ We will process payroll requests timely.

Review and process all payrolls by the final certification date.

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

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

☛ Monitor agencies and institutions responses to APA audit reports.

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

Operating Budget History

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

New Operating Budget Summary

	<u>General Fund</u>	<u>Nongeneral Fund</u>	<u>Positions</u>
2009 Base Budget	\$11,850,195	\$419,643	125.00
2009 Addenda	(\$100,000)	\$0	0.00
2009 TOTAL	\$11,750,195	\$419,643	125.00
2010 Base Budget	\$11,894,919	\$419,643	125.00
2010 Addenda	(\$805,141)	\$0	2.00
2010 TOTAL	\$11,089,778	\$419,643	127.00

Recommended Operating Budget Addenda

► Convert the payroll service bureau to an internal service fund

Expands the payroll service bureau and converts the bureau into an internal service fund to recover costs for the payroll services from the participating agencies. There is a corresponding amendment to transfer general fund appropriation within the Department of Accounts from the payroll service bureau service area to other service areas lending operating support for the program. For 2010, a decrease of \$609,824 (GF) and an increase of two positions.

► Reallocate current agency support for Payroll Service Bureau

Transfers general fund appropriation from the payroll service bureau service area, back to the agency programs that were previously lending operating support. Starting in FY 2010, the payroll service bureau will become an internal service fund and will be supported by direct payments from agencies. For 2010, \$127,900 (GF).

► Reflect Governor's October reductions in agency budgets

Reflects the reductions approved by Governor Kaine in October 2008 for 2009 and the corresponding continuation of savings in 2010. See Part D of this document for reduction details. For 2009, a decrease of \$100,000 (GF). For 2010, a decrease of \$250,000 (GF).

► Implement targeted reductions

Implements targeted reductions for 2009 and 2010 included in Governor Kaine's 2008-2010 Budget Reduction Plan. Reduction details can be found in Part D of this document. For 2010, a decrease of \$73,217 (GF).

Department of Accounts Transfer Payments

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

Operating Budget History

	General Fund	Nongeneral Fund	Positions
2005 Appropriation	\$191,568,057	\$2,044,778	0.00
2006 Appropriation	\$644,219,759	\$2,044,778	0.00
2007 Appropriation	\$168,597,412	\$1,044,778	0.00
2008 Appropriation	\$179,423,706	\$64,703,732	0.00

New Operating Budget Summary

	General Fund	Nongeneral Fund	Positions
2009 Base Budget	\$78,698,803	\$69,950,603	0.00
2009 Addenda	(\$2,434,516)	\$2,641,172	0.00
2009 TOTAL	\$76,264,287	\$72,591,775	0.00
2010 Base Budget	\$58,678,276	\$75,758,630	0.00
2010 Addenda	(\$2,080,145)	(\$3,598,009)	0.00
2010 TOTAL	\$56,598,131	\$72,160,621	0.00

Recommended Operating Budget Addenda

► **Adjust Department of Accounts transfer payments for localities**

Adjusts transfer payments for localities in accordance with revenue projections. For 2009, \$510,000 (GF) and \$2.6 million (NGF). For 2010, an increase of \$510,000 (GF) and a decrease of \$3.6 million (NGF).

Department of Planning and Budget

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

Key Objectives and Performance Measures

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

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

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

Ratio of recurring general fund revenue to recurring general fund spending

Operating Budget History

	General Fund	Nongeneral Fund	Positions
2005 Appropriation	\$5,551,734	\$250,000	67.00
2006 Appropriation	\$6,702,532	\$250,000	68.00
2007 Appropriation	\$8,200,057	\$250,000	70.00
2008 Appropriation	\$8,227,102	\$250,000	70.00

New Operating Budget Summary

	General Fund	Nongeneral Fund	Positions
2009 Base Budget	\$8,330,623	\$250,000	73.00
2009 Addenda	(\$997,805)	\$0	-4.00
2009 TOTAL	\$7,332,818	\$250,000	69.00
2010 Base Budget	\$8,330,623	\$250,000	73.00
2010 Addenda	(\$1,030,774)	\$0	-4.00
2010 TOTAL	\$7,299,849	\$250,000	69.00

Recommended Operating Budget Addenda

► **Reflect Governor’s October reductions in agency budgets**

Reflects the reductions approved by Governor Kaine in October 2008 for 2009 and the corresponding continuation of savings in 2010. See Part D of this document for reduction details. For 2009, a decrease of \$997,805 (GF) and four positions. For 2010, a decrease of \$1.0 million (GF).

► **Implement targeted reductions**

Implements targeted reductions for 2009 and 2010 included in Governor Kaine’s 2008-2010 Budget Reduction Plan. Reduction details can be found in Part D of this document. For 2010, a decrease of \$22,025 (GF).

Department of Taxation

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

Key Objectives and Performance Measures

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

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

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

Increase the number of taxpayer transactions through TAX’s electronic channels by 9.4 percent.

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

Answer 87 percent of calls before the caller disconnects.

Operating Budget History

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

New Operating Budget Summary

	General Fund	Nongeneral Fund	Positions
2009 Base Budget	\$87,758,062	\$9,519,328	946.50
2009 Addenda	\$153,459	\$0	50.00
2009 TOTAL	\$87,911,521	\$9,519,328	996.50
2010 Base Budget	\$88,218,562	\$9,519,328	946.50
2010 Addenda	\$1,093,644	\$804,100	50.00
2010 TOTAL	\$89,312,206	\$10,323,428	996.50

Recommended Operating Budget Addenda

► **Appropriate nongeneral fund revenue for the administration of the Land Preservation Tax Credit**

Provides the agency with a nongeneral fund appropriation for the recovery of the costs of administering the program, as provided for in statute. For 2010, \$579,100 (NGF).

► **Relocate department staff to Main Street Center**

Provides funding to cover unbudgeted costs associated with the consolidation of the Department of Taxation's administrative functions in Main Street Center. For 2009, \$2.0 million (GF). For 2010, \$83,032 (GF).

► **Reflect Governor's October reductions in agency budgets**

Reflects the reductions approved by Governor Kaine in October 2008 for 2009 and the corresponding continuation of savings in 2010. See Part D of this document for reduction details. For 2009, a decrease of \$1.9 million (GF) and an increase of 50 positions. For 2010, \$1.2 million (GF) and \$225,000 (NGF).

► **Implement targeted reductions**

Implements targeted reductions for 2009 and 2010 included in Governor Kaine's 2008-2010 Budget Reduction Plan. Reduction details can be found in Part D of this document. For 2010, a decrease of \$221,987 (GF).

► **Strike obsolete language**

Removes authority to spend revenue collected in certain authorities from the sales tax on fuel, and the retail sales and use tax imposed on vehicle repair and labor services. The Virginia Supreme Court declared the enabling legislation unconstitutional.

Department of the Treasury

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

Key Objectives and Performance Measures

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

Average yield on bond issues

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

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

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

Percentage of checks delivered in a timely and accurate manner.

Operating Budget History

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

New Operating Budget Summary

	General Fund	Nongeneral Fund	Positions
2009 Base Budget	\$7,825,026	\$9,157,762	124.00
2009 Addenda	(\$897,204)	\$0	-3.00
2009 TOTAL	\$6,927,822	\$9,157,762	121.00
2010 Base Budget	\$7,825,026	\$9,162,590	124.00
2010 Addenda	\$534,447	\$384,043	-3.00
2010 TOTAL	\$8,359,473	\$9,546,633	121.00

Recommended Operating Budget Addenda

► **Reflect Governor's October reductions in agency budgets**

Reflects the reductions approved by Governor Kaine in October 2008 for 2009 and the corresponding continuation of savings in 2010. See Part D of this document for reduction details. For 2009, a decrease of \$897,204 (GF) and three positions. For 2010, a decrease of \$888,895 (GF) and an increase of \$351,343 (NGF).

► **Implement targeted reductions**

Implements targeted reductions for 2009 and 2010 included in Governor Kaine's 2008-2010 Budget Reduction Plan. Reduction details can be found in Part D of this document. For 2010, a decrease of \$44,658 (GF) and an increase of \$32,700 (NGF).

► **Increase funding for banking services fees**

Provides additional general fund dollars for banking services fees. Banking services fees are paid with a combination of cash and compensating balances on deposit with the banks. This would free compensating balances which would be invested in the Primary Liquidity Investment Portfolio. The estimated earnings on the Primary Liquidity Investment Portfolio exceed those of banks. It is anticipated that this will generate \$2.6 million in general fund revenue. For 2010, \$1.5 million (GF).

Treasury Board

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

Operating Budget History

	General Fund	Nongeneral Fund	Positions
2005 Appropriation	\$284,718,976	\$6,995,367	0.00
2006 Appropriation	\$310,489,287	\$9,415,155	0.00
2007 Appropriation	\$347,676,692	\$9,269,878	0.00
2008 Appropriation	\$405,205,576	\$11,268,364	0.00

New Operating Budget Summary

	General Fund	Nongeneral Fund	Positions
2009 Base Budget	\$464,686,808	\$11,266,481	0.00
2009 Addenda	(\$11,958,281)	\$0	0.00
2009 TOTAL	\$452,728,527	\$11,266,481	0.00
2010 Base Budget	\$529,375,099	\$11,264,517	0.00
2010 Addenda	(\$2,765,758)	\$0	0.00
2010 TOTAL	\$526,609,341	\$11,264,517	0.00

Recommended Operating Budget Addenda

► **Implement targeted reductions**

Implements targeted reductions for 2009 and 2010 included in Governor Kaine's 2008-2010 Budget Reduction Plan. Reduction details can be found in Part D of this document. For 2009, a decrease of \$4.3 million (GF). For 2010, a decrease of \$13.9 million (GF).

► **Adjust debt service funding**

Adjusts debt service funding for projects financed through the Virginia College Building Authority and the Virginia Public Building Authority, and general obligation bond projects, to capture savings in FY 2009, and to provide additional funding in FY 2010. The adjustments are necessary to reflect the impact of: revised issuance assumptions on authorized projects, delayed fall 2008 issuances, and revised Water Quality Improvement Fund assumptions; increased interest rate assumptions on future issuances due to changes in the recent financial market; and, the anticipated supplant in FY 2009 of \$250 million in general fund dollars for capital projects with bond proceeds. Debt service on the \$250 million in capital suppliants will be required beginning in FY 2010. For 2009, a decrease of \$7.7 million (GF). For 2010, \$11.2 million (GF).