

2018-20 Strategic Plan

Department of the Treasury [152]

Mission

As steward of the Commonwealth's financial resources, the Department of the Treasury's mission is to ensure excellence in the management of its banking, investing, and financing services and the administration of unclaimed property and insurance programs.

Vision

The vision for the Department of the Treasury is to excel as a national leader in fiscal management, fiduciary oversight and customer service for the benefit of our citizens, customers and the financial community.

Values

Integrity: Maintaining the highest ethical standards and conducting our business and ourselves accordingly.

Creativity: Continually challenging ourselves to seek innovative and cost-effective methods to provide services.

Accountability: Acknowledging accountability for our actions.

Excellence: Striving to create a working environment that maximizes the effectiveness and efficiency of our staff; provides clear, measurable objectives and accountability; and attracts, motivates, rewards and retains an outstanding workforce.

Stewardship: Cultivating an active ethic of responsible planning and management of Commonwealth resources.

Finance

Financial Overview

Treasury's base budget is funded 23% from general funds (\$11.4 million) and 77% from non-general funds (\$38.4 million). The non-general fund sources are: \$7.6 million from the receipt of unclaimed property used to administer the Commonwealth's unclaimed property laws; \$27.9 million from insurance trust fund balances; \$.2 million from charges to select agencies for check printing services; \$.8 million from charges to debt issuing authorities and agencies for debt issuance and management services; \$1.1 million for investment services provided to state and local governments; and \$.8 million for fees charged financial institutions and insurance carriers.

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	11,432,877	38,453,465	7,360,896	38,457,891
Changes to Initial Appropriation	0	0	0	0

(Changes to Initial Appropriation will be 0 when the plan is created. They will change when the plan is updated mid-biennium.)

Customers

Anticipated Changes to Customer Base

Current Customer List

Predefined Group	User Defined Group	Number Served Annually	Potential Number of Annual Customers	Projected Customer Trend
General Assembly	Legislative Branch and Money Committees Staff	158	158	Stable
Business and Finance	Business Partners	265	265	Stable
Business and Finance	Financial Institutions Holding Virginia Public Deposits	92	92	Stable
Business and Finance	Holders of Unclaimed Property	35,600	100,000	Increase
Business and Finance	Insurance Companies Conducting Business in Virginia	1,146	1,146	Stable
Local or Regional Government Authorities	Local Government Investment Pool Customers	376	650	Increase

Local or Regional Government Authorities	Local Government Officials and Non-profit Participants - Insurance Services	525	1,000	Stable
Local or Regional Government Authorities	Local Governments for K-12 Financing Services	134	134	Stable
State Agency(s),	Boards and Authorities	25	25	Stable
State Agency(s),	Local and State Government Agencies	108	108	Stable
State Government Employee	Intra-Agency Staff	121	121	Stable
Attorney General	Executive Branch	350	350	Stable

Partners

Name	Description
Law firms	Provide legal services to the agency and the Commonwealth
Major banking partners	Provide collection and disbursement services and Virginia's community banks providing local deposit services
Master custody bank	Safekeep investments, pricing, accounting, and investment compliance
External investment management companies	Manage about 25%-30% of the General Account's assets and the Tobacco Indemnification Endowment Fund and the SNAP Program
Investment consultant	Monitor the performance of the investment management firms and taking the lead on all investment manager searches, assisting in the development of investment policies and guidelines and reporting investment results to the Commonwealth Treasury Board
Investment dealers	Compete in the purchase and sale of securities
Investment management companies, consultants and investment dealers	Provide investment services and products to the agency and the Commonwealth
Financial Advisors	Provide financial services to the agency and the Commonwealth
Financial institutions	Provide financial services and products to the agency and the Commonwealth
Insurance brokers	Locate specialized insurance coverage that will provide protection necessary to agencies' unique lines of business or unusual but statutorily required projects
Insurance brokers and actuaries	Provide insurance, loss control and actuarial services to the agency and the Commonwealth
Private sector vendors and contractors	Provide goods and services to the agency
Standard and Poor's investment rating firm	Provide surveillance and monitoring of the Local Government Investment Pool to ensure that the fund is managed in compliance with an AAAm rating
State agencies	Provide or receive services from the agency
State Corporation Commission	Administer the collateral pledged by insurance companies doing business in Virginia
State Council of Higher Education for Virginia	Review of 9(d) feasibility studies and for facilitating the Virginia College Building Authority equipment financing program; review private college financing applications
Banks, Trustees, Escrow Agents, and Paying Agents	Act as agents for the issuing board in making payments to bondholders and/or protecting the interests of the bondholders
Bond and investment rating agencies	Provide credit rating services to the agency and the Commonwealth
Bond Counsel and the Office of the Attorney General	Assist the area in drafting and/or reviewing legislative proposals, bond documents and otherwise ensuring bonds are issued in accordance with applicable law
Cash concentration system administrator	Facilitate the movement of deposits from regional banks into the state's concentration bank
Credit card processor	Perform credit card services for any state agency or institution and contract administration for participating localities
Department of Accounts	Provide Treasury receipt and disbursement transactions of the Commonwealth as recorded per its general ledger system. Treasury uses this information to reconcile to bank activity

Department of Accounts for vendor payment and payroll checks, the Virginia Retirement System, the Department of Social Services, the Department of Taxation, and the Virginia Employment Commission	Issue payments from Treasury on behalf of these agencies. Treasury works closely with these agencies to address check production and payment issues
Department of Accounts, Auditor of Public Accounts, Department of Planning and Budget, and other agencies	Provide the financial statements, and financial and demographic information necessary to enable the preparation and filing of primary and secondary disclosure
Department of Education	Coordinate of K-12 financings for local school districts
Department of Planning and Budget	Compile project draw schedules, monitor projects, and control expenditures on capital projects funded through Treasury programs
Third party claims administrators and claims adjustment service providers	Provide specialized claims administration
Third Party Securities Lending Agent	Provide securities lending services for both the General Account and Lottery
Underwriters, remarketing agents, liquidity providers	Market, remarket, sell and provide standby bond purchase support for the Commonwealth and its authorities' and boards' bonds
Virginia Department of Transportation	Execute transportation financings
LGIP Transfer Agent	Provide fund accounting for the LGIP

Agency Goals

• GOAL #1: Ensure that all debt disclosure requirements are met and provided on a timely basis.

Summary and Alignment

This goal aligns to the Enterprise Strategic Priority of maintaining Virginia's AAA bond rating. In order for the Department of the Treasury to accomplish its mission of ensuring excellence in the management of its banking, investing, and financing services, the Department must to provide for the timely filing of primary and continuing disclosure documents in accordance with Municipal Securities Rulemaking Board and Securities and Exchange Commission rules and, in the case of continuing disclosure, in compliance with the undertakings provided by the issuer at the time of issuance of the bonds. This goal applies to bonds issued by entities staffed by the Department of the Treasury (i.e., Treasury Board (general obligation bonds), Virginia College Building Authority, Virginia Public Building Authority, Virginia College Building Authority and the Tobacco Settlement Financing Corporation).

Associated State Goal

Government and Citizens: Be recognized as the best-managed state in the nation.

Associated Societal Indicator

Bond Rating

Objectives

- » **Deliver debt management and issuance services in the most efficient and effective manner based on customer demands, budgetary restraints, and debt affordability.**

Description

In order to enable the department to support Virginia's long-term objectives of Best Managed State and maintain Virginia's high credit ratings, it must: provide for debt financing in the most efficient and cost-effective manner, while ensuring the most favorable borrowing rates available; ensure debt financings are provide in compliance with statutes and regulations to maintain the tax-exempt status of bonds; and provide advice, assistance, access to programs and accurate information to customers.

Objective Strategies

- Provide for the timely, efficient and cost effective issuance and management of debt programs managed by the agency.
- Launch an investor website with information on Virginia issuers and bonds targeted directly to current and potential investors.
- Work with Treasury's various financial advisors to develop a strategy to inform and engage potential purchasers of Commonwealth bonds in the retail market.
- Use existing and developing data resources to improve operational efficiency, enhance investor and customer outreach and respond more quickly to emerging market trends.
- Improve, expand, monitor, and document post bond issuance disclosure concerning the Commonwealth and its issuing entities.
- Engage with bond rating agencies to maintain a positive dialog concerning the credit quality and security for Commonwealth's bonds to help maintain the Commonwealth's high debt ratings.
- Monitor the legislative and regulatory environment at the federal and state levels to stay up-to-date on requirements and needs of

regulators, investors, customers and partners to provide services in the most efficient and effective manner.

Measures

• GOAL #2: Encourage a culture of continuous workforce improvement.

Summary and Alignment

This goal aligns to the Enterprise Strategic Priority of enhancing the productivity and efficiency of state government operations. This goal also aligns with the agency's mission of serving the Commonwealth by ensuring excellence in the management of its banking, investing, and financing services and the administration of unclaimed property and insurance programs.

Associated State Goal

Government and Citizens: Be recognized as the best-managed state in the nation.

Associated Societal Indicator

Government Operations

Objectives

» Provide agency staff with workforce development opportunities that provide professional growth and opportunities for advancement while strengthening agency resources.

Description

In order to enhance the productivity and efficiency of the agencies resources it must provide a workforce development plan to aid in the training and education of agency staff.

Objective Strategies

- Ensure staff is aware of the various benefits, specifically the employee training program.
- Support alternate work schedules to allow employees to have flexible schedules to attend training or continue education.
- Educate managers on the importance of proactively coaching employees to develop talent within the agency.

Measures

• GOAL #3: Deliver state-of-the-art cash management and investment services.

Summary and Alignment

This goal aligns to the Enterprise Strategic Priority of continuing to successfully manage the Commonwealth's long-term investments, assets, and liabilities. In order for the Department of the Treasury to accomplish its mission of ensuring excellence in the management of its banking, investing, and financing services, the Department must (1) provide for the effective management of state and local government funds to maximize investment earnings within levels of prudence established by statute and guidelines, (2) manage and administer a Local Government Investment Pool(LGIP) that provides value to local governments which choose to invest their funds in the LGIP, and (3) work with agencies and institutions, as well as financial institution partners, to implement an effective and efficient statewide banking network developed to provide state-of-the-art cash management services to ensure the highest quality services are available to our customers.

Associated State Goal

Government and Citizens: Be recognized as the best-managed state in the nation.

Associated Societal Indicator

Government Operations

Objectives

» Manage and administer a state of the art cash management program and state banking network

Description

Work with agencies and institutions, as well as financial institution partners, to implement an effective and efficient statewide banking network, developed to provide state-of-the-art cash management services to ensure the highest quality services are available to customers.

Objective Strategies

- Review current banking contracts and requests for proposals to determine where greater efficiencies and cost savings can be negotiated.
- Develop a process to integrate critical banking and investment information on a real time basis in order to minimize errors, delays in reporting and repetitive reporting systems.
- Continue to maximize use of electronic receipts and disbursements and reduction in check payments.

Measures

- » **Provide for the effective and efficient management of state and local government funds for the preservation of capital, liquidity and interest income for all investment funds under Treasury management**

Description

In order to enable the department to achieve efficiency and effectiveness benefits to support Virginia's long-term objectives of Best Managed State, it must: provide for the effective management of state and local government funds to maximize investment earnings within levels of prudence established by statute and guidelines; and manage and administer a local Government Investment Pool that provides value to local government which choose to invest their funds in the Pool.

Objective Strategies

- 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 identified benchmark.
- Review investment securities within statutory guidelines to determine where an increase in yields is possible within overall principles of liquidity and preservation of principle.
- Continue to maintain the S&P AAAM rating for the Local Government Investment Pool to ensure continued service to local governments.

Measures

- **GOAL #4: Ensure that all debt obligations are paid on time.**

Summary and Alignment

This goal aligns to the Enterprise Strategic Priority of maintaining Virginia's AAA bond rating. In order for the Department of the Treasury to accomplish its mission of ensuring excellence in the management of its banking, investing, and financing services, the Department must (1) provide for debt financing in the most efficient and cost-effective manner, while ensuring the most favorable borrowing rates available, (2) ensure debt financings are provided in compliance with statutes and regulations to maintain the tax-exempt status of bonds, and (3) provide advice, assistance, access to programs and accurate information to customers.

Associated State Goal

Government and Citizens: Be recognized as the best-managed state in the nation.

Associated Societal Indicator

Bond Rating

Objectives

- » **Ensure that all debt obligations are paid on time.**

Description

[Nothing Entered]

Objective Strategies

- Maintain internal debt service schedule of payment due dates and date payments.
- Develop continuity strategies to ensure the timely payment of debt obligations under all contingencies.

Measures

- ♦ Ensure that all debt payment obligations are paid on time.

- **GOAL #5: Administer the Commonwealth's risk management program to ensure coverage of Commonwealth assets in compliance with statutory requirements.**

Summary and Alignment

This goal aligns to the Enterprise Strategic Priority of continuing to successfully manage the Commonwealth's long-term investments, assets, and liabilities. In order for the Department of the Treasury to accomplish its mission of ensuring excellence in the administration of insurance programs, the Department must provide for protection of the assets of the Commonwealth through (1) superior insurance and risk management services, (2) excellent claims and litigation management, (3) expert consultation services and loss prevention and control training (4) prudent and cost effective management of the State Insurance Reserve Trust Fund, and (5) outstanding customer service.

Associated State Goal

Government and Citizens: Be recognized as the best-managed state in the nation.

Associated Societal Indicator

Government Operations

Objectives

- » **Deliver the highest quality, cost effective, actuarially sound risk management services to meet the needs of Commonwealth agencies, officials, employees, and certain affiliates.**

Description

In order to enable the department to achieve efficiency and effectiveness benefits to support Virginia's long-term objectives of Best Managed State, it must provide for the protection of the assets of the Commonwealth through: superior insurance and risk management services; excellent claims and litigation management; expert consultation services and loss prevention and control training; prudent and cost effective management of an actuarially sound State Insurance Reserve Trust Fund; and outstanding customer service.

Objective Strategies

- Maintain the State Insurance Reserve Trust Fund on an actuarially sound basis.
- Expand loss prevention and loss control training and consultation services by increasing the use of social media to reach an expanding customer base.
- Improve automobile claims handling effectiveness and reduce costs by bringing the process in-house to be handled by the department's staff.
- Upgrade current web applications to provide more functionality and security features and integrate with the risk management system to improve claim adjusting, records maintenance, financial reporting and more accurate billing.

Measures

- **GOAL #6: Administer the Commonwealth's Unclaimed Property Act to maximize the return of property to its rightful owners.**

Summary and Alignment

In order to enable the department to achieve efficiency and effectiveness benefits to support the agency's mission as a steward of the Commonwealth's financial resources and the interests of its citizens, it must: administer an unclaimed property program in accordance with the Uniform Disposition of Unclaimed Property Act. The Act provides for the return of tangible and intangible personal property that has been deemed abandoned to the rightful owners; provide resourceful outreach efforts to enhance the location of owners; provide comprehensive claims verification and processing that returns property to the rightful owners in an expeditious manner; and provide strategic holder compliance and enforcement efforts to maximize the required reporting of unclaimed property. The Treasury must also effectively administer the Escheats Generally statute and a program for abandoned real property that returns abandoned parcels of land to an active tax earning status.

Associated State Goal

Government and Citizens: Be recognized as the best-managed state in the nation.

Associated Societal Indicator

Consumer Protection

Objectives

- » **Deliver the most efficient and responsive unclaimed property programs possible in an effort to meet the needs of our citizens, holders and localities.**

Description

In order to enable the department to achieve efficiency and effectiveness benefits to support Virginia's long-term objectives of Best Managed State, it must: administer an unclaimed property program in accordance with the Uniform Disposition of Unclaimed Property Act that provides for the return of unclaimed property to the rightful owners; provide resourceful outreach efforts to enhance the location of owners; provide comprehensive claims verification and processing that returns property to the rightful owners in an expeditious, economical manner; provide strategic holder compliance and enforcement efforts to maximize required reporting of unclaimed property. The Treasury must also effectively administer the Escheats Generally statute and a program for abandoned real property that returns abandoned parcels of land to an active tax earning status.

Objective Strategies

- Expand and fine-tune owner outreach, media and social media communications, community relations, marketing and public relations initiatives in an effort to maximize the return of unclaimed property to rightful owners.
- Overhaul the Unclaimed Property webpage and the Click and Claim on-line searchable database found at VAMoneySearch.org to provide more information for holders, citizens and claimants about the unclaimed property program and make reporting and claiming property more user-friendly.
- Assess the Revised Uniform Unclaimed Property Act of 2016 for possible adoption.
- Work to reduce the number of unclaimed property exemptions that exist in the current Act that have limited consumer protection for property.

- Work to better educate localities and escheators about escheat laws and responsibilities.

Measures

• **GOAL #7: Improve efficiency of accounting operations to enhance accounting and budgeting services and promote increased accountability, transparency and reporting.**

Summary and Alignment

This goal aligns to the Enterprise Strategic Priority of maintaining Virginia’s AAA bond rating. In order for the Department of the Treasury to accomplish its mission of ensuring excellence in the management of its banking, investing, and financing services, the Department must provide for (1) the accurate accounting for and preparation of financial statements for boards and authorities staffed by Treasury, (2) the accurate and timely accounting for state investments and debt structures, (3) the proper administration of and accounting for Treasury’s budget, (4) the accurate and timely disbursement of state funds in accordance with the Prompt Payment Act, (5) the accurate recording of state receipts and reconciliation of bank accounts (6) the proper administration of the Security for Public Deposits Act to ensure compliance by public depositories and the safety of public deposits, and (7) the accurate accounting and safekeeping of securities pledged by insurance companies transacting business in the Commonwealth in compliance with the Insurance Collateral Program.

Associated State Goal

Government and Citizens: Be recognized as the best-managed state in the nation.

Associated Societal Indicator

Government Operations

Objectives

- » **Deliver the most efficient accounting, budgeting, trust, and operational programs and services possible while striving to improve efficiency, promote accountability, safeguard Commonwealth assets, and enhance internal and external reporting capabilities.**

Description

In order to enable the department to achieve efficiency and effectiveness benefits to support Virginia’s long-term objectives of Best Managed State, it must ensure: the accuracy of accounting for and preparation of financial statements and budget; the accurate and timely accounting for state investments and debt structures; the accurate and timely disbursement of state funds; the accurate recording of state receipts and reconciliation of bank accounts; the proper administration of the Security for Public Deposits Act to ensure compliance and safety of public deposits; and the accurate accounting and safekeeping of securities pledged in the Insurance Collateral Program.

Objective Strategies

- Continue to develop agency data analytics capabilities, including the dashboard management information system, to provide agency management information needed to review the status of major programs and to aid in planning and decision-making.
- Continue standardization of check-write files received from check-writing agencies.
- Keep abreast of the Department of Accounts new general ledger system, Cardinal, to determine how the new accounting system can best be used to Treasury’s advantage.

Measures

- ◆ Number of checks printed per year by Treasury’s Check Processing and Bank Reconciliation Service Area.
- ◆ Percentage of checks delivered in a timely and accurate manner.

Supporting Documents

Title	File Type
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Debt Management [72501]

Description of this Program / Service Area

This service area provides debt issuing and advisory services for the Commonwealth, certain state authorities, agencies and institutions.

As staff to the Treasury Board, Virginia Public School Authority (VPSA), Virginia College Building Authority (VCBA) Virginia Public Building Authority (VPBA) and the Tobacco Settlement Financing Corporation, the Debt Management Division (the Division) plans and coordinates the issuance of debt obligations for financing the capital needs of agencies, institutions of higher education, and local school division throughout the Commonwealth. The Division also administers outstanding debt obligations and monitors for opportunities to refinance the obligations for savings, and ensures compliance with applicable federal regulations (e.g., arbitrage restrictions under Internal Revenue Code; continuing disclosure requirements under Securities Exchange Commission Rule 15c2-12). The Division also administers two leasing programs for use by state agencies to finance equipment needs and energy efficiency projects, assists Virginia Department of Transportation staff with financings executed by the Commonwealth Transportation Board, analyzes and coordinates the approval of capital leases and other alternative financing arrangements and reviews private activity bond requests requiring the Governor’s signature.

In the area of advisory services, the Division considers and advises the Administration, General Assembly staff, agencies and institutions on financing alternatives proposed or under consideration. This may include traditional options (e.g., bonded debt through established state issuing entities) or capital leases, public private partnerships, privatization etc. As staff to the Debt Capacity Advisory Committee (DCAC), the Division evaluates the Commonwealth’s tax-supported debt commitments and develops recommendations for consideration by the Committee on debt affordability.

The Division administers a biennial Treasury Board debt service budget of \$1.7 billion.

Mission Alignment

This service area directly aligns with the Department of the Treasury’s mission of ensuring excellence in the management of its banking, investing, and financing services.

Products and Services

Description of Major Products and Services

Products / Services					
Product / Service	Statutory Authority	Regulatory Authority	Required Or Discretionary	GF	NGF
Providing, through the VPSA, financing for local governments/public school divisions (k-12) for capital projects for school construction and renovation, and grants for technology and security equipment	Chapter 11 of Title 22.1		Required	0	347,139
Providing, through the VCBA, financing on capital projects, educational equipment for state institutions of higher education, and serving as a conduit issuer for private institutions of higher education in the Commonwealth	Chapter 11 of Title 23.1		Required	161,531	0
Providing, through the VPBA, financing for state capital projects and grants	Article 6 of Chapter 22 of Title 2.2		Required	154,471	0
Providing, through the Treasury Board, for the issuance of Commonwealth General Obligations Bonds	§ 2.2-2416(7)		Required	110,068	0

Performing debt affordability analysis and estimates, and provide recommendations DCAC, Executive and Legislative branches	Article 5 of Chapter 27 of Title 2.2		Required	120,804	0
Staffing for the Tobacco Settlement Financing Corporation, including planning and coordinating meetings, preparation and filing of minutes	Chapter 488 of the 2002 Acts of Assembly and Chapter 345 of the 2007 Acts of Assembly (Uncodified Acts) TSFC		Required	22,008	0
Administering two leasing programs to provide state agencies and institutions a ready source of funds to finance their equipment and energy efficiency projects	§ 2.2-2417		Required	12,545	0
Providing Review of Advising on financing aspects of Public Private Transportation Act and Public Private Education and Infrastructure Act proposals and other alternative financing proposals	§ 2.2-2416(2)		Required	0	185,187

Anticipated Changes

Continuing disclosure - The SEC has intensified their enforcements efforts with regard to compliance with SEC Rule 15c2-12 on continuing disclosure. This has caused underwriting firms to increase their scrutiny of issuers' compliance with their continuing disclosure undertakings.

Debt capacity - Past declines in state revenues resulted in reduced state debt capacity and the General Assembly restricted annual borrowing for certain capital projects which requires closer monitoring of the timing of bond issuances. As the revenue outlook changes in a more positive direction, debt capacity is still a scarce resource that will continue to receive scrutiny.

Economic Issues - Federal budget reductions and sequestration will continue to place stresses on Virginia's economy.

The Tax Cuts and Jobs Act passed in December of 2017, while preserving the tax-exemption on municipal bonds, eliminated the advance refunding of tax-exempt bonds and lowered the corporate and individual tax rates making tax-exempt bonds less attractive to certain investors such as banks. With the investor base changing, it will be important to engage with potential new investors, expand efforts to reach retail investors and continue to nurture existing investors.

The elimination of advanced refundings of tax-exempt bonds as curtailed the ability to lower existing debt service as current bond market conditions change.

Factors Impacting

Post Issuance Compliance - Post issuance changes to bond-financed projects (e.g., sale, change from a governmental use) will require remedial actions to maintain the tax-exempt status of outstanding bonds. There are several expected changes in use in the coming years that will require oversight and management by Treasury to ensure compliance with under federal tax regulations. Increased emphasis from the financial markets, regulators and investors to expand, enhance, expedite and document post bond issuance compliance and disclosure.

Due Diligence - Increased due diligence by investors and fund managers have resulted in the need to make available current, timely and accurate financial information on the Commonwealth. To be responsive to this need, Treasury will need to provide more frequent dissemination of economic forecasts, financial performance, debt outstanding, pension data, etc. to the public. Some of this will be done with a new Virginia investor website.

Debt Issuance - Increasing demands for investment in state infrastructure (bridges, mental health facilities, roads, higher educational facilities, etc.), and the escalating cost of postponing those projects, will require policymakers to increasingly look to debt as a means to fund capital. However, debt capacity and the need to rebuild reserve funds have to be weighed against authorizing additional long-term debt.

Financial Overview

The budget for this service area is comprised of personnel costs funded through general fund and non-general fund appropriations. Non-general fund support is from Virginia Department of Transportation and Virginia Public School Authority. Fees charged to participants in NGF programs are deposited to the GF and serve to offset service area costs. Those fees are not reflected in the numbers below.

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	581,427	532,326	581,427	532,326
Changes to Initial Appropriation	0	0	0	0

Supporting Documents

Title File Type

Service Area Plan

Insurance Services [72502]

Description of this Program / Service Area

This service area administers risk management, insurance, self-insurance, claims and litigation management and related risk services for agencies, officials, employees and certain affiliates of the Commonwealth of Virginia, its political subdivisions, entities, non-profit organizations and individuals as specified by statute. The risk management service mission is to provide protection of the Commonwealth's assets, using a high level of expertise resulting in the most cost effective delivery of insurance coverage, claim and litigation management, risk services and loss control activities.

Highlights include:

Liability and property insurance for the Commonwealth, its agencies and institutions, and employees, and over 540 political subdivisions and non-profit organizations.

This includes nearly 14,000 state buildings and their contents with a value in excess of \$37 billion and, including more than \$2.25 billion in fine arts. More than 5,000 claims and suits of all variety were handled in FY 2018.

Mission Alignment

This service area directly aligns with the Department of the Treasury's mission of ensuring excellence in the administration of unclaimed property and insurance programs.

Products and Services

Description of Major Products and Services

Products / Services					
Product / Service	Statutory Authority	Regulatory Authority	Required Or Discretionary	GF	NGF
Administering a risk management plan for Constitutional Officer and Regional Jail Risk Management Plan.	§ 2.2-1839		Required	0	676,308
Protecting the Commonwealth of Virginia's departments, agencies, institutions, boards, commissions, officers, agents, and employees against the financial risks that result from legal liability, property damage or loss, and loss of state funds	§ 2.2-1840		Required	0	320,187
Administering a risk management plan for public liability that protects the Commonwealth's departments, agencies, institutions, boards, commissions, officers, agents, or employees against liability imposed by law for damages.	§ 2.2-1837, §2.2-1838		Required	0	12,488,995
Providing surety for the faithful performance of duty for those constitutional officers and superintendents and officers of regional jail facilities required by statute to be bonded.	§ 2.2-1840		Required	0	92,969

Administering a risk management plan that protects against loss of or damage to state-owned or leased property, including buildings and their contents, boilers and machinery, aircraft, watercraft, money and securities, fine arts and antiquities	§ 2.2-1836		Required	0	13,662,920
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Anticipated Changes

Expanding Client Base - Insurance services' traditional client base includes state and local governmental agencies, public service non-profit corporations and/or their affiliates. Since 2006, the Division of Risk Management (DRM) has been required by statute to provide medical professional liability coverage to private physicians and community hospitals, and general liability protection to as diverse a group as the Meals on Wheels organizations. These clients are not affiliated with the administration of government. Under these circumstances, DRM must act more in the manner of a private insurance company. This has required additional training, and information system upgrades and a stable, protected fund program. It is anticipated that proceeds from this new program will need to be sufficient to cover necessary expenses.

Customer Service Initiatives – Upgrades to web applications will include more functionality and security features as well as integration with the CIVITAS Risk Management System. This will permit improved claim adjusting, improved financial reporting, and more accurate billing.

Use of Media in Training and Education – Technology has dramatically increased the means, methods and value of training. Insurance services will explore and use the most cost effective means available to provide the needed and desired training to its clients. Projects have and will include live webinars, teleconferences, on demand online training, learning management and risk control classes online.

Factors Impacting

State Insurance Reserve Trust Fund - The Commonwealth has a need for a risk management and insurance program of adequate, consistent and reliable financial contributions (premiums) from participating clients. Annual premiums are based, in part, upon available insurance reserve fund balances. In the past monies have been transferred from the State Insurance Reserve Trust Fund to the General Fund and elsewhere, with and without warning or an opportunity to prepare for such transfers. This practice, compounded with the failure to replace any of the money, over time will severely weaken the State Insurance Reserve Trust Fund actuarially.

Expanding Coverage - Insurance coverage requirements have steadily increased as statutory requirements have expanded coverage. Over the past five years, the State Insurance Reserve Trust Fund has been statutorily required to provide insurance coverage to agencies requiring small contractor payment and performance bonds, volunteer drivers, free health care clinics, individual health care providers serving indigent persons, guardians assisting recipients of mental health care services, court appointed attorneys and pro bono attorneys providing services to indigents and legal defense to attorneys appointed as receivers by the Virginia Bar. Coverage is now required for legal expenses covering suit by and against the Commonwealth regardless of whether there are damages. Coverage is now required for items and issues that cannot be actuarially valued. It is anticipated there will be continued placement of certain public service, private and not-for-profit organizations and individuals under the protection of the state risk management plans, which will impact the types of risk management, insurance products and self-insurance services offered.

Flexibility - Insurance and/or self-insurance arrangements must be flexible enough to provide liability or property coverage for unforeseeable client groups and unforeseeable situations. The losses that arise from expanded coverage must be provided and paid when due and without delay.

Liability Increases - Over the past 5 years, insurance market forces combined with state agencies' property loss experience significantly increased the cost of commercial property insurance. The medical malpractice cap is now at \$2.35 million. The malpractice cap will increase to \$3 million. Insurance services can assist clients by providing them with loss control programs and training, but these efforts cannot eliminate negative loss experiences caused by natural disasters like floods and named windstorms, nor can they eliminate unique exposures associated with the high-risk activities and services that government must provide.

Training - DRM will develop loss prevention, control training and education programs and provide consultation to state agencies and localities to protect the assets of the Commonwealth.

Web Programs - DRM will develop and administer a web-based risk management information system, including claims management and a property inventory program.

Financial Overview

The budget for this service area is funded by nongeneral funds from premiums received from participants in the State Insurance Plans.

Biennial Budget

	2019	2019	2020	2020
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	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Initial Appropriation for the Biennium	4,078,617	27,241,379	0	27,241,379
Changes to Initial Appropriation	0	0	0	0

Supporting Documents

Title **File Type**

Banking and Investment Services [72503]

Description of this Program / Service Area

This service area provides for the (1) management and investment of state funds, (2) administration and management of the Local Government Investment Pool (LGIP), a AAAM rated fund available to local governments and other public entities of the Commonwealth for the investment of public funds, (3) administration and management of the Commonwealth’s AAAF/S1 rated Local Government Investment Pool Extended Maturity Portfolio (LGIP EM), (4) administration of the State Non-Arbitrage Program (SNAP) to ensure the investment of bond proceeds are in compliance with federal arbitrage rebate regulations, (5) management of the Commonwealth’s statewide banking network and cash concentration system, and (6) development of banking and cash management services for state agencies and institutions.

Highlights include:

The Cash Management and Investment Division (CMI) administered \$12.6 billion in managed investment portfolios, comprised of \$6.9 billion in the General Account portfolio, \$5.0 billion in the LGIP portfolio, \$140 million in LGIP EM portfolio, \$37 million in special portfolios, and \$38 million in outside trustee portfolios for FY 2018.

During the past year CMI made significant strides automating and improving integration of its investment, banking, and related support activity workflow Accomplishments include elimination of task redundancy and human error common in legacy keystroke environments, reduction or elimination of reliance on paper, enablement of shared screen and real time information use by multiple teams, and reduction in uncertainty of inflow and outflow of funds. Conversion to the new Financial Management System should be complete by December 31, 2018.

CMI manages an extensive, efficient statewide banking network of 39 regional banks and 4 concentration banks that accelerates the deposit and availability of state funds received from approximately 285 regional depositing locations throughout the state. Treasury’s IT Division provided support essential to automating receipt and upload of daily files from the Commonwealth’s four concentration banks into CMI’s Financial Management System.

CMI consulted with and assisted DMAS in the implementation of two new assessments authorized under the Code of Virginia, the proceeds of which will pay for the state’s share of enhanced Medicaid coverage in the Commonwealth. In addition, CMI facilitated successful competitive bid procurement of banking services for DPOR and DHP. Additionally, CMI is in the late stage of procuring through competitive bid contract statewide merchant card and electronic bill presentment and payment services, which when awarded will help further reduce paper payments and offer citizens with payment options that are more convenient.

Mission Alignment

This service area directly aligns with the Department of the Treasury’s mission of ensuring excellence in the management of its banking, investing, and financing services.

Products and Services

Description of Major Products and Services

Products / Services					
Product / Service	Statutory Authority	Regulatory Authority	Required Or Discretionary	GF	NGF
Providing investment management services for the Commonwealth’s General Account	§ 2.2-1806		Required	133,895	0
Providing investment management services for the LGIP and LGIP EM	§ 2.2-4602		Required	974,848	0
Providing investment management services for the Tobacco Indemnification and Community Revitalization (TICR) Fund	§ 3.2-3100		Required	64,526	0
Administering the SNAP Program	§ 2.2-4700		Required	100,000	0
Providing the Literary Fund forecast to Department of Education, Secretaries of Finance and Education, and legislative branch money	§ 22.1-143		Required	16,359	0

committees					
Developing a number of cash management programs and banking services to efficiently manage the flow of funds for agencies and institutions		Cardinal Manual Topic No. 20210	Required	135,944	0
Providing cash management and banking consulting services to state agencies, public entities, and local governments	§ 2.2-1802, § 2.2-1803, § 2.2-1807, § 2.2-1810, § 2.2-1813, § 2.2-1816, § 2.2-1821, § 2.2-4506		Required	2,674,976	0
Projecting five-month forward looking cash forecast			Required	19,734	0

Anticipated Changes

Local Government Investment Pool (LGIP) – The LGIP Program continues to serve localities and other public entities in the Commonwealth. The LGIP Program has maintained the highest available rating from Standard and Poor’s (S&P). In order to better serve our shareholders, Treasury has implemented and is in the process of further updating online account participation and reporting. The LGIP is participating in the current design and subsequent conversion of CMI banking and investment processes and reporting to an electronic platform to further improve management oversight and reporting.

Banking – New products and services based on rapidly developing technologies, brought by Treasury to the attention of agencies and institutions, could help improve their operational efficiency and reduce risk associated with financial transaction processing. CMI anticipated award of multiple statewide contracts under its competitive bid electronic payment processing services RFP. For the first time, this procurement includes host to host ACH origination and electronic bill presentment and payment services. CMI staff will be challenged by the expanded portfolio of contracts to administer.

Portfolio Management – Multiple portfolios, with different and changing investment options, combined with new regulations and their unforeseen consequences will continue to require a highly motivated and knowledgeable staff. The dynamics of portfolio management as well as the financial markets in which CMI operates continue to experience significant changes in the wake of major bank and financial industry regulatory changes, a fluid rates environment, and an evolving global economy, which, if not managed properly may have negative impacts for the Commonwealth.

Factors Impacting

Investment of Funds - The last few years have brought a recovery in General Account revenues which, in the context of reduced availability of investment options in the wake of financial industry regulatory changes, have increased the workload and also the complexity in the management of the General Account’s assets. Senior level staff retirements in both banking and investments have reduced institutional memory for policies and practices and created new challenges for existing staff. Maintaining the high level of operational skills with a skilled but newer staff is a demanding priority.

Market Volatility - Still evolving changes in money markets since the financial crisis of 2008-09 and its impact on separately managed portfolios has increased the workload and oversight of these portfolios.

Electronic Banking - Administration and oversight required by an increase in the use of electronic banking services will demand additional staff time to understand emerging solutions, remain current on advancements in technology, and consult with other agencies in order to achieve efficiencies and ensure a cost effective banking services model. Currently, Treasury’s Banking Services manages over 1000 user accounts.

Federal regulations - The increase in Federal regulation and amended standards of financial activity significantly increases expenses and oversight duties all the while reducing income.

Financial Overview

The budget for this service area is funded with general and nongeneral funds.

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	3,085,812	1,265,739	3,085,812	1,265,739
Changes to Initial Appropriation	0	0	0	0

Supporting Documents

Title	File Type
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Unclaimed Property Administration [73207]**Description of this Program / Service Area**

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 by requiring holders to report the property to the Treasury. The Escheats Generally Statute assists localities by returning abandoned real estate back to an active tax-earning status. This service area monitors escheat activities with local government officials and escheators and handles numerous inquiries and questions related to the process.

Some highlights include:

Treasury, through the Unclaimed Property Division (UCP) collected \$198.2 million in unclaimed property revenue from holders and stock sales, returned to owners \$66.7 million in cash and \$12.9 million in securities value, and transferred \$165 million to the Literary Fund for public education purposes in FY 2018.

For FY 2018, Division's PR and Marketing team implemented new marketing initiatives to promote the Unclaimed Property Program and increase the number of claims paid out to citizens. In addition to the 52 live events attended, the team also concentrated on contacting high dollar claimants in from the TUPS system with a one-shot/pro-active initiative, contacted other divisions and organizations to initiate partnerships promoting the UCP program and scheduled six presentations at local business meetings. Through these efforts, UCP's PR and Marketing team was able to find \$55.5 million for citizens, which is an increase of over 280% from the last highest year in FY 2015. In FY 2018, Unclaimed Property Program returned a record \$79.6 million in property to owners.

Moving forward the PR and Marketing team will continue to concentrate on the high dollar claimants, now including investigative letters and our UCP flyer mailed to last known address. This allows citizens the chance to confirm our legitimacy and contact the marketing staff directly. Marketing staff is attending more regional business meetings to present UCP information and look up members in the database. This also allows additional networking to set up new events or more presentations. Efforts will continue to strive to find new and additional communication avenues to deliver the important UCP consumer protection message to our citizens.

The Division of Unclaimed Property's implemented a fully integrated document management and workflow software, that allows for paperless claims processing. In addition, different workflow queues have been established for claims processing that separate the claims by status and types. Improved reporting and new analytical software allow management to see trends, claim volumes, and other metrics daily to assist with workload planning and resource allocation. Continuous process improvements to workload planning and resource allocation have significantly improved claims processing time. In addition, cross training and realigning metric goals have also lead to improved performance optimization.

In FY 2018, UCP collected 13,275 holder reports containing 1,812,685 owners (an average of 136.54 owners per report). There were 137,964 cash accounts paid on 30,166 claims and 1,172 securities claims were processed.

Mission Alignment

This service area directly aligns with the Department of the Treasury's mission of ensuring excellence in the administration of unclaimed property and insurance programs.

Products and Services**Description of Major Products and Services**

Products / Services					
Product / Service	Statutory Authority	Regulatory Authority	Required Or Discretionary	GF	NGF
Monitoring Records and Receipts		CAPP Topic No. 20205.20325	Required	0	906,161
Conducting educational holder outreach and audits to enhance compliance and enforcement	§ 55-210.24.B		Required	0	2,767,786
Processing of unclaimed property claims	§ 55-210.20-21		Required	0	1,157,143
Processing Securities Sales	§ 55-210.15-18		Required	0	178,595
Conducting Public Relations and Marketing	§ 55-210.12		Required	0	453,928
Providing Administrative Services	§ 55-210.1-29	1 VAC 75-40, 1 VAC 75-30	Required	0	1,318,700

Anticipated Changes

Leveling in Holder Reporting and Reduction in Large One Time Holder Remittances – Holder reporting is expected to continue to level in the next biennium as there have been no demutualizations of large insurance companies as was the trend in the early 2000s. The audits of major insurance companies for unreported death benefits began closing in 2016. Therefore, reporting going forward for insurance death benefits will cover one year rather than the catch up reporting that increased remittances from FY 2011 through FY 2016. There has not been any major noncompliance or unreported property types identified for periods going forward. In addition, the stock sales held in FY 2014-FY 2017 cleared out the backlog of stock. Going forward the stock sales will cover stock received for one report year. These changes will reduce the transfers of unclaimed property proceeds to the Literary Fund.

Increased Efforts to Return Property to the Rightful Owners and Program Awareness – In FY 2018, Unclaimed Property claim payments increased to the highest level since the program's inception. The Division processed 35% (7,865) more claims in FY 2018 than in FY 2017 with 139,136 accounts paid out. The dollar value of these claims in FY 2018 was \$28.1 million higher, a 55% increase over FY 2017. It is anticipated that claim volumes will continue to increase as program awareness efforts by the PR and Marketing Group are expanded across the Commonwealth and the claims process becomes more streamlined for the claimants and the work units.

Revision to the Uniform Unclaimed Property Act – The Uniform Law Commission (ULC) convened to revise the Uniform Unclaimed Property Act. The draft was approved by the ULC in July 2016 with the final draft ready in October 2016. Several states introduced this legislation in 2017 and 2018 with portions of it passing in only five states. The results will be monitored to determine whether the new Act would be beneficial to the citizens of Virginia. In the meantime, the Virginia Code Commission is in the process of recodification of Title 55 of the *Code of Virginia* that contains both the Uniform Disposition of Unclaimed Property Act and the Escheats Generally Statute. The recodification will result in a complete renumbering of both *Code* sections that will require many changes to various documents, including publications.

IRS Regulations on 1099 Reporting for IRAs – Beginning not later than January 1, 2019, holders of unclaimed property will be required to treat IRAs reported as unclaimed property as a distribution to the owner. This requires a mandatory withholding of federal taxes and Form 1099 reporting to the IRS. It is anticipated that this information will be reported to the state when the IRA is reported. UCP will have to make system modifications to TUPS and to the 1099 reporting to provide for tax changes.

ARC Scanning of Unclaimed Property Reports Back File – UCP has been using the ARC to convert all paper reports to scanned images for the years prior to 2008 to eliminate the need for filing space and create efficiency in locating and viewing the data. This project will be complete at the end of FY 2019.

Enhanced Holder Report Validation Routine – The UCP Holder Reporting Portal implemented in October 2016 is a huge success for both the holders and the Division. Since this has been in use through four reporting cycles, additional validation items have been identified that can be implemented for additional efficiencies in processing electronic holder reports.

Factors Impacting

Staffing - As UCP continues its efforts to streamline tasks and implement process improvements across the division, there is an increasing need for a more skilled staff to handle the import of reports and the payment of claims. As more of the routine and straightforward work is handled by automation, only the more complex processing work will remain. The UCP staff will be required to handle complex functions such as gathering facts, analyzing findings, preparing reconciliations, conducting detailed data reviews, reaching logical conclusions and recommending solutions. Staff will also need to attain and possess a deeper understanding/knowledge of programs, operations, accounting and administrative policies and procedures. Stronger accounting, analytical and administrative skills are necessary for the Division to operate efficiently.

Website – UCP is currently developing requirements for implementing changes to the unclaimed property website, VAMoneySearch.org and the on-line searchable database, Click and Claim, that will include enhancements such as electronic signatures, a document upload platform and automated identity and address validation just to name a few. The website will be more user-friendly with revised status updates, frequently asked questions and more information on how the claim process works especially for estates and securities property. These improvements will significantly enhance the claims processing experience and efficiency from the beginning to the end for both the customer and the work units.

Call Center - Treasury completed several minor changes to its phone system recently while researching call center solutions to improve customer satisfaction and the efficiency with which the Division handles inquiries and claims for unclaimed property. It is anticipated that VITA will have new telecommunication options available within the next year.

Consumer Protection Exemptions - While reported unclaimed property has increased in recent years, there are areas in the law where exemptions have been granted that provide limited consumer protection for property. In addition, unclaimed property holders are continually looking at ways to service charge different types of property for lack of activity. Currently, the Unclaimed Property Act has a service charge provision in the Code section that relates to financial institutions only. Service charge transactions need clarification in the Act regarding other types of property such as payroll checks, money orders and electronic stored value cards. Exemptions of certain property from the Act and service charges by holders hinder the ability of the agency to recover such property for the rightful owners.

System Modifications and Enhancements - UCP's new Treasury Unclaimed Property System (TUPS) was implemented at the end of March 2016. TUPS continues to provide the functionality to serve the needs of the Division. Since implementation, several modules have been added that increased efficiencies. There are several additional enhancements that are planned in the years going forward that will automate additional processes and provide the addition of some ancillary tools and integration (Website, searchable database, web administration inquiry tools, reporting software, etc.). However, each of these tools must be enhanced on a regular basis to continue being viable and efficient in meeting the changing business and constituent needs.

Federal Government - Currently, Federal Government Agencies do not report unclaimed property to Virginia that belongs to the citizens of Virginia, including but not limited to matured U.S. Savings Bonds, Internal Revenue Service tax refunds, Housing and Urban Development escrow

funds, and U.S. Postal Service Money Orders. This issue continues to be discussed nationally.

Financial Overview

The budget for this service area is funded from nongeneral funds. The service area receives revenue primarily from holders of unclaimed property that is held by the State Treasurer in a custodial capacity. Operating expenses are appropriated; a reserve is maintained for payments for revenue refunds to owners of unclaimed property when claims are filed; and each year the remainder is transferred to the Literary Fund.

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	0	6,782,313	0	6,782,313
Changes to Initial Appropriation	0	0	0	0

Supporting Documents

Title **File Type**

Service Area Plan

Accounting and Trust Services [73213]

Description of this Program / Service Area

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

At June 30, 2018, approximately \$8 billion in public deposits, net of federal deposit insurance, was secured by securities pledged as collateral to the Treasury Board by the banks and savings institutions holding Virginia public deposits.

At June 30, 2018, over \$412 million in securities pledged by insurance companies conducting business in the Commonwealth were held as collateral by the Treasury for the benefit of Virginia insurance policyholders.

On behalf of the Commonwealth and its debt-issuing authorities, Treasury made debt service payments totaling \$1.6 billion in FY 2018.

Mission Alignment

This service area directly aligns with the Department of the Treasury's mission of ensuring excellence in the management of its banking, investing, and financing services and the administration of unclaimed property and insurance programs.

Products and Services

Description of Major Products and Services

Products / Services					
Product / Service	Statutory Authority	Regulatory Authority	Required Or Discretionary	GF	NGF
Paying debt of the Commonwealth and related debt-issuing authorities where the State Treasurer has been designated as debt paying agent	§ 2.2-1819		Required	61,071	0
Providing accounting and financial reporting services for Commonwealth investments, bond, construction, and debt-related funds, the Local Government Investment Pool, and the Literary Fund	§ 2.2-4602, § 22.1-143, § 2.2-1800, § 2.2-2416, § 2.2-1819, § 2.2-1832		Required	617,389	266,439
Administer the Security for Public Deposits Act	§ 2.2-4400	1 VAC 75-20	Required	0	116,360
Administer and safekeep securities of insurance companies, doing business in Virginia	§ 38.2-1045		Required	0	719,364

Anticipated Changes

Factors Impacting

Staffing - There continues to be a strong demand for accounting professionals. It continues to be increasingly difficult to attract and retain the services of qualified accounting staff, especially with experience in the governmental sector. Treasury believes this trend will continue into the near future.

Implementation on New Governmental Accounting Standards Board (GASB) Pronouncements – As new governmental accounting pronouncements are implemented by the Governmental Accounting Standards Board, Treasury must evaluate each standard and determine its impact on Treasury's financial reporting for the agency and all the boards, authorities and investment funds for which it provides accounting and financial reporting services. Treasury has been significantly impacted by the implementation of several recent pronouncements and expects this trend to continue. Upcoming in FY 2020, GASB Statement No. 84, Fiduciary Activities, will become effective and will impact the financial reporting for the Insurance Collateral Program and some of the Risk insurance programs.

Financial Overview

The budget for this service area is primarily to fund personal service costs and bank safekeeping fees. The primary revenue streams that fund this service area are general fund appropriations and special revenue funds from annual administrative fees charged insurance companies that operate in Virginia and financial institutions that hold public funds under the Security for Public Deposits Act.

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	671,824	1,097,737	678,460	1,102,163
Changes to Initial Appropriation	0	0	0	0

Supporting Documents

Title File Type

Check Processing and Bank Reconciliation [73216]

Description of this Program / Service Area

This service area prints and distributes Commonwealth checks and reconciles Commonwealth bank accounts. Some Highlights include:

In FY 2018, Treasury printed and distributed 99.75% of all checks on time, Check Processing printed and distributed approximately 2 million checks for the Commonwealth, and Bank Reconciliation reconciled more than 67 bank accounts on a monthly basis for the Commonwealth.

Mission Alignment

This service area directly aligns with the Department of the Treasury’s mission of ensuring excellence in the management of its banking, investing, and financing services and the administration of unclaimed property and insurance programs.

Products and Services

Description of Major Products and Services

Products / Services					
Product / Service	Statutory Authority	Regulatory Authority	Required Or Discretionary	GF	NGF
Print and distribute Commonwealth checks	§ 2.2-1821		Required	2,798,751	219,634
Reconcile state bank accounts on a monthly basis	§ 2.2-1810		Required	831,088	0

Anticipated Changes

Increase in Electronic Payments and Reduction in Check Volume – Treasury is continuing its efforts to work with check-writing agencies to reduce check volume by converting payments to an electronic format. Electronic payments greatly reduce the risk of loss, provide for a more efficient payment system and provide a means to get payments to recipients during disasters when checks cannot be delivered. Electronic payments also reduce distribution costs. Since 2005, annual check volumes have been reduced from 7.6 to 2 million checks.

Payee Match Positive Pay Check Security Service – Treasury uses a check security feature offered by Commonwealth’s disbursement banks that matches the payee name on the physical check presented at the bank for payment to the payee name submitted on the check issue files transmitted to Treasury’s disbursement banks to detect alterations of payee names on checks. This is an extension of the banks’ positive pay feature that currently matches the amount per the physical check to the amount per the check issue file submitted to the banks.

Data Standardization - Treasury is striving for the standardization of data printed on Commonwealth checks. The check data should be standardized to reduce manipulation (and risk of fraud) and improve efficiency. This would streamline the check printing process by eliminating 17 data formats; decrease the amount of software changes required and save the man-hours spent correcting data formats.

Factors Impacting

Postal Regulations - Treasury monitors changes in U. S. Postal regulations, services, and service costs closely and their impact on its check production and distribution services. In addition to printing Commonwealth checks, Treasury uses an outside vendor to barcode and presort the checks it prints to realize discounted postage rates. The U. S. Postal Service continues to tighten regulations that govern the quality of mail that receives postage discounts to reduce the volume of undeliverable mail they must handle. Treasury will make every effort to continue to comply with these more stringent regulations to continue to receive discounted postage rates. Treasury will also monitor and respond to postal price increases and evaluate the price impact on the agency’s budget and service level.

Products and Services - Treasury continues to evaluate the new products and services offered by the financial services community to determine their benefit to the Commonwealth to improve services and safeguard Commonwealth financial assets.

Financial Overview

The budget for this service area is used primarily to fund check production costs including postage, check stock, and printer and computer hardware and software maintenance. This service area is funded by general fund appropriations and special revenue funds from fees collected from the Department of Social Services, the Virginia Employment Commission, and the Virginia Retirement System for the processing of their checks. Treasury prints and mails approximately 1.6 million general warrant, tax refund, and retirement checks annually for which it receives a general fund appropriation to cover its postage costs for this service.

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	2,029,839	219,634	2,029,839	219,634
Changes to Initial Appropriation	0	0	0	0

Supporting Documents

Title **File Type**

Service Area Plan

Administrative Services [73220]

Description of this Program / Service Area

As a central state agency, the Department of the Treasury provides statewide services to citizens, 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 Procurement, Policy, Legislative Review Facilities Maintenance, Human Resources, Information Systems, Internal Audit, Internal Controls, and Strategic Planning.

Mission Alignment

This service area directly aligns with the Department of the Treasury's mission of serving the Commonwealth by ensuring excellence in the management of its banking, investing, and financing services and the administration of unclaimed property and insurance programs.

Products and Services

Description of Major Products and Services

Products / Services					
Product / Service	Statutory Authority	Regulatory Authority	Required Or Discretionary	GF	NGF
Procuring Agency Goods and Services	§ 2.2-4300		Required	82,990	99,063
Providing Human Resource Management	§ 2.2-2900		Required	83,618	121,998
Overseeing Agency Information Systems	§ 2.2-2005		Required	179,483	392,815
Conducting Internal Review of Agency Functions	§ 2.2-803		Required	93,419	200,049
Providing Administrative Support	§ 2.2-1801		Required	545,848	500,412

Anticipated Changes

Service Delivery - The demand for additional and improved customer services may result in the need to change the way we deliver these services through system or program changes and enhancements.

Training Needs - Changes in technology, regulations, legislation, best practices, industry and markets may require a more technically trained workforce and the need for additional training for the current workforce.

Best Practices - As products and services expand and become more complex to deliver, management will seek to find more efficient delivery systems and programs, as well as the means to monitor the performance of these programs through the development of internal controls and additional performance measures.

Systems Security - Increased information systems security will be required to protect our internal systems and client information.

Outsourcing - The increased complexity, expansion, regulation and management of services and products may require additional outside resources to augment staff support.

Factors Impacting

Electronic Communications – A large percentage of all communications are now done via e-mail and web-based applications as well as through Treasury's website. Many customers and business partners are tending toward electronic communication, with web-based applications becoming more and more popular as a format for both assessing and providing information. Electronic commerce is continuing to grow through the state's electronic procurement portal, eVA. Treasury continues to expand the use of the internet to communicate with the public. The General Management division developed an agency policy to assist Unclaimed Property develop social media sites such as Facebook and YouTube to expand its outreach efforts.

Transparency – Citizens want greater access to government. Treasury promptly responds to requests for information.

Small, Women and Minority owned business (SWaM) Vendor Usage Increase – One of the Treasury's priorities is to expand the usage of small, women and minority-owned businesses that provide services to the Commonwealth. Treasury is a statewide provider of services that must use vendors that have the resources and capacity to provide such statewide services. As a result, our amount of truly discretionary funds is limited. Nevertheless, Treasury is using its procurement resources and those of the Department of Small Business and Supplier Diversity to identify SWaM vendors in an effort to increase our usage of such vendors, including the recently designated micro business designation.

Treasury continues to pursue such opportunities.

Hiring and Retention of Staff, Replacement of Retiring Workforce – Treasury has an aging workforce. Presently, over half of our workforce is over age 50; higher among managers. Treasury employs financial professionals who are experts in their fields. Treasury employees are recruitment targets by banking, finance, investment, and insurance firms, as well as universities and other finance agencies. Treasury salaries need to be competitive compared with the private sector, Richmond area local government entities and even other state agencies. Treasury needs the ability to offer attractive salaries in order to recruit, retain and motivate its employees.

Budget Constraints - Treasury is challenged by deepening budget cuts while continuing to provide mission critical services to all agencies of the Commonwealth.

Web-based Programs - Expansion of the web-based electronic government capability will increase the efficiency of Treasury management and open new, more efficient means to communicate with customers and deliver our services.

Vendors Fees - Continued expansion of the electronic procurement system (eVA) will create new efficiencies and lower costs in the procurement of goods and services; however, for those services for which there is no eVA vendor, the eVA administrative fees incurred by the agency will continue to be a burden on the agency budget.

Financial Overview

The budget for this service area is funded with general and nongeneral funds. Changes may be required by future actions of the General Assembly as budgets are developed for this biennium.

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	985,358	1,314,337	985,358	1,314,337
Changes to Initial Appropriation	0	0	0	0

Supporting Documents

Title **File Type**