

## Finance

| <b>Governor's Proposed Amendments</b>                    |                         |                |                         |                |
|--|-------------------------|----------------|-------------------------|----------------|
| (\$ in millions)   |                         |                |                         |                |
|  | <b>FY 2017 Proposed</b> |                | <b>FY 2018 Proposed</b> |                |
|  | <u>GF</u>               | <u>NGF</u>     | <u>GF</u>               | <u>NGF</u>     |
| <b>2016-18 Current Budget</b><br>(Ch. 780, 2016 Session) | <b>\$2,467.1</b>        | <b>\$667.7</b> | <b>\$1,890.4</b>        | <b>\$670.2</b> |
| Proposed Increases                                       | 0.0                     | 0.0            | 0.0                     | 0.0            |
| Proposed Decreases                                       | (14.3)                  | 0.0            | (3.0)                   | (9.4)          |
| \$ Net Change  | <u>(14.3)</u>           | <u>0.0</u>     | <u>(3.0)</u>            | <u>(9.4)</u>   |
| <b>2016-18 Proposed Budget</b>                           | <b>\$2,452.8</b>        | <b>\$667.7</b> | <b>\$1,887.5</b>        | <b>\$660.8</b> |
| % Change   | >(0.0%)                 | 0.0%           | >(0.0%)                 | (1.4%)         |
| FTEs   | 1,098.60                | 204.40         | 1,094.60                | 204.40         |
| # Change   | 0.00                    | 0.00           | (4.00)                  | 0.00           |

- **Department of Accounts**

- *Working Capital Advance for Payroll System Replacement.* Provides up to a \$52.0 million working capital advance to the Department to reflect the estimated total cost of the replacement of the Commonwealth Integrated Payroll Personnel System (CIPPS). Language specifies that up to \$10.0 million may be used for unforeseen costs related to the roll-out of the Cardinal financial management system. In Chapter 780 of the 2016 Acts of Assembly, a \$25.0 million capital advance was included, \$10.0 million of which was allotted for unforeseen expenditures related to the roll-out of the Cardinal statewide financial management system.

- **Department of Accounts Transfer Payments**

- *Rainy Day Fund Withdrawal Authorization and Amounts.* Language is included that authorizes the State Comptroller to withdraw funds from the Revenue Stabilization Fund (“Rainy Day Fund”) and deposit those funds in the general fund. The withdrawal amounts are estimated at \$294.7 million in FY 2017 and

\$272.5 million in FY 2018. For both years, the estimated amounts represent one-half of the anticipated shortfall in revenues. In accordance with Article 10, Section 8, Virginia Constitution, and Section 2.2-1830, *Code of Virginia*, the amount of the transfer shall not exceed the lesser of one-half the balance of the Revenue Stabilization Fund or one-half of the forecasted shortfall in revenues.

- ***Transfer Administration of Line of Duty Act Program.*** Transfers (reduces) appropriation totaling \$9.5 million NGF the second year to the Department of Human Resource Management (DHRM) and the Virginia Retirement System (VRS) to reflect the transfer of administrative responsibility associated with the Line of Duty Act (LODA) program, pursuant to Chapter 677 of the 2016 Acts of Assembly. There are corresponding amendments for DHRM and VRS that recognize those agencies' shares of the appropriations transfer.
- ***Increase FY 2017 Rainy-Day Fund Deposit to APA Certified Amount.*** Adds \$19,286 GF the first year to increase the appropriation for the mandatory deposit to the Revenue Stabilization Fund ("Rainy-Day Fund") to reflect the amount certified by the Auditor of Public Accounts.

- **Department of Planning and Budget**

- ***Continue Contractual Obligations of the Council on Virginia's Future.*** Provides \$110,000 GF the second year to continue the Council's contracted services related to Virginia's Performance Reporting Scorecard. Pursuant to 2.2-2684, *Code of Virginia*, the Council will sunset on July 1, 2017.

- **Department of Taxation**

- ***October 2016 Savings.*** Includes reductions totaling \$2.5 million GF the first year to reflect the budget reductions incorporated in the Governor's October 2016 savings plan. The adjustments included:
  - Deferring the development of new mobile applications and technology refreshing;
  - Reduces the scope of the Audit Case Management System;
  - Deferred the hiring of one technology position and one tobacco compliance position until November 25, 2016, and eliminated funding for one technology position and two tobacco compliance positions;
  - Reduced spending for software enhancements;
  - Deferred the hiring of IT contractors;

- Reduced employee technical and leadership training;
  - Reduced travel costs;
  - Reduced the number of laptops to be refreshed, as well as not hiring consultants to perform subsequent laptop refreshing;
  - Reduces of variety of costs related to equipment maintenance, security equipment upgrades, and professional services.
- ***Tax Amnesty Program Language.*** Adds language authorizing the use of revenue generated by the tax amnesty program for costs incurred. Included is the authorization of a Treasury Loan of up to \$5.5 million for start-up costs to administer the program until it is generating revenue. Also provided is the use of revenue generated from the program for direct costs incurred to manage the program.
  - ***Audit Case Management System Timeline Adjustment.*** Reduces \$475,000 GF the second year through adjusting the development timeline of the Audit Case Management System by reducing the scope of the system.
  - ***Eliminate Funding for Positions.*** Eliminates \$283,126 GF the second year, which reflects funding for one technology position and two tobacco compliance positions that were added in the 2016 session.
  - ***Expand Electronic Filing Mandates.*** Reduces \$83,168 GF the second year by adhering to budget language mandating that forms be submitted electronically for the Use Tax and Consumer Tax, Litter Tax, and Fiduciary Tax. Savings is generated through reducing processing of paper filed returns.
  - ***Reduction in Discretionary Items.*** Eliminates \$479,669 GF the second year through a variety of cost reduction strategies, including:
    - Reducing discretionary operating costs (\$82,589);
    - Reducing funding for temporary staff (\$30,000);
    - Remove wage position through the elimination of annual update to Virginia Health Savings Account Plan (\$37,000); and
    - Achieve vacancy savings through eliminating funding for five non-compliance positions (\$330,080).
  - ***Organizational Restructuring for Operational Efficiencies.*** Reorganizes offices internally and increases the transfer from the Land Preservation Fund. Funding for three positions is being eliminated, one of which will be abolished, resulting in

savings of \$195,762 GF and \$100,000 NGF the second year. There is also an increase in revenue use from the Land Preservation Fund totaling \$100,000 GF the second year, which will fund a position associated with the administration of the program.

- **Department of the Treasury**

- *Davey Reedy Relief Funding.* Provides \$976,873 GF the first year for relief for Mr. Davey Reedy. This action is contingent upon passage of companion legislation.
- *General Operating Cost Reduction Strategies.* Eliminates \$355,397 GF the second year by reducing funding for banking services (\$205,397), and lower check processing costs due to postage savings and a declining volume of check stock (\$150,000).
- *Supplant General Funded Activities with Nongeneral Funds.* Eliminates \$49,285 GF the first year and \$53,118 GF the second year, and supplants with nongeneral funds for the following:
  - Supplant general fund support for Cash Management, Banking and Security Analyst position with nongeneral funds (\$49,285 the first year, \$126,365 the second year);
  - Reallocate support costs within the General Management Division (\$20,572 the first year); and
  - Recover cost associated with administering the Virginia Public School Authority (\$32,546 the second year).

- **Treasury Board**

- *Adjust Debt Service Funding.* Reduces debt service funding by \$12.8 million GF the first year and \$1.0 million GF the second year due to the refunding of general obligation bonds, Virginia Public Building Authority bonds, and Virginia College Building Authority bonds.
- *Bond Authorizations for Jail Projects.* Provides Virginia Public Building Authority (VPBA) bonds for the Board of Corrections-approved Rockbridge Regional Jail project (\$103,693) and the Rappahannock Regional Jail project (\$1.1 million).