

Finance

Proposed Adjustments as Introduced				
(\$ in millions)				
	FY 2021 Proposed		FY 2022 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2018-20 Current Budget, Ch. 854	\$1,908.4	\$716.0	\$1,908.4	\$716.0
Proposed Increases	142.3	2.2	438.7	11.3
Proposed Decreases	(22.9)	(1.4)	(22.9)	(1.2)
\$ Net Change	119.4	0.8	415.8	10.1
HB/SB 30, as Introduced	\$2,027.8	\$716.8	\$2,324.1	\$726.1
% Change	6.3%	0.1%	21.8%	1.4%
FTEs	1,123.20	218.00	1,123.20	218.00
# Change	9.00	0.00	9.00	0.00
* 2018-20 Base was adjusted to remove FY 2020 appropriations for the rainy day fund and revenue reserve				

- **Department of Accounts**

- *Establish Rates and Appropriation for New Cardinal HCM System.* Proposes \$11.8 million NGF the second year to establish new internal service fund recovery rates for the Cardinal Human Capital Management System, which will replace the previous human resources systems, including the Personnel Management Information System (PMIS), the Commonwealth Integrated Personnel Payroll System (CIPPS); and the Benefits Eligibility System (BES) as modules on the broader Cardinal system administered by the Department of Accounts. The funding represents nine months of operating costs incurred after the full transition to the new Cardinal HCM system. The operating costs incurred during the transition are funded through a working capital advance (WCA) included in a separate proposal within the Department of Accounts, which increases the WCA to \$142.7 million to pay the costs for replacing CIPPS, PMIS, and BES, as well as up to an additional \$10.0 million for unforeseen costs associated with the statewide roll-out of the Cardinal HCM system.

- *Adjust Appropriation for Internal Service Funds.* Includes \$100,115 NGF over the biennium to align appropriations consistent with projected operating expenses for systems and programs administered by the Department of Accounts, including the Cardinal Financials System, the Performance Budgeting System, and for the Payroll Service Bureau.
- *Eliminate Funding for CIPPS Programming Positions.* Proposes removing \$130,000 GF the first year and \$295,000 GF the second year, reflecting the elimination of 1 position in the first year, and 2 positions in the second year associated with the programming of the Commonwealth Integrated Personnel Payroll System (CIPPS) due to it being decommissioned.

- **Department of Accounts Transfer Payments**

- *Provide Funding for Revenue Stabilization Fund Deposits.* Includes \$77.4 million GF the first year for a mandatory deposit to the Revenue Stabilization Fund (“Rainy Day Fund”), which equals the amount certified by the Auditor of Public Accounts based on FY 2019 revenues. An additional \$17.5 million GF deposit is proposed for the second year, which is a reserved amount based on an estimation of a mandatory deposit that may be required in FY 2023, based on FY 2021 revenue growth. These proposed deposits, combined with existing balances and proposed mandatory and voluntary deposits to the Revenue Stabilization Fund and Revenue Reserve Fund would equal eight percent of general fund revenues and transfers by the end of FY 2022.
- *Provide Voluntary Deposit to the Revenue Reserve Fund.* Proposes \$300.0 million GF the second year for a voluntary deposit to the Revenue Reserve Fund. This proposed deposit, combined with existing balances and proposed mandatory and voluntary deposits to the Revenue Stabilization Fund and Revenue Reserve Fund would equal eight percent of general fund revenues and transfers by the end of FY 2022.
- *Remove General Fund Support for Transportation Project Debt Service.* Proposes the removal of \$42.0 million GF over the biennium in general fund appropriation for debt service payments associated with the Northern Virginia Transportation District and the Oak Grove Connector Project. The debt service would then be paid with Commonwealth Transportation Fund appropriation under the Department of Transportation.

- **Department of Taxation**

- *Increase Field Auditor Staffing in the Northern Region.* Recommends \$2.4 million GF over the biennium to increase field auditor staffing levels in the Northern region to address the broadened online taxpayer base and population growth. The

additional positions are projected to generate additional resources of approximately \$8.6 million GF over the biennium.

- ***Create Worker Misclassification Audit Team.*** Proposes \$1.4 million GF over the biennium and 8 positions to create a worker misclassification audit team, which is projected to generate additional resources of approximately \$4.3 million GF over the biennium.

- **Department of the Treasury**

- ***Increase Liability Insurance Premiums.*** Recommends \$2.0 million NGF each year to align appropriations with projected expenses and to reflect an increase in insurance premiums for state agencies. The increase in premiums is requested to avoid a cash deficit in the fund for state agency liability insurance. The \$2.0 million increase in aggregate premiums results in a 70 percent average agency premium increase over the FY 2020 base. A companion amendment in Central Appropriations reflects the general fund share of agency costs associated with the increased premiums.
- ***Initiate Cyber Coverage for State Agencies.*** Includes a language amendment authorizing the Division of Risk Management to initiate cyber coverage for state agencies after July 1, 2020, with a report due to the Secretary of Finance, on or before July 1, 2021, summarizing the program, loss experiences, and future recommendations, including program structure and funding.
- ***Fund IT Systems Developer Position.*** Proposes \$280,551 GF and 1 position over the biennium to fund and hire an additional information technology employee to develop a bond proceeds management system to achieve greater efficiency. Bond proceeds are currently tracked using a spreadsheet model.
- ***Procure New Investment Accounting and Reporting System.*** Recommends \$295,000 GF the first year and \$120,000 GF the second year to fund the procurement and implementation of a new investment and accounting reporting system to replace the existing system.
- ***Procure New Risk Management Information System.*** Proposes \$375,000 NGF the second year to procure and implement a new Risk Management Information System.
- ***Replace Unclaimed Property System.*** Recommends \$1.2 million NGF over the biennium to fund the procurement of a new unclaimed property system to improve customer experience and internal efficiency.

- *Fund and Hire New Analyst Position.* Proposes \$209,096 GF over the biennium to fund and hire a new analyst position in the Cash Management and Investments Division to improve cash and Literary Fund forecasts.

- **Treasury Board**

- *Increase Funding for Debt Service.* Includes \$171.7 million GF over the biennium and a reduction of \$13.4 million NGF over the biennium for debt service on bonds issued by the Virginia Public Building Authority and the Virginia College Building Authority. The increased funding reflects debt service costs on issuances from previously authorized bond projects. Brings the total annual general fund portion of debt service to \$834.2 million the first year and \$890.3 million the second year.

- **Board of Accountancy**

- *Move Licensing Database Cloud Environment.* Proposes \$147,900 NGF each year to cover the cost of moving the agency’s licensing database to a hosted cloud environment, pursuant to Executive Order 19 (2018).