



COMMONWEALTH of VIRGINIA
Department of Planning and Budget

Richard D. Brown
Director

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To: Chief Operating Officers of Virginia Cities and Counties

Item 475.20 of the 2008 state budget bill (as enrolled) requires a \$50 million reduction in state aid to local governments in both FY 2009 and FY 2010. Within 30 days after enactment of the 2008 Appropriation Act, the Director of the Department of Planning and Budget, is required to provide localities a list of certain state aid to local government programs which will include an estimate of the general fund amount for each program that each locality could expect to receive from the state. The amounts listed for these programs will serve as the basis for calculating each locality's share of the \$50 million savings. The selected programs do not include the constitutionally required K-12 direct aid to education funds and the car tax reimbursement amounts.

Given that the 2008 Appropriation Act will not be enacted until July 1, 2008, the Department of Planning and Budget is not required to release the locality-by-locality listing until August 1. The required August 1 listing will serve as the basis for the amount each locality will be required to reduce their state aid. However, in order to make sure that this process moves along as smoothly as possible and to ensure that localities know at least a rough order of magnitude of the reduction that they can expect, a draft listing has been released on the DPB web site (<http://dpb.virginia.gov/>).

The draft locality-by-locality listing shows both the estimated base and the theoretical reduction for selected aid to locality programs that would yield the required \$50 million savings. The base amounts for each locality are estimates from the distributing state agencies. Per the enrolled budget bill, localities will have the choice of electing 1) to take the total savings out of one program included on the list, (2) reduce multiple state aid programs on a proportional basis or by a specified percentage reduction, or (3) reimburse the Commonwealth in aggregate for their share of the savings. Localities will be required to make their election by August 30, 2008. If option 3 is elected, a locality will be required to make payment to the state by January 9, 2009.

In addition to the locality-by-locality listing, a summary by state agency service area and a definition of these service areas is also provided on the DPB web site. As mentioned previously, the locality by locality listing is a draft and we expect to have a final listing

by the beginning of June. The Department of Planning and Budget will be working with the Virginia Municipal League and the Virginia Association of Counties to address any additions or deletions to the programs included in the reduction base. If you have any suggestions for changes in this regard, please contact VML or VACO so that all suggestions can be consolidated into a single list. Any other questions, especially those concerning the accuracy of the data for your locality, should be directed to me or my management team (see list below). In order to facilitate getting a final listing out as soon as possible, please provide your suggestions or comments prior to the end of April. Please note that any changes to the reduction base will not change the total \$50 million savings amount and it is likely that any changes will impact multiple localities.

An important caveat to note about the draft listing is that for the most part, any reductions to programs that involve regional entities have been spread to localities with the exception of regional jails. The methodology involved in spreading the regional jail amount to applicable localities is currently being developed by the Compensation Board in cooperation with the Department of Planning and Budget. For your information, the amounts attributed to the regional jails are included in the last six pages of the locality by locality listing. If your locality participates in any of the regional jails, it is likely that your final reduction amount will be higher to reflect the spreading of the regional jail amounts.

After any changes to the reduction base have been incorporated, a final locality by locality listing will be developed and released. At that time, the Department of Planning and Budget will issue another communication to let you know, and to convey the process through which your locality will make its election of which of the three reduction options it will utilize. During the interim, the Department of Planning and Budget plans to issue subsequent communications as other issues and questions arise.

Thank you in advance for your cooperation,

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