



*Commonwealth of Virginia*  
*Office of Governor Terry McAuliffe*

May 23, 2014

**MEMORANDUM**

TO: Executive Branch Agency Heads

CC: Cabinet Secretaries

FROM: Paul J. Reagan  
Chief of Staff

SUBJECT: FY 2014 Year-end Balances

As you may know, the revenue report for the month of April 2014 showed strong growth. Much of this growth, however, was due to newly implemented electronic filing applications for some taxpayers. Consequently, April's revenues reflected the collection of monies that previously had been reported in May's revenue collections. The effect of this shift is that May's revenues are expected to be lower than last year.

Further, daily collections by the Department of Taxation indicate that revenues are declining in key sources that were previously expected to grow. When these factors are taken together, the data suggest that we likely will not have any surplus revenues and may, in fact, be faced with a revenue shortfall for the fiscal year. At this stage, there are too many unknown factors and it is too early to tell exactly how we will end the year.

The good news is that we planned to end the fiscal year with a large cash balance that would be carried into FY 2015; therefore, no budget reductions are necessary this fiscal year. The bad news is that those balances are expected to be used in FY 2015 so any reduction in those balances will have to be met by similar reductions in FY 2015 general fund spending.

Given this potential need for budget reductions in FY 2015, the Governor has directed me to encourage you to pledge your unexpended discretionary general fund balances from the current fiscal year, FY 2014, toward any potential general fund budget reductions in FY 2015. To do

this, you will need to notify the Department of Planning and Budget (DPB) of the projected general fund balances your agency wants to designate for this purpose no later than 5:00pm, Friday, June 6, 2014. The form you need to complete is found on DPB's Web site on the [Documents and Forms](#) page. Once approved, these designated amounts will be unallotted for the remainder of FY 2014 and thus, be unavailable for expenditure.

Applications to designate unexpended balances for this purpose may be accepted after June 6; however, only 50 percent of each dollar pledged will be credited against any FY 2015 general fund reductions. Any unexpended, discretionary general fund balances that are realized at the end of the fiscal year but which have not been pledged in advance likely will be subject to reversion and will not be available for discretionary carryforward procedures in the next fiscal year.

The Governor's plan represents a unique opportunity for your agency and your staff to share in the results of achieving savings through the end of this fiscal year. I urge you to take advantage of this opportunity and to invite suggestions from your employees on actions that can be taken to generate long-term savings for the Commonwealth.

Please contact your DPB budget analyst for further information.