



Commonwealth of Virginia
Office of Governor Terence R. McAuliffe

May 23, 2016

MEMORANDUM

TO: Executive Branch Agency Heads

CC: Cabinet Secretaries

FROM: Paul J. Reagan, Chief of Staff

SUBJECT: FY 2016 Year-end Balances

Year-to-date through the month of April, total general fund revenue has grown 1.3 percent over the same period last fiscal year. This growth is slower than the projected growth rate of 3.2 percent anticipated in the revenue forecast on which the FY2016 budget was based.

While we expect to be able to close a portion of the current gap before the end of the fiscal year, it is not likely that we will collect any surplus revenues. Daily deposits for the month of May thus far are encouraging; however, at this stage, there are too many unknown factors and it is too early to tell exactly how we will end the year.

Because we planned to end the fiscal year with a large surplus cash balance, the slower than projected revenue growth rate does not present the need to take any immediate budgetary actions this fiscal year. However, since those additional balances were anticipated to be carried into FY 2017, they were included in the FY 2017 budget that begins July 1, 2016. Consequently, any reduction in those carryover balances may have to be addressed with reductions in FY 2017 general fund spending.

Therefore, the Governor has directed me to encourage you to reduce discretionary spending in the current year. His intent is to allow you to pledge your unexpended discretionary general fund balances from the current fiscal year toward any potential general fund budget reductions in FY 2017.

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 5:00 pm, Friday, June 17, 2016. The form you need to complete is found on DPB's website on the [Documents and Forms](#) page. Once approved by the Governor, the amounts you designate will be unavailable for expenditure for the remainder of FY 2016.

Applications to designate unexpended balances for this purpose will be accepted until June 30; however, only 25 percent of each dollar pledged after June 17, will be credited against any FY 2017 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 achieve savings through the end of this fiscal year that could benefit you in the future. 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.