



COMMONWEALTH of VIRGINIA

Virginia Department of Fire Programs

W.G. Shelton, Jr.
EXECUTIVE DIRECTOR

Finance Branch
1005 Technology Park Drive
Glen Allen, VA 23059-4500
Phone: 804/ 371-0220
Fax: 804/ 371-3444

September 14, 2009

Governor Kaine's FY2010 Budget Reduction Plan (dated 9/8/2009) Impact on Aid to Localities Entitlement Program

The Governor's FY2010 Budget Reduction Plan ("the Plan") was published September 8, 2009, and can be accessed with the following web link: <http://dpb.virginia.gov/forms/20090908-1/Reductions2010.PDF>. The Plan is the Governor's proposal to balance the budget for the Commonwealth. The Plan will be presented to the Virginia General Assembly in January 2010, and will require passage through the legislative process to become governing law. The final version of the Plan, or what will become the Caboose Budget Bill and Appropriation Act, is unknown at this time.

The Department of Fire Programs' (DFP) budget reductions can be found on page 50 of the Plan. The following budget reduction line item will impact DFP's business and cash management model particularly relating to the Aid to Localities Entitlement Program (ATL):

Establish line of credit for the Fire Programs Fund

Transfers the Fire Programs Fund deposit to the general fund and replaces it with a line of credit in a like amount. The line of credit will be repaid with the Fire Programs Fund deposit occurring in June 2010.

	GF Reduction	Revenue/Transfers
GF Savings/Resources	\$0	\$26,000,000

Historically, DFP has received its Fire Programs Fund (FPF) deposit in mid-June each fiscal year. The FPF deposit becomes DFP's operating budget for the succeeding fiscal year. [For example, the FPF deposit received in June 2009 became DFP's operating budget for FY2010 (July 1, 2009 through June 30, 2010)]. Receiving the cash deposit in advance, DFP calculated 75% of the FPF deposit for ATL and published the ATL allocations to the 324 jurisdictions by July 1 each year, and provided annual ATL funds disbursements (one disbursement per jurisdiction per fiscal year) scheduled for September, December, March, or June.

In compliance with the proposed budget reductions, beginning in June 2010, DFP's FPF deposit will be transferred to balance the General Fund (GF) budget, totaling \$26 million. Although the Plan does not include a reduction of ATL funds, the Plan will cause DFP to defer calculating, publishing, and releasing of ATL funds until the end of each fiscal year.

The projected impact to the ATL program beginning July 1, 2010 (FY2011) will be as follows:

- DFP will alter its business and cash flow models from advance funding to arrears funding
- DFP will alter its calculation of ATL allocations from July (beginning of fiscal year) to June (end of fiscal year)
 - For example, FY2011 ATL allocations will be calculated and published in June 2011 after the June 2011 FPF deposit is received
- DFP will alter its ATL disbursements from a quarterly schedule (September, December, March, and June) to once annually (June)
 - Jurisdictions will still receive one disbursement per fiscal year
- ATL prior fiscal year Annual Reports and current fiscal year Disbursement Agreements may be submitted at any time during the fiscal year. However to be included in the annual disbursement (beginning June 2011), all required documents must be submitted no later than May 15 each year.
- DFP will disburse current fiscal year ATL allocations to eligible jurisdictions (those meeting the May 15 annual document submission deadline) by June 30 each fiscal year

An electronic version of this letter is available on our website at www.vafire.com under the Grants and Local Aid: Aid to Localities page. You are strongly encouraged to share this letter with your respective budget/finance offices and fire departments that will likely be impacted by these changes.

Be reminded that the Plan is the Governor's proposal to balance the Commonwealth's budget, and is not the final version of the Budget Bill or Appropriation Act. In progressing through the legislative process, the final Budget Bill and resulting Appropriation Act may be very similar or dissimilar from the Governor's budget plan. However, DFP understands that many local governments will soon begin (or have already begun) their FY2011 budget development process. The potential changes to the scheduled disbursements for ATL beginning July 1, 2010 is anticipated to have a direct impact on local governments' cash management in FY2011.

If you have questions about the Governor's FY2010 Budget Reduction Plan as it relates to the Department of Fire Programs and as it will impact Fire Programs' business and cash flow models, don't hesitate to contact me at 804/249-1974, or via email at Christine.Lopilato@vdfp.virginia.gov.

If you have questions about the direct impact to the ATL Program, you may contact Amanda Wood, Grants and Local Aid Manager directly at 804/249-4178, or via e-mail at Amanda.Wood@vdfp.virginia.gov .

Respectfully,



Christine L. Lopilato
Director of Finance