



COMMONWEALTH OF VIRGINIA

HOUSE OF DELEGATES
RICHMOND

APPROPRIATIONS COMMITTEE

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S. CHRIS JONES, CHAIRMAN
ROBERT P. VAUGHN, STAFF DIRECTOR

May 28, 2014

Dear Local Elected Official:

I am writing to update you on the status of budget deliberations in Richmond and provide some important information on the budget that could significantly affect local governments.

The House Appropriations Committee was recently informed that the Commonwealth's revenue receipts for the month of May are approximately \$300 to \$350 million dollars below projections. This is primarily due to the continued sluggishness of the national economy and a decline in sales, income and corporate tax collections.

While we will not know the final revenue numbers until the end of June, it appears very likely that the Commonwealth could face a significant revenue shortfall for the current and next fiscal years. That shortfall could exceed \$1 billion for the biennium.

It is absolutely critical to note, as Secretary of Finance Ric Brown told the Appropriations Committee on May 19, if we do not have a budget in place by July 1, the Governor and the General Assembly cannot utilize the Revenue Stabilization Fund to offset a downward revision in general fund revenues.

Under state law, the Comptroller must certify revenue collections within 5 days of the close of the books for Fiscal Year 2014. If actual general fund revenues are one percent or lower less than forecasted, an automatic reforecast of the revenues for Fiscal Years 2015 and 2016 must take place. At that point, the new forecast will form the basis of the new biennial budget, closing the door on the ultimate use of the Revenue Stabilization Fund.

Needless to say, based on the final revenue numbers, the budget ultimately adopted by the Governor and the General Assembly will likely include less funding than originally proposed by either the House or Senate. I am confident that the General Assembly could mitigate the impact of these reductions on local governments. However, this is dependent on the use of the Revenue Stabilization Fund, often called the "rainy day fund," to offset the reduced revenues.

Let me be the first to say that this news creates a great deal of urgency and makes it all the more imperative to complete work on the state budget as quickly as possible. Without access to the flexibility afforded by the Revenue Stabilization Fund, the options available to the Governor and General Assembly will be severely limited. This may result in significant funding cuts to core functions of government.

This scenario would obviously require localities to reexamine local budgets. I hope the advanced notice of such a possible outcome will allow local leaders to begin making the necessary contingency plans.

Medicaid expansion is the only substantive issue delaying adoption of the budget. However, regardless of one's position on that issue, the consequences of failing to pass the budget by July 1 are simply too grave to delay any longer.

That is why I, along with other House leaders, believe strongly that we should set Medicaid expansion aside and complete work on the state budget now. This is the quickest and fairest way to complete work on the budget so local leaders can make final adjustments to their approved budget. After the budget is passed, we can and should return to Richmond for a separate special session related to Medicaid expansion.

I will continue to work hard with my colleagues in both chambers and on both sides of the aisle in order to complete work on the budget and will keep you informed of future developments.

Respectfully,



S. Chris Jones, Chairman
House Appropriations Committee

Cc: Governor Terence R. McAuliffe
Members, Virginia House of Delegates
Members, Senate of Virginia