



COMMONWEALTH of VIRGINIA

Virginia Department of Fire Programs

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

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 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, DFP's FY2010 FPF deposit, estimated at \$26 million, will be transferred to the General Fund (GF) budget. This transfer will not affect the amount of ATL funds distributed to jurisdictions in the current fiscal year or in future years. The full FPF deposit each year will be available to DFP under the provisions of the Governor's plan.

Beginning July 1, 2010 (FY2011), DFP will change its procedures for distributing ATL funds. The agency will have a line of credit with the Department of Accounts, which will give DFP access to sufficient cash until the FPF deposit is made in June each year. The maximum limit on the line of credit will be established so as to give DFP flexibility in making its projections. The following process will be used:

- DFP will project the total amount of ATL funding for each locality for the fiscal year and publish the estimates to its website under the Grants & Local Aid: Aid to Localities web pages;
- DFP will continue to distribute ATL allocations four times a year—September, December, March, and June, according to the published annual disbursement schedule;
- After a locality has submitted all required documents, DFP will disburse ninety percent (90%) of the locality's projected allocation at the next scheduled disbursement date;
- DFP will distribute the remaining ten percent (10%) of jurisdictions' allocations, adjusted on the basis of actual FPF revenues received, in June.
- Any locality which has not submitted the required documents by the specified deadline to be included in the March disbursement will have until May 15 to submit those documents in order to receive funds in the fiscal year. If such documents are submitted by that deadline, the locality will receive its full annual allocation in June.

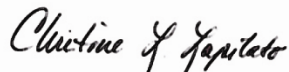
The decision to distribute 90 percent of a locality's projected allocation in the initial disbursement was made in order to allow for any unexpected shortfall in the FPF deposit.

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 encouraged to share this letter with your respective budget/finance offices and fire departments that will likely be impacted by these changes.

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