

Joint Subcommittee on Local Government Fiscal Stress



Overview of Local Fiscal Stress Activity and Budget Language

June 15, 2017

Timeline of Recent State Involvement in Petersburg/Local Government Fiscal Stress

Petersburg

- City requests assistance May 2016
- Finance team assembled, deployed in June 2016
- SFC and HAC briefings in Sept. and Nov. 2016 raise issue of Early Warning System



Workgroup

- Situation in Petersburg, legislative briefings raise general awareness of potential for local fiscal distress
- Workgroup begins examining issue in January 2017

Budget Language

- Workgroup discussions and analysis facilitate development of budget language (Chapter 836) for this sub-committee and on-going APA workgroup

Workgroup Meetings and Other Activities

- Technical assistance provided by state to Petersburg, at their request, began June 2016.
 - The state finance team included staff from the Offices of the Secretary of Finance and State Inspector General.
 - Status updates provided periodically.
- Situation in Petersburg and resulting findings increases awareness of potential for local fiscal distress, prompting workgroup to begin examining issue in January 2017.
 - Included representatives from the Office of the Governor, Secretary of Finance, Auditor of Public Accounts, House Appropriations and Senate Finance Committees, the Commission on Local Government, VML, and VACO.
- Budget language establishes workgroup to begin process of identification, prevention and intervention, and technical assistance, if needed.

Authority and Purpose of Joint Subcommittee

- Authority specified in Item 1, Paragraph U (Chapter 836) - Establishes a joint subcommittee of the money committees on Local Government Fiscal Stress.
- The goals and objectives of the Subcommittee include the review of several issues that contribute to, and could potentially alleviate local fiscal stress, including:
 - Savings opportunities from increased regional cooperation and consolidation of services;
 - Local responsibility for service delivery of state mandated or high priority items;
 - Causes of fiscal stress among local governments;
 - Potential financial incentives and other governmental reforms to encourage increased regional cooperation; and
 - Different taxing authorities of cities and counties.

Intervention and Prevention of Local Fiscal Distress

Funding for Identified Cases of Local Fiscal Distress

- Provides \$500,000 GF in FY 2017 for the Secretary of Finance to conduct certain intervention and remediation efforts for existing situations of local financial distress.

Establishment of Workgroup to Develop Early Warning System, Assistance Reserve Fund and State Notification of Local Deficiencies

- Directs the Auditor of Public Accounts (APA) to establish a workgroup to develop an early warning system to identify localities that may be experiencing fiscal distress.
 - Permits the Governor to re-appropriate up to \$500,000 GF from unspent funds for local aid, as of June 30, 2017, to provide technical assistance and intervention.
 - Via the APA, requires independent CPAs that audit localities to communicate to local governing bodies, and the Commonwealth, through an official management letter, when financial or internal control deficiencies are identified.