DRAFT MINUTES
Governor McDonnell's Task Force for
Local Government Mandate Review
November 1, 2013 at 10:00 a.m.
Main Street Centre
12th Floor North Conference Room
600 East Main Street
Richmond, Virginia 23219

Members Present
The Honorable Pat Herrity, Chair
The Honorable Bob Dyer
Kimball Payne

Members Absent
The Honorable Shaun Kenney
The Honorable Joan Wodiska, Vice-chair

Government Reform Commission Liaisons to the Task Force Present

Government Reform Commission Liaisons to the Task Force Absent
The Honorable Suzy Kelly
The Honorable Alicia Hughes

I. Call to Order

Mr. Herrity called the meeting to order at 10:12 a.m. on November 1, 2013, at the Main Street Centre Building in Richmond, Virginia

II. Approval of Minutes of Task Force Meeting on September 27, 2013

Mr. Dyer made a motion, which was seconded by Mr. Payne, to approve the draft minutes of the Task Force's September 27, 2013 meeting, as presented. The motion passed unanimously.

III. Approval of Draft Agenda

Mr. Payne made a motion, which was seconded by Mr. Dyer, to approve the draft agenda, as amended. Such motion passed unanimously.

IV. First Day Introduction Letter and Local Government Outreach

Mr. Herrity shared a draft letter and sample resolution for distribution to local government officials. The letter advises localities that the task force's primary initiative this year is the reinstatement of the no-later-than-first day introduction requirement for bills with a local fiscal impact. The letter also encourages localities to adopt the accompanying resolution in support of that measure, or to incorporate such into their legislative package. Mr. Dyer made a motion, which was seconded by Mr.

Payne, to approve the draft materials. Such motion passed unanimously. [A copy of the letter and sample resolution are attached to these minutes]

Mr. Robbins confirmed to Mr. Herrity that these materials will be distributed via email early next week.

V. Pensions

a. Presentation from Financial Experts on the Impact of Debt Obligations on Bond Ratings

Mr. Payne introduced David Rose of Davenport & Company LLC. Mr. Rose provided a presentation on unfunded pension liability, new reporting requirements for that liability, and its effect on local government bond ratings. [A copy of Mr. Rose's presentation is attached to these minutes.]

Following his presentation, in response to questions from task force members, Mr. Rose remarked that if the state were to begin funding VRS at the 80% level, there should not be a significant impact to local governments; however, localities will be negatively affected if the current underfunding continues. Further, Mr. Rose stated that the proposal under consideration by the task force to provide state contributions to teacher retirement directly to VRS rather than through local school divisions will reduce some impact to local governments, but will not resolve the underfunding issue.

Mr. Herrity introduced Mr. Joe Casey, Deputy County Administrator for Henrico County. Mr. Casey provided a presentation on unfunded pension liability, concentrating on the state's portion of teacher retirement, and impacts on economic development efforts. [A copy of Mr. Casey's presentation is attached to these minutes.]

Following his presentation, in response to questions from task force members, Mr. Casey provided remarks about the lack of local government representation on the VRS board. He added that a local government is unable to make additional contributions to reduce their locality's portion of the statewide liability, as that liability is pooled among all VRS local governments.

Mr. Herrity stated that the remaining two pension discussion items on the agenda will be moved to after the time allotted for public input.

VI. Update on Gubernatorial Campaign Briefings

Mr. Herrity stated that he had briefed Ken Cuccinelli's policy director on the work of the task force, and that he was unable to schedule a time with Terry McAuliffe's campaign.

VII. Public Comment

Mr. Herrity stated that this was the time for the task force to receive public input.

Mr. Steve Riddlebarger, Director of Human Resources for Rockingham County, provided remarks in support of Mr. Casey's presentation.

Mr. Bob Matthias with the City of Virginia Beach inquired whether there would be any negative impact to the state's bond rating if some of the liability for teacher pensions were shifted to the state. Mr. Rose responded that he did not believe there would be a negative impact, adding that if the state fails to decrease its unfunded pension ratio as planned, there could be consequences. Mr. Matthias urged that if the task force were to endorse this suggestion, that the communication should highlight the minimal anticipated impact to the state.

Mr. Roger Wiley of Hefty & Wiley, PC, representing Loudoun County, supported points raised by Mr. Casey's presentation. He suggested pointing out to the state that the new accounting standards will create a false representation that all of the teacher retirement liability exists with the localities, and none with the state.

Mr. Erik Johnson with VACo urged for communications on this issue to address the economic development impact and the lack of local representation by VRS. He added that the "shared responsibility" messaging on this issue is important.

Ms. Mary Jo Fields with VML emphasized that pension is a part of a total compensation package, and questioned if the state were responsible for a portion of teacher salary, and why the state shouldn't be responsible for a portion of pension.

There being no additional speakers, Mr. Herrity closed the public comment period. He then returned to Item V. Pension on the agenda.

b. Discussion on the "Two-third" Rule and Enabling Localities to Implement a Defined Contribution Pension Plan; and

c. Discussion and Consideration of VACo and VML Positions on Pension Reform

There was discussion about the impact of pension debt on local government financial statements. Mr. Dyer remarked that it is essential for the task force to address this issue, as localities have no choices in pension matters. Mr. Herrity suggested the state be urged to pay its share of teacher retirement contributions directly to VRS, which will demonstrate to credit rating agents that the state is committed to paying its portion of the unfunded liability. Mr. Payne suggested that it be highlighted that the state has a shared responsibility with localities – a partnership – to provide education. He added that in this case, if the state does not act, this liability will automatically appear on the locality's finances.

The task force then developed this resolution in concept, and Mr. Herrity stated that he would draft it in a more formal fashion and distribute to members for edits:

> Whereas the provision is public education is a constitutional state responsibility, and the delivery of such is a partnership between the state local governments, which implies a need for proportional sharing; and
>
> Whereas, VRS is a state mandated program; and
>
> Whereas, there is no control at the local level of the impact of the financial liability associated with VRS; and
>
> Whereas, the negative impact to localities is not only to their financial statements and credit ratings, but also on economic development and job growth in Virginia; and
>
> Whereas assumption of liability would have no significant impact upon the Commonwealth's bond rating.
>
> Now therefore be it resolved that the Task Force for Local Government requests that the General Assembly take positive action during the 2014 Session to implement the legislative positions suggested by VACo and VML on this issue.

Mr. Dyer made a motion, which was seconded by Mr. Payne, to adopt the resolution in concept. The resolution was adopted unanimously. Mr. Herrity added that he will draft the final resolution quickly for review, and that it will be posted to the task force's website, and distributed to members of the General Assembly.

VIII. Comments from Task Force Members

Mr. Payne recognized that the VML legislative committee has adopted a legislative position that encourages the General Assembly to reinstate the requirement for first day introduction of local fiscal impact bills.

Mr. Dyer remarked that the high turnout at today's meeting reflects the great interest on advancing these issues.

At this point in the meeting, Mr. Dyer assumed the role of chair. Mr. Herrity then moved for the task force to adopt a policy position to seek the elimination of the requirement for local governments to provide a retirement system by either participating in VRS or establishing a local retirement system which provides a service retirement allowance that equals or exceeds two-thirds of the service

retirement allowance at age 65 or older to which the employee would have been entitled had the allowance been computed under the provisions of the VRS. Such motion was seconded by Mr. Payne, and was unanimously adopted.

Mr. Herrity suggested that the task force urge for the inclusion of local representatives on the VRS board.

Mr. Casey stated that the membership in VRS consists of 23 % state employees, 74% local employees and 3% authority and other entity employees.

Mr. Johnson clarified that there currently are VRS board members who are local government employees, however they do not work in government administration or finance.

Ms. Mary Ann Curtin, Director of Intergovernmental Relations for Chesterfield County added that there is a need for local government employer representation in addition to local government employee representation.

Mr. Casey added that this is important from a customer service perspective because of the new deferred compensation programs that will be managed as individual accounts.

Mr. Payne made a motion to adopt a position to seek local government employer representation on the VRS board, either through attrition or expansion of the board. Such motion was seconded by Mr. Dyer, and was unanimously adopted.

Mr. Dyer recognized students from Regent University that were completing a study on the costs of local government mandates. Mr. Payne and Mr. Dyer asked that those present from Henrico County share their information from a recent Board of Supervisors presentation with the students.

IX. Scheduling of Future Meetings

By consensus, the members determined that the next meeting would be held Wednesday, February 19th at 10:00 a.m. in the Richmond area.

X. Adjournment

There being no further business, Mr. Herrity adjourned the meeting at 11:42 a.m.

Discussion Materials:

The Governor's Task Force For Local Government Mandate Review

November 1, 2013

Prepared by:

DAVENPORT & COMPANY LLC

EST. 1863 • MEMBER: NYSE • FINRA • SIPC

Background

- GASB 68 was recently adopted as a Required Accounting Standard for State and Local Governments Nationwide.

- GASB 68 accounting standards will require that cost-sharing plan liabilities be apportioned to plan participants.

- Effective for Fiscal Year 2015 (beginning July 1, 2014), Virginia Local Governments will be required to book their proportionate share of the VRS Teacher Pension Unfunded Liability of approximately $15.1 billion.

    - Amount for each locality based upon respective share of creditable compensation to total creditable compensation of $7.0 billion (Fiscal Year 2012 figures; subject to publication of implementation guide by GASB in January 2014).

Background (continued)

- GASB 68 also, for accounting purposes, modifies the concept of the Annually Required Contribution ("ARC") into a concept called Pension Expense. The chief differences can be summarized as shorter amortization periods.

  - Pension Expense (accounting) will likely be higher than ARC (funding), thus making income statement expense for pensions appear to be a larger component of the budget from an accounting point of view.

Commonwealth of Virginia

- VRS Teachers Plan was 62% funded as of June 30, 2012. This is below the national average.

- The Plan uses a 7% discount rate.

- Virginia has been systematically underfunding the teachers' pension system by paying less than the Annual Required Contribution based on the 7% discount rate.

  - As a result, this underfunding provides budgetary cash flow relief for the Commonwealth and local units.

Commonwealth of Virginia (continued)

- This changed with the passage of legislation in the 2012 General Assembly implementing Pension Reform.

  - 11.66% employer contribution rate in the 2013-2014 biennium.

  - VRS recently certified the 100% funding rate at 18.2%. The estimated employer contribution rate for the 2015-2016 biennium will be 14.5% to coincide with the General Assembly's plan to achieve 80% funding of the ARC by Fiscal Year 2015.

  - Path to full funding of ARC by Fiscal Year 2019.

Commonwealth of Virginia (continued)

- The Commonwealth does not directly fund the VRS Teachers Plan by making payments to VRS. Instead, the state contribution to funding flows to local school divisions under the Standards of Quality cost-based education funding system.

- These contributions are treated as general revenue to local school divisions. The school divisions themselves fund VRS Teachers through their percentage of payroll contributions, which are set by VRS.

Commonwealth of Virginia (continued)

"Another aspect of the pension reform legislation also important to the Board is the prospect of reaching full funding of the recommended contribution rates. Contribution rates for many years have been too low, but you and your colleagues adopted a schedule by which contribution rates will gradually rise over the next four biennia. Starting with this new biennium, rates are increased to almost 70% of the Board's certified levels and are scheduled to gradually rise to 100% of the Board's levels by fiscal year 2019. I must stress that future improvements in the fiscal condition of these plans will be inextricably linked to your commitment and that of future Governors and General Assemblies to maintaining this schedule.

We estimate the funded status of the plans will gradually decline as contribution rates remain below recommended levels. Market returns are unlikely to make up the difference. Pension reform will help, but since most of the benefit changes apply to future generations of employees, the associated cost reductions will be slow in coming. Pension reform by itself, if not also accompanied by contribution increases, will not restore our funded status to prudent levels."

- Diana F. Cantor, Chairman, Virginia Retirement System;
  Remarks taken from the VRS Comprehensive Annual Financial Report FY2012.

Rating Agency Issues/Observations

- Moody's has adopted a pension analysis methodology that is generally consistent with the changes contemplated by GASB 68, although their use of a high grade taxable bond index as the discount rate is more conservative than GASB's approach (thus resulting in higher liabilities and amortization costs).

- In its April 17, 2013 release of its pension analysis methodology, Moody's indicated that it expected that 2% or less of its local government rating portfolio would be put negative watch for downgrade as a result of its new methodology. It subsequently released a list of watch-listed credits and has systematically been reviewing those over the past several months. Note that there were no credits in Virginia on the initial list.

- The new methodology specifically allocates cost-sharing plan liabilities to local units. Therefore, any Virginia local government that has been rated by Moody's since mid-April of this year has had their rating reviewed through the new methodology.

Rating Agency Issues/Observations (continued)

- Moody's has subsequently put out another report entitled "U.S. Public Pension Landscape – Patterns of Funding, Correlation, and Risk". While the report does not address Virginia specifically, it does note that local governments participating in state cost-sharing plans have elevated exposure to a single asset pool, as well as, little to no control over assets and plan benefits; this would certainly describe the VRS Teachers plan.

  - The aforementioned Pension Reform, if adhered to by the Commonwealth in the coming years, should put the Teachers Plan on a better path over time.

  - **Deviation from the Pension Reform plan or a dramatic change to the Standards of Quality education funding system that reduces payments to local school for VRS (thus putting even more of the costs onto local governments) could having negative rating ramifications.**

Rating Agency Issues/Observations (continued)

- Fitch released a report on April 8, 2013 that outlined its approach toward pension issues. The report states that Fitch has long recognized cost-sharing plan liabilities as the responsibility of local participants and that it expects implementation of GASB 68 to not "result in a significant level of rating changes."

- Fitch also notes that local governments have little control over cost-sharing plans and that some plan sponsors have not taken prompt corrective action. Virginia's Pension Reform represents corrective action and should be viewed favorably by Fitch if adhered to going forward.

- S&P has been relatively silent with respect to the impact of GASB 68 on local governments.

  - S&P did prepare a report in July 2013 that mentions the new standards "will lead to more conservative liability estimates than the current standards and provide some additional disclosure."

Additional Observations/Questions

- As VRS Teachers is a cost-sharing, multiple-employer plan, it is unclear if there is any way that local governments could take unilateral action to proactively address there apportioned liabilities.

- Contributing amounts higher than those calculated by VRS would be pointless since any extra contributions are not captured and held in trust solely for the contributing jurisdiction.

- By definition, the pool of assets held by VRS Teachers is available to all participants in the plan. This would be true of extraordinary annual contributions, or lump sums, such as proceeds of a Pension Bond.

City of Lynchburg

- Quick Facts

1. The City of Lynchburg's creditable compensation for 2012 is $48.8 million.
2. The above translates into 0.7% of the $7 billion Statewide total.
3. The City's allocable share of Net Pension Liability is $105.6 million (This is an actuarial/accounting figure.)
4. The City's current Tax-Supported Debt is $110 million (This is a cash flow funding liability.)
5. Were the City to include the $105.6 million into its Debt to Assessed Value Policy, it would no longer be in compliance.

Davenport Observations

- The Bond Rating Agencies already know about the allocation of unfunded liabilities to local employers.

- The Bond Rating Agencies already know that the footnotes to the financial statements show unfunded liabilities.

- The changes for GASB 68 are for accounting, not necessarily for funding purposes, but they may have some influence in the future.

- A concern is the current funding levels (62%) – this must show improvement towards the 80% level.

- A concern is not fully funding the ARC. Reform moves from current 70% funding of ARC to 100% in 2018. This may indicate using a lower blended discount rate for the next few years (or maybe not since full funding of ARC is projected in a few years), since full projected funding is not attained until 2018, indicating higher liabilities and costs for accounting purposes. The Bond Rating Agencies are paying attention to this issue and the Reform may change in the next few years.

Davenport Observations (continued)

- Of concern are the drastically shorter amortization (deferral) periods. The Bond Rating Agencies know this, but this may influence future funding guidelines.

- A concern is the VRS Teacher Plan using historically an 8% discount rate (may have been amended lower – to be confirmed).

- A concern/possible opportunity is the Commonwealth's adoption of the VML & VACO-backed legislation for direct Teacher Pension Funding.

- Other concerns may include:
    - New standard measures Net Pension Liability, which is Total Pension Liability, less the Market Value of Assets. This becomes the new balance sheet measure.
    - Discount rate may be blended lower if projections indicate that assets are insufficient to meet future obligations at some future "crossover" date.
    - A lower, blended discount rate will generate higher Net Pension Liability to be recorded on the balance sheet of Virginia local governments.
    - Higher balance sheet liabilities will be recognized by the Bond Rating Agencies.

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Version 10/17/2013 PW/DR

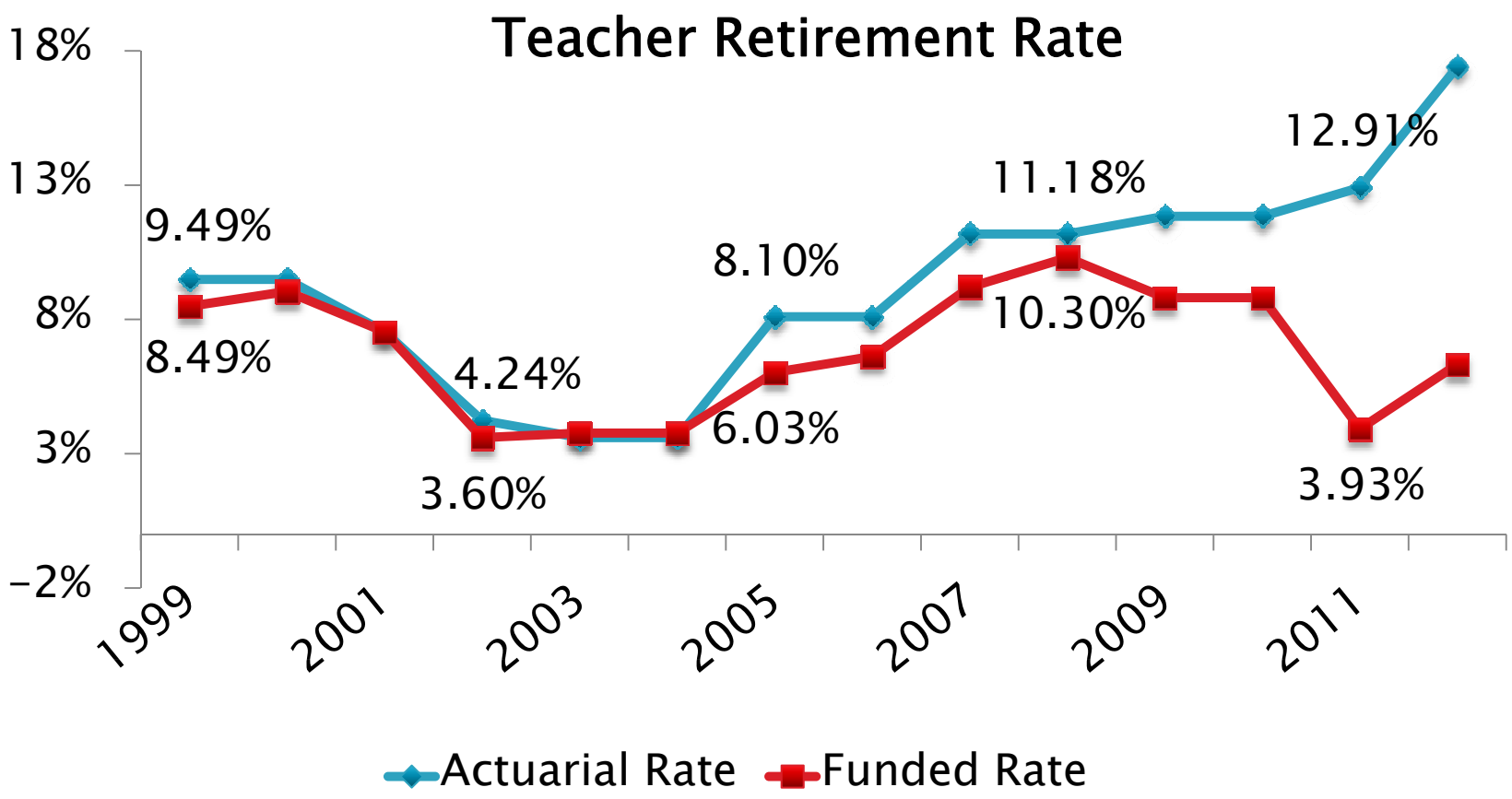
Why Are We Here?

- GASB 68 balance sheet liability and bond rating agency higher weight assigned to such liability
  - To recognize that a large unfunded pension liability will impact Virginia (as a State and collective localities)
  - To best position Virginia to reflect this liability in our ability to record-reduce w/ focus upon citizen-business impacts
- To position Virginia-localities for fiscal sustainability
  - Intergenerational equity in cost of services
  - Taxpayers today pay and not pass cost to next generation
  - Economic development positioned to create jobs and sustain essential services (schools, public safety)

How We Got Here?

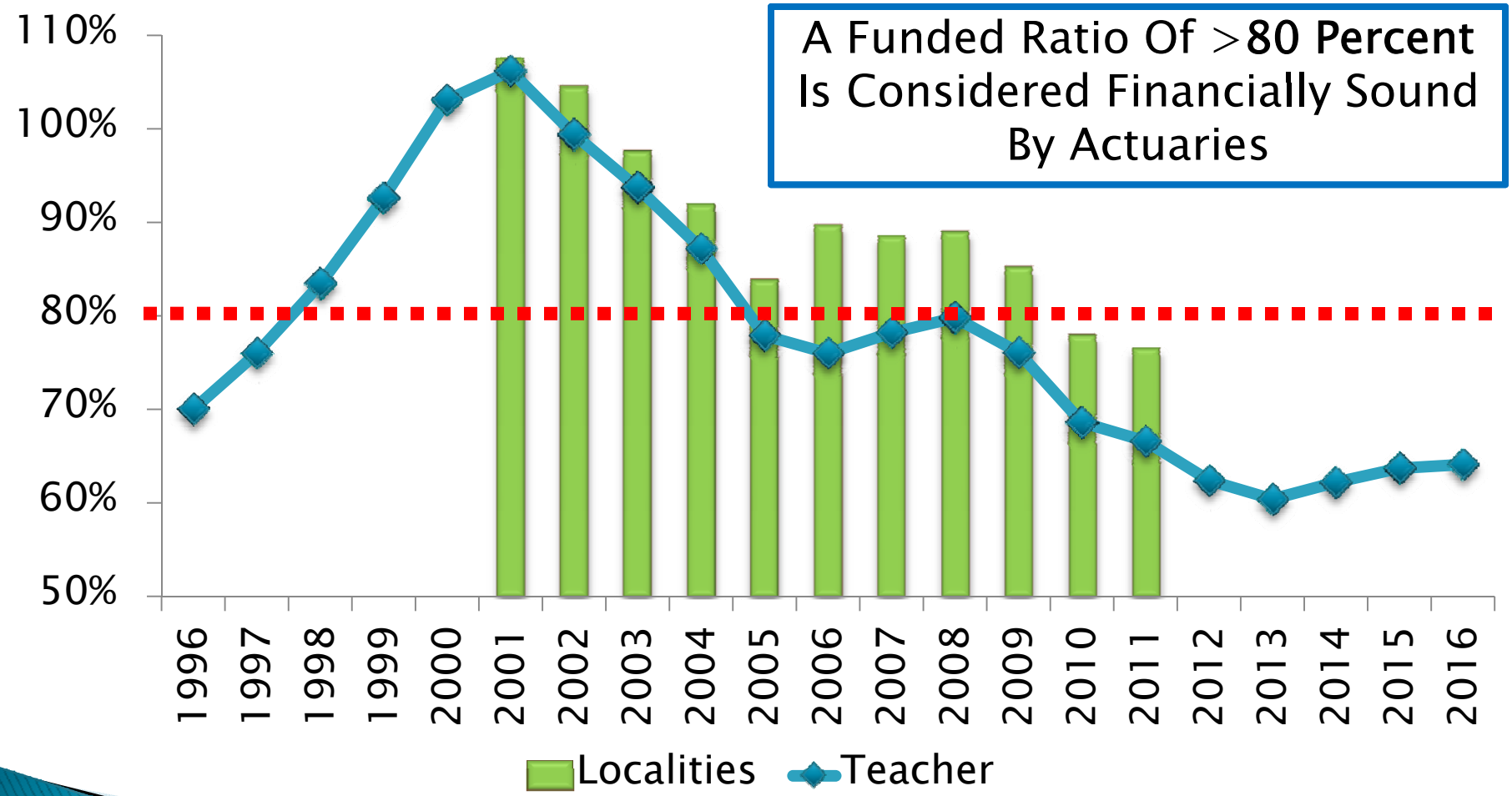
- Actuarial calculation changes raised rates and liability
  - FY10: Lowered invest income assumption from 7.5% to 7.0%
    - Rate increase from 11.8% to 12.9% and unfunded liability/employee increased from $58,600 to $66,600
  - FY13: Rolling five-years has FY13's 11.8% investment return and FY09 21.1% investment loss
  - Annual salary increase assumption still at 3% yet trends have been much lower (<.5%/year average since 2008)
- Other impacts to unfunded liability and rates
  - Timing difference between underperforming investments and actuarial reports (remedied by future higher rates)
  - State's lower VRS rate for teachers than actuarial rate
    - 2010-2012 % of VRS contributions funded = 39.7% and 2012 -2014 = 69.5%
    - Only factor that local government not impacted by as no option for localities to select different rate
  - 3 separate "loans" with interest to account for past and future liability from lower VRS rates

Retirement Contribution Rate: Actuarial Rate vs. Funded Rate



Locality rates funded are always 100% of actuarial rate

Teacher and Localities Ratio Funded Status



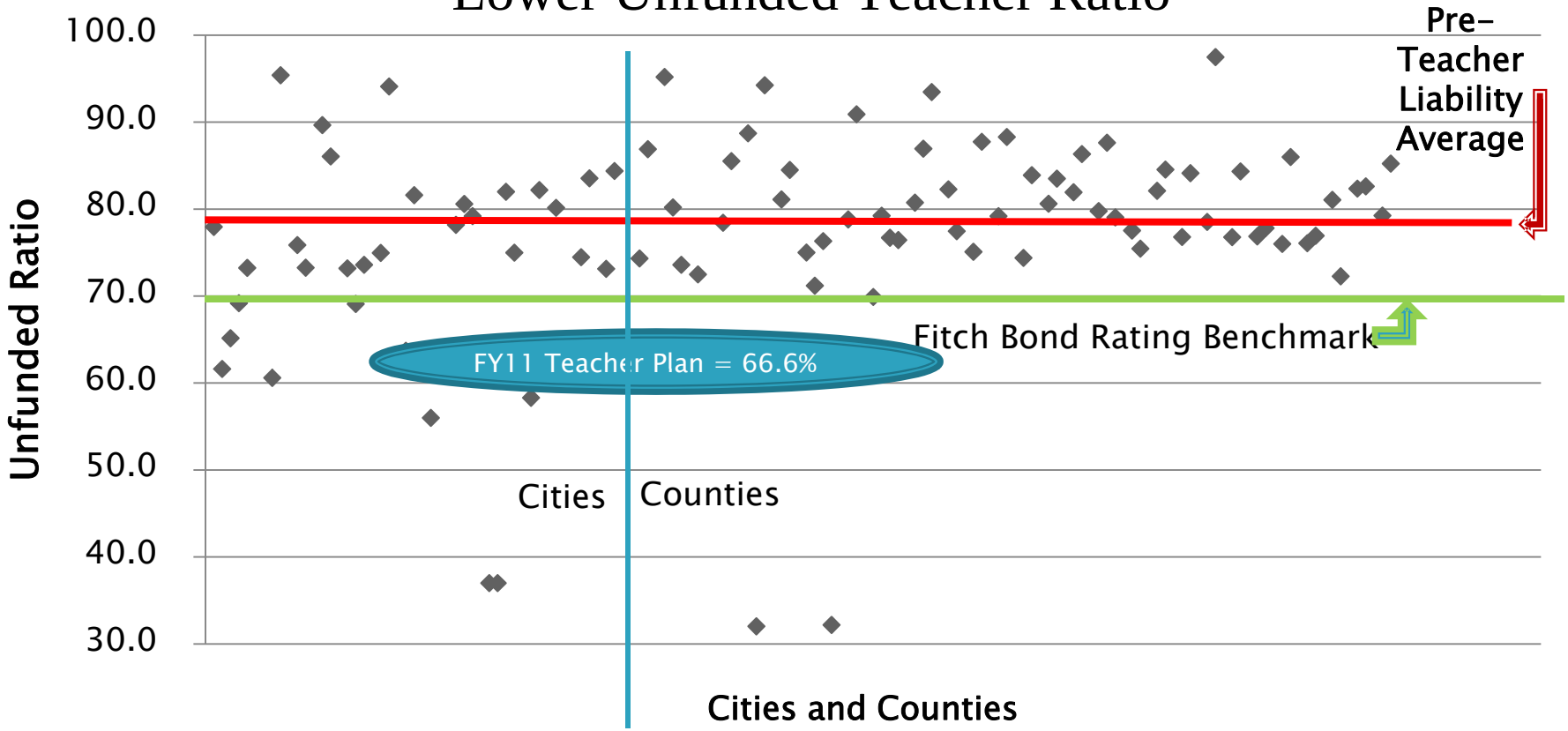
Who Should Record the Teacher's Liability?

- Local government prefer proportional responsibility
  - Share of VRS costs: State 33%, Local 67%
  - Recognizes teacher VRS system is also a State program
  - State's selection of arbitrary and lower rates further illustrates ownership of program
  - Administratively simple to record liability
    - State's current $ to local govt changed to direct payment to VRS
- State prefer Local government to record 100%
  - Technically can shift 100% liability with local government's payment to VRS (even if State is $ origin)
  - Teachers are 100% local employees (at least for this topic)

New Paradigm: How to Position State and Local Best for New Jobs

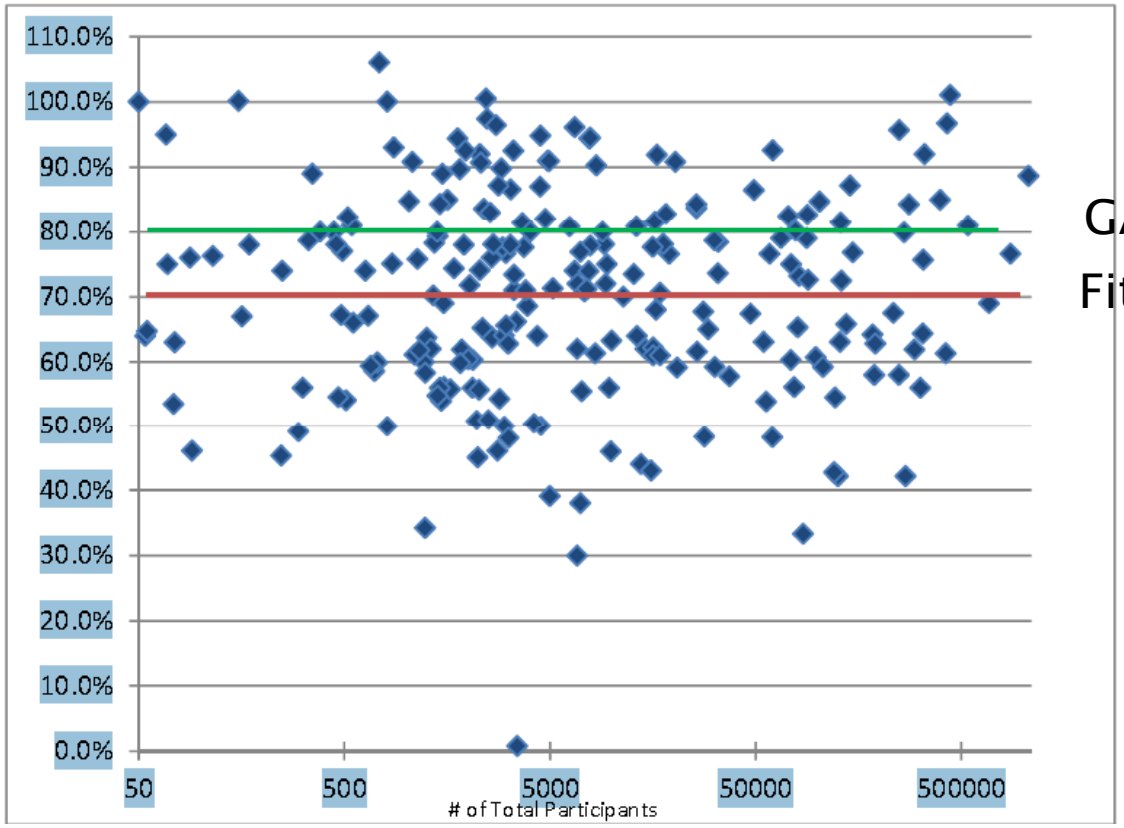
- Is the whole (State) > then the sum of the parts (localities) for recurring, retaining and expanding business and new jobs or are we one goal-oriented team ?
- Questions asked by prospects to locality may be more in-depth and researched as part of due diligence
  - What are the taxes my business will pay (today, tomorrow)?
  - How good are the local schools for my employee's children and future employees?
  - How safe is the locality for my company and my employees?
  - What are other quality of life factors in your locality for my employees?
  - What is your bond rating?
- How do rating agency "negative outlooks" or downgrades as result of teacher liability affect business decisions?
  - If State impact < local impact of teacher liability, then shouldn't that be a consideration in proportional sharing of liability?

Threat of Local Governments Crossing Below the Line with Lower Unfunded Teacher Ratio



- Pre-teacher Liability: FY11 Chart shows localities generally above the "rating line" (pre-teacher liability)
- Post-teacher Liability: teacher unfunded ratio now 62.4% in FY13 may push many below the "rating line"
- Local impact high – Teachers 62.2% of total local workforce

Virginia is Not Alone in this Challenge, But Can Position Itself Ahead



GAO Target

Fitch Target

- ~250 State and local pension plans

Economic Development Impact Analysis Has Not Done

- Proportional liability impact to bond ratings and correlation to new business investment
- State bond rating impact vs. aggregate local government bond rating impact
  - Per VRS: "Could affect local government bond ratings"
- If 100% local government liability recordation is more adverse to economic development and job creation than proportional liability, why wouldn't State recognize proportional liability?

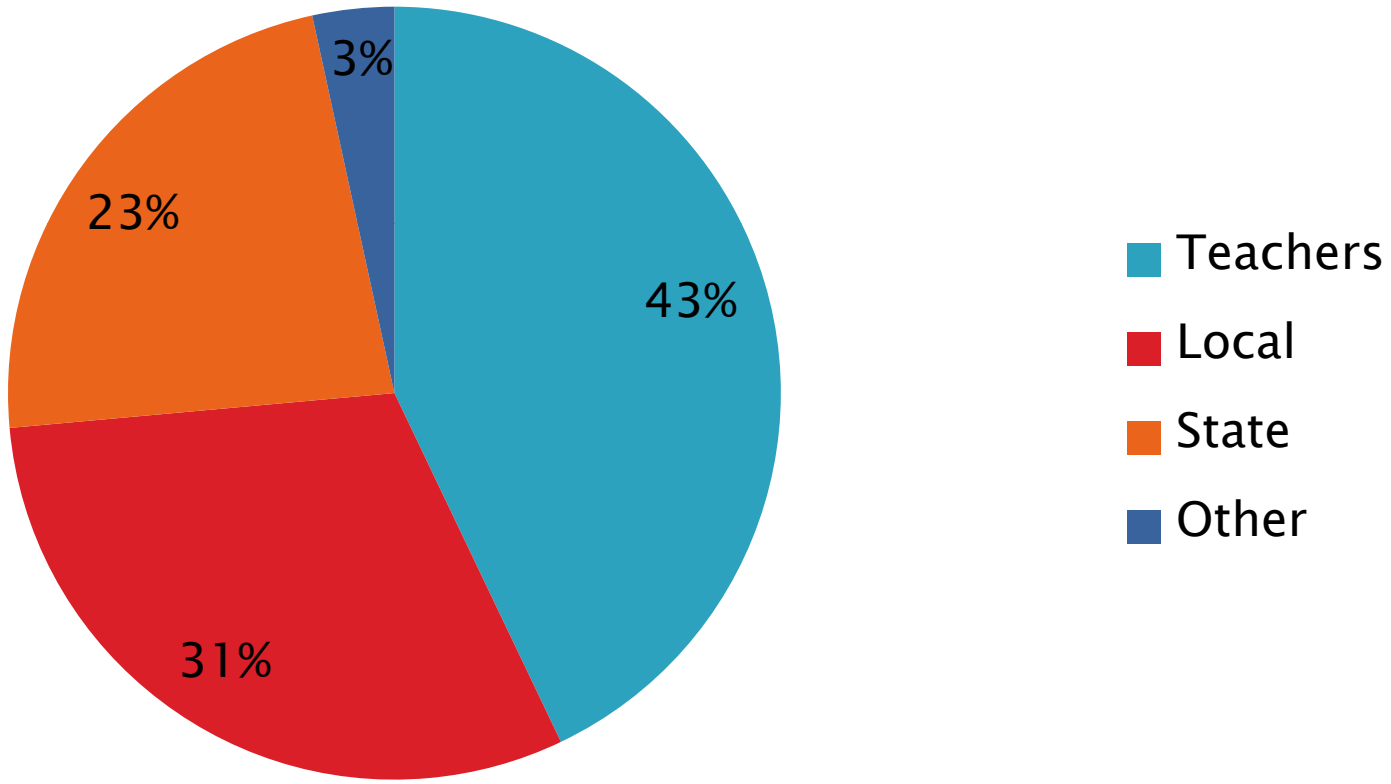
Local Government Employees

- One commonality – all local government
- Employees don't know who is grant funded, part of SOQ formula, part of Compensation Board funding, local tax
- Prefer uniform rationale for salary and benefit programs
- Just know that they want to serve their local citizens, students, businesses

If State Now Considers Teacher 100% Local, Then Other Considerations?

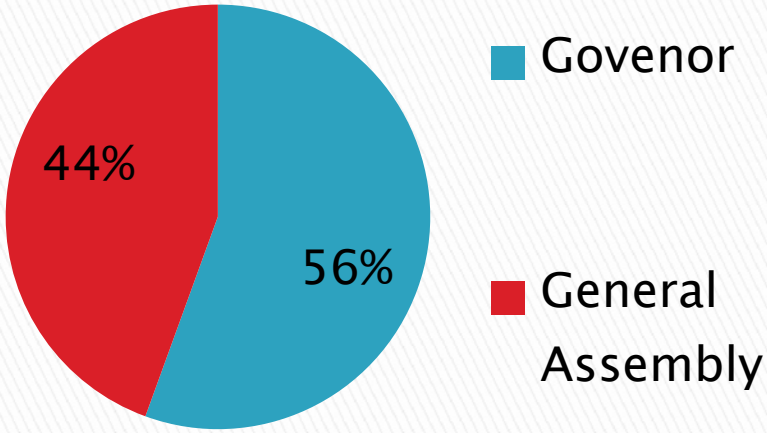
- Easier-flexible school funding formula on how best to spend at school level
  - Avoid salary initiative challenges
    - FY14: 2% salary supplement w/ local match
      - Use it or lose it for raises, possible layoffs to get matching $ w/ higher student: teacher ratio
  - Consistency amongst school, compensation board, and grant positions funding of salary-benefits
    - Opportunity to reform all with simple funding formula w/out all the paperwork
- VRS Board representation if teacher liability
  - Future input into Board, role, local customer service

If This Is How Customers of VRS are Represented, Then…

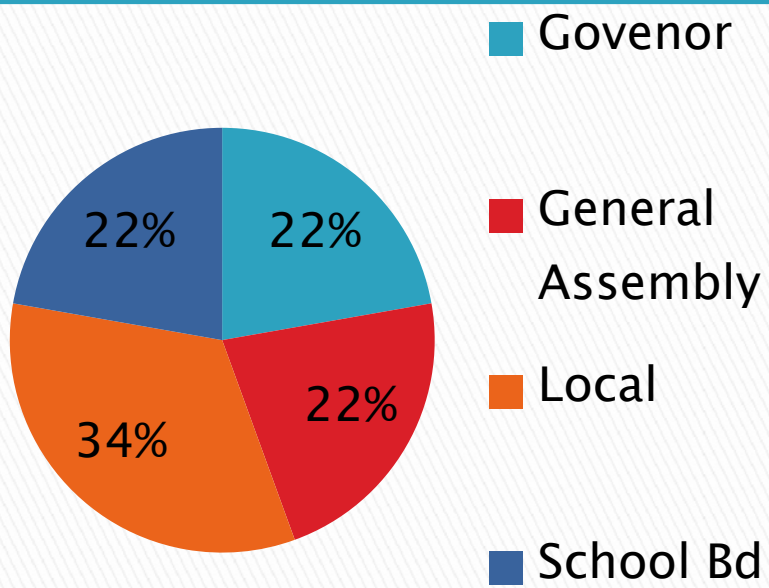


Should VRS Board Reflect Proportional Oversight and Liability?

Current



Proportional



- Proportional representation still favors State
  - State representation 44% (23% employees)
  - Local representation 56% (74% employees)

VACO Preliminary 2014 Legislative Program for Unfunded Teacher Pension Liability

- Local governments and the state share responsibility for paying the cost of teacher pensions, but under GASB 68, the payer of retirement benefits will have to claim all unfunded liabilities for teacher retirement plans after June 15, 2014 on their financial statements. VACO urges the state to not mandate this cost shift to localities by paying its share of teacher pension contributions directly to VRS. This would demonstrate to credit rating agencies and localities that the state is committed to paying its fair share of unfunded teacher pension liabilities. It would also better protect the bond ratings of Virginia's localities by more accurately reflecting the local share of the unfunded liability.

Professional Governmental Organization's Pension Task Force Recommendations

1. Have a pension funding policy that is based on an actuarially determined contribution
2. Build funding discipline into the policy to ensure that promised benefits can be paid
3. Maintain intergenerational equity so that the cost of employee benefits is paid by the generation of taxpayers who receives services
4. Make employer costs a consistent percentage of payroll
5. Require clear reporting to show how and when pension plans will be fully funded

Questions

Where Can We Go to From Here?

- Shared VRS Liability recognition
- Further define teacher as a local government employee
  - When does having one local government VRS pool make sense (vs. 3 separate pools now)
  - When can local government's decide how to best overcome liabilities (contribute more than State lowered rate share for 100% return back to its own plan)
    - No ability for local remedy to its own plan
- It's taken x years of State underfunding of rate, therefore have x years of remedy prior to 100% local government responsibility

Other Topics on the Horizon?

- VRS greater leverage in managing 457-403b deferred compensation accounts w/ Plan 2 employees
  - Not just required contribution, but also soliciting additional voluntary contributions
  - Customer service issues
  - Competition with locally-procured services
  - If locality has VRS vendor (ICMA-RC), why can't one vendor relationship exist at local level?
- Greater variances amongst workforce
  - Public safety LEOS employees w/ no required 457 contribution
  - Teacher early retirement program, credits
- Healthcare OPEB liability
  - FY15 recording of liability

Retiring the Current Liability via Time and 3 "Loans"

	Loan Term Remaining	Interest Rate	Liability	Per Employee
Payback Loan	30	X%	$x	
Legacy Liability	20	X%	X	
New Liability	8	X%	X	
Total			500,000,000	

- Three types of methods to bridge the gap between asset and liability ("loans") exist with actuarial assumptions to calculate rates
- Payback loan:- 10 year amortization period started in FY11 has 8 years remaining
- Legacy Liability: 30 year closed amortization of "legacy" unfunded liability
- New Liability amortized over 20 year period with x% imputed interest rate

100% Local Comparison to Proportional Responsibility

- Create table showing 3 columns – Henrico and State w/ and w/out proportional
  - Liability
  - Factor % (Moody's factor rating metric)
  - Net assets (for local show total and school fund)

Draft email and resolution on first day introduction

November 1, 2013

Over the last two years, the Governor's Task Force for Local Government Mandate Review has examined in great detail mandates on local governments and the means through which they are enacted. What has emerged from this work is a clear understanding and recognition that the local government fiscal impact review process needs to be improved. As we have seen over the last two years, the focus on the fiscal impact of mandates has had a positive result in recent General Assembly sessions, and the number of bills referred for fiscal review has increased.

Prior to 2010, a first day introduction requirement was in place to ensure that any bill enacting a local mandate would be sufficiently analyzed by the Commission on Local Government prior to its being considered by the General Assembly. Unfortunately, in 2010 this provision was removed and now only bills pertaining to the Virginia Retirement System must meet this requirement.

Under the current system of review, there are not enough resources for bills to be properly reviewed for fiscal impact within the given time constraints imposed by the current filing deadlines. The Task Force believes that the magnitude of the problems caused by a lack of adequate review of local mandate bills prior to their passage necessitates the reinstatement of the first day filing requirement. We believe proper fiscal impact analysis will result in fewer bills with local fiscal mandates making it through the General Assembly.

The Task Force has made the reinstatement of the first day introduction requirement for all bills with a local fiscal impact its primary recommendation this year. Going into the 2014 General Assembly Session, the Task Force is asking local governments to include their support for this change in their legislative agendas as well as the passage of resolutions by Boards of Supervisors, and City and Town Councils in favor of the change.

For your consideration, a sample resolution is attached. The Task Force thanks you for your attention and consideration of this critical matter. Together, Governor McDonnell, the Task Force and local governments have made historic progress in the repeal of dozens of local mandates, creating a new awareness of the impact of local mandates, and eliminated numerous additional "mandates" via discussion with state agencies and executive action. Your support of the reinstatement of the first day introduction requirement will go a long way to reducing the burden of mandates placed on the Commonwealth's 324 local governments.

We are continuing our review of local mandates and encourage you to continue to identify and refer mandates you believe should be reviewed by sending suggestions to MandateRelief@dhcd.Virginia.gov . On behalf of the Task Force I thank you for your support of our efforts.

Sincerely yours,

Patrick S. Herrity
Chair, Governor's Task Force for Local Government Mandate Review
Springfield District Supervisor, Fairfax County Board of Supervisors

SAMPLE RESOLUTION

FIRST DAY INTRODUCTION REQUIREMENT FOR BILLS WITH LOCAL FISCAL IMPACTS

WHEREAS, many local governing bodies in Virginia have an ever-growing concern about the impact on localities of state mandates and cost shifting; and

WHEREAS, Section 30-19.03 of the Code of Virginia states that the Commission on Local Government shall prepare and publish a statement of fiscal impact for "any bill requiring a net additional expenditure by any county, city, or town, or…any bill requiring a net reduction of revenues by any county, city, or town, is filed during any session of the General Assembly"; and

WHEREAS, numerous bills fitting this criteria have been submitted and gone through the legislative process without review for local fiscal impacts due to limited time and resources to review these bills during the General Assembly session; and

WHEREAS, it is also recognized that a need exists for additional time and resources to provide such information during the tight procedural confines of the current legislative process; and

WHEREAS, we believe it is critical that lawmakers have better and timelier information on the fiscal impact to localities when they consider bills and budget items; and

NOW, THEREFORE, BE IT RESOLVED THAT THE _(locality)__ HEREBY:

Requests that the General Assembly support measures that require its members to file bills with local fiscal impacts as early as possible and no later than the first day of session.