

Joint Legislative Audit and Review Commission

The Virginia General Assembly

**Funding of
Constitutional
Officers**

**The final report in a series
on Constitutional Officers in Virginia**

**REPORT OF THE
JOINT LEGISLATIVE
AUDIT AND REVIEW COMMISSION ON**

Funding of Constitutional Officers

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



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Preface

State funding for constitutional officers has dramatically increased in recent years, now amounting to one half billion dollars each biennium. Yet the budgeting and reimbursement process used by the Compensation Board has changed little over the past 50 years.

Item 13 of the 1988 and 1989 Appropriations Acts directed the Joint Legislative Audit and Review Commission (JLARC) to review the funding of constitutional officers. The purpose of the study was to propose a more systematic and equitable funding process for the General Assembly to consider.

The first phase of the JLARC review involved developing staffing standards using statistical models. These models, which are discussed in previous reports in this series, are based on actual staffing levels for all the constitutional offices in the State. The standards developed can be used to objectively determine personnel costs.

This final report presents the General Assembly with a number of different choices for designing a new, systematic approach for funding over 600 constitutional offices. Among the most important of the choices are the share of costs to be borne by the State and the local governments, the use of ability to pay for determining the shares for the local governments, and adoption of a pre-payment system for distributing State funds to the constitutional officers with a required local match. These choices can be used by the General Assembly to develop a more logical framework for funding of constitutional officers that would promote greater equity and accountability. It would be the responsibility of the State Compensation Board to implement the specifics of the framework adopted by the General Assembly.

The issues involved in funding the constitutional officers are complex and controversial, as illustrated by the written response of the Compensation Board included in Appendix F of this report. It will be necessary for the General Assembly to review the proposed funding process in more detail with the State Compensation Board, the constitutional officers, and the local governments. To begin that process of review, Senate Bill 248 was introduced in the 1990 Session of the General Assembly. This legislation, which provides a blueprint for the proposed funding process, can be the starting point for discussions of the staff recommendations.

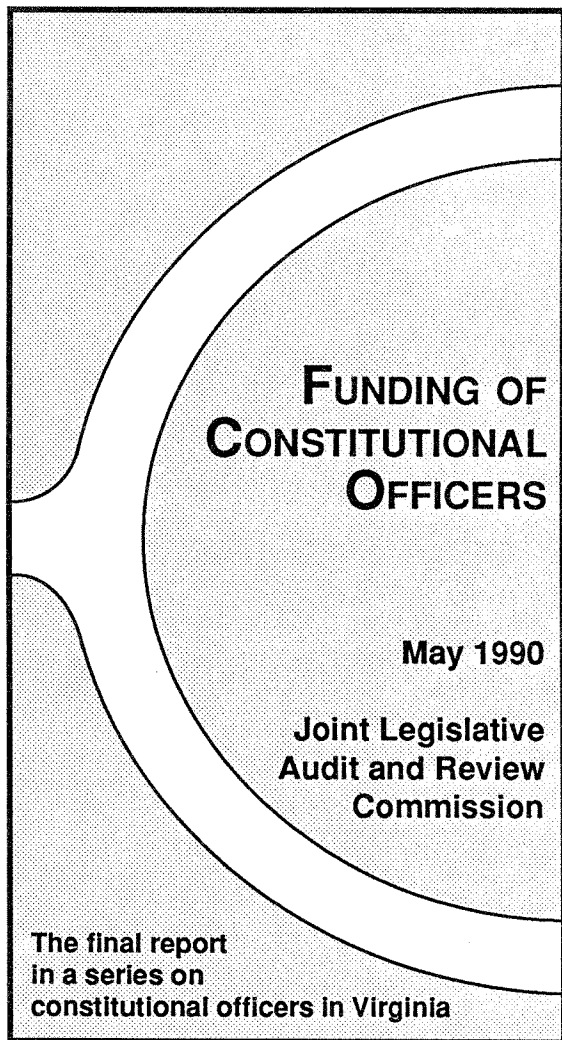
I would like to express our appreciation for the cooperation and assistance extended to us in the course of the study by the local constitutional officers, the various constitutional officer associations, and the staff of the State Compensation Board.



Philip A. Leone
Director

May 30, 1990

JLARC Report Summary



For more than 200 years the constitutional officers have provided a range of services to the citizens of Virginia. The five elected constitutional officers are: Commonwealth's attorney, clerk of the circuit court, sheriff, commissioner of revenue, and treasurer. In addition, five localities have directors of finance that are recognized and funded by the State as constitutional officers.

The Joint Legislative Audit and Review Commission (JLARC) was directed,

in Item 13 of the 1988 and 1989 Appropriations Acts, to study staffing standards and funding for local constitutional officers. The General Assembly specifically instructed JLARC to study:

- workload standards and policies to be used in allocating positions to the constitutional officers,
- the level of State and local participation in the funding of these positions, and
- alternative methods and agencies for administering these items.

This report reviews the current funding process for constitutional offices, and examines potential changes to the funding system. The report includes a discussion of methods used to estimate staffing costs and for determining State and local shares of these costs, and presents an examination of the administrative structure to implement a new funding system that promotes greater equity and accountability.

The proposed funding process can be a starting point from which modifications to the current system can be developed. Among the most important of the proposed modifications are:

- the systematic use of staffing standards, so that staffing allocations are based on workload,
- use of a systematic process for determining which services should be paid for by the State and which should be paid for by local governments,

- recognition of local governments' relative abilities to pay, with the poorest localities paying proportionately less of the costs for which they are responsible, and
- development of a greater level of accountability by allocating State funds based on specific staffing standards, and by focusing operational decisions about the use of funds at the local level.

Roles of The State and Local Governments in Funding for Constitutional Officers

The constitutional officers are an important part of Virginia's intergovernmental structure. In the 1988-90 biennium, State aid to the constitutional officers totaled almost one half billion dollars. In recent years, changes in the responsibilities of the officers, coupled with growth in the State's population, have resulted in dramatic growth in the workload of the constitutional officers. The complexity of the services provided and rapid growth in the workload of the offices have made the current funding process incapable of providing appropriate levels of resources to the offices. Consequently, the State's mechanism for budgeting, administering, and overseeing State aid for constitutional officers needs to be redefined to better align resources with responsibilities in the process of addressing State and local service priorities.

The research for this report was guided by specific goals to be achieved by a revised funding system. Three goals provided the framework for developing a comprehensive funding system for the constitutional officers: service equity, tax equity, and accountability. These goals reflect the current constitutional framework for funding relationships between the State

and local governments and the actual relationships which constitutional officers have with the local governments.

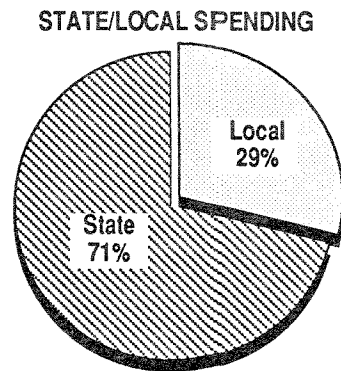
Service Equity

The first goal used to develop a more systematic funding system was service equity. Service equity means that all citizens should have equal access to certain services provided by constitutional officers. To achieve this goal, funding must be available to meet the recognized workload in all localities, including the special workload requirements of certain localities.

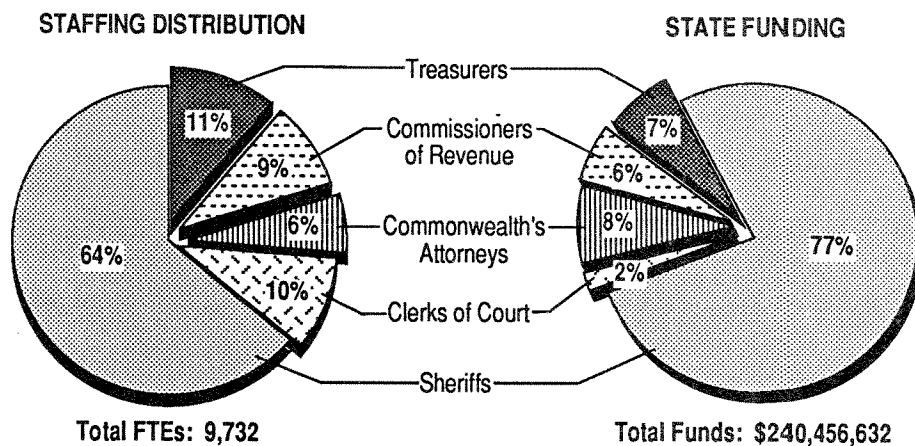
In order to determine the appropriate level of State funding for the constitutional officers, it was first necessary to calculate the total costs which should be recognized by the State. Because the mandate for this study requested that the analysis focus on the costs of implementing staffing standards for the offices, the review of State-recognized costs included only an analysis of staffing costs.

Estimating State-recognized staffing costs for constitutional officers involved four major steps. The first step was to identify the total number of full-time equivalent positions which should be recognized for funding. The statewide staffing standards developed by JLARC staff were used as the basis for staffing. Applying these standards, State recognized staffing for the constitutional officers would be 1,917 positions higher than currently recognized by the Compensation Board. The second step was to develop an appropriate salary which could be applied for the positions in each constitutional office. JLARC staff developed statewide average salaries for the staff of the constitutional offices. In the third step, the fringe benefit costs for the positions were estimated. Finally, the results of the first three steps were used to calculate total staffing costs.

Staffing and Funding of Constitutional Officers Fiscal Year 1990



Total Funds: \$327,215,770
(Estimate for FY 1989)



Source: JLARC staff analysis of State Compensation Board data.

Recommendation (1). The General Assembly may wish to consider mandating the use of statewide staffing standards for constitutional officers. The standards should be based on workload indicators which have a clear and measurable relationship to staffing. The actual funding of positions derived from the standards would be subject to the budget priorities established by the General Assembly.

Recommendation (2). The General Assembly may wish to establish a statewide average staff salary, based on State-approved salary scales, for each constitutional office for use in determining the costs to be recognized for State funding.

Recommendation (3). The General Assembly may wish to recognize the

increased cost of competing for personnel in Northern Virginia offices by establishing a salary differential for the staff of constitutional officers based on the differential for State employees with similar job functions and titles.

Recommendation (4). The General Assembly may wish to establish a statewide fringe benefits package for use in calculating the staffing costs to be recognized for State funding.

Recommendation (5). The General Assembly may wish to direct the development of uniform and consistent procedures for the distribution of State funding for non-personnel costs in the constitutional offices. Options that could be considered are (1) a grant process, based on propos-

als for funding from the constitutional officers and specific evaluation criteria for making each grant; or (2) a formula process, based on workload and staffing data which can be demonstrated to be related to non-personnel costs. Any revised process for funding non-personnel costs should recognize the ability of localities to pay for such costs.

Tax Equity

Once the costs of services provided by the constitutional officers have been calculated, it is necessary to determine the extent to which the State will pay for such costs, and what portion of costs local governments will be expected to fund. In determining how the State and local governments will share the costs for constitutional officers, it is important that localities be treated fairly. This is the goal of tax equity.

The State can ensure equity by fully funding State-mandated costs and by systematically recognizing the relative abilities of local governments to pay for costs which are their responsibility. These goals can be accomplished by determining: (1) for each service provided, whether the cost responsibility should be assigned to the State, assigned to the localities, or shared between the State and localities; (2) how to treat costs that are shared between the State and localities, including how local financial ability could be taken into account; and (3) how to treat revenues collected by constitutional officers that may offset costs.

Allocating State and Local Shares of Costs

In assigning shares for the costs, the assumption for this study was that the level

of government which mandates a service should pay for the service. In those situations in which both the State and the local governments mandate or request the service, the costs should be shared based on the relative benefits that the State and localities receive. This general approach is applied to the services provided by constitutional officers by evaluating two criteria:

- Is there a clear State requirement or request for the service to be provided?
- Is the service either recognized by the State as a part of the normal local government operation, or generally provided at the request of local government officials?

For those services for which the costs are to be shared by the State and the localities, it is necessary to determine how the costs will be divided between them. Establishing the proportions of State and local costs involves two steps. The first step is to determine the relative benefits which the State and localities derive from the services. The second step is to measure the extent to which each locality has the ability to pay for its share of the costs.

Relative Benefits of Services. The State and local benefits from constitutional officer services can be used to help establish the responsibility that each has for the shared costs. For some service categories, relative benefits can be objectively measured, and the resulting proportions of State and local benefits can be used to establish the shares of cost responsibility. For some other service categories, however, the State and local shares cannot be based on objectively measured criteria. These cost responsibility assignments must be made on the basis of judgments regarding the relative benefits of the service, or on the basis of policy choices by the Gen-

eral Assembly regarding the State's interest in the service.

Local Ability to Pay. By compensating for differences in local ability to pay, the State can ensure that localities will not face disproportionate tax burdens to meet their local shares of constitutional officer costs. Further, poorer localities will be in an improved position to provide funds for levels of service comparable to those of localities with greater resources.

For this study, JLARC staff used the revenue capacity measure to summarize local government revenue sources, and to serve as the basis for an index of relative local ability to generate revenues. This index was then used to calculate local shares of shared-responsibility costs, while taking local ability to generate revenues into account.

Recommendation (6). *The General Assembly may wish to consider establishing State and local shares for funding of the constitutional officers based on assignments of cost responsibility and local ability to pay. Cost responsibility can be based on the criteria developed for this study. Ability to pay can be based on an index of relative revenue capacity.*

State and Local Fees

If there is substantial change in State and local responsibilities for the costs of the constitutional officers, it becomes necessary to review the distribution of fees as well. The purpose of such a review is to ensure that the distribution of fees to the State and local governments is consistent with the overall goals of the funding system.

To ensure that the disposition of fees is equitable, the assignments of responsibility for service costs can also be used as the criteria for distributing fees. In this way, State and local governments would receive

fees in proportion to their statewide responsibilities for the costs of a given office.

Recommendation (7). *The General Assembly may wish to consider distribution of fees collected by constitutional officers on the basis of the statewide responsibility of the State and local governments for service costs.*

Accountability

An important third goal considered as part of this study was accountability, because it can guide how both service equity and tax equity can be implemented. This third goal is achieved through the methods used to administer State funding. The current budgeting and reimbursement process used by the State Compensation Board has been used for some of the constitutional officers for more than 50 years. While this process may have been appropriate for funding the offices in the past, it no longer meets the needs for funding of Virginia's constitutional officers:

- As has been the case for the past 50 years, requests for funding must be reviewed on a case-by-case basis. The State Compensation Board has inadequate resources to review more than six hundred local office budgets, and to process thousands of reimbursement requests.
- The current funding process does not recognize the essentially local nature of the services provided by the constitutional officers.
- The budget and funding process gives the appearance of great control by the State, but the overwhelming nature of the process means that, in fact, there is little accountability

for either State or local funding of the officers.

Given the problems with the current process, some changes in the system appear appropriate at this time. A pre-payment system, similar to that used for State Basic Aid funding for public education, could provide an alternative approach. Under a pre-payment system, local offices would receive a single, lump-sum payment each month for the State portion of approved personnel and non-personnel costs. To ensure that local governments provide funding for their share of approved costs, a required matching amount could be established.

The proposed approach would not result in any changes in the autonomy of the daily operations of the constitutional offices. Each constitutional officer would use the State funds at his or her discretion for the administration of the office. The only requirements would be that funds allocated for personnel be spent for salaries and fringe benefit costs, and that all expenditures be properly documented for audit by the State.

However, this alternative approach would require major restructuring of the functions performed by the State Compensation Board. Some functions currently performed would no longer be necessary, while many other new functions would be required. A complete listing of these functions is presented in Chapter IV.

Recommendation (8). *The General Assembly may wish to consider the adoption of a pre-payment system for funding of constitutional officers. As a part of the pre-payment system, the General Assembly may wish to consider adoption of a required expenditure for the local matching portion of constitutional officer State funding, designated for the exclusive support of personnel costs. The pre-payment system should be administered by an appropriate executive branch agency.*

Recommendation (9). *The administering agency responsible for the pre-payment system should be charged with the following duties: collection of staffing and workload data, review and approval of non-personnel funding, periodic analysis of staffing standards, annual revision of the revenue capacity index, calculation of pre-payment amounts, certification of expenditures of pre-payment funds for personnel costs, monitoring and enforcement of required local expenditures, and distribution of fee revenues.*

Conclusions

The purpose of this report is to provide the information necessary for the General Assembly to make decisions on funding of constitutional officers, and to present specific proposals for a systematic approach to the funding process.

The funding framework for constitutional officers is dependent on many choices available to the General Assembly related to personnel costs, cost responsibility, and ability to pay. Among the choices are:

- staffing levels and allocations,
- salary adjustments,
- cost-of-competing factors,
- fringe benefits,
- cost responsibility assignments for each service category, and
- the statewide share of local costs to be determined by local ability to generate revenues.

To allocate funds for the constitutional offices based on the funding approach proposed in this report, the General

Assembly would need to make specific decisions for each of these choices.

To assist in the process of developing a revised funding system for the constitutional officers, JLARC staff developed computer models to calculate costs for each constitutional office, and to determine the State and local shares of the costs. To evaluate the impact of the changes in the system on the funding for each office, the models can be used to vary certain choices, such as average base salaries, salary in-

creases, a cost-of-competing factor for personnel, fringe benefits, and State and local shares of service costs. Two examples of how the models can be used are shown in Appendix E.

Finally, the recommendations in this report, with the suggestions of the State Compensation Board and the constitutional officers, can provide a sounder basis for allocating funds to Virginia's local constitutional officers.

Table of Contents

	<u>Page</u>
I. INTRODUCTION	1
Roles of the State and Local Governments in Funding for Constitutional Officers	2
The Need for Greater Equity and Accountability in Funding	5
Study Approach	6
Report Organization	9
II. STATE RECOGNIZED COSTS	
FOR CONSTITUTIONAL OFFICERS	11
Staffing Costs	11
Non-Personnel Costs	17
III. PAYING FOR STAFFING COSTS	19
Assigning Cost Responsibility	19
Establishing Portions of Shared Costs	23
Allocation of State and Local Funding	31
State and Local Fees	31
IV. ADMINISTRATION OF STATE FUNDING	33
The Current Funding Process	33
An Alternative Approach to Funding Constitutional Officers	39
APPENDIXES	41

I. Introduction

Beginning with the Virginia Constitution of 1776, State constitutions have contained provisions pertaining to locally elected administrative officers. These local officials have historically been referred to as “constitutional officers” because they have been recognized in the constitutions. The five elected constitutional officers include: Commonwealth’s attorney, clerk of the circuit court, sheriff, commissioner of revenue, and treasurer. In addition, there are five localities in Virginia with directors of finance that are recognized by the State as constitutional officers. These five directors are recognized as constitutional officers because they replace either the commissioner or the treasurer, or both in those localities they serve.

The Joint Legislative Audit and Review Commission (JLARC) was directed, in Item 13 of the 1988 and 1989 Appropriations Acts, to study the staffing standards and funding for local constitutional officers (Appendix A). The General Assembly specifically instructed JLARC to study:

- workload standards and policies to be used in allocating positions to the constitutional officers,
- the level of State and local participation in the funding of these positions, and
- alternative methods and agencies for administering these items.

This report reviews the current funding system for constitutional offices, and examines potential changes to the funding system. The report includes methods for estimating staffing costs, methods for determining State and local shares of these costs, and an examination of the administrative structure to implement a funding system. The JLARC analysis of staffing standards, on which the cost estimation methods are based, are contained in four technical reports:

- *Statewide Staffing Standards for the Funding of Sheriffs,*
- *Statewide Staffing Standards for the Funding of Commonwealth’s Attorneys,*
- *Statewide Staffing Standards for the Funding of Clerks of Court, and*
- *Statewide Staffing Standards for the Funding of Financial Officers.*

ROLES OF THE STATE AND LOCAL GOVERNMENTS IN FUNDING FOR CONSTITUTIONAL OFFICERS

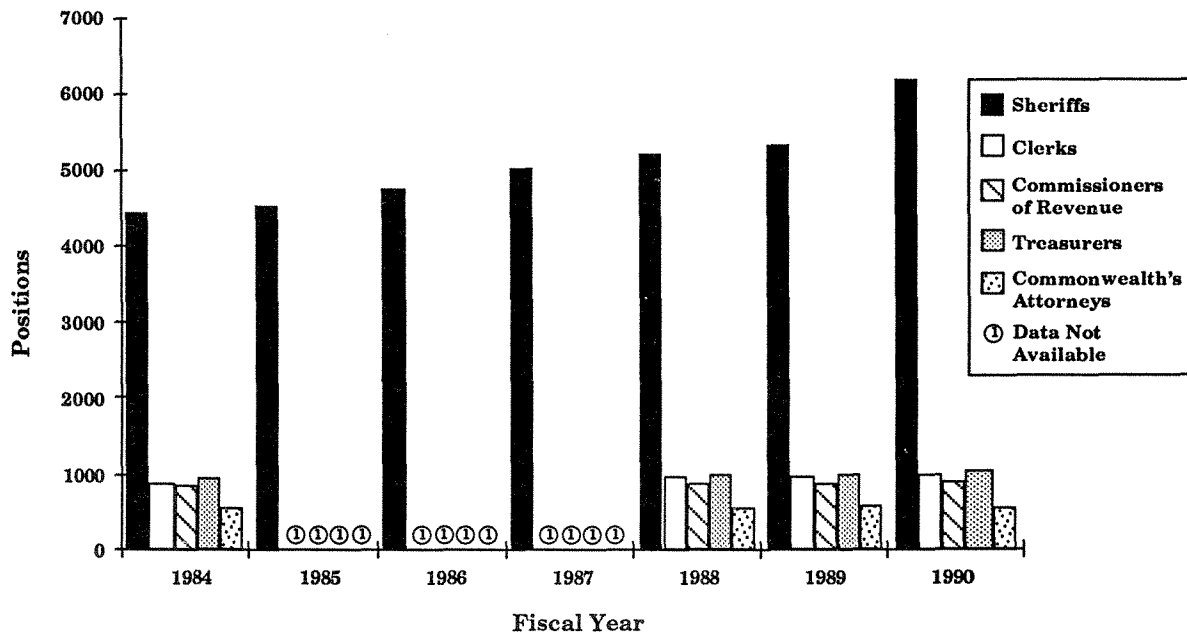
Section 14.1-51 of the *Code of Virginia* establishes the duty of the State Compensation Board to fix the salaries and expenses for constitutional officers. To fulfill its duty to fix office expenses, the Compensation Board must first determine the staffing level it will "recognize" in each office. Recognized positions under the current system are positions that the Compensation Board officially approves for State and/or local government funding.

Figure 1 shows the recent trend of State recognized positions for the officers. In FY 1984, the Compensation Board recognized a total of 7,707 positions. At that time, more than 57 percent of the positions were recognized for the sheriffs' offices. By FY 1990, the number of recognized positions had grown to 9,732, an increase of more than 2,000 positions since 1984. In FY 1990, the positions for sheriffs' offices amount to 64 percent of the total number of positions recognized by the Compensation Board.

For some of the offices (commissioners, treasurers, and directors of finance), the positions recognized by the Compensation Board are not the same as State-funded positions, because there is a local share for the recognized positions. The State

Figure 1

State Recognized Staffing of Constitutional Officers



Source: State Compensation Board Data.

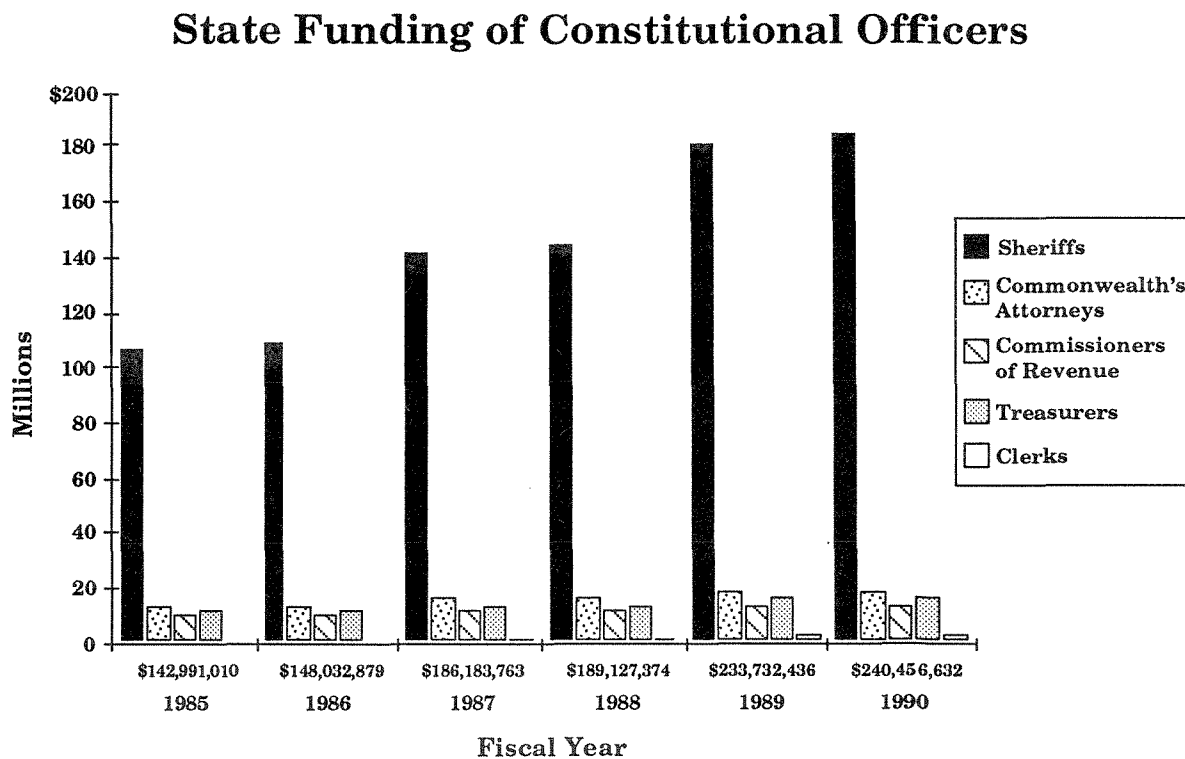
currently pays the following percentages of Compensation Board recognized costs for the staff of constitutional officers:

- Sheriffs - 100 percent,
- Commonwealth's attorneys - 100 percent,
- Clerks of court - 100 percent (of costs not covered by fees),
- Commissioners of revenue - 50 percent,
- Treasurers - 50 percent,
- Directors of finance - 50 percent.

The resulting levels of State funding of constitutional officers for the last six years are shown in Figure 2. In FY 1985, the appropriation for the officers totaled approximately \$143 million. As the result of substantial increases for sheriffs' offices, by FY 1990 the total appropriation had grown to more than \$240 million. This increase was more than 67 percent in six years. The increase for sheriffs' offices alone was approximately 75 percent. Furthermore, although the total amount of funding for clerks' offices is not great, the increase in appropriations to cover deficit situations (in which fees do not fully cover service costs) more than tripled in the six-year period.

Local governments also have a major role in funding constitutional officers. Local governments provide 50 percent of the funding for recognized positions in com-

Figure 2



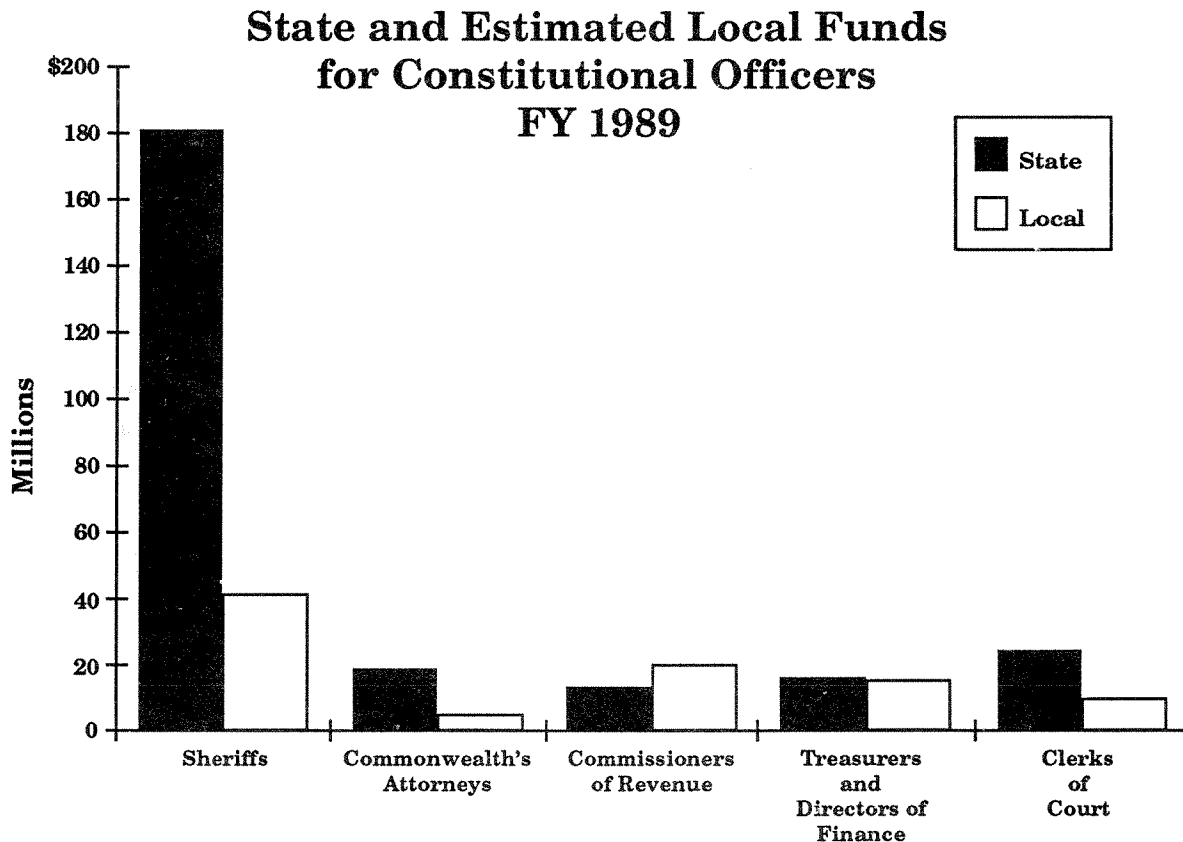
Source: Appropriations Acts.

missioner of revenue, treasurer, and director of finance offices. Local governments may also provide one-third of the funding for block grant positions in sheriffs' offices.

In addition, local governments may choose to supplement the number of positions or the salaries that are recognized by the Compensation Board. Thus, local governments may provide locally-funded positions to constitutional officers that are not recognized by the Compensation Board, and are purely local add-on positions.

A comparison of State and estimated local funding for constitutional officers for FY 1989 is shown in Figure 3. State funding totaled more than \$233 million for the year. Local funding, as reported to JLARC staff by the constitutional officers, amounted to more than \$93 million. As Figure 3 shows, local governments have directed much of the funding they provided to the sheriffs' offices and the financial officers. This is primarily the result of supplements for staffing and salaries in sheriffs' offices and the 50 percent of costs which local governments must fund for commissioners of revenue and treasurers.

Figure 3



Source: Appropriations Act and expenditure data reported by constitutional officers.

THE NEED FOR GREATER EQUITY AND ACCOUNTABILITY IN FUNDING

Modifications to the current system of funding constitutional officers will need to address two areas of concern. The first concern is the equity of the State and local funding for the officers, and the second is the accountability of the process.

The current process for funding constitutional officers is a traditional budgeting and reimbursement process that has undergone little change in the past 50 years. As a result, the allocation of resources is based primarily on the staffing requests that are submitted by each individual sheriff. Although the Compensation Board uses some workload data and the staffing requirements set forth in the Appropriations Act as a means for allocating resources to the constitutional offices, significant discrepancies exist between the State-recognized staffing levels and actual workload in various offices. Some offices with substantially higher workload levels than others receive fewer staff. Other offices have similar staff levels but very different workloads. Specific examples of such staffing inequities are described in detail in the four JLARC reports on staffing standards for the constitutional officers.

Local government participation in the funding of constitutional officers also appears to be inequitable. While some counties and cities have provided substantial support for the officers, other localities have not. In addition, there has been no recognition by the State that some local governments may be unable to provide the local funding necessary for proper operation of the constitutional offices.

In addition to problems with equity in funding are problems with the accountability of the funding process. In recent years, changes in the responsibilities of the officers, coupled with growth in the State's population, has resulted in dramatic growth in the workload of the constitutional officers. The complexity of the services provided and rapid growth in the workload of the offices have made the current process incapable of meeting the needs for funding of the constitutional offices. The Compensation Board, for example, has inadequate resources to evaluate the more than 600 local budgets it receives each year. Yet, all reimbursements to the local governments are based on these budgets. The result is a process which is complex, involving all of the constitutional officers and local governments, but which provides no real oversight of the expenditures by the offices. The process gives the appearance of great control by the State, but provides little real accountability for the use of State funds.

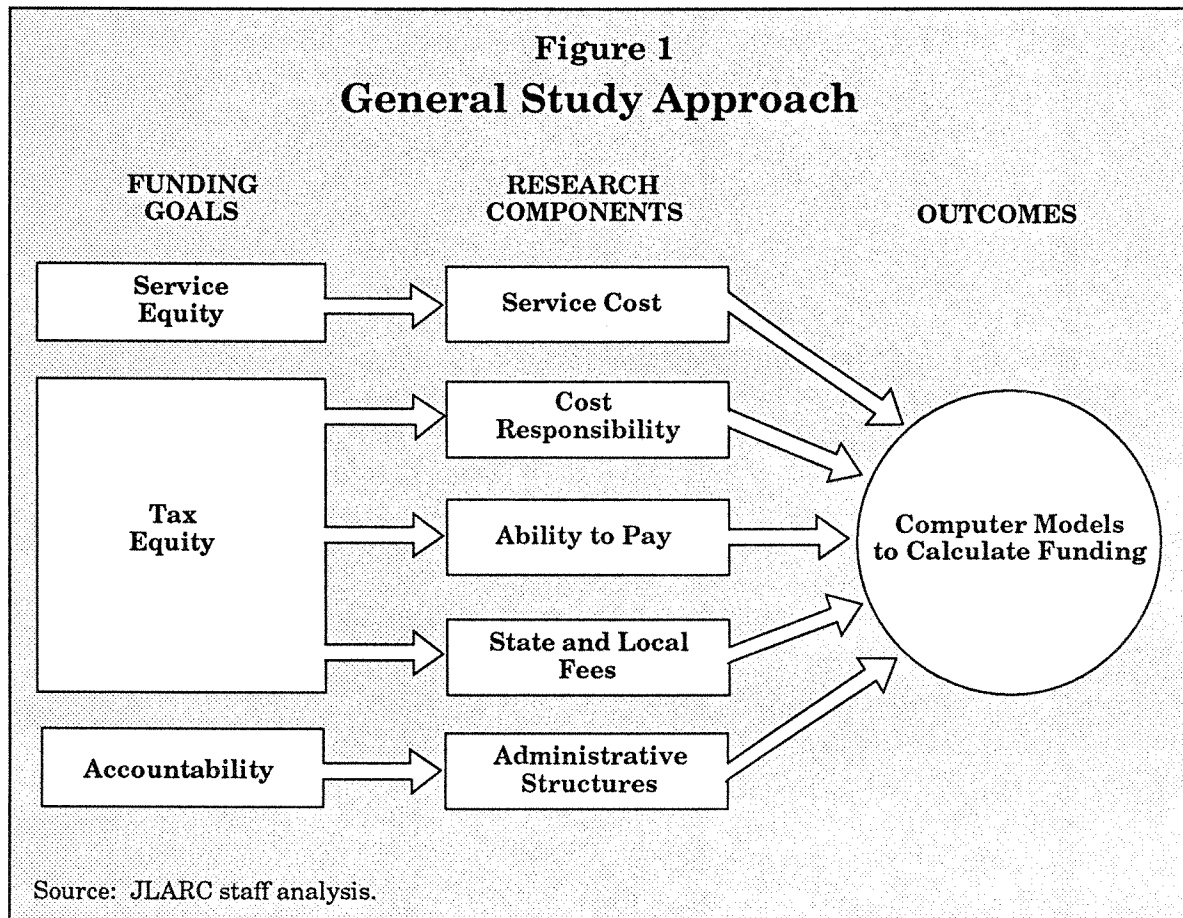
This study was designed to address concerns with both the equity of funding and the accountability of the process.

STUDY APPROACH

JLARC staff developed a study approach that provides a framework for evaluating the methods used to distribute State aid to local constitutional offices to help them meet staffing costs. This study approach had three steps (Figure 4). The first step was to identify the goals for the funding system. The second was to design the analysis and the research to address each of the goals to be achieved by the funding system. In the final step the results of the analyses were combined to prepare computer models which can be used to assess how the funding for each office is affected by potential changes in the funding system.

Funding Goals

Three goals provided the framework for the development of a comprehensive system of funding for the constitutional officers: service equity, tax equity, and accountability. These goals reflect the current constitutional framework for funding relationships between the State and local governments and the actual relationships which constitutional officers have with the local governments.



Service Equity. The first goal used to develop a more systematic funding system was service equity. Service equity means that all citizens should have equal access to certain services provided by constitutional officers. Accordingly, JLARC staff developed the following definition of service equity for use in the study:

Service equity is the provision of the resources necessary for meeting the recognized workload requirements of all constitutional officers. Objective measures should be used to estimate the resources necessary to provide State-recognized workload levels.

This definition of service equity addresses both horizontal and vertical equity. Essentially, horizontal equity requires that offices with the same circumstances and requirements be treated equally in terms of funding, while vertical equity requires that offices with different circumstances and requirements be treated differently. To achieve the service equity goal, resources must be available to meet the recognized workload in all localities, including the special requirements of certain localities.

To ensure that services are provided for in all localities, the State can base its funding for services on objective measures of workload. The objective measures should be sensitive to special staffing requirements due to factors beyond local control. Thus, the purpose of the service equity goal is to treat localities with fundamentally equal workload as equals, yet to recognize differences due to circumstances beyond local control.

Tax Equity. In addition to ensuring that services are provided, the State can also ensure that it treats localities fairly in its financial support of services. This is done by: (1) accepting responsibility for State-mandated costs and (2) recognizing the relative abilities of local governments to raise revenue to pay for mandated services. JLARC staff developed the following definition of tax equity for this study:

Tax equity is the appropriate assignment of responsibility for State-recognized service costs of constitutional officers. This assignment can be either primarily State, primarily local, or shared State-local cost responsibility. For shared cost responsibility services, when apportioning the State and local shares of the costs, each local government's ability to generate revenues should be taken into account.

This definition was operationalized in two parts. The first part involves the development of a framework for determining what services should be paid for primarily by the State, primarily by the local governments, or by both. The framework is based on an assessment of mandates for services, and the level of government which benefits from the services.

In the second part of tax equity, the services to be shared by both the State and local governments are separated into the specific shares to be paid. A major component of this second step was the identification of a method for recognizing

differences in the ability of localities to pay for a portion of the costs. This step is essential to tax equity because local tax resources to provide for local shares of the costs are not evenly distributed. Therefore, each local government's ability to generate revenues should be taken into account, so that the proportion of available local resources required to provide the services does not vary greatly across localities.

Accountability. An important third goal considered as part of this study was accountability, because it can guide how both service equity and tax equity can be implemented. JLARC staff defined the goal of accountability for this study as follows:

Accountability is the provision of appropriate budgeting, reporting, and expenditure controls to ensure proper use of State funds, while providing for maximum freedom in local decisionmaking concerning the design, structure, operation, and use of funding for local services.

This third goal calls for an administrative structure for the funding of constitutional officers which would recognize the essentially local nature of the service provided by the officers.

Research Components

To address the funding goals of service equity, tax equity, and accountability, five research activities were undertaken by JLARC staff. The five research components encompass the steps necessary to estimate the costs for constitutional officer staffing, and to apportion responsibility for the costs equitably between the State and local governments.

Service Cost Analysis. The first research activity focused on developing staffing cost estimates, to address service equity. Staffing estimates developed for the four JLARC staff reports on workload and staffing standards for constitutional officers were used to determine the number of staff positions to be recognized by the State for each local office. These staff positions were one factor determining the personnel cost estimates for each local office. Other factors determining personnel cost estimates included a uniform statewide salary base, an option to recognize the cost of competing for personnel in higher cost labor markets, and uniform recognition of fringe benefit costs. In addition, JLARC staff gathered data for each office on non-personnel costs, such as for office administration and mileage reimbursement.

Cost Responsibility Analysis. The cost responsibility analysis was the first of the research components to address the funding goal of tax equity. Decision rules were developed for analyzing cost responsibility for each service category of each constitutional officer. These decision rules were used to determine whether the costs of each service category appeared to be primarily State, primarily local, or shared responsibility.

Ability-to-Pay Analysis. The second research component to address the tax equity goal was the ability-to-pay analysis. For this analysis, JLARC staff obtained

data representing each local government's relative ability to generate revenues which could help pay for constitutional office services. This information was used in determining local shares of local-responsibility costs. The purpose of the analysis was to develop a measure which could be used to ensure that the proportion of available local resources required to provide the services would not vary greatly across localities.

State and Local Fees Analysis. As another means of addressing tax equity, JLARC staff assessed, on the basis of assigned responsibility for service costs, the extent to which the State and local governments should benefit from fees collected by constitutional officers. In FY 1989, fee revenues from all constitutional officers amounted to \$35.5 million. By restructuring the distribution of fee revenues based on responsibility for service costs, revenues would more closely match the need for funds to cover service costs.

Administrative Structures Analysis. To address the funding goal of accountability, JLARC staff developed a system of funding administration that ensures recognition of appropriate costs by the State while enhancing local decisionmaking and accountability to the State and local governments. The analysis was based on the specific concerns about the current process, and the administrative requirements for a funding approach based on staffing standards and objective measures of ability to pay.

Outcomes of the Analysis

To evaluate the interaction and impact of the various components of the analysis, JLARC staff developed computer models to calculate costs for each constitutional office, and to determine the State and local shares of the costs. To assess the impact of the changes in the system on the funding for each office, the models can be used to vary certain choices, such as average base salaries, salary increases, a cost of competing factor for personnel, fringe benefits, and State and local shares of service costs. Thus, the computer models are a tool which can be used by the General Assembly and the Compensation Board to determine the specific funding impact of proposed changes to the funding process. Two examples of how the models can be used are shown in Appendix E.

REPORT ORGANIZATION

This chapter has provided background information on the study mandate, the need for changes to the funding process, and the approach for evaluating funding distribution changes. Chapter II addresses how the staffing costs associated with all constitutional offices can be calculated. It presents an approach for estimating these costs and identifies alternative cost choices.

Chapter III presents an approach for addressing what portions of costs should be paid by the State and the local governments. It examines methods to determine the

cost responsibility for each category of services provided by constitutional officers. Measuring local ability to generate revenue is discussed, and applied to service categories with costs that are to be shared between the State and local governments. In addition, the third chapter discusses how fees collected by constitutional officers can be used to offset the staffing costs.

Chapter IV describes the current structure for administering State funding for constitutional officers. It also discusses how current problems in the funding process may be overcome with a monthly pre-payment system (similar to the one used for State Basic Aid for public education), and how the current administrative structure may need to be modified.

II. State-Recognized Costs for Constitutional Officers

In order to determine the appropriate level of State funding for the constitutional officers, it was first necessary to calculate the total costs which should be recognized by the State. Because the mandate for this study requested that the analysis focus on the costs of implementing staffing standards for the offices, the review of State-recognized costs included only an analysis of staffing costs. The analysis included both salary and fringe benefit costs. The adequacy and appropriateness of non-personnel costs, such as mileage reimbursements, were not assessed as a part of the analysis.

STAFFING COSTS

Estimating State-recognized staffing costs for constitutional officers in this analysis involved four major steps. The first step was to identify the total number of full-time equivalent positions which should be recognized for funding. The second step was to develop an appropriate salary which could be applied for the positions in each office. In the third step, the fringe benefit costs for the positions had to be estimated. Finally, the results of the first three steps were used to calculate total staffing costs. A detailed mathematical explanation of the calculations is included in Appendix B.

Estimating the Number of Full-Time Equivalent Positions

One of the most important changes from the current system for funding constitutional officers was the allocation of positions based on staffing standards. The need for staffing standards to determine State-recognized positions for each constitutional office, and the methods used by JLARC staff to develop such standards, are presented in the four technical reports on staffing standards for the constitutional officers.

The analysis of staffing standards identified clear relationships between the staffing in the constitutional offices and the workload of those offices. The standards proposed in the four reports on staffing standards are based on the impact of measurable workload indicators on current staffing levels and can be applied consistently across the offices based on differences in workload. The workload factors used in the standards for each of the constitutional offices are shown in Exhibit 1.

The staffing standards can be used to determine objectively the staff positions that the State will recognize for State and local funding. The use of staffing standards would ensure that the State's recognition of positions is based on workload, making the allocation of positions, and subsequent funding, more equitable.

Exhibit 1

Workload Factors Used in the Staffing Standards for Constitutional Officers

Sheriffs

Average Daily Inmate Population
Average Daily Inmate Population
(Economy of Scale)
Total Duty Post Hours
Population
Presence of Judicial Mandates
Presence of a Holding Cell
Locality Square Miles
Total Non-administrative Staff
Total Non-administrative Staff
(Economy of Scale)
Number of Civil Papers Served

Treasurers

Population
Population (Economy of Scale)
Number of Parcels Billed
Penalties and Interest Collected
Number of Utility Bills Collected
Tax-Due Returns Filed Locally
Number of Estimated Income
Accounts Maintained
Total Local Revenue

Circuit Court Clerks

Population
Population (Economy of Scale)
Number of Court Cases Filed
Number of Appeals Cases Processed
Number of Jury and Non-Jury Trials
Number of Court Days
Number of Judges Assigned to Court
Number of Instruments Recorded
in Deed Books
Number of Wills and Administrations
Number of Marriage Licenses Issued
Number of Hunting and Fishing
Licenses Sold
Number of Documents Microfilmed
Method of Processing Microfilm
Amount of Clerk's Fees Collected
Non-administrative Staff

Commonwealth's Attorneys

Population
Population (Economy of Scale)
Crime Rate
Presence of Judicial Mandates
Population Density

Commissioners of Revenue

Population
Population (Economy of Scale)
Appraisal Responsibility
Assessment Responsibility
Maintain Land Records
Personal Property Tax Revenue
Proration of Personal Property
Revenue from Miscellaneous Taxes
Number of Business Licenses Issued
Number of Income Tax Returns
Filed Locally
Non-administrative staff

Directors of Finance

Population
Population (Economy of Scale)
Appraisal Responsibility
Assessment Responsibility
Maintain Land Records
Personal Property Tax Revenue
Proration of Personal Property
Revenue from Miscellaneous Taxes
Number of Business Licenses Issued
Number of Income Tax Returns
Filed Locally
Non-administrative Staff
Number of Parcels Billed
Penalties and Interest Collected
Number of Utility Bills Collected
Tax-Due Returns Filed Locally
Number of Estimated Income Tax
Accounts Maintained
Total Local Revenue

Source: JLARC staff analysis of workload and staffing.

The staffing standards developed by JLARC staff were used in this analysis to calculate the number of positions which would be recognized for funding. Separate staffing estimates were made for each of the major categories of services provided by the offices. These service categories are explained in detail in the four reports on staffing standards. The current State-recognized staffing levels and proposed statewide staffing based on the standards are summarized in Table 1. State recognized staffing for the constitutional officers could increase by 1,917 positions with the use of the standards.

Recommendation (1). The General Assembly may wish to consider mandating the use of statewide staffing standards for constitutional officers. The standards should be based on workload indicators which have a clear and measurable relationship to staffing. The actual funding of positions derived from the standards would be subject to the budget priorities established by the General Assembly.

Table 1

Current and Proposed Staffing for Constitutional Officers

<u>Office</u>	<u>Compensation Board Recognized FTE Positions</u>	<u>Standards Based FTE Positions</u>
Sheriffs	6,227.1	7,019.2
Clerks of Court	1,009.8	1,070.9
Commonwealth's Attorneys	547.4	714.2
Commissioners of Revenue	935.0	1,332.3
Treasurers	853.9	1,155.9
Directors of Finance	211.0	409.0
 Total	 9,784.2	 11,701.5

Source: Compensation Board recognized position data for 1989-90 and JLARC staff analysis of workload and staffing data.

Developing Statewide Salaries

The second major element necessary to calculate staffing costs is the salary paid for constitutional office personnel. The process involved in developing the salaries for FY 1991 and FY 1992 included: (1) determining the FY 1990 base salaries; (2) adjusting the FY 1990 salary by an appropriate factor to account for merit increases; and (3) adjusting the salaries, on an optional basis, by the appropriate factors to

account for regional differences in the cost of competing for personnel. No adjustments were made for regrades of the salary scales.

FY 1990 Base Salaries. The Compensation Board currently provides for reimbursement based on approved salaries of recognized positions. While this method is necessary in a budgeting and reimbursement based system, it is not feasible in a standards and formula-based system. So, for this study, a weighted average salary for staff in each constitutional office was developed for calculation of personnel costs.

The weighted average salary was calculated for each of the constitutional offices by first calculating the average salary from the State-approved salary scale in each of the salary grades. Then an average across the grades was computed, with the averages for each of the grades weighted by the number of recognized positions paid from each pay grade in the State approved salary scales. The FY 1990 average salaries for personnel in the constitutional offices, exclusive of the elected officer, are shown in Table 2. A more detailed, mathematical description of how these weighted average salaries were calculated is given in Appendix B. For the elected officers, the FY 1990 salaries from the Appropriations Act were used as the base.

Recommendation (2). The General Assembly may wish to establish a statewide average staff salary, based on State-approved salary scales, for each constitutional office for use in determining the costs to be recognized for State funding.

Table 2

Weighted Average Base Salaries

<u>Office Staff</u>	<u>FY 1990 Base Salary</u>
Sheriff	\$21,635
Commonwealth's Attorney (Legal)	\$34,476
Commonwealth's Attorney (Support)	\$18,715
Clerk of Court	\$21,268
Commissioner of Revenue	\$19,287
Treasurer	\$19,006
Director of Finance	\$20,185

Source: JLARC analysis of Compensation Board salary scales.

Salary Adjustments. In order to calculate costs for fiscal years 1991 and 1992, the FY 1990 base salaries had to be revised to include the anticipated statewide impact of merit increases. In this study, the merit increase was assumed to be 3.65 percent in

each year for fiscal years 1991 and 1992. The adjusted salaries for each of the offices are shown in Table 3. Because salary regrades for fiscal years 1991 and 1992 had not been approved by the General Assembly at the time this analysis was completed, the analysis did not include any salary adjustment for regrades.

Table 3

Adjusted Statewide Salaries for FY 1991 and FY 1992

<u>Office Staff</u>	FY 1991 Adjusted Salary	FY 1992 Adjusted Salary
Sheriff	\$22,425	\$23,244
Commonwealth's Attorney (Legal)	\$35,734	\$37,038
Commonwealth's Attorney (Support)	\$19,398	\$20,106
Clerk of Court	\$22,044	\$22,849
Commissioner of Revenue	\$19,991	\$20,721
Treasurer	\$19,700	\$20,419
Director of Finance	\$20,992	\$21,686

Source: JLARC staff analysis of Compensation Board data.

Optional Cost of Competing Factor. The State currently recognizes salary differentials for its own employees in the localities in Planning District 8 (Alexandria, Falls Church, Fairfax City, Manassas, Manassas Park, Arlington, Fairfax County, Prince William, and Loudoun). The State differentials are set by occupation by the Department of Personnel and Training based on its salary surveys. The differentials can vary based on the prevailing wage in the area for comparable positions. These differentials are not currently applied to the funding provided by the Compensation Board.

However, because the wage market in which a constitutional office competes for personnel is beyond its control, a similar differential for staff salaries of the constitutional officers may be appropriate. For this study, a weighted average differential was developed for staff salaries in each constitutional office. The differentials were based on the State differentials for employees with job functions and titles similar to those of staff in the constitutional offices. For example, in the local treasurers' offices, the fiscal technician class was matched with the State fiscal technician class. The State differential for that class is four steps, or 19.56 percent, so the same differential was applied to the local class. Then a weighted average was computed across the classes.

The office-wide differentials, and resulting salaries, are shown in Table 4. Appendix B provides a more detailed, mathematical description of how these differentials were calculated. The cost-of-competing differentials were not applied to the salaries of the elected officers.

Recommendation (3). The General Assembly may wish to recognize the increased cost of competing for personnel in Northern Virginia offices by establishing a salary differential for the staff of constitutional officers based on the differential for State employees with similar job functions and titles.

Table 4

**Optional Cost of Competing Differentials
and Adjusted FY 1991 and FY 1992 Salaries
for use in Planning District 8**

<u>Office Staff</u>	<u>Differential</u>	<u>FY 1991 Adjusted Salary</u>	<u>FY 1992 Adjusted Salary</u>
Sheriff	10.6%	\$24,807	\$25,713
Commonwealth's Attorney (Legal)	19.3%	\$42,648	\$44,204
Commonwealth's Attorney (Support)	17.2%	\$22,736	\$23,566
Clerk of Court	15.4%	\$25,446	\$26,376
Commissioner of Revenue	17.1%	\$23,404	\$24,259
Treasurer	17.4%	\$23,128	\$23,972
Director of Finance	16.7%	\$24,409	\$25,301

Source: JLARC analysis of data from Department of Personnel and Training, Compensation Board.

Developing Statewide Fringe Benefit Costs

In addition to salary costs for the staff of the constitutional offices, it is also necessary to account for the costs of recognized fringe benefits. The Compensation Board currently provides reimbursement for all or a portion of the employer costs for Social Security, group life insurance, and retirement benefits. These three benefits are funded as a percentage of employee salaries.

Social Security rates are established by federal law. The rate for fiscal years 1991 and 1992 is 7.65 percent of salary.

Group life insurance rates are established by the Virginia Supplemental Retirement System (VSRS). The rate for the constitutional officers for FY 1991 and FY 1992 is 1.02 percent of salary.

Separate retirement benefit rates are established by the Virginia Supplemental Retirement System for each local government in Virginia. The rates for fiscal years 1991 and 1992 vary from 3.65 percent to 11.9 percent of salary. The appropriate rate for each county and city was used for the analysis in this report.

Recommendation (4). The General Assembly may wish to establish a statewide fringe benefits package to be used in calculating the staffing costs to be recognized for State funding.

NON-PERSONNEL COSTS

The Compensation Board currently provides for reimbursement of certain non-personnel costs such as office expenses, mileage, and equipment. The reimbursements range from 100 percent of approved costs for sheriffs, clerks, and Commonwealth's attorneys, to 33 percent of certain costs for treasurers, commissioners of revenue, and directors of finance. These percentages are shown in Table 5.

The adequacy and appropriateness of reimbursements for these non-personnel costs were not reviewed for this study. However, given the concerns raised about the equity of allocations of staff positions, the Compensation Board may want to review the procedures used to allocate funding for non-personnel costs. Specifically, the Compensation Board should assess the extent to which non-personnel cost reimbursements are adequate across the offices, given variations in workload, staffing, and other factors which might affect such costs.

For this study, an amount for level funding of non-personnel costs has been included in the illustrative examples in Appendix E to ensure that total costs are allocated. The costs are based on the approved non-personnel costs for FY 1990. For each category of costs, the current proportions of reimbursement have been maintained.

Table 5

Percentages of Approved Costs Reimbursed by the State Compensation Board

<u>Office</u>	<u>Office Expenses</u>	<u>Mileage</u>	<u>Equipment</u>
Sheriff	100%	100%	100%
Commonwealth's Attorney	100%	100%	100%
Clerk of Court	100%	100%	100%
Commissioner of Revenue	50%	50%	33%
Treasurer	50%	50%	33%
Director of Finance	50%	50%	33%

Source: Compensation Board.

Recommendation (5). The General Assembly may wish to direct the development of uniform and consistent procedures for the distribution of State funding for non-personnel costs in the constitutional offices. Options that could be considered are (1) a grant process, based on proposals for funding from the constitutional officers and specific evaluation criteria for making each grant; or (2) a formula process, based on workload and staffing data which can be demonstrated to be related to non-personnel costs. Any revised process for funding non-personnel costs should recognize the ability of localities to pay for such costs.

III. Paying for Staffing Costs

Once the costs of services provided by the constitutional officers have been calculated, it is necessary to determine the extent to which the State will pay for such costs, and what portion of costs local governments will be expected to fund. In determining how the State and local governments will share the costs for constitutional officers, it is important that localities be treated equitably.

The State can ensure equity by fully funding State-mandated costs and by recognizing the relative abilities of local governments to pay for costs which are their responsibility. These goals can be accomplished by determining: (1) for each service provided, whether the cost responsibility should be assigned to the State, assigned to the localities, or shared between the State and localities; (2) how to treat costs that are shared between the State and localities, including how local financial ability could be taken into account; and (3) how to treat revenues collected by constitutional officers that may offset costs.

ASSIGNING COST RESPONSIBILITY

Determining whether the State, localities, or both should pay for a given service is the first step in establishing levels of State funding. The assignment of cost responsibility for some service categories can be based on objective measures, while for others the assignments will reflect policy choices of the General Assembly. To help in the process of making the assignments of cost responsibility, JLARC staff developed a framework to evaluate the choices which must be made for each of the services provided by the constitutional officers. The purpose of the framework is to provide a systematic approach to the assignment of cost responsibility. For this study, the framework was used to develop alternative, illustrative sets of cost responsibility assignments for each category of services provided by constitutional officers.

A Framework for Assigning Cost Responsibility

The underlying premise of the framework for assigning cost responsibility is that the level of government which mandates a service should pay for the service. In those situations in which both the State and the local governments mandate or request the service, the costs should be shared based on the relative benefits that the State and localities receive. This general approach is applied to the services provided by constitutional officers by evaluating two criteria:

- Is there a clear State requirement or request for the service?
- Is the service either recognized by the State as a part of the normal local government operation, or generally provided at the request of local government officials?

State Requirements. The first general criterion is that the State should have cost responsibility for services that result from a State mandate or State agency request. Specific exceptions to this criterion include State requirements intended to prevent local governments from being negligent, to assist local government officials in avoiding misconduct, or that are on behalf of local government operations. Mandates which are on behalf of local government operations are not considered State requirements because the services mandated are under the control and subject to the discretion of the local legislative body or its appointed administrative officials, or are a part of the process of generating local tax revenues available for expenditure by the local governments.

Some services may not be mandated by law, but may be provided at the request of State agencies or officials. Typically, this involves the reporting of information by the local government. Other services may be on behalf of State government operations. The State should also have some cost responsibility for these services.

Local Government Operations. Certain services provided by the constitutional officers are clearly the responsibility of the local government. These include services that are a part of normal local government operations, or services requested by local officials. Services that are recognized by the State as a part of normal local government operations include services that enforce local ordinances. Such services also include services on behalf of local government operations that are under the control and subject to the discretion of the local legislative body or its appointed administrative officials, or services that are part of the process of generating local tax revenues available for expenditure by localities.

Local services also include those to prevent local governments from being negligent and to help local government officials avoid misconduct. Local governments should also be responsible for services requested by local agencies or officials if there are no State requirements for these services.

Evaluating Cost Responsibility. Keeping in mind the assumption that the government which requires a service should pay for it, responsibility for the costs associated with various services can be assigned in general terms by evaluating the services against each of the two criteria outlined on page 19. By answering each of the questions with a "yes" or a "no," there are four possible combinations of answers. The combinations of answers represent different cost responsibility assignments, as shown in Exhibit 2.

The first situation shown in Exhibit 2 exists when there is a clear State request or requirement for a given service, with no similar local requirements. Because the State requires the service, it is reasonable to expect responsibility for the cost to be assigned to the State. On the other hand, if the service is regarded by the State as a normal part of local government operations, or if it is requested by the local government, then responsibility for the costs should be assigned to the local government. This is shown as the second situation in Exhibit 2.

Exhibit 2

**Assigning Cost Responsibility
to the State and Local Governments**

Cost Responsibility Criteria		Cost Responsibility Assignment
<u>State Requirement or Request?</u>	<u>Normal Local Government Operation or Request?</u>	
Yes	No	State
No	Yes	Local
Yes	Yes	Shared
No	No	Shared

Source: JLARC staff analysis.

In the third case, responsibility is assigned to both the State and localities. This is because there is a clear State requirement or request, and the service is either a normal local government operation or has been requested by local officials. It is reasonable to expect both the State and localities to be responsible for the cost of such services. The relative proportion of costs to be borne by each must be determined in an additional step, to be discussed later in this chapter.

Finally, in the fourth situation, there is neither a State nor a local requirement or request that services be provided, so there is no clear justification for assigning the costs to either the State or local governments alone. Therefore, it is appropriate for the cost responsibility for such services to be shared.

Applying the Framework to Constitutional Officers' Services

The framework for assigning cost responsibility was applied to each service category of the constitutional offices. Descriptions of the service categories are presented in the four JLARC reports on staffing standards for the constitutional officers.

An Example: Cost Responsibility Assignments for Sheriffs. In order to illustrate how the cost responsibility assignments can be made, Exhibit 3 shows the assignments for sheriffs' offices and regional jails. Eight service categories were identified for the sheriffs' offices. The services are related to law enforcement, court services, jail operations, and general office administration.

For those localities in which the sheriffs provide law enforcement services, the sheriff is responsible for enforcement of the State criminal and traffic codes. So, in

Exhibit 3, a “yes” has been placed under the State requirement criterion for the two law enforcement service categories. The sheriff is also responsible for enforcement of local ordinances, so a “yes” has also been placed under the normal local government operations criterion. Consequently, the cost responsibility for law enforcement should be shared between the State and local governments.

Two service categories have been identified as court services. All sheriffs are responsible for providing security for sessions of court and for the service of civil process. These services are mandated by State law, so a “yes” has been placed under the State requirement criterion. Because the State court system is not considered a part of normal local government operations, a “no” is assigned to the second criterion. As a result, the State should be solely responsible for court security and process service costs of the sheriffs’ offices.

For the jail operations area, three service categories were identified. Local jails house both State and local custody inmates. Therefore, a “yes” has been assigned

Exhibit 3

**Cost Responsibility for Sheriff
and Regional Jail Services**

<u>Service Category</u>	<u>State Requirement or Request</u>	<u>Normal Local Operation</u>	<u>Cost Responsibility Assignment</u>
<u>Law Enforcement</u>			
• Law Enforcement	Yes	Yes	Shared
• Dispatching	Yes	Yes	Shared
<u>Court Services</u>			
• Court Security	Yes	No	State
• Process Service	Yes	No	State
<u>Jail Operations</u>			
• Jail Security	Yes	Yes	Shared
• Jail Food Preparation	Yes	Yes	Shared
• Jail Medical and Treatment	Yes	Yes	Shared
<u>Office Administration</u>			
• Office Administration	Yes	Yes	Shared

Source: JLARC staff analysis.

to both of the cost responsibility criteria. The costs for these services, then, should be shared by the State and local governments.

Finally, because office administration services support both State and local functions in the sheriffs' offices, a "yes" has been assigned to both criteria for that service. Office administration costs should be shared by the State and local governments.

Assignments for Other Constitutional Offices. The two criteria for assigning cost responsibility have been applied in the same way for all of the services provided by the other constitutional officers. Appendix C of this report shows the cost responsibility assignments for each of the services provided by the offices.

ESTABLISHING PORTIONS OF SHARED COSTS

For those services for which the costs are to be shared by the State and the localities, it is necessary to determine how the costs will be divided between them. Establishing the portions of State and local costs involves two steps in the framework developed for this study. The first step is to determine the relative benefits which the State and localities derive from the services. The second step is to measure the extent to which each locality has the ability to pay for its share of the costs.

Relative Benefits of Services

The State and local benefits from constitutional officer services can be used to help establish the responsibility that each has for the costs. The proportions of State and local responsibility need not be set arbitrarily at 50 percent each, or at any other arbitrary level. For some service categories, relative benefits can be objectively measured, and the resulting proportions of State and local benefits can be used to establish the shares of cost responsibility.

For example, the costs of jail operations can be shared by the State and local governments on the basis of the relative number of State custody and local custody inmates in each jail. If State custody is defined in terms of a one-year sentence length, as is the current practice, then the State share of jail operations costs across all of the jails would be 63 percent. If State custody is defined as a two-year sentence length or more, then the overall State share is reduced to 47 percent of jail operations costs.

Other examples of objective criteria for determining State and local shares include bookkeeping costs and general administration. The costs of bookkeeping by clerks of court can be shared based on the statewide average time reported for State and local functions. And, the costs of office administration for all of the local constitutional offices can be shared based on the proportion of staff time, based on the standards, that is calculated for the services assigned to State and local responsibility.

For some other service categories, however, the State and local shares cannot be based on objectively measured criteria. This is because there is no readily available data which can be used to measure relative benefits, or because it is not clear what constitutes a State or a local benefit. These cost responsibility assignments must be made on the basis of judgments regarding the relative benefits of the service, or on the basis of policy choices by the General Assembly regarding the State's intended interest in the service.

One example of such a service is the civic and public relations responsibilities of Commonwealth's attorneys. Commonwealth's attorneys are often requested to speak to civic organizations, neighborhood associations, and the like. While such duties are not mandated by either State or local requirements, this service is clearly a necessary part of the duties of Commonwealth's attorneys. It is not clear what the relative benefits are for the State and local governments. Thus, the proportion of costs which the State should support must be based on the General Assembly's determination of the State's interest in the service. If the service is considered to be important to the State, the State may want to pay for most or all of the costs. If it is not so important, the State may pay only a small percentage of the costs.

Local Ability to Pay

By compensating for differences in local ability to pay, the State can ensure that localities will not face disproportionate tax burdens to meet their local shares of constitutional officer costs. Further, poorer localities will be in an improved position to provide funds for levels of service comparable to those of localities with greater resources.

For this study, JLARC staff used the revenue capacity measure to summarize local government revenue sources, and to serve as the basis for an index of relative local ability to generate revenues. This index is then used to calculate local shares of shared-responsibility costs, while taking local ability to generate revenues into account. A listing of revenue capacity for each Virginia locality and the index developed for this study are included in Appendix D.

Local governments in Virginia collect revenues from a wide variety of sources. There are three general classes of revenue: (1) general property tax sources, such as real property and tangible personal property; (2) non-property tax sources, such as sales taxes; and (3) non-tax sources, such as fines and forfeitures. Exhibit 4 contains a brief description of these different revenue sources.

The single most important source of local government revenue in Virginia is real property, which is composed of real estate and real property from public service corporations (PSCs). While reliance on real property revenues varies substantially across localities, real property revenues account for almost half of all local revenues statewide (43 percent in FY 1988).

Local Revenue Sources

Real estate property taxes are levied on land from urban and suburban family residences, multi-family residences, commercial and industrial properties, and agricultural properties, as well as on buildings and improvements to these properties.

Public service corporation (PSC) real property taxes are levied on land, buildings, machinery, water lines, stock in inventory, and other physical assets of utility companies (e.g., railroads, telephone and telegraph, water, heat, light, power, and pipeline companies).

Tangible personal property taxes are levied on commercial and residential property which may be seen, weighed, measured, or touched, such as motor vehicles and office equipment.

PSC tangible personal property taxes are levied only on automobiles and trucks. The tax is equal to the rate levied on residential and commercial tangible personal property.

A machinery and tools tax is levied on the value of all machinery and tools owned by a manufacturer as of January 1 of each year. The rate is set by each locality and limited to the rate established for other tangible personal property.

A business, professional, and occupational license (BPOL) fee may be imposed on retailers, professionals, and repair services, in lieu of a merchants' capital tax.

A merchants' capital tax is imposed by all counties (no cities may levy this tax). Localities may use this tax or BPOL, but not both, for any single classification of merchant.

A local option sales tax of one percent is levied by all localities in Virginia. It is added to the State 3.5 percent sales tax.

A consumer utility tax is a percentage of utility charges (e.g., telephone or electricity).

A motor vehicle license fee is levied by most localities, and ranges between \$1.00 and \$25.00. In most cases, a separate fee is levied for vehicles under and over two tons.

Other taxes include taxes on utility licenses, bank franchises (stock), deeds and wills, transient occupancy, meals, admissions, cigarettes, coal road improvements, and coal severances.

Non-tax revenue sources include permits, privilege fees, regulatory licenses, fines and forfeitures, charges for services (e.g., sanitation), revenue from use of money and property, and others.

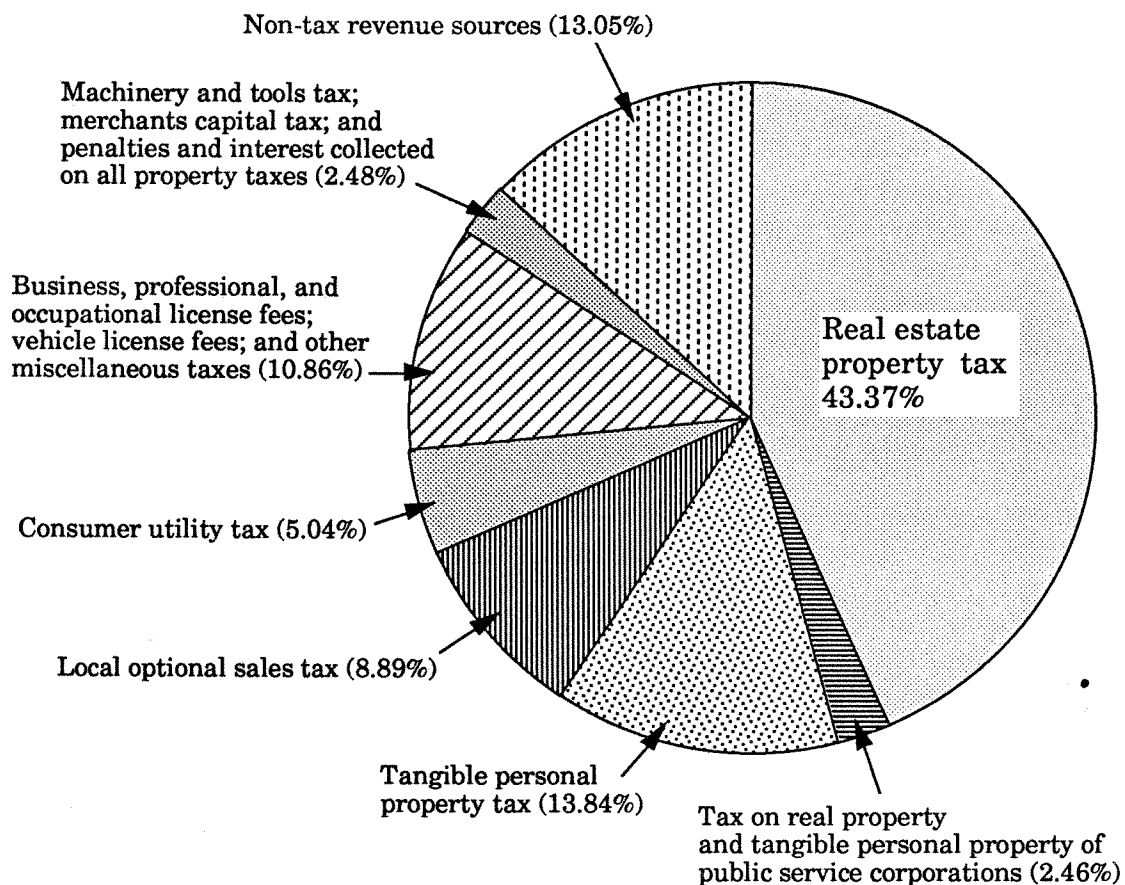
Source: JLARC staff analysis of Auditor of Public Accounts and Department of Taxation information on local revenues.

A variety of other revenue sources comprise the remaining 57 percent of statewide local revenues. Figure 5 shows the proportion of total statewide revenue accounted for by each source.

The process of measuring the capacity of local governments in Virginia to raise revenue has evolved over many years. It began with the use of real estate measures only, followed by the development of the composite index, which is used in the funding of public education. The most recent measure is revenue capacity which, like the composite index, is a multi-component measure. Because most locality tax bases are a mixture of several different sources, a multi-component formula to measure ability to raise revenue is appropriate, and is necessary to ensure that State funds are distributed equitably across localities.

Figure 5

Local Revenue Sources in Virginia, FY 1988



Note: Percentages represent proportions of local revenue statewide.

Source: JLARC staff analysis of Auditor of Public Accounts data for FY 1988.

Calculating Revenue Capacity

Revenue capacity represents a significant improvement over many other measures of local ability to generate revenues. Measuring the revenue capacity of Virginia localities is not a new concept, however. It has been used since 1977, and was further revised and updated in the 1980s by JLARC and the Commission on Local Government. It is based on the revenue-generating capacity of cities and counties, if statewide average tax rates are applied to their tax bases.

The concept of revenue capacity was originally developed by the U.S. Advisory Commission on Intergovernmental Relations (ACIR). The measure computes the potential revenues that localities can raise or produce, if they impose or levy statewide average tax rates for each of the major tax instruments. That is, the major tax bases in a locality are multiplied by the average statewide tax rate for those tax bases. Thus:

$$\text{local tax base} \times \text{statewide average rate} = \text{potential revenue yields}$$

The sum of potential revenue yields across the different tax bases is the revenue capacity of the locality, assuming the use of average tax rates. Revenue capacity measures five components: (1) real estate and public service corporation property tax revenues, (2) tangible personal property tax revenues, (3) motor vehicle license tax revenues, (4) sales tax revenues, and (5) all other locally-generated revenues proxied by adjusted gross income. Exhibit 5 illustrates the revenue capacity calculation.

Measuring Real Estate and PSC Property Revenue. The potential revenues a locality can raise from the real estate property tax are calculated by multiplying the statewide “average” true effective tax rate by the local estimated true value (ETV) of real estate property. “Effective” refers to the standardized base, and is determined by dividing the statewide sum of real estate levies by the statewide sum of the ETV of real estate property. This allows for interjurisdictional comparisons. The same procedure is followed for measuring potential revenues from public service corporation property.

Measuring Tangible Personal Property Revenues. Revenues derived from tangible personal property taxes consist of taxes levied on motor vehicles, boats, machinery and tools, and other items. Assessment procedures and tax rates vary across localities. The levy on motor vehicles produces the majority of all revenue from tangible personal property taxes. Therefore, the number of motor vehicles registered in each locality was used as a surrogate for the actual size of the tax base, which may include additional items.

Statewide total tangible personal property tax levies were used to determine a dollar-per-vehicle measure. This measure represents the average tax yield (known as the tangible personal property bill) for each registered vehicle in Virginia. This amount was then multiplied by the number of vehicles registered in each locality to produce the estimate of the potential revenue that could be generated from tangible personal property taxes, assuming a statewide average tax rate was applied.

Exhibit 5

Computing Revenue Capacity

Revenue

$$\begin{aligned} \text{Capacity} = & [\text{Estimated True Value of Real Estate Property}] \times [\text{Statewide Average Tax Rate}] \\ & + [\text{Estimated True Value of PSC Property}] \times [\text{Statewide Average Tax Rate}] \\ & + [\text{Number of Motor Vehicles}] \times [\text{Statewide Average Personal Property Tax Per Vehicle}] \\ & + [\text{Adjusted Number of Motor Vehicles}] \times [\text{Statewide Average of Local Motor Vehicle License Fees}] \\ & + \text{Sales Tax Revenue} \\ & + [\text{Adjusted Gross Income}] \times [\text{Average "Other" Tax Rate}] \end{aligned}$$

Example: Lee County (1987)

Revenue

$$\begin{aligned} \text{Capacity} = & [\$408,537,000] \times [.00837] \\ & + [\$54,189,000] \times [.00742] \\ & + [15,617] \times [\$125.44] \\ & + [13,916] \times [\$15.83] \\ & + [\$546,746] \\ & + [\$123,780,408] \times [.01988] = \mathbf{\$2,460,754.51} \end{aligned}$$

Source: JLARC staff presentation of Commission on Local Government data.

Measuring Motor Vehicle License and Retail Sale Revenues. Potential revenue generated from the motor vehicle license tax can be estimated by multiplying the number of motor vehicles in each locality by the statewide average motor vehicle license tax. For retail sales, revenue produced from this tax is available directly from the Department of Taxation and the Auditor of Public Accounts; no estimation procedure is needed, because the statewide rate for the local option portion is uniform at one percent. All cities and counties levy this local option sales tax.

Measuring Other Revenues. "Other" revenues consist of taxes or fees levied by localities on consumer utility bills, business, professional, and occupational licenses (BPOL), merchants' capital, transient occupancy, meals, and admissions. These "other" taxes are often referred to as "consumption taxes," because their yield varies as

local residents consume goods and services. Adjusted gross income is used as a proxy for the revenue base for these miscellaneous taxes and fees.

Advantages of the Revenue Capacity Measure

Currently, revenue capacity is one of the most important dimensions of a local government's fiscal position. The major advantage to the measure is that it provides a direct method of summing together each local government's revenues on a comparable basis. It is a more accurate measure of the ability of local governments to raise revenues. Because it gives a balanced picture of local fiscal capacity, this measure is appropriate for estimating the revenues of localities. And, because a local government's revenue capacity is computed relative to others in the State, comparisons can be made concerning the strength of the revenue capacities of all of Virginia's local governments.

Capturing the Local Importance of Tax Bases. Revenue capacity accounts for local variation in the relative importance of the various tax bases. That is, in the revenue capacity measure, the weights vary across localities and depend on the relative size of the tax bases in each locality (when the local tax bases are measured using average tax rates). Other measures of local ability to pay for public programs do not account for these local variations.

Utilizing More Precise Proxies. The revenue capacity measure uses precise proxies to represent certain revenue sources. It is able to estimate, in dollars, revenues that can be generated from real property taxes. In addition, both tangible personal property revenue and motor vehicle license revenue are measured as separate components with the use of proxies. The base used for both of these components is the number of motor vehicle registrations for the calendar year. Tangible personal property revenue is obtained by multiplying this base by the statewide average tangible personal property rate, and motor vehicle revenue is obtained by multiplying the base by the average motor vehicle license fee for cars under two tons.

Estimating Relative Ability to Raise Revenue. Revenue capacity is a measure of the revenues generated by separate revenue sources. These components of revenue capacity can be compared with each other. Revenue capacity represents local revenues in dollars, assuming localities apply average tax rates. It also shows the relative ability of a locality to raise revenues.

The Local Revenue Capacity Ratio

Once the revenue capacity of each locality is measured, it becomes the basis for calculating the local revenue capacity ratio. After revenue capacity is calculated for each city and county in Virginia, it is divided by each locality's population. This ratio is then divided by an identical statewide ratio (total statewide revenue capacity divided by total statewide population). The resulting local revenue capacity ratio is a relative measure which varies by each locality. A locality with a local revenue capacity ratio

greater than or equal to 1.0 can raise more revenues per unit than the State average. A ratio of less than 1.0 means less revenue can be raised per unit. The calculation of the local revenue capacity ratio is illustrated in Exhibit 6.

Exhibit 6

Calculation of the Revenue Capacity Index

$$\frac{\text{Locality Per-Capita Revenue Capacity}}{\text{Statewide Total Per-Capita Revenue Capacity}} = \text{Local Revenue Capacity Ratio}$$

WHERE:

- Locality per-capita revenue capacity is equal to local revenue capacity divided by local population, and
- Statewide total per-capita revenue capacity is equal to the sum of all local revenue capacities divided by the State population.

Calculating Local Shares Using the Revenue Capacity Ratio. Once the local revenue capacity ratio has been computed, it is used to calculate the portion of local responsibility costs each locality would be required to fund. Local shares of service costs for each locality are calculated by multiplying each locality's revenue capacity ratio by the statewide aggregate proportion of the local responsibility costs to be paid by the localities:

$$\text{Local Revenue Capacity Ratio} \times \text{Statewide Local Share of Local Responsibility Costs} = \text{Local Share}$$

For example, if the proportion of local responsibility costs to be paid by the localities as a whole is 50 percent, then the local revenue capacity ratio for each locality is multiplied by .50. Thus, a county with a revenue capacity ratio of .72 would be required to pay only 36 percent (.72 x .50) of the shared costs for which it is responsible. Localities with higher per-capita revenue capacities than the statewide average would have higher local shares. Localities with lower per-capita revenue capacities than the statewide average would have lower local shares. The State would pay for the portion of local costs not paid by the localities.

ALLOCATION OF STATE AND LOCAL FUNDING

Based on the framework developed for this study, State funding of constitutional officers would consist of three elements:

- costs for which the State has been assigned sole responsibility,
- the State portion of costs which are assigned shared State-local responsibility,
- the portion of the shared State-local responsibility costs which are assumed by the State through recognition of local ability to pay.

Local funding of constitutional officers would consist of two elements:

- costs for which the local governments have been assigned sole responsibility,
- the remaining portion of shared State-local responsibility costs which are not assumed by the State through recognition of local ability to pay.

A more detailed, mathematical description of the calculation of these State and local staffing costs is provided in Appendix B.

Recommendation (6). The General Assembly may wish to consider establishing State and local shares for funding of the constitutional officers based on assignments of cost responsibility and local ability to pay. Cost responsibility can be based on the criteria developed for this study. Ability to pay can be based on an index of relative revenue capacity.

STATE AND LOCAL FEES

If there is substantial change in State and local responsibilities for the costs of the constitutional officers, it becomes necessary to review the distribution of fees as well. The purpose of such a review is to ensure that the distribution of fees to the State and local governments is consistent with the overall goals of the funding system.

Under the current system, constitutional officers collect fees for certain services as authorized by law. The disposition of the revenues from the fees is also specified by law. In particular, fees collected by clerks of court are used to pay for the costs of office personnel and operations. Fees collected in excess of the costs of operations are distributed two-thirds to the local government and one-third to the State. Fees collected by the sheriffs are distributed two-thirds to the State and one-third to the local governments. Fees collected by the courts for Commonwealth's attorney services

are divided evenly between the State and the local governments. In fiscal year 1988, the State received \$2.7 million in fees from clerks of court, \$1.1 million in fees from sheriffs, and \$105,483 in fees from Commonwealth's attorneys.

To ensure that the disposition of fees is equitable, the assignments of responsibility for service costs developed for this study can also be used as the criteria for distributing fees. In this way, State and local governments would receive fees in proportion to their statewide responsibilities for the costs of a given office.

This kind of redistribution of fees for clerks of court would require a modification in the method for appropriating State funds to the clerks. By providing a full appropriation for State responsibility costs instead of costs not met by fees, the funding and distribution of fees for clerks can be made consistent with the practice for other constitutional officers.

Recommendation (7). The General Assembly may wish to consider distribution of fees collected by constitutional officers on the basis of the statewide responsibility of the State and local governments for service costs.

IV. Administration of State Funding

The general budgeting and reimbursement process used by the State Compensation Board has been used for some of the constitutional officers for more than 50 years. In 1934, the General Assembly established the State Compensation Board for the purpose of fixing salaries and expenses of Commonwealth's attorneys, commissioners of revenue, and treasurers. Prior to this time, funding for all constitutional officers was based on fees collected for services provided by the offices. With the creation of the Compensation Board, compensation for Commonwealth's attorneys and the two financial officers was converted to a salary basis. Sheriffs became salaried offices in 1942, and circuit court clerks were converted from the fee system in 1982.

While the budgeting and reimbursement process may have been appropriate for funding the offices in the past, it no longer meets the needs for funding of Virginia's constitutional officers. Changes in the responsibilities of the officers, coupled with growth in the State's population, has resulted in dramatic growth in the workload of the constitutional officers. The complexity of the services provided and rapid growth in the workload of the offices have made the current process incapable of providing the appropriate level of resources to the offices. Moreover, because the budgeting process has become outdated, there is little real accountability for the State funds allocated to the constitutional officers.

With the development of staffing standards for each of the constitutional officers, a more systematic and equitable funding system is possible. This chapter describes the current process and outlines an alternative approach. The new approach provides a more direct link between State funding and the work of the constitutional officers, and enhances accountability for State funds.

THE CURRENT FUNDING PROCESS

The current system by which constitutional offices are funded consists of a budgeting process in which requests for funding are approved, and a reimbursement process in which approved expenses are actually paid. These processes are mandated by the *Code of Virginia* and the Appropriations Act. General provisions for the budgeting and reimbursement of salaries, expenses, and other allowances are addressed in law, while specific officer salaries and additional funding requirements are mandated in the Appropriations Act.

The Budget Process

The State Compensation Board is responsible for the budget process, but it also involves all of the local governments across the State. Section 14.1-51 of the *Code of Virginia* charges the Compensation Board with the responsibility to "fix and deter-

mine what constitutes a fair and reasonable budget for the participation of the Commonwealth toward the total cost of the office." Each officer in turn must provide the Board with "a written request for the expense of his office, stating the amount of salaries requested, and itemizing each item of expense for which an allowance is sought, and every such officer shall concurrently file a copy of the request with the governing body of the county or city." The Compensation Board has two staff assigned to the review of budgets.

While the Board has the responsibility to fix and determine the local constitutional office budgets, Compensation Board funding for those budgets must be reviewed and approved as a part of the State appropriations process. The complete budgeting process is summarized in Figure 6.

In January of each year, the Board sends each constitutional officer a budget request form listing employees in the office and their salaries. Non-personnel items are also listed, and officers fill in their requested amounts for each item. In addition, the Board requires that each office indicate, through pre-defined workload measures, the level of activity for that office over the past calendar year. These workload measures are considered in evaluating the office's budget request.

The *Code of Virginia* requires that the constitutional officer return the budget request form to the Board by March 1. No later than 15 days after the General Assembly adjourns, the Board is required to provide both the localities and the constitutional officers estimates of the offices' budgets for the next fiscal year. The Board then holds a number of hearings around the State to hear the requests and objections of representatives of the local governments or the constitutional offices. The Board approves a final budget by May 1.

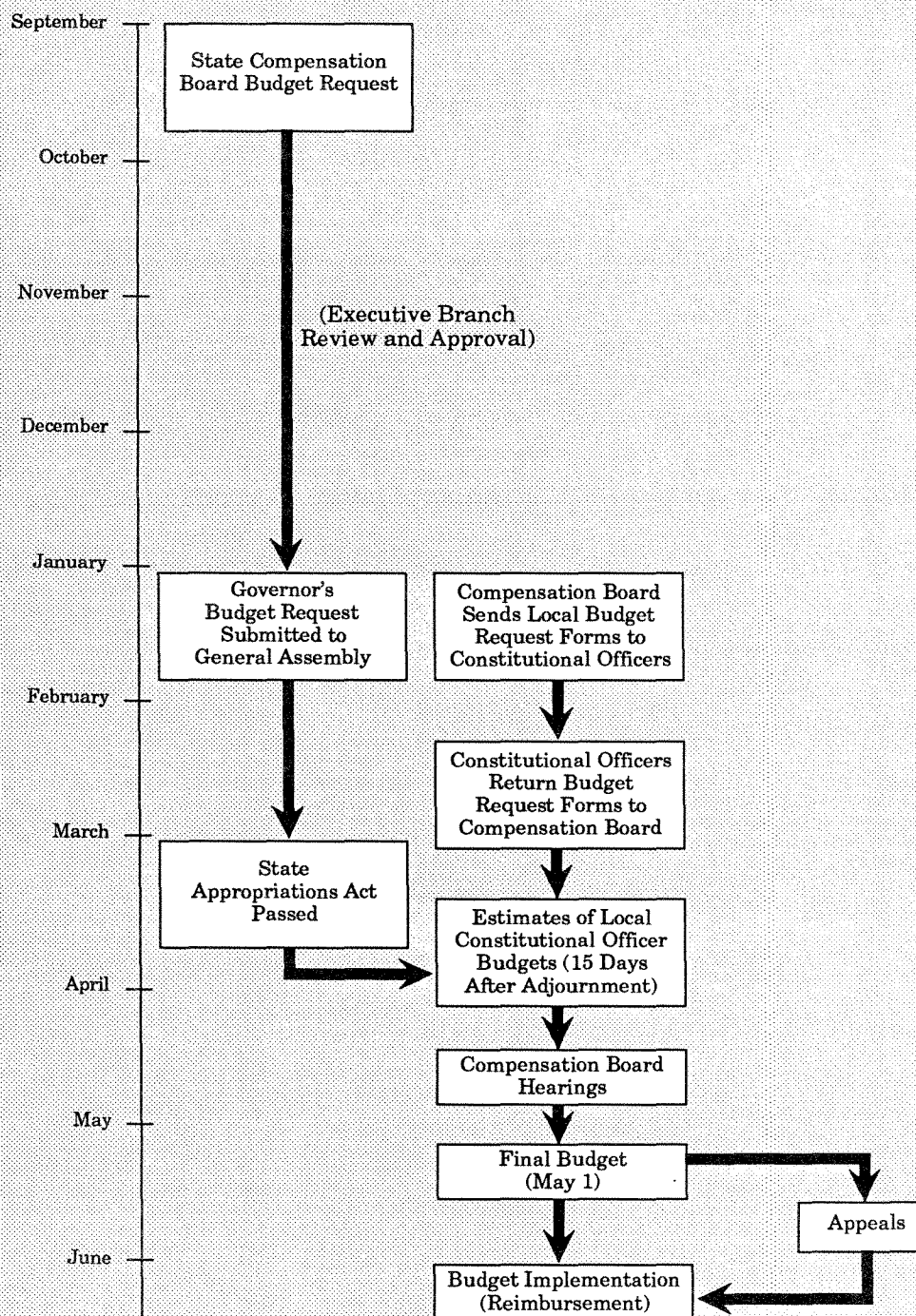
Under current provisions of statute, the constitutional officers and the local governments have the right to appeal the budgets established by the Board. The first level of appeal is to the Compensation Board. This appeal is essentially a request for the Board to reconsider the budget allocations. This request must be filed within 30 days of notification of the approved budget. The local government can assign two members to sit co-equally with the Compensation Board in determining the merits of the request.

If the local government or constitutional officer and the Board cannot resolve their disagreement through administrative means, the second level of appeal is to the circuit court. A three-member panel of circuit court judges appointed by the Chief Justice of the Supreme Court presides over the appeal. If the panel rules in favor of the constitutional officer or the local government, the Compensation Board is required by statute to provide the additional funding, if available, or to request the additional funding from the General Assembly at the next legislative session.

Finally, the Compensation Board is responsible for implementing the approved budget. Expenditure reimbursements are the primary method for funding the State portion of salaries, expenses, and other allowances of the local offices. Fees and

Figure 6

Budget Process for Funding Constitutional Officers

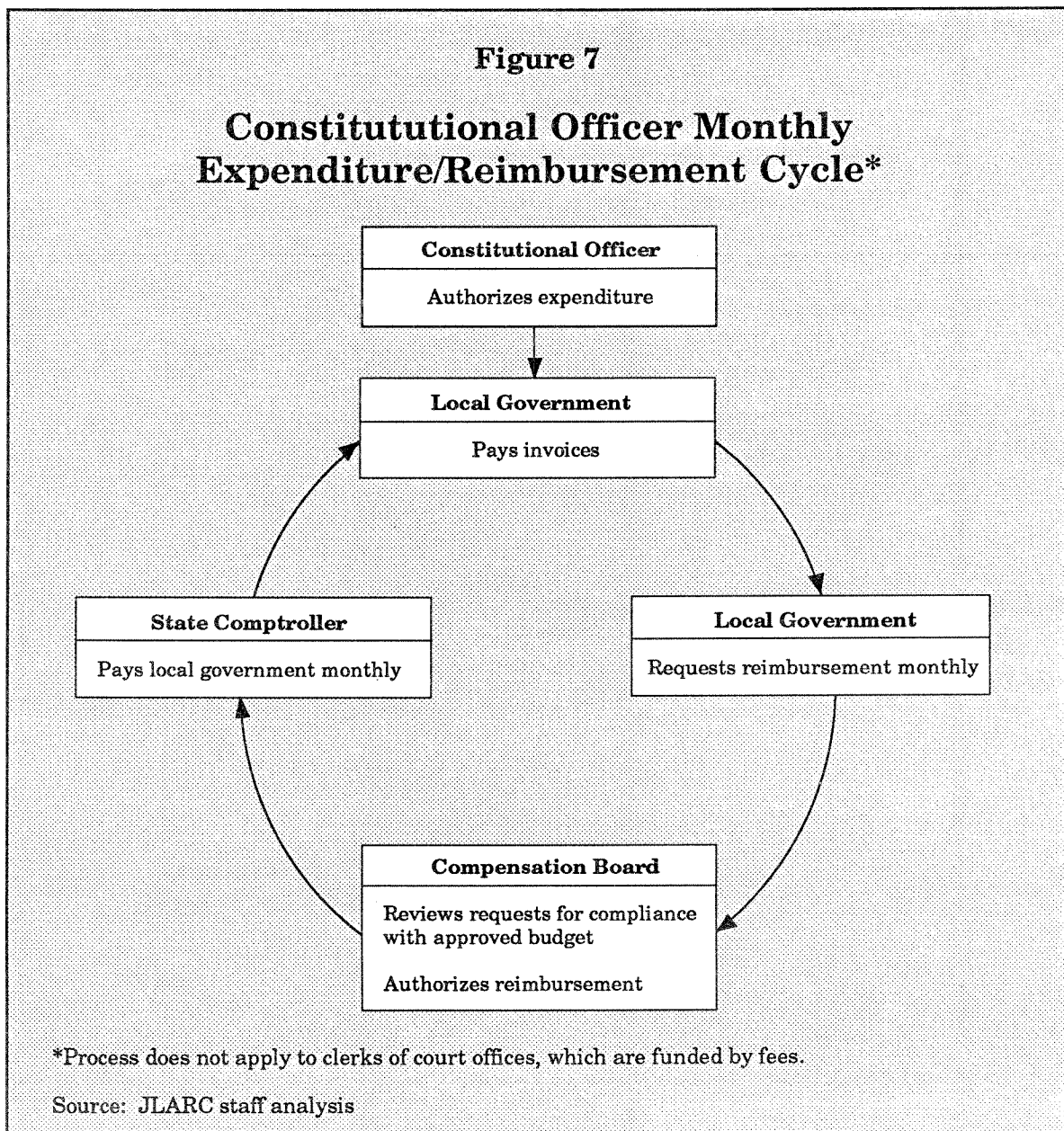


Source: JLARC staff analysis of the *Code of Virginia* and State Compensation Board information.

commissions, however, are used to fund much of costs associated with the clerks of court. Fees also serve to offset some of the costs incurred by sheriffs and Commonwealth's attorneys. In addition, State financial assistance for confinement of State felons partially funds some positions in the local jails.

The Expenditure Reimbursement Process

The current reimbursement process is complicated because it involves four separate State agencies, each constitutional officer, and all of the State's counties and cities. The reimbursement cycle is summarized in Figure 7.



The reimbursement cycle begins when the constitutional officer authorizes an expenditure consistent with the Compensation Board approved budget. Constitutional office personnel and non-personnel expenses are initially paid by the local government when each expenditure is made. The payment can be in the form of the payroll for the staff of the constitutional officer, or it might be a payment to a private vendor.

Then, each month the local governments request reimbursement for the expenditures made on behalf of the officers. The last week of each month, the Compensation Board sends a reimbursement form to each constitutional office, listing all employees and the portion of their salaries to be reimbursed. Included on the form are other approved categories of expenditure allowed for reimbursement (such as postage, stationery, and equipment). The local office indicates the amount of expenditure requested for reimbursement in each category and returns the form to the Board along with any vendor receipts. The Board asks that the forms and receipts be returned by the tenth day of the following month and be approved by both the constitutional officer and the local government administrator.

Upon receipt of the approved form, Board staff review the requested reimbursable items using the guidelines set out in the *Code of Virginia* to determine eligibility. The information collected on the request forms are then entered into an automated payroll and expense system maintained by the Department of Information Technology (DIT) which generates invoices for payment and reconciles expenditures with budgeted funds. The invoices are generated at DIT and passed on to the Board for final review. The Board sends the invoices to the Department of Accounts (DOA) for payment to the local government.

Sheriffs' mileage reimbursements vary from this process somewhat. The mileage reimbursement requests are submitted separately from the normal monthly reimbursement form. Reimbursements to the localities for mileage are made on a quarterly basis.

Administration of the reimbursement process is the bulk of the work performed by the staff of the Compensation Board. Seven of the ten employees of the Board are involved in approval of reimbursement requests.

Fees and Commissions. Certain fees and commissions collected by constitutional officers are redistributed to the local treasury and to the State treasury, as required by the *Code of Virginia*. Other fees, such as those collected by the local treasurers and commissioners of revenue, are retained by the local governments.

All fees collected by the sheriffs are credited one-third to the general fund of the local government and two-thirds to the Commonwealth (*Code of Virginia*, §14.1-69). Fees collected by Commonwealth attorneys are divided equally between the State and the local government (*Code of Virginia*, §14.1-54). Clerks of the court retain all fees and commissions to fund their operations (*Code of Virginia*, §14.1-143.2D). But if a clerk's office does not collect fees sufficient to cover the approved operating costs of

the office, the State funds one hundred percent of the difference. On the other hand, if a clerk's office has income in excess of its operating costs, the excess is divided between the local government and the State: two-thirds to the local government and one-third to the State (*Code of Virginia*, §14.1-140.1).

Financial Assistance for Confinement in Local Facilities. In addition to the State funds allocated to sheriffs' offices to pay for the personnel costs of recognized staff, Item 75 of the Appropriations Act also provides funding for State prisoners held in local jails. The funds help support the maintenance and operation of the local jails.

Approximately 85 percent of the funding is for the non-personnel costs associated with operating the jail. Each locality receives eight dollars per day for every State felon housed in its local jail. An additional six dollars per day is provided for each of those felons whose sentence is longer than six months.

The amount due localities for State prisoners held in local jails is determined by the Department of Corrections (DOC), and is reviewed and processed by the Compensation Board. Local jails periodically submit "J-7" reports to the Department of Corrections indicating the type of prisoners held in the local jail including the length remaining on their sentence. DOC processes the "J-7" data and generates vouchers quarterly indicating the number of prisoners which meet the criteria for reimbursement and the amount owed to the locality. The Board reviews the information and sends the vouchers to the Department of Accounts for payment to the localities.

The remaining 15 percent of the financial assistance is allocated to some jails to pay the salaries of jail personnel who provide health services, counseling or treatment services, education activities, and classification services. All positions approved for these purposes are funded at two-thirds the salary of an entry level State corrections officer. This two-third share is specified in the *Code of Virginia* with the intent of stimulating a local match that would fully fund the positions. However, the one-third share to be paid by local governments is not a required match, and it is not known to what extent localities actually provide such funds.

Adequacy of the Current Process

The current process for funding constitutional officers developed over many years at a time when a budget/reimbursement method was the only reasonable alternative available. But in recent years, the work involved in administering the system has become overwhelming because of increases in the State's population and because the constitutional officers now perform many different services. As has been the case for the past 50 years, requests for funding must be reviewed on a case-by-case basis. The State Compensation Board has inadequate resources to review more than six hundred local office budgets, and to process thousands of reimbursement requests each year.

Further, the current budgeting process does not recognize differences in the timing for approval of State and local budgets. As a result, the State appropriations

process occurs prior to the assessment of needs at the local level. In addition, there is inadequate time for the Compensation Board's approval process.

The current funding process does not recognize the essentially local nature of the services provided by the constitutional officers. By requiring approval of positions and budgets at the State level, decisionmaking has been removed from the local level, which is the level of government responsible for the provision of the services.

Finally, while the budget and funding process gives the appearance of great control by the State, the overwhelming nature of the process means that, in fact, there is little accountability for either State or local funding of the officers. It is difficult to determine, for example, the total State and local funds expended by the officers for personnel, or the sources of funds which may have been used. Because of the confusing nature of the process, many constitutional officers cannot identify what funding they have received from the State and from the local governments. These problems with the current process point to the need for some modifications to the way in which Virginia funds the local constitutional officers.

AN ALTERNATIVE APPROACH TO FUNDING OF CONSTITUTIONAL OFFICERS

Given the problems with the current process, some changes in the system would appear to be appropriate at this time. A pre-payment system, similar to that used for State Basic Aid funding for public education, could provide an alternative approach. Under a pre-payment system, local offices would receive a single, lump-sum payment each month for the State portion of approved personnel and non-personnel costs. To ensure that local governments provide funding for their share of approved costs, a required matching amount could be established.

This alternative approach to budgeting and funding would not result in any changes in the autonomy of the day-to-day administration of the constitutional offices. Each constitutional officer would use the State funds provided under this new system at his or her discretion for the operation of the office. The only requirements would be that funds allocated for personnel be spent on salaries and fringe benefit costs, and that all expenditures be properly documented for audit by the State.

However, this alternative approach would require major restructuring of the functions performed by the State Compensation Board. Some functions currently performed would no longer be necessary, while many other new functions would be required (Figure 8).

Among the functions that would be discontinued are review and approval of staffing levels, review and approval of local budgets, budget hearings, administrative and judicial appeals, and processing of monthly reimbursement requests. The current process appears to generate large amounts of paperwork in the form of reimbursement

requests, correspondence, vouchers, receipts, and computer-generated reports. A pre-payment system would reduce the amount of paperwork by not requiring local governments to request reimbursement for each item of expenditure. Expenditure administration would become the responsibility of the local constitutional office and the local government. Voucher and invoice processing by DIT and DOA would also be eliminated.

The new functions that would be required are periodic analysis of the staffing standards, annual revision of the revenue capacity index, calculation of the monthly payment amounts, certification that State funds have been used for personnel costs, monitoring and enforcement of the required local expenditure, and distribution of revenues from fees. These new functions would require the Compensation Board to develop a substantial analytical capability. In addition, the constitutional officers would have to report the necessary workload and staffing data in order for the allocations of funding to be calculated.

<p style="text-align: center;">Figure 8 Administrative Functions for Funding Constitutional Officers</p>		
Function	Current Process	Proposed Process
Collection of Staffing and Workload Data	✓	✓
Review and Approval of Staffing Levels	✓	
Review and Approval of Personnel Budgets	✓	
Review and Approval of Non-Personnel Budget Requests	✓	✓
Budget Hearings	✓	
Administrative Appeals	✓	
Judicial Appeals	✓	
Processing and Payment of Monthly Reimbursements	✓	
Periodic Analysis of Staffing Standards		✓
Annual Revision of Revenue Capacity Index		✓
Calculation of Monthly Payments		✓
Certification of Proper Expenditure for Personnel Costs		✓
Monitoring and Enforcement of Required Local Expenditures		✓
Distribution of Fee Revenues		✓

Source: JLARC Staff Analysis.

Recommendation (8). The General Assembly may wish to consider the adoption of a pre-payment system for funding of constitutional officers. As a part of the pre-payment system, the General Assembly may wish to consider adoption of a required expenditure for the local matching portion of constitutional officer State funding, designated for the exclusive support of personnel costs. The pre-payment system should be administered by an appropriate executive branch agency.

Recommendation (9). The administering agency responsible for the pre-payment system should be charged with the following duties: collection of staffing and workload data, review and approval of non-personnel funding, periodic analysis of staffing standards, annual revision of the revenue capacity index, calculation of pre-payment amounts, certification of expenditures of pre-payment funds for personnel costs, monitoring and enforcement of required local expenditures, and distribution of fee revenues.

Appendixes

	<u>Page</u>
Appendix A: Study Mandate	43
Appendix B: Mathematical Formulas Used to Calculate Personnel Costs for Constitutional Officers	44
Appendix C: Cost Responsibility Assignments	52
Appendix D: Local Revenue Capacity for FY 1986 and the Revenue Capacity Ratio	58
Appendix E: Illustrative Examples for Funding Constitutional Officers	61
Appendix F: Response of the Compensation Board	76
Appendix G: JLARC Staff Comments on the Compensation Board Response	94

Appendix A

Study Mandate

(Language in Item 13 of the Appropriations Act mandating a study of Constitutional Officers is shown below).

1989 Appropriations Act Language

The Joint Legislative Audit and Review Commission shall conduct a study of state support for locally elected constitutional officers. Such study shall include, but not necessarily be limited to: (i) the status of part-time Commonwealth's Attorneys, as requested by SJR 55 (1988); (ii) workload standards and policies to be utilized for the allocation of positions to the locally elected constitutional officers funded through Items 70, 71, 72, 73, 74 and 75 of this Act, (iii) the level of state and local participation in the funding of positions allocated through these items, and (iv) an analysis of alternative methods and agencies for administering these items. In evaluating proposed staffing standards for Sheriffs, the Commission shall consider jail staffing separately from law enforcement and courtroom security requirements. When formulating its recommendations with regard to the level of state and local participation, the Commission shall consider the relative benefit derived from the services provided, the financial ability of the localities to provide support and the relative differences in salary levels in northern Virginia. The Commission shall report on its progress to the 1989 Session of the General Assembly and complete its work no later than November 15, 1989. Further, the Commission shall submit its recommendations, if any, to the 1990 Session of the General Assembly. In carrying out this review, the Compensation Board, Department of Corrections, Department of Personnel and Training, and the Department of Planning and Budget shall cooperate as requested and shall make available records, information and resources necessary for the completion of the work of the Commission and its staff.

Appendix B

Mathematical Formulas Used to Calculate Personnel Costs for Constitutional Officers

Weighted Average Office Salary

$$W = \frac{\sum_{g=1}^G \left[\left(\frac{\sum_{z=1}^Z X_z}{Z} \right) Y_g \right]}{\sum_{g=1}^G Y_g}$$

where:

W = Weighted average office salary (not including principal officer)

G = Number of salary grades

Z = Number of steps in each grade

X = Salary in each step

Y = Number of positions in each grade

Appendix B (Continued)

Cost-of-Competing Differential

(If cost of competing option is chosen to be applied to Northern Virginia Planning District constitutional offices)

$$E = 1 + \frac{\sum_{g=1}^G D_g Y_g}{\sum_{g=1}^G Y_g}$$

where:

E = Cost-of-competing differential for Northern Virginia

W = Weighted average office salary (not including principal officer)

G = Number of salary grades

D = Differential for each salary grade

Y = Number of positions in each grade

Weighted average office salary for Northern Virginia offices = W x E

Appendix B (Continued)

Personnel Cost for a Given Local Office

(Including salary, fringe benefits, and optional cost-of-competing components)

- *Principal Officer*

$$P_j = S_j (1 + C + R_j + L)$$

where:

P_j = Principal officer cost at local office j

S_j = Salary of officer at local office j

C = Social Security rate

R_j = VSRS rate at local office j

L = Group life insurance rate

- *Office Staff Cost for a Given Service Category*

$$O_j = F_j [(W) (1 + C + R_j + L)]$$

where:

O_j = Office staff cost in local office j

F_j = Number of FTEs in local office j

W = Weighted average salary*

C = Social Security rate

R_j = VSRS rate at local office j

L = Group life insurance rate

* For offices in the Northern Virginia Planning District, multiply weighted average salary by cost-of-competing differential, if option is chosen.

Appendix B (Continued)

- *Total Personnel Cost for a Given Local Office*

$$T_j = \sum_{i=1}^I O_{ij} + P_j$$

where:

T_j = Total personnel cost for local office j

I = Number of service categories

O_{ij} = Office staff cost for service category i in local office j

P_j = Principal officer cost at local office j

Appendix B (Continued)

Revenue Capacity Index (Local Share)

$$Q_j = (K) \left(\frac{u_j/m_j}{U/M} \right)$$

where:

Q_j = Locality j 's share of local-responsibility personnel costs,
based on local ability to generate revenues

K = Target statewide local share of local-responsibility costs

u_j = Locality j 's revenue capacity

m_j = Locality j 's population

U = Statewide revenue capacity

M = Statewide population

Appendix B (Continued)

State and Local Portions of Personnel Costs of a Given Local Office

- *State Costs*

$$V_j = P_j A_j + P_j B_j (1 - Q_j) + \sum_{i=1}^I \{ (O_{ij} A_j) + [O_{ij} B_j (1 - Q_j)] \}$$

where:

V_j = State portion of personnel costs for local office j

P_j = Principal officer cost in local office j

A_j = Proportion of State cost responsibility in local office j

B_j = Proportion of local cost responsibility in local office j

Q_j = Local revenue capacity index representing locality j 's share of its local-responsibility costs (capped at 1.0)

I = Number of service categories

O_{ij} = Office staff cost for service category i in local office j

- *Local Costs* = $T_j - V_j$

where:

T_j = Total personnel cost for local office j

V_j = State portion of personnel costs for local office j

Appendix B (Continued)

Personnel Cost for a Given Service Category
(Including salary, fringe benefits, and optional cost-of-competing components)

- *Principal Officer*

$$P = \sum_{j=1}^J S_j (1 + C + R_j + L)$$

where:

P = Principal officer cost

J = Number of local officers

S = Salary of officer

C = Social Security rate

R = Local VSRS rate

L = Group life insurance rate

Appendix B (Continued)

- *Office Staff*

$$O = \sum_{i=1}^I \sum_{j=1}^J F_{ij} [(W) (1 + C + R_j + L)]$$

where:

O = Other staff cost

I = Number of service categories

J = Number of local offices

F = Number of FTEs in each service category

W = Weighted average salary*

C = Social Security rate

R = Local VSRS rate

L = Group life insurance rate

- * For offices in the Northern Virginia Planning District, multiply weighted average salary by cost-of-competing differential, if option is chosen.

Appendix C

Cost Responsibility Assignments

COST RESPONSIBILITY FOR SHERIFF AND REGIONAL JAIL SERVICES

<u>Service Category</u>	<u>State Requirement or Request</u>	<u>Normal Local Operation</u>	<u>Cost Responsibility Assignment</u>
Law Enforcement	Yes	Yes	Shared
Dispatching	Yes	Yes	Shared
Court Security	Yes	No	State
Process Service	Yes	No	State
Jail Security	Yes	Yes	Shared
Jail Food Preparation	Yes	Yes	Shared
Jail Medical and Treatment	Yes	Yes	Shared
Office Administration	Yes	Yes	Shared

Appendix C (Continued)

COST RESPONSIBILITY FOR COMMONWEALTH'S ATTORNEY SERVICES

<u>Service Category</u>	<u>State Requirement or Request</u>	<u>Normal Local Operation</u>	<u>Cost Responsibility Assignment</u>
Prosecuting Violations of State Criminal Code	Yes	No	State
Prosecuting Violations of Local Ordinances	No	Yes	Local
Legal Advice to Local Government Officials Concerning Conflict of Interests	Yes	Yes	Shared
Legal Advice to Local Government Officials Concerning Other Issues	Yes	Yes	Shared
Civic and Public Relations Responsibilities	No	No	Shared
Legal Advice to State Agencies	Yes	No	State
Office Administration	Yes	Yes	Shared

Appendix C (Continued)

COST RESPONSIBILITY FOR CLERK OF COURT SERVICES

<u>Service Category</u>	<u>State Requirement or Request</u>	<u>Normal Local Operation</u>	<u>Cost Responsibility Assignment</u>
Maintenance of Land and Property Records	Yes	Yes	Shared
Wills, Estates, and Fiduciaries	Yes	No	State
Administration of Civil and Criminal Cases	Yes	No	State
Courtroom Duties	Yes	No	State
Maintenance of Certain Business Records	Yes	Yes	Shared
State Licenses	Yes	No	State
Elections and Referenda	Yes	Yes	Shared
Military Induction and Discharge Records	Yes	No	State
Clerk to Local Board of Supervisors	No	Yes	Local
Genealogical Research	No	No	Shared
Microfilm Work	Yes	Yes	Shared
Bookkeeping	Yes	Yes	Shared
Office Administration	Yes	Yes	Shared

Appendix C (Continued)

COST RESPONSIBILITY FOR COMMISSIONER OF REVENUE SERVICES

<u>Service Category</u>	<u>State Requirement or Request</u>	<u>Normal Local Operation</u>	<u>Cost Responsibility Assignment</u>
Real Property Taxes	Yes	Yes	Shared
Tangible Personal Property Taxes	Yes	Yes	Shared
Miscellaneous Local Taxes and Fees	Yes	Yes	Shared
State Income Taxes	Yes	No	State
Providing Information or Assistance to Local Government Officials	No	Yes	Local
Providing Information or Assistance to State Agencies	Yes	No	State
Office Administration	Yes	Yes	Shared

Appendix C (Continued)

COST RESPONSIBILITY FOR TREASURER SERVICES

<u>Service Category</u>	<u>State Requirement or Request</u>	<u>Normal Local Operation</u>	<u>Cost Responsibility Assignment</u>
Collection, Custody, Accounting, and Disbursement of Local Revenues	Yes	Yes	Shared
Providing Information or Assistance to Local Government Officials	No	Yes	Local
Collection and Accounting of State Income Taxes	Yes	No	State
Collection and Accounting of Other State Revenue	Yes	No	State
Providing Information and Assistance to State Agencies	Yes	No	State
Office Administration	Yes	Yes	Shared

Appendix C (Continued)

COST RESPONSIBILITY FOR DIRECTOR OF FINANCE SERVICES

<u>Service Category</u>	<u>State Requirement or Request</u>	<u>Normal Local Operation</u>	<u>Cost Responsibility Assignment</u>
Real Property Taxes	Yes	Yes	Shared
Tangible Personal Property Taxes	Yes	Yes	Shared
Miscellaneous Local Taxes and Fees	Yes	Yes	Shared
Collection, Custody, Accounting, and Disbursement of Local Revenues	Yes	Yes	Shared
Collection and Accounting of State Income Taxes	Yes	No	State
Collection and Accounting of Other State Revenue	Yes	No	State
Providing Information or Assistance to Local Government Officials	No	Yes	Local
Providing Information and Assistance to State Agencies	Yes	No	State
Office Administration	Yes	Yes	Shared

Appendix D

Local Revenue Capacity for FY 1986 and the Revenue Capacity Ratio

<u>Locality</u>	<u>Revenue Capacity</u>	<u>Revenue Capacity Ratio</u>
Accomack	\$16,626,628.97	0.76878811
Albemarle	\$46,334,449.03	1.12103848
Alleghany	\$6,942,700.11	0.73276097
Amelia	\$4,931,991.34	0.84511612
Amherst	\$13,964,003.87	0.70376088
Appomattox	\$6,443,855.36	0.76305120
Arlington	\$188,673,976.68	1.74037517
Augusta	\$31,107,080.23	0.87805669
Bath	\$15,430,299.14	4.32199250
Bedford (County)	\$24,755,335.50	0.92215742
Bland	\$2,450,467.99	0.55767614
Botetourt	\$14,459,960.24	0.85614041
Brunswick	\$7,424,852.18	0.68014842
Buchanan	\$17,675,271.63	0.71511618
Buckingham	\$6,050,791.72	0.71072816
Campbell	\$24,124,631.24	0.75080618
Caroline	\$10,671,254.91	0.81804068
Carroll	\$11,701,124.89	0.61973772
Charles City	\$3,667,943.47	0.80945313
Charlotte	\$5,605,999.21	0.69196485
Chesterfield	\$127,806,327.13	1.09051549
Clarke	\$7,889,344.44	1.10489392
Craig	\$2,302,711.73	0.81802904
Culpeper	\$16,363,383.21	0.97677893
Cumberland	\$4,171,145.67	0.76902644
Dickenson	\$9,689,829.19	0.71279384
Dinwiddie	\$10,486,119.33	0.72729149
Essex	\$6,083,157.56	0.99552476
Fairfax (County)	\$727,050,512.28	1.48002126
Fauquier	\$39,826,488.84	1.37458809
Floyd	\$6,333,598.94	0.78845644
Fluvanna	\$6,958,256.29	0.89688133
Franklin (County)	\$21,412,698.75	0.78558631
Frederick	\$25,239,447.66	0.99624576
Giles	\$8,905,167.14	0.74116864
Gloucester	\$17,760,021.04	0.92384359
Goochland	\$10,168,587.05	1.16619157
Grayson	\$6,869,011.97	0.60634994
Greene	\$4,877,011.65	0.81648375
Greensville	\$5,013,849.74	0.70218408
Halifax	\$13,225,538.99	0.65078072
Hanover	\$41,751,775.22	1.11992289
Henrico	\$148,452,298.63	1.10317360
Henry	\$30,205,008.84	0.77182194
Highland	\$2,132,442.59	1.15034098

Appendix D (Continued)

<u>Locality</u>	<u>Revenue Capacity</u>	<u>Revenue Capacity Ratio</u>
Isle of Wight	\$14,933,446.97	0.89142179
James City	\$26,051,937.61	1.33608687
King and Queen	\$3,729,805.30	0.86230046
King George	\$7,410,095.90	0.89940560
King William	\$6,561,292.16	0.93691936
Lancaster	\$9,017,988.50	1.20502536
Lee	\$9,008,229.36	0.49888069
Loudoun	\$77,097,638.32	1.66114440
Louisa	\$22,762,783.48	1.73582127
Lunenburg	\$5,141,484.30	0.61382093
Madison	\$6,490,495.70	0.88350110
Mathews	\$6,049,797.13	1.02460240
Mecklenburg	\$15,785,789.24	0.77414597
Middlesex	\$6,568,048.29	1.12546092
Montgomery	\$30,574,820.12	0.68301355
Nelson	\$8,591,557.95	1.00916748
New Kent	\$6,499,021.92	0.91018080
Northampton	\$6,477,114.36	0.65513693
Northumberland	\$7,648,792.43	1.10302285
Nottoway	\$6,687,844.09	0.65375177
Orange	\$12,874,856.97	0.94708777
Page	\$10,296,461.35	0.75361221
Patrick	\$8,646,796.40	0.71557568
Pittsylvania	\$29,105,071.24	0.64720278
Powhatan	\$7,799,688.21	0.85415878
Prince Edward	\$7,373,310.22	0.62437724
Prince George	\$10,679,279.93	0.59595638
Prince William	\$126,804,947.27	1.04938907
Pulaski	\$16,820,789.22	0.71219830
Rappahannock	\$5,275,900.08	1.21974492
Richmond (County)	\$4,929,655.04	0.99723392
Roanoke (County)	\$49,148,824.52	0.96476655
Rockbridge	\$10,184,758.08	0.83808961
Rockingham	\$31,286,666.21	0.84387581
Russell	\$13,020,481.80	0.58895782
Scott	\$9,143,065.14	0.52428943
Shenandoah	\$18,574,433.31	0.94925681
Smyth	\$13,917,136.33	0.61425535
Southampton	\$9,719,058.81	0.78643840
Spotsylvania	\$29,884,070.84	1.13055588
Stafford	\$30,193,615.24	0.86399323
Surry	\$10,955,750.74	2.49330367
Sussex	\$6,086,824.46	0.86072924
Tazewell	\$22,636,785.31	0.65678623
Warren	\$14,448,970.79	0.89936102
Washington	\$22,408,037.41	0.69294046
Westmoreland	\$9,027,234.07	0.90056456
Wise	\$20,109,780.88	0.65820372

Appendix D (Continued)

<u>Locality</u>	<u>Revenue Capacity</u>	<u>Revenue Capacity Ratio</u>
Wythe	\$12,129,461.58	0.69281032
York	\$27,556,442.02	1.00591956
Alexandria	\$123,154,947.45	1.65629013
Bedford (City)	\$3,184,234.72	0.77297746
Bristol	\$13,125,278.40	1.05619220
Buena Vista	\$2,918,440.62	0.66417709
Charlottesville	\$25,163,243.20	0.89173908
Chesapeake	\$83,358,878.40	0.90135791
Clifton Forge	\$2,077,652.39	0.60522365
Colonial Heights	\$10,169,878.94	0.87132439
Covington	\$3,883,618.81	0.70706545
Danville	\$23,135,779.06	0.76066496
Emporia	\$2,652,382.62	0.82196121
Fairfax (City)	\$21,629,842.32	1.54431608
Falls Church	\$16,735,275.44	2.51289381
Franklin (City)	\$3,910,272.97	0.72092982
Fredericksburg	\$13,105,484.41	0.96405296
Galax	\$4,129,533.59	0.89771650
Hampton	\$70,182,900.51	0.80999990
Harrisonburg	\$16,866,728.91	0.93055050
Hopewell	\$11,739,027.21	0.70362108
Lexington	\$2,950,471.49	0.62280966
Lynchburg	\$38,511,633.83	0.83346983
Manassas	\$19,162,145.01	1.37486828
Manassas Park	\$3,157,461.23	0.64772802
Martinsville	\$11,508,642.07	0.91598002
Newport News	\$84,874,879.19	0.77263111
Norfolk	\$125,307,820.74	0.65136295
Norton	\$2,615,213.30	0.82806092
Petersburg	\$18,852,168.74	0.67299860
Poquoson	\$6,567,705.33	0.93783512
Portsmouth	\$49,173,889.02	0.65468176
Radford	\$5,879,859.17	0.62971063
Richmond (City)	\$141,619,671.62	0.94793312
Roanoke (City)	\$59,665,600.12	0.85957913
Salem	\$15,080,193.07	0.91518452
South Boston	\$3,512,230.88	0.72050619
Staunton	\$12,003,721.40	0.81698699
Suffolk	\$27,612,790.57	0.78859338
Virginia Beach	\$220,244,957.24	0.95330948
Waynesboro	\$11,212,058.48	0.88752488
Williamsburg	\$10,078,436.40	1.27646328
Winchester	\$15,346,059.37	1.05932062
State	\$3,980,203,496.43	

Appendix E

Illustrative Examples for Funding Constitutional Officers

To evaluate the interaction and impact of the various components of the analysis, JLARC staff developed computer models to calculate costs for each constitutional office, and to determine the State and local shares of the costs. Calculation of funding for constitutional officers is dependent on many choices related to personnel costs, cost responsibility, and ability to pay. Among the choices are:

- staffing levels and allocations,
- salary adjustments,
- cost-of-competing factors,
- fringe benefits,
- cost responsibility assignments for each service category, and
- the statewide share of local costs to be determined by local ability to generate revenues.

To allocate funds for the constitutional offices based on the funding approach proposed in this report, the General Assembly would need to make specific decisions for each of these choices. For the examples presented in this appendix, however, some of the choices have been held constant to permit comparisons across the examples.

The two illustrative examples are based on the following common components:

- Staffing levels are based on the proposed statewide staffing standards developed for this study.
- The salary adjustments are based on the historical level of merit increases. The adjustments are 3.65 percent for fiscal years 1991 and 1992.
- Non-personnel costs have been held at fiscal year 1990 levels.
- The statewide aggregate local share of local-responsibility costs is held at 50 percent for sheriffs, clerks of court, and Commonwealth's attorneys, and at 75 percent for the treasurers, commissioners of revenue, and directors of finance.

To show how some of the choices can affect the allocation of funds to the officers, several components are different in the two examples. The choices which vary are:

- The first example does not include a cost of competing factor for Northern Virginia offices, while second example includes the cost of competing factor based on the differential for similar State position classifications.
- Example 1 assigns a higher proportion of cost responsibility for the shared cost categories to the local governments. The second example assigns more cost responsibility for the shared cost categories to the State.

The choices made for each example, and tables summarizing the funding which results from those choices are presented in the remainder of this appendix.

SUMMARY OF CHOICES FOR EXAMPLE 1

- Staffing based on statewide staffing standards
- Salaries based on a weighted statewide average for FY 1990, with adjustments for merit increases of 3.65 percent in FY 1991 and 3.65 percent in FY 1992.
- No cost of competing for Northern Virginia offices
- Level funding of non-personnel costs
- A minimal level of State cost responsibility for shared State-local cost categories
- A statewide aggregate local share for ability to pay of 50 percent for sheriffs, clerks of court, and Commonwealth's attorneys, and 75 percent for treasurers, commissioners of revenue, and directors of finance
- Distribution of fee revenues based on the State and local shares of costs.

State and Local Support for Sheriffs Offices: Example 1

Summary of Personnel Cost Factors			
Personnel Cost Factors	FY 1990	FY 1991	FY 1992
State Recognized FTEs	6,227.144	7,019.394	7,019.394
State Responsibility FTEs	6,227.144	3,450.383	3,450.383
Local Responsibility FTEs	574.809	3,569.011	3,569.011
Total FTEs	6,801.953	7,019.394	7,019.394
Average Salary	\$21,635	\$22,425	\$23,244
Annual Salary Adjustment	--	3.65%	3.65%
Cost of Competing Factor	--	0.0000%	0.0000%
FOAI (% of Salary)	7.51%	7.65%	7.65%
Group Life (% of Salary)	1.02%	1.02%	1.02%
Retirement (% of Salary)	(VSRS Approved Local Rate)		

Summary of Non-Personnel Cost Factors			
Non-Personnel Cost Factors	FY 1990	FY 1991	FY 1992
Office Expense Adjustment	--	0.00%	0.00%
Mileage Adjustment	--	0.00%	0.00%
Capital Outlay Adjustment	--	0.00%	0.00%

Summary of State and Local Share Factors			
State and Local Responsibility for Funding			
Service	State	Local	% of FTEs
Law Enforcement	23%	77%	18.7%
Court Security	100%	0%	9.5%
Civil Process	100%	0%	6.9%
Dispatch Operations	23%	77%	7.1%
Jail Security	47%	53%	41.7%
Jail Medical and Treatment	47%	53%	6.1%
Jail Food Preparation	47%	53%	2.8%
Office Administration	50%	50%	5.3%
Principal Officer	50%	50%	1.9%
Local Ability to Pay for Shared Costs	State		Local
Statewide Share of Local Costs	50%		50%

Statewide Summary of State and Local Personnel Costs			
Personnel Costs	FY 1990*	FY 1991	FY 1992
State	\$139,485,828	\$142,091,961	\$147,281,282
Local	\$41,971,476	\$43,387,848	\$44,972,417
Total	\$181,457,304	\$185,479,809	\$192,253,699

Summary of State Appropriations			
Appropriation	FY 1990**	FY 1991	FY 1992
Personnel	\$139,485,828	\$142,091,961	\$147,281,282
Non-Personnel (Regular)	\$12,172,439	\$12,172,439	\$12,172,439
Non-Personnel (Item 75)	\$35,195,562	\$35,195,562	\$35,195,562
Total	\$186,853,829	\$189,459,962	\$194,649,283

Summary of Local Expenditures			
	FY 1989***	FY 1991	FY 1992
Required Local Expenditure	\$41,971,476	\$43,387,848	\$44,972,417

Statewide Summary of State and Local Support		
	FY 1991	FY 1992
Increase in State Personnel Support	\$2,606,133	\$7,795,454
Increase in Local Personnel Support	\$1,416,372	\$3,000,941
Per Capita State Support for Personnel	\$23.62	\$24.49
Per Capita Local Support for Personnel	\$7.21	\$7.48
Per Capita State Support for Total Costs	\$31.50	\$32.36

Notes	
*Projected personnel costs for FY 1990.	
**Actual appropriations.	
***No Required Expenditure in FY 1989; amount shown is estimate of local support as reported by constitutional officers.	

State and Local Support for Commonwealth's Attorneys: Example 1

Summary of Personnel Cost Factors			
Personnel Cost Factors	FY 1990	FY 1991	FY 1992
State Recognized FTEs	547.369	714.167	714.167
State Responsibility FTEs	547.369	561.320	561.320
Local/Other*** Responsibility FTEs	83.000	152.847	152.847
Total FTEs	630.369	714.167	714.167

Average Salary (Attorneys)	\$34,476	\$35,734	\$37,038
Average Salary (Support)	\$18,715	\$19,398	\$20,106
Annual Salary Adjustment	--	3.65%	3.65%
Cost of Competing (Attorneys)	--	0.0000%	0.0000%
Cost of Competing (Support)	--	0.0000%	0.0000%
FOAI (% of Salary)	7.51%	7.65%	7.65%
Group Life (% of Salary)	1.02%	1.02%	1.02%
Retirement (% of Salary)	(VSRS Approved Local Rate)		

Summary of Non-Personnel Cost Factors			
Non-Personnel Cost Factors	FY 1990	FY 1991	FY 1992
Office Expense Adjustment	--	0.00%	0.00%
Mileage Adjustment	--	0.00%	0.00%
Capital Outlay Adjustment	--	0.00%	0.00%

Summary of State and Local Share Factors			
State and Local Responsibility for Funding			
Service	State	Local	% of FTEs
State Prosecution	100%	0%	55.77%
Local Prosecution	0%	100%	10.54%
Advice to Local Officials (COI)	10%	90%	0.66%
Advice to Local Officials	10%	90%	1.41%
Advice to State Agencies	100%	0%	4.60%
Civic Duties	100%	0%	3.04%
Office Administration	84%	16%	7.71%
Principal Officer	84%	16%	16.25%
Local Ability to Pay for Shared Costs		State	Local
Statewide Share of Local Costs		50%	50%

Statewide Summary of State and Local Personnel Costs			
Personnel Costs	FY 1990*	FY 1991	FY 1992
State	\$19,909,692	\$22,154,124	\$22,962,661
Local	\$5,498,808	\$3,309,067	\$3,429,821
Total	\$25,408,500	\$25,463,191	\$26,392,482

Summary of State Appropriations			
Appropriation	FY 1990**	FY 1991	FY 1992
Personnel (Comp. Board)	\$19,135,188	\$21,379,620	\$22,188,157
Personnel (Other)***	\$774,504	\$774,504	\$774,504
Non-Personnel	\$757,415	\$757,415	\$757,415
Total	\$20,667,107	\$22,911,539	\$23,720,076

Summary of Local Expenditures			
	FY 1989****	FY 1991	FY 1992
Required Local Expenditure	\$5,498,808	\$3,309,067	\$3,429,821

Statewide Summary of State and Local Support		
	FY 1991	FY 1992
Increase in State Personnel Support	\$2,244,432	\$3,052,969
Increase in Local Personnel Support	(\$2,189,741)	(\$2,068,987)
Per Capita State Support for Personnel	\$3.82	\$3.96
Per Capita Local Support for Personnel	\$0.57	\$0.59
Per Capita State Support for Total Costs	\$3.95	\$4.09

Notes	
*Projected personnel costs for FY 1990.	
**Actual appropriations.	
***Personnel funding from the Department of Criminal Justice Services and the State Board of Social Services.	
****No Required Expenditure in FY 1989; amount shown is estimate of local support as reported by constitutional officers.	

State and Local Support for Circuit Court Clerks: Example 1

Summary of Personnel Cost Factors			
Personnel Cost Factor	FY 1990	FY 1991	FY 1992
State Recognized FTEs	1,009.831	1,070.853	1,070.853
State Responsibility FTEs	1,009.831	709.857	709.857
Local Responsibility FTEs	63.479	360.996	360.996
Total FTEs	1,073.310	1,070.853	1,070.853
Average Salary	\$21,268	\$22,044	\$22,849
Annual Salary Adjustment	--	3.65%	3.65%
Cost of Competing Factor	--	0.0000%	0.0000%
FOAI (% of Salary)	7.51%	7.65%	7.65%
Group Life (% of Salary)	1.02%	1.02%	1.02%
Retirement (% of Salary)	(VSRS Approved Local Rate)		

Summary of Non-Personnel Cost Factors			
Non-Personnel Cost Factor	FY 1990	FY 1991	FY 1992
Office Expense Adjustment	--	0.00%	0.00%
Mileage Adjustment	--	0.00%	0.00%
Capital Outlay Adjustment	--	0.00%	0.00%

Summary of State and Local Share Factors			
State and Local Responsibility for Funding			
Service	State	Local	% of FTEs
Land, Property Records	10%	90%	19.9%
Wills, Estates, Fiduciaries	100%	0%	6.0%
Civil, Criminal Cases	100%	0%	23.9%
Courtroom	100%	0%	8.2%
Business Records	50%	50%	2.8%
State Licenses	100%	0%	4.6%
Elections	50%	50%	0.4%
Military Records	100%	0%	0.6%
Board of Supervisors	0%	100%	0.2%
Genealogical Research	10%	90%	3.2%
Microfilming	50%	50%	5.5%
Bookkeeping	65%	35%	6.4%
Office Administration	67%	33%	7.0%
Principal Officer	67%	33%	11.3%
Local Ability to Pay for Shared Costs		State	Local
Statewide Share of Local Costs		50%	50%

Statewide Summary of State and Local Personnel Costs			
Personnel Costs	FY 1990*	FY 1991	FY 1992
State	\$26,356,968	\$27,535,816	\$28,541,205
Local	\$10,309,683	\$5,361,978	\$5,557,762
Total	\$36,666,651	\$32,897,794	\$34,098,967

Summary of State Appropriations			
Appropriation	FY 1990**	FY 1991	FY 1992
Personnel	\$2,197,403	\$27,535,816	\$28,541,205
Non-Personnel	\$1,661,510	\$1,661,510	\$1,661,510
Total	\$3,858,913	\$29,197,326	\$30,202,715

Summary of Local Expenditures			
	FY 1989***	FY 1991	FY 1992
Required Local Expenditure	\$10,309,683	\$5,361,978	\$5,557,762

Statewide Summary of Clerks' Fees****			
	FY 1989	FY 1991	FY 1992
Total Fees Collected	\$33,719,463	\$39,497,351	\$42,386,295
State Share of Fees	\$2,856,979	\$32,461,232	\$34,827,355
Local Share of Fees	\$5,714,043	\$7,036,118	\$7,558,940
Retained by Clerks	\$25,148,441	\$0	\$0

Statewide Summary of State and Required Local Support		
	FY 1991	FY 1992
Increase in State Personnel Support	\$25,338,413	\$26,343,802
Increase in Local Personnel Support	(\$4,947,705)	(\$4,751,921)
Increase in State Share of Fees	\$29,604,254	\$31,970,376
Increase in Local Share of Fees	\$1,322,075	\$1,844,897
Per Capita State Support for Personnel	\$4.58	\$4.75
Per Capita Local Support for Personnel	\$0.89	\$0.92
Per Capita State Support for Total Costs	\$4.85	\$5.02

Notes	
*Projected personnel costs for FY 1990.	
**Actual appropriations.	
***No Required Expenditure in FY 1989; amount shown is estimate of local support as reported by constitutional officers.	
****Fees projected from Compensation Board data.	

State and Local Support for Commissioners of Revenue: Example 1

Summary of Personnel Cost Factors			
Personnel Cost Factors	FY 1990	FY 1991	FY 1992
State Recognized FTEs	934.991	1,332.222	1,332.222
State Responsibility FTEs	502.866	307.254	307.254
Local Responsibility FTEs	869.984	1,024.968	1,024.968
Total FTEs	1,372.850	1,332.222	1,332.222
Average Salary	\$19,287	\$19,991	\$20,721
Annual Salary Adjustment	--	3.65%	3.65%
Cost of Competing Factor	--	0.0000%	0.0000%
FOAI (% of Salary)	7.51%	7.65%	7.65%
Group Life (% of Salary)	1.02%	1.02%	1.02%
Retirement (% of Salary)	(VSRS Approved Local Rate)		

Summary of Non-Personnel Cost Factors			
Non-Personnel Cost Factors	FY 1990	FY 1991	FY 1992
Office Expense Adjustment	--	0.00%	0.00%
Mileage Adjustment	--	0.00%	0.00%
Capital Outlay Adjustment	--	0.00%	0.00%

Summary of State and Local Share Factors			
State and Local Responsibility for Funding			
Service	State	Local	% of FTEs
Assessing Real Property	0%	100%	19.1%
Assessing Personal Property	0%	100%	30.9%
Assessing Misc. Taxes	0%	100%	14.7%
State Income Taxes	100%	0%	19.1%
Assistance to Local Officials	0%	100%	1.4%
Assistance to State Agencies	100%	0%	0.8%
Office Administration	23%	77%	4.3%
Principal Officer	23%	77%	9.8%
Local Ability to Pay for Shared Costs	State		Local
Statewide Share of Local Costs	25%		75%

Statewide Summary of State and Local Personnel Costs			
Personnel Costs	FY 1990*	FY 1991	FY 1992
State	\$12,964,315	\$9,941,925	\$10,304,937
Local	\$20,216,205	\$24,293,277	\$25,180,310
Total	\$33,180,520	\$34,235,202	\$35,485,247

Summary of State Appropriations			
Appropriation	FY 1990**	FY 1991	FY 1992
Personnel	\$12,964,315	\$9,941,925	\$10,304,937
Non-Personnel	\$1,309,118	\$1,309,118	\$1,309,118
Total	\$14,273,433	\$11,251,043	\$11,614,055

Summary of Local Expenditures			
	FY 1989***	FY 1991	FY 1992
Required Local Expenditure	\$20,216,205	\$24,293,277	\$25,180,310

Statewide Summary of State and Required Local Support		
	FY 1991	FY 1992
Increase in State Personnel Support	(\$3,022,390)	(\$2,659,378)
Increase in Local Personnel Support	\$4,077,072	\$4,964,105
Per Capita State Support for Personnel	\$1.65	\$1.71
Per Capita Local Support for Personnel	\$4.04	\$4.19
Per Capita State Support for Total Costs	\$1.87	\$1.93

Notes	
*Projected personnel costs for FY 1990.	
**Actual appropriations.	
***No Required Expenditure in FY 1989; amount shown is estimate of local support as reported by constitutional officers.	

State and Local Support for Local Treasurers: Example 1

Summary of Personnel Cost Factors			
Personnel Cost Factors	FY 1990	FY 1991	FY 1992
State Recognized FTEs	853.868	1,155.838	1,155.838
State Responsibility FTEs	466.234	206.609	206.609
Local Responsibility FTEs	693.266	949.229	949.229
Total FTEs	1,159.500	1,155.838	1,155.838
Average Salary	\$19,006	\$19,700	\$20,419
Annual Salary Adjustment	--	3.65%	3.65%
Cost of Competing Factor	--	0.0000%	0.0000%
FOAI (% of Salary)	7.51%	7.65%	7.65%
Group Life (% of Salary)	1.02%	1.02%	1.02%
Retirement (% of Salary)	(VSRS Approved Local Rate)		

Summary of Non-Personnel Cost Factors			
Non-Personnel Cost Factors	FY 1990	FY 1991	FY 1992
Office Expense Adjustment	--	0.00%	0.00%
Mileage Adjustment	--	0.00%	0.00%
Capital Outlay Adjustment	--	0.00%	0.00%

Summary of State and Local Share Factors			
State and Local Responsibility for Funding			
Service	State	Local	% of FTEs
Collection and			
Custody of Local Funds	0%	100%	62.4%
Assistance to Local Officials	0%	100%	3.9%
Assistance to State Agencies	100%	0%	1.4%
State Income Taxes	100%	0%	11.2%
Other State Revenues	100%	0%	1.7%
Office Administration	19%	81%	8.2%
Principal Officer	19%	81%	11.3%
Local Ability to Pay for Shared Costs	State	Local	
Statewide Share of Local Costs	25%	75%	

Statewide Summary of State and Local Personnel Costs			
Personnel Costs	FY 1990*	FY 1991	FY 1992
State	\$11,997,764	\$7,680,030	\$7,960,347
Local	\$15,487,162	\$22,184,053	\$22,993,711
Total	\$27,484,926	\$29,864,083	\$30,954,058

Summary of State Appropriations			
Appropriation	FY 1990**	FY 1991	FY 1992
Personnel	\$11,997,764	\$7,680,030	\$7,960,347
Non-Personnel	\$1,706,343	\$1,706,343	\$1,706,343
Total	\$13,704,107	\$9,386,373	\$9,666,690

Summary of Local Expenditures			
	FY 1989***	FY 1991	FY 1992
Required Local Expenditure	\$15,487,162	\$22,184,053	\$22,993,711

Statewide Summary of State and Local Support		
	FY 1991	FY 1992
Increase in State Personnel Support	(\$4,317,734)	(\$4,037,417)
Increase in Local Personnel Support	\$6,696,891	\$7,506,549
Per Capita State Support for Personnel	\$1.28	\$1.32
Per Capita Local Support for Personnel	\$3.69	\$3.82
Per Capita State Support for Total Costs	\$1.56	\$1.61

Notes	
*Projected personnel costs for FY 1990.	
**Actual appropriations.	
***No Required Expenditure in FY 1989; amount shown is estimate of local support as reported by constitutional officers.	

State and Local Support for Local Directors of Finance: Example 1

Summary of Personnel Cost Factors			
Personnel Cost Factors	FY 1990	FY 1991	FY 1992
State Recognized FTEs	211.010	416.365	416.365
State Responsibility FTEs	107.005	25.204	25.204
Local Responsibility FTEs	382.335	391.161	391.161
Total FTEs	489.340	416.365	416.365
Average Salary	\$20,185	\$20,922	\$21,686
Annual Salary Adjustment	--	3.65%	3.65%
Cost of Competing Factor	--	0.0000%	0.0000%
FOAI (% of Salary)	7.51%	7.65%	7.65%
Group Life (% of Salary)	1.02%	1.02%	1.02%
Retirement (% of Salary)	(VSRS Approved Local Rate)		

Summary of Non-Personnel Cost Factors			
Non-Personnel Cost Factors	FY 1990	FY 1991	FY 1992
Office Expense Adjustment	--	0.00%	0.00%
Mileage Adjustment	--	0.00%	0.00%
Capital Outlay Adjustment	--	0.00%	0.00%

Summary of State and Local Share Factors			
State and Local Responsibility for Funding			
Service	State	Local	% of FTEs
Assessing Real Property	0%	100%	9.7%
Assessing Personal Property	0%	100%	18.0%
Assessing Misc. Taxes	0%	100%	10.3%
Collection and			
Custody of Local Funds	0%	100%	42.1%
Assistance to Local Officials	0%	100%	2.8%
Assistance to State Agencies	100%	0%	0.7%
State Income Taxes	100%	0%	4.0%
Other State Revenues	100%	0%	0.7%
Office Administration	6%	94%	10.4%
Principal Officer	6%	94%	1.2%
Local Ability to Pay for Shared Costs		State	Local
Statewide Share of Local Costs		25%	75%

Statewide Summary of State and Local Personnel Costs			
Personnel Costs	FY 1990*	FY 1991	FY 1992
State	\$2,651,995	\$861,504	\$892,960
Local	\$12,268,221	\$9,452,503	\$9,797,674
Total	\$14,920,216	\$10,314,007	\$10,690,634

Summary of State Appropriations			
Appropriation	FY 1990**	FY 1991	FY 1992
Personnel	\$2,651,995	\$861,504	\$892,960
Non-Personnel	\$372,575	\$372,575	\$372,575
Total	\$3,024,570	\$1,234,079	\$1,265,535

Summary of Local expenditures			
	FY 1989***	FY 1991	FY 1992
Required Local Expenditure	\$12,268,221	\$9,452,503	\$9,797,674

Statewide Summary of State and Local Support		
	FY 1991	FY 1992
Increase in State Personnel Support	(\$1,790,491)	(\$1,759,035)
Increase in Local Personnel Support	(\$2,815,718)	(\$2,470,547)
Per Capita State Support for Personnel	\$1.10	\$1.14
Per Capita Local Support for Personnel	\$12.04	\$12.48
Per Capita State Support for Total Costs	\$1.57	\$1.61

Notes	
*Projected personnel costs for FY 1990.	
**Actual appropriations.	
***No Required Expenditures in FY 1989; amount shown is estimate of local support as reported by constitutional officers.	

SUMMARY OF CHOICES FOR EXAMPLE 2

- Staffing based on statewide staffing standards
- Salaries based on a weighted statewide average for FY 1990, with adjustments for merit increases of 3.65 percent in FY 1991 and 3.65 percent in FY 1992.
- Cost of competing for Northern Virginia offices based on differential for State employees
- Level funding of non-personnel costs
- A moderate level of State cost responsibility for shared State-local cost categories
- A statewide aggregate local share for ability to pay of 50 percent for sheriffs, clerks of court, and Commonwealth's attorneys, and 75 percent for treasurers, commissioners of revenue, and directors of finance
- Distribution of fee revenues based on the State and local shares of costs.

State and Local Support for Sheriffs Offices: Example 2

Summary of Personnel Cost Factors			
Personnel Cost Factors	FY 1990	FY 1991	FY 1992
State Recognized FTEs	6,227.144	7,019.394	7,019.394
State Responsibility FTEs	6,227.144	3,874.087	3,874.087
Local Responsibility FTEs	574.809	3,145.307	3,145.307
Total FTEs	6,801.953	7,019.394	7,019.394
Average Salary	\$21,635	\$22,425	\$23,244
Annual Salary Adjustment	--	3.65%	3.65%
Cost of Competing Factor	--	10.6232%	10.6232%
FOAI (% of Salary)	7.51%	7.65%	7.65%
Group Life (% of Salary)	1.02%	1.02%	1.02%
Retirement (% of Salary)	(VRSRS Approved Local Rate)		

Summary of Non-Personnel Cost Factors			
Non-Personnel Cost Factors	FY 1990	FY 1991	FY 1992
Office Expense Adjustment	--	0.00%	0.00%
Mileage Adjustment	--	0.00%	0.00%
Capital Outlay Adjustment	--	0.00%	0.00%

Summary of State and Local Share Factors			
State and Local Responsibility for Funding			
Service	State	Local	% of FTEs
Law Enforcement	23%	77%	18.7%
Court Security	100%	0%	9.5%
Civil Process	100%	0%	6.9%
Dispatch Operations	23%	77%	7.1%
Jail Security	63%	37%	41.7%
Jail Medical and Treatment	63%	37%	6.1%
Jail Food Preparation	63%	37%	2.8%
Office Administration	58%	42%	5.3%
Principal Officer	58%	42%	1.9%
Local Ability to Pay for Shared Costs	State	Local	
Statewide Share of Local Costs	50%	50%	

Statewide Summary of State and Local Personnel Costs			
Personnel Costs	FY 1990*	FY 1991	FY 1992
State	\$139,485,828	\$149,517,645	\$154,978,162
Local	\$41,971,476	\$38,687,371	\$40,100,272
Total	\$181,457,304	\$188,205,016	\$195,078,434

Summary of State Appropriations			
Appropriation	FY 1990**	FY 1991	FY 1992
Personnel	\$139,485,828	\$149,517,645	\$154,978,162
Non-Personnel (Regular)	\$12,172,439	\$12,172,439	\$12,172,439
Non-Personnel (Item 75)	\$35,195,562	\$35,195,562	\$35,195,562
Total	\$186,853,829	\$196,885,646	\$202,346,163

Summary of Local Expenditures			
	FY 1989***	FY 1991	FY 1992
Required Local Expenditure	\$41,971,476	\$38,687,371	\$40,100,272

Statewide Summary of State and Local Support		
	FY 1991	FY 1992
Increase in State Personnel Support	\$10,031,817	\$15,492,334
Increase in Local Personnel Support	(\$3,284,105)	(\$1,871,204)
Per Capita State Support for Personnel	\$24.86	\$25.77
Per Capita Local Support for Personnel	\$6.43	\$6.67
Per Capita State Support for Total Costs	\$32.73	\$33.64

Notes	
*Projected personnel costs for FY 1990.	
**Actual appropriations.	
***No Required Expenditure in FY 1989; amount shown is estimate of local support as reported by constitutional officers.	

State and Local Support for Commonwealth's Attorneys: Example 2

Summary of Personnel Cost Factors			
Personnel Cost Factors	FY 1990	FY 1991	FY 1992
State Recognized FTEs	547.369	714.167	714.167
State Responsibility FTEs	547.369	589.479	589.479
Local/Other*** Responsibility FTEs	83.000	124.687	124.687
Total FTEs	630.369	714.167	714.167
Average Salary (Attorneys)	\$34,476	\$35,734	\$37,038
Average Salary (Support)	\$18,715	\$19,398	\$20,106
Annual Salary Adjustment	--	3.65%	3.65%
Cost of Competing (Attorneys)	--	19.3485%	19.3485%
Cost of Competing (Support)	--	17.2092%	17.2092%
FOAI (% of Salary)	7.51%	7.65%	7.65%
Group Life (% of Salary)	1.02%	1.02%	1.02%
Retirement (% of Salary)	(VSRS Approved Local Rate)		

Summary of Non-Personnel Cost Factors			
Non-Personnel Cost Factors	FY 1990	FY 1991	FY 1992
Office Expense Adjustment	--	0.00%	0.00%
Mileage Adjustment	--	0.00%	0.00%
Capital Outlay Adjustment	--	0.00%	0.00%

Summary of State and Local Share Factors			
State and Local Responsibility for Funding			
Service	State	Local	% of FTEs
State Prosecution	100%	0%	55.77%
Local Prosecution	0%	100%	10.54%
Advice to Local Officials (COI)	50%	50%	0.66%
Advice to Local Officials	50%	50%	1.41%
Advice to State Agencies	100%	0%	4.60%
Civic Duties	100%	0%	3.04%
Office Administration	85%	15%	7.71%
Principal Officer	85%	15%	16.25%
Local Ability to Pay for Shared Costs		State	Local
Statewide Share of Local Costs		50%	50%

Statewide Summary of State and Local Personnel Costs			
Personnel Costs	FY 1990*	FY 1991	FY 1992
State	\$19,909,692	\$22,821,090	\$23,653,952
Local	\$5,498,808	\$3,269,857	\$3,389,182
Total	\$25,408,500	\$26,090,947	\$27,043,134

Summary of State Appropriations			
Appropriation	FY 1990**	FY 1991	FY 1992
Personnel (Comp. Board)	\$19,135,188	\$22,046,586	\$22,879,448
Personnel (Other)***	\$774,504	\$774,504	\$774,504
Non-Personnel	\$757,415	\$757,415	\$757,415
Total	\$20,667,107	\$23,578,505	\$24,411,367

Summary of Local Expenditures			
	FY 1989****	FY 1991	FY 1992
Required Local Expenditure	\$5,498,808	\$3,269,857	\$3,389,182

Statewide Summary of State and Local Support		
	FY 1991	FY 1992
Increase in State Personnel Support	\$2,911,398	\$3,744,260
Increase in Local Personnel Support	(\$2,228,951)	(\$2,109,626)
Per Capita State Support for Personnel	\$3.94	\$4.08
Per Capita Local Support for Personnel	\$0.56	\$0.58
Per Capita State Support for Total Costs	\$4.07	\$4.21

Notes	
*Projected personnel costs for FY 1990.	
**Actual appropriations.	
***Personnel funding from the Department of Criminal Justice Services and the State Board of Social Services.	
****No Required Expenditure in FY 1989; amount shown is estimate of local support as reported by constitutional officers.	

State and Local Support for Circuit Court Clerks: Example 2

Summary of Personnel Cost Factors			
Personnel Cost Factor	FY 1990	FY 1991	FY 1992
State Recognized FTEs	1,009.831	1,070.853	1,070.853
State Responsibility FTEs	1,009.831	765.781	765.781
Local Responsibility FTEs	63.479	305.072	305.072
Total FTEs	1,073.310	1,070.853	1,070.853
Average Salary	\$21,268	\$22,044	\$22,849
Annual Salary Adjustment	--	3.65%	3.65%
Cost of Competing Factor	--	15.4342%	15.4342%
FOAI (% of Salary)	7.51%	7.65%	7.65%
Group Life (% of Salary)	1.02%	1.02%	1.02%
Retirement (% of Salary)	(VSRS Approved Local Rate)		

Summary of Non-Personnel Cost Factors			
Non-Personnel Cost Factor	FY 1990	FY 1991	FY 1992
Office Expense Adjustment	--	0.00%	0.00%
Mileage Adjustment	--	0.00%	0.00%
Capital Outlay Adjustment	--	0.00%	0.00%

Summary of State and Local Share Factors			
State and Local Responsibility for Funding			
Service	State	Local	% of FTEs
Land, Property Records	25%	75%	19.9%
Wills, Estates, Fiduciaries	100%	0%	6.0%
Civil, Criminal Cases	100%	0%	23.9%
Courtroom	100%	0%	8.2%
Business Records	50%	50%	2.8%
State Licenses	100%	0%	4.6%
Elections	50%	50%	0.4%
Military Records	100%	0%	0.6%
Board of Supervisors	0%	100%	0.2%
Genealogical Research	50%	50%	3.2%
Microfilming	50%	50%	5.5%
Bookkeeping	65%	35%	6.4%
Office Administration	72%	28%	7.0%
Principal Officer	72%	28%	11.3%
Local Ability to Pay for Shared Costs	State	Local	
Statewide Share of Local Costs	50%	50%	

Statewide Summary of State and Local Personnel Costs			
Personnel Costs	FY 1990*	FY 1991	FY 1992
State	\$26,356,968	\$28,968,095	\$30,025,918
Local	\$10,309,683	\$4,687,630	\$4,858,830
Total	\$36,666,651	\$33,655,725	\$34,884,748

Summary of State Appropriations			
Appropriation	FY 1990**	FY 1991	FY 1992
Personnel	\$2,197,403	\$28,968,095	\$30,025,918
Non-Personnel	\$1,661,510	\$1,661,510	\$1,661,510
Total	\$3,858,913	\$30,629,605	\$31,687,428

Summary of Local Expenditures			
	FY 1989***	FY 1991	FY 1992
Required Local Expenditure	\$10,309,683	\$4,687,630	\$4,858,830

Statewide Summary of Clerks' Fees****			
	FY 1989	FY 1991	FY 1992
Total Fees Collected	\$33,719,463	\$39,497,351	\$42,386,295
State Share of Fees	\$2,856,979	\$33,525,032	\$35,970,143
Local Share of Fees	\$5,714,043	\$5,972,319	\$6,416,152
Retained by Clerks	\$25,148,441	\$0	\$0

Statewide Summary of State and Required Local Support		
	FY 1991	FY 1992
Increase in State Personnel Support	\$26,770,692	\$27,828,515
Increase in Local Personnel Support	(\$5,622,053)	(\$5,450,853)
Increase in State Share of Fees	\$30,668,053	\$33,113,164
Increase in Local Share of Fees	\$258,276	\$702,108
Per Capita State Support for Personnel	\$4.82	\$4.99
Per Capita Local Support for Personnel	\$0.78	\$0.81
Per Capita State Support for Total Costs	\$5.09	\$5.27

Notes	
*Projected personnel costs for FY 1990.	
**Actual appropriations.	
***No Required Expenditure in FY 1989; amount shown is estimate of local support as reported by constitutional officers.	
****Fees projected from Compensation Board data.	

State and Local Support for Commissioners of Revenue: Example 2

Summary of Personnel Cost Factors			
Personnel Cost Factors	FY 1990	FY 1991	FY 1992
State Recognized FTEs	934.991	1,332.222	1,332.222
State Responsibility FTEs	502.866	407.571	407.571
Local Responsibility FTEs	869.984	924.651	924.651
Total FTEs	1,372.850	1,332.222	1,332.222
Average Salary	\$19,287	\$19,991	\$20,721
Annual Salary Adjustment	--	3.65%	3.65%
Cost of Competing Factor	--	17.0750%	17.0750%
FOAI (% of Salary)	7.51%	7.65%	7.65%
Group Life (% of Salary)	1.02%	1.02%	1.02%
Retirement (% of Salary)	(VSRS Approved Local Rate)		

Summary of Non-Personnel Cost Factors			
Non-Personnel Cost Factors	FY 1990	FY 1991	FY 1992
Office Expense Adjustment	--	0.00%	0.00%
Mileage Adjustment	--	0.00%	0.00%
Capital Outlay Adjustment	--	0.00%	0.00%

Summary of State and Local Share Factors			
State and Local Responsibility for Funding			
Service	State	Local	% of FTEs
Assessing Real Property	10%	90%	19.1%
Assessing Personal Property	10%	90%	30.9%
Assessing Misc. Taxes	10%	90%	14.7%
State Income Taxes	100%	0%	19.1%
Assistance to Local Officials	0%	100%	1.4%
Assistance to State Agencies	100%	0%	0.8%
Office Administration	30%	70%	4.3%
Principal Officer	30%	70%	9.8%
Local Ability to Pay for Shared Costs	State		Local
Statewide Share of Local Costs	25%		75%

Statewide Summary of State and Local Personnel Costs			
Personnel Costs	FY 1990*	FY 1991	FY 1992
State	\$12,964,315	\$16,872,643	\$17,488,735
Local	\$20,216,205	\$18,655,050	\$19,336,330
Total	\$33,180,520	\$35,527,693	\$36,825,065

Summary of State Appropriations			
Appropriation	FY 1990**	FY 1991	FY 1992
Personnel	\$12,964,315	\$16,872,643	\$17,488,735
Non-Personnel	\$1,309,118	\$1,309,118	\$1,309,118
Total	\$14,273,433	\$18,181,761	\$18,797,853

Summary of Local Expenditures			
	FY 1989***	FY 1991	FY 1992
Required Local Expenditure	\$20,216,205	\$18,655,050	\$19,336,330

Statewide Summary of State and Required Local Support		
	FY 1991	FY 1992
Increase in State Personnel Support	\$3,908,328	\$4,524,420
Increase in Local Personnel Support	(\$1,561,155)	(\$879,875)
Per Capita State Support for Personnel	\$2.81	\$2.91
Per Capita Local Support for Personnel	\$3.10	\$3.21
Per Capita State Support for Total Costs	\$3.02	\$3.13

Notes	
*Projected personnel costs for FY 1990.	
**Actual appropriations.	
***No Required Expenditure in FY 1989; amount shown is estimate of local support as reported by constitutional officers.	

State and Local Support for Local Treasurers: Example 2

Summary of Personnel Cost Factors			
Personnel Cost Factors	FY 1990	FY 1991	FY 1992
State Recognized FTEs	853.868	1,155.838	1,155.838
State Responsibility FTEs	466.234	295.859	295.859
Local Responsibility FTEs	693.266	859.979	859.979
Total FTEs	1,159.500	1,155.838	1,155.838
Average Salary	\$19,006	\$19,700	\$20,419
Annual Salary Adjustment	--	3.65%	3.65%
Cost of Competing Factor	--	17.3997%	17.3997%
FOAI (% of Salary)	7.51%	7.65%	7.65%
Group Life (% of Salary)	1.02%	1.02%	1.02%
Retirement (% of Salary)	(VSRS Approved Local Rate)		

Summary of Non-Personnel Cost Factors			
Non-Personnel Cost Factors	FY 1990	FY 1991	FY 1992
Office Expense Adjustment	--	0.00%	0.00%
Mileage Adjustment	--	0.00%	0.00%
Capital Outlay Adjustment	--	0.00%	0.00%

Summary of State and Local Share Factors			
State and Local Responsibility for Funding			
Service	State	Local	% of FTEs
Collection and			
Custody of Local Funds	10%	90%	62.4%
Assistance to Local Officials	0%	100%	3.9%
Assistance to State Agencies	100%	0%	1.4%
State Income Taxes	100%	0%	11.2%
Other State Revenues	100%	0%	1.7%
Office Administration	26%	74%	8.2%
Principal Officer	26%	74%	11.3%
Local Ability to Pay for Shared Costs		State	Local
Statewide Share of Local Costs		25%	75%

Statewide Summary of State and Local Personnel Costs			
Personnel Costs	FY 1990*	FY 1991	FY 1992
State	\$11,997,764	\$13,962,247	\$14,471,840
Local	\$15,487,162	\$16,766,486	\$17,378,394
Total	\$27,484,926	\$30,728,733	\$31,850,234

Summary of State Appropriations			
Appropriation	FY 1990**	FY 1991	FY 1992
Personnel	\$11,997,764	\$13,962,247	\$14,471,840
Non-Personnel	\$1,706,343	\$1,706,343	\$1,706,343
Total	\$13,704,107	\$15,668,590	\$16,178,183

Summary of Local Expenditures			
	FY 1989***	FY 1991	FY 1992
Required Local Expenditure	\$15,487,162	\$16,766,486	\$17,378,394

Statewide Summary of State and Local Support		
	FY 1991	FY 1992
Increase in State Personnel Support	\$1,964,483	\$2,474,076
Increase in Local Personnel Support	\$1,279,324	\$1,891,232
Per Capita State Support for Personnel	\$2.32	\$2.41
Per Capita Local Support for Personnel	\$2.79	\$2.89
Per Capita State Support for Total Costs	\$2.61	\$2.69

Notes	
*Projected personnel costs for FY 1990.	
**Actual appropriations.	
***No Required Expenditure in FY 1989; amount shown is estimate of local support as reported by constitutional officers.	

State and Local Support for Local Directors of Finance: Example 2

Summary of Personnel Cost Factors			
Personnel Cost Factors	FY 1990	FY 1991	FY 1992
State Recognized FTEs	211.010	416.365	416.365
State Responsibility FTEs	107.005	62.982	62.982
Local Responsibility FTEs	382.335	353.383	353.383
Total FTEs	489.340	416.365	416.365
Average Salary	\$20,185	\$20,922	\$21,686
Annual Salary Adjustment	--	3.65%	3.65%
Cost of Competing Factor	--	16.6685%	16.6685%
FOAI (% of Salary)	7.51%	7.65%	7.65%
Group Life (% of Salary)	1.02%	1.02%	1.02%
Retirement (% of Salary)	(VSRS Approved Local Rate)		

Summary of Non-Personnel Cost Factors			
Non-Personnel Cost Factors	FY 1990	FY 1991	FY 1992
Office Expense Adjustment	--	0.00%	0.00%
Mileage Adjustment	--	0.00%	0.00%
Capital Outlay Adjustment	--	0.00%	0.00%

Summary of State and Local Share Factors			
State and Local Responsibility for Funding			
Service	State	Local	% of FTEs
Assessing Real Property	10%	90%	9.7%
Assessing Personal Property	10%	90%	18.0%
Assessing Misc. Taxes	10%	90%	10.3%
Collection and			
Custody of Local Funds	10%	90%	42.1%
Assistance to Local Officials	0%	100%	2.8%
Assistance to State Agencies	100%	0%	0.7%
State Income Taxes	100%	0%	4.0%
Other State Revenues	100%	0%	0.7%
Office Administration	15%	85%	10.4%
Principal Officer	15%	85%	1.2%
Local Ability to Pay for Shared Costs	State	Local	
Statewide Share of Local Costs	25%	75%	

Statewide Summary of State and Local Personnel Costs			
Personnel Costs	FY 1990*	FY 1991	FY 1992
State	\$2,651,995	\$3,197,247	\$3,314,019
Local	\$12,268,221	\$7,481,702	\$7,754,952
Total	\$14,920,216	\$10,678,949	\$11,068,971

Summary of State Appropriations			
Appropriation	FY 1990**	FY 1991	FY 1992
Personnel	\$2,651,995	\$3,197,247	\$3,314,019
Non-Personnel	\$372,575	\$372,575	\$372,575
Total	\$3,024,570	\$3,569,822	\$3,686,594

Summary of Local expenditures			
	FY 1989***	FY 1991	FY 1992
Required Local Expenditure	\$12,268,221	\$7,481,702	\$7,754,952

Statewide Summary of State and Local Support		
	FY 1991	FY 1992
Increase in State Personnel Support	\$545,252	\$662,024
Increase in Local Personnel Support	(\$4,786,519)	(\$4,513,269)
Per Capita State Support for Personnel	\$4.07	\$4.22
Per Capita Local Support for Personnel	\$9.53	\$9.88
Per Capita State Support for Total Costs	\$4.55	\$4.70

Notes	
*Projected personnel costs for FY 1990.	
**Actual appropriations.	
***No Required Expenditures in FY 1989; amount shown is estimate of local support as reported by constitutional officers.	

Appendix F

Agency Response

As part of an extensive data validation process, each State agency involved in a JLARC assessment effort is given the opportunity to comment on an exposure draft of the report. This appendix contains the response by the State Compensation Board.

Appropriate technical corrections resulting from the written comments have been made in this version of the report. Page references in the agency response relate to an earlier exposure draft and may not correspond to page numbers in this version of the report.

Appendix G, which follows the agency response, contains the JLARC staff's reply to the Compensation Board.



J. T. SHROPSHIRE
CHAIRMAN

BRUCE W. HAYNES
EXECUTIVE SECRETARY

W. H. FORST
W. J. KUCHARSKI
EX-OFFICIO MEMBERS

COMMONWEALTH of VIRGINIA

COMPENSATION BOARD

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May 11, 1990

Mr. Philip A. Leone
Director
Joint Legislative Audit and Review Commission
Suite 1100
General Assembly Building
Richmond, Virginia 23219

Dear Mr. Leone:

I am pleased to enclose the Compensation Board's response to the April 23, 1990 exposure draft of Funding of Constitutional Officers as well as the previously released exposure draft for individual constitutional officers. I believe that the Compensation Board's response offers a perspective that will aid the JLARC members as they review your staff recommendations.

The Compensation Board welcomes the opportunity to discuss the attached response with you should additional clarification be necessary.

Please extend to the members of your staff who worked on this project my sincere thanks for a particularly difficult job.

I look forward to working with you and your staff in the future.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bruce W. Haynes".

Bruce W. Haynes
Executive Secretary

BWH/kml

Copy to: Compensation Board Members

The Honorable Ruby G. Martin
Secretary of Administration

Introduction

The Compensation Board has reviewed the recommendations of the JLARC staff in the report Funding of Constitutional Officers dated April 23, 1990 as well as the staff's individual reports concerning each constitutional officer (herein referred to collectively as "the study"). The Compensation Board would like to offer the following observations concerning these studies in general:

FISCAL IMPACT

The fiscal impact of the study causes the Compensation Board much concern. While the staffing studies result in increases in FTE's for half of the Constitutional Officers, it is important to note, first, that local governments will be required to provide most of the funding for these new positions. The study estimates that the cost to local governments for personnel in the 90/92 biennium to be \$224.3 million.

As a example, using data from the JLARC study "Illustrative Funding Options" for Sheriffs dated December 11, 1989, we find that costs to Accomack County will increase significantly for additional personnel. Using current (FY90) F.T.E. and funding data from the study (45.758 and \$949,327) compared to proposed (FY91) F.T.E. and funding (58.213 and \$1,251,812) results in an additional cost to the county of \$94,003 for the Sheriffs Department, based on average salaries. Using the Commission's methodology for all five constitutional officers results in an increased cost to Accomack County of \$202,427 in FY91.

OVERALL IMPACT OF STUDY

The Board has serious reservations about the implementation of the study recommendations. Should action take place to implement the study, the Board offers the following comments. The study recommends several changes which will directly affect both the Board's staff and funding commitments of localities for these Offices. These recommendations represent a significant change in operations. The Board strongly suggests that the Commission have the staff set forth a timetable which allows for an orderly change to the study recommendations. Implementation of these recommendations without a transition period would result in chaos.

EQUITABLE STAFFING STANDARDS

The JLARC staff methodology used in the study for determining office staffing results in a JLARC staff conclusion that nearly all 640 offices are either under staffed or over staffed. This

leads the staff to the conclusion that "the current process does not result in equitable staffing allocations." (Sheriffs Staffing Standards, February 8, 1990, page ii) The Compensation Board is aware of the under staffing of many offices, and has repeatedly requested additional funding and positions through the State budgetary process. The Compensation Board does not agree with the specific staffing requirements recommended by the JLARC staff, and bases this conclusion on requests for positions from constitutional officers. In many cases, officers have not requested anywhere near the additional positions seen as needed by the JLARC staff. Additionally, some of the offices seen as over-staffed have received positions as a result of court actions which were opposed by the Compensation Board.

Overall, the Compensation Board believes that current staffing inequities have occurred as a result of limited funding and court actions, and not as a result of the process utilized by the Compensation Board to allocate positions.

TIMELINESS OF DATA

The basic premise of the study is that reliable workload data can be collected from constitutional officers and used to drive a funding formula which considers state/local responsibilities, ability to pay and various workload indicators. Problems with such a methodology are commented on in detail in the attached responses, but perhaps the fundamental flaw with this reasoning is the timeliness of the data. Simply put, data collected for calendar year 1990 would be used to fund operations beginning 18 months later, i.e., July 1, 1992. The Compensation Board often uses data 2-3 months after collection. Perhaps more importantly, the Compensation Board often responds to fiscal emergencies within the budget year. Recent examples including funding related to the AVTEX plant closing, and coal strike issues.

SUMMARY

In summary, the Compensation Board:

- AGREES that the development of workload standards are necessary and appropriate. Standards currently used by the Compensation Board are taken from statutes, or have been developed after discussions with or assistance of constitutional officer associations.
- DISAGREES that any one staffing standard can be utilized on a statewide basis due to differences among the offices and further DISAGREES specifically with the JLARC standards, because they do not recognize the unique nature of many offices, elective duties performed by some offices, and, in some cases, the absence of objective criteria (e.g., "judicial mandates").

- DISAGREES that any standard should be used as the only method for the allocation of positions;
- DISAGREES with using a statewide average salary methodology for funding purposes. This approach would result in a de facto abandonment of the current policy of statewide salary scales and uniformity in job classifications and pay. These salary scales have been established in cooperation with the Department of Personnel and Training and constitutional officer associations.
- AGREES that the General Assembly should consider a salary differential for employees of constitutional officers in Northern Virginia;
- AGREES that ability to pay (or, fiscal stress) should be considered;
- DISAGREES with any grant or pre-payment approvals to funding any costs of constitutional officers. This process would result in limiting the constitutional officer's operational control of the office and limit the ability of the State to respond to fiscal emergencies during a fiscal year.
- AGREES that the allocation of funding between state and local responsibilities should be determined and ultimately set by the General Assembly, but DISAGREE with the specific state/local percentage recommendations made by the JLARC staff;
- AGREES that the distribution of fees collected should reflect the percentage of state/local responsibility in the individual office;
- AGREES that the fee distribution method and the establishment of budgets for Clerks of Circuit Courts should be made consistent with other constitutional officers;
- AGREES that the Compensation Board has inadequate staff to review budgets; this fact has been confirmed by a 1988 DIT study and HD 29 (1988 Session).
- AGREES that the current budgetary and appropriation process does not recognize differences in the timing for approval of State and local governments, and proposes an alternative which differs from the JLARC staff recommendation;

- DISAGREES that the services provided by constitutional officers are essentially local in nature. All services of constitutional officers benefit all citizens of the Commonwealth at least indirectly.
- AGREES that the General Assembly should consider increased local government funding for constitutional officers but notes that local government funding of Commonwealth Attorney offices may present a problem, and
- DISAGREES with the constitutional officers loss of the right to appeal and suggests that this right not only be retained, but extended to include the local governing body as well.

ALTERNATIVES

1. Due to the complexity of the recommendations and fiscal impact, the Compensation Board suggests that Commission members or other members of the General Assembly may wish to consider forming a study group to review the staff recommendations in greater detail. If this approach is undertaken, suggested members of the study group include representatives from the Compensation Board, constitutional officer associations, local governments, and the General Assembly.
2. The Compensation Board suggests that the Commission consider requesting the General Assembly to direct the Compensation Board to contract with the Center for Public Service at the University of Virginia to develop a methodology for funding of constitutional officers that meets with the general approval of the constitutional officers, the General Assembly and local governments.

RECOMMENDATION (1).

The General Assembly may wish to consider mandating the use of statewide staffing standards for constitutional officers. The standards should be based on workload indicators which have a clear and reasonable relationship to staffing.

WE AGREE and DISAGREE .

The Compensation Board uses staffing standards for constitutional officers and applies these standards as the primary consideration in requests for additional positions. The Compensation Board does not, however, rely on staffing standards as the only criteria in the decision making process. Standards are developed and used as a baseline from which requests are considered. The Compensation Board uses this approach because it would be exceedingly difficult to find two offices which are identical in workload, staff expertise, level of automation, nature of work, population served, duties performed and support by the locality. These differences simply do not allow any one formula to address the multiple variances found in the 640 constitutional offices across the Commonwealth. Two examples clearly show the flaws inherent in the standards developed by JLARC staff:

I. COMMONWEALTHS ATTORNEY STAFFING

JLARC staff have based their staffing recommendations on an analysis that uses population and Uniform Crime Index statistics to project caseload. However, the Uniform Crime Index is a very poor means of comparing caseload in a prosecutor's office. The UCR Crime Index is made up of the number of reported offenses in seven major crime categories: murder, rape, robbery, aggravated assault, burglary, larceny and motor vehicle theft. While this may be a valid indication of police needs, prosecutors deal with criminals arrested, not crimes committed. For this statistic to be a valid method of comparing workloads in various jurisdictions, one has to make the assumption that there is a relatively consistent number of persons arrested for these offenses from one jurisdiction to another. This is an unfounded assumption. According to the State Police report Crime in Virginia the number of persons arrested for these seven crime categories in the 48 full-time jurisdictions varies from a high of 39.2 persons per 100 offenses reported in Tazewell County to a low of 9.6 persons per 100 offenses reported in Loudoun County. All of the jurisdictions for which JLARC recommends an increase of four or more positions are below the statewide average of 19.6 persons arrested per 100 offenses reported.

A second factor that makes these statistics unreliable for use in determining prosecutor staffing standards is that they do not account for the variable amount of prosecutorial resources needed for more serious offenses. These figures count a misdemeanor larceny as equal to a capital murder. According to a study by the National Institute of Justice titled Caseweighting Systems for Prosecutors: Guidelines and Procedures (1987), while misdemeanors account for 74.6% of an average prosecutor's caseload, they account for only 17.7% of his hourly workload. The average attorney time spent on a violent felony is 4.3 hours while the average for a misdemeanor is 0.2 hours. This disparity in time spent on more serious offenses is compounded when one attempts to use the UCR index to project caseload because the index includes misdemeanor larcenies in its figures. In fact, 44.9% of the total crime index is composed of misdemeanor larcenies. Accordingly, almost half of the offenses used by JLARC to compute staff needs are cases which demand very little of the prosecutor's time.

The other criteria used by JLARC Staff to project staff needs is population. This would be a valid factor if crimes were prosecuted where the offender resided instead of where the crime occurred. Unfortunately this is not the law. The use of population ignores the fact that many jurisdictions are made up of individuals who are not permanent residents. While there certainly is some correlation between population and prosecutorial caseload, there are simply too many additional variables to consider to assign population a direct relationship.

Many prosecutors across the state have apparently recognized the inherent flaws in the JLARC staff recommendations as evidenced by requests for additional positions for FY91. If the JLARC staff data were valid, it would seem to follow that prosecutors would be requesting additional positions in the numbers recommended by the JLARC staff. Such is not the case; for example, JLARC staffing standards call for an increase of 14.26 positions in the Richmond City Commonwealth Attorney's office, but the Commonwealth Attorney only requested 4 additional positions.

JLARC staff have chosen for some reason to ignore actual caseload statistics in its study. However, these statistics are being used by the Supreme Court in

determining judicial needs. As a result, the General Assembly has assigned additional Circuit Court judges to localities at the same time JLARC is recommending cutting the prosecutor's staff. Unless there is some consistency in evaluating the needs of each component of the system, an unbalanced system will result. JLARC staff should explain why they believe that caseload statistics are valid indicators of judicial needs but invalid when applied to prosecutors.

II. COURT SECURITY STAFFING

JLARC staffing standards call for nearly 148 additional court security officers statewide. The basis for this standard is "judicial mandate." The General Assembly has recognized the demands placed on Sheriffs by Judges, and included language in the Appropriation Act which limits court security personnel to 1 in General District Court for criminal cases and 2 in Circuit Courts for criminal cases. None are provided for J & DR Courts. Further, the Appropriation Act states that "...the sheriff may consider other deputies present in the courtroom as part of his security force."

In the event of a disagreement between a Sheriff and a Judge, concerning court security staffing, the Code of Virginia stipulates that the Compensation Board shall settle the matter within current funding levels.

The Compensation Board maintains that both the "judicial mandate" used by JLARC and language in the Appropriation Act are inappropriate for use as a standard and are not objective. Staffing for court security has two major considerations, first, the physical layout of the courtroom and accessibility to it (e.g., doors and windows) and secondly, the nature of the case being heard. These considerations were not addressed by the study.

The workload standards used in the JLARC study come from a survey of what duties the Constitutional Officers perform. This method of data gathering does give a basis for determining workload standards, but fails to recognize certain inconsistencies among the localities. Additionally, the method fails to eliminate duties which officers perform beyond those set forth in the Code of Virginia. As an example, the Commissioner of Revenue in one of the largest localities performs not only the assessment of new property and construction, but the entire re-assessment function. Re-assessment of the entire locality is not a normal or statutory duty of the Commissioner's Office.

Workload standards should accomplish two goals. The first goal is to measure the staff needs of Offices to meet their statutory mandates. When Officers perform duties beyond these basic statutory mandates, they should not benefit from this election. Secondly, when statutes allow Officers several alternatives to meet their responsibilities, the standards should serve as a Statewide measure of performance to distribute positions. We believe the staff's development of standards does not meet either of these goals.

The Board has undertaken the development of workload standards over the past three years after discussions with and assistance of constitutional officer associations. We recognize the difficulty in setting Statewide standards, but believe this is a more equitable method. The Board wishes to advise the Commission that the use of standard workload measures may cost the Commonwealth additional funding. Since workload standards are a primary part of funding, localities will move functions into these Offices under the standards developed by the staff. As in our example, if re-assessment is part of the locality's funding base then the Assessor's Offices funded directly by the locality will be moved to the Commissioner's Office.

As an alternative to JLARC recommendation (1), the Compensation Board suggests the following:

The General Assembly may wish to consider requiring the Compensation Board to develop staffing standards for constitutional officers, and require that the Compensation Board consider these standards prior to allocating additional positions. The Standards should be based on measurable statutory required duties. In developing the standards, the Compensation Board should allow for participation and input of the constitutional officers and their associations.

Recommendation (2).

The General Assembly may wish to establish a statewide average staff salary for each constitutional office for use in determining the costs recognized for State funding.

WE DISAGREE. The Compensation Board has established uniform salary scales for all positions in all constitutional offices. Job classifications, pay grades and salary steps were developed in cooperation with the Department of Personnel and Training some years ago. This results in, for example, the salary of a deputy sheriff in Lee County with 2 years experience being reimbursed by the Compensation Board at the same amount as a deputy sheriff in Gloucester County. Perhaps more importantly, it results in 2 employees in the same office having identical experience and assigned duties receiving the same rate of pay.

In the budget process currently used by the Compensation Board and the Department of Planning and Budget (DPB) actual salaries are considered at the time of budget preparation. This methodology is more precise than basing funding on an average. Further, while deviations from the average in large offices (e.g., Fairfax, Richmond, etc.) could be covered during the budget year, turnover in a small office would result in a year-end budget surplus or shortfall. For example, a three-person office could have an average salary of \$19,328 based on salaries of \$21,590, \$25,811 and \$10,583. If the employee at \$25,811 resigned effective July 1 and a new employee were hired at \$18,070, the office would realize a budget surplus of \$7741. On the other hand, if the employee at \$10,583 resigned July 1 and was replaced by a new employee at \$12,654, the office would realize a budget shortfall of \$2071 or have no flexibility to offer a salary any higher than \$10,583. It would be extremely cumbersome, and probably unworkable, to use average salary data as the base for personnel budgets when 368 of the nearly 640 constitutional officers have 5 or less employees. Further, the use of average salaries would constitute a de facto abandonment of the current policy of statewide salary scales which has resulted in uniformity within offices and between localities.

The use of average salaries for new positions approved after a certain date may be an acceptable compromise, provided that salaries of current employees were "held harmless" from reductions. Without a "hold harmless" provision, local governments, particularly smaller localities, may see an overall reduction in funding which could only be made up by reducing salaries of current employees. The average salary method has the potential for significant inequities, particularly when it is understood that no provision or mandate states that employees must receive benefits, even though funding may be included for benefits. The funds provided are based on full-time equivalent (F.T.E.) positions, and could just as well be used to pay hourly employees as salaried employees.

Recommendation (3).

The General Assembly may wish to recognize the increased cost of competing for personnel in Northern Virginia offices by establishing a salary differential for the staff of constitutional officers based on the differential for State employees with similar job functions and titles.

WE AGREE.

Recommendation (4).

The General Assembly may wish to establish a statewide fringe benefits package to be used in calculating the staffing costs to be recognized for state funding.

This recommendation has, for all intents and purposes, been adopted by the 1990 Session of the General assembly and will become effective July 1, 1990.

In developing the Governor's budget, DPB used actual salaries budgeted by the Compensation Board, and determined fringe benefits at 7.65% for FICA, .02% for Group Life Insurance, and retirement at 8.72%. Because the actual VSRS rates vary by locality from a low of 0% (Powhatan County) to a high of 11.94% (City of Franklin) the Compensation Board's actual cash reimbursement depended on the locality involved. Item 86 of Chapter 972 now limits the Compensation Board reimbursement for retirement to 8.72% or the locality's VSRS rate, whichever is lower. The estimated savings to the general fund (and resultant loss to localities) is estimated at \$3,023,598 each year.

Recommendation (5).

The General Assembly may wish to direct the development of uniform and consistent procedures for the distribution of State funding for non-personnel costs in the constitutional offices. Options that could be considered are (1) a grant process based on proposals for funding from the constitutional officers and specific evaluation criteria for making each grant; or (2) a formula process, based on workload and staffing data which can be demonstrated to be related to non-personnel costs. Any revised process for funding non-personnel costs should recognize the ability of localities to pay for such costs.

WE AGREE AND DISAGREE.

The Development of procedures for the distribution of State funding for non-personnel costs would serve as a helpful guide in the decision making process. The Compensation Board DISAGREES, however, with the use of any formula as the only basis to allocate funds. Without repeating the arguments presented in the response to Recommendation (1), the Compensation Board maintains that inconsistencies between offices (e.g., staffing, duties, level of automation, etc.) do not allow the distribution of funds based on a formula. Further, any method of distributing funds which does not consider need cannot be viewed as equitable.

Non-personnel costs for constitutional officers have been for the most part level funded by the General Assembly for the past three years, and are level funded again in the '90-92 Biennium. Consequently, local governments are picking up a greater share of costs for constitutional officers. This occurs not only due to inflation, but due to additional positions being approved by the General Assembly without a proportional increase in non-personnel costs.

It is a common misconception that the Compensation Board funds all non-personnel costs for Sheriffs, Commonwealth Attorneys and Clerks, and 50% of Office Expenses and Mileage and 33% of capital costs for Treasurers and Commissioners. This misconception is furthered by the JLARC report Table 5, page 26 which contains this information. The JLARC report is technically correct because it states "approved" costs; what is not stated is that the Compensation Board is not funded to provide anywhere near 100% of the actual non-personnel costs for all but the smallest offices. In a recent court case, testimony by the Finance Director of Stafford County revealed that the County paid 45.19% of costs for the Sheriffs Department, 83.64% of the Commissioners costs, 41.18% of the Commonwealth Attorneys costs and 80.37% of the Treasurers costs. This is by no means unusual or an extreme example. Consequently, it would appear essential to determine "need" before consideration is given to the method of disbursement.

The adoption of a grant/prepayment process would have an adverse fiscal impact on many localities because of level funding of non-personnel costs over the years. A grant/prepayment process should include a "hold-harmless" provision. A grant/prepayment process is a less conservative approach to funding than the current reimbursement process for a number of reasons. Under a grant process, there are only limited assurances that funds have been properly spent for the items requested unless exhaustive auditing is required. Also, no provision has been made for reverting unspent funds to the state at year end.

The staff recommendation does not address two specific areas of concern to the Compensation Board. The question of who would have final approval of the procedures developed for any grant/prepayment method is not addressed, and the recommendation does not mention a specific requirement for a local match. Both of these points should be addressed.

The Compensation Board DISAGREES with any grant approach to funding of constitutional officer non-personnel costs. Currently, the Compensation Board allocates non-personnel dollars (within the constraints of level funding) on the basis of the officer's request and demonstrated need. Comparisons between offices of similar size are made and consideration is given to any unusual circumstances which would require a change in level funding. Also, consideration is given to the level of funding (if any) provided by the local government. Once the budget is set, the Compensation Board reimburses the locality for expenses incurred by the Constitutional Officer and paid by the locality provided that funds are available and the expense is incurred for the budgeted category. JLARC assertions to the contrary, this level of fiscal control exceeds

that found in state agencies. Requests for reimbursement which are made for non-budgeted items are not allowed. Consequently, State funds are expended only for the specific purpose for which they were originally budgeted. The Compensation Board budgets by category (e.g., office expenses, capital outlay, part-time employment, etc.) and, after review, allows officers to transfer funds between categories. This process allows constitutional officers to fiscally manage their office and respond to changing priorities. A block grant approval would provide a lump sum dollar amount to the office to be expended for any purpose.

The current Compensation Board appropriation for administration is \$436,670; all other programs (i.e., funds going to constitutional officers) total \$267,662,709, for an administrative overhead ratio of 1:613. It is doubtful if any grant program providing aid to localities has an equal or smaller ratio.

WE AGREE that ability to pay, or fiscal stress, should be considered for funding of non-personnel costs, provided that total need is considered.

Recommendation (6). The General Assembly may wish to consider establishing State and local shares for funding of the constitutional officers based on assignments of cost responsibility and local ability to pay. Cost responsibility can be based on the criteria developed for this study. Ability to pay can be based on an index of relative revenue capacity.

WE AGREE with reservations.

The Compensation Board clearly recognizes that there are functions performed by constitutional officers which inure to the benefit of the locality. The costs of these functions should be borne by the locality.

The Compensation Board believes that the method to determine whether duties are a shared responsibility is a helpful guide. We question the method of assigning cost. The percentage allocation of duties between State and Local responsibilities is a major element of the staff's recommendations. The Compensation Board believes a detailed review of these percentages is necessary to be sure of an equitable distribution of funding. This allocation should not only consider who benefits from the service, but more importantly the basis of the requirement. These allocations should compare the staff's results with existing funding formulas. To base the percentage allocation solely on who benefits, ignores that there are services which indirectly serve the Commonwealth.

One factor not considered by the JLARC staff is the ability of local law enforcement agencies to write traffic tickets on a state or local ordinance. If the locality adopts the state traffic code as a local ordinance, revenue from fines imposed goes to the locality. As demands on local governments increase for funding, more localities will employ this option.

The development of state/local percentages is key to the study and represents a major policy issue of the study. We AGREE that the General Assembly should reserve the right to review and if necessary set these percentage allocations.

Recommendation (7).

The General Assembly may wish to consider distribution of fees collected by constitutional officers on the basis of the statewide responsibility of the State and local governments for service costs.

WE AGREE, with reservations.

The Compensation Board believes that the concept of fee distribution based upon the offices share of state/local responsibility is worthy of consideration. The Compensation Board would prefer that this matter be given further study to explore other alternatives. As an example, the General Assembly may wish to consider alternatives such as increased fees necessary to recover costs of the office. The current fee system merits broad review, and changes should not necessarily be limited to the distribution of fees.

The Compensation Board AGREES with the staff recommendation that the current method of distributing fees for Clerks of Circuit Courts should be made consistent with the practice for other constitutional officers. The current procedure does not reflect the present funding of these Offices. Clerks are no longer fee offices and the current procedure is cumbersome.

Recommendation (8).

The General Assembly may wish to consider the adoption of a pre-payment system for funding of constitutional officers. As a part of the pre-payment system, the General Assembly may wish to consider adoption of a required expenditure for the local matching portion of constitutional officer costs. The pre-payment system should be administered by an appropriate executive branch agency.

NOTE: Response to Recommendation (8) is included in response to Recommendation (9).

Recommendation (9).

The administering agency responsible for the pre-payment system should be charged with the following duties: collection of staffing and workload data, review and approval of non-personnel funding, periodic analysis of staffing standards, annual revision of the revenue capacity index, calculation of pre-payment amounts, certification of expenditures of pre-payment funds for personnel costs, monitoring and enforcement of required local expenditures, and distribution of fee revenues.

WE AGREE and DISAGREE.

The Compensation Board AGREES with the staff finding that the "... Compensation Board has inadequate resources to review more than six hundred local office budgets, ..." This comment is in general agreement with the findings of HD 29 (1988 Session) which recommended 3 additional staff positions for the Compensation Board. House Document 29 was prepared by staff of the House Appropriation Committee and Senate Finance Committee.

The Compensation Board AGREES with the staff finding that "...the current process does not recognize differences in the timing for approval of State and local budgets." This situation could be alleviated by a far simpler method than adopting the staff recommendations. For example, constitutional officer budget requests could be tied into the current state biennial budget process by requiring the submission of requests to the Compensation Board by May 1, with the Compensation Board submission of its Financial Proposal to DPB on September 1 with funding to be effective July 1 of the next year.

The Compensation Board DISAGREES with the staff finding that the "...current funding process does not recognize the essentially local nature of the services provided by the constitutional officers. By requiring approval of positions and budgets at the State level, decision making has been removed from the local level, which is the level of government responsible for the provision of services." (page 60 & 61). One of the key factors of the study is the effort to assign state/local responsibility for services. The staff statement that the services provided are essentially local in nature is contradicted by the staffs own findings with regard to Sheriffs, Commonwealth Attorneys and Clerks of Circuit Courts. The Compensation Board DISAGREES further that decision making has been removed from local governments by requiring position approval at the State level. First, the local government has always had the authority to approve additional positions for constitutional officers. Secondly, as long as the State is paying for positions, the Compensation Board should have the authority to approve or disapprove positions (funds permitting) for constitutional officers. The fundamental issue here seems to be a misunderstanding by the JLARC staff concerning the provisions in the Constitution of Virginia (Article VII, §4) for Constitutional Officers. These officers do not report to the local governing bodies. The Supreme Court of Virginia has upheld on numerous occasions that constitutional officers serve independently of municipal or county governments (Sherman v. City of Richmond, Narrows Grocery v. Bailey, Whited v. Fields, Hilton v. Amburgery). While the Compensation Board AGREES that local governments should bear certain costs of constitutional officers, funding by local governments should not result in the local government having operational control of the constitutional officers through the budget process. JLARC staff recommendations appear to result in local governments gaining a greater share of fiscal and operational control of constitutional officers.

The Compensation Board AGREES with the staff recommendation that the General Assembly may wish to consider adoption of a required local matching portion of constitutional officer funding. The Compensation Board notes, however, that local funding for Commonwealth Attorney offices may present some problems, as Commonwealth Attorneys are called upon to render opinions which may be contrary to the interests of the local governing body. This potential should be addressed and a solution determined, because prosecutors are charged with the responsibility of overseeing the conduct of local officials and prosecuting them when their conduct goes beyond accepted ethical standards. Implicit in the present funding concept is that these decisions should be made independently of local pressures. JLARC, on the other hand, would place the prosecutor in the position of having to consider the potential political and fiscal implications of decisions he must make. Doing away with the buffer afforded by the Compensation Board will do a substantial disservice to the public by tying the prosecutor too closely to the whims of local officials. Whenever prosecutorial decisions involve those officials, their friends or political supporters, the potential for those decisions to be based on improper motives is significantly enhanced. Real or apparent, the conflict involved will reduce the public's confidence that the prosecutor is simply concerned with seeing that justice is done.

The Compensation Board would also like for the General Assembly to consider extending the constitutional officer right of appeal to a three judge panel to include local governments as well. In many instances, constitutional officers are required by their local governments to perform duties for which they are not staffed, only to have the Compensation Board deny additional funding because the duties are local in nature. The constitutional officer is then placed in a position of appealing a Compensation Board budget decision which was created by the local government.

The study does not address the need of Constitutional Officers to reserve the right of appeal. Regardless of the actions taken on the study, Officers must maintain their rights to appeal their budgets. A body or procedure independent of the local government must exist to settle budgetary disputes between the Officers and the local governing body. The study provides only a method to meet the local portion of state funding. The study does not, however, address the need of Officers to get funding beyond this level. Where local mandates are placed on these Officers there exists no procedure to ensure that the local governing body provides funds to meet these mandates. Constitutional Officers must have a means of getting this funding through an appeal process.

The Compensation Board DISAGREES with the staff recommendation concerning a pre-payment or block grant system for constitutional officers. Some will argue that block grant funding is easier to control, and localities will, therefore, be able to better budget

these offices. There will, also, be a loss of ability to respond to emergency or unique situations. The Board believes that a compromise between the current funding methods and the ability to respond to individual needs should be developed. This compromise may take the form of annual individual budget hearing with quarterly disbursement of funds. Alternatives exist and should be explored before the implementation of block grant funding. The Commonwealth should not lose the ability to respond to the individual needs of the Constitutional Officers and localities.

The study does not address the question of what agency would have final approval authority for setting staffing standards. This should be addressed.

Appendix G

JLARC Staff Comments on the Compensation Board Response

We were pleased to see agreement on some of the recommendations in the response of the State Compensation Board. The areas in which there is substantial agreement can be the basis for continued review and discussion of the process for funding the constitutional officers.

While there is agreement in some areas, there are a number of recommendations with which the Compensation Board disagrees. The Board's response also seems to show that there are several important points which the Board misunderstands. Because of these misunderstandings, it was important for JLARC staff to comment on the major elements of the Compensation Board response. These comments follow the format of the Compensation Board response.

With regard to the need for staffing standards, the Compensation Board recognizes that staffing is currently inequitable. We recognize that in the past there have not always been sufficient resources to fund the positions requested by the constitutional officers. However, this does not explain why the positions that have been available have been allocated in an inequitable manner. Had standards of the type recommended by this report been in use, major discrepancies between workload and staffing would not have occurred. The Compensation Board has recognized this fact and has stated in its response that it has begun to develop standards of its own.

FISCAL IMPACT

The fiscal impact of the proposed staffing standards and the other recommendations of this report will be determined by the General Assembly. The two examples of funding at the end of this report should not be considered recommendations for specific funding. The examples are provided only to show how the computer models developed by JLARC staff can be used to estimate the impact of changes on funding for the offices. Too many key decisions remain to be made by the General Assembly for the Compensation Board to accurately judge the fiscal impact of any specific recommendation or set of recommendations from this report.

OVERALL IMPACT OF STUDY

The changes to the funding system based on the staff recommendations will be substantial. The General Assembly will need to consider a specific timetable for implementation. The final schedule for implementation should take into account the ability of the Compensation Board to implement the proposed changes and the impact of revised funding on the constitutional officers and local governments.

EQUITABLE STAFFING STANDARDS

JLARC staff and the Compensation Board are in agreement, it appears, that there are "current staffing inequities." However, there appears to be disagreement about why the current process produces these inequities. In its response, the Compensation Board response says that "overall, the Compensation Board believes that current staffing inequities have occurred as a result of limited funding and court actions, and not as a result of the process utilized by the Compensation Board to allocate positions." The primary concern about the current process from the perspective of JLARC staff, on the other hand, is the minimal role that objective staffing standards and workload data have had in the Compensation Board process for allocating positions.

The issue of limited funding that is raised by the Compensation Board is not responsive to the question of whether the positions that have been available have been allocated equitably. For example, between 1980 and 1988, the number of clerk of court positions recognized statewide by the Compensation Board increased from 856 to 974. Thus, 118 new positions were allocated. The key issue for equity is how those positions were allocated.

Using clerks as an example, the lack of a Compensation Board process that is responsive to workload data is clearly illustrated by the differences in the allocation of the new positions to the Prince William and Virginia Beach clerk offices. For every major workload measure, the workload increase from 1980 to 1988 in Virginia Beach was greater than in Prince William, yet the Prince William office received more than two times as many new positions (16 in Prince William, 6 in Virginia Beach). Page 3 of the JLARC staffing report on clerks shows the inequitable result of these staffing decisions. The pressure of the court appeals process appears to have contributed to the problem, as the Compensation Board provided 6 of the new positions to Prince William in one action (October of 1986) to obtain local withdrawal of a court appeal. However, the fundamental problem has been the fact that workload data has not been used consistently and systematically in Compensation Board decision-making.

JLARC staff agree with the Compensation Board that court actions can contribute to inequities. Under the current process, three-member panels make ad hoc decisions about individual local claims. The system may reward the local offices and governments that choose to be a "squeaky wheel," not necessarily those with the greatest workload. It is in part for these reasons that the JLARC report on funding recommends that the appeals process be limited in scope to the accuracy of the information that is used by the State in funding the offices. By putting in place a systematic statewide funding process, Board decisions would be more defensible.

TIMELINESS OF DATA

The matching of calendar year workload data to calendar year staffing data was necessary for the JLARC analysis. But any period of data could be used to calculate staffing for the budget. With the implementation of the standards, the

officers could maintain monthly records of the data necessary to calculate staffing allocations. In this way, the staffing allocations could be based on the most recent 12 months of available data. Given the State's current budget process, this means that the data need not be more than six months old. For most of the variables in the standards, time lags of this short period would have only insignificant effects on the allocation of positions.

SUMMARY

This part of the response deals with recommendations, for which JLARC staff comments are provided below.

ALTERNATIVES

Given the nature of the staff recommendations it is important that the General Assembly review the proposals closely, and seek input from the Compensation Board, the constitutional officers, and local governments.

RECOMMENDATION (1).

The Compensation Board makes several points about staffing standards in their discussion of Recommendation (1) that require a response.

1. The Compensation Board response states that "the Compensation Board uses staffing standards for constitutional officers and applies these standards as the primary consideration in requests for additional positions." This statement is misleading. When JLARC began this study in 1988, the staff asked Compensation Board staff about the availability of workload data and staffing standards. JLARC staff were informed that the systematic collection of workload data was first initiated for calendar year 1987, and that the development of methods for using the data was a longer-term goal. JLARC staff were informed that workload data were considered in making decisions, but no formal staffing standards existed for Commonwealth's attorneys, clerks of court, commissioners of revenue, treasurers, or directors of finance. On the other hand, JLARC staff were informed of certain standards that applied to sheriffs' offices.

During the course of the JLARC study, neither the Compensation Board nor the Compensation Board staff submitted any staffing standards or methods to JLARC, so that these standards or methods could be taken into consideration in the report. In February of 1990, the Executive Secretary of the Compensation Board wrote to House Appropriations Committee staff and described a ranking approach it was using for Commonwealth's attorneys, and stated that the Compensation Board was "currently working with the Circuit Court Clerks Association to develop a ranking methodology" for clerk of court positions.

This letter of the Executive Secretary illustrates two points: (1) a methodology for allocating positions to clerks has not been used by the Compensation Board, as a "baseline" or in any other way, because as of February of 1990 it was still being developed, and (2) for both offices, the Compensation Board is apparently focusing on a ranking approach, not staffing standards.

A ranking approach could potentially improve upon the previous practices of the Compensation Board, because a ranking approach might identify the factors that are used in decision-making, and because a ranking approach can be based on objective analysis of data rather than opinion. However, a ranking approach is not the same as a set of staffing standards.

Staffing standards provide State decision-makers and local officials with a set of rules or guidelines on how many staff positions will be recognized, relative to workload or other criteria. A ranking approach, on the other hand, does not provide rules or guidelines about what will be provided in each office. Under a ranking approach, the offices are sorted from high to low based on a selected measure of workload per current staff person. The data used in the ranking show the variation that currently exists between offices in the amount of the identified workload that is handled per staff person. In essence, it documents how offices have already been differentially treated, relative to the criteria that are used in determining the ranking.

Because a ranking of offices does not provide staffing rules or guidelines, it is used as a way to establish priorities for the allocation of positions once the number of positions to be allocated has already been decided. On the other hand, because staffing standards consist of ratios between workload and staff positions, staffing standards can be used to determine the total number of positions to be allocated. If the workload of the offices increases, the staffing standards will indicate by how much staffing should increase to meet the increased workload.

Further, inequities occur as the workload shifts within the State. Certain positions previously allocated may no longer be warranted in the locality where they are funded, but may be needed elsewhere. The staffing standards provide a basis for making these adjustments. If the Compensation Board develops ranking lists, instead of standards, the Board will still lack criteria upon which it can reallocate positions.

In summary, if the Compensation Board already has staffing standards for the offices, then clearly the Compensation Board alternative to JLARC Recommendation (1) would be gratuitous: "The General Assembly may wish to consider requiring the Compensation Board to develop staffing standards for constitutional offices..." The Compensation Board could just submit its staffing standards for consideration, as it could have done during the entire course of the JLARC review on this subject. The fact is, however, that other than for sheriffs, the Compensation Board has not formally promulgated any staffing standards.

2. The Compensation Board states that it uses its approach because "it would be exceedingly difficult to find two offices which are identical in workload, staff

expertise, level of automation, nature of work, population served, duties performed and support by the locality. These differences simply do not allow any one formula to address the multiple variances found in the 640 constitutional offices across the Commonwealth.”

The Compensation Board appears to overstate the differences between offices, and does not recognize that most of the functions performed by the officers are set out in statute. Nonetheless, JLARC staff agree that there is some variation across the offices, and that the task of allocating positions to the offices is therefore complex. JLARC staff disagree with the Compensation Board on the relative potential for staffing standards, as compared to subjective decision-making, to address this complex task.

The Compensation Board’s position appears to be rooted in a very narrow view of what the staffing standards can include. For example, the Compensation Board response argues against a reliance on staffing standards by arguing against the use of “any one formula” to address the differences between offices. However, there is no arbitrary limit on the number of factors that can be tested or taken into account using staffing standards. For example, for clerks of court, the staffing standards developed by JLARC staff do not consist of “any one formula,” but four pages of formulas that reflect research conducted on the effects of 24 different factors on staffing, conducted within 13 different service categories and for four different clusters of offices based on locality size. And there is always room to test additional factors, and to include new factors in the standards that are supported by the data.

The Compensation Board response does discuss some factors, such as the existence of local funding for positions, that may affect State decision-making on the allocation of positions but are outside of the scope of staffing standards. Although the Compensation Board response does not make the point, it should be made clear that the Compensation Board could also specify the criteria that would be used for making adjustments to the numbers produced by the standards, instead of using subjective case-by-case judgement.

I. COMMONWEALTH'S ATTORNEY STAFFING

The Compensation Board critiques the JLARC analysis of Commonwealth’s attorneys, stating: the “analysis uses population and Uniform Crime Index statistics to project caseload. However, the Uniform Crime Index is a very poor means of comparing caseload in a prosecutor’s office.”

The JLARC analysis does not project caseload through the use of population and the crime index. Regression analysis was employed in the study to examine the relationship between workload indicators and how much time is spent performing various services in Commonwealth’s attorney offices. In this analysis, the staff’s finding was that a relationship exists between per capita staff time spent on prosecution and both the local crime rate and local population as an economy of scale factor.

The staff conducted analyses to assess the effect of several caseload measures on the staff time that is spent per capita in the offices. The staff found that the caseload measures had a relatively small effect beyond what is captured by population, and this small effect was weaker than the effect of crime rate.

The JLARC staff analysis already considered the seriousness of offenses, as measured through the use of caseweights. The JLARC Commonwealth's attorney staffing report, on pages 27 to 28, describes the fact that JLARC staff collected data estimates from Commonwealth's attorneys on the average amount of time spent per type of case, and also used the National Institute of Justice (NIJ) caseweights, to develop two weighted caseload variables — one for felonies, and one for all caseload. However, when these measures were tried in the analysis, they did not perform as well as crime rate and population in explaining the per-capita legal staff time used by the offices.

The Compensation Board response also states that "If the JLARC staff data were valid, it would seem to follow that prosecutors would be requesting additional positions in the numbers recommended by the JLARC staff."

Three points need to be made about this comment. First, the budget request information received by the Compensation Board is not a reliable indicator of the perceived needs of constitutional officers. The officers are aware that the Compensation Board only allocates so many positions each year, and in some years the number of positions has been frozen statewide for particular types of offices. Therefore, there are offices that have stopped requesting positions, or that keep their request to a number that they feel they can realistically expect.

Second, even if accurate budget request data were obtained, it would not provide an objective basis for assessing the validity of the staffing standards. The budget requests reflect the subjective opinions of the officers about the operations of their office. In making position requests, the officers make subjective judgements about factors such as whether the work backlogs, quality of service, and extent of work pressure or overtime in the office are acceptable or unacceptable. Subjective judgements on these types of issues will vary from person to person, and equitable allocation decisions cannot be made on the basis of those subjective judgements.

Third, while the staffing standards explicitly recognize differences between offices that are workload-related, there are other differences which are not recognized in the standards because they are subject to individual office discretion. Differences that are subject to office discretion include efficiency and service levels. The staffing standards provide positions to offices based on the typical level of resources that are used relative to workload. It is possible for an office to handle their workload with fewer positions than is typical in several different ways. Examples include: using more efficient work practices than the norm, demanding more from current staff than is the norm, or reducing the level of service that is provided below the norm.

Thus, offices may be able to handle their workload with fewer positions than are calculated by the staffing standards. The State may want to have a mechanism,

such as is available in education funding, whereby a local office may opt not to use the positions calculated by the standards. The JLARC staff view, however, is that equity requires that the positions produced by the standards should be available to the officer. It should be the officer's decision as to whether to use all of those positions.

The Compensation Board response states: "JLARC staff have chosen for some reason to ignore actual caseload statistics in its study... JLARC staff should explain why they believe that caseload statistics are valid indicators of judicial needs but invalid when applied to prosecutors." These Compensation Board statements contain five implications that need to be addressed.

First, caseload statistics were not ignored in the JLARC study. The fact that caseload statistics were examined is discussed in the report summary and on pages 27 and 28 of the Commonwealth's attorney staffing report.

Second, the reason that caseload statistics were not actually used in the staffing standards is also explicitly discussed in the commonwealth's attorney staffing report. The caseload measures were not included in the staffing standards because regression analysis indicated that the crime rate data had a greater relationship with the usage of per-capita staff time in Commonwealth's attorney offices than any of the caseload measures. This is the same type of test that was applied in each of the four JLARC reports on staffing standards.

Third, JLARC staff did not conclude that caseload statistics would be invalid if applied to prosecutors. The JLARC staff finding is more limited. The staff finding is that the caseload measures that were constructed from currently available data did not perform as well as crime rate data in explaining the variance in the usage of Commonwealth's attorney staff in Virginia.

Fourth, the criteria for using indicators in the staffing analysis were two-fold: first, whether the indicator had an intuitive effect, and second, whether the indicator had a measurable effect. The decision to include or exclude factors was not based on opinion as to the importance of indicators, but on what effects could be measured.

Finally, as for judicial needs, JLARC staff did not examine this issue and there is no basis for the Compensation Board to imply that JLARC staff have taken a position on the issue. Nonetheless, the theory behind the Compensation Board's point is that if caseload explains the usage of judge time better than alternative measures, then it must explain the usage of prosecutor time better than alternative measures. This theory is not self-evident, but needs empirical support. The Compensation Board does not offer evidence in its response that supports either one of these suppositions. On the other hand, JLARC staff have tested caseload measures against the usage of staff time by prosecutors, and found empirically that crime rate data performed better.

II. COURT SECURITY STAFFING

While it is true that the General Assembly has placed restrictions on security staffing in the courts, it is also true that judges continue to require security staffing for

their courts in excess of the levels set by the General Assembly. This generates workload which is beyond their control, but for which the sheriffs have to account in staffing their offices. The standards recognize this real-world demand on sheriffs and ensure State funding for workload generated by State courts.

[GENERAL COMMENTS ON RECOMMENDATIONS CONTINUE]

In response to previous Compensation Board comments, the re-assessment function was not recognized in the staffing standards printed in the JLARC report on financial officer staffing. As page 35 of that report indicates: "For the strata of offices that performed reassessments, however, the staffing standard for the offices that perform appraisal work was used, so that the State's standards do not recognize reassessment work." The commissioner of revenue standards that are contained on page 58 of the report show that the staffing standard for the offices that perform reassessments was the same as the staffing for the offices that perform appraisals.

There is room for debate as to which types of real property work should be recognized as "normal or statutory" duties of the commissioner's offices, for which the offices should receive positions. JLARC staff developed four separate standards, that range from recognition of all work except for reassessments, to recognition of just the processing for applications of tax relief. The actual implementation of the staffing standards can reflect policy choices that are made by the General Assembly.

The Compensation Board response states that the Board has "undertaken the development of workload standards over the past three years after discussions with and assistance of constitutional officer associations. We recognize the difficulty in setting Statewide standards, but believe this is a more equitable method."

It is not clear whether the language "a more equitable method" is referring to a comparison of the use of statewide staffing standards as compared to the current approach of the Compensation Board, or a comparison of the Compensation Board approach as compared to the JLARC staff approach.

If the Compensation Board is indicating that its staffing standards would be more equitable than those developed as a part of this study, JLARC staff cannot comment on the accuracy of this statement. This is because other than for sheriffs, the Compensation Board did not provide JLARC staff with any staffing standards, or even a planned methodology for developing staffing standards, that could be considered as a part of this study.

On the other hand, the JLARC staff approach has been presented. The staff surveyed every constitutional officer in the State, with questions about workload measures and about what unique factors affect their workload, so that those factors might be included in the analysis. This was an appropriate use of constitutional officer input. The staff then used a regression approach to empirically test the relationships

between workload indicators and the staff time that is spent. The staffing standards were based on these empirical relationships.

The Compensation Board states that it has undertaken the development of staffing standards over the past three years. It would be useful if the Compensation Board would make available for review its standards and the methodology used to develop them. JLARC staff would be interested in examining the empirical basis for the factors and the weights that are used in standards developed by the Compensation Board. When the Compensation Board's methodology and standards are provided, then the relative merits of the two approaches can be compared.

The Compensation Board's suggested alternative to JLARC's first recommendation is that the General Assembly could require the Compensation Board to develop staffing standards with the participation of the constitutional officers, and require that the standards be considered prior to allocating additional positions. As previously noted, this recommendation would be gratuitous if the Compensation Board has already developed and is using standards.

Further, the Compensation Board has had a long-standing opportunity to develop staffing standards. For example, it should be noted that the Compensation Board established a task force to study the current system of funding constitutional offices in August of 1980. The task force included a representative of each of the constitutional officers (a Commonwealth's attorney, a clerk, a commissioner of revenue, a treasurer, and a sheriff), a city manager, a county administrator, and a representative from the Department of Planning and Budget and the Department of Corrections. The task force developed funding guidelines that included staffing standards or ratios for each of the offices but clerks.

For Commonwealth's attorneys, the task force's funding guideline was that "the number of deputy and assistant attorneys eligible for state funding would be fixed at one position for every 22,500 population served by the Commonwealth's attorney office or at one position for every 1,000 index crimes averaged by the locality over the most recent three year period ... whichever is greater." In other words, the task force focused on the same two indicators, population and the crime index, that JLARC staff identified through regression analysis.

Similarly, the task force developed staffing standards in the form of population to employee ratios for commissioners, treasurers, and directors of finance, while indicating that "the Compensation Board could make adjustments in unusual circumstances." Clerks were not assessed because they were funded on a fee basis.

The task force also said that the current funding structure for constitutional officers had two major shortcomings. First, there "was a lack of documented policies governing the State's responsibility for funding or not funding certain types of expenditures." Second, "state financial aid payments are distributed on an expenditure reimbursement basis." The task force recommended an entitlement approach, where

the “amount of each entitlement would be calculated in accordance with specified funding guidelines addressing salaries, positions, and operational cost items...”

The major focus of the Compensation Board’s task force recommendations from almost ten years ago is viewed by JLARC staff as appropriate and still valid today. As the task force concluded, and the JLARC reports conclude, there is a need for more documentation of the funding system. Further, there is a need for an entitlement approach, in which funding is calculated based on specific guidelines or standards about staffing and other cost items. The current status of the Compensation Board’s approach to funding does not provide evidence of substantial progress in these areas.

RECOMMENDATION (2).

The Compensation Board misunderstands the recommendation for an average salary. The average to be calculated is not of actual salaries paid, but rather of the salary scale approved by the Board, with the salaries to be weighted by the number of employees paid in each pay grade. The average would thus enhance the use of the uniform salary scale by localities. The report has been revised to ensure that this point is clear.

RECOMMENDATION (3).

No additional comment.

RECOMMENDATION (4).

No additional comment.

RECOMMENDATION (5).

The General Assembly should approve any final proposal for the distribution of non-personnel funding. Any requirement for a local match of non-personnel funds should consider the contributions toward non-personnel costs already made by local governments. In some instances, local government contributions may be substantial. Other local governments may provide no support for constitutional officers.

RECOMMENDATION (6).

The Compensation Board response states that cost responsibility is determined by which level of government benefits from the service. This is inaccurate, since the basic decision about responsibility is based on which level of government mandates the service, and whether the State recognizes the service as a part of normal local

government operations. This is explained in detail on pages 19-23 of this report. The benefits of the service are only considered if the responsibility for the service is shared.

The example of a sheriff's office writing tickets on a local ordinance is covered under the framework developed for this study. The enforcement of local ordinances is a part of normal local government operations as described on page 20 of this report. Because the law enforcement function of sheriffs' offices includes enforcement of both State law and local ordinances it should be considered a shared cost responsibility (as described on pages 21-22).

RECOMMENDATION (7).

No additional comment.

RECOMMENDATION (8) AND RECOMMENDATION (9).

The Compensation Board response states that this report is contradictory in finding that many services are State mandated, but that they are local in nature. These findings are not contradictory. While many of the services provided by the constitutional officers are governed by State requirements, the jurisdiction of the officers is local. JLARC staff recognize that constitutional officers serve independently of the local governing bodies, but the Constitution defines the constitutional officers as "county and city officers" (Article VII, Section 4). Thus the constitutional officers are officers of the counties and cities, although they do not report to the city or county governing bodies.

To the extent that the State makes decisions with regard to the operations of the offices, it removes decision making from the local level. It is important for the State to ensure that the funds it provides are used for intended purposes. However, the State can provide the necessary accountability for State funds by adopting appropriate staffing standards and by auditing expenditures of the offices. By eliminating requirements for approval of local budgets, the State can enhance the ability of local constitutional officers to manage their offices in a manner appropriate to local needs and circumstances.

The pre-payment system proposed in this report would provide greater flexibility to the constitutional officers in the operation of their offices. Because the State funds would be targeted for expenditure by the constitutional offices and the local match would be mandated by law, operational control of the constitutional offices would not be transferred from the officers to the local governments.

Finally, with regard to flexibility in funding, the General Assembly could provide for a reserve fund for emergency funding of special or unpredictable staffing requirements. Such a fund would not be inconsistent with the proposed staffing standards or the system of funding recommended by JLARC staff.

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