JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION
OF THE VIRGINIA GENERAL ASSEMBLY

State/Local Relations and Service Responsibilities

A Framework for Change

A Report in a Series on State/Local Relations

REPORT OF THE
JOINT LEGISLATIVE
AUDIT AND REVIEW COMMISSION

State/Local Relations and Service Responsibilities: A Framework for Change

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

SENATE DOCUMENT NO. 37

COMMONWEALTH OF VIRGINIA
RICHMOND
1993

Members of the Joint Legislative Audit and Review Commission

Chairman
Delegate Ford C. Quillen

Vice-Chairman
Senator Stanley C. Walker

Senator Hunter B. Andrews
Delegate Robert B. Ball, Sr.
Delegate Vincent F. Callahan, Jr.
Delegate Jay W. DeBoer
Senator Joseph V. Gartlan, Jr.
Delegate Franklin P. Hall
Senator Richard J. Holland
Delegate William Tayloe Murphy, Jr.
Delegate Lewis W. Parker, Jr.
Delegate Lacey E. Putney
Senator Robert E. Russell, Sr.
Delegate Alson H. Smith, Jr.

Mr. Walter J. Kucharski, Auditor of Public Accounts

Director
Philip A. Leone

Preface

Senate Joint Resolution 235 requested the Joint Legislative Audit and Review Commission (JLARC) to examine the current assignment of service and funding responsibilities between the State and local governments. The resolution directed JLARC to focus on the areas of administration of justice, transportation, education, health and human services, environmental protection, and general and financial administration. In addition, the resolution requested JLARC to study the adequacy of the tax and debt structure in Virginia. This report is the culmination of that effort. It provides long-range policy goals and directions the General Assembly may wish to pursue in the 1990s and beyond.

In conducting this study, JLARC staff examined the trends and forces affecting the Commonwealth to assess whether the current assignment of responsibilities is appropriate in today's rapidly changing environment. As revenue growth moderates and the federal government devolves more responsibilities to the State and local governments, it becomes increasingly important that State and local officials work together to meet the critical needs of Virginians. This entails prioritizing those needs and assigning resources accordingly.

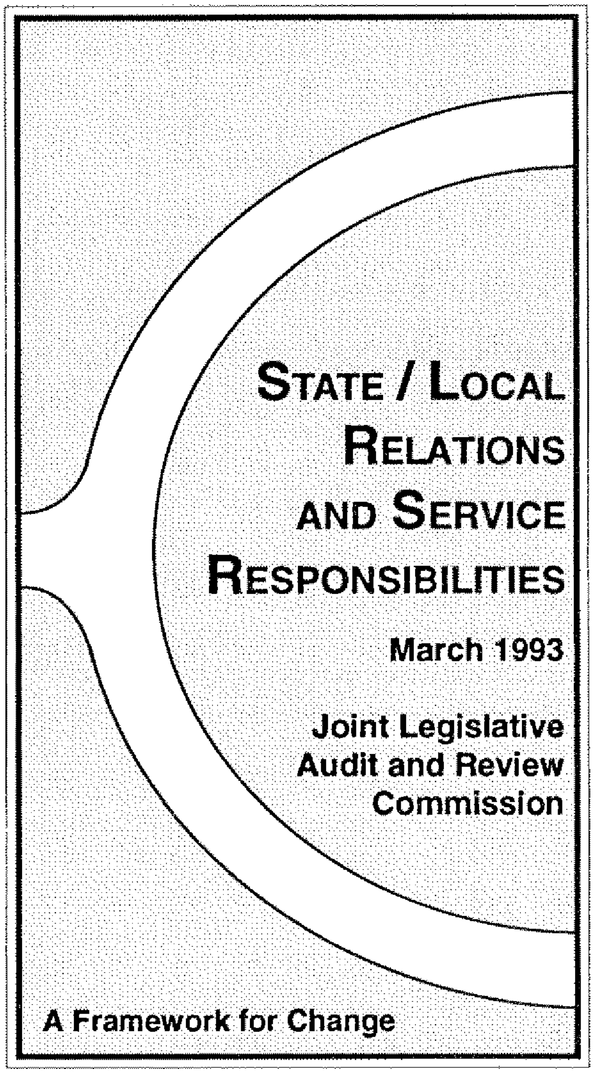
This is not a "typical" JLARC report. It draws its findings and conclusions from a variety of sources, pulling together into one report proposals from several past studies, along with the expertise of State and local officials solicited through recent focus groups and surveys . This report is meant to be one step in an assessment of Virginia's service and funding structures. It includes recommendations on how these structures will need to change in order to address future conditions and problems. Additional study will be needed before any of the major options are enacted. Specifically, the methods of implementation and the State/local costs will have to be determined.

On behalf of the JLARC staff, I would like to thank the Virginia Association of Counties, the Virginia Municipal League, and the State agencies and local governments from which we collected information for their cooperation and assistance during this study. In addition, I would especially like to thank Carl Stenburg, Robert DeVoursney, and John Knapp of the Center for Public Service (University of Virginia) for their contributions to this series of reports.

Philip A. Leone
Director

March 24, 1993

JLARC Report Summary



Overall, Virginia's governmental structure is sound. In fact, Virginia has been widely recognized as a leader among states in its strong management. Several characteristics help account for Virginia's reputation. For example, the governmental structure is streamlined, with the State having substantially fewer units of government than most states. Further, compared to other states, Virginia has a higher than average tax capacity and a lower than average tax effort.

However, significant social and economic changes have occurred since many of the State's service delivery structures were implemented. As a result, some of the older service delivery structures do not always provide services in the most efficient and cost-effective manner today.

Further, service responsibilities of the State and localities have evolved over the years in a sometimes piecemeal approach. As a result, both State and local officials suggest that there is now an imbalance between services provided and revenue-raising ability.

As Virginia prepares for the next century, it is important for the State and local governments to determine how a proper balance can be achieved and maintained. Senate Joint Resolution 235 of the 1991 General Assembly Session requested JLARC to examine the assignment of service and funding responsibilities between the State and local governments to determine whether services are being provided by the appropriate level of government.

This report draws its findings and conclusions from a variety of sources, pulling together into one comprehensive document proposals from past legislative, executive, and judicial studies, with the expertise of State and local officials solicited through recent statewide focus groups and surveys. The report presents a long-term view of critical choices facing the Commonwealth in light of changing demographics, service needs, and revenue availability at the federal, State, and local levels. The recommendations generally identify long-range policy options or directions the General Assembly may wish to pursue in each functional area, along with some overarching concerns that should be addressed.

The options are not a "package," nor do they include all possible alternatives. Rather, they are directions which could serve as a starting point in a dialogue with localities regarding the allocation of service responsibilities between the State and local governments. Any proposal or combination of proposals selected by the General Assembly for possible action would require further study and financial analysis.

Despite the need for additional study, the long-term trend seems to point to the State assuming a greater proportion of the overall costs of programs and services at the local level. As a result of federal cutbacks, localities now fund about ten percent more locally-provided services than they did a decade ago, despite maintenance of State-funded efforts over that same period. This trend suggests that a greater State role may be needed. Further, the increasing demographic diversity of the Commonwealth will require the State to continue to play a major role in distributing revenue to less affluent localities.

Social and Economic Trends in Virginia

Virginia's population and local economies have become increasingly diverse during this century. This diversity leads to complexity as the State tries to meet the varying needs of its citizens while ensuring funding and program equity. Key demographic trends in Virginia include:

- growing local economies and population, particularly in the "urban crescent" in contrast to declining population and eroding economic bases in the cities and rural areas;
- increasing elderly population;
- increasing school age population after a period of decline; and
- increasing racial and ethnic diversity.

These social trends have important implications for the delivery of services in Virginia. For example, the expanding population puts pressure on transportation and environmental systems. In addition, as the elderly population increases, an increasingly larger share of public sector funds will be needed for health care. Further, increasing school enrollments are already significantly impacting school construction and operating costs. And, as the number of non-English-speaking people increases in urban areas, the need for specialized programs, such as "English as a Second Language" increases.

Virginia has also undergone significant economic changes in recent years. The 1980s were a relatively prosperous time for Virginians. The State's personal income grew rapidly. Virginia also experienced below average unemployment rates. Further, Virginia benefited from a large proportion of the federal government's defense spending, ranking first among the states in per-capita federal defense expenditures.

However, growth in the State's personal income has slowed considerably since 1989, falling below the national growth rate. Part of this change may be due to the State's gradual shift from a predominantly manufacturing economy to a service economy. The average annual pay for the service industry is only 87 percent of the average annual pay for the manufacturing industry. If lower paying service jobs increasingly dominate the State's employment, growth in per-capita personal income may continue to slow.

Further, Virginia was substantially impacted by the recent economic downturn. As a result, the State's unemployment rate has risen. Though the statewide rate remains less than the national rate, many localities experience substantially higher rates. Also, despite relatively lower rates in the urban crescent, many of those localities were particularly impacted by the recession's effect on white-collar workers. In addition, future defense-spending reductions might significantly impact the Northern Virginia and Tidewater areas.

Another critical trend affecting Virginia has been the federal government's devolution of responsibilities to state and local governments. According to the U.S. General Accounting Office, hundreds of new program standards and administrative requirements were imposed on state and local governments during the 1980s. At the same time, federal funding in many of these areas declined. Federal funds as a proportion of the State's budget declined from 25.5 percent in 1980 to 16 percent in 1990. The proportion of local governments' budgets derived from federal funds dropped from 13 percent in 1980 to a low of 5.2 percent in 1990. This trend, coupled with increasing service needs of a diverse population, require Virginia to constantly look for the most cost-effective ways to meet service needs.

Broad-Based Actions Are Needed to Improve State/Local Relations

In today's climate of increasing diversity and economic uncertainty, it is critical that federal, State, and local governments work together to accomplish common goals. However, the devolution of responsibility, often without funding, from higher levels of government to states and subsequently to localities has contributed to a climate of distrust between levels of government. In local government focus group meetings, local officials voiced concerns about having to perform new services passed down from both the federal and State governments without adequate funding.

Focusing more closely on the critical needs of Virginians as well as improving State/local relations will require communication, flexibility, and long-term planning. In addition, the Commonwealth will need to devote additional attention to regional and integrated approaches to service delivery.

Improved Intergovernmental Communication Is Necessary

State and local governments have the same ultimate goal — providing quality services needed by the citizens of the Commonwealth. However, in most of the 16 group meetings JLARC staff held with local officials, the lack of communication between levels of government was cited as a major problem. Some noted that a "State/local partnership" is lacking. State officials also cited communication problems with local officials. However, State officials voiced frustration that local governments often do not provide them with specific examples of problems and possible solutions. To improve communication between the State and local governments, and consistent with a recent study proposal of the Department of Planning and Budget, the following recommendation is made:

To expedite improved State/local communication, the Governor's secretaries should each hold meetings with local administrators at least once a year in different areas of the State. The purpose of the meetings would be to identify areas of concern to both the local governments and the State, and to assess possible improvements that may be needed to State/local processes.

Local Officials Cite Need for State Vision and an Urban Policy

In the group meetings with JLARC staff held during the summer of 1992, local officials discussed the need for the State to articulate a vision for the long-term future of the Commonwealth. Local officials representing cities also perceived a need for the State to develop a long-range urban policy similar to the Governor's Strategic Plan for Rural Development. The following recommendations address these concerns:

The General Assembly may wish to authorize the Department of Planning and Budget to establish a small planning unit to coordinate and develop long-term policy planning and *policy analyses. A comprehensive policies plan would be developed during the first year of the Governor's term of office with the assistance of a committee composed of State and local officials and members of the business community. The plan would be periodically evaluated and revised.*

The General Assembly may wish to direct the Governor to develop an urban policy similar in nature to the current policy for rural areas of the State. The policy could be developed with the assistance of the Department of Housing and Community Development, the Department of Planning and Budget, State universities, the Virginia Municipal League, and the Virginia Association of Counties.

Regional Approaches to Service Delivery Should Be Examined

As the State moves out of a decade of high growth and into one of potentially slower growth, providing services in the most efficient and economical manner becomes critical. One method to effect such economies is through regional service delivery.

The State currently encourages localities to provide some services regionally through the use of financial and non-financial incentives. However, for various reasons, localities are not pursuing regional solutions to the extent possible and appropriate. For example, the State's regional jail construction program has been very popular among localities in the eastern and northern parts of the State. However, localities in the southwest portion of the State, where economies of scale could clearly be derived from regional jails, have not yet entered into formal arrangements.

To address this problem, the General Assembly could provide additional incentives for regional cooperation. For example, required permit applications from regional entities could be given highest priority in processing by State agencies. Disincentives could also be considered. For example, for localities that do not meet a certain population threshold, the State could reduce State funding for a program unless it was undertaken regionally. To increase the use of regional arrangements, the following recommendation is made:

The General Assembly may wish to consider additional State inducements to encourage localities to provide certain services regionally. Functional areas appropriate for increased regional efforts include environmental protection, economic development, jails, and education. In particular, capital-intensive programs, such as landfills and water treatment facilities, should be considered for regional incentives.

State and Local Governments Should Strive to Integrate Services

The ability of service providers to address the multiple needs of clients can be limited by a fragmented service delivery system. As in many states, Virginia has separate agencies for social services; physical health services; mental health, mental retardation, and substance abuse services; aging services; special education services; and services to people with disabilities. There is substantial overlap in the clients served by these agencies. And without coordinated services, clients must negotiate the sometimes confusing array of services and agencies by themselves.

All levels of government have begun to respond to the need for service integration. For example, the State has recently initiated a coordinated approach to service provision for at-risk and troubled youth. However, additional efforts are still needed. For example, in the area of child services, service integration efforts should be broadened to encompass the educational system. The following recommendation is made:

Service integration efforts should be increased at both the State and local levels. The Secretaries of Health and Human Resources and Education, and their respective departments, should maintain an ongoing dialogue regarding

approaches to service integration, with the goal of developing formal mechanisms for increasing integration of social, health, and educational services, particularly for children.

Appropriateness of City/County Distinctions Is Questionable

"City" and "county" titles were appropriate during the early 1900s because they accurately identified different locality types — urban and rural. However, the accurate descriptors of 1900 serve as artificial distinctions today. For example, the second most densely populated locality in Virginia is Arlington County. In total, 15 counties are more densely populated than the least densely populated city.

This blurring of the distinction between cities and counties is manifest in the 1971 changes to the *Virginia Constitution*. The 1971 *Constitution* no longer maintains separate constitutional sections for cities and counties. Given the changes in cities and counties that have taken place, a study of Title 15.1 of the *Code of Virginia* appears warranted. Such a study could be used to further streamline local government structures and eliminate different treatment of cities and counties, where feasible. Therefore, the following recommendation is made:

The General Assembly may wish to direct a review of Title 15.1 of the **Code of Virginia. *Title 15.1 should be examined in light of the intent of the 1971 revisions to the*** **Virginia Constitution** ***to treat counties and cities more alike.***

Options for Realignment of Service and Funding Responsibilities

To address the changing environment in which Virginia's governments operate, a number of long-term policy options have been identified across the functional areas of government. The options presented in this report are intended to further Virginia's traditional public policy goals, such as equity, efficiency, economy, effectiveness, public participation, and accountability. Particular attention was paid to identifying options which would most efficiently and effectively allocate increasingly scarce governmental resources.

In some cases the recommended options support or reinforce current practices or functional assignments. Other options represent major departures from current State policy. Some will clearly require further study and policy input from General Assembly committees and State and local leaders. In total, the proposals are meant to initiate an ongoing State/local dialogue regarding the long-term direction of intergovernmental relations and the delivery of services to Virginians.

The table on pages vii and viii summarizes the options presented in the report. Supporting discussions of each option are included in the main body of this report.

Adequacy of Resources

In order for local governments to carry out their assigned service delivery responsibilities, adequate sources of revenue are required. The resolution directing this study required JLARC to review not only service delivery responsibilities but funding responsibilities as well. Two primary issues are apparent when discussing local funding for services: (1) local taxing authority should be equalized for cities and counties, and (2) the local debt requirements appear to be an obstacle that limits local government flexibility in meeting the long-term infrastructure needs of their localities.

To adequately address the assignment of functions between the State and localities in the long-term, it is also necessary to study in a more comprehensive, in-depth, and long-term manner the tax structures and rates of the Commonwealth. Such a study should be directed at recommending specific courses of action. The policy goals to be examined in such a study should include:

- ❑ applying taxes as broadly, fairly, and simply as possible;
- ❑ making the tax structure more responsive to economic growth; and
- ❑ providing State and local revenues adequate to fund current levels of responsibility that have resulted from federal devolution and changing needs in the population.

The following recommendations are therefore made:

The General Assembly may wish to direct a study of the State/local tax structure in Virginia. This study could address the specific revenue needs of Virginia's local governments and what funding mechanisms may be necessary to address those needs.

The General Assembly may wish to consider amending Article VII, Section X of the **Constitution of Virginia** ***to equalize borrowing authority between cities and counties.***

Summary of Options for Realigning Service and Funding Responsibilities

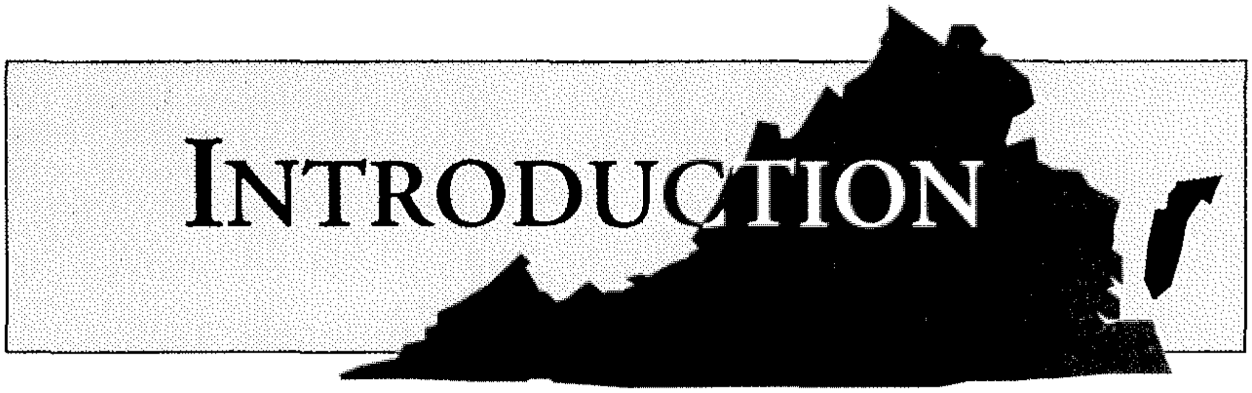
Functional Area	Current Service Delivery and Funding Responsibility	Proposed Service Delivery and Funding Responsibility	Impact/Results of Reassignments
Transportation			
Street & Road Construction			
• Cities	Locally provided Extensive State funding Required local funding share	Locally provided Extensive State funding Increased local funding share	Increases local flexibility Increases State flexibility
• Counties	State provided State funded Limited local flexibility	State provided Limited local provision Extensive State funding Increased local funding share	Increases local flexibility Increases State flexibility
Traffic Operations			
• Cities	Locally provided	Locally provided	No change
• Counties	State provided Limited local flexibility	Allow counties to provide services	Increases local accountability to citizens Increases local flexibility
Revenue Sharing	State funded with a required local match Only counties allowed to participate State funding limited to $10 million annually	State funded with a required local match Allow cities to participate in program Increased amount of State funding available	Increases local flexibility to meet local transportation needs
Human Services	Many State and local agencies supervising and administering services, resulting in fragmentation	Integrate the various services based on models developed by the State	Reduces fragmentation and improves effectiveness; would simplify and clarify structure
Social Services	State supervised, locally provided Extensive State and federal funding Moderate local funding	State supervised and provided Extensive State and federal funding Limited local funding	More efficient
Health Funding	Historical-based funding structure	Needs-based funding structure	Allows funding to recognize local needs More equitable
Environment	State supervised, locally provided Extensive local funding, limited State funding	State supervised, locally provided Extensive local funding, limited State funding Public/private partnerships where appropriate Greater use of regional activities	Efficiencies could be achieved through more extensive use of regionalism
Education			
Operations	State supervised, locally provided State and locally funded	Increased Standards of Quality Increased State funding	Reflects current practices and costs Increases equity
School Construction	Locally provided and funded State loans available	Increased State funding	Increases equity

Summary of Options for Realigning Service and Funding Responsibilities (continued)

Functional Area	Current Service Delivery and Funding Responsibility	Proposed Service Delivery and Funding Responsibility	Impact/Results of Reassignments
Administration of Justice			
Law Enforcement			
• Cities	Local responsibility Limited State oversight Extensive local funding	Local responsibility Limited State oversight Extensive local funding	No change
• Counties	Local responsibility Limited State oversight Extensive State funding	Local responsibility Limited State oversight Extensive local funding	Provides additional local flexibility Increases equity between cities and counties regarding funding structure
Local Jails			
• Jail Operations	Local responsibility Extensive State funding Limited local flexibility	State responsibility Extensive State funding Local funding would be a fee for service State could use existing State correctional centers and field units instead of jails	State operation could promote greater efficiency through consolidation or closure of small, costly jails and through greater use of alternatives to incarceration
• Jail Construction	Local responsibility Moderate State funding Large, single jurisdiction jail facilities are treated inequitably in the State aid for jail construction funding structure	Increased State funding for large, single jurisdiction jails	Equity in jail construction funding structure would be increased
Courts	State provided service Extensive State funding Local funding and administration of some support positions Limited local flexibility	State administer and fund all positions related to the operation of courts	Increases efficiency and accountability
General and Financial Administration			
Local Financial Officers			
• Processing State IncomeTax Forms and Payments	State and locally provided State and locally funded Current structure results in inefficiencies through duplication of efforts	State provided and funded Centralized processing of State taxes	State and local cost savings through elimination of duplicate services Increased efficiency and accountability through centralized processing

Table of Contents

Page



INTRODUCTION

As the federal government retrenches from its traditional roles, state and local governments are being expected to perform and fund additional activities. Significant responsibilities in areas such as environmental protection, aid for the indigent, and education have been "devolved" or passed down from the federal government. By mandating — but not funding — program responsibilities, decision-makers can direct or influence policy without paying the cost.

Partly as a result of new federal mandates, Virginia's Medicaid budget increased 160 percent between 1980 and 1990. The State's natural resources budget increased 298 percent during that time. (In comparison, the inflation rate for government goods and services was 55 percent during the same time period.) Such trends could accelerate if federal funds are cut further to reduce the federal budget deficit.

Further, most experts do not believe the tremendous economic growth of the 1980s will be duplicated in the 1990s. Consequently, slower growth in State and local revenues is expected.

Such developments, impacting Virginia in concert, necessitate that State and local officials work together to meet the critical needs of Virginians. Priorities must be set, and resources assigned accordingly. To more clearly focus on solutions to common problems, however, the responsibilities of each level of government must first be articulated and understood.

There have been many studies over the years on the structure of individual programs and service areas. It is more difficult, however, to concurrently examine the major responsibilities of Virginia's State and local governments. This report serves that purpose. In response to Senate Joint Resolution 235 (Appendix A), the report explores the current assignment of responsibilities for service delivery between the State and local levels of government. Attention is paid to structural changes that may be needed to reflect the changing environment in which Virginia's governments operate and to more efficiently and effectively allocate scarce governmental resources.

The options presented in this report are intended to further Virginia's traditional public policy goals, such as equity, efficiency, economy, effectiveness, public participation, and accountability. In some cases study recommendations support or reinforce current practices or functional assignments. Other options represent major departures from current State policy. Some will clearly require further study and policy input from General Assembly committees and State and local leaders. In total, the proposals are meant to initiate an ongoing State/local dialogue regarding the long-term direction of intergovernmental relations and the delivery of services to the people of Virginia.

Previous JLARC Studies of State/Local Relationships

Considerable attention has been focused by the General Assembly on improving State/local relations. This continuing interest is evidenced in part by a series of mandated JLARC studies concentrating on the State's relationships with local governments. In 1983, JLARC completed a study of mandates and financial assistance. This report, *State Mandates on Local Governments and Local Financial Resources*, received significant attention from both legislators and local officials. As a result, two follow-up reports were prepared: *Towns in Virginia* (1985) and *Local Fiscal Stress and State Aid* (1985).

To address the continuing concerns of local governments, the General Assembly in 1990 directed JLARC to conduct additional follow-up to the 1983 study. This study effort resulted in two reports: *Intergovernmental Mandates and Financial Aid to Local Governments* (1992) and a *Catalog of State and Federal Mandates on Local Governments* (1992).

The State has taken a number of actions to alleviate problems at the local level. Some of these actions were in direct response to Commission recommendations. Other actions have been based on complementary, independent work of other committees or commissions. Implementation of some of the recommendations and policy options in these five reports has resulted in increased funding for certain programs, more equitable distribution formulas, and continued analysis of local fiscal stress indicators. However, not all recommendations were implemented, and some current local concerns are similar to those expressed during the original series of studies.

State Mandates on Local Governments and Local Financial Resources

The 1983 mandates study addressed three primary objectives: (1) to identify State mandates and the extent to which they impose a burden on local governments; (2) to examine the adequacy of the amount and type of State financial assistance to localities; and (3) to determine whether local governments have sufficient local financial resources to fund the public services they are required to provide.

JLARC staff found that although local officials expressed concern with State mandates overall, there was little consensus on the unreasonableness of specific mandates. Rather, the study indicated that local officials were more concerned with the levels of State funding to meet mandates. In particular, JLARC staff found that State funding of mandates for the education Standards of Quality, special education, and the auxiliary grant program had not kept pace with historical State commitments. In these areas, State aid was found to be inconsistent with levels of State control.

In this report, JLARC staff also reported that localities had experienced many financial stresses in the late 1970s and 1980s, including two economic recessions, reduced federal financial aid, and increased interest rates which made local borrowing more difficult. As part of this study, JLARC staff developed a measure of relative local financial condition — the fiscal stress index. Through this index, cities as a group showed a higher level of fiscal stress than did counties.

Local Fiscal Stress and State Aid

In 1985, JLARC issued a follow-up report to the 1983 study. This study updated the fiscal stress index. Based on these analyses, JLARC staff found that per-capita local revenue capacity had increased between FY 1981 and FY 1983 at a rate significantly below the inflation rate for government goods and services. Despite this discrepancy, local revenue effort had decreased slightly. Overall, there was very little change in the relative rankings of localities based on the stress index.

JLARC staff also found that between FY 1981 and FY 1983, State aid to local governments had increased. State aid did decrease, however, for special education and local health departments. Despite the overall increase in State aid, some localities remained severely fiscally stressed.

Towns in Virginia

In 1985, a second follow-up report was prepared focusing on the fiscal condition of towns, their ability to provide services, and the relations between towns and counties. Because of a lack of data, fiscal condition indicators for towns could not be prepared. Based on a qualitative review, the study found that towns, especially when compared to cities, did not appear subject to as high a level of fiscal stress. This lower level of stress was attributed to the fact that towns were generally not involved in the provision of high-cost public programs. However, the study concluded that declines in federal assistance could increase the fiscal stress of towns.

Intergovernmental Mandates and Financial Aid to Local Governments

In 1990, the General Assembly directed JLARC to conduct a follow-up study to the 1983 report. The results of that study were presented in two reports. The first report focused on the effects of mandates on localities, local financial conditions, and the adequacy of State financial aid. JLARC staff found that many of the local concerns raised during the 1992 study were similar to those expressed during the 1983 study. Those concerns include a lack of flexibility in the implementation of mandates, inadequate funding for mandates, unequal taxing authority for cities and counties, and lack of adequate taxing authority for all localities. These concerns were exacerbated by the 1990 economic downturn, as they were by the recession of the early 1980s.

Despite the problems identified by local officials, JLARC staff found that overall the State has played a stable role in providing revenues to local governments. Conversely, the last decade has witnessed a dramatic decline in federal revenues, despite the significant new federal mandates that have been imposed on localities in recent years.

JLARC staff reported that additional State financial aid would help relieve the fiscal strain faced by local governments. However, the financial condition of the State makes this option currently unfeasible. Thus, the report listed alternative methods to reduce adverse impacts of mandates in the short term, including agency reviews of mandates to identify those that could be relaxed or eliminated, temporary suspension of selected mandates, and pilot-testing mandates prior to statewide implementation.

A companion report to *Intergovernmental Mandates and Financial Aid to Local Governments* was issued, which provides a listing of the mandates imposed on local governments. In addition, this catalog of mandates identifies local concerns with specific mandates. In some cases, the relevant State agency's response to certain local concerns is also provided.

Current JLARC Study Effort

The current JLARC study of State/local relations was conducted based on Senate Joint Resolution 235 of the 1991 General Assembly Session. Through SJR 235, the General Assembly requested JLARC to examine the current assignment of service and funding responsibilities between the State and local governments.

This study effort addressed five major issues:

- What are the trends and forces affecting service delivery in Virginia?
- What actions should State and local government officials take to improve intergovernmental relations?
- Are the functional assignments of services between the State and local governments appropriate?
- How should responsibility for providing the services be assigned between the State and local governments?
- What funding structures could be used to provide adequate resources for service delivery structures recommended for change?

The report is meant to be one step in an evaluation of Virginia's service and funding structures and how they may need to change to address future conditions and problems.

Research Activities

Cross-cutting research activities were conducted to collect and analyze information on State/local relationships for this report. Primary among the research activities were meetings and interviews with State and local government officials, a mail survey of local governments, and document reviews.

Group Meetings with Local Government Officials. Sixteen focus group meetings were held with local government officials and administrators across the State during the spring and summer of 1992. Focus group locations included Big Stone Gap, Wytheville, Roanoke, Lynchburg, Danville, Weyer's Cave (two meetings), Charlottesville, Warrenton, Annandale, Warsaw, Richmond, Williamsburg, Franklin, Portsmouth, and Keysville. Officials from all counties and cities and selected towns were invited to attend.

In developing the structure for the group interviews, JLARC staff used two criteria as guides. First, the study team attempted, to the extent possible, to have localities within the same geographic region attend the same interview. This was done in an attempt to reduce commuting time for the participants.

Second, the team attempted to group localities sharing similar characteristics together. For example, localities with rapidly growing populations were generally grouped sepatately from those experiencing decreases in locality population. Other factors used to group localities for the interviews included growth in local revenue capacity per capita, and jurisdictional class (city, county, or town). To the extent possible, officials from towns and cities attended meetings that did not include county officials. Developing the focus groups on this basis was done to better determine which issues were applicable only to certain types of localities and which were applicable to all localities.

These meetings were attended by 102 representatives of 83 localities. Groups discussed service delivery issues including structural changes which could be made to improve the current system. In addition, local officials addressed inadequate or inappropriate funding structures, assignment of responsibility for service delivery, and future service delivery demands.

Virginia Municipal League (VML) and Virginia Association of Counties (VACO) Local Government Meeting. VML and VACO organized a group meeting of local government officials to discuss topics relevant to the JLARC study. Staff of the Center for Public Service (University of Virginia) facilitated this meeting. Participants discussed future trends expected to affect State and local governments in Virginia. In addition, they discussed current problems with the assignment of service delivery structures.

Meetings with State Government Officials. JLARC staff also convened a group meeting of State officials to discuss issues related to the JLARC study. Several of the Governor's secretaries and agency heads attended this meeting. Issues discussed during this meeting were similar to the VML meeting. In addition to the group meeting, interviews were conducted with selected State agency heads to discuss in more detail concerns raised through the State and local focus groups.

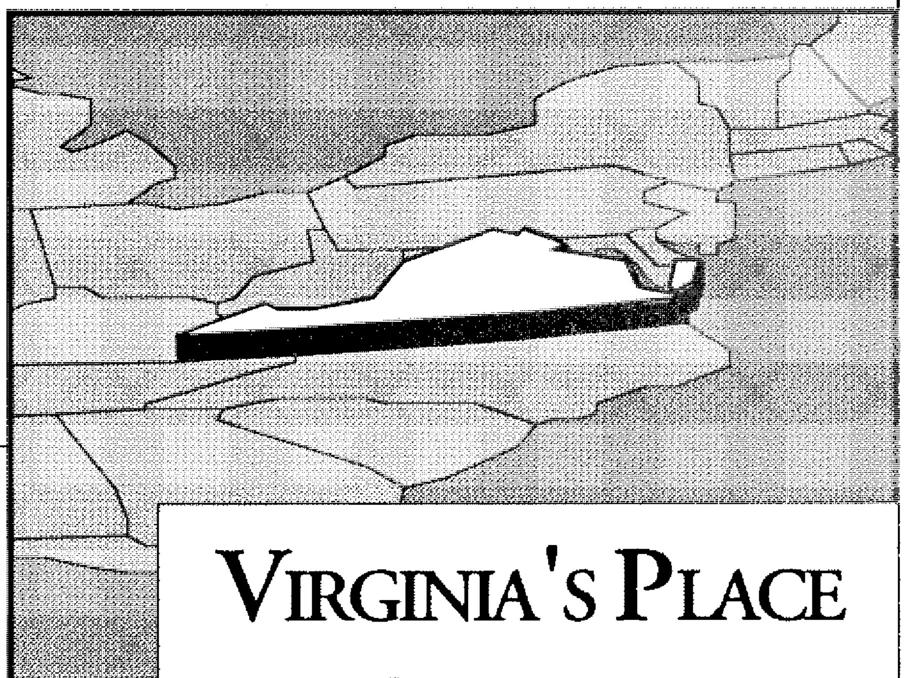
Mail Survey of Cities and Counties. A mail survey was sent to local governments in 1991 requesting information on mandates, local financial conditions, and State financial aid and technical assistance. The survey also requested information on successful and problematic service delivery structures and public-private ventures. Responses were received from 108 of the 136 cities and counties. The survey results were used in the 1992 mandates reports as well as the current study effort.

Review of Documents. Numerous documents and reports were reviewed during the course of the study. In addition to the *Virginia Constitution* and the *Code of Virginia*, staff examined many studies on service delivery structures and the assignment of service responsibilities in Virginia and other states. Many of the programs addressed in this report have been the subject of past research including previous JLARC studies. For example, JLARC's reports in the areas of education, corrections, health, and transportation were consulted for relevant information. Many reports issued by other Virginia commissions and committees were examined as well. For example, the 1967 Virginia Metropolitan Areas Study Commission report and the 1984 report of Governor Robb's Commission on Virginia's Future were reviewed. Finally, staff reviewed reports from other states to gain insight on their experiences with the realignment of service responsibilities.

Report Organization

This introductory chapter has provided an overview of past JLARC studies pertaining to State/local relations and has discussed the current study effort. The remainder of the report is divided into three parts. Part One explores the environment in which State and local governments operate, including trends and forces affecting the Commonwealth. Overarching concerns with State/local relations are examined in Part Two. Part Three discusses options for realigning service responsibilities between the State and local governments. As required in SJR 235, functional areas discussed include: administration of justice, transportation, education, human services, environmental protection, and general administration. In addition, Part Three discusses the need for an in-depth study of the State/local tax and debt structure.

PART ONE:



VIRGINIA'S PLACE IN A RAPIDLY CHANGING SOCIETY

Virginia has a long history of strong government management and leaders with foresight. The State is rich in both human and natural resources. Reflective of these strengths, Virginia maintains a reputation as one of the best-managed states in the nation.

Another strength of Virginia is its diversity — both in terms of geography and people. With this strength comes complexity, however, as the State tries to meet the diverse needs and preferences of its population. In the early part of this century, many of the State/local government service and funding structures were enacted. These structures are still largely in place today, although the environment in which they function is rapidly changing.

Also, the problems confronting the State and the nation today appear daunting. Virginia is not alone in facing the problems of rising health care costs, increasing crime, changing public education needs, and aging infrastructure. In addition, problems associated with poverty persist. Concurrent with the increasing complexity of the problems, the nation's governments are encountering declining public confidence in the public sector's ability to solve these problems. As a result, support for new initiatives is often linked to demands for additional accountability, and no new revenue measures.

To meet the challenges in the coming decades, it is important to examine how Virginia has changed and the direction it is heading. The State needs to evaluate whether the current service delivery structures are adequate to address existing needs and anticipated challenges in the future. This report provides a step in such an evaluative process.

To set the stage for the discussion of structural changes that may be needed, an examination of the environment in which Virginia operates is appropriate. This section of the report presents a discussion of Virginia's service structures in the context of trends and forces which are impacting the State.

Strengths of Virginia's Government Structure

Virginia has been widely recognized as a leader among states in its strong government management. Factors accounting for this reputation include its streamlined overall government structure, sound financial management, and relatively low rate of State/local taxation.

Streamlined Government Size and Structure

Virginia's current governmenral system is based on a combination of historical decisions and more recent actions to improve government efficiency. Service fragmentation is minimized in Virginia through its small number of governmental units. In addition, the State has endeavored over the years to improve its efficiency and effectiveness through self-examination and follow-up actions. The result is a State structure which in most regards compares favorably with those of other states.

Virginia Has a Streamlined Government Structure. The structure of Virginia's government system is relatively streamlined and simple. On the local level, two of the major general purpose governments — cities and counties — are completely separate from each other. Virginia is the only state in which all cities are independent of their surrounding counties. Though there may be some drawbacks to this structure, it does eliminate confusion over responsibilities for various services. Another structural characteristic is that school districts are part of local governments rather than independent units of government. This allows local governing bodies to balance the financial needs of the school systems with other needs in the communities.

At the State level, through periodic review and study, Virginia continues to have an increasingly efficient governmenral operating structure. The State's secretarial system was created in 1972 to aid in managing the State's diverse and numerous executive branch agencies. In 1984, JLARC issued a report on the structure of the executive branch. This study found that overall, "Virginia's executive branch is logically organized in a manner consistent with the State's management needs." Despite this finding, some improvements were recommended, including: clarifying the responsibilities of the Governor's secretaries, standardizing the nomenclature and conforming boundaries for executive entities, merging several related agencies and activities, and reducing the overall number of State agencies. Many of these recommendations were subsequently enacted, resulting in further structural improvement.

In addition, the Commission on Efficiency in Government was created in 1986 to study and report on government efficiency, regulatory reform, and privatization opportunities. In its final report, the commission noted that "state government overall is well run and staffed by very capable employees and managers." Recognizing that greater efficiency was still possible, however, the commission presented 217 specific recommendations for improvements, over 90 percent of which had been acted upon by the time the final report was released in January 1990. Recently, as part of the Commonwealth's ongoing emphasis on government efficiency, the current administration has continued to look for ways to improve Virginia's operating structure through its "Project Streamline" initiative.

Virginia's efforts are evident, in part, through a 50-state comparison conducted by State Policy Research, Inc. for its 1992 edition of *States in Profile.* As a rough measure of state overhead burden, State Policy Research calculated the number of general government and financial administration positions as a percentage of total full-time equivalent employment — called the "State Apparent 'Teeth-to-Tail' Ratio." As of October 1990 (the latest data available), Virginia ranked thirteenth out of all states in having the least amount of overhead burden. While admittedly a rough measure of efficiency, it does reflect external recognition of Virginia's generally conservative approach to government structure and employment.

"The Commonwealth has substantially fewer units of government than most other states."

Virginia's Number of Governmental Units is Low. Virginia ranks as the nation's twelfth most populous state. Despite its size, the Commonwealth has substantially fewer units of government than most other states (Figure 1). In fact, only one other state — Hawaii — has a fewer number of governmental units per capita than Virginia. This characteristic is important for three reasons: it reduces the opportunity for overlap in responsibilities between different governmental units; it may minimize overhead costs associated with multiple governing structures; and it helps ensure some economy of scale in government operations.

Sound Financial Management

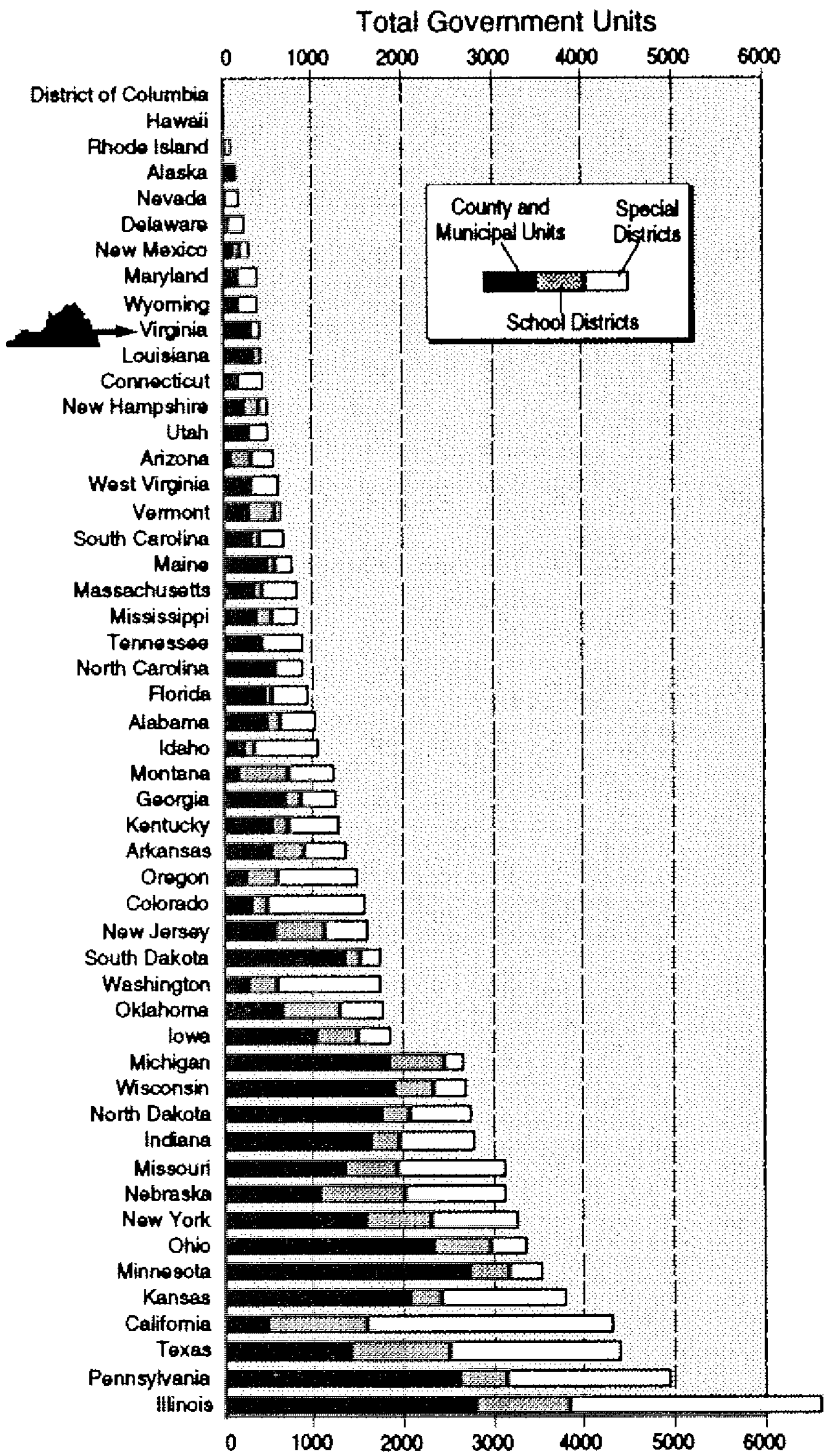
Virginia also enjoys a reputation of sound fiscal management. In 1991, Virginia was ranked the best managed state in the nation by *Financial World Magazine.* Earlier rankings of the State placed it in the top five. Characteristics accounting for the State's number one ranking included superior credit ratings, excellent financial reporting, accurate estimates of Medicaid and corrections expenditures, and thorough and multifaceted legislative and executive program evaluation.

Virginia's State and Local Governments Have Relatively Low Debt. Virginia has traditionally maintained low levels of debt. In 1991, the State's constitutional full faith and credit debt limit was approximately \$5.5 billion. At that time outstanding bonds totalled \$542.6 million. This amounted to only 9.9 percent of the total borrowing authorized under the *Virginia Constitution.*

In addition to having a low level of debt in relation to what is authorized by the *Constitution,* Virginia's State and local governments maintain low debt levels in comparison to other states. At the end of fiscal year 1989, Virginia ranked 41 out of the 50 states in terms of the amount of per-capita State and

Figure 1

Number of Government Units by State, 1987



Source: U.S. Department of Commerce 1987 Census of Governments local debt outstanding. Virginia's debt per capita was $2,320 — well below the national average of $3,216 per capita. In fact, the State has maintained per-capita debt levels below the national average for the last several decades.

Further, industry rating agencies consider Virginia's debt to be of the "best quality." Virginia is one of only six states which currently carry the highest bond rating from both major industry rating agencies. The State's general obligation bonds are rated "triple A" by both Moody's Investors Service and Standard and Poor's Corporation. This rating has important implications for Virginia. As noted in the 1990-92 Budget Tabloid:

> This allows Virginia to sell bonds at the lowest possible rate . . . . As a result, Virginia's interest costs are consistently lower than the borrowing costs for other organizations. This in turn lowers the cost of projects and the cost to the citizens of Virginia.

Though the bond ratings of some other states have recently been downgraded, Virginia has maintained its high rating throughout the recent economic slowdown, which again reflects its fiscally sound position.

"Virginia is one of only six states which currently carry the highest bond rating from both Moody's and Standard & Poor's."

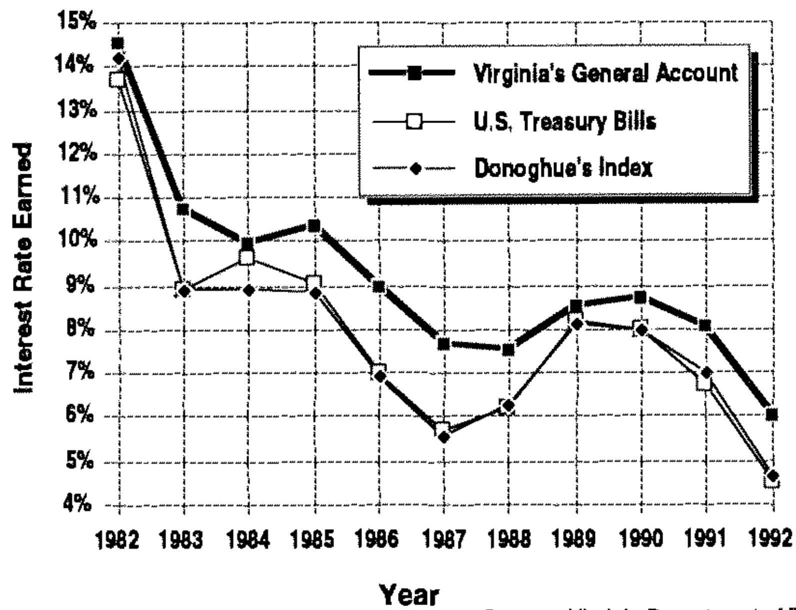
Virginia Practices Sound Financial Reporting. Virginia maintains compliance with generally accepted accounting principles and receives clean audit opinions yearly. In addition, during the 1980s Virginia made a concerted effort to improve its annual financial statements. As a result of that effort, the State has earned the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting each of the last three years. The Certificate of Achievement is the highest form of recognition that a government can earn for its accounting and financial reporting. To receive a certificate, the government's annual financial report must present financial information and narrative explanations beyond the requirements of generally accepted accounting principles. Several local governments also received these certificates in 1990 (the latest year for which local information was available).

Improvements Made to Virginia's Financial Management Practices. The State has taken a number of steps in recent years to improve its financial management practices. For example, in 1984 Virginia implemented the Prompt Payment Act, which improved the number of vouchers processed and paid on time. In addition, the Set-Off Debt Collection Program has continued to expand, collecting delinquent debts from the responsible parties by deducting the amount owed from the State income tax refunds and lottery winnings. In 1991, approximately $12 million was collected and returned to State and local agencies to repay delinquent debts. Collections on unpaid debts grew by over 960 percent in nine years. In June 1991, a second debt collection program — the Comptroller's Debt Set-Off Program — was initiated to collect delinquent vendor debts to State agencies. During its first year, the program collected $3.78 million in delinquent debts. Further, implementation of recommendations made in a recent JLARC study of the Department of Taxation is expected to net the Commonwealth approximately $51 million in additional revenue for the 1992-94 biennium.

Improvements to Virginia's cash management practices have also increased the State's investment income. Specifically, the types of investments made have expanded, while still maintaining a minimum of risk. As a result, Virginia's general account investment portfolio has consistently outperformed the leading indices during the past decade (Figure 2).

Figure 2

Comparison of Virginia's Portfolio Yield to Yield of Leading Indices



Source: Virginia Department of Treasury.

Low Rate of State/Local Taxation

A third major strength of Virginia is its status as a low tax state. As a low tax state, Virginia has more revenue options available to it than do states that have higher tax rates. One measure of the financial burden of government services on a state's citizens is the amount of state and local general revenues collected per $1,000 of personal income. General revenues include taxes, such as the sales tax, as well as non-tax sources, such as user fees. (This measure helps even out differences between states as to their reliance on tax versus non-tax sources of revenues and State versus local revenues. Also, through standardizing by income, differences in the relative wealth of each state are taken into account.) Based on this measure, Virginia ranks 45th in the nation in the level of State and local revenues collected per $1,000 of personal income (Table 1).

Additional indicators of the State's relative tax levels and fiscal ability are issued by the U.S. Advisory Commission on Intergovernmental Relations (ACIR). The ACIR devised measures of each state's ability to raise revenues and the extent to which states use their available revenue-raising ability. (The

Table 1

State and Local General Revenues Per $1,000 of Personal Income, FY 1988 - 1989

RANK	STATE	AMOUNT($)
1	Alaska	571
2	Wyoming	367
3	New Mexico	269
4	North Dakota	250
5	Montana	244
6	New York	242
7	Utah	233
8	Louisiana	232
9	Oregon	230
10	Minnesota	230
11	Hawaii	228
12	Mississippi	220
13	Vermont	219
14	Delaware	218
15	Maine	213
16	Wisconsin	210
17	South Dakota	208
18	Iowa	208
19	Washington	204
20	Nebraska	204
21	Arizona	203
22	West Virginia	203
23	Idaho	202
24	South Carolina	202
25	Kentucky	201
26	Oklahoma	200
27	Michigan	198
28	California	196
29	Rhode Island	192
30	Alabama	191
31	Georgia	189
32	Colorado	189
33	Indiana	185
34	Texas	184
35	Nevada	184
36	North Carolina	183
37	Kansas	181
38	Ohio	180
39	Tennessee	180
40	Maryland	177
41	Florida	177
42	Arkansas	177
43	Pennsylvania	175
44	Massachusetts	172
45	**Virginia**	**168**
46	New Jersey	167
47	Illinois	164
48	Connecticut	161
49	Missouri	154
50	New Hampshire	137
	NATIONAL AVERAGE	194

Source: *States in Profile*, State Policy Research, Inc., 1992.

JLARC and Comission on Local Government measures of local government revenue capacity and revenue effort are based on the ACIR's state measures.)

To measure tax capacity, estimates are calculated of the amount of revenue that would be received by each state if they all used the same state/local tax system — the average of all states' tax systems. For comparison purposes, an index is computed with the national average set to 100. Virginia's tax capacity rating is 104, which means that Virginia has revenue raising ability four percent above the national average. Virginia's tax capacity is the 17th highest of all the states.

Tax effort, or the extent to which states tap their tax capacity, is determined by comparing the actual amount of state/local tax revenues collected with the state's estimated tax capacity. The national average tax effort is 100 — that is, 100 percent of the available tax capacity is collected. In contrast to its high tax capacity rating, Virginia's tax effort rating is 91, meaning that it collects 91 percent of its estimated tax capacity. Only 16 states have a lower tax effort than Virginia. In other words, Virginia has a higher than average tax capacity and a lower than average tax effort. Hence, it is considered a low tax state. (A fuller discussion of these measures is contained in Part Three.)

Trends and Forces Affecting the Commonwealth

Over the last several decades, Virginia has become an increasingly wealthy and economically diverse state. As of 1991, Virginia ranked twelfth highest of all states in personal income per capita. In 1940, the State ranked only 31st. Further, the State's poverty rate has been declining since the 1970s. In fact, the actual number of people below the federal poverty level has declined — from 675,978 in 1970 to 611,611 in 1990 — while the general population has grown by 1.5 million.

Despite these strides, Virginia's increasing population also presents some challenges. As more people settle in Virginia, the need for new and expanded infrastructure becomes apparent. For example, the State is finding it increasingly difficult, if not impossible, to keep up with the demand for new roads across the Commonwealth. Meeting the infrastructure needs, such as in the transportation area, is extremely costly and may require the State to consider utilizing some of its untapped tax capacity. Further, as new people move to the State, the population becomes more diverse. This diversity brings with it needs for new and different services and programs.

It is important to point out that the changes Virginia has undergone have affected different areas of the State to different degrees. The State of Virginia could theoretically be described as "four Virginias" — rural localities, suburbanizing localities, suburban localities, and urban localities. (The categorization of Virginia's localities into these four types can be found in Appendix B.) Broken down largely according to population, these locality types also display similarities in poverty rates, educational attainment levels, proportions of children and elderly, and employment levels. This diversity across localities is as important as the overall increasing diversity of the State as a whole. Further, it points to the need for flexibility in addressing the varying needs of each community.

Social Trends in Virginia

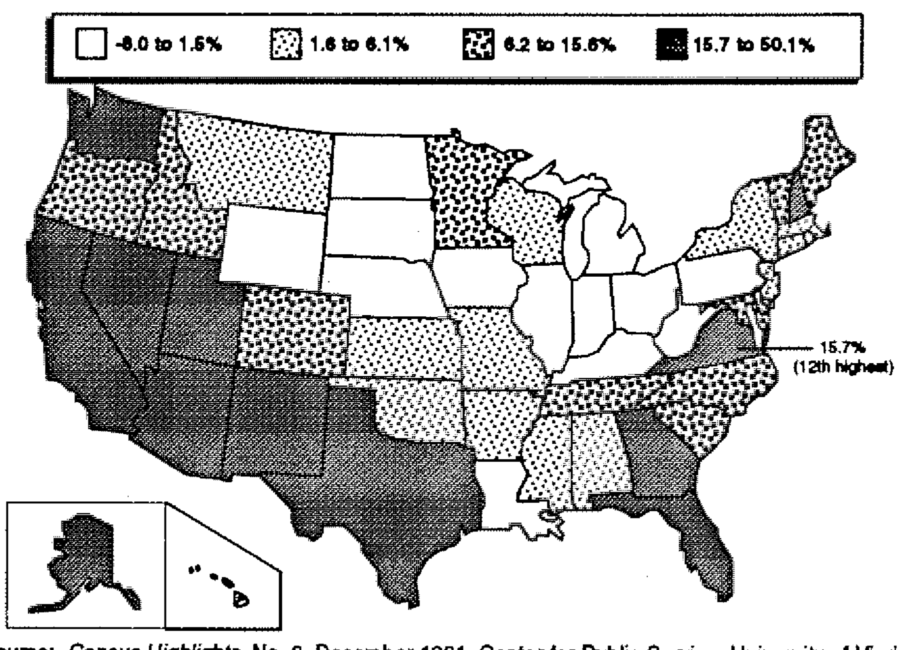
Virginia's population has grown substantially over the last several decades. Also, the population has become more diverse. Virginia's elderly population is increasing. The school age population is also projected to increase after having gone through a period of decline. These population groups typically require higher levels of services. Virginia is also becoming more racially and ethnically diverse. And, as the number of non-English speaking people increases in parts of the State, the need for programs such as "English as a Second Language" increases.

In addition, the past 20 years have witnessed a decline in poverty in many parts of the State. However, indicators point to increasing numbers of those in poverty due to the recent recession.

Virginia's Growing Population. Virginia ranks among the largest and fastest growing states in the nation. Between 1980 and 1990, Virginia gained the sixth largest number of people of any state and was twelfth in terms of the rate of growth (Figure 3). Almost 16 percent more people lived in Virginia in

Figure 3

State Population Growth Rates, 1980 to 1990



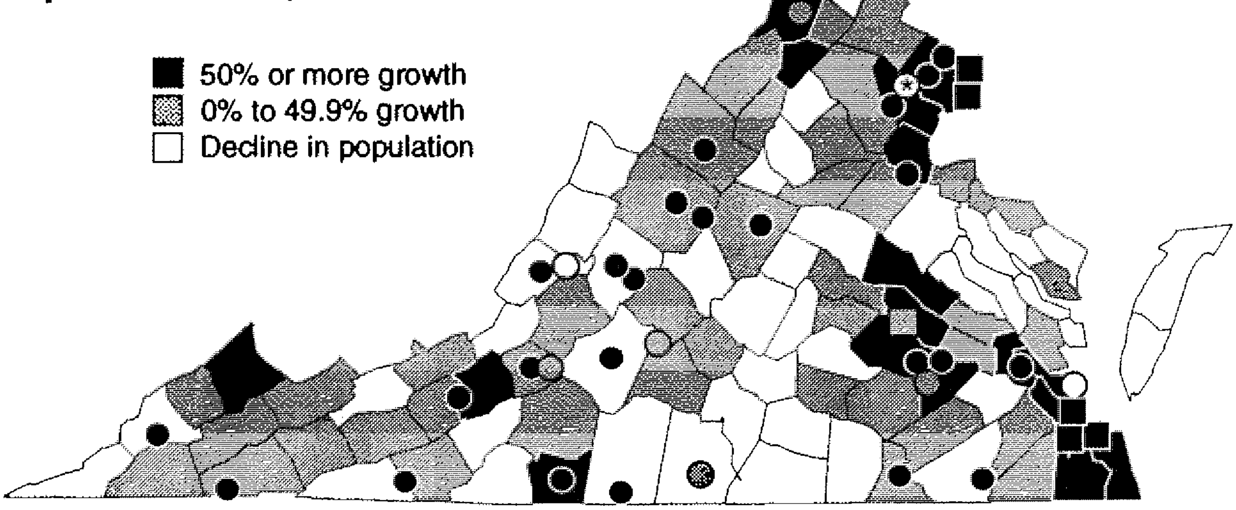
Source: *Census Highlights*, No. 6, December 1991, Center for Public Service, University of Virginia

1990 than in 1980. Further, the population of Virginia is projected to increase by an additional 11 percent by the year 2000.

However, this overall growth masks important differences in the growth patterns within the State. Between 1930 and 1960, population growth was widely distributed across the State (Figure 4). In particular, most cities showed a great deal of growth during the 1930 to 1960 period. Also, the growth of the Northern Virginia, Richmond, and Tidewater regions was beginning to appear.

Figure 4

Population Trends, 1930-1960



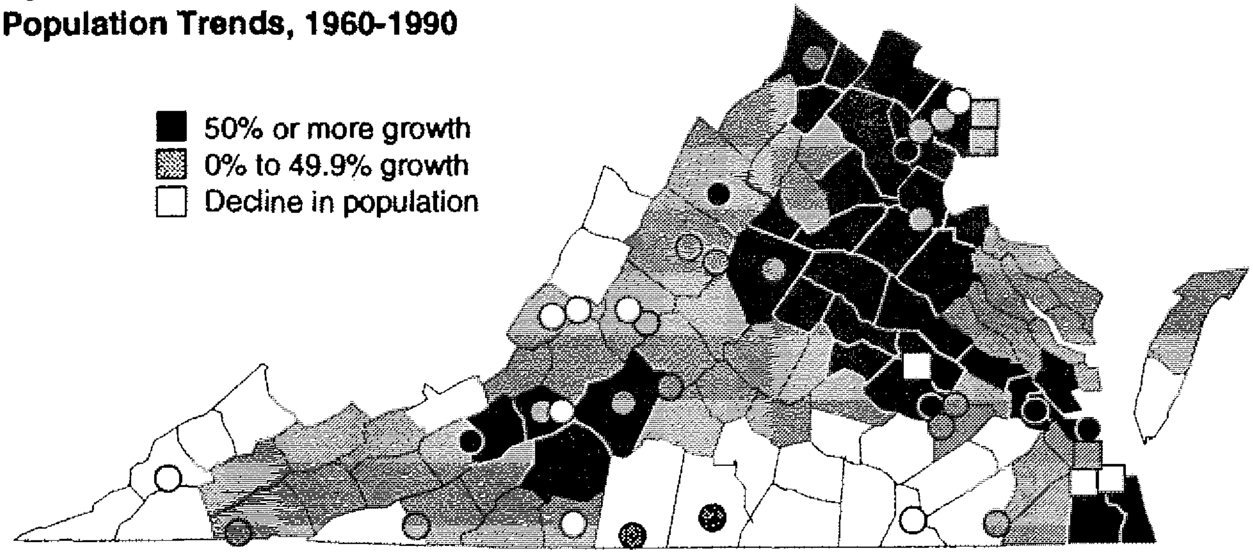
* Manassas Park City did not exist in 1930. Note: A map key for urban areas is provided in Appendix C. Source: U.S. Census, 1930 and 1960.

Between 1960 and 1990, the population explosion in the "urban crescent" was apparent (Figure 5). Almost all of the localities along Interstate 95 between Northern Virginia and Richmond, Interstate 64 between Tidewater and Richmond, and Route 29 between Northern Virginia and Albemarle County showed high levels of growth. In contrast, many of the localities in the Southwest and Southside portions of the State experienced declines in their population levels. Also, growth in most cities across the State slowed or declined during this period.

Looking more broadly at the types of localities in which Virginians live, two distinct trends emerge. First, between 1930 and 1960 there was a large population shift from rural to urban localities (Figure 6). In 1930, over 45 percent of the population lived in rural localities. By 1960, only 29 percent lived in rural localities, while 45 percent lived in urban localities. Second, between 1960 and 1990, there were declines in the percentages of people living in both rural and urban areas as people increasingly moved to the suburbs. In 1990, the suburban and suburbanizing parts of the State accounted for more than 40 percent of Virginia's population.

Figure 5

Population Trends, 1960-1990

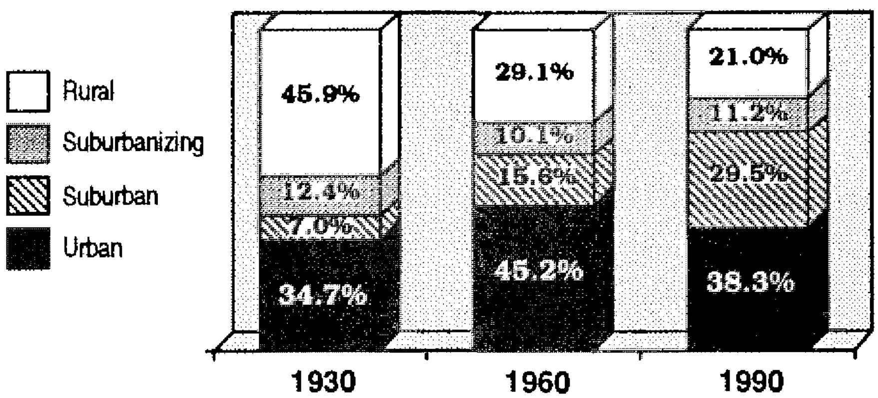


Note: A map key for urban areas is provided in Appendix C.

Source: U.S. Census, 1960 and 1990.

Figure 6

Proportion of Population by Type of Locality, 1930 -1990



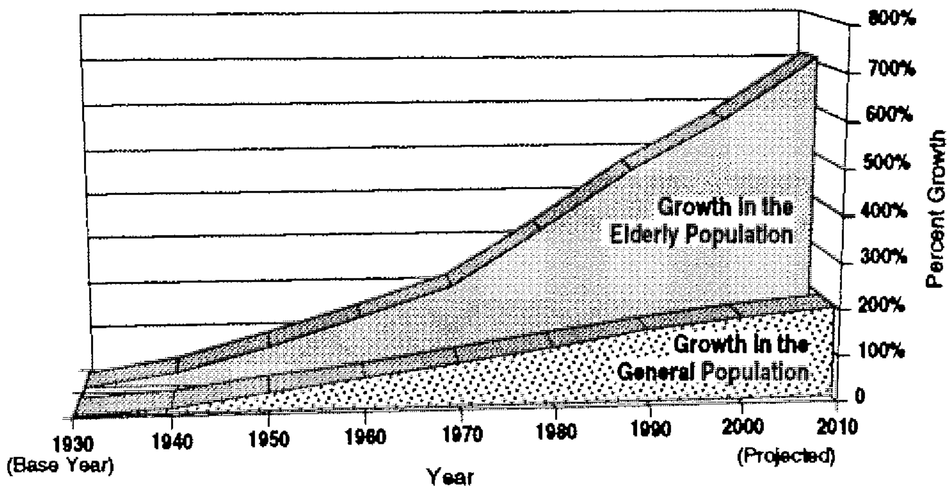
Source: JLARC staff analysis of U.S. Census data.

The Aging of the Population. As Virginia's population has grown during the last several decades, it has also aged. In 1930, the median age in the State was 23.1 years. By 1990, the median age had risen to 32.6 years. Part of this rise in the median age was due to the increasing number of Virginians who were at least 65 years old.

There were 116,678 people in Virginia who were 65 or older in 1930. In 1990, there were 469 percent more people in this age category, or a total of 664,470 elderly (Figure 7). Growth in the elderly population was substantially higher than the 155 percent growth in the general population during this period. Further, the elderly population is projected to grow by another 42 percent during the next 20 years — which is also at a higher rate than that projected for the general population.

Figure 7

Growth in Virginia's Elderly Population Compared to Growth in General Population



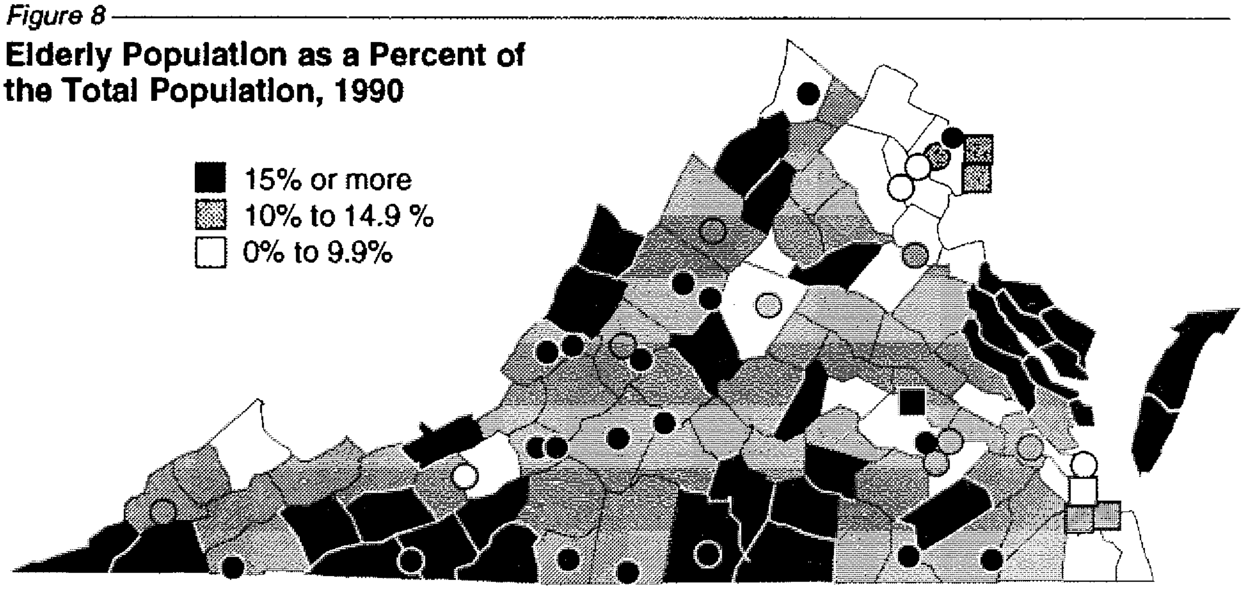
Note: "Elderly" refers to persons 65 years of age and older.

Source: U.S. Census and *Virginia Statistical Abstract*, 1992-93 Edition, Center for Public Service.

Looking at locality specific elderly rates, the elderly make up from 3.7 percent of Manassas Park City's population to over 25 percent of Lancaster County's population. In particular, older Virginians make up a significant proportion of the populations in many of the cities in the western part of the State, and in Southwestern, Southside, and Northern Neck counties (Figure 8). In contrast, they represent small proportions of the populations in the Northern Virginia and Tidewater areas.

Figure 8

Elderly Population as a Percent of the Total Population, 1990



Note: A map key for urban areas is provided in Appendix C.

Source: U.S. Census, 1960 and 1990.

The aging of the population has important implications for Virginia. Much of the economic growth in the 1980s was fueled by the "baby boomers" — people then in their 20s and 30s. As this group ages, however, their consumption habits are likely to change. They may not be buying as many new homes and "big ticket" items. Instead, they may be saving for their children's educations and for retirement. And, the next generation of young consumers is not expected to be large enough to fill the economic gap left by the baby boomers.

In addition, as people live into their 70s and beyond, they will likely consume a disproportionate share of health care. With the rapidly rising cost of health care both nationally and in Virginia, an increasingly larger share of public sector funds will be required to support this portion of the population. For example, in federal FY 1992, Medicaid and Medicare accounted for 15 percent of federal outlays. By federal FY 2002, these health care programs are expected to account for 26.6 percent of federal outlays. This high level of demand for scarce public funds to support services to the elderly will undoubtedly conflict with the demand for these funds for youth-related services such as education.

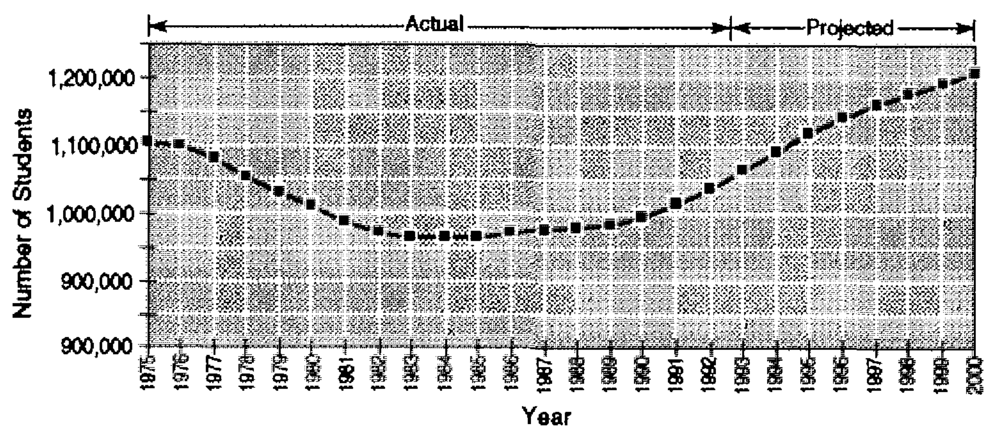
"Both the statewide poverty rate and the actual number of people below the federal poverty level have declined since 1970."

Number of School-Age Children on the Rise. While the elderly as a proportion of the total population has increased, the proportion of children in the population has decreased since 1960. Between the mid 1970s and mid 1980s, the actual number of school-age children also declined (Figure 9). However, since 1985 the number of children in Virginia's school system has risen. According to projections developed by the Center for Public Service, this trend is expected to continue into the next century.

One of the reasons for the expected continued growth in the number of school-age children is that net immigration to Virginia is expected to continue during the decade. As noted in *Virginia Alternatives for the 1990s* (Joseph L.

Figure 9

Fall Membership in Public Elementary and Secondary Schools

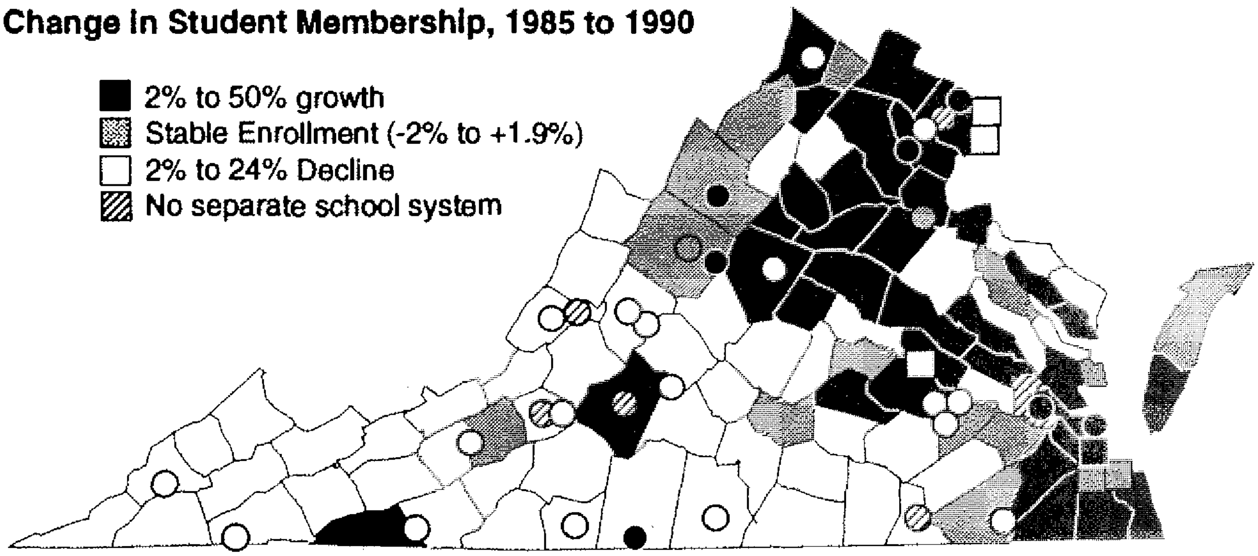


Source: Department of Education, and *Virginia Statistical Abstract*, 1992-93 Edition, Center for Public Service.

Fisher and Richard T. Mayer, George Mason University Press, 1987), the migrant population tends to include disproportionate numbers of young families. Therefore, immigration typically increases the number of children in the population. Since much of the population increase in the urban crescent is due to immigration, these localities are experiencing much of the increase in the school population (Figure 10).

Figure 10

Change in Student Membership, 1985 to 1990



Note: A map key for urban areas is provided in Appendix C. Source: Virginia Department of Education.

These statewide fluctuations in the school-age population have caused problems for many localities and will continue to do so for the next decade. As reported in *Virginia Alternatives for the 1990s*:

> Schools are expensive to build and require maintenance, whether fully utilized or not. As a result, many localities that built enough schools to accommodate the high enrollments of the 1960s converted the buildings to other uses during the period of declining enrollments in the 1970s, only to face growing demand in the 1980s and beyond.

“Growth in the numbers of elderly and school-age residents can lead to 'competition' betwen these two groups for scarce resources.”

In one of the local government focus groups, a county administrator of a rapidly growing, suburbanizing locality reported that his locality is having to build schools at the rate of one every other year. The largest county in the State reported school construction since 1986 at the rate of approximately three new schools per year. This is in addition to the numerous additions and renovations required to existing schools.

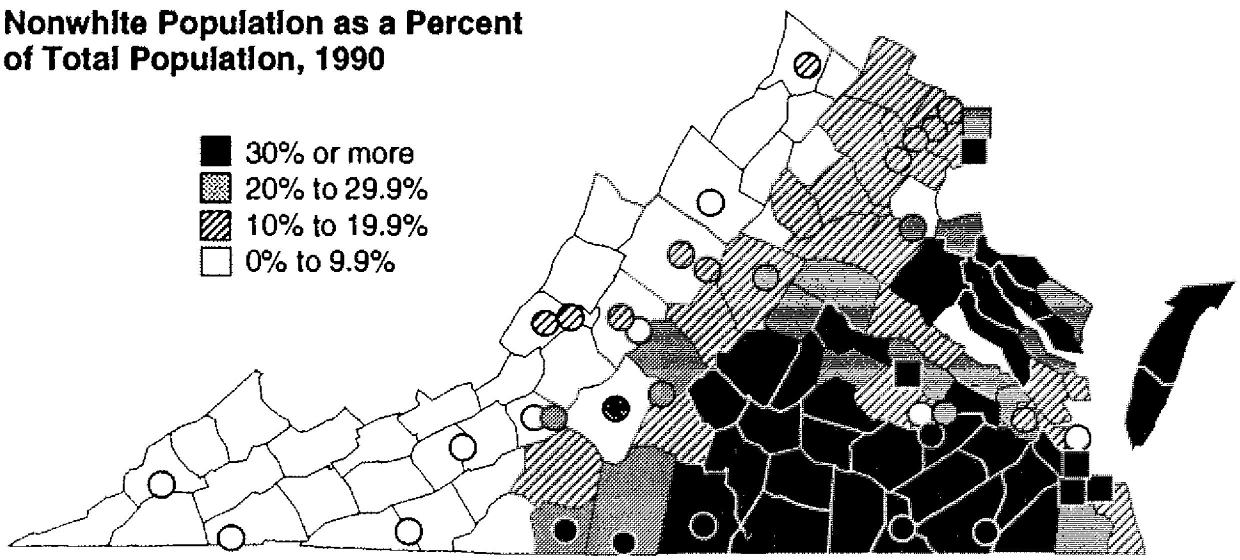
The result of this growth can lead to “competition” between the elderly and children for scarce resources for needed services and programs. This trend is expected to continue and even escalate as the baby boomers age.

Racial and Ethnic Makeup of the State is More Diverse. Over one-fifth of Virginia's total population is nonwhite. However, the proportion of nonwhites in the population varies by type of locality and by area of the State. As indicated in Figure 11, most of the nonwhite population lives in the eastern part of the State. The Northern Neck and Southside regions have the largest concentrations of nonwhites, primarily African-Americans.

As a group, urban localities have the largest percentage of nonwhites compared to other locality types, and the percentage has increased over the last decade (Figure 12). Though suburban localities had the smallest percentage

Figure 11

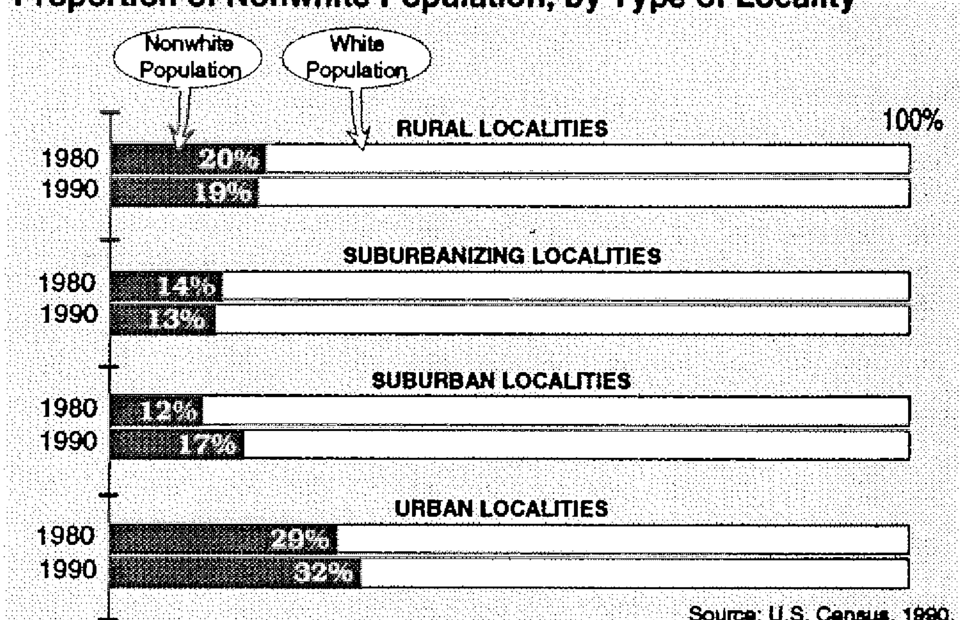
Nonwhite Population as a Percent of Total Population, 1990



Note: A map key for urban areas is provided in Appendix C. Source: U.S. Census, 1980 and 1990.

Figure 12

Proportion of Nonwhite Population, by Type of Locality



Source: U.S. Census, 1990.

of nonwhites in 1980, they showed the greatest increase in the nonwhite proportion of their populations during the 1980s. Rural and suburbanizing localities, on the other hand, had small decreases in the percentage of nonwhites in these localities.

Aside from racial background, an increasing number of Virginians speak a language other than English in their home. In 1980, 4.1 percent of the population over five years old did not speak English in their home. By 1990, the percentage of people in this category rose to 6.8 percent — an increase of 90 percent in the total number of non-English speaking residents. In addition, the number of foreign born people living in Virginia rose by 74 percent. Much of this increase occurred in the urban parts of the State. For example, the percentage of foreign born residents in Arlington County grew from 14.6 percent of its population in 1980 to 21.4 percent in 1990. Likewise, in Arlington the percentage that speak a language other than English in their home rose from 16.3 percent in 1980 to 25.2 percent in 1990.

As the proportion of non-English speaking people moving into localities increases, the need increases for specialized programs such as "English as a Second Language" in school. Functional areas besides schools are also affected. For example, social workers that speak multiple languages may be necessary. Given the distribution of the foreign born population across Virginia, however, not all localities in the State need these specialized programs and activities. This is clearly a case where flexibility among localities in program offerings is necessary.

Poverty in Virginia Declined During the 1970s and 1980s. Virginia has made strides over the past few decades in reducing the number of people below the federal poverty level in the State. The statewide poverty rate has declined from 15.5 percent in 1970 to 10.25 percent in 1990. In fact, despite the overall increase in the State's population, the actual number of people below the federal poverty level has declined from 675,978 in 1970 to 611,611 in 1990. As of the late 1980s, Virginia had the 14th lowest poverty rate in the nation and was below the national average of 13.4 percent.

It should be noted, however, that the current recession has resulted in higher unemployment and record numbers of people applying for and receiving Aid for Dependent Children and Food Stamps in Virginia. Thus, it is likely that Virginia's poverty rate has increased since the 1990 Census data were collected.

Looking across the State, poverty rates tend to be lower in the urban crescent and in parts of the Roanoke Valley and Piedmont areas (Figure 13). Rates are highest in the extreme Southwest region of the State. Similarly, during the past ten years poverty rates in the eastern region of the State have tended to decline or stay about the same (Figure 14). Southwest Virginia localities, however, had increases in their poverty rates. Many of the State's cities also experienced increases in their poverty rates. As expected, unemployment rates

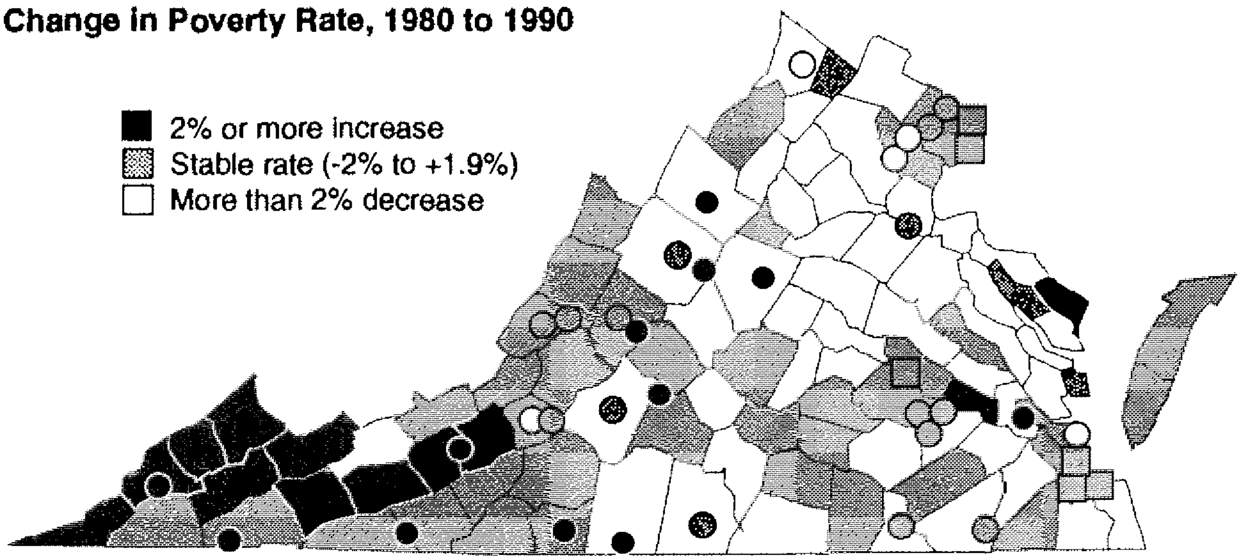
Figure 13

Poverty Rate, 1990

Note: A map key for urban areas is provided in Appendix C. Source: U.S. Census, 1990.

Figure 14

Change in Poverty Rate, 1980 to 1990



Note: A map key for urban areas is provided in Appendix C. Source: U.S. Census, 1980 and 1990.

and population growth show consistent geographic patterns. That is, poverty rates generally rose where unemployment rates rose and where the population showed slow growth or a decline.

There have been some important changes in the composition of Virginia's poverty population during the last decade. The number of children falling below the federal poverty level has decreased. On the other hand, the elderly population in poverty has increased, both in total numbers and in proportion to the total poverty population. Poverty is a particular problem for elderly in rural localities, where over 20 percent of the poverty population is elderly.

The increase in the number of elderly poor has serious implications for the cost of government services. The cost for health care in the State is rising rapidly. Since the elderly tend to have higher health care needs, such as nursing home care, it is expected that an increasing proportion of the State's budget will be spent on health care for the elderly poor.

Another important change is the increase in the number of female-headed families in poverty. As cited in *Virginia Alternatives for the 1990s,* factors such as low levels of pay in the traditionally female occupations and lack of reliable, affordable child day care contribute to this problem. The State has social programs which address obstacles to self-sufficiency such as adequate day care and job skills. However, given the increasing incidence of female-headed households in poverty, alternative approaches may need to be examined. These alternatives will put additional strain on already scarce resources.

Economic Trends in Virginia

The 1980s were a relatively prosperous time for Virginians. The State's personal income grew rapidly. Virginia also experienced below-average unemployment rates. Further, Virginia benefited from a large proportion of the federal government's defense spending, ranking first in per-capita federal defense expenditures. However, Virginia was substantially impacted by the recent economic downturn. And, as reported in the August 1992 issue of *Governing Magazine,*

> The 1990s won't be the 1980s all over again . . . . State and local governments are always struggling financially, but those struggles are becoming more intense as the country undergoes a series of transitions. They include such shifts as the switch out of manufacturing into services; the aging of the baby boomers out of their spending years and into their savings years; the loading of federal responsibilities onto the shoulders of the states; and the job losses in several states from defense-spending reductions.

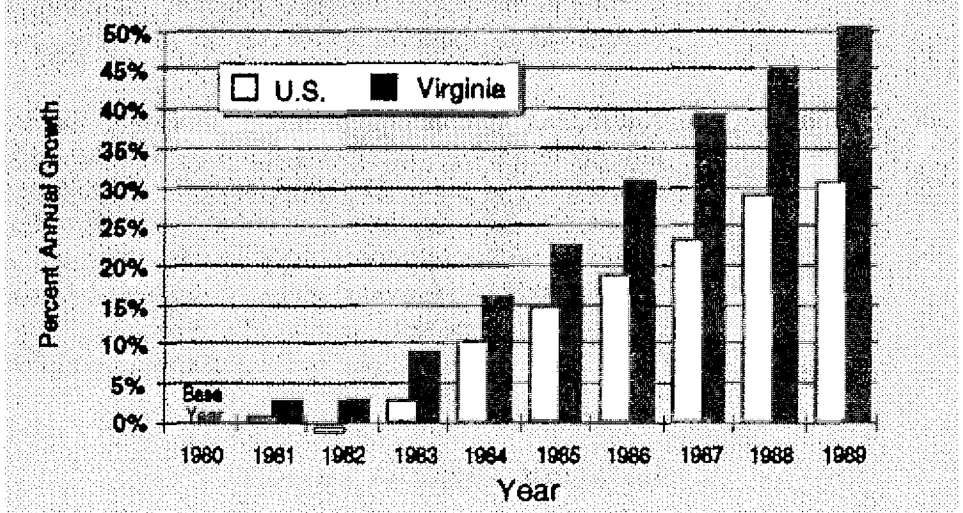
As with the nation as a whole, these changes are affecting Virginia.

Economic Growth. Virginia enjoyed substantial economic growth during the 1980s. Nationally, Virginia's gross state product (GSP) ranked thirteenth in 1980. By 1989, the State's GSP rose to eleventh place among the states. GSP is the total value of all products and services produced in a state in a given period. The equivalent national measure is the gross domestic product (GDP). As reflected in Figure 15, Virginia's GSP has grown substantially faster than the GDP during the 1980s.

During most of the 1980s, Virginia's per-capita personal income also showed substantial growth, surpassing the national per-capita amount in FY 1982. By 1988, Virginia ranked tenth among the states in the highest amount of per-capita personal income. However, after this time Virginia's growth in per-

Figure 15

Growth in U.S. Gross Domestic Product Compared to Virginia Gross State Product, 1980 to 1989

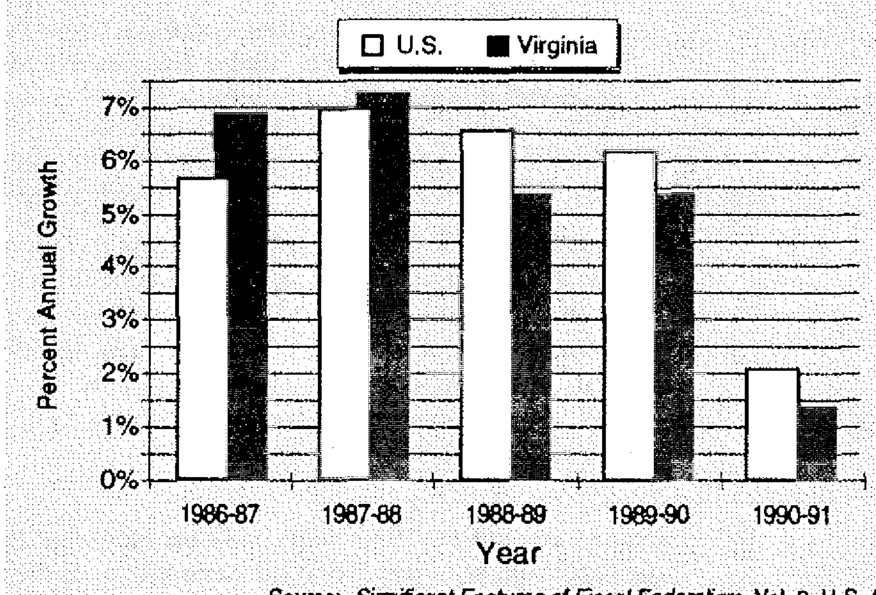


Source: *Virginia Statistical Abstract*, 1992-93 Edition, Center for Public Service.

sonal income slowed considerably (Figure 16). As a result, Virginia's national ranking dropped to twelfth. Also, Virginia's growth rate in per-capita personal income dropped below the nation's growth rate. Despite the slower growth rate, Virginia's per-capita personal income — $19,746 in FY 1991 — remains higher than the national per-capita level of $19,082.

Figure 16

Comparison of Annual Growth in U.S. and Virginia Per-Capita Personal Income, 1986 to 1991

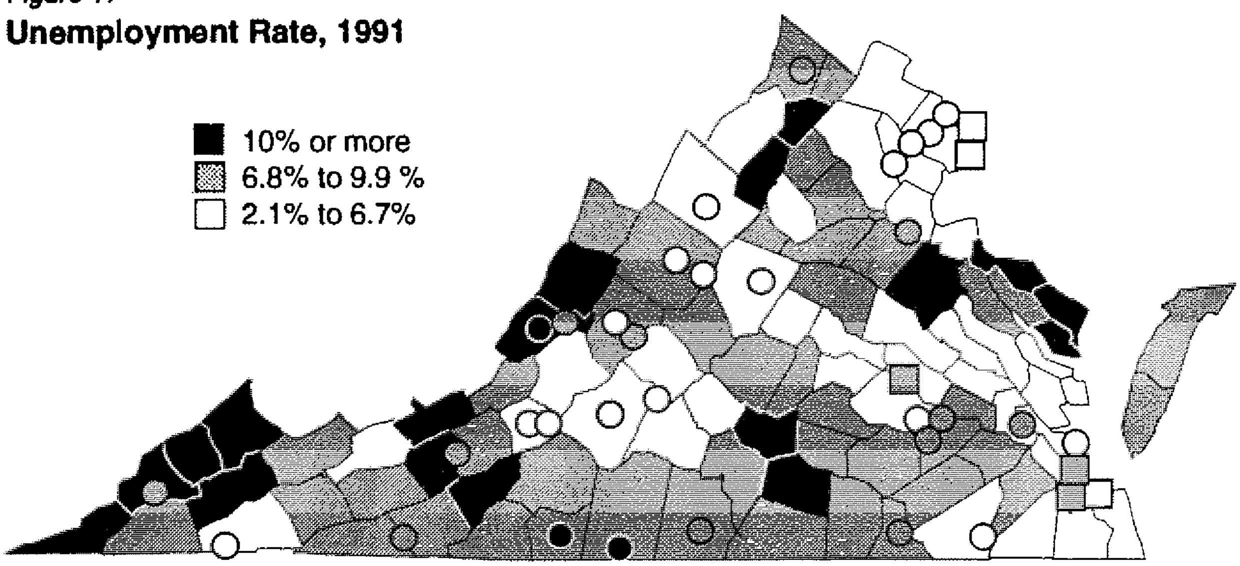


Source: *Significant Features of Fiscal Federalism*, Vol. 2, U.S. Advisory Commission on Intergovernmental Relations, 1992.

Virginia has traditionally had one of the lowest unemployment rates in the country. In 1990, Virginia's unemployment rate was 4.3 percent, ranking forty-fourth among the states and below the national average of 5.5 percent. This represented a small increase over the 1989 unemployment rate of 3.9 percent, and reflects Virginia's late-1990 entrance into the recession. Due to the continued economic downturn, Virginia's annual unemployment rate rose to 5.8 percent in 1991, which was still below the national rate of 6.8 percent.

However, the unemployment picture varies for different areas of the State. Several localities have experienced rates of unemployment substantially higher than the national rate (Figure 17). For example, the 1991 unemployment rate for Prince Edward County was 10.5 percent. Lunenburg and Buchanan Counties have the highest unemployment in the State, with rates above 17 percent. The unemployment rates in many of these localities were high prior to the recession; thus, the 1991 rates do not represent an increase in unemployment. In fact, the unemployment rates in many of these localities subsequently declined in 1992.

Figure 17
Unemployment Rate, 1991



Note: A map key for urban areas is provided in Appendix C. Source: Virgina Employment Commission.

In contrast, many of the localities in the urban corridor have experienced relatively lower levels of unemployment. Despite these relatively low unemployment rates, many of these localities were hard hit by the recession. As reported in the Virginia Employment Commission's *Economic Indicators* (Vol. 24, No.1):

> The three large urban corridor metropolitan areas in the Eastern part of Virginia have felt this recession more severely than past post-war downturns. This recession has been largely centered in white-collar home office complexes, high-tech defense contractors, and the speculative real estate industry — all of which expanded rapidly in those

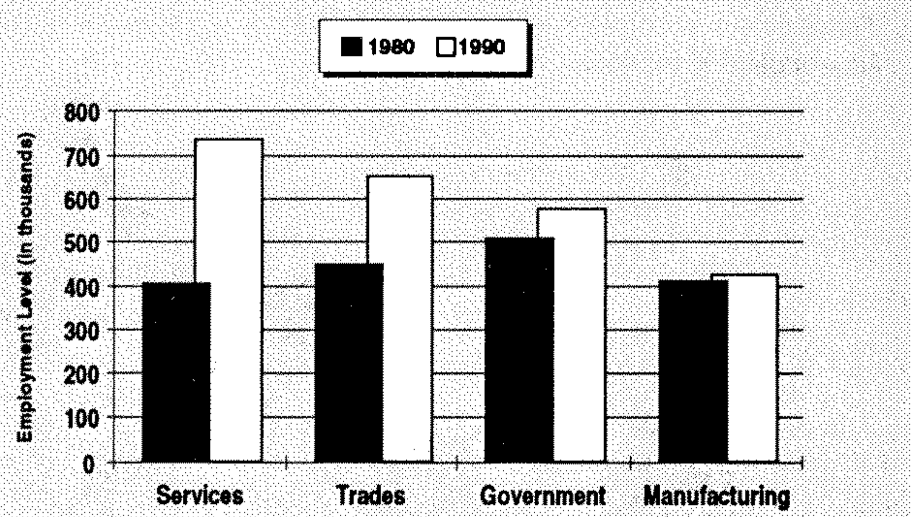
> areas in the 1980s . . . . These [displaced] white-collar workers are unaccustomed to being unemployed, and their re-employment process generally takes longer than it does for blue-collar workers.

According to State economists, these areas, as well as the Commonwealth in general, are expected to show a weak economic recovery. As reported by the Governor in the 1992-94 *Executive Budget Summary*, it is "unlikely that Virginia will soon return to the boom times of the 1980s."

Shift from Manufacturing to Service Economy. The State's major industries are services, wholesale and retail trade, government, and manufacturing. As identified in Figure 18, the greatest levels of employment growth during the 1980s occurred in the service and trades industries. This trend mirrors the national trend; that is, the State and the nation are moving from a predominantly manufacturing economy to a predominantly service economy.

Figure 18

Employment Growth in Virginia's Major Industries, 1980 to 1990



Source: Virginia Employment Commission.

This shift has potential implications for the State's traditionally high per-capita personal income, since the average annual pay for the service industry is only 87 percent of the average annual pay for the manufacturing industry. As the lower paying service jobs increasingly dominate the State's employment, growth in per-capita personal income may continue to slow.

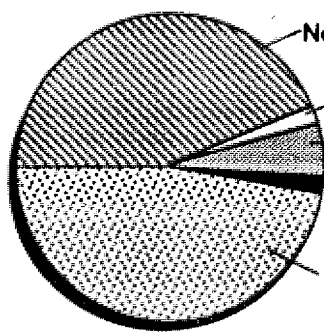
This shift also calls into question whether the State's tax structure appropriately reflects the different nature of today's economy. Characteristics of the tax structure, such as the types of exemptions allowed, must be carefully scrutinized to ensure the State sufficiently benefits from the economic growth of the services sector. This issue will be discussed in more detail later in the report.

Defense-Spending Reductions. The federal government ranks as the fourth largest industry in Virginia. The single largest source of federal funding to Virginia is the U.S. Department of Defense (DOD). DOD provided approximately $17.47 billion in defense spending in Virginia for federal FY 1990. In fact, Virginia ranked first among the states in per-capita defense expenditures and second to California in total defense expenditures received in federal FY 1990.

While the defense industry impacts the State's overall economy, the defense industry has a substantial impact in those regions of the State where it is a primary industry — the Northern Virginia and Tidewater areas. For example, between 1986 and 1990 approximately 47 percent of Virginia's defense procurement contracts were awarded to firms in the Hampton Roads area and 44 percent were awarded to firms in Northern Virginia (Figure 19).

Figure 19

Distribution of Prime Defense Department Contracts by Metropolitan Statistical Area, 1986 to 1990



Note: "Prime" refers to contracts over $25,000.
Source: Inter-Agency Task Force on Defense Conversion and Economic Adjustment.

In 1989, future reductions totalling 25 percent were planned for the DOD budget. As noted in the November 1991 issue of the U.S. Economic Outlook: 1991-94, the WEFA Group stated that "defense spending will continue to be cut sharply," projecting declines of "7.0%, 6.5%, and 5.8% in 1992, 1993, and 1994, respectively." The magnitude of the defense presence in Virginia leads logically to the assumption that these proposed cutbacks have the potential to negatively affect both the State and those local governments with a large military presence. For example, a recent study by the Federal Reserve Bank of Atlanta noted that:

> The five states most likely to suffer severely because of defense outlay cuts are Connecticut, Massachusetts, Virginia, Missouri, and Colorado. For the times measured, these states typically have had a larger-than-average share of employees tied to defense . . . .

The recent decline in military tensions between the United States and the former Soviet Union has the potential to further increase cutbacks beyond the

25 percent originally planned for the DOD budget. The consequences of further cutbacks on Virginia could be significant.

In 1991, JLARC issued a report on economic development in Virginia titled *Review of Economic Development in Virginia.* In examining the potential defense cutbacks, the report noted that while the actual impact of the defense industry could not be measured, DOD clearly contributes to Virginia's economy in four ways: (1) the presence of active-duty military personnel, (2) the employment of civilian residents, (3) the awarding of contracts to procure goods and services, and (4) the presence of defense installations.

The report further noted that reductions in the defense workforce within Virginia would most likely have the greatest impact on the State's economy. The presence of active-duty military personnel adds to the State and local tax bases through contributions to income, sales, personal, and real property taxes. Consumer spending by these personnel also benefits regional business climates. The provision of employment to civilian residents likewise provides these benefits.

However, contracts awarded for goods and services procured by DOD also contribute to Virginia's business climate and subsequently to Virginia's tax base through increased employment and sales opportunities. In addition, the presence of defense installations (which necessitates active-duty military personnel, civilian employees, and the procurement of goods and services) provides very tangible benefits to regional economies.

Defense cutbacks in any of these four areas, without planning for replacement, could adversely affect the State's economy. Losses could affect regional employment levels, State and local tax revenues, and regional business climates. These effects need to be assessed and addressed in determining how Virginia can prepare for the economic shifts which could occur as a result of defense cutbacks. The executive branch is currently monitoring the potential impact of military reductions through the Inter-Agency Task Force on Defense Conversion and Economic Adjustment, and has issued one of three planned reports.

Major Growth Areas of the State Budget. During the 1980s, the two service areas with the greatest growth in the State budget were corrections and Medicaid. Appropriations for corrections increased 179 percent from FY 1981 to FY 1991. Medicaid expenditures nearly tripled during this period. (Growth in the inflation index for government goods and services increased 63 percent during the period.) Continued increases in these two areas during the next decade may result in less State funding available for other State and local programs.

Several factors account for the increase in the corrections budget. Population increases, lengthier sentences, and higher rates of conviction have led to an increase in the number of people incarcerated in Virginia's prisons and jails.

This has resulted in overcrowding and the need for new and expanded jails and prisons. In July 1982, there were more than 8,500 inmates in State prisons. As of July 1992, that number had increased to 16,902 inmates. Between 1990 and 1996, five new State prisons are scheduled to open to incarcerate the increasing number of inmates.

Another major factor accounting for the increase in the State's corrections budget is the revised reimbursement rates for localities building regional jail facilities. In 1989, reimbursement rates were revised to allow localities participating in regional jails to be reimbursed for 50 percent of the cost of constructing the regional facility. This proved to be a vety popular incentive for many localiries. Reimbursement rates for single-jurisdiction jails were also increased.

Despite the additional capital projects undertaken by the State and localities, overcrowding is expected to remain a problem during the 1990s. Based on State forecasts of the prison population, the State will still have about 3,500 more inmates than prison space available to house them by 1995. Further, the local jail population is also expected to exceed jail capacity in 1995. Given this gap between available bed space and beds needed, the feasibility of creating new alternative sentencing programs and expanding current ones will have to be seriously considered during the coming years. Though not appropriate for many types of criminals, these programs do provide a less costly option to incarceration for a portion of the prison and jail populations.

In addition to increasing corrections costs, the State has also had to deal with a rapidly expanding Medicaid budget. Since FY 1981, Medicaid expenditures have almost tripled — from $432 million in FY 1981 to $1.3 billion in FY 1991. By comparison, the State's general fund revenues increased by 212 percent from FY 1981 to FY 1991. Between FY 1990 and FY 1991 alone, Medicaid costs increased by more than 20 percent, while State general fund revenues declined by 0.4 percent. The increasing Medicaid budget can be attributed to several factors, including new federal mandates and changes in State policies, inflation in the cost of health care, and the increasing numbers of high-cost aged and disabled enrollees.

Medicaid expenditures are expected to continue increasing rapidly during the next several years. For example, the Department of Planning and Budget has estimated that, between FY 1992 and FY 1995, additional costs of approximately $58 million may be incurred by the State due to existing federal mandates. Medicaid is just one program area where the federal government's shifting of responsibilities to states is being felt in Virginia.

Because of the substantial cost of this program, and the rapid growth in costs, the General Assembly requested JLARC to conduct a study of the Virginia Medicaid Program. JLARC findings and recommendations for program improvements have been presented to the 1993 General Assembly Session through a series of reports.

Federal Devolution of Responsibilities to the State and Local Governments. Beginning in the 1930s and continuing into the 1970s, the federal government created numerous new domestic programs and helped to finance the delivery of many more public services at the state and local levels than it had in the past. In particular, a substantial number of grant programs were available to local governments. However, beginning in the 1980s, several events occurred which served to reduce federal finanacial aid and increase the service responsibilities of state and local governments. These events were identified in a recent General Accounting Office (GAO) report titled *Federal-State-Local Relations: Trends of the Past Decade and Emerging Issues* and are presented in Exhibit 1. These changes occurred in part because of increased pressure for cuts in federal aid to states and localities as part of an overall effort to reduce the deficit.

As a consequence of the federal actions, the role of states gained prominence in the intergovernmental system during the 1980s. Specifically, states assumed greater responsibilities in the areas of health and welfare under newly created block grant funding structures. Also, the federal government has involved state and local governments in programs benefiting particular disadvantaged groups and promoting national environmental protection policies. Additionally, states were given greater responsibility over the distribution of certain types of federal aid, such as the community development block grant. Concurrently, the federal government deemphasized its connection with local governments, and direct federal grants to local governments were substantially reduced. In fact, with the elimination of general revenue sharing in 1986, the federal government essentially cut direct federal financial ties to four-fifths of all local governments.

“What the federal government could not accomplish through the establishment or funding of programs, it sought to achieve through increased, unfunded regulation.”

Ironically, increased federal regulations accompanied increased state responsibilities. What the federal government could not accomplish through the establishment or funding of programs, it sought to achieve through increased, unfunded regulation. According to the GAO, hundreds of new program standards and administrative requirements were imposed on state and local governments during the 1980s. These requirements covered a wide variety of areas, including education, construction projects, health and safety, aged and handicapped rights, and correctional institutions. The following are examples of new regulations reported by the GAO:

- Clean Water: municipalities are now required to monitor ‘nonpoint’ pollution from thousands of storm sewers and to implement testing for 77 additional chemicals in municipal water supplies. In 1986, the Congress added 83 new drinking water contaminants to be controlled by local governments under the Safe Drinking Water Amendment of 1986.

- Transportation: after much controversy President Reagan signed legislation in 1984 that required states to adopt a minimum drinking age for alcohol of 21 years old or face reductions of ten percent in federal highway aid in 1987.

- Endangered Species: 152 new species were added to the endangered and threatened lists. These additions required states to prepare status reports on

Exhibit 1

Key Intergovernmental Events: 1978-1988

Event	Effect
Election of President Reagan (1980)	Attempted to reduce the size and scope of government and created an intergovernmental system which gave much greater prominence to states and localities.
Omnibus Budget Reconciliation Act (1981)	Cut domestic spending by $35 billion, eliminated 59 grant programs and consolidated nearly 80 narrowly focused categorical grant programs into nine broad-based state-administered block grants.
Economic Recovery and Tax Act (1981)	Lowered federal income tax collections from corporations and "slowed the rate of growth for individual income tax receipts." Concurrently, the federal deficit began to grow substantially.
Gramm-Rudman-Hollings Act (1985)	Established deficit-reduction targets for the federal government with the intended goal of forcing policy-makers to balance the budget by 1992. Since its passage, legislators theoretically were to find comparable budget savings to offset federal costs of new programs.
The Tax Reform Act of 1986	Eliminated the deduction for state sales taxes on federal tax returns and placed stricter limits on the use of tax-exempt bonds. These actions had an effect on state and local finance.
Elimination of General Revenue Sharing (1986)	Further reduced federal-local grants, causing many fiscally stressed local governments to seek replacement revenues from the state or reduce services, or improve their efficiencies.

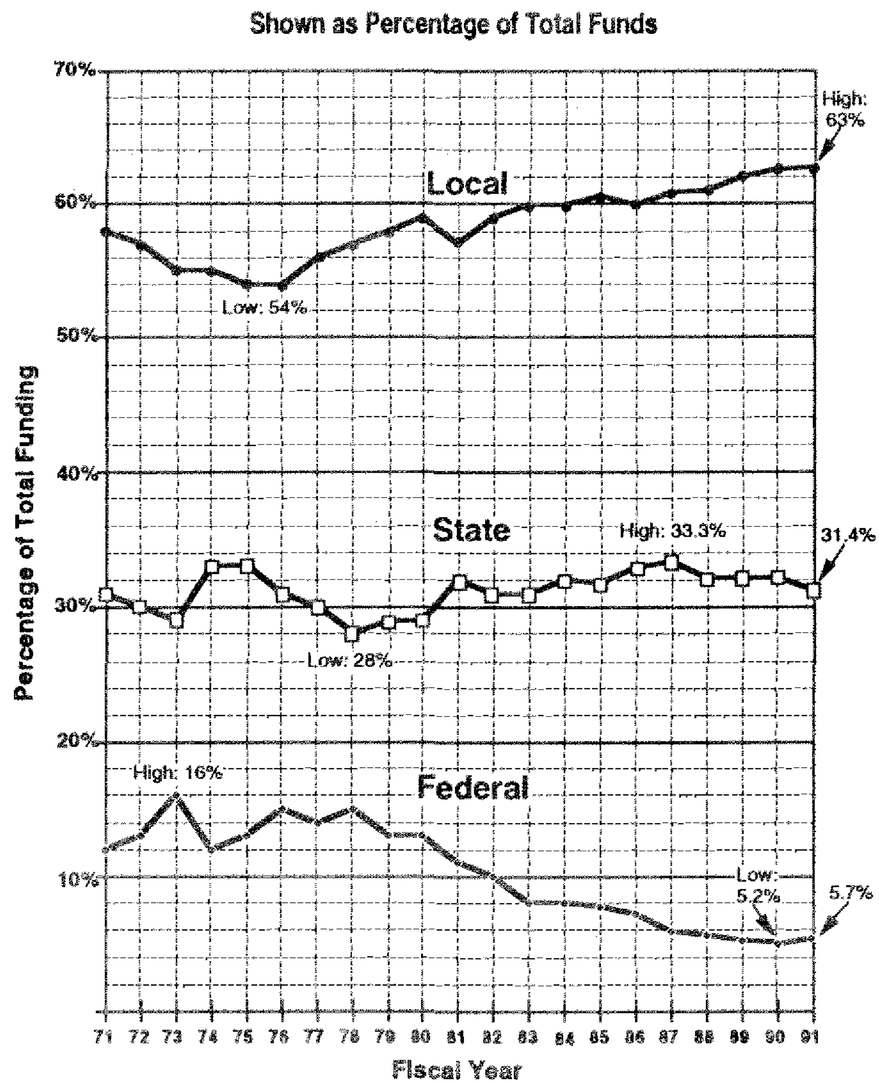
Source: *Federal-State-Local Relations: Trends of the Past Decade and Emerging Issues*, General Accounting Office, March 1990.

each newly added specie and also assigned states monitoring and enforcement responsibilities for protecting these species.

At the same time new regulations were added, federal funding for administration and oversight in many of these areas declined. For example, the GAO reported that federal grants for adminstration and oversight of bilingual education declined by over 40 percent in constant dollars between 1978 and 1988. Federal funds for the clean water regulatory program declined by 54.4 percent during the same time period. Overall, federal funds as a proportion of Virginia's State budget declined from 25.5 percent in 1980 to 16 percent in 1990. And the proportion of local governments' budgets consisting of federal funds dropped from 13 percent in 1980 to a low of 5.2 percent in 1990 (Figure 20, below and on opposite page).

Figure 20

Funding Sources for Cities and Counties, FY 1971 - FY 1991



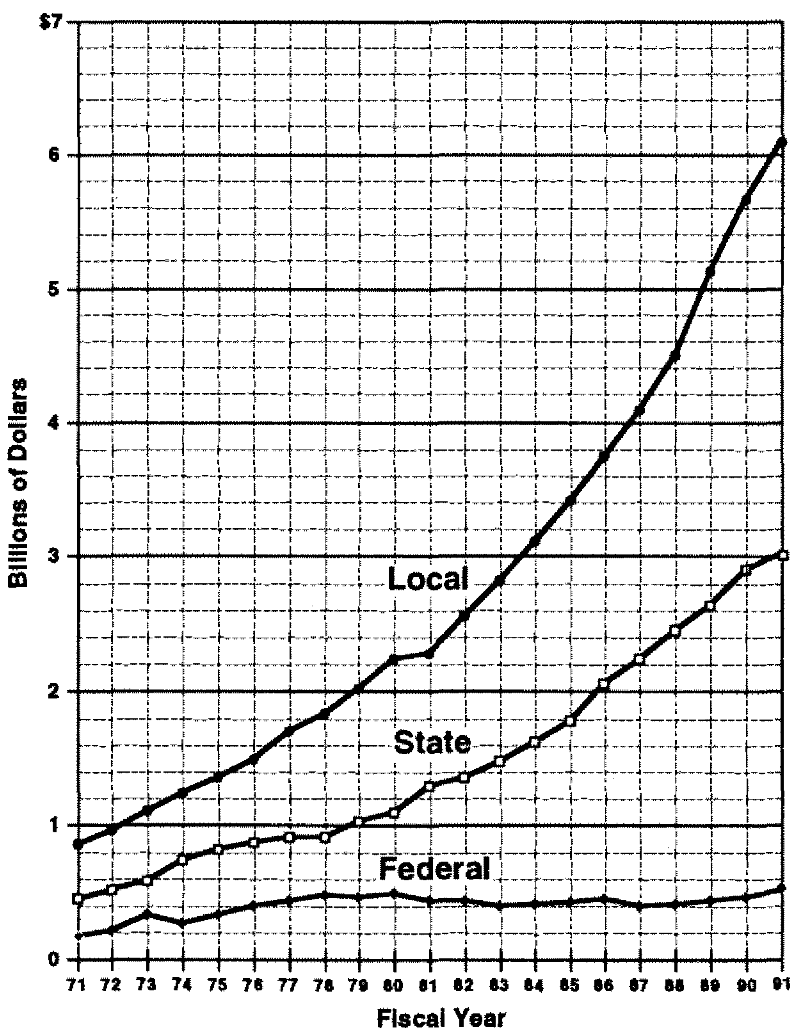
Source: JLARC staff analysis of Auditor of Public Accounts data; and *Local Fiscal Stress and State Aid*, JLARC, 1985.

In addition to decreases in financial aid, two large federal tax subsidies for state and local governments were reduced during the 1980s. A tax subsidy is when the federal government forgoes collecting revenues it would otherwise receive from corporations and individuals. The federal Tax Reform Act of 1986 eliminated the deductions allowed for state and local sales taxes. Also, rules on federal tax treatment of tax exempt bonds were tightened. These changes, either directly or indirectly, impact the ability of state and local governments to increase their sales taxes and borrow funds for activities such as infrastructure improvements.

Finally, the remaining federal financial aid to states is increasingly being distributed based on state personal income and decennial population figures. Using these measures, Virginia may receive even less financial aid from the federal government, as has already occurred in the Medicaid program. As a fast growing state, Virginia is disadvantaged by the use of census population data, since it does not reflect the growth occurring in the intervening years. Also, as previously mentioned, Virginia has high personal income relative to other states. The result is that Virginia will be expected to provide increasing levels of services with less federal financial assistance in the coming years.

(Figure 20 continued)

Shown as Actual Dollars

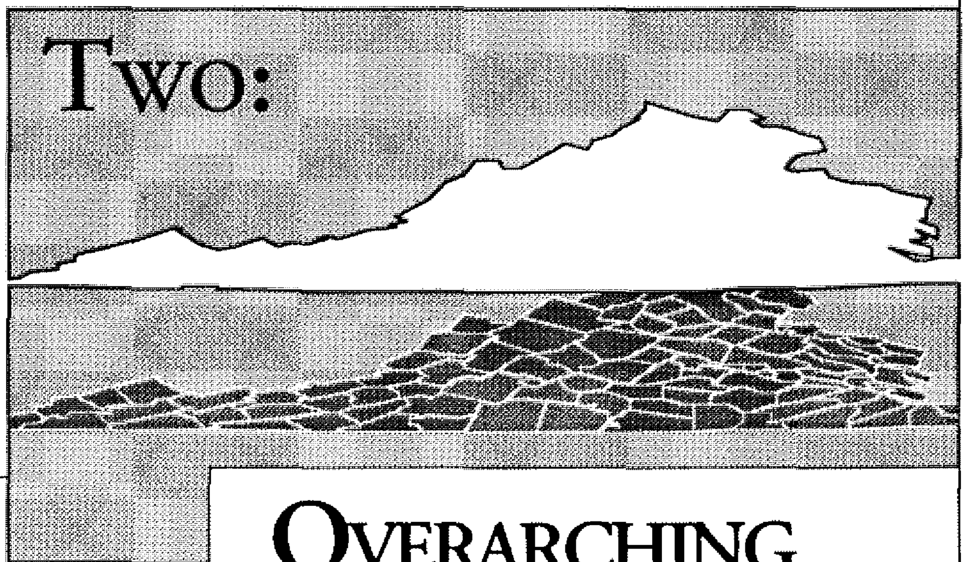


Conclusion

Overall, Virginia's governmental structure is sound. However, the federal government's devolution of responsibilities to the State and local governments without funding requires Virginia to constantly look for the most cost-effective ways to address those services. Also, as the service needs of the citizens expand and the number of citizens requiring services increases, it becomes important to periodically reassess whether the Commonwealth is providing levels of services consistent with citizens' demands and needs, and whether services are implemented in the most efficient and effective manner.

In particular, Virginia is becoming increasingly diverse, but its government structures may not adequately take into account this diversity. Service delivery issues, as they relate to State and local responsibilities, will be discussed in Parts Two and Three of the report.

PART TWO:



OVERARCHING CONCERNS WITH STATE / LOCAL RELATIONS

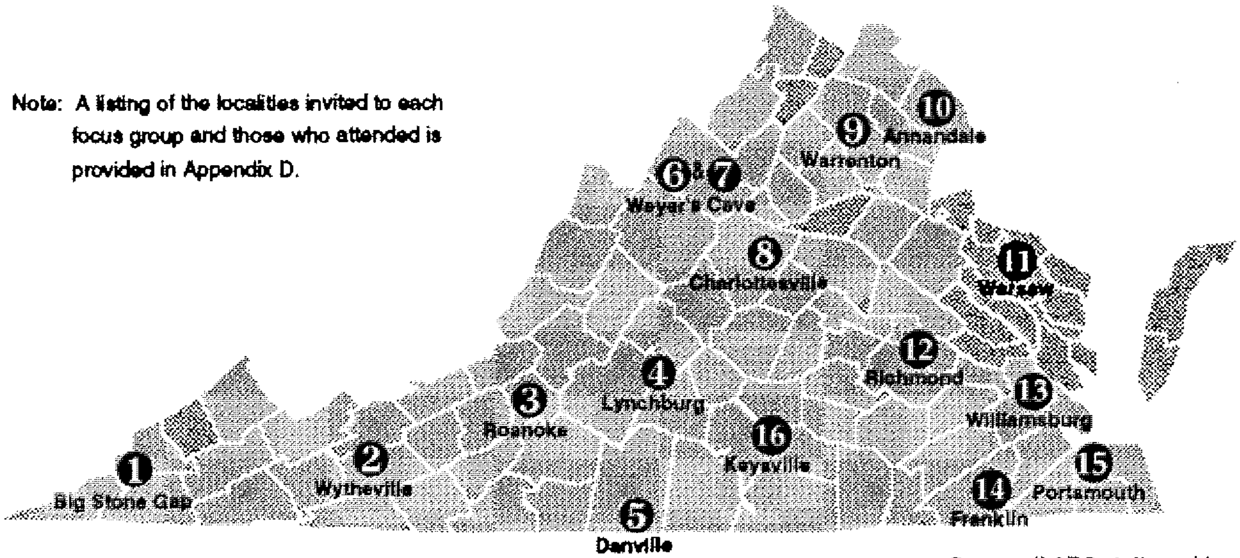
In identifying problems with the assignment of service responsibilities and State/local relations in general, JLARC staff consulted extensively with local government officials. As previously noted, a series of 16 group meetings were held with local officials across the State (Figure 21). During these meetings, representatives from 83 localities discussed how services are delivered and what structural changes could be made to improve the current system. The meetings were structured to allow participants to exchange information in an open and interactive environment. Collectively, the meetings provided a local perspective on issues and trends affecting the delivery of governmental services to the citizens of Virginia.

Results of the group meetings were centered around four broad issues: (1) overarching concerns, (2) funding, (3) service delivery needs, and (4) successful service delivery structures (Exhibit 2). While there was relative consensus among participants on overarching concerns and service delivery needs, there was less consensus on funding issues. Nonetheless, the group interviews provided the JLARC study team with substantial insight on issues affecting service delivery at the local level.

Figure 21

Location of Focus Groups

Note: A listing of the localities invited to each focus group and those who attended is provided in Appendix D.



Source: JLARC staff graphic.

JLARC staff also convened a group meeting of State officials to discuss issues related to the study. Several of the Governor's secretaries and agency heads attended this meeting. The problems raised during this meeting were generally consistent with the concerns discussed at the local government group meetings. For example, both State and local officials stated that communication between the State and local governments needs improvement, more incentives for regional approaches should be implemented, and more attention should be focused on long-term planning.

" The 'devolution' of responsibility (often without funding) from higher levels of government has contributed to a climate of distrust. "

In today's climate of increasing diversity and economic uncertainty, it is critical that federal, State, and local governments work together to accomplish common goals. However, the "devolution" of responsibility (often without funding) from higher levels of government to states and subsequently to localities has contributed to a climate of distrust between levels of government. Further, it has placed increased service burdens and strains on fiscal resources at the State and local levels. For example, due in part to federal mandates, State funding for Medicaid has increased almost 200 percent since 1985.

Like the State, local governments are concerned about having to perform new services passed down from both the federal and State governments without adequate funding. As reported in the 1992 JLARC mandates study, for example, the cost to local governments in Virginia to comply with new mandated requirements in the area of solid waste management has been estimated at more than $2.4 billion over the next 20 years. Localities are also concerned about their ability to address unique local needs given the imperatives of the federal and State mandates placed upon the programs they administer.

Exhibit 2

Major Issues Raised in State and Local Focus Groups

✔ Indicates issue was raised by focus group

Focus Group Number →	Local Government Groups																State Group
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
General Topics Raised																	
Lack of communication/flexibility/input	✔	✔			✔		✔	✔	✔		✔	✔	✔	✔		✔	✔
Burdensome federal and State mandates	✔	✔	✔	✔	✔	✔	✔				✔	✔	✔				✔
Lack of State plan or vision for the future			✔		✔		✔	✔	✔	✔					✔		✔
Lack of local taxing/borrowing authority	✔	✔	✔	✔	✔	✔	✔	✔	✔		✔	✔	✔	✔	✔		✔
Scarce resources																	✔
Funding Issues																	
Outdated tax policies/need for local income tax		✔			✔		✔		✔	✔		✔	✔		✔	✔	✔
Blurred funding responsibilities			✔					✔	✔			✔			✔		✔
Lack of State funding commitment		✔							✔	✔	✔				✔		
Insufficient state funding for constitutional officers			✔	✔		✔	✔		✔	✔	✔					✔	
Insufficient federal and State funding for social services						✔			✔	✔		✔	✔			✔	
Insufficient State education and school construction funding			✔			✔	✔		✔	✔		✔	✔	✔		✔	
Insufficient State funding for roads and highways	✔								✔	✔			✔				
Insufficient State support for court system administrative staff							✔		✔		✔			✔			
Service Delivery Needs																	
More regional activities/incentives to regionalize	✔	✔	✔	✔	✔		✔	✔	✔		✔		✔	✔	✔	✔	✔
Consolidated commissioners of revenue and treasurers			✔	✔	✔		✔				✔			✔	✔		
Reduced human services fragmentation and duplication		✔		✔	✔							✔			✔	✔	✔
Additional State technical assistance		✔	✔			✔	✔	✔						✔			✔
Clear service delivery responsibilities				✔			✔	✔		✔					✔		✔
Planning district commissions-more funding/authority	✔		✔		✔		✔	✔									
Require centralized income tax processing					✔								✔	✔	✔		
Additional or improved roads and highways	✔			✔		✔		✔		✔	✔	✔	✔				
Additional local jail space						✔	✔					✔	✔		✔		
Successful Service Delivery Structures and Participants																	
Virginia Department of Transportation	✔	✔	✔						✔			✔		✔	✔		
Department of Economic Development		✔	✔			✔	✔	✔							✔	✔	
Department of Housing and Community Development		✔	✔					✔	✔								
Consolidation of State environmental agencies		✔		✔		✔									✔	✔	
Regional activities (public water & sewer, jails)									✔				✔	✔	✔	✔	✔

In other program areas, there appears to be a lack of knowledge or consensus about who is responsible for a given activity. For example, during focus group meetings local officials continually cited the need for consolidating local human services and the lack of flexibility they have to do so. While the State can approve such proposals through existing statutes, none have been forthcoming. Thus, local frustration exists even though the State has not formally rejected a concrete proposal.

It is essential for the State and local governments to work more closely together to respond to costly federal mandates and other future developments. To do so will require communication, flexibility, and long-term planning. In addition, the State needs to focus additional attention on regional service efforts and an integrated approach to service delivery.

Improved Communication Is Needed Between State and Local Governments

State and local governments have the same ultimate goal — working toward quality services needed by the citizens of the Commonwealth. As governments face increasingly complex problems, communication between levels of government becomes increasingly critical. But in some cases, State and local governments appear to be working at cross purposes. A lack of communication and cooperation has plagued State and local government relations at times. To begin to correct this problem, improved mechanisms are needed to promote effective lines of communication.

In most of the 16 focus group meetings JLARC staff held with local government officials, the lack of communication between local governments and the State was cited as a major problem. Local government officials voiced concerns that their input is not included in State-level decisions affecting them. Also, some local officials perceived an attitude of competition and conflict between the State and local governments rather than one of cooperation. Some noted that a "State/local partnership" for accomplishing common goals is lacking.

Local officials believed that in some cases a "command-and-control" approach is used by State agencies in dealing with localities. This approach may be more efficient — it is certainly quicker — but it does not necessarily make for more informed decision-making or cooperative implementation. As implementors of many State decisions, local governments are in a good position to help identify effective methods for implementing mandated programs. State agencies lose a valuable resource by not including local governments in appropriate decision-making.

Further, State agencies may need to take additional steps rather than simply sending localities the proposed program regulations for local comment. Small localities cannot always accomplish their daily work and fully digest and respond to lengthy, highly technical regulations such as those found, for example, in the environmental protection area. Since local governments will be expected to enforce many of these regulations, face-to-face meetings between State and local staff to discuss the proposed regulations may be warranted in some cases, and may ultimately be more effective.

Some State agencies have begun to take this approach. For example, in 1987 the Department of Transportation began holding annual "Roundtable" meetings with local officials to discuss the "transportation environment" in the localities. The Departmenr reported receiving meaningful input from the participating localities and noted that the meetings were worthwhile. In part because of this open communication, VDOT was praised by many local officials from various regions of the State as a responsive partner in the transportation service delivery structure. Also, staff of the Department of Waste Management have attended and discussed their regulations at several of the recent local government associations' conferences.

Generally, State officials also cited communication problems with local officials. However, State officials voiced frustration that local governments often do not provide them with specific examples of problems and possible solutions. Rather, State agency staff report receiving general complaints from localities about, for example, a lack of flexibility, but local officials do not identify what flexibility they need. Agencies will often waive requirements that are onerous to a specific locality, but many local officials either do not understand or fully use this option. Periodic meetings between State and local officials could help improve communication.

In its 1992 report titled *A Review of State Aid to Localities in Virginia*, the Department of Planning and Budget (DPB) also reported local officials' desire for better communication between levels of government. In the report, DPB stated:

> No longer able to fund a growing 'wish list,' both the state and the localities must clearly establish their priorities and work to ensure that those needs are met. These priorities can only be established through ongoing information exchange and frank but pragmatic dialogue between the Commonwealth and its localities . . . . It would be helpful to establish a formal mechanism to strengthen the flow of information and the level of communication. The Secretary of Finance should consider holding formal periodic meetings with local officials and their representatives.

One such meeting has recently taken place. The Governor's 1992 Symposium on Virginia's Economic and Budget Outlook communicated to both State and local officials the State's economic and fiscal forecast. The need for this type of information exchange is not limited to the Secretary of Finance but is shared by all of the secretarial areas that work with local governments. Further, as noted by DPB, regular meetings with local officials could also provide a forum for ongoing discussions about the appropriate roles and responsibilities of each level of govetnment.

Local governments should attend such meetings ready to discuss specific examples of problem ateas and what changes they believe are needed. State officials should be prepared to discuss the amount of flexibility that the State and local officials have in the area and what actions would be needed to enact the requested changes. The Virginia Advisory Commission on Intergovernmental Relations could coordinate these meetings and take responsibility for disseminating the results and any needed follow-up information to local officials.

Recommendation (1). To expedite improved State/local communication, the Secretaries of Health and Human Resources, Natural Resources, Economic Development, Education, Transportation, Public Safety, and Finance should each hold meetings with local officials at least once a year in different regions of the State. The purpose of the meetings would be to identify areas of policy, program, or budget concern to both the local governments and the State, and to assess possible improvements that may be needed to State/local processes.

New, cost-effective service delivery methods identified by State and local officials could also be shared and discussed at these meetings. The Virginia Advisory Commission on Intergovernmental Relations could be responsible for coordinating the meetings and disseminating the results of the meetings to all local governments. A goal of this initial process should be to improve channels of communication between local and State officials.

Local Officials See Need for State Vision and an Urban Policy

One of the most important themes emerging from the local focus group discussions was the need for the State to articulate a vision for the long-term future of the Commonwealth. Virginia's prohibition of multiple consecutive gubernatorial terms was seen as one factor in a lack of continuity of purpose. Priorities shift between governors. Recent governors, for example, have placed different priorities on economic development, education, transportation, and fiscal management.

A good deal of uncertainty and apprehension now exists at the local level concerning the State's future policy and spending plans, especially in light of the current economy. A statewide policies plan prepared with local involvement might help alleviate some of this apprehension and give local governments a better sense of the State's long-term policy direction. Local officials believed that such a blueprint should span at least four years or, preferably, beyond the single term of a Governor. The plan should be comprehensive, embracing all functions of State government, and should include local and legislative involvement.

At present, the State's two-year Appropriation Act appears to be the primary expression of the Commonwealth's policy priorities. Some agencies, such as the Department of Transportation and the Department of Social Services, have long-term plans and formal planning processes in place, but they are primarily geared to specific programs or functions and meeting federal requirements.

Local officials representing cities also perceived a need for the State to develop a long-range urban policy similar to the rural development policy already prepared by the State's Center for Rural Development in the Department of Housing and Community Development. Urban officials contend that more needs to be done at the State level to help cities address such acute problems as homelessness, urban violence, poverty among single mothers, and eroding urban economic bases. Problems like these require coordinated actions between the State and cities as well as long-term financial commitments.

A routine mechanism or process could be instituted at the State level to ensure that a comprehensive, long-term policies plan is developed and modified on an ongoing basis. This policies plan could be linked to the budgeting process by allocating resources for an analysis and planning unit in DPB. Based on the incoming Governor's policy priorities, DPB staff could be supplemented with additional resources provided by State agencies, universities, and consultants. The planning process would include: (a) monitoring statewide trends and forecasts, (b) identifying problems which may require new or modified State responses, (c) proposing and analyzing policies, and (d) preparing a policies plan during the first year of the Governor's administration under the direction of a committee composed of State and local officials and members of the business community. The committee would be chaired by the Governor or his or her designee.

Recommendation (2). *The General Assembly may wish to authorize the Department of Planning and Budget to establish a small planning unit to coordinate and develop long-term policy planning and policy analyses. A comprehensive policies plan would be developed during the first year of the Governor's term of office with the assistance of a committee composed of State and local officials and members of the business community. The plan would be periodically evaluated and revised.*

The policies plan should be a formal written set of policies to inform the State's budget and program decisions. The plan should be comprehensive and long-term, define a proactive role for the State, and encourage communication and coordination between the State and local governments. Since the policies plan would focus on long-term solutions, the scope of the plan would be designed to extend beyond a single administration. The Governor would use the plan in developing new programs and in establishing budget priorities with the General Assembly. The plan would serve as the basis for preparing the Governor's first biennial budget.

Recommendation (3). *The General Assembly may wish to direct the Governor to develop an urban policy similar in nature to the current policy for rural areas of the State. The policy could be developed with the assistance of the Department of Housing and Community Development, the Department of Planning and Budget, State universities, the Virginia Municipal League, and the Virginia Association of Counties. It would address functional activities such as housing, economic development, transportation, health, and education.*

The Commonwealth Could Make Better Use of Regional Service Delivery Approaches

The State has an obligation to ensure that the funds it provides for services are being spent in the most economical manner possible. Indeed, as the State moves out of a decade of high economic growth and into one of potentially slower growth, providing services in the most efficient and economical manner becomes critical. One method to effect such economies is through regional service delivery.

The State currently encourages localities to provide some services regionally through the use of financial and non-financial incentives. For various reasons, however, localities are not pursuing regional solutions to the extent possible and appropriate. To address this problem, the General Assembly could provide additional incentives for regional cooperation in the delivery of services to Virginians.

The State Has Encouraged Regional Service Delivery Efforts. The General Assembly has provided local governments with substantial authority to provide services on a regional basis. The Commission on Local Government recently cataloged interlocal approaches which the State has authorized for local governments. These approaches include:

- joint exercise of any power, privilege, or authority which a local government possesses;
- joint development and operation of facilities (e.g. landfills);
- joint authorities (public service authority, park authority, public recreational facilities authority, transportation district, and airport authority);
- joint schools, school facilities, and superintendents;
- revenue sharing agreements;
- sharing of constitutional officers; and
- provision of services by regional planning district commissions.

In addition, the State currently provides many incentives for regional service delivery and local consolidation. For example, an elevated level of State funding is provided to localities participating in regional libraries and regional jails. In addition, the 1991 General Assembly enacted legislation which ensures that local governments that consolidate will not receive less State financial aid for five years after the consolidation than they would have received had they not consolidated.

Many local governments have taken advantage of some of these regional approaches. For example, localities in the LENOWISCO Planning District Commission (PDC) frequently use their PDC to forge regional solutions to service needs, such as waste disposal. The PDC will typically plan and initiate the service, and then set up a separate structure, such as an authority, to provide the service on an ongoing basis.

Additional Incentives for Regional Cooperation May Be Needed. Though the State has taken some positive steps to encourage regionalism, still more needs to be done to establish regional approaches as a primary means of delivering certain services. For example, the State's regional jail construction program has been very popular among localities in the eastern and northern parts of the State (Figure 22). However, localities in the southwest portion of the State, where economies of scale could clearly be derived from regional jails, have not yet entered into formal arrangements.

During the local government focus group meetings, local administrators expressed interest in regional service approaches and provided examples of current regional arrangements in which they participate. However, several localities also mentioned the political impediments to regionalism. They noted that additional State incentives for regional cooperation would help enhance the level of cooperation which now exists.

“ Regional approaches should be a particular emphasis in the area of environmental protection. ”

There are many additional incentives the State could institute to increase the level of regional efforts in the Commonwealth. Many of these incentives have been raised in previous studies and merit serious consideration. For example, required permit applications from regional entities could be given highest priority in processing by State agencies. Also, the timetable for meeting a particular mandate, such as recycling, could be extended for localities that work together to provide the mandated service. In addition, State funding for regional construction projects could be provided at several points during a project rather than only after the project's completion. Also, preference in State aid distribution decisions could be given to regional service efforts. For example, the Chesapeake Bay Local Assistance Department currently gives additional weight to regional efforts in distributing Chesapeake Bay preservation grants.

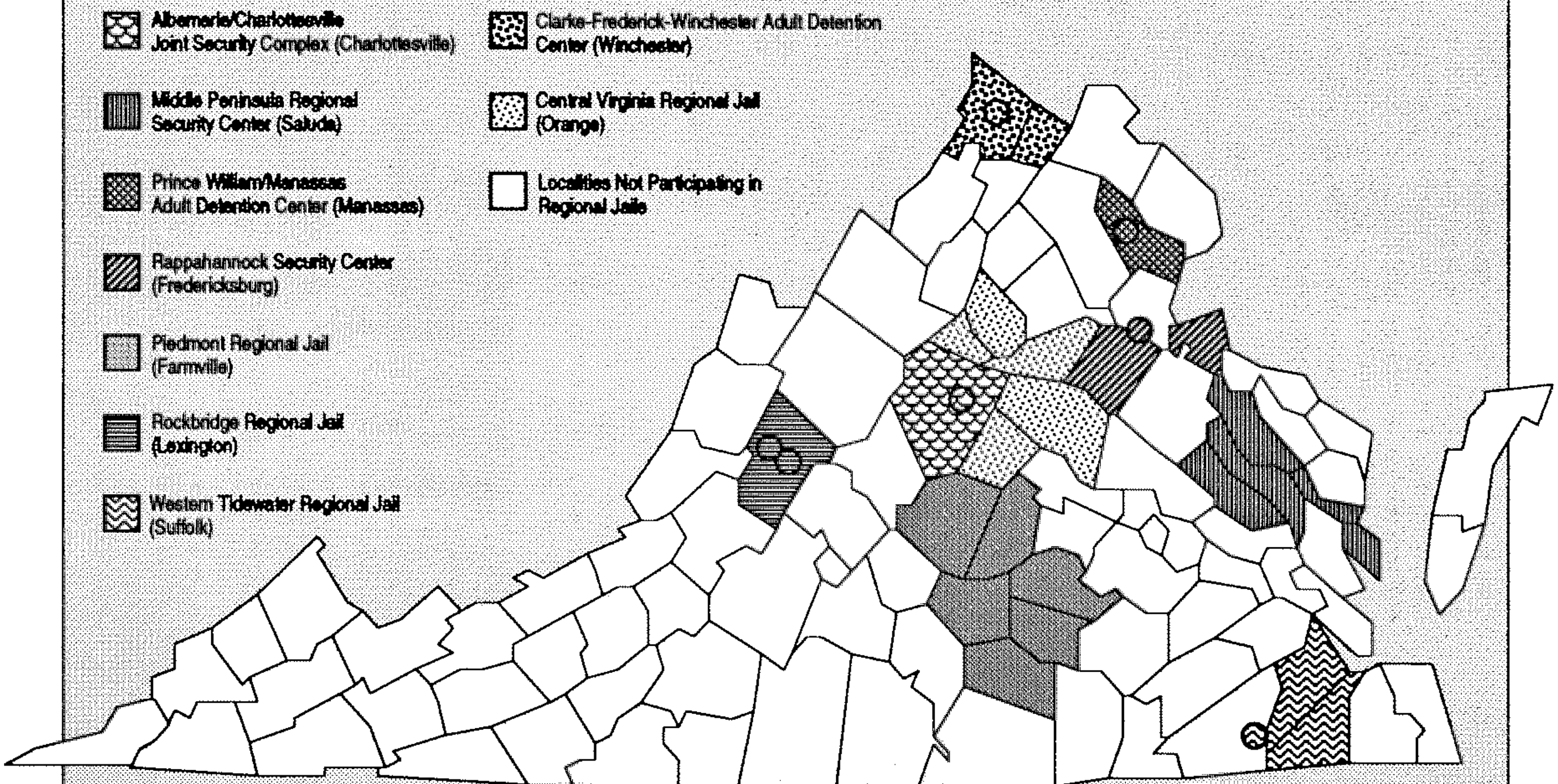
Disincentives could also be considered. For example, for localities that do not meet a certain population threshold, the State could reduce State funding for a program unless it was undertaken regionally.

Regional approaches and State incentives for such should be a particular emphasis in the area of environmental protection. Since watersheds, rivers, and other natural resources do not recognize locality boundaries, the success of an environmental action taken in one locality is dependent on the actions taken, or not taken, in the surrounding jurisdictions.

Recommendation (4). The General Assembly may wish to consider additional State inducements to encourage localities to provide certain services regionally. Functional areas appropriate for increased regional efforts include environmental protection, economic development (such as areawide industrial parks with tax receipts shared by localities), jails, and education. In particular, capital-intensive programs, such as landfills and water treatment facilities, should be considered for regional incentives.

Figure 22

Virginia Localities Served by Regional Jails



Note: Map key for urban areas is provided in Appendix C.

Source: *Staffing Standards for the Funding of Sheriffs*, JLARC, 1990; and the Department of Corrections.

Integration of Services Should Be a Focus in the Delivery of Services to Virginians

Many local officials during the focus groups discussed the need for a more integrated approach to serving the needs of Virginia's disadvantaged citizens. Integration refers to efforts to coordinate different services provided to one client. Integration may take several forms. At its simplest, it may consist of informing clients about the additional services they may need and the requirements for receiving these services. At the other extreme, it may involve consolidating different service agencies under one umbrella department. The key goal of integration is to provide a more comprehensive approach to serving clients with multiple needs.

Fragmented Service Delivery System Inhibits Comprehensive Approach. The ability of service providers to address the multiple needs of clients can be limited by a fragmented service delivery system. As in many other states, Virginia has separate agencies for social services; physical health services; mental health, mental retardation, and substance abuse services; aging services; special education services; and services for people with disabilities. There is substantial overlap in the clients served by these agencies.

Without coordinated services, clients must negotiate the sometimes confusing array of services and agencies by themselves. Each agency has its own eligibility requirements, funding mechanisms, regulations, and procedures. In addition, services may be offered at different locations, making accessibility difficult for clients who are less mobile.

In 1990, the National Conference of State Legislatures (NCSL) surveyed all states as part of a study of state child services systems. The majority of survey respondents stated that fragmented, categorically-funded programs limited coordination of child services. NCSL found that the human services system will typically give the child an identifier such as "dropout," "substance abuser," or "teen parent" based on the incident that caused him or her to enter the system. According to the study, this approach discourages comprehensive assessment and treatment of multiple needs because the system will respond to one specific behavior and not necessarily the child's overall needs.

All Levels of Government Have Begun to Respond to the Need for Service Integration. The benefits of integration in the health and human services system have been recognized by officials at the federal, State, and local levels. Interest in service integration has evolved over many years. In fact, several projects have been implemented to improve coordination of services, ranging from interagency commissions to integrated departments.

In 1991, the U.S. Secretary of Health and Human Services developed a comprehensive plan naming service delivery integration one of nine fundamental program directions for the Department of Health and Human Services (HHS). This program direction is to "improve the integration, coordination, and continuity of the various HHS-funded services potentially available to families currently living in poverty." Following this directive, each agency and division within the department established specific plans to increase service integration. A priority commitment has been to improve integration of services which assist families to become self-sufficient.

Virginia has not initiated a comprehensive integration effort. However, the State has recognized the benefits of integrated service delivery. For example, in 1990 the Secretaty of Health and Human Resources called for improved service delivery to at-risk and troubled youth and their families. A cross-secretarial interagency council was established to recommend improvements to the current child services delivery structure. As a result of the council's efforts, the Comprehensive Services Act for At-Risk Youth and Families was enacted into State law in 1992. This act establishes a trust fund from which localities can receive grants to develop innovative and collaborative services. The fund consolidates categorical agency funding, providing greater flexibility in purchasing and providing services for at-risk youth and their families.

At the local level, some localities have made strides toward integrating their services. For example, Arlington County has one department of human services, which encompasses health, mental health, mental retardation, substance abuse, elderly, and social services. Several localities have located all of their human services departments in the same building, thus providing increased client accessibility and improved communication between local agencies. Additional information on local efforts is included in the Human Services section of Part Three of this report.

Additional Efforts Toward Service Integration Are Needed. Both at the State and local levels, continued attention should be focused on improving how services are delivered to clients with multiple needs. For example, in the area of child services, service integration efforts must be broadened to encompass the educational system. While efforts have been made to coordinate educational services with other child services, a more formal relationship needs to be established. Schools are a point of contact for all children over five years old. Teachers see their students every day, and thus can potentially identify problems with a child as the problems develop. With a coordinated service delivery system for children, teachers and counselors would be able to promptly refer that child to the needed services. Hence, it is important that schools be included as an integral part of the child services delivery network.

Recommendation (5). Service integration efforts should be increased at both the State and local levels. For example, the Secretaries of Health and Human Resources and Education, and their respective departments, should maintain an ongoing dialog regarding approaches to service integration, with the goal of developing formal mechanisms for increasing integration of social, health, and educational services. Priority attention should be focused on integration of educational services with other child services.

City/County Distinctions Continue to Blur

From the time of Virginia's first *Constitution* through the first half of this century, distinctions between cities, towns, and counties were clear. Cities and towns were urban centers for work and shopping. They had relatively high population densities. Counties, on the other hand, were the agricultural, less densely populated areas of the State. As rural localities, counties required fewer powers since they did not face the problems associated with urbanization. "Suburbs" had not gained the level of prominence they hold today.

" 'City' and 'county' were appropriate descriptors in 1900 but serve as artificial distinctions today. "

"City" and "county" titles were appropriate during the early 1900s because they accurately identified different locality types — urban and rural. However, the accurate descriptors of 1900 serve as artificial distinctions today. Currently, the second most densely populated locality in Virginia is a county — Arlington County. In total, 15 counties have higher population densities than the least densely populated city. As described in a 1988 report by the Local Government Attorneys of Virginia:

> the growth of urban counties over the last 20 years has been nothing short of explosive, and urban counties are now much more like cities in the intensity of their development and the service requirements of their citizens. Similarly, over the same 20 years several rural counties have chosen to become cities to protect themselves from continued annexations . . . . Thus, in the place of the once-pristine divisions between localities, which served so well for so long, we find today a jumble of jurisdictional types: counties that provide city services, cities that have thousands of agricultural acres, and towns that have their own school systems.

This blurring of the distinction between cities and counties is manifest in the 1971 changes to the 1928 *Virginia Constitution.* The 1971 *Constitution* no longer maintains separate constitutional sections for cities and counties. As explained in the *Report of the Commission on Constitutional Revision*:

> In some states it is natural that counties and cities receive different treatment because only the county exercises some delegated state functions, such as conducting elections and enforcing state law. But in Virginia, separation of counties and cities eliminates such distinctions . . . . Since Virginia's counties and cities are on a par with each other, the Commission proposes that the Constitution deal with counties and cities in more uniform fashion than is presently the case.

The 1968 Commission on Constitutional Revision also addressed the option of "charter counties" to recognize the emergence of urban counties. The Commission proposed allowing any county with a population of at least 25,000 to adopt a charter, upon approval by the voters in that locality. The Commission's report noted:

> Under modern conditions no reason is apparent to deny the "urban counties" the same constitutional flexibility now afforded cities in providing services for their citizens . . . . The figure of 25,000 for a . . .

> charter county has been arrived at by a study of the minimum population deemed efficient in providing future services including, in particular, the operation of an efficient school system.

Though the proposed amendment regarding charter counties was not enacted as part of the 1971 *Constitution*, charter counties were eventually allowed through legislation passed during the 1985 General Assembly Session. The 1985 legislation (HB 1256) provided for counties to follow the same procedures as cities in obtaining a new charter or amending a current one. To date, Roanoke and Chesterfield Counties have taken advantage of this option.

This trend toward treating cities and counties more alike appears to be a positive step toward streamlining State and local government relationships. The General Assembly may wish to continue moving away from the artificial distinctions of cities and counties and, instead, make distinctions as necessary based on more accurate characteristics of the localities, such as population density.

In 1991 and again in 1992, resolutions were submitted for the review of Title 15.1 of the *Code of Virginia*. This title of the *Code* outlines the powers of counties, cities, and towns. Separate sections are presented for counties and for municipalities. In the 1992 resolution (HJR 227), the Code Commission was specifically charged with revising, rearranging, amending, and recodifying the title. The resolution noted that "one of the objectives of the present *Constitution* was to treat counties and cities more nearly alike" and that "a revision of those statutes in Title 15.1 . . . to carry out the intent of the 1971 *Constitution* is long overdue." Neither resolution passed both houses of the General Assembly.

Given the changes in cities and counties that have taken place, however, a study such as the one called for in HJR 227 may be appropriate for the General Assembly to undertake. Such a study could be used to further streamline local government structures and eliminate different treatment of cities and counties, where feasible.

***Recommendation (6).** The General Assembly may wish to direct a review of Title 15.1 of the* Code of Virginia. *Title 15.1 should be examined in light of the intent of the 1971 revisions to the* Virginia Constitution *to treat counties and cities more alike. The review could specifically identify provisions which should be revised, rearranged, and amended to better reflect the current* Constitution's *treatment of counties and cities.*

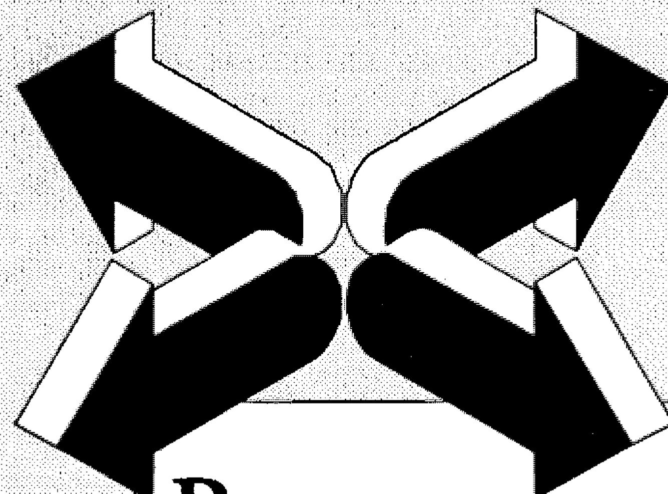
Conclusion

The increasingly complex environment in which government operates necessitates improvements to Virginia's State/local relationships. By working together, the State and local governments can take a proactive role in shaping the future of Virginia. Otherwise, the Commonwealth faces continued crisis-mode, reactive policies and practices.

By building a State/local partnership, both State and local governments will be strengthened. The State will benefit from local expertise in matters of service implementation, and local governments will benefit from a better understanding of the State's long-term direction and goals. This will enable local governments to better plan their own long-term goals and policies.

In addition, intergovernmental relations may be improved by examining the current State/local service delivery system to determine the most appropriate assignment of responsibilities. Structural changes are needed to reflect the changing environment in which Virginia's governments operate and to more efficiently and effectively allocate scarce government resources. The allocation of service responsibilities based on today's conditions and predicted trends can help to alleviate some of the structural problems which currently exist. Potential changes to specific service responsibilities are discussed in Part Three of this report. The options presented should be used as a point of discussion in efforts to open lines of communication between the State and local governments.

PART THREE:



REALIGNMENT OF SERVICE AND FUNDING RESPONSIBILITIES

The study mandate, SJR 235 (1991), required JLARC to conduct a review of service delivery and funding responsibilities for seven major functional areas of government. To assist in the review, JLARC staff reviewed the many studies addressing State and local service delivery structures, analyzed results from the 1991 JLARC staff survey of local government officials used in the 1992 *Intergovernmental Mandates and Financial Aid to Local Governments* report, and conducted interviews with State agency and local government staff. These activities were carried out to determine potential areas for further study as well as to identify any recommendations that were still appropriate.

As noted in previous sections of the report, JLARC staff also conducted focus group interviews with both State and local government officials. These group interviews were conducted to determine local officials' assessments of the appropriateness of the current service delivery structures, and the options available for increasing the responsiveness of these structures in meeting the needs of Virginia's citizens.

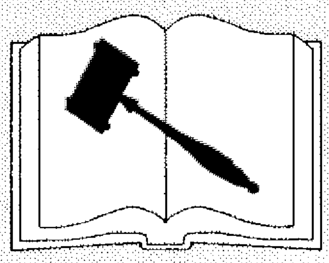
The results of the group interviews and subsequent review of the service delivery structures by JLARC staff indicate that the structures and assignments of responsibilities for providing the services are generally appropriate. However, significant social and economic changes have occurred since many of the service delivery structures were implemented. These changes have affected the ability of some structures to continue providing adequate services, which suggests that some changes to current service delivery practices are necessary.

For example, the current transportation service delivery structure has been relatively unchanged since 1932. At that time, counties, which were largely rural, were unable to provide a quality, interconnected road and highway system. As a result, the State assumed responsibility for building and maintaining counry roads. Because most counties were similar, the State was able to effectively address almost all of their road and highway needs.

Demographic patterns, however, have changed dramatically since 1932. Not all counties remain rural. Urban and suburban counties continue to grow in population at substantial rates, and the State is no longer able to meet all of the local road and highway needs of these rapidly growing counties. Further, in attempting to meet the pressing road needs of high-growth localities, the State is unable to fully meet the road needs of other counties, or the needs of larger highway systems like the interstate system.

Similar trends are also evident in other functional areas. In the area of human services, the growing diversity of the State's population, such as the increasing number of foreign-born residents and elderly, makes it difficult for a fragmented human services delivery structure to adequately meet the different needs of the service recipients.

In this section of the report, options are presented to improve or alter the current service delivery structures in order to meet the needs of the citizens of the Commonwealth, as well as to promote basic principles such as equity, efficiency, effectiveness, public participation, and accountability. The options presented are intended to refine service delivery structures by clarifying and simplifying the assignments of service responsibility.



Administration of Justice

Services in this area are in general being performed and funded by the appropriate levels of government. It was determined, however, that options are available for modifying funding and service delivery responsibilities to increase equity and efficiency. To increase the equity of State funding for local law enforcement, more local involvement is proposed. For local corrections, more State involvement is an option which would help increase the efficiency of the State's criminal justice system. Finally, proposals affecting courts are in part extensions of recommendations made in previous judicial studies of the court system.

Overview

As part of its review of State and local governments' service delivery and funding responsibilities, JLARC staff examined the administration of justice in Virginia. For purposes of this review, administration of justice includes three services: (1) local law enforcement, (2) local jails and corrections, and (3) courts.

The law enforcement service delivery function is one where assignments of responsibility between State and local governments appear to be relatively well defined. This is supported by the findings of the 1992 JLARC report, *Intergovernmental Mandates and Financial Aid to Local Governments*. Analysis for the report indicated that localities were generally satisfied with the technical assistance provided by State agencies in this functional area and viewed applicable mandates as reasonable. Though State and local responsibilities are fairly well defined, analysis indicates that the distribution of State aid to cities and counties is inequitable, and in the case of the majority of counties, not entirely reflective of the apparent local nature of the service.

The local jail function, on the other hand, is one where local officials cited problems, particularly with: (1) State funding for jail construction, (2) State funding for jail operations, and (3) the number of jail inmates. Because of the role of the local jails in the overall corrections policy of the State and the extensive State funding efforts, the degree to which service delivery responsibility should be assigned to local governments and funding responsibility assigned to both State and local governments is questionable.

The court system is an area where the State expanded its role in 1973 in terms of funding and overall administration. At that time, the courts were deemed to be a State responsibility. Most staffing and other functions associated with the courts were therefore assumed under the State court system. Nonetheless, local government officials in the focus group interviews expressed concern that the State is not providing adequate funding for judges' administrative staff and that court construction and renovation requirements may be unduly burdensome. Additional issues were also raised regarding State funding for administrative staff that support the courts' operations. To promote the State's policy of having a State court system, some additional State funding in this area may be warranted.

Local Law Enforcement

All cities and nine counties have law enforcement services provided through local police departments. The remaining counties have law enforcement services provided through sheriffs' offices. For this review, the law enforcement function includes positions associated with maintaining communications with law enforcement officers as well as other support staff.

JLARC staff determined that the continued assignment of primary responsibility to local governments for providing and funding this service appears warranted. Local governments generally have a high degree of flexibility in how law enforcement activities are performed. Further, in meetings with JLARC staff, some State and local officials concurred that primary responsibility for the law enforcement service area should rest with local governments. Yet, because the State does have an interest in ensuring some basic level of law enforcement protection statewide and the majority of laws enforced by local officers are State laws, it is reasonable that some level of State assistance continue in the future. The manner in which State funding is distributed and the level of that funding, however, should be addressed.

“ State funding for local law enforcement is, by any measure, significant: more than $120 million in FY 1991. ”

State funding for local law enforcement is, by any measure, significant. For FY 1991, it is estimated that cities and counties received more than $120 million in State aid for local law enforcement purposes. State funding mechanisms for local law enforcement reflect the differences in the method in which law enforcement services are provided at the local level. The funding mechanisms treat localities with police departments inequitably.

Localities with local police departments received non-categorical State aid that accounted for approximately 16 percent of their local law enforcement expenditures in FY 1991. Conversely, the remaining counties received State categorical aid that in some localities may have funded the majority of personnel-related costs associated with the local law enforcement function. Options are presented which attempt to mitigate this inequiry.

Law Enforcement Is Primarily a Local Responsibility

Despite the significant level of State funding provided for law enforcement, law enforcement is primarily a local responsibility. This conclusion is based on two primary findings. First, the State has a very limited role in regulating the law enforcement service level and delivery area. Second, during focus group interviews, some local government officials stated that law enforcement is generally a responsibility of local governments.

State Regulation of Local Law Enforcement Services Is Limited. From an operational standpoint, the State's involvement in the day-to-day affairs of local law enforcement activities is modest. State mandates do not dominate the day-to-day operations of a city or county's law enforcement function. In the 1992 JLARC report, *Catalog of State and Federal Mandates on Local Governments*, JLARC staff documented a total of seven mandates which apply to the functional area of law enforcement. In contrast, State and federal mandates regulating social services toraled 60.

Further, the mandates in the area of law enforcement appear to be more procedural in nature and relatively non-obtrusive. For example, some of the mandates require local law enforcement agencies to:

- notify victims of crimes of their rights,
- report arrests to the Central Criminal Records Exchange, and
- submit monthly and annual crime reports to the State Police.

The conclusion that the mandates in this area are relatively non-obtrusive is supported by the fact that only nine percent of the local government officials who responded to the 1991 JLARC staff survey on mandates affecting local governments cited the mandates in this area as unreasonable.

Local Government Officials Cite Law Enforcement as a Local Responsibility. During the focus group interviews, the law enforcement function was cited by some local government officials as primarily a local responsibility. For example:

> *During one interview, a local government official noted that police, fire, and rescue services should be 100 percent locally funded.*

* * *

> *During another interview, a local official noted that local law enforcement works well. This official also stated that law enforcement is a local service with a great deal of communication between the State Police and local law enforcement agencies.*

* * *

> *A focus group comprised of local government officials organized by the Virginia Municipal League determined "that fire/rescue and law enforcement were two functions that should remain local responsibilities . . . ."*

There are a number of possible reasons local government officials regard law enforcement as a local responsibility. First, significant State funding is provided for this service, without many mandates or regulations. Second, the lack of burdensome regulations and mandates allows local governments to make the majority of policy and operational decisions.

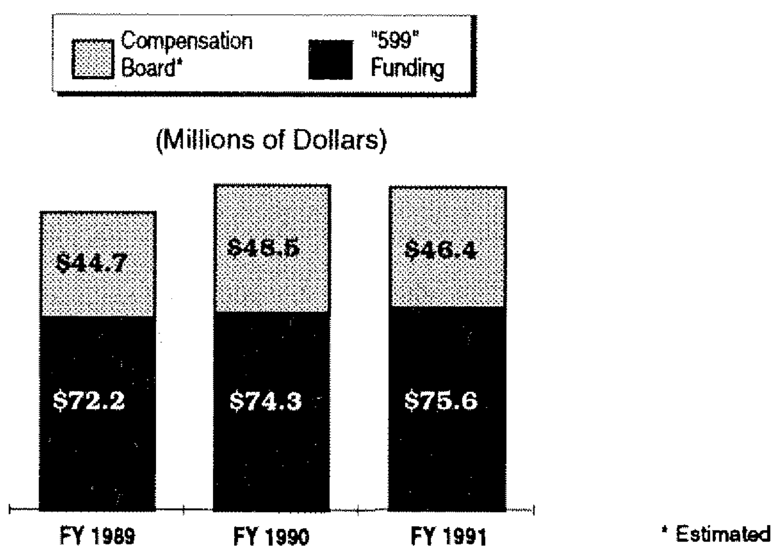
State Funding for Local Law Enforcement Services is Inequitable

State funding for local law enforcement is substantial. The estimated amount of State funding provided for local law enforcement in FY 1991 was at least $120 million. Yet, analysis of the distribution of State financial assistance shows some inequity in current State funding efforts between localities with police forces and those without.

State Funding for Local Law Enforcement Services. The State's role in allocating funds for local law enforcement services varies primarily according to jurisdictional class and the presence of a local police department. For the cities and nine counties with a police force, funding is provided through the State Assistance to Localities for Law Enforcement program — commonly referred to as the "599" program (named for House Bill 599 (1979) that established the program). The program is administered by the Department of Criminal Justice Services (DCJS). Funding for law enforcement services in the remaining counties is provided to sheriffs' offices through the State Compensation Board. Of the more than $120 million in law enforcement funding distributed to cities and counties in FY 1991, DCJS distributed $75.6 million and the Compensation Board an estimated $46.4 million (Figure 23).

Figure 23

State Financial Assistance for Local Law Enforcement, FY 1989 -FY 1991



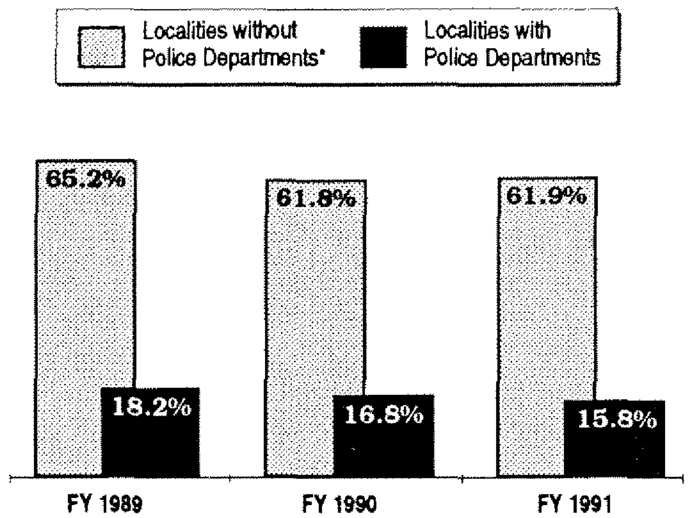
Source: JLARC staff analysis of data from the Department of Criminal Justice Services, and *Funding of Constitutional Officers*, JLARC, 1990.

Inequity of State Law Enforcement Funding. Despite the State's funding efforts, some inequity exists in current State funding between localities with police forces and those without. Analyses of State funding for local law enforcement and data on local law enforcement expenditures indicates that State aid accounts for a relatively small proportion of local law enforcement expenditures for localities with police departments.

For FY 1991 it is estimated that "599" funding accounted for about 16 percent of local law enforcement expenditures. The average for the FY 1989 through FY 1991 period was about 17 percent. For the counties without a police department, however, State funding was estimated to cover about 62 percent of local sheriffs' law enforcement expenditures in FY 1991. For the FY 1989 through FY 1991 period, State aid distributed by the Compensation Board for local law enforcement services provided by sheriffs was about 63 percent of total expenditures (Figure 24).

Figure 24

State Aid as a Percentage of Local Law Enforcement Expenditures, FY 1989 - FY 1991



* Estimated

Source: JLARC staff analysis of data from the Auditor of Public Accounts, Department of Criminal Justice Services, and *Funding of Constitutional Officers*, JLARC, 1990.

Analysis of additional data suggests that the amount of funding provided for local law enforcement in counties without a police department may be even higher. During the 1989 study of staffing standards for Virginia's sheriffs, JLARC staff conducted a survey of all sheriffs in Virginia. Of the 84 sheriffs who tesponded to the survey and had local law enforcement responsibilities at that time, only 28 received staff positions funded entirely by their respective localities. Therefore, 56 of 84 localities in FY 1989 had their law enforcement personnel services funded almost entirely by the State.

It must be noted, however, that State reductions in aid to local sheriffs' offices since 1990 may have required local governments to provide more support for local law enforcement services. Nonetheless, available data support a conclusion that counties without police departments have had a significant amount of their law enforcement costs funded by the State.

State Law Enforcement Funding Programs Could Be Restructured

Analysis has highlighted some inequity in current State funding efforts between localities with and without police departments. Because responsibility for providing law enforcement is local in nature, it would follow that State funding should treat county and city law enforcement functions more alike.

To accomplish this objective, the current law enfotcement funding programs could be consolidated into one funding mechanism similar to that currently used to allocate State aid to localities with police departments. In addition, the consolidated funding mechanism could allocate funding in such a manner as to ensure that all localities receive aid on an equitable basis.

Law Enforcement Funding Mechanisms Could Be Consolidated. One method available to address the inequity in State law enforcement funding efforts is to consolidate the funding programs into one single program. Having a funding program that does not differentiate between localities based on the fact that law enforcement is or is not provided by a police department would provide a framework for achieving equitable funding.

Currently, funding for localities without police departments is provided through the State Compensation Board. The funding process for the costs authorized by the Compensation Board is primarily a reimbursement process in which the local government pays expenses and requests reimbursement monthly for those expenses from the Compensation Board. After review and approval by Compensation Board staff, the State Comptroller makes payment to the local government. This entire process requires a great deal of data collection and review on a monthly basis by sheriffs' offices, local governments, and Compensation Board staff.

The "599" program, on the other hand, is relatively straightforward and requires little State or local government paperwork. The total amount of funding to be distributed is determined through the executive and legislative budget process. Preceding each State biennial budget, DCJS develops the formula to be used in the upcoming biennium to distribute the approved State funding to localities with police departments. The formula is a multiple regression equation which is used to develop a potential crime rate. The factors used to develop the potential crime rate include:

- population densities,
- crime rates, and
- welfare caseloads.

The potential crime rate is then standardized to determine the adjusted crime index which is the basis for the aid allocation. Once localities are certified by DCJS to participate in the program, funding is distributed quarterly with no additional reporting required of localities. Compared to the current reimbursement process used by the Compensation Board, the "599" funding mechanism is relatively straightforward and efficient.

Clearly, the "599" funding mechanism is more direct and treats localities in a more consistent manner. The distribution formula uses factors that are available and measured consistently across all localities and allocates the majority of funding on this basis. The "599" funding mechanism also relieves localities of extensive reporting requirements inherent with a reimbursement process and, in general, appears to place State involvement at a level more appropriate for a service that is a local responsibility.

Recommendation (7). *The General Assembly may wish to consider consolidating the funding program for the law enforcement function of counties without a police department into the Aid to Localities With Police Department program. The combined program could allocate funds through a block grant in a manner consistent with the Aid to Localities With Police Department program. The General Assembly may also wish to consider requiring the agency responsible for administering the program to ensure the funding methodology includes factors that (1) have a relationship to law enforcement staffing, (2) are not subject to manipulation, and (3) are easily quantifiable and available for each locality.*

State/Local Cost Allocation Could Be Consistent. On a total dollar basis, State "599" funding provided to localities with police departments is greater than the estimated amount provided to localities without police departments. When compared to local law enforcement expenditures, however, the distribution of funding is inequitable. For FY 1991, "599" funding was estimated to account for about 16 percent of local law enforcement expenditures. For the remaining counties without a police department, however, State funding was estimated to cover about 62 percent of law enforcement expenditures in FY 1991.

If a revised State law enforcement funding mechanism is implemented, consideration could also be given to the share of total costs across all localities that would be assigned to the State. For example, when consolidating the law enforcement funding mechanisms, the methodology could be revised to allow the State to determine the law enforcement costs in each locality that the State would recognize for funding. State funding could then be appropriated in sufficient quantities to have State funding account for a certain proportion, on average, of all localities' law enforcement recognized costs.

For example, from FY 1989 to FY 1991, State "599" funding accounted for almost 20 percent of eligible localities' law enforcement expenditures. In this case, the State could adopt the policy of funding approximately 20 percent of

State recognized local law enforcement costs, regardless of the manner in which law enforcement services are provided.

Funding similar proportions of local law enforcement expenditures would remove the distinction in State funding based on the manner in which law enforcement services are provided. In addition, because the manner in which local law enforcement services are provided basically reflects jurisdictional class (city or county), removing the funding distinctions would reflect the goal of no longer basing funding distinctions on whether a locality is a city or county. Funding similar proportions of local law enforcement expenditures would also more closely reflect the local nature of the service.

However, the effects of distributing funding in this manner could result in significant additional costs to counties without a police department. Therefore, equalizing the State funding shares could be a component of the long-term reassignment of funding responsibility. This reassignment could also include a provision that ensures localities do not receive less State funding than they did in any specific year (a hold-harmless provision).

Recommendation (8). *If law enforcement funding programs are consolidated, the General Assembly may wish to consider determining a portion of the statewide recognized cost of the local law enforcement function that the State will fund.*

Local Jails

Local jails are used to detain persons awaiting trial, those convicted of a misdemeanor or felony, and on some occasions, those convicted of a federal offense. Local jails are dealing with an increasing workload — in this case, inmates. In June 1991, local jails held an average of 11,383 inmates, an increase of 103 percent since June 1983. Jail capacity, on the other hand, had increased by only 45 percent — from 5,687 in 1983 to 8,250 in 1991. On average, jails were operating at 138 percent of rated capacity in June 1991.

During the course of this study, concerns were raised by State and local officials regarding State funding for jail construction and operating costs. Analysis indicates that State support for both jail operating and construction costs is substantial. For FY 1992, it is estimated that State funding for jails totalled more than $126 million. The Commission on Prison and Jail Overcrowding estimated that the State provided funds for 86 percent of total operating costs for the typical local jail. The extent to which the State funds the operating costs of local jails suggests that the State has largely recognized, or at least assumed, responsibility for jails.

It is also evident that local jails are a significant component of the State's criminal justice system. The criminal justice system includes the court system and State prison system. Because of their position as components of this system, local flexibility in day-to-day operations of the jails is likely to be limited. This high level of State funding combined with the impact of State criminal justice policies on local jails appears to indicate that the assignment of responsibility for service provision to local governments and assignment of funding responsibility primarily to the State, and to a much lesser extent local governments, may be inappropriate.

Funding For Jail Operations Suggests State Responsibility

The Joint Subcommittee to Study Financing Mechanisms for Jail Construction estimated that for FY 1992 the Commonwealth provided more than $126 million to local governments for the operation of local jails. About 70 percent of this amount was provided for the salaries, certain fringe benefits, and support costs for approved correctional officers, medical personnel, and support staff. The remainder was for per-diem payments paid to local governments for each eligible inmate to support jail operations and maintenance costs.

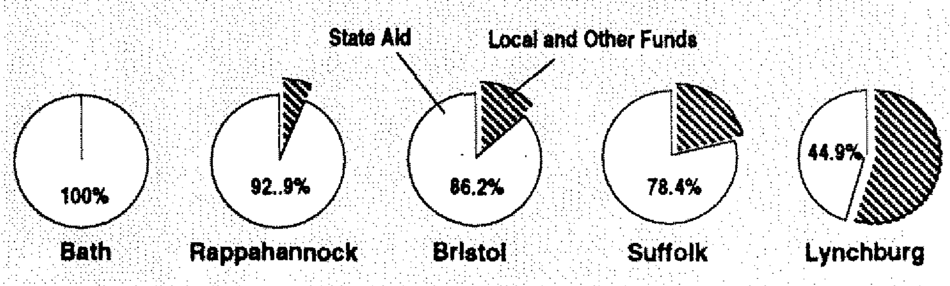
The extent of the State's involvement is evident when compared to other states. In 1989, the National Conference of State Legislatures reported that Virginia provided local governments $27 per capita in local corrections funding — the highest of any state. This per-capita level of local corrections funding was almost three times the amount of the next highest state.

The Commission on Prison and Jail Overcrowding reported that in FY 1988, only 14 percent of the typical jail's operating revenue was from non-State sources. The remainder was provided by the State. In FY 1988, non-State funding of local jail operations ranged from zero percent in Bath County to more than 50 percent in Lynchburg City (Figure 25).

The Commission's data indicate that local support for jail operations has not typically been extensive. Yet, the State's extensive role in funding local jail operations does not correspond with responsibility for jail operations. Local governments are still responsible for the daily operation of the facilities. Given the extensive State role in funding local jails' operating costs, assigning

Figure 25

State Aid as a Percentage of Jails' Operating Costs, FY 1988



Source: JLARC staff analysis of data from the final report of the1989 Commission on Prison and Jail Overcrowding, House Document 46, 1990.

responsibility to the State for operating local jails may be appropriate. State operation of the jails (discussed later) could go so far as to eventually incorporate jails into the State correctional system.

Local Flexibility Is Limited by the State Criminal Justice System

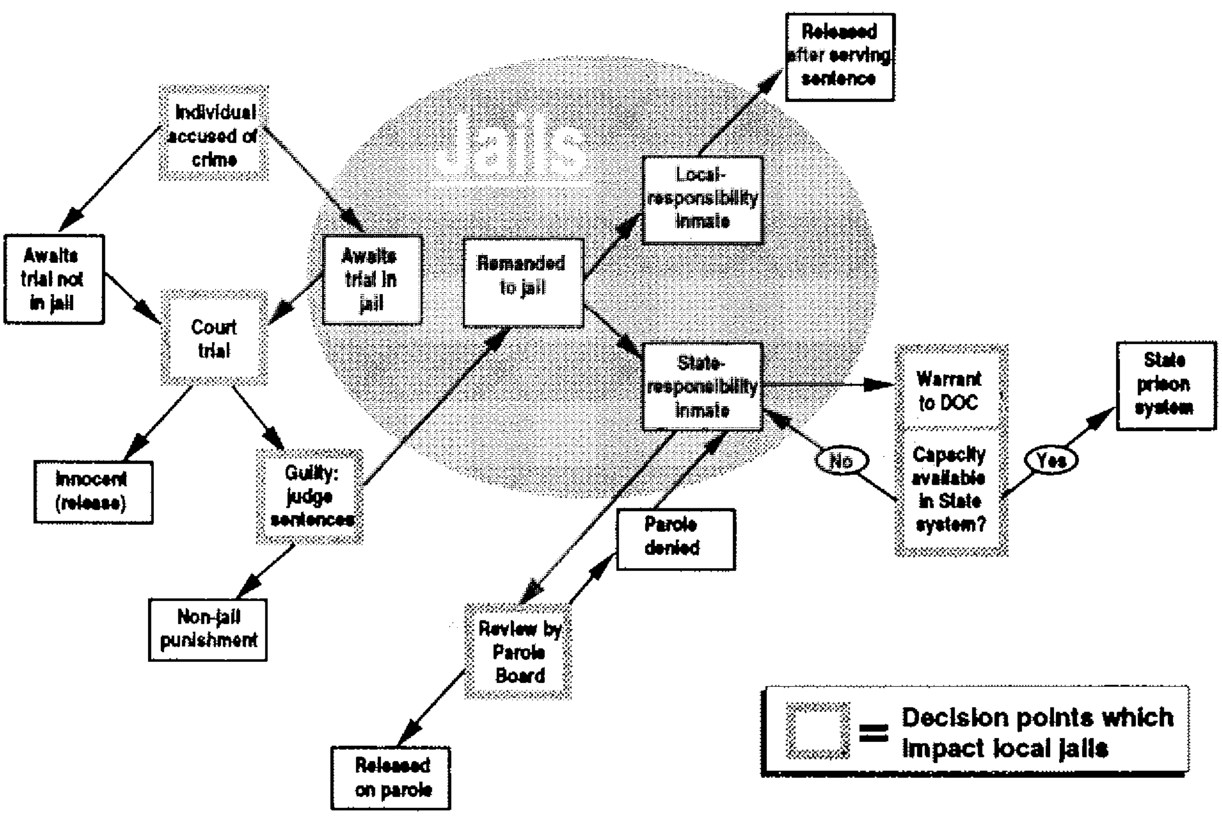
Local jails are one component of the State's criminal justice continuum. As depicted in Figure 26, the demand for local jail space is clearly affected by the actions of the State court system and the ability of the State prison system to absorb "State-responsibility" inmates. State-responsibility inmates are individuals who are convicted of a felony, receive a sentence of two years or more, and are sentenced to the Department of Corrections (DOC). It is interesting to note that local jails are directly impacted by the actions of a judicial system and prison system that are entirely a State responsibility.

"Local jails are directly impacted by the actions of a judicial system and prison system that are entirely a State responsibility."

Impact of Courts on Local Jails. Courts are obviously a primary participant in the State's criminal justice system. Once an arrest is made, the court or a magistrate determines whether the individual should be held in custody or allowed to go free prior to the formal court hearing. Providing the accused the opportunity to post bond or bail is one method for allowing release until the court hearing.

Figure 26

Decision Points in the Criminal Justice System Affecting Jails



Source: JLARC graphic based on a graphic from the final report of the 1989 Commission on Prison and Jail Overcrowding, House Document 46, 1990.

Decisions made at this point affect local jails. If the crime was not severe enough to warrant bond yet bond is required, cells in local jails could be unnecessarily occupied. On the other hand, if the crime warrants bond and bond is too high in relation to the severity of the crime, space in local jails could also be unnecessarily occupied.

The Commission on Prison and Jail Overcrowding determined that, for selected jails, 50 percent of the accused eligible for release on bond were unable to post the required amount. In June 1991, 42 percent of the total jail population consisted of individuals unsentenced or awaiting trial.

In addition, specific types of felony crimes have required more time for the courts to process. The typical felony drug crime, for example, required 211 days to process from arrest to imposition of sentence in 1989. This was 35 days longer than for the typical violent felony crime. Because the number of arrests per 100,000 residents for the sale of narcotics increased by more than 70 percent between 1976 and 1990, the potential impact on the population in local jails that is considered to be awaiting trial or sentencing could be substantial.

Impact of State Prison System on Local Jails. The State prison system is responsible for sentenced felons who typically have longer sentences. If the State prison system is unable to assume all of the State-responsibility inmates within a reasonable time period, local jails are required to hold these inmates. The impact of the State prison system's ability to assume State-responsibility inmates from local jails to the State system was illustrated in 1988 when the Richmond City sheriff went to court to require that DOC remove State prisoners from the jail within prescribed limits.

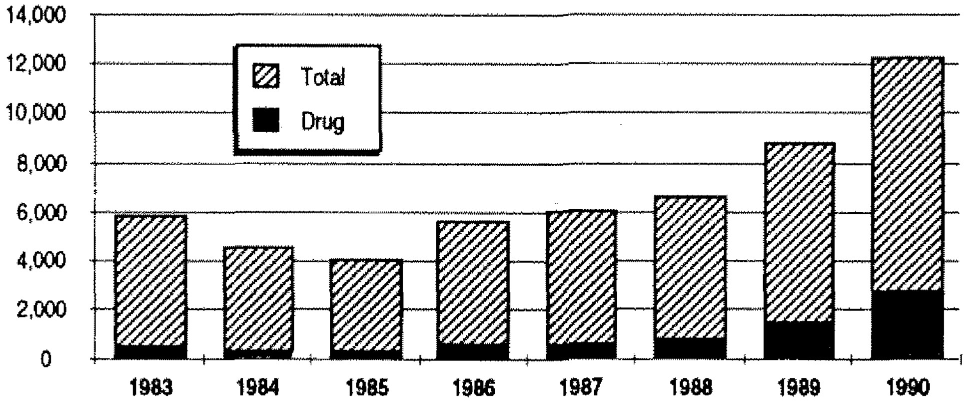
Prisons have also been impacted by the increase in narcotics-related violations. From 1983 to 1990, total commitments to the State prison system rose by more than 78 percent. However, of that number, the number of commitments attributed to individuals sentenced for felonies related to drugs increased by more than 500 percent (Figure 27). The impact illegal drugs may have on local jails is assuming increasing significance, because local jails keep State prisoners until space in a State institution is available. However, § 53.1-20 of the *Code of Virginia* (as amended in 1990) will mitigate this effect because it requires DOC to receive all convicted felons with a sentence greater than that prescribed by the *Code* within 60 days of receiving the court's order.

State Funding for Construction of Large Jails Is Inequitable

As of 1989, Virginia was one of only five states that provided funding for local jail construction. For the period from FY 1983 through FY 1992, the State provided more than $27 million to local governments to aid in local jail construction. Since 1981, the jail construction funding methodology has been revised a number of times increasing the State's participation in local jail construction. In 1989, the most significant revision was implemented which provided that the State would reimburse local governments for 50 percent of the approved costs for regional jails (Table 2).

Figure 27

Comparison of Total Number of Commitments and Drug Commitments to Virginia Prisons, 1983 - 1990



Source: JLARC staff analysis of data from *Drugs in Virginia: A Criminal Justice Perspective*, 1991.

The increased State funding incentive for regional jails was apparently implemented to encourage consolidation of small jail facilities where severe diseconomies of scale would most likely occur. However, the enhanced regional jail reimbursement provision negatively impacts large jurisdictions where existing jails are already large and construction of a regional jail could result in a facility whose size could rival the largest State prison. In the case of a large locality, the local jail is likely of sufficient size to mitigate many operating diseconomies usually associated with small jails.

In addition, local government officials expressed concern that the mechanism for jail construction funding is a reimbursement type process. As such, local governments are required to pay the entire cost of construction and, upon

Table 2

State Reimbursement Guidelines for Local Jail Construction

Jail Size	Maximum State Contribution
Fewer than 35 Beds	$300,000
35 to 99 Beds	600,000
100 to 299 Beds	900,000
More than 300 Beds	1,200,000
Regional Jail	No Dollar Limit*

* The maximum the State will reimburse localities is 50 percent of approved costs.

Source: JLARC staff analysis of the *Code of Virginia*.

completion of the construction, request reimbursement for the State's share of the approved cost. This process typically necessitates that local governments obtain financing for the project. However, financing costs are not an approved cost and therefore are not eligible for State reimbursement. In cases of large facilities, financing costs could be substantial. Issues like these are being addressed in a study of jail construction financing by the Joint Subcommittee to Study Financing Mechanisms for Jail Construction.

Options for Increasing the State's Role in Local Jails

The State's efforts in funding local jails have been extensive and commensurate with its reliance on local jails. However, in part because the State relies so extensively on local jails as an integral component of the State's system of criminal justice, the extent to which local governments should continue to be responsible for operating local jails is questionable. One long-term option available is for the State to assume responsibility for operating local jails. This increased role for the State could come through the State's assumption of all local jails or by allowing localities the option of turning control of their jails over to the State. Or, if the previous option is not implemented, the State's role in jail construction funding could be increased.

State Assumption of Local Jail Operations. There is a precedent for the State to assume responsibility for operating local jails. Section 53.1-81 of the *Code of Virginia* adopted in 1982 provides localities with regional jails the option to:

> enter into agreements with the Department of Corrections for the Department to operate such jail or to pay the costs of maintenance, upkeep, or other operational costs of the jail.

This provision recognizes the usefulness of regional jails in the State's correctional system and is consistent with the State's desire to consolidate small, inefficient jails. Yet, this provision excludes large localities that do not participate in a regional jail even though their jail facilities may be large and relatively efficient.

By accepting responsibility for the operation of local jails, the State would formalize the role of local jails in the State's overall criminal justice system. State operation of local jails could promote greater efficiency and equity. A State-operated system could be more efficient in a number of ways. First, the State could consolidate small jails that are staff-intensive and result in staffing diseconomies that the State is currently funding. For example, analysis of data used by the Joint Subcommittee to Study Financing Mechanisms for Jail Construction indicates that in FY 1992, Bath County's jail, which has an operating capacity of six inmates, was budgeted to receive $227 of State funding per prisoner day. In contrast, the average State funding per prisoner day for all local jails statewide in FY 1992 was expected to be about $30.

Based on an analysis of local jail capacity data, there appear to be staffing diseconomies associated with a number of jails. The jails in Highland and

Bath Counties and Clifton Forge City have a total rated operating capacity of 24 inmates. Because jails require two officers on duty for a 24-hour period when inmates are in the facility, a minimum of 30 correctional officers would be required (ten per jail) when inmates are present. This results in a staff-to-rated-capacity ratio of more than one officer for every inmate up to the facilities' rated capacity. Further, in FY 1992, these three jails had a total annual average daily inmate population more than 50 percent below their rated operating capacity. Operating such small facilities below their rated capacity can significantly increase staffing diseconomies.

If the State operated the jails, consolidation of these jails into a more cost effective facility might be more easily accomplished. Or, the inmates could be transferred to nearby State correctional institutions or field units in Augusta or Botetourt County.

Also, the State could more easily move inmates to jails that are not continually operating in excess of capacity. Analysis of the FY 1992 data indicates that 23 jails had an annual average daily population at or below their rated operating capacity. In other words, these jails did not experience long-term overcrowding in FY 1992. Had the jail system been under the operating control of the State, transfer of inmates from jails operating far in excess of rated capacity to jails operating at or below capacity may have been facilitated more easily.

State operation of local jails could also better ensure equal access to services for all eligible inmates on a statewide basis. For example, State-operated jails could better ensure eligible inmates are treated in a manner consistent with inmates in State institutions with respect to programs like "good time," parole, and treatment programs for alcohol and drug abusers. In addition, the State would be in a better position to implement programs that are designed to lessen reliance on incarceration while unsentenced and awaiting trial. Programs like this could reduce the large and growing jail population that is considered unsentenced and awaiting trial and therefore could produce cost savings.

For example, in September 1992, 40 percent of the inmate population in local jails was unsentenced and awaiting trial. The Commission on Prison and Jail Overcrowding found that many of these individuals awaiting trial were eventually released to await their upcoming trial. The Commission concluded that "alternative release procedures and programs should be used for the minimum risk pretrial population . . . ." Such programs have produced significant cost savings in other states (Exhibit 3). Alternatives to incarceration, and their associated cost savings, may also be appropriate for other relatively minor infractions like public intoxication.

The potential for cost savings has important implications for Virginia. The Joint Subcommittee to Study Financing Mechanisms for Jail Construction has determined that an additional $184.5 million will be required in the 1996-98 budget to fund local jail capital projects and operating expenses. If alternatives to incarceration were implemented, however, the need for additional capital and operating costs for local jails could be reduced.

Exhibit 3

Cost Savings Potential of Alternatives to Incarceration Programs

In September 1990, Montgomery County, Maryland implemented a pre-trial services program to lessen reliance on incarceration for individuals awaiting trial. This program was funded by both the state and local governments. According to the County, "the State agreed to support the first year funding of this program indicating that the State was interested in a demonstration of how the implementation of pre-trial services could save large sums of tax dollars."

Results indicate that "since the implementation of the Pre-Trial Services Unit, the level of pre-trial confinement at the Detention Center has dropped steadily, even though the number of defendants entering the Detention Center has remained stable." Savings, based on the projections for additional jail space that would have been required without the program, have totaled more than $10 million for jail construction and debt costs. County officials expect the operational savings to match the capital costs within five years. They also noted that the court expects to expand this program in the future.

Implementation of this alternative incarceration program has provided local citizens with a number of benefits in addition to direct cost savings. These benefits include increased public safety through monitoring and supervision of individuals released while awaiting trial, which results in an increased court appearance rate over traditional methods like bonding. In addition, better management of the inmate population in the local detention center has also resulted.

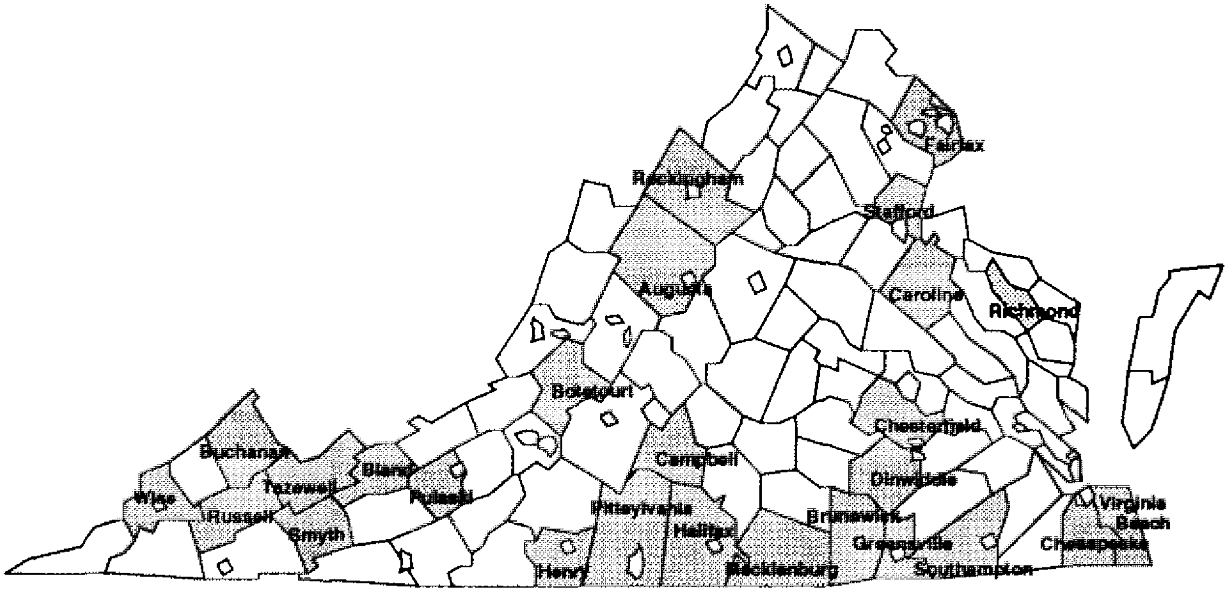
Finally, State operation of local jails could eventually result in a significant reduction in the number of correctional facilities. Currently, Virginia operates 90 jails and 38 major State institutions and field units. Consolidation of some local jails and elimination of inefficient ones could result in long-term cost savings in construction and operation.

As noted earlier, inmates in small jails could be transferred to nearby State correctional institutions. Many localities with local jails also have State correctional institutions within their city or county (Figure 28). Some localities already use DOC facilities in lieu of operating a local jail. For example, Goochland and Powhatan Counties use the State correctional facilities residing in their localities to house inmates.

Clearly, this long-term goal would require restructuring of DOC in order to house jail inmates and inmates of major correctional institutions together. For example, it is unlikely that prisoners awaiting trial should be housed with a large number of convicted felons. In addition, because many of the local jails also serve as the local court's holding facility, coordination would be required to ensure holding facilities or other appropriate arrangements are available to hold inmates for their court appearances.

Figure 28

Localities with Both a Local Jail and a State Correctional Center or Field Unit



Note: Does not include regional jails. Source: Department of Corrections, 1992

In addition, financing arrangements for the incarceration of "local" prisoners in the State's jail system would need to be developed. Such a funding arrangement could be similar to the one the State currently uses to reimburse localities for incarcerating State-responsibility inmates in local jails. For example, the State provides all localities with a local jail \$8 per day for each inmate they incarcerate. For State-responsibility inmates, however, an additional \$6 per day for each of these inmates is provided to the localities. The additional payment recognizes the State's responsibility for these inmates and provides some incentive for the State to transfer inmates to DOC facilities as soon as possible.

If the State operated the jail system, local governments could be required to pay the State for incarcerating local-responsibility inmates. This funding would in part cover some of the costs of incarceration and should be on a per-prisoner day basis. This would ensure that the cost of incarcerating inmates classified as locally responsible is funded by the appropriate level of government.

Recommendation (9). The General Assembly may wish to consider either (1) transferring control of all local jails to the Department of Corrections or (2) amending §53.1-81 of the Code of Virginia *to allow localities not participating in a regional jail to transfer control of their jails to the Department of Corrections. If operation of local jails is assumed by the State, an assessment of all such jails should be conducted to determine the extent to which inefficient jails could be consolidated to achieve cost savings through operating economies. In addition, guidelines should be developed to require local governments to provide funding to* *the State on a per-prisoner day basis for all locally responsible inmates incarcerated in State-operated jails and to help finance necessary support programs such as medical care.*

Modification of the Jail Construction Funding Program. The State provides significant amounts of financial assistance to localities to aid in local jail construction or renovation. As identified earlier, the reimbursement methodology caps the total amount of State funding that will be provided for non-regional jails. The only cap for regional jails is the provision that the State will fund 50 percent of approved costs. The incentive to build a regional jail is clear.

Yet localities with large jails may be achieving staffing economies that regional jails serving rural localities achieve. The utility of large localities joining together with other large localities to build a regional jail is unclear. In fact, a regional facility serving many large localities could result in little or no operating economies.

For localities that have jails that are sufficiently large to achieve operating economies, it appears reasonable to allow these localities to qualify for a larger percentage of State reimbursement for jail construction or renovation. The Commission on Prison and Jail Overcrowding recommended that localities with populations of over 100,000 be eligible for increased reimbursement for single jurisdiction facilities. In 1992, 13 localities with a population greater than 100,000 also operated a local jail.

Recommendation (10). *The General Assembly may wish to consider modifying the reimbursement guidelines to reimburse a larger portion of construction or renovation costs for large, non-regional jails.*

Courts

Virginia's court function is one area where State and local responsibilities have been reassigned within the last 20 years. In July 1973, Virginia's court system underwent a major reorganization. The courts were consolidated and the State assumed primary responsibility for funding and administering the court system. Local governments maintained responsibility for funding the court's physical infrastructure as well as some of the costs associated with the staff supporting the court's operations. Not surprisingly, issues raised by local officials regarding this governmental function were specific to these areas of local responsibility.

At this time, there does not appear to be any overwhelming evidence of the need for changing the assignment of responsibility for constructing and maintaining court facilities. Some local governments maintain local offices in court buildings. In addition, maintaining local control over the facilities allows the local government significant input into the construction-renovation process — an important consideration in localities where courthouses are of historical significance. Finally, the General Assembly allows localities to assess a two dollar charge in any civil, criminal, or traffic case tried in circuit or district court to be used for courthouse construction, renovation, or maintenance.

However, there are many support staff involved in the operations of the court system for whom both the State and local governments have been assigned varying degrees of funding and oversight responsibilities. Local government officials expressed concern that the current assignment of responsibilities does not reflect their level of oversight or control over these staff. These staff include the court clerks, courtroom security deputies, process servers, and clerical support. Analysis indicates that administration and funding of these staff are more properly the responsibility of the courts.

Administration and Funding of Support Staff Should Be Assigned to the Courts

The court's daily operations involve many staff in addition to judges. These staff positions include: court security and civil process deputies, clerks of the court, and judges' support staff. Although these staff are directly involved in the court's operations, the administrative oversight and funding for these staff positions varies between State and local governments.

“The direct link between the court's workload and the workload of the court's staff essentially removes most local control over these positions.

State funding for the majority of these staff is extensive and assigning responsibility to the court system for funding and administering these positions would, in effect, fully define its role in the judicial system. In addition, previous studies of Virginia's court system have issued recommendations for having the State fully fund and assume administrative responsibility for some of these positions. Finally, the direct link between the court's workload and the workload of the court's staff essentially removes most local control over these positions.

State Funding Efforts are Significant. Although local governments are almost entirely responsible for funding judges' administrative staff, the State is an active participant in funding the remaining components of the court system. The circuit court, general district court, juvenile and domestic relations court, and the magistrate system have been appropriated more than $137 million for FY 1993. State funding for circuit court clerks' offices and court security and civil process service deputies is estimated to be an additional $46 million.

Previous Studies Recommended Full State Funding. Virginia's judicial system has been subject to a number of reviews in the recent past. The recommendations of one of these reviews conducted by the Court System Study Committee resulted in the 1973 restructuring of the judicial system. Subsequent reviews have been conducted to ensure the judicial system is prepared to meet the challenges of the future. The 1989 *Courts in Transition* report recommended that:

> the operation of the court system should be state funded . . . [because] the current method of funding the courts divides expenses by a combination of complicated formulas between the state and local governments. This system is unduly complex and produces serious inefficiencies . . . . Local governments should retain responsibility only for building and maintaining court facilities. State funding would include all necessary equipment for the court as well as provide law clerks and secretaries for all circuit court judges.

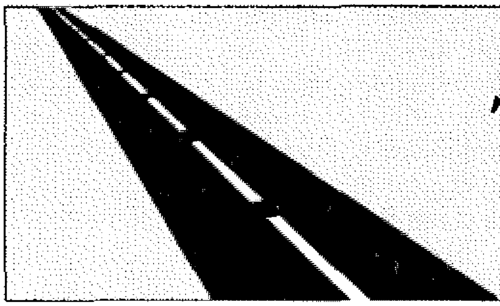
The report also recommended that the office of elected clerk of the court be abolished. In its place would be an appointed court administrator who would perform all court-related functions. If such a recommendation were implemented, the court would then assume all responsibility for funding the office.

Courts Directly Affect Staff Workload. The workload of these staff are heavily influenced by the courts. For example, court security deputies are responsible for keeping the courthouses and courtrooms orderly. During JLARC's 1989 study of staffing standards for sheriffs, it was determined that court requirements for additional security significantly impacted the daily operation of the sheriffs' offices. And, at that time language in the Appropriation Act provided limits on the number of court security deputies and types of security devices that deputies could use.

Despite the language in the Act, sheriffs reported that judges continued to mandate security staffing for their courts in excess of the limits set by the General Assembly. This, in effect, was workload beyond the control of sheriffs, but for which they had to supply staff and account for in other aspects of their offices' operations. Having court security deputies under the control of the courts would ensure more coordination over assignment of staff for this function.

Finally, the workload of judges' administrative support staff is clearly affected by the courts. Because these staff are responsible to judges, they are largely unavailable for use by local governments. Assigning responsibility for funding these positions to the court is fully consistent with recommendations issued in previous studies of the State's judicial system.

Recommendation (11). *The General Assembly may wish to assign responsibility for administration of and financing for court security and civil process deputies, court-related staff of the circuit court clerks, and judges' administrative staff to the Executive Secretary of the Supreme Court.*



Transportation

The transportation service delivery structure has provided the State with a sound, high quality transportation system. The current structure, however, largely because of funding constraints, appears to be unable to meet all of the transportation needs of all localities. To ensure that the service delivery structure better meets the transportation needs of a diverse group of localities, the State could provide additional flexibility by allowing localities to assume responsibility for selected transportation operations. In addition, an additional funding source could be authorized for localities to enable them to fund a portion of transportation construction projects as well as other local transportation needs.

Overview

As part of the JLARC staff review of assignments for service delivery and funding responsibilities, the functional area of transportation was discussed with State and local government officials. Based on these interviews and subsequent review by JLARC staff, it was determined that the current assignments of responsibility for providing transportation-related services were basically appropriate.

Further, the Virginia Department of Transportation (VDOT) was cited by many localities as a particularly responsive participant in the transportation service delivery structure. Nonetheless, local officials were concerned that some local transportation needs were not being met.

Options exist for ensuring that the transportation system provides flexibility and accountability as well as meets the road and highway needs of both the State and local governments. Some options involve additional State funding and others simply transfer responsibility for specific functions. For example, allowing localities that have the staff capabilities and expertise to assume control of traffic operations could provide a great deal of local flexibility as well as increased accountability to local citizens.

To ensure both the State and local road and highway systems have more adequate funding for all transportation needs, local governments could be required to provide some funding for transportation construction projects. If this option is implemented, an additional transportation funding source should also be provided to localities. This would provide localities the funding necessary to match the State's construction funding as well as provide them the flexibility to fund other local transportation priorities.

Background on Transportation in Virginia

Virginia's road and highway system history has two distinct periods — the pre- and post-1932 period. The pre-1932 period was a time of substantial local control over road building decisions. The post-1932 period is highlighted by the Byrd Road Act which effectively transferred control of all county roads to the State and created the State highway system. A number of other events occurred in the development of Virginia's highway and road system which have culminated in the current State/local transportation network.

History of Virginia's Road and Highway System

From its beginning, Virginia's road and highway system has had some State involvement. For example, the State has provided financial and other assistance for roads and highways since 1906, even though counties and cities were responsible for building and maintaining their own roads prior to 1932. After 1932, the State's involvement changed to one of complete responsibility for building and maintaining county roads and providing significant financial assistance for cities' road efforts.

1906 to 1932. The State Highway Commission was created in 1906. The Commission's role was to provide financial assistance and road construction assistance to counties. During the 1910 to 1920 time period, the ongoing maintenance of a growing highway system was a concern. It appears that once roads and bridges were constructed, it was difficult to provide sufficient funding for proper maintenance. As a result, the General Assembly deemed that the fees already collected for licensing and registering automobiles should be paid into a special fund to be expended by the Highway Commissioner for the maintenance of roads and bridges constructed with State aid in the counties of the State.

However, roads were not consistently maintained from one county to another, making a continuous journey across the State difficult. To alleviate this problem, the General Assembly created the State Highway System by taking responsibility for major roads previously administered by counties. This was done to provide motorists with a consistent road system across the State. The remaining system of locally administered roads and highways continued until 1932, with the passage of the Byrd Road Act.

1932 to Present. After the passage of the Byrd Road Act in 1932, the county role in road construction and maintenance practically vanished. The Byrd Road Act was designed to provide consistent construction, maintenance, and coordination of the State's roads and highways. This was accomplished by providing counties the option of transferring responsibility for construction and maintenance of their roads to the State. Arlington and Henrico Counties are the only counties whose roads are not part of the State system. Cities, on the other hand, are still responsible for the construction and maintenance of their streets, although the State provides significant financial assistance.

Other significant changes have been made that have affected the highway and road systems in Virginia. These changes include:

- Congress created the interstate highway system (1956);
- the formula for allocating construction funds among highway systems was adjusted by the General Assembly to 50 percent for the primary system and 25 percent each to secondary and urban systems (1977);
- the motor vehicle fuel tax was increased to 11 cents per gallon for automobiles and 13 cents per gallon for truck fuel (1980);
- the formula for allocating construction funds among highway systems was adjusted by the General Assembly to 40 percent for the primary system and 30 percent each to secondary and urban systems (1985); and
- vehicle registration fees, motor vehicle sales and use taxes, motor fuel and special fuel taxes, and the State sales and use tax were increased (1986).

Virginia's Road and Highway System

As noted earlier, most roads and highways, outside of the cities and Arlington and Henrico Counties, are constructed and maintained by VDOT and classified as the secondary road system. Construction and maintenance of the urban highway system (city streets) are the responsibilities of cities, although the State provides significant levels of funding. In addition, the primary and interstate highway systems are major portions of Virginia's overall road and highway system. While discussed briefly in this section, the overall chapter will specifically address the city and county road systems.

Secondary Road System. These roads are often referred to as counry roads. In the 93 counties in the State's secondary road system, the State has full responsibility for constructing and maintaining these roads. VDOT is responsible for maintaining more than 45,000 miles of secondary roads. Because they chose not to be included in the State's secondary road system, Arlington and Henrico Counties' roads are treated like ciry streets for purposes of State financial assistance for construction and maintenance.

Improvements to the secondary system are scheduled on a county-by-county basis through a six-year plan. This plan is developed by the resident engineer and county board of supervisors and is based upon projected revenues for the six-year period. The plan is then presented at a public hearing. After the plan is adopted, it becomes the secondary highway improvement plan for that county.

Urban Highway System. Urban highways are essentially city streets. Like the secondary road system, the urban system had its beginning in the Byrd Road Act. The Byrd Road Act did not relieve cities, unlike counties, of responsibiliry for their streets. However, it did provide for significant State financial support to cities for the maintenance and construction of city streets. With the financial aid, though, came increased supervision from VDOT of city street construction and maintenance activities.

Primary Highway System. The primary highway system comprises roads in the State highway system not otherwise designated in statute. In addition, the primary system is composed of specific primary routes designated as arterial highways. Arterial highways are generally divided four-lane roads which complement the interstate highway system and connect major cities and towns in the State. Planning for the primary highway system is completed in the VDOT central office and the construction districts.

Interstate Highway System. The interstate highway system is very distinct from the primary, secondary, and urban systems. This system consists of Virginia portions of the federal National System of Interstate and Defense Highways (Interstates 64, 66, 77, 81, 85, and 95). When preparing a six-year improvement plan for the primary system, VDOT also prepares a separate six-year plan for the interstate system. While distinct from the State system, interstate highways are major State arteries and are significant components of the State's overall transportation system.

State Funding of Virginia's Secondary and Urban Roads

State funding for the county and municipal road systems has been extensive. Funding appropriated for these programs in FY 1993 and FY 1994 totals more than $1.4 billion (Table 3).

The funding is provided primarily through six transportation programs. The secondary road construction and maintenance programs require no county matching funds. Some counties do, however, provide local funding to supplement the State's funding efforts. The urban construction program requires a two percent match from city governments, while the urban street maintenance program has no required match. The county road maintenance program provides maintenance funding for the Counties of Arlington and Henrico. These maintenance programs distribute funding to these local governments based on the classification of the streets and mileage. The funding must be used for specified purposes.

“ State funding for secondary and urban roads has been extensive – more than $1.4 billion in FY 1993 and FY 1994. ”

VDOT also has a revenue sharing program which provides State funding that localities match on a dollar-for-dollar basis. The funds can be used for primary or secondary road construction or maintenance. Total State funding for this program is limited to $10 million by the *Code of Virginia*.

Funding for the transportation programs is primarily composed of revenue sources considered to be user charges. These revenue sources include the:

- motor fuels and special fuel tax,
- road tax,
- motor vehicle fuel sales tax,
- motor vehicle sales and use tax, and
- toll charges.

Table 3

Funding for Local Road Programs, FY 1993 and FY 1994

Program	Appropriated FY 1993	Appropriated FY 1994
Secondary Construction	$166,451,600	$173,655,200
Urban Construction	140,433,300	146,484,600
Secondary Maintenance	217,406,500	224,406,500
City Street Maintenance	136,115,700	145,434,300
County Road Maintenance	19,791,100	21,075,500
Revenue Sharing	10,000,000	10,000,000
Total:	$690,198,200	$721,056,100

Note: An additional $1.4 billion is appropriated for FY 1993 and FY 1994 for the maintenance and construction of interstate and primary highways.

Source: FY 1993-1994 Appropriation Act.

There is one major source of revenue used to fund Virginia's transportation system that is generally considered to be a general fund revenue source — the sales and use tax. As a result of actions by the 1986 Special Session that considered the recommendations of the Commission on Transportation in the Twenty-First Century, an increase of one-half of one percent in the State's sales and use tax was dedicated to highway construction and other forms of transportation including ports, airports, and mass transit. The sales and use tax is projected to generate $240 million for transportation purposes in FY 1993.

Options for Modifying City and County Transportation Responsibilities

There does not appear to be overwhelming evidence of the need for changing the current transportation service delivery structure. While local officials cited the need for more roads, their concerns seemed to point to a lack of funding rather than inappropriate responsibility for providing the service. Nonetheless, some counties may, in the future, decide that being responsible for some of their transportation function is more appropriate than is the current assignment of the entire function to the State. Some counties already provide additional funding for road construction purposes. Counties could also assume some of the administrative and operational functions associated with roads and highways.

Some counties would prefer to have more control over the roads and highways in their localities. However, the start-up costs associated with the equipment and personnel needed to carry out the function would be substantial. Local government feasibility studies addressing the takeover of road and highway responsibilities from VDOT have confirmed that it is not economically feasible for localities to assume this function. In addition, very few local government officials at the focus group interviews stated they would be willing to assume full responsibility for road construction and maintenance.

In 1991, the Secretary of Transportation proposed restructuring assignments of responsibility for funding local road construction. The Secretary's proposal was for both cities and counties to pay for a portion of local road construction projects. To ensure that local road building and maintenance needs are met, local governments could be required to contribute to transportation construction projects in their localities. Such a proposal would also increase equity between cities and counties in funding construction projects as well as align funding responsibility more closely to the local nature of the secondary and urban highway system. In addition, this would also enable the State to make greater use of available State funding for projects in the primary and interstate highway systems.

A problem with requiring greater local funding for construction projects, however, is that local governments, unlike the State, do not have a funding source earmarked for transportation. In order to provide localities the flexibility to meet the required local construction match as well as provide for other local transportation needs, a local transportation funding source would need to be authorized. These options could increase local flexibility and accountability while still maintaining the Commonwealth's high quality system of roads and highways.

The State Could Allow Localities to Assume Responsibility for Selected Traffic Operations

While having counties assume full responsibility for constructing and maintaining roads in their jurisdictions may not be feasible, there may be other operations in the overall transportation function that could be transferred to localities. An example is traffic operations. This option would allow localities that have the staffing and expertise to meet federal and State engineering and safety standards to determine, among other activities, truck routes, location of traffic lights, and speed limits. Presently, all of these functions are the responsibility of VDOT.

It appears that many of these functions could be appropriately placed at the local level to provide greater accountability and flexibility. For example, determining truck routes is probably a major issue in some areas of suburbanizing counties where residential growth has surrounded previously unpopulated truck routes. Although it is currently a VDOT responsibility, local government officials may receive complaints from individuals residing in affected neighborhoods. Assigning responsibility to the local governments would allow local officials to more directly address their citizens' concerns.

There are potential problems associated with transferring these functions. For example, transferring responsibilities to localities for truck routings could lead to inconsistent routes across and between localities. Also, localities may not have the necessary technical staff to carry out traffic and engineering studies to ensure changes meet required federal and State safety standards. VDOT currently has staff with the expertise and the equipment to carry out required studies.

Nonetheless, allowing localities the opportunity to provide these functions would give local officials flexibility to meet many of the needs in their localities. When local citizens contact their local governing bodies about problems related to issues of traffic operations, local officials would be able to assess the situation and respond with findings and, if necessary, a plan of action for correcting the problem.

Recommendation (12). *The General Assembly may wish to allow counties the option of assuming responsibility for some of the traffic operations function. The General Assembly may also wish to consider establishing standards to use in determining which functions could be transferred. These standards should include: safety, staff capability, and the effect of the changes on inter-jurisdictional traffic flow.*

The State Could Expand the Transportation Revenue Sharing Program

During focus group interviews, VDOT's revenue sharing program was cited by local government officials as a popular and successful program. This program provides up to $10 million in State matching funds to counties for road and highway construction or maintenance activities. Participants noted that because of the local match requirement, the State's road and highway system received two dollars of improvements for every one dollar of State funding.

The benefits of this program are clear. Localities are allowed substantial discretion in determining which projects are to be funded, thereby better meeting local needs. The State benefits because the $10 million in State funding yields $20 million in transportation improvements.

One option available to enhance the State's ability to meet local transportation priorities is to increase the amount of State funding available for a local funding match. Another option is to allow cities to participate in the program. This option was recommended by some of the focus group participants as well as the Secretary of Transportation. More localities would have access to this program, thus providing more opportunities for transportation improvements throughout the State.

Recommendation (13). *The General Assembly may wish to consider amending §33.1-75.1 of the* Code of Virginia *to allow cities to participate in the revenue sharing program and to raise the maximum amount of State funding available.*

The State Could Modify Funding Responsibilities for City and County Road Construction

As noted earlier, concerns about road construction and maintenance appear to be focused on the lack of available funding to meet both State and local transportation priorities. To provide localities more flexibility in meeting local transportation needs, a two-part option is available. First, local governments could be required to share in funding local construction projects. This would eliminate the current inequity in road construction funding mechanisms between cities and counties. Second, because localities do not have a dedicated source of transportation revenue available, a funding source should be developed to assist them in providing the required local match. In addition, the dedicated funding could be used to fund any transportation-related activity that local governments choose, consistent with State standards, thereby increasing local flexibility.

Require Local Governments to Participate in Funding Construction Projects. Under the current transportation service delivery structure, cities are required to provide two percent of the cost of constructing city streets. The State, on the other hand, funds 100 percent of the cost of constructing secondary roads. Requiring all localities to fund an equal portion of road construction costs would eliminate this funding distinction between cities and counties, and thereby eliminate the current inequity between road construction funding mechanisms.

“To better ensure State funding can meet both State and local transportation priorities, cities and counties could be required to share in the cost of transportation construction projects.”

Some larger counties are already contributing to road construction projects. According to data reported by the Auditor of Public Accounts, some counties are providing local funds for the construction of roads and bridges apparently to address local needs that the State may have been unable to fund. Given the outlook for the State's future revenue growth, the ability of the State to meet all of the future local road construction needs is questionable.

To better ensure State funding can meet both State and local transportation priorities, cities and counties could be required to share in the cost of transportation construction projects. Clearly, there are a number of options available for increasing local funding of transportation construction projects. For example, in 1991 the Secretary of Transportation proposed that cities and counties provide 20 percent of the cost of new local construction projects.

This approach has three distinct advantages. First, it allows the State to prioritize its transportation funding to ensure that the available resources meet more of the State's pressing transportation needs. Second, it eliminates the inequity in city and county road construction funding programs. Third, such an approach recognizes the fact that the secondary and urban highway systems are more local in nature than the interstate and primary systems.

Provide Local Governments Additional Sources of Transportation Funding. A number of funding alternatives are available to help ensure localities meet the proposed local funding requirements for transportation. These include the local option income tax, local option sales tax on motor fuels, and the State tax on motor fuels.

The General Assembly has authorized the local option income tax as a funding source for transportation-related purposes for ten localities. Had all eligible localities imposed the tax at the maximum one percent rate, revenues for FY 1991 were estimated to be more than $250 million. To date, none of the eligible localities have implemented this tax.

Another funding source for this program could be based on a local option sales tax on motor fuel. This tax would closely resemble a user charge because it is levied on consumers of motor fuels who are typically users of city streets and county roads. Revenue from this tax could be returned to the locality in which it was collected, which is more commonly known as point-of-sale distribution. The revenue from this source could be dedicated for transportation-related purposes.

This type of funding structure has already been authorized for certain regions of the State. For example, all motor fuels sold in the Northern Virginia Transportation District are subject to a two percent sales tax. In addition, localities in the Potomac-Rappahannock Transportation District may also impose the tax. In FY 1990, this revenue source raised $17.4 million for localities in these transportation districts.

There are a number of advantages to a local option sales tax on motor fuels. First, this type of tax, according to many public opinion surveys, is "the least unpopular tax because it is viewed as voluntary by the taxpayer and is collected in small amounts." The tax can also be "exported" to non-residents, based on transactions that would typically occur in tourist areas or along major interstate highways. Finally, the tax would be a local option tax and subject to the approval of each locality's governing body.

There are also disadvantages with a point-of-sale distribution method. For example, unless all localities impose the tax as they currently do for the one percent local option sales and use tax, consumers may be encouraged to purchase motor fuels in localities that do not administer the tax. In addition, Virginia's motor fuel tax is lower than some of the surrounding states. Raising the tax on motor fuels may negatively affect this advantage. Second, localities with a large number of service stations or gasoline retailers would likely receive more funding, although their transportation needs may not be significantly greater than surrounding localities.

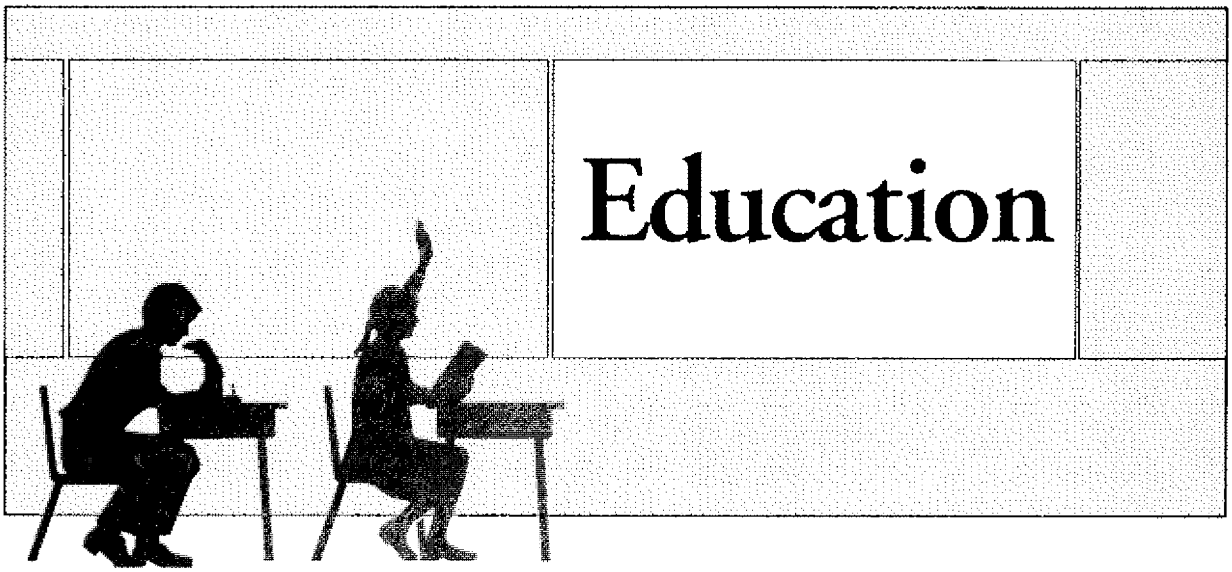
Another option for funding the local share of transportation construction projects is to increase the State tax rate on motor fuels. This additional levy would continue to have the characteristics of a user charge. Distribution of the additional revenue could be based on factors related to local transportation needs such as locality population or the number of lane miles in a locality. The funding from this source could be provided to local governments in the form of a block grant to be used for the local share of construction projects and other local transportation needs.

One advantage to this distribution methodology is it enables the State to ensure statewide transportation needs are met. This would ensure that localities with few retail fuel outlets would receive sufficient funding to meet their local share of construction projects. In addition, distributing the revenue based on specific factors would enable the State to better recognize localities' unique transportation needs.

One goal of providing additional local transportation funding, regardless of the source and distribution method used, should be to provide local governments maximum flexibility in meeting local transportation needs. As road needs are identified, local officials may be able to more rapidly respond because funding is available. This could avert having to schedule a project in the six-year plan which may never be initiated due to funding limitations.

In addition to using the funds to meet the local share of transportation construction costs, localities could also use the additional transportation funding for transportation improvements to public rail or bus systems, or street and road maintenance. Localities could be allowed to carry forward some of the block grant funding from year to year which would enable them to accumulate sufficient funding to carry out expensive projects like bridge repair or replacement.

Recommendation (14). *The General Assembly may wish to consider requiring both cities and counties to pay a share in the construction of city streets and secondary roads. In addition, the General Assembly may also wish to consider providing local governments an additional funding source that could be used for any transportation-related purpose. Options for raising additional funding for local transportation activities could include a local option sales tax on motor fuels or an increase in the motor fuel tax which could be allocated to localities based on factors determined by the General Assembly.*



Education

Education is a locally provided service with a high level of State supervision and funding. This functional area is the largest expenditure area for local governments and accounts for the largest share of State aid. To better meet the needs of Virginia's students and the changing workforce, and consistent with recent legislative actions, continued efforts should be made toward reforming the educational system. In addition, consideration could be given, as the State's economy and revenues improve, to increasing State funding for both operations- and construction-related costs for education.

Overview

Public education plays a prominent role in the activities of the State and local governments. Article VIII of the *Virginia Constitution* is devoted solely to a discussion of the State's educational system. Further, Virginia's Bill of Rights (Article I) emphasizes the importance of education by stating:

> Free government rests, as does all progress, upon the broadest possible diffusion of knowledge, and . . . the Commonwealth should avail itself of those talents which nature has sown so liberally among its people by assuring the opportunity for their fullest development through an effective system of education.

The *Constitution* gives the General Assembly ultimate responsibility for seeking to ensure that a quality public education system is maintained. However, the *Constitution* also calls for a division of funding responsibilities between the State and localities, thus implying a State/local partnership in the provision of education in Virginia.

In practice, elementary and secondary education is a locally provided service, with a high level of State supervision and funding. Education is by far the single largest expenditure area for local governments. Local school divisions spent a total of $5.1 billion on education in FY 1991. Education is also the largest program of State financial assistance to localities. Of the $5.1 billion spent by local school divisions, State aid accounted for approximately $2.2 billion. Throughout Virginia's history, the trend has been one of an increasing State role, both in supervision and funding. Despite this trend, education remains an area where additional State direction and State funding may be warranted.

Background on Public Education in Virginia

Public education in Virginia has two distinct periods — the pre- and post-1971 periods. The pre-1971 period was marked by little State involvement in the early development of the public education system. However, after the turn of the century, the State became substantively more involved, both in terms of the system's operation and funding. The post-1971 period is marked by the clear delineation of the State's role in the public education system. The 1971 *Constitution* requires that:

> The General Assembly shall provide for a system of free public elementary and secondary schools for all children of school age throughout the Commonwealth, and shall seek to ensure that an educational program of high quality is established and continually maintained.

Reflective of this directive, the State provides educational standards that all schools must follow, provides substantial financial assistance to local school systems, and conducts research in matters designed to improve the quality of education in Virginia.

History of Virginia's Public Education System

Virginia's public education system has always had some State involvement. This involvement has increased over time, often in response to revisions in the State's *Constitution*. From 1869 to 1971, State involvement steadily increased, both in terms of operational oversight and funding. Since 1971, the State has been an active partner in the local public education system. This participation is required by statewide standards of quality (SOQ) that require the State to provide significant levels of funding to ensure that local school systems meet the prescribed standards.

1869 to 1971. The Underwood Constitution of 1869 contained the first clear mandate to provide for public education, resulting in the establishment in 1870 of a statewide system of public schools. From 1870 to the early 1900s, however, State involvement in local schools was minimal. Funding was primarily provided by local governments, although some financial aid was provided by the State's Literary Fund.

After revisions to the 1902 *Constitution* were adopted, the State became much more active in setting standards and minimum requirements. For example, the State Board of Education developed minimum standards for teachers and course offerings. Other requirements included compulsory attendance as well as structural changes to the local school systems. For example, the State required that the boundaries of local school districts mirror the boundaries of counties and cities.

Other efforts were implemented to improve the quality of public education in Virginia. These efforts included requiring specific staffing levels and supplemental education programs in elementary schools. The goal of improving Virginia's public schools was further defined based on revisions to the *State Constitution* adopted in 1971.

1971 to Present. The revised *State Constitution* of 1971 strengthened the State and local governments' commitment to public education. It identifies the goal of ensuring that an educational program of high quality be established and maintained. To meet this goal, the educational SOQ were adopted in 1972 by the General Assembly.

The SOQ establish the "foundation" program for public schools. In essence, the SOQ are minimum requirements with which local schools must comply. For example, some of these standards require that school divisions provide:

- career guidance and vocational preparation programs;
- a free and appropriate education to handicapped students between the ages of two and 21;
- specific numbers of staff for each 1,000 students in average daily membership; and
- alternative education programs for students whose needs are not met in the traditional education program.

The SOQ are also subject to revisions and additions. For example, the instructional staff standards have been changed numerous times. Also, new standards, such as the requirement that students must pass a literacy test in order to be promoted to the ninth grade, have recently been implemented.

In addition to changes to the SOQ, other actions by the General Assembly have served to expand the educational programs offered in the State. For example, the first Governor's School for Gifted and Talented Students was held during the summer of 1973. "Magnet schools," emphasizing instruction in mathematics, science, fine arts, and the technical trades, were created in 1985. And, a family life education program had been instituted in all school divisions by the 1989-90 school year.

State Funding for Virginia's Public School System

When local school systems were first formed, funding for the schools was primarily provided by local governments. The State did provide some financial aid for public schools through the Literary Fund. The practice of providing State aid to poorer localities to reduce the inequality of educational opportunities among the various school divisions began in the early 1930s. Specifically, $500,000 was appropriated in FY 1931 for grant subsidies to the counties which were not economically able to support an adequate school system.

Today, State funding for local school systems is the largest single program funded by the State. In FY 1991, the State provided approximately $2.2 billion to local governments for the provision of public education. Most of this State funding is provided to assist local governments in meeting SOQ requirements.

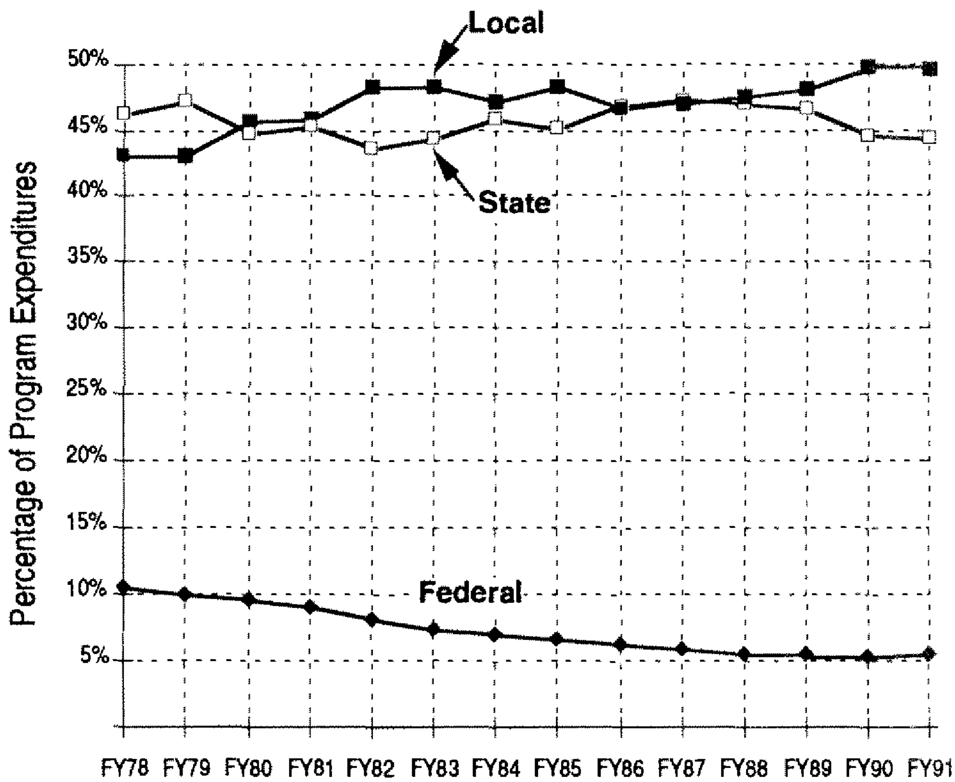
"State funding for local school systems is the largest single program funded by the State."

As identified in the 1992 JLARC report, *Intergovernmental Mandates and Financial Aid to Local Governments*, State funding for local school systems increased by about 208 percent between FY 1978 and FY 1991. For the same time period, local education expenditures increased more than 270 percent. In contrast, federal funding increased by only 75 percent — less than the inflation rate for government goods and services during that period.

The State's share of education expenditures has fluctuated since FY 1978 (Figure 29). Though the State's proportional share was increasing during

Figure 29

Funding Sources for Elementary and Secondary Education Expenditures for Operations



Source: JLARC staff analysis of Department of Education data; and *Intergovernmental Mandates and Financial Aid to Local Governments*, JLARC, 1992.

much of the 1980s, the last few years have witnessed a decline. This decline coincides with the State's economic slowdown and subsequent State budget shortfall. It should be noted, however, that for the 1992-1994 biennium, the General Assembly appropriated additional aid for local schools. In particular, $77.1 million was appropriated to help address the educational disparities between school systems.

SOQ funding has been extensively studied. Recent JLARC studies have assessed the costs associated with the SOQ and ways to increase pupil and tax equity. As a result of the JLARC study of SOQ costs, a new methodology was implemented. It used quantified standards where available, and prevailing costs across school divisions where quantified standards were not available. The General Assembly provided more than $490 million in additional funding to implement this methodology.

Recommendations from the second JLARC study were directed at increasing pupil and tax equity. To increase pupil equity, the General Assembly adopted a number of JLARC recommendations addressing: the need to vary the number of instructional personnel, the cost of competing for many Northern Virginia school divisions, and the revision of the pupil transportation funding formula. To increase tax equity, the General Assembly equalized the funding of special education, vocational education, remedial education, transportation, and fringe benefit programs. This resulted in an additional 25 percent of State funding for elementary and secondary education allocated on the basis of each locality's ability to pay.

Recent Studies Point to Need for Changes in the Educational System

As discussed in Part One of this report, Virginia and the nation are undergoing substantial social and economic changes. The workforce is changing, requiring different skills for "workforce readiness." Also, as the baby-boomers age, the smaller size of the post-baby-boom generation is expected to create shortages in the workforce.

According to the Department of Education and various study groups, the current educational structure in Virginia is not equipped to address these problems. First, the current system still prepares students for the manufacturing and non-technologically advanced workplace that existed decades ago. Second, the system does not adequately address the varying needs of a diverse student body. As a result, students drop out of school and/or become underutilized upon entering the workforce. The Board of Education stated in its recently adopted statement, "Virginia's Vision for a World Class Education":

> Although the world economy has changed dramatically since World War II, the ways we organize our schools and shape the curriculum have hardly changed at all. America's education system . . . too often graduates students who are not equipped to utilize computers and

> other technology, to discover or solve complex problems, to express ideas clearly, or to work cooperatively with others. Worse still, far too many of our young people see little or no relationship between their education, or even a high school diploma, and life beyond high school. So they slide by, doing the minimum, or drop out before they graduate.

As indicated by this statement, the Commonwealth has recognized the need to reform the educational system to address current and anticipated problems. The Department of Education has been restructured, and the General Assembly has provided financial support for new educational initiatives. Continued, long-term efforts, combined with periodic progress evaluations, are considered necessary to successfully complete educational reform in Virginia. In addition, the provision of greater levels of State financial aid for education will need to be considered.

Current Educational System Is Not Fully Meeting the Needs of a Diverse Student Population

Virginia has long been concerned about the quality of the public schools in the State. Concerns raised about the school system include the student dropout rate, some students' lack of adequate preparation for post-secondary schooling, and the discrepancies in student achievement rates between different school systems. In the past seven years alone, there have been at least five major executive and legislative studies on improving the delivery and funding of educational services.

A substantial body of evidence points to the relationship between a child's background (for example, the incidence of poverty), and the child's educational achievements. This relationship can be seen in the different achievement rates of various school systems throughout Virginia. As identified in the 1991 report of the Commission on Educational Opportunities for All Virginians, there are:

> strong relationships at the divisional level between family poverty and many student outcomes, including all student achievement test scores, the percent of students retained in grade, and average daily absenteeism. In general, divisions with high percentages of students from poor families tend to report lower test scores, higher percentages of students retained in grade, higher rates of absenteeism and dropout, and fewer graduates continuing their education.

The differences between the highest and lowest performing division on each indicatot are summarized in Table 4. This study also cited evidence suggesting that traditional practices, such as tracking or separating out lower-achieving students, appear to actually retard academic progress and lower the self-esteem of low- and middle-ability students. According to national and statewide studies, reforms to the educational structure are needed to alleviate these discrepancies.

Table 4

Summary of Statewide Student Performance and Outcome Measures, FY 1990

Indicator	Highest Performing Division	Lowest Performing Division	Range of Difference	Average
Percentile on National Tests				
First Grade Test				
Verbal	87	24	63	58
Quantitative	80	22	58	55
Nonverbal	89	40	49	72
Fourth Grade Test	79	33	46	60
Eighth Grade Test	78	32	46	58
Eleventh Grade Test	79	26	53	59
Students Passing All Three Literacy Passport Tests	85.9%	28.9%	57.0%	65.1%
Graduates Continuing Education*	88.9%	36.4%	52.5%	70.3%
Students Retained*	0.8%	20.0%	19.2%	6.1%
Students Dropping Out*	0.0%	13.1%	13.1%	4.8%
Average Daily Absenteeism*				
Elementary	0.9%	7.8%	6.9%	4.8%
Secondary	3.4	13.8	10.4	8.3
Total	4.2	9.5	5.3	6.1

* FY 1989 data.

Source: JLARC staff adaptation of table from Governor's Commission on Educational Opportunity for All Virginians report, 1991.

However, problems with the educational structure stem not only from its inability to address the needs of disadvantaged students, but also from the changing workforce. Students need different skills to compete in today's increasingly global economy. The Governor's Advisory Committee, Workforce Virginia 2000, reported on the importance of education in future job growth, noting:

> The new jobs which will be created in the coming decade will require much higher levels of skill than the average job of today — 13.5 years of education [in 2000] compared to the current 12.8 years. A majority will require education beyond the high school level with solid preparation in communication, science, and mathematics. Changes will be especially prevalent in the service sector of the economy which typically has served as a refuge for those with lower levels of skills.

The increasing need for highly skilled and educated workers is reflected in national employment projections for various types of occupations. According to the Virginia Employment Commission, the occupational categories with the fewest projected openings through the year 2000 are in production and crafts; laborers; and agriculture, forestry, and fishing. These categories also have the highest percentage of workers who have had less than one year of college. In contrast, the categories with the greatest expected growth in job openings — technicians and professionals — also have the largest percentage of workers with at least one year of college.

For Virginia to be able to attract high growth industries and employers, it must ensure that a qualified workforce is available. Hence, the future growth of Virginia's economy, to some extent, may depend on the ability of the State's educational system to graduate well-educated and skilled students.

DOE Has Reorganized, with the Aim of Attaining a Better Focus on the Needs of Students and Local School Systems

The Department of Education (DOE) is charged with conducting administrative, technical assistance, and supervisory activities to support the State's public education system. In 1990, DOE began a reorganization effort aimed at refocusing its priorities to better meet the needs of school divisions and ultimately the Commonwealth's students. A restructuring of DOE was viewed as a necessary step in improving the public education system in Virginia.

As part of this reorganization, DOE developed a new mission statement, as follows:

> All persons who are responsible for education must ensure that all children receive the learning experiences necessary for growth and adaptation in a changing world. To that end, the mission of the Department of Education in conjunction with the Board of Education, is to improve the delivery of essential education services and to increase student learning and achievement.

The new mission statement focuses specifically on the student and DOE's role in aiding "student learning and achievement." In contrast, the former mission statement focused on broader concepts of "leadership" and "supervision" of the educational "system." Further, it emphasized the legal and regulatory environment in which DOE operated.

A goal of the reorganization was to structure the department to better reflect and meet its new mission. Specifically, DOE increased staffing for research and technical assistance and decreased staffing for its regulatory function. JLARC conducted a study of the DOE reorganization as it was taking place. Although problems were identified with its implementation and a lack of specifics for achieving its objectives, many of the goals of the reorganization, such as reducing bureaucratic layers and increasing the provision of services to school systems, were cited as positive steps toward improving education in Virginia.

In its refocused role, the department has developed a long-term (ten-year) plan for reforming Virginia's education system. The plan calls for development of a "Common Core of Learning," which establishes the skills that all students should be able to demonstrate by the age of 16. In conjunction with the Common Core of Learning (CCL), a system for assessing student attainment of the CCL is being developed. (These activities are in the draft stage.) Pilot programs are also an integral component of the education reform plan. These pilot programs are aimed at identifying alternative teaching methods for achieving the CCL, particularly for at-risk or disadvantaged students. Through the appropriation of funds and statutory changes, the General Assembly has demonstrated support for these reform activities.

General Assembly Has Recognized the Need for Educational Reform

The General Assembly has taken several recent actions to address problems with the State's educational structure. Through these actions, the Legislature has demonstrated its commitment toward reforming Virginia's system of public education.

For example, during the 1992 Session the Legislature revised the SOQ to reflect the "World Class Education" initiatives of the Board and Department of Education. Also, the Southwest Virginia Public Education Consortium was created to promote regional educational initiatives and the sharing of resources among the region's school divisions and institutions of higher education. The Blue Ridge Regional Education and Training Council was established to promote partnerships between the public and private sectors to enhance public education in that region. Further, study committees were formed or continued, examining State policy initiatives to reduce the student drop out rate, the graduation rates of students in public housing projects, and the Governor's plan to reduce the educational disparities between school systems across the State. Finally, school choice programs have also been considered.

Funding for education initiatives was also provided by the Legislature for the 1992-1994 biennium. For example, the General Assembly appropriated $750,000 for FY 1994 for the establishment of three pilot programs to implement the Virginia Guaranteed Assistance Program (VGAP). The VGAP was created to aid in decreasing the drop out rate of students in sixth through twelfth grades, increasing the graduation rates of financially needy students, and providing financial assistance to those students for the costs of attending a higher education institution in Virginia. This initiative originated with the Governor's Workforce 2000 Advisory Committee.

In addition, the Legislature provided $1.5 million in grant funding for early childhood demonstration projects. These two-year demonstration projects are part of the first phase of DOE's plan to restructure Virginia's educational system. As identified in DOE's grant application package, the demonstration project initiative will serve to "develop prototypes of exemplary educational environments for children ages four through eight that can be successfully adapted in schools with similar characteristics throughout the Commonwealth." Different project features will include, for example, alternative performance-based student assessments, parental involvement, integrated curricula, non-graded instructional programs with multi-age groups, family literacy programs, and an extended school year. Twelve demonstration sites have been chosen across the State. The selection process gave priority to localities with a high proportion of at-risk students.

Given the studies which have shown that the educational system is not working for all students, the General Assembly may wish to continue examining and funding alternative programs and structures for educational services. Through ongoing evaluation of pilot programs and other educational initiatives, the General Assembly can prioritize funding to programs which have proven successful and reduce funding for programs with little or no impact.

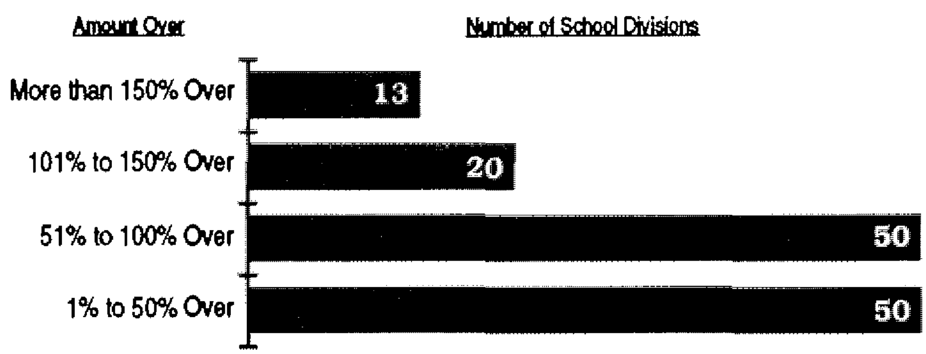
The General Assembly Could Provide Additional Funding for Basic Educational Costs

Despite the State grants for educational initiatives, the issue of the adequacy of the State's contribution to public education continues to arise. The State is currently required to pay for 55 percent of SOQ costs minus the one percent State sales tax distributed to localities. In total, the State share amounts to approximately 70 percent of required SOQ costs. Of the actual amount spent by local school divisions in FY 1991, however, 44 percent of local school funding came from the State and six percent from the federal government. The remaining 50 percent was paid for through real estate property taxes and other local revenue sources. This means that localities are funding education programs above the minimum requirements in the SOQ.

In fact, the Superintendent of Public Instruction reported to the Senate Finance Committee in June 1992 that many localities provide local funds considerably above that required to fund the SOQ in FY 1992. As shown in Figure 30, localities vary in the extent to which they fund schools above the

Figure 30

Number of School Divisions Budgeting Funds Over the Required Local Expenditure, FY 1992



Source: Department of Education presentation to Senate Finance Committee, June 1992.

required local share. The range of local appropriations over the minimum required was from one percent in Bland County to 269 percent in Charlottesville.

The Commission on Educational Opportunities for All Virginians also addressed this issue. The Commission reported:

> The widespread practice of exceeding the requirements of the SOQ suggests that the divisions view the current standards as too minimal to provide a quality foundation education. The extent to which the standards are exceeded reflects local aspiration and divisional wealth, and contributes to disparity.

The Commission also cited examples of the variances between staffing standards and practice. For example, the standard for first grade is 24 students per teacher; the practice is 21.4 students per teacher.

To better reflect the actual costs of providing a basic education program in Virginia, the State could increase the SOQ to more closely match current practice. This would have the effect of increasing the recognized cost of the SOQ. If this approach were taken, the General Assembly, Board of Education, and local school divisions would need to work together to identify more realistic SOQ upon which to base the cost of education.

Alternatively (or in addition), the General Assembly could phase in an increasing State proportional share of the SOQ. As of FY 1993, the State is responsible for 55 percent of the SOQ costs minus the one percent State sales tax distributed to localities. If the State had paid for 60 percent of SOQ costs in FY 1993 (rather than the 55 percent), an additional $163 million in State funding would have been required.

The current heavy reliance on local funding for education has important implications. The primary sources of local funding are the real estate and personal property taxes. As the population ages and the number of people who no longer have children in school increases, the tension between the needs of the elderly and young is elevated. Local retired citizens may be less willing to allow property tax rates to rise to meet the increasing costs of the school system. Reliance on a more progressive tax, such as the State income tax, could help alleviate this conflict.

Or, the State could raise its sales tax rate. One percent of the State sales tax generated over $477 million in revenues for FY 1992. This would have more than covered the five percent increase in the State share of SOQ costs.

Recommendation (15). To better reflect the actual costs of providing a basic educational program and to overcome differences in the ability of some school districts to pay for a quality system, the General Assembly may wish to move toward increasing standards to reflect prevailing practice, and increasing the State funding of Virginia's educational system when revenues become available.

State Involvement in Local School Construction

The extent of State involvement in local school construction has varied during the history of the public school system. The State was active in school construction during the early 1900s. However, in the 1930s responsibility for two major infrastructure activities was changed. Specifically, with passage of the Byrd Road Act the State took over responsibility for county road construction with the understanding that localities would be primarily responsible for school construction. Federal funding, however, was available for local school construction. In fact, in 1938 the federal government funded 45 percent of local construction costs. The federal government still provides some funds for capital costs; however, the level of funding amounts to less than one percent of local costs.

Though not playing a predominant role, at various points during the 1940s and 1950s the State did provide localities with grants for school construction. For example, the State provided unrestricted appropriations of $45 million in 1950 and $30 million in 1952 to help local school divisions meet school building needs. Beginning in the 1960s, the State moved toward almost exclusively providing loans — through the Literary Fund and the newly formed Virginia Public School Authority (VPSA). Today, State aid for school construction continues to be provided in the form of loans through the Literary Fund and the VPSA. By all accounts, the loans provided through these means meet only a small portion of the school infrastructure needs in localities.

School Construction Is a Local Responsibility

In accordance with §22.1-79 of the *Code of Virginia,* local school boards are required to "provide for the erecting, furnishing, and equipping of necessary school buildings and appurtenances and the maintenance thereof." This has become a very costly responsibility for local governments. Localities with rapidly growing school age populations are faced with huge demands for new classroom space. At the same time, smaller, more rural localities may face the expense of replacing and repairing aging school buildings. In FY 1991, local school boards reported spending over $758 million on facilities and debt service associated with school construction.

Localities Must Follow State Construction Mandates. In providing for school buildings, localities must follow DOE construction regulations and *Code of Virginia* provisions. These requirements include, for example, that classrooms must be of a certain square footage.

State mandates on school operations also impact school construction. For example, many of the school buildings currently in use were designed many years before there were extensive requirements in the special education area. In some cases, costly capital adjustments may have been required to meet the requirements. For example, school divisions are required to maintain specific ratios of certified instructional staff to students. Fiscal Year 1992 staffing requirements for elementary students identified as educable mentally retarded (EMR) is one teacher for each ten students. In contrast, for kindergarten classes the average division-wide student-to-teacher ratio is 25 to one. More than double the classroom space would be required for 25 EMR students as for 25 kindergarten students. Further, SOQ class size requirements directly contribute to greater capital outlay needs to the extent that the standards provide for fewer students per class than the localities might choose on their own.

To address certain concerns raised by local officials, one mandate pertaining to school construction was eliminated during the 1991 General Assembly Session. Specifically, prior to 1991 localities were required to obtain approval from the DOE for all building plans. Now, localities must simply get the approval of the division superintendent and submit the plans to the DOE. No DOE approval is required.

Local Concerns Primarily Focus on Funding. Despite the removal of the requirement that building plans be approved by the DOE, local officials still voiced concerns about the area of school construction. In particular, many localities reported that the level of State financial assistance to help with capital costs is inadequate.

Many of the rapidly-growing localities in the urban corridor are concerned about keeping up with the demand for new schools. Spotsylvania County is having to build an average of one new school every other year. Fairfax County has been building schools at a rate of three per year since 1986. As a result, these two counties' per-pupil expenditures for school facility construction and debt service are significantly greater than the statewide average. Many of these rapidly-growing localities are rated as having an above-average ability to pay. However, for any locality the costs associated with this level of school construction would be considered substantial. Because of the apparent lack of available funding for school construction, many localities are also relying on temporary facilities to supplement existing school buildings. As noted by one rapidly-growing locality:

> [Our county] must build additional schools. We have seen [our] student population grow from 4,500 to over 6,000 pupils in seven years. High growth counties receive no aid, other than small literary loans .... This situation means we have over 37 classrooms in trailers this year.

The problems faced by rural localities are of a different nature. These localities are dealing with the need to repair and replace old facilities. As one division superintendent reported on a DOE school facilities survey:

> In divisions of little or no growth, the question is not that of overcrowdedness, but questions of age and obsolescence -- no air conditioning or energy conservation measures, inadequate plumbing and electrical wiring, old heating plants, insufficient electrical capacity

and poor facility design for modern curriculum, and the constant expense of meeting fire safety and handicapped codes.

During the local focus group meetings, several local officials mentioned that a number of the school buildings in their localities were built several decades ago. Many of these buildings are now requiring costly major repairs. Others need replacing.

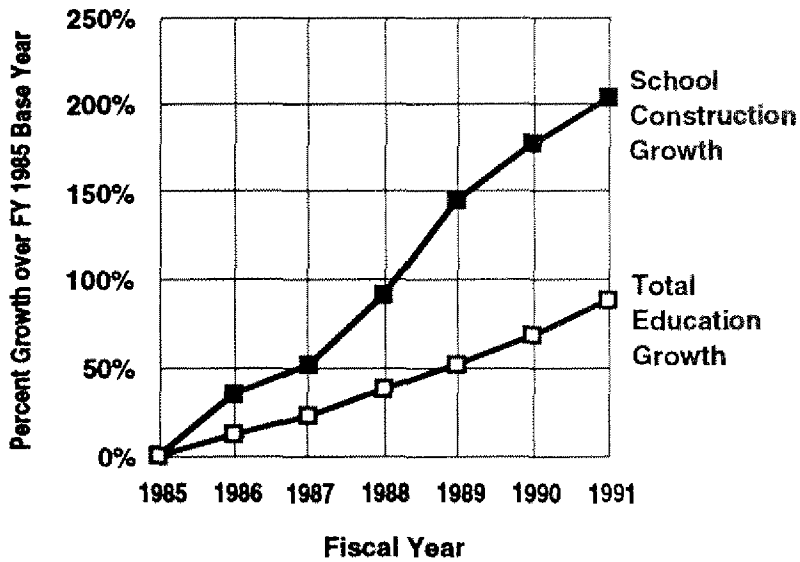
“Funding for capital outlay and debt services increased more than 200 percent between FY 1985 and FY 1991, compared to a growth rate of only 82 percent for total education disbursements.”

School Construction Costs Are Rising Rapidly. By any measure, local expenditures for school facilities are substantial. Further, the proportion of local school board budgets that is spent on capital outlay and debt service has risen during the past several years. In FY 1985, total statewide expenditures for capital outlays and debt service were 7.7 percent, or $249.6 million, of total education disbursements. In FY 1991, almost 12.9 percent, or $758.2 million, of total disbursements were for school facility-related activities. (Expenditures for school facility-related activities for each locality are provided in Appendix F.) This amounts to more than a 200 percent increase in funding for capital outlay and debt service (Figure 31). In comparison, the growth rate for total education disbursements for this period was only 82 percent.

As previously discussed in Part One of the report, school enrollment has been rising since 1985 and is expected to continue rising into the next decade. This enrollment increase is likely a major factor in the rapid increase in capital outlay expenditures. Simply put, localities have had to build more schools to hold the increasing student population. Given the projected trend, relief from increasing capital costs does not appear to be in sight for local governments.

Figure 31

Growth in Local School Construction and Total Education Expenditures



Source: *Superintendent's Annual Report for Virginia*, 1990 and 1991, and *Facing Up*, 1985-89, Department of Education

State Involvement in School Construction Funding Is Limited

As previously noted, State assistance for school construction is provided through the Literary Fund and Virginia Public School Authority. Recent actions by the General Assembly to close the budget shortfall, however, have resulted in a very small amount of funds — $8 million — being available for Literary Fund loans during FY 1993 and no loans available in FY 1994. This results in little available State school construction funding at a time when localities are facing increasing demands for school facilities.

State Assistance Is Provided through the Literary Fund and Virginia Public School Authority. The Literary Fund represented the first provision for State funds in Virginia to finance a statewide program of free schools. It was established in 1810 through the allocation of all escheats, penalties, and forfeitures, and "all rights accruing to the state as derelict." Beginning in 1906, local school boards were authorized to borrow money from the Literary Fund for the purpose of building schools. This remains its primary purpose today.

State law regarding the extent of support for capital projects available from the Literary Fund has been adjusted over time. For example, until 1916 the law restricted borrowing to one-half the cost of the building, up to a maximum of $10,000. Current law permits localities to borrow up to $5 million per project from the Literary Fund, at interest rates of between two and six percent. Board of Education policy, however, has limited borrowing to a maximum of $2.5 million per project. In 1990, incentives for regional construction efforts were incorporated into the loan terms. An additional $1 million is available if the project will result in the closing of two or more school buildings. If the project results from the consolidation of two or mote school divisions, an additional $2 million is provided.

Currently, school divisions having a composite index of .6 and above or an outstanding indebtedness to the Literary Fund of $20 million or more are placed on a "Priority 2" waiting list and essentially do not receive loans because school divisions designated as "Priority 1" use all available funding. Priority 1 localities are those with a composite index of less than .6 and an outstanding Literary Fund indebtedness of less than $20 million. Between FY 1985 and FY 1992, the Literary Fund distributed from $10.9 million to $47.1 million annually (Table 5).

To broaden the financing capability of the Literaty Fund, the General Assembly created the Virginia Public School Authority in 1962. The VPSA is authorized and empowered to issue its own bonds publicly and use the proceeds to buy public school obligations issued by Virginia localities. Security for the Authority's obligations is provided both from the Literary Fund and by payments received from localities.

The VPSA offers a locality financing at the market rate available to it as an authority with a large scale of operation and a high bond rating. Thus, VPSA financing is primarily a benefit for localities that do not have good bond

Table 5

Literary Funds Disbursed to Localities, FY 1985 to FY 1992

Fiscal Year	Funds Disbursed to Localities
1985	$24,533,788
1986	30,921,835
1987	40,768,409
1988	44,444,562
1989	39,816,675
1990	47,121,118
1991	31,042,278
1992	10,879,784

Source: Department of Education.

ratings or easy access to the financial markets, and therefore cannot secure as attractive a financing arrangement on their own.

Concerns Raised Over Transfers Out of the Literary Fund. According to the *State Constitution*, Literary Fund principal in excess of $80 million may be used for school funding purposes other than capital needs, with the teacher retirement fund listed as one example. The Fund's principal ($388.1 million as of September 1992) has exceeded $80 million for many years. In turn, transferring revenue from the Literary Fund for teacher retirement payments has been standard practice since at least 1973. Using Literary Fund revenues in this way has the effect of freeing up general fund revenue which would otherwise be needed for teacher Virginia Retirement System payments. Transfers from the Fund for teacher retirement have increased fairly steadily over time, as the Literary Fund revenues have increased (Table 6).

The Board of Education maintains a policy of funding Literary Fund projects within one year of their placement on the Literary Fund first priority waiting list. This policy has been endorsed by the General Assembly in the past. Through the use of current Literary Fund revenues and interest rate subsidy programs, the one-year waiting period has largely been maintained.

However, due to the economic downturn and subsequent State budget shortfall, the General Assembly has relied extensively on transfers out of the Literary Fund. In fact, the transfers out of the Fund for FY 1993 and FY 1994 put most project funding on hold during FY 1993 and all project funding on hold during FY 1994. Currently, the first priority waiting list totals more than $101 million for 65 projects. The result is that these localities will have to wait at least three years before receiving any Literary Fund loans. This provides a hardship for localities which must still meet the education standards of the Board of Education and the *Code of Virginia.*

Table 6

Transfers of Literary Fund Revenue for Teacher Retirement, FY 1980 to FY 1994 ($ in Millions)

Fiscal Year	Incoming Literary Fund Revenues	Revenues Transferred Out of Fund	Amounts Available For Loans
1980	$33.2	$ 1.5	$31.7
1981	34.1	3.3	30.8
1982	41.3	8.4	32.9
1983	45.7	31.7	14.0
1984	48.4	44.4	4.0
1985	51.1	10.0	41.1
1986	58.8	22.0	36.8
1987	64.4	15.0	49.4
1988	67.8	32.1	35.7
1989	80.1	10.0	62.5
1990	87.4	60.0	21.4
1991	102.1	36.8	54.8
1992	102.8	100.1	0.02
1993	102.6*	86.9	8.3
1994	107.4*	104.9	(0.5)

*Revenues projected by the Department of Treasury and included as transfers in the Appropriation Act.

Source: Department of Education.

The General Assembly May Wish to Increase Aid for School Construction

Based on the *Code of Virginia*, responsibility for construction and maintenance of local schools clearly rests with localities. However, actions of the General Assembly and Board of Education impact local school facilities expenditures through the imposition of operations- and construction-related mandates. Further, school construction impacts the State's constitutionally required duty to provide for a "quality education."

According to the Board of Education, the estimated five-year need for maintenance and capital improvements by local school divisions exceeds $3.8 billion. Recent State-level actions have served to limit localities' ability to obtain funding for these school construction projects. First, there is little funding remaining in the Literary Fund for loans to localities. Second, since VPSA bonds are secured with Literary Fund payments from localities, the absence of new loans from the Fund limits the capacity of the VPSA to issue bonds for local school construction. Thus, it may make it more difficult for localities to obtain financing to build new facilities. For counties, eliminating the Literary Fund as a funding option means the locality must pass a voter referendum to issue bonds for the construction.

The lack of a borrowing source becomes critical when the increasing school age population is considered. According to a DOE school facilities survey, over 2,300 new classrooms are needed immediately, and an additional 2,000 new classrooms are needed over the next five years.

To help localities meet their substantial school infrastructure needs, the State may wish to provide additional financial assistance. The Governor's Commission on Educational Opportunities for All Virginians concluded:

> Capital costs may be an impediment to providing quality school facilities and programs in both wealthy and poor divisions. The Commission believes that adequate facilities are essential to educational opportunity and that the Commonwealth should expand its role in funding capital costs. . . . One potential funding source, among others, which could be identified for this purpose is a percentage of State lottery proceeds.

Because adequate school facilities appear to be important in the educational opportunity and academic success of students in the public education system, additional State involvement in the construction or renovation of schools may be warranted.

Other states in the southeast have begun to increase state financial assistance for local school construction costs in recent years. Many states in the southeast, like Virginia, historically have provided little financial aid to localities to assist them in meeting school construction needs. States such as Kentucky, West Virginia, South Carolina, North Carolina, and Texas, however, have moved toward an increased state role in school construction, in part to assist poorer localities in meeting their school facility needs (Appendix G). For example, in 1987 North Carolina created the Critical School Facility Needs Fund to provide construction grants to localities with the least ability to pay for needed capital projects (Exhibit 4).

There are two options readily available to increase the State's involvement in the provision of Virginia's education infrastructure. First, the State could reduce reliance on using revenue from the Literary Fund for other public school purposes such as funding teachers' retirement benefits. Although the majority of Literary Fund revenues for the 1992-1994 biennium are obligated for teacher retirement benefits, the State could make it a priority to lessen its reliance on these revenues for non-school construction purposes after the 1992-1994 biennium. Because Literary Fund revenues for the FY 1988 through FY 1992 period averaged more than $88 million annually, reducing transfers for non-construction purposes should quickly make available a substantial amount of revenue to local school divisions.

Another option available to the State in assisting local governments with school construction or renovation is the use of State aid for school construction grants. Such a school construction funding methodology was used twice in the 1950s. State grants for school construction or renovation purposes could be provided to localities based on some measure of school facility need,

Exhibit 4

North Carolina's Efforts To Increase State Aid For Local School Construction

In 1987, the North Carolina General Assembly enacted the Public School Facilities Finance Act as part of the state's effort to increase financial assistance to localities for school construction needs. This Act was intended to provide approximately $3.2 billion for local school construction over a ten-year period. Funding for this effort came from several sources, including: an increase in the corporate income tax from six to seven percent, accelerating the return of personal and corporate income taxes from a quarterly to a monthly basis, and earmarking a portion of the sales tax for school construction.

The funds derived through this Act are distributed using two primary methods. First, the Critical School Facilities Needs Fund was created to provide grants to the state's poorest localities. One-time grants are awarded to localities with the greatest critical school facility needs in relation to their ability to pay for those school needs. Specific eligibility criteria are identified in the General Statutes of North Carolina. Funds are awarded on a per-project basis, with localities receiving not less than $2 million nor more than $10 million.

As of November 1992, approximately $150 million has been awarded to 40 of the state's 129 school systems. According to staff of the state's Department of Public Instruction, the Department's goal is to serve the 50 localities with the least ability to pay. Staff stated that this program has been "highly successful," noting, for example, that one grant enabled the poorest school system in the state to consolidate its high schools, leading to increased program offerings and more cost-effective school operations. The school system was previously unable to consolidate due to funding constraints. Staff also reported that due to the Fund's success, the Fund was not affected by budget reductions necessitated by the recent recession.

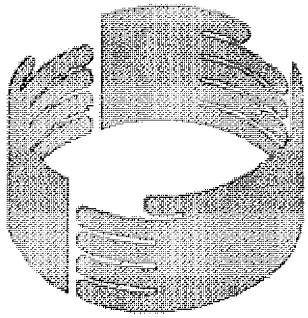
The second major funding mechanism is the Public School Building Capital Fund. All localities are eligible for grants through this Fund. Grants are allocated to localities based on average daily membership, and are awarded by project using the ratio of three dollars of State funds for every one dollar of local funds. According to staff of the Department of Public Instruction, "the award is automatic and requires only that plans for school construction involving its use be approved by the state prior to release of the funds." Since its creation a total of $230.7 million has been distributed to localities through this Fund.

ability to pay, and efforts toward more cost-effective school consolidations. Grant amounts could, for example, vary based on the size of the school or the number of students to be served. If such an option is used, the State would need to develop criteria for evaluating requests to ensure renovation and construction is appropriate and the proposed facility is cost-effective.

Providing grants for school construction or renovation would also benefit localities desiring to borrow money from the Literary Fund. In particular, this would benefit the rapidly growing localities that would otherwise be placed on the "Priority 2" waiting list. Because some localities on the "Priority 1" waiting list would be eligible for State grants, Literary Fund money that would otherwise be loaned to these "Priority 1" localities would be available for those localities now typically classified as "Priority 2." While these localities would still be required to repay the loans, they would benefit from attractive interest rates and the fact that the loan and subsequent debt would not be subject to a local voter referendum.

School facility needs statewide will only escalate as the number of children in the State's elementary and secondary education system continues to increase. While recent transfers of Literary Fund money for teacher retirement benefits enabled the State to mitigate further cuts in education aid, the need for additional local school facilities must be addressed. Therefore, when State resources become available, a high priority could be placed on reducing reliance on the Literary Fund for non-school construction purposes and providing grants to localities for school construction, especially as an incentive to achieving more cost-effective school operations through school consolidation.

Recommendation (16). *When the State's revenue situation improves, the General Assembly may wish to consider providing additional financial assistance to localities to fund school infrastructure needs. Additional money for loans could be provided through the Literary Fund. Alternative methods of providing financial assistance, such as grants to poorer localities based, for example, on local ability to pay and the need for consolidation of small schools, could also be considered.*



Health and Human Services

The provision of health and human services is the responsibility of both the State and local governments. To better meet the needs of clients, local government officials should consider service integration options such as co-location, case management, consolidating certain administrative functions, and consolidation of human services agencies. In the area of social services, local operation of social services offices does not appear consistent with the limited level of discretion afforded to local governments. As such, consideration should be given to having the State Department of Social Services assume responsibility for the administration of local social services offices. In addition, current health services funding is inequitable and should be changed over time to a needs-based distribution formula.

Overview

JLARC staff examined service delivety and funding responsibilities in the area of health and human services. For purposes of this review, this area encompasses health services; social services; services for persons with physical and sensoty disabilities; services for the aging; and mental health, mental retardation, and substance abuse services.

During the local focus group meetings, the area of health and human services received a significant amount of attention from local government officials. Concerns ranged from locality-specific to system-wide issues. However, the most frequently discussed concerns include (1) the perceived lack of flexibility provided to local governments to structure their health and human services agencies, (2) the lack of clear distinctions of social services responsibilities between the State and local governments, and (3) the inequity of funding for health services. This section will focus primarily on these three issues.

Local government officials repeatedly commented on the inflexibility of federal and State policies and procedures in the area of health and human services. In order to meet the unique service needs of their individual localities, local officials stated that they need to be able to restructure their local systems. They emphasized that the diversity of Virginia's localities should preclude one mandated structure. However, the local assertion that the State does not provide flexibility to restructure local human services agencies was not substantiated.

Within the area of social services, the current system does not clearly define State and local responsibilities. In particular, service delivery could be improved by having one level of government maintain responsibility for these services. Given the high level of State and federal control and funding of social services, it may in fact be more appropriate for the State to assume administration of local social services offices. This approach would also provide more structural consistency with the health services area.

Analysis indicates that the current funding allocation method for local health departments is inequitable. Since fund allocation by the Department of Health (DOH) is not based on a systematic assessment of community health needs but rather on historical budgets, funding does not always address local need for services. As such, the State may be better served by a needs-based allocation model which would help ensure that funding for health services is distributed on a more equitable basis.

Restructuring Local Health and Human Services

In Virginia, the provision of health and human services is the responsibility of both the State and local governments. The system includes varying service delivery structures and funding responsibilities which have developed incrementally in response to particular policy problems. This approach has resulted in a fragmented service delivery system. Local government officials stated that this fragmentation and the lack of flexibility to integrate services limit their ability to address the multiple service needs of their clients.

"Integration of services" refers to efforts to coordinate different services provided to one client. The key goal of integrating human services is to provide a more comprehensive approach to serving clients with multiple needs. This includes more coordinated assessment and treatment of a client's total needs without duplication of effort by several agencies. The obstacles created by a fragmented system can be reduced by coordinating service providers through methods of integration.

The Health and Human Services Structure Is Fragmented

The structure of the health and human services delivery system has evolved incrementally over the last several decades. Programs and services were implemented in response to recognized problems and issues. In addition, some of the federally funded programs were at one time required to be administered by separate state agencies. As a result, there are a number of State agencies supervising and administering health and human services. This division of services and providers has also been passed down to the local level.

While there has been some effort to reduce the number of separate State and local agencies under the Health and Human Resources Secretariat, the system remains fragmented. The funding, oversight, and administration of health and human services involve many different agencies. Social services are supervised by the State Department of Social Services (DSS) and delivered by 124 local social services agencies. Mental health services are supervised by the State Department of Mental Health, Mental Retardation, and Substance Abuse Services and administered by 40 community services boards and 16 State hospitals and training centers.

Health services are provided by the State Department of Health and 119 local health departments. The State Department for the Aging and the 25 area agencies on aging coordinate and provide services to the elderly. Services to people with disabilities are provided by the Department of Rehabilitative Services, the Department for the Visually Handicapped, the Department for the Deaf and Hard of Hearing, and the Department for Rights of Virginians with Disabilities. While these services are necessary, the patchwork of agencies may be inhibiting their accessibility and effectiveness.

Obstacles Exist to Integration of Services

Integration of services can make the system more comprehensible to both clients and staff. In Virginia, there has been an effort to improve the coordination of services to some target populations. For example, the Comprehensive Services Act for At-Risk Youth and Families was established to make services to children who are in, or at risk of going into, out-of-home placement more comprehensive, coordinated, and responsive (Exhibit 5). Also, the Department of Medical Assistance Services and the Department of Social Services have coordinated their determination of Medicaid eligibility through local social services offices.

However, service providers may be constrained from working together by certain obstacles. Literature on human services integration describes a number of structural barriers to integration including categorical funding, differences between disciplines, confidentiality requirements, and the lack of an integrated data system.

Categorical Funding. Federal and State funding of health and human services programs are primarily categorical. Each funding stream has its own rules and regulations requiring a method of use or distribution. In 1990, the National Conference of State Legislatures (NCSL) surveyed all states as part of a study of state child services systems. Through the NCSL survey, state agencies nationwide reported that case workers are often discouraged or even prohibited from purchasing services across agencies or programs because services may only be provided by the agency or division with the corresponding line-item in its budget. This limits the potential for integration, making it difficult for an agency to meet a client's multiple service needs.

Differences Between Disciplines. The differing goals and philosophies of the disciplines within health and human services can also be an obstacle to coordination of services. Agencies develop separate codes of ethics, certification requirements, and service approaches. Staff with similar responsibilities

Exhibit 5

Comprehensive Services Act for At-Risk Youth and Families

In 1990, a cross-secretarial interagency council was established to improve services for emotionally and/or behaviorally disturbed children who are in, or at risk of going into, out-of-home placement. The Council on Community Services for Youth and Families was guided by the philosophy that at-risk youth are best served by a community-based system that is comprehensive, coordinated, and responsive to their strengths and needs. The Council awarded $2.4 million in demonstration grants to five communities to expand community services delivered through an interagency approach. New services implemented include intensive probation, case management, therapeutic respite care, parent and student aides, day treatment, after school programs, therapeutic summer program, preschool prevention program, and transition classroom.

Through the demonstration projects, several positive results were noticed. For example, there was a decline from 49 percent to 18 percent in the number of youths who experienced residential placement after identification for project services. In addition, Department of Social Services maintenance and services costs for the demonstration project children were level while statewide costs increased. The Secretary of Health and Human Resources also reported improved attitudes of community leaders, agencies, and service providers; greater community involvement with youths and families; greater involvement and participation of all agencies; fewer "turf" issues hampering delivery of services; improved communication among agencies; and increased time commitment.

The positive results demonstrated in the five pilot communities encouraged the General Assembly to pass the Comprehensive Services Act for At-Risk Youth and Families in 1992. This established a trust fund for service providers to move to more community-based program alternatives.

in different agencies may also have different training requirements and salary levels. This may make cooperation difficult. Different programs may also be competitive with one another for funding.

Confidentiality Requirements. Several local officials commented that confidentiality requirements interfere with local agencies' ability to coordinate services. Each agency must collect and verify similar information on clients. This may include financial and medical information that must be kept confidential unless formal approval is given by the client to disclose it to another party. A client's right to confidentiality is important. However, local officials stated that service delivery is often delayed or prevented because of the rigidity of confidentiality requirements. In many cases, the client might want information disclosed if it would make the delivery of services more timely and effective. Local agencies are concerned with potential liability, however, and are uncertain of the flexibility of existing confidentiality provisions. In particular, they are unsure of other agencies' State and federal release of information requirements and procedures for information sharing.

In response to this situation, the 1990 General Assembly requested the Secretary of Health and Human Resources to analyze the impact of laws protecting client confidentiality on the cooperative relationships of agencies addressing the problems of children and their families. The study found that the majority of local service agencies responding to a survey did not cite difficulties in accessing needed client information from other local service agencies. However, survey respondents did identify several procedural and training problems related to the confidentiality issue. These problems have caused service delays, administrative duplication, and other inefficiencies.

The report listed several recommendations, including: development of a multi-agency uniform release information form; implementation of a series of seminars on confidentiality requirements; inclusion of confidentiality requirements in employee orientation and training; development of an inter-secretarial and interagency memorandum of understanding to clarify the roles and relationships among agencies; and review of the confidentiality requirements in the *Code of Virginia.* An inter-secretarial and interagency memorandum of understanding has been implemented concerning confidentiality between 14 agencies in four secretariats. An interagency teleconference was held to clarify appropriate reasons for sharing information and to establish methods for exchanging client information. In addition, a multi-agency uniform release information form has been developed, pilot tested, and accepted by the relevant agencies.

“The lack of an adequate information system also hinders coordination of services.”

No Integrated Data System. The lack of an adequate information system also hinders coordination of services. Agencies do not always have immediate access to client information from other agencies. Consequently, it may be difficult for service providers to comprehensively understand a client's multiple problems. Caseworkers involved with a client may not be aware of other case workers involved with that person or his or her family. The services provided to that family may be ineffective because of uncoordinated efforts and conflicting approaches. In addition, there is duplication of data collection because each agency must maintain separate case files rather than one central file accessed through an integrated computer system.

Other Obstacles. Beyond the structural barriers to integration, there are several other obstacles. Local political climates can discourage reorganization of service delivery structures. Also, there may be some fear among service providers over losing control of their programs. Another obstacle is that the initial investment in integrated services could require increased funding. There is also little concrete evidence on which types of integration are effective under different circumstances.

Service Integration Options Should Be Considered

Integration of services can involve several different strategies with varying degrees of coordination. At a minimum, integration means the improved coordination of services at the local level. This could include informing clients about the additional services they may need and the requirements for receiving these services. It could also include locating local human services agencies in the same building or consolidating certain administrative and intake functions such as eligibility determination. At best, integration should provide a coordinated approach to assessing and serving client needs with coordinated services delivered at common locations.

A review of the various structures existing in Virginia and other states provides models of integration. These examples are intended to illustrate how improved coordination can be achieved through several different methods. The success of a given structure depends in part upon the characteristics of the locality implementing it.

Co-location. Co-location involves locating two or more human services agencies in the same building or within reasonable walking distance of one another (Exhibit 6). Co-location of services can occur through local initiative without any changes in legislation. This strategy is intended to promote the accessibility and visibility of services to clients. Maintaining human services agencies at different locations can make it difficult for clients with multiple needs and less mobility to access services.

There are several additional benefits to co-location. It can facilitate interagency coordination. Cost savings could potentially be realized through the greater efficiencies of consolidated office space, through the use of space-saving office designs, and through the sharing of common facilities and services. Common facilities could include restrooms, conference rooms, hallways, mail and file rooms, and storerooms. In a consolidated building, it is conceivable that only one library and one storage area would be needed. Confetence and copy rooms could be provided on specified floors of a multi-

Exhibit 6

Co-Location of Local Human Services Agencies

Carroll County is a rural county located in Southwest Virginia. It has a population of 26,594 and an area of 478 square miles [56 people per square mile].

In 1975, Carroll County co-located the departments of social services, health, and mental health and mental retardation. Previously, the agencies were located in separate areas of the county. Currently, the agencies are all contained within a building which is centrally located within the county. The three agencies operate as separate units within the system. However, they have made a coordinated effort to maintain an open network of interagency communication. The agencies share information to improve client referral.

Since co-location, the county has reported improved client accessibility and interagency communication. In addition, it reports that co-location has facilitated an informal coordination of services leading to the more efficient and effective delivery of services.

agency building. An additional benefit of co-location is that some agencies would gain access to facilities, such as conference rooms and employee lounges, that they do not have at their present sites. Agencies could potentially share equipment and services as well.

Case Management. Case management is a strategy of integration which uses specialized groups of workers to coordinate services from several agencies for a target population (Exhibit 7). Ideally, the case managers have significant work experience with the particular client group. This provides them with a greater awareness of specialized client needs as well as the resources and opportunities available to this population. Comprehensive assessment and referral are important components of case management. This integrated approach can improve the delivery of services to multiple needs clients.

Exhibit 7

Case Management of Services to the Elderly

Virginia has experienced significant growth in the impaired elderly population and an increasing demand for long-term care. This trend, combined with the problems of a fragmented and poorly coordinated system of community care and the need for support of informal caregiving, prompted the Commission on Health Care for All Virginians to recommend a pilot case management program. Pilot projects were established in Fairfax County, Southwest Virginia, and the Tidewater area to coordinate services to the aging by providing frail elderly people in need of multiple services with one point of entry to community-based long-term care. Case managers determine client needs and resources, develop and implement care plans to meet those needs, monitor services for quality and appropriateness, and periodically reassess client needs.

These case management programs are implemented through area agencies on aging and a local department of social services. During the first year, a total of 1,830 clients were served by the three sites. An evaluation of the pilot project's first year indicates that the program has been successful in coordinating services, although there have been some structural problems and other barriers to coordination. The evaluation group recommended statewide implementation of the case management program.

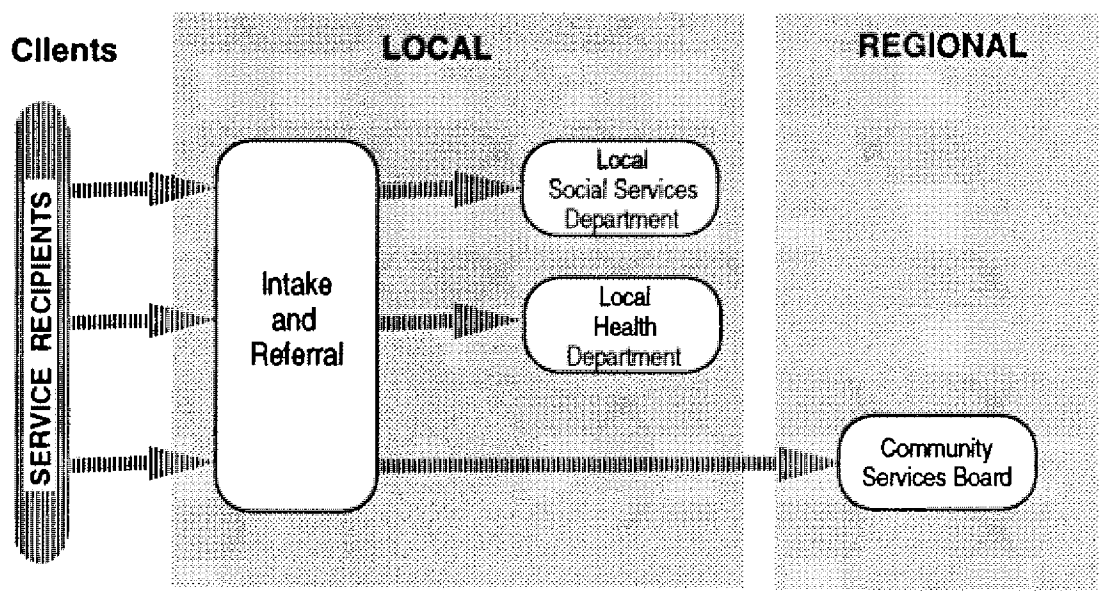
Consolidating Certain Administrative Functions. Another strategy of integration is combining functions such as outreach, information and referral, transportation, accounting, use of specialized equipment, client data collection, and eligibility determination. In particular, eligibility determination has been a source of concern for local service agencies. In order to determine eligibility, each agency must collect and verify the same basic client information, creating administrative duplication. The strategy of co-eligibility is intended to reduce duplication of effort by combining the eligibility determination functions of several agencies into one procedure.

There are two components to this method. First, co-eligibility can allow the eligibility of one client to be determined for two or more services by going through one process. Second, co-eligibility can in some cases provide one set of eligibility criteria for two or more services. In other cases, the second component may be inappropriate based on the differing goals of individual programs, or not feasible because of federal eligibility requirements.

The current system is fragmented and could be simplified through consolidating certain administrative functions (Figure 32, next page). For example, a method for coordinating eligibility determination involves creating one intake system for several different services (Figure 33, below). All clients would enter the human services system through one intake point contacting a group of cross-trained eligibility workers. In the past, this method has not been very feasible because of the need for intensively trained and experienced eligibility workers. However, eligibility determination through integrated automated systems with a common application should make this coordination more effective.

Figure 33

Alternative Service Delivery Structure for Local Human Services

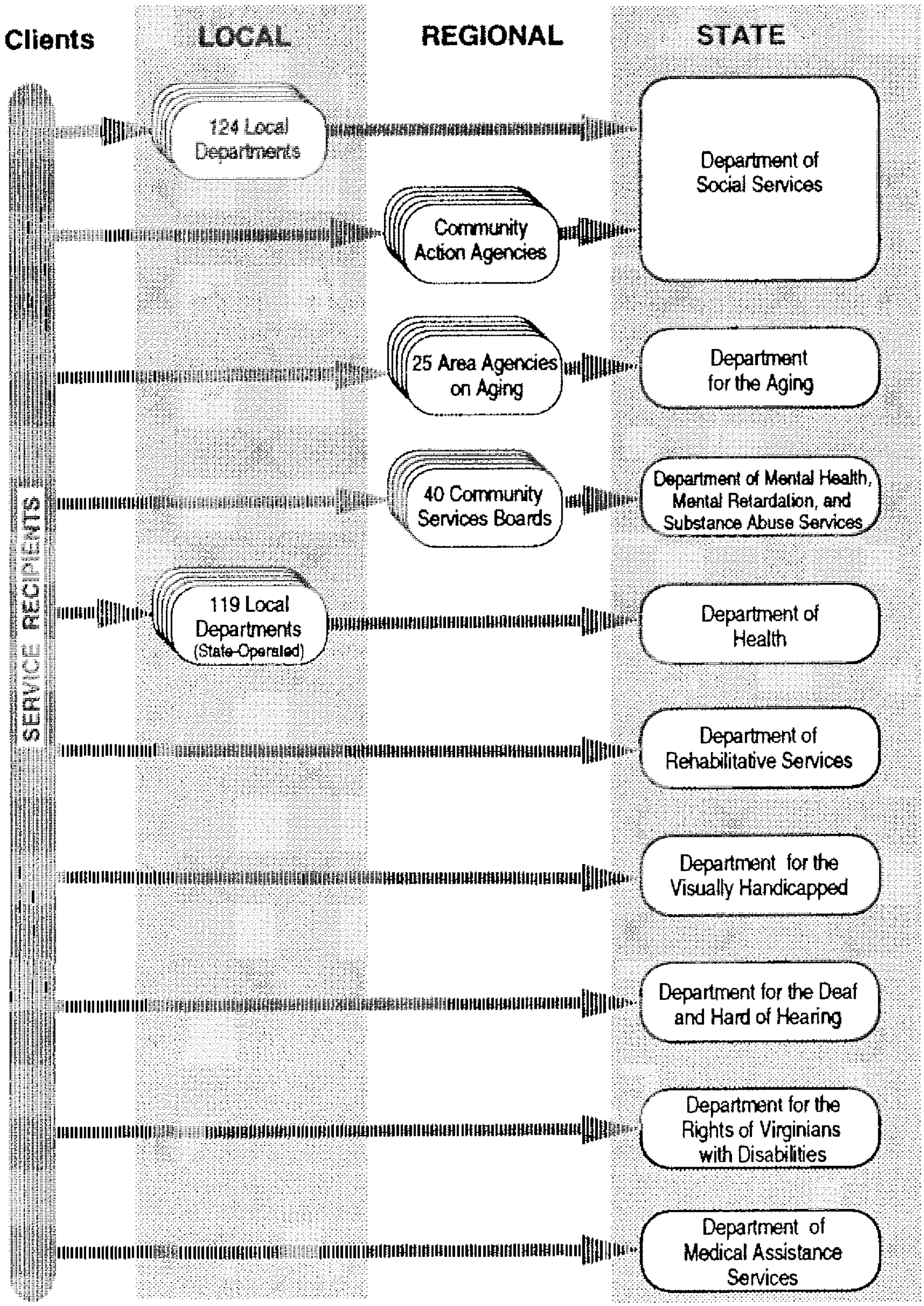


Source: JLARC staff graphic.

DSS has been developing a software program which would help social services eligibility workers efficiently complete the eligibility application process by determining eligibility and benefit levels for welfare programs. The computer program essentially tells the eligibility worker what questions to ask, and automatically identifies the services for which the client is eligible based on the client's responses to the questions. Proper verification of client reported information is still necessary. This approach could potentially be expanded to include health, and mental health, mental retardation, and substance abuse services.

Figure 32

Current Delivery Modes for Selected Health and Human Services



Source: JLARC staff graphic.

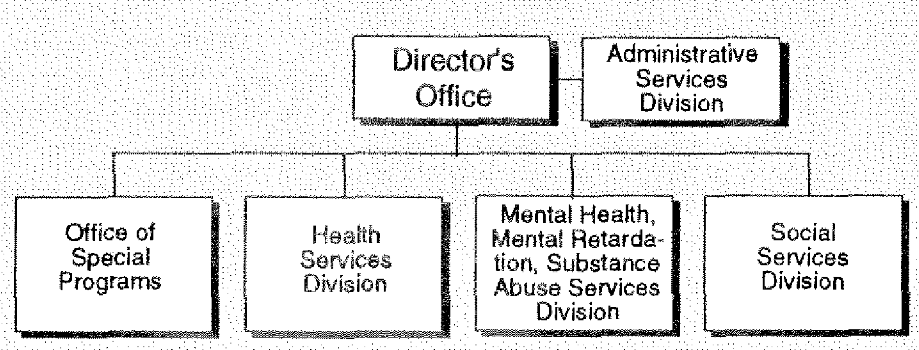
Consolidation. A fully integrated human services agency is a single department which includes all human services programs (Exhibit 8). It may have a unified client intake and referral system and a single administrator. It is also responsible for human services planning in the locality. Combining these functions into one department eliminates the administrative duplication associated with multiple divisions of client intake and referral.

Exhibit 8

Arlington County's Integrated Human Services Agency

Arlington County is an urban county located in Northern Virginia. Arlington's human services providers have found that certain characteristics of the county have made an integrated human services agency appropriate. For example, Arlington County has a population density of 6,574 people per square mile. Its geographic size, 26 square miles, allows clients to get anywhere in Arlington relatively easily.

Arlington's integrated human services department consists of five divisions: 1) health; 2) mental health, mental retardation, and substance abuse services; 3) social services; 4) special programs; and 5) administrative services. Each division is administered locally. (Arlington County had to get special legislation passed by the General Assembly to localize the health department.) The department has not integrated its intake system. However, it does have an integrated computer system allowing clients to be referred across divisions from one intake session. Eligibility for specific programs still must be determined within the relevant divisions.



Arlington has reported several benefits from this integrated system. The client is being treated as a whole person through a multidisciplinary approach. Family problems are addressed instead of focusing only on the individual. Case management for the family is easier because the divisions are physically located in the same building and all employees work for the same director. In addition, a unified system centralizes who is ultimately responsible for human services. Also, having a unified human services budget allows the board and the county manager to see a single dollar figure for human services. This lets them balance competing needs and improves policy decision-making.

Proposals to Restructure Local Human Services Should be Developed

During the focus group meetings, local officials commented that the State does not provide adequate flexibility to restructure local human services agencies according to local needs. However, this concern was not substantiated. In fact, statutory language does exist permitting localities to submit reorganization plans. Localities must receive approval from the Governor and the General Assembly, which admittedly can be a time-consuming process. Yet no localities have attempted to reorganize under this provision. If local officials wish to restructure local service agencies, they should submit specific proposals to the State.

The State has provided local governments with the ability to submit plans for restructuring human services agencies. Section 15.1-36.2 of the *Code of Virginia* provides local governments with the option of submitting to the Governor any plans "to reorganize the governmental structures or administrative procedures and systems of human resources agencies should provisions of law or the rules, regulations and standards of any state agency prohibit or restrict the implementation of such proposed reorganization." This local option legislation was originally adopted in 1978 without the requirement of approval from the legislature. However, a 1982 Attorney General's opinion found this section unconstitutional unless suggested amendments were adopted. These amendments, which passed during the 1983 Session, added the legislative approval requirement. According to the Secretary of Health and Human Resources, no localities have submitted plans for reorganization under this legislation.

" Statutory language does exist permitting localities to submit reorganization plans . . . yet no localities have attempted to reorganize under this provision. "

However, the Secretary expressed a willingness to work with any localities wishing to restructure their human services system. Hence, if local officials identify a need to modify their human services delivery structure, they should outline specific actions they would like to take and any legislative changes that would be necessary. This should be submitted to the Secretary of Health and Human Resources. To assist localities in identifying viable options, the Secretary should provide interested localities with different models of human services organization which might facilitate legislative approval.

Recommendation (17). The Secretary of Health and Human Resources should develop models of human services organization for local governments to consider. Local governments should make specific reorganization proposals to the Governor and General Assembly if State law or regulations prohibit or restrict the implementation of plans to restructure local human services agencies.

Social Services Structure Needs Modification

The current system of social services does not have clearly defined State and local responsibilities. The system is complex, involving multiple levels of government and varied funding streams. For example, in 1992 local governments were required to meet 55 funding matches for local services and benefits. Focus group participants described the structure of social services as complicated, leading to a blurring of the division of responsibility. They explained that the service area needs a clearer allocation of responsibilities. Simplifying the structure by giving responsibility to one level of government could improve service delivery. Given the high level of State and federal control and funding of social services, it may be more appropriate for the State to assume administration of local social services offices.

State/Local Social Services Responsibilities

Social services in Virginia involve multiple levels of government, many programs, and varied funding streams. Social services are State-supervised but locally-administered. Local agencies deliver services to clients. However, the agencies operate according to federal and State law.

The federal government is also involved in the funding of local social service programs. The three federal agencies providing significant funding, mandates, and oversight are the Family Support Administration, the Health Care Financing Administration, and the Food and Nutrition Service.

At the State level, DSS is responsible for establishing and monitoring policies and procedures for local programs, allocating funding, and providing administrative support. In addition, DSS administers the State licensing and child support enforcement programs, the Community Services Block Grant, and the Virginia Neighborhood Assistance Act.

Virginia's 124 local social services agencies provide or purchase services for eligible clients. They are staffed by local government employees and administered by local directors. In addition, local social services boards are involved in establishing some program policy, determining budgets, and approving certain case actions. Boards can consist of a group of interested citizens and officials, or the board can simply consist of the county administrator or city manager. Local governments approve budgets and appropriate funds for administration and some program costs.

Local Social Services Offices Are Substantially Controlled and Funded by the State and Federal Governments

Because of the high level of State and federal control, most local social services departments provide a similar set of services. In 1991, JLARC identified 60 social services mandates, making this area one of the most extensively regulated functions of local government. These mandates are both specific and comprehensive, affecting local staffing levels, employee compensation, reporting requirements, and levels of local financial participation. In addition, most local social services departments receive a very large proportion of their funding from the State and federal government.

In contrast, the largest localities in the State typically provide a higher-than-average level of service. Further, many of them have opted out of the State's personnel systems. Instead, the local offices are controlled by local personnel policies.

" In 1991, JLARC identified 60 social services mandates, making this area one of the most extensively regulated functions of local government. "

Given the State's extensive role in most local social services offices, assigning responsibility to the State for operating these offices may be appropriate. In particular, the State and federal governments have primary authority over eligibility criteria for clients served. This leads to the localities having very little flexibility in either the number of clients served or the level of financial commitment.

Further, local governments do not have control over the number of poor people within their boundaries. And, there is an inverse relationship between need and ability to pay for poverty-related programs. That is, a locality with a high number of low-income residents is likely to have less tax revenues and a higher demand for services than localities with fewer low-income residents. Finally, through the health structure and the level of funding the State provides for poverty-related programs, the State has recognized its primary role in providing services to the indigent.

The State Could Assume Administration of Local Social Services Offices

State assumption of local social services offices would result in a simplified service delivery structure and clarified responsibilities. Local governments could be required to fund a portion of the local expenses. However, the State would become responsible for the administration of social services.

This structure would resemble that of the health services system. Currently, the State provides health services through local offices. However, the staff are State employees. Under the State health system, the allocation of service responsibilities is clear. In addition, a State system provides consistent administration across the State. There does not appear to be a clear rationale for why health and social services are structured differently, given the high level of State and federal involvement in both. In fact, social services are more heavily driven by State and federal requirements than are health services, yet social services are administered by local employees.

To provide flexibility under a State-administered system, local exemption could be permitted provided that a local government meets certain program criteria. The criteria would be used to ensure that in every locality a required level of social services would be offered. Also, if a locality wished to have services beyond what the

State provides, it could contract with the State to provide those additional services. The locality would be responsible for fully funding these local-option services.

Local governments could also be required to provide a percentage of the funding for social services departments, for example ten percent. Currently, the amount of local funding varies by locality (Appendix H). As a whole, local governments currently provide approximately 14 percent of the funding for social services programs.

In addition to simplifying the structure of social services delivery, State administration of social services would allow the DSS to make certain structural changes to increase efficiency. For example, in 1990, DSS officials proposed a plan to consolidate the administration of local social services agencies. Under the plan, all but the 15 largest agencies would be divided into groups, with each group sharing a director. This would eliminate up to 60 directors and 60 office managers, although the number of social service departments would remain the same. DSS estimated a savings of $2 million. Significant opposition has come from agency directors and some local government groups. However, if the State fully operated local social services offices, DSS could potentially face less resistence to this proposal from local governments.

" With State administration, program funding streams could be simplified through the reduction of the 55 local funding matches for services and benefits that were required in 1992. "

In addition, through State administration the funding streams could be simplified through the reduction of the 55 local funding matches for services and benefits that were required in 1992. Local agencies receive federal, State, and local dollars which are combined in varying proportions called match rates. Funding streams used to support local programs and administrative costs are complex. In general, federally-funded programs allow states to decide whether or not to seek local matching funding. Thus, State operation of the system could reduce the individual local match rates.

This option would require increased State funding. The additional cost to the State would be dependent on the level of local participation required. If local governments had been required to provde ten percent of total social services funding in FY 1992 rather than the 14 percent they did provide, State funding would have increased approximately $25 million.

Recommendation (18). The General Assembly may wish to consider the feasibility of having the Department of Social Services assume responsibility for local social services offices. Under this system, local governments could be required to pay for a portion (for example, ten percent) of the total cost. A feasibility study should be conducted to determine the costs associated with this proposed realignment. Such a study would provide the detailed cost and benefit analysis the General Assembly needs to determine if this reassignment should take place.

Changes Needed to Local Health Department Funding

Several State studies have concluded that the current funding allocation method for local health departments is inequitable. Fund allocation by the Department of Health (DOH) is not based on a systematic assessment of community health needs but rather on historical budgets. Therefore, funding does not always address local need for services. During the local government focus group meetings, the current funding allocation method received a great deal of criticism. Local officials agreed that health funding is inequitable. In order to provide more equitable funding of health services, DOH should implement a needs-based allocation formula. DOH agrees with this concern. However, the agency has been unable to obtain the additional funding which DOH officials have determined is necessary to implement these formulas.

Current Structure of Health Services

The State requires all cities and counties to participate in a local health department. Localities may contract with the State to provide public health services either as a single jurisdiction or in combination with neighboring cities and counties.

The 119 local health departments are organized into 36 health districts, which in turn report to one of the five health regions in the State. The size of a particular health district depends upon whether or not operating agreements have been reached between neighboring local governments. Local health departments operate as satellite offices under the guidance of a district director who is appointed by the Commissioner of Health. Appointment of the director is also subject to the approval of the local jurisdictions. The director appoints all subordinate positions within the district, including a central management team which is responsible for the local administration of the district. All employees of local and district health departments are State employees.

Funding for Local Health Services Should Be Based on Community Needs

Fund allocation by DOH is historically based. This results in disparities between localities in meeting their health needs. Most of the older cities which operated local health departments outside of the State system generally had larger and more sophisticated departments than smaller localities. Therefore, they entered the State system with much larger budgets. Also, some localities receive grant support for services that others do not. For example, two localities do not receive federal family planning funding because of decisions made when they entered the State system years ago.

In addition, the General Assembly has provided special funding to some local health departments for targeting specific issues such as the AIDS population. While individual decisions to target aid to specific localities may be appropriate, the combined effect is inequitable funding across the State. Consequently, several State studies have recommended changes to the current health funding formulas.

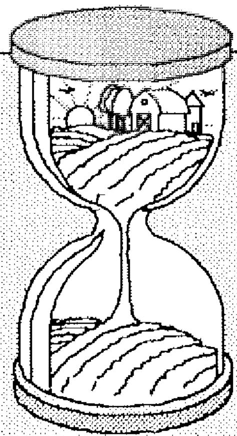
In 1988, JLARC studied the funding formula used to distribute funds for the local cooperative health department program. In identifying a formula based on local ability to pay, the JLARC report noted that the proposed formula was limited to the extent that fund allocation was not based on any systematic assessment of community health needs. JLARC recommended that the DOH review the processes by which it allocated funds and estimated costs for the program. It was emphasized that fund allocation should be systematic according to locality need for public health services and cost estimation for services should be based on meeting these needs.

In 1990, a DOH study group examined the funding disparity issue and concluded that a needs-based model would be more equitable and responsive to local public health needs. The group also determined that this approach would correlate well with planning and evaluation systems, would be responsive to changing priorities, would be compatible with the current budget process, and would provide a system for allocating funds from multiple sources. However, disadvantages were also noted. DOH found that the needs-based model would require consistent, reliable data to be available on each locality. Currently, indigent population data are available only from the decennial census on a consistent basis for each locality. Also, the model does not address all programs delivered by local health departments, though it does address the major ones. DOH believes these disadvantages can be overcome, and therefore, the study group recommended the use of a needs-based allocation method.

In 1991, the Commission on Health Care for All Virginians supported these findings and acknowledged the inequities of the current allocation methodology for the State/local cooperative budget. The commission recommended that when additional funding is available, the General Assembly should use the funding to implement the needs-based allocation method.

Since under the current level of funding, the needs-based model would involve major shifting of funds among local departments, DOH has recommended a hold-harmless provision. With this provision, DOH estimated in FY 1990 that an additional $6.2 million in State aid would be required. The Commission on Health Care for All Virginians also supported this recommendation, but estimated the implementation cost to be $4.1 million.

***Recommendation (19).** In the future, when funds become available, the General Assembly may wish to consider allocating sufficient funds to the Virginia Department of Health to implement a needs-based allocation model for the funding of health services.*



Environmental Protection

The area of environmental protection has become increasingly problematic for State and local governments. The federal governments' increase in mandates and devolution of financial responsibility to the states and localities has created a difficult situation. In order to assist localities in meeting environmental mandates, the State should continue its leadership role by providing financial and non-financial incentives for regional cooperation and encouraging public-private partnerships.

Overview

Protecting public health and preserving natural resources are not the sole responsibility of any one level of government. All levels of government share natural resources. Therefore, all levels should share in their protection. Environmental protection has become a joint responsibility of the federal, state, and local governments. Commitment to protecting natural resources has been demonstrated at all levels of government. However, there has been some shifting of responsibility and cost over the last decade.

The federal government's devolution of financial responsibility for environmental protection has made it increasingly difficult for the State and local governments to meet environmental mandates. The State has demonstrated its commitment to protecting Virginia's natural resources through some of the major policy decisions made over the last decade. The State has increased both the level of mandates and funding of environmental services. However, local governments are experiencing a financial burden in complying with State and federal mandates.

The State should assist local governments in solving local environmental protection problems. One option which should be considered is to provide additional incentives for regional cooperation in the delivery of environmental services such as solid waste disposal and water and wastewater treatment. In addition, local governments should be encouraged to consider public-private partnerships in providing environmental services, particularly the operation of landfills.

Financial Responsibility for Environmental Protection has Devolved to the State and Local Governments

The heightened interest in maintaining the country's natural resources during the 1970s was reflected in the federal government's more active involvement in environmental regulation and standard setting. An extensive body of federal environmental protection legislation and regulation was established. For example, the Clean Air, Water, and Safe Drinking Water Acts were established during the 1970s, bringing a significant number of federal mandates on state and local governments for maintaining air and water quality. And in 1976, Congress enacted the Resource Conservation and Recovery Act which banned open dumping and encouraged state and regional planning for the management of solid wastes. At that time, increased federal regulation was accompanied by federal funding mechanisms to assist states and localities with compliance. However, financial responsibility for environmental protection has devolved to the state and local governments since that time.

" In today's climate of limited financial resources, meeting the demands of environmental mandates has become a major challenge for the State and localities. "

During the 1980s, federal funding programs were reduced and made more restrictive. Financial responsibility for environmental protection programs was transferred to the states and localities. This shift from federal to state and local responsibility has pushed the issue of financing environmental protection to the forefront.

In today's climate of limited financial resources, meeting the demands of environmental mandates has become a major challenge for the State and localities. Maintaining the State's commitment to protecting its natural resources is becoming increasingly difficult given current economic conditions. Local governments are also experiencing difficulty in providing increasingly expensive environmental services on limited budgets. For example, the cost to local governments to comply with new solid waste management mandates has been estimated to be more than $2.4 billion over the next 20 years.

The current economic uncertainty requires that the State and local governments work together to accomplish the common goals of environmental protection. The State needs to maintain its commitment to environmental protection by providing leadership, planning, and guidance to local governments.

Environmental Protection is Mandated by the *Virginia Constitution*

At the State level, environmental protection has received significant attention over the past decade. Virginia's growth and increasing urbanization during the 1980s contributed to the State's interest in improving and preserving the environment. The State's interest in protecting the environment is clearly established in the *Constitution of Virginia*: "it shall be the Commonwealth's policy to protect its atmosphere, lands, and waters from pollution, impairment, or destruction, for the benefit, enjoyment, and general welfare of the people of the Commonwealth." The State's commitment to fulfill this responsibility has been demonstrated by some of the major policy decisions made over the last decade.

Mandates. The number of environmental mandates imposed on private industry and local governments reflects the State's interest in environmental protection. Substantial new environmental mandates have been implemented by the State in recent years. For example, the 1988 Chesapeake Bay Preservation Act created a cooperative State and local government program to protect water quality in the Chesapeake Bay and its tributaries. In addition, mandates issued in 1988 and 1989 required localities to submit 20-year solid waste management plans and meet certain recycling requirements by 1991, 1993, and 1995. Since 1983, 14 mandates on local governments in the areas of sanitation, waste removal, and environmental protection were added. Six of these new mandates were based on federal regulations. Eight were State-initiated

While environmental mandates may be perceived as being burdensome, they are intended in part to ensure that citizens in every area of the State have an appropriate level of environmental quality. Local residents benefit from clean drinking water, air quality, and landfills that will not leak dangerous leachate or require costly cleanup in the future. In addition, mandates such as recycling can result in the more efficient use of natural resources and sanitary landfill space.

However, the State must consider the impact of new regulations on localities. The full effect of mandates and a determination of whether they actually achieve their intended goals, may be difficult to fully determine until after the regulations have been implemented. In the 1992 report, *Intergovernmental Mandates and Financial Aid to Local Governments*, JLARC recommended that, where feasible, State agencies pilot-test regulations or implement them on a trial basis to gauge their effectiveness and impact on local governments. This should enable State agencies to refine new regulations to achieve their stated objectives. In addition, State agencies in the environmental protection area should continue soliciting input from local officials throughout all stages in the development of State environmental regulations.

State Administration. Another indication of the increasing commitment of the State in this area can be seen in the State's administration of environmental protection. In 1986, the State established a separate cabinet position for natural resources to provide a more comprehensive approach to protecting the environment. Agencies currently under the Secretary of Natural Resources include the Department of Waste Management (DWM), the State Water Control Board (SWCB), the Department of Air Pollution Control (DAPC), the Chesapeake Bay Local Assistance Department (CBLAD), and the Council on the Environment (COE), as well as six other agencies.

In 1992, the General Assembly enacted legislation to create a Department of Environmental Quality which merges the DWM, SWCB, and DAPC and absorbs the COE. This consolidation, which goes into effect in 1993, was motivated by the growing number of federal mandates and the increasing delays in issuing pollution-limiting permits. It is intended to create an organization which can more effectively address environmental issues by coordinating functions and consolidating administration. In addition, the Department of Environmental Quality will attempt to streamline the permitting process by creating a consolidated permit office.

The growth in the employment level of State agencies under the Natural Resources Secretariat also demonstrates increased State involvement in the area. For the FY 1989 to FY 1992 period, the maximum employment level for these agencies increased by more than 17 percent. In particular, the maximum employment level for the DWM increased by about 28 percent. By comparison, the maximum employment level for all other State agencies for that period increased by about seven percent. This employment growth reflected the State's attempt to address federal mandates and improve environmental services to Virginians.

Local Governments are Responsible for Providing Most Direct Environmental Services

In the areas of land and water protection, local governments are primarily responsible for providing direct environmental services such as water and wastewater treatment and solid waste collection and disposal. As such, they are responsible for complying with the increased number of State and federal mandates. Not surprisingly, mandates in the area of environmental protection were one of the most frequently mentioned problem areas during the local government focus groups. In general, local officials did not cite opposition to the goals of environmental mandates. However, they reported wanting more input in the process of developing regulations and more funding mechanisms from the State to achieve compliance.

Despite local concerns, the responsibility for direct land and water protection should remain at the local level. Activities such as collecting trash and operating landfills are property-related responsibilities. Therefore, they should be primarily funded through the local property tax and user fees.

Land. Solid waste management has become a major issue for local governments in Virginia in recent years. While this problem is not a new one, it has become more significant because of additional mandates, the increased awareness of the risks of traditional disposal methods, and the increased difficulty of finding suitable sites for disposal facilities. In 1988, landfills became subject to more stringent regulations promulgated by the Waste Management Board. As a result, many landfills are expected to close. New landfills will need to be built, therefore, in the next several years.

Local governments have traditionally been responsible for land development including planning, zoning, and subdivision regulation, and hence have been responsible for collecting solid waste, operating landfills, and developing management plans. This is consistent with other states. Responsibility for solid waste management appears appropriate at this level. Collecting trash and operating landfills are property-related responsibilities. The majority of funding for these services, therefore, should come from the property tax and local user fees. However, because the ultimate purpose of these services is to protect the environment, the State should play a significant role in facilitating solutions to local problems in this area.

Water. In general, local concerns with water protection resemble local land protection concerns. Local governments reported wanting an increased role in the regulatory development process and increased funding from the State.

While the State maintains regulatory authority in the area of water protection, local governments provide direct services such as water and wastewater treatment. Similar to land management, this area has traditionally been a local responsibility. State and federal involvement has increased in the form of mandates to maintain water quality. However, service provision remains a local government function. A locality's rivers and streams benefit the local land owners adjacent to the water. Typically, land prices are enhanced by the presence of rivers, streams, and lakes. In addition, the waterways often serve as recreational spots for residents. These local residents and land owners directly benefit from the unpolluted waters.

As with land matters, it is reasonable then to expect much of the cost of maintaining those waterways pollutant-free to be borne by local property owners through the local property tax. It is also reasonable to expect that water and wastewater services be primarily paid for by users and those who benefit from investments in water supply facilities. However, some water problems are regional in nature. In cases where the water problems of one locality directly affect other localities, regional solutions may be warranted. As with land matters, the State should be involved in facilitating solutions to local and regional water-related problems.

Alternative Approaches to Local Environmental Protection Are Available

Local governments should consider alternative approaches to the direct provision of certain environmental protection services. Current economic conditions make regional cooperation and public-private partnerships viable alternatives for consideration.

“ Current economic conditions make regional co-operation and public-private partnerships viable alternatives for consideration. ”

Regional Approaches. There are several advantages to a regional approach for land and water issues. A regional agreement allows localities to pool resources. For example, many localities reported working together in order to cope with the increased costs associated with waste management requirements. Regional efforts also give them greater leverage in recycling markets because of the increased tonnage of recyclable materials. Another potential advantage is the reduced environmenral impact because of fewer facilities. In addition, there is the potential for promoting regional economic development.

However, there are also disadvantages to regional arrangements. There are increased transportation costs because the facilities are farther away. Another layer of government is added which may increase the complexity of the system. In addition, public opposition may be increased because of the perceived threat of a large facility nearby. However, in today's climate of limited revenue resources, the advantages of cost-effectiveness appear to outweigh the disadvantages.

Currently, the State provides some financial and non-financial incentives to encourage localities to deliver certain services regionally. For example, several grant programs, such as the Chesapeake Bay Preservation program, give preference to regional approaches. There is a concern, though, that regional efforts are not being undertaken to the extent appropriate. As such, the General Assembly may wish to consider extending regional incentives to encourage regionalism in the area of environmental protection.

The Virginia Municipal League and the Virginia Association of Counties have provided JLARC staff with potential incentives local governments want which are designed to encourage regional efforts in environmental protection. These include:

- reimbursing cooperating localities for environmental protection projects on a percentage basis similar to the reimbursement model for regional jails;
- taking responsibility for the financial assurance requirements when a regional solid waste management facility is being proposed;
- establishing an incentive fund (similar to the fund described in the Grayson Commission legislation) for use in regionally cooperative ventures; and
- expediting required administrative processes such as for obtaining regional facility permits.

Though the State's current economic condition may preclude substantial State financial investments in regional facilities, the General Assembly could consider financial options such as providing "seed money," for example, for planning regional facilities. Further, because of the current economic climate, non-financial incentives merit special consideration in the short-term. The Secretary of Natural Resources should examine current administrative procedures to determine changes that could be made to give preference to regional arrangements, either through waivers from certain requirements or the expedition of permit applications for regional facilities, such as regional landfills.

Recommendation (20). *The General Assembly may wish to consider additional State financial incentives, such as the creation of a regional incentive fund, to encourage localities to provide environmental services regionally.*

Recommendation (21). *As part of the reorganization of State environmental agencies, the Secretary of Natural Resources should examine current administrative procedures to identify requirements that could potentially be changed to give preference to regional environmental protection entities. For example, permit applications could be expedited for regional landfills.*

Public-Private Partnerships. House Joint Resolution 323, from the 1989 General Assembly Session, stated that the "governments of the Commonwealth and various other public authorities should utilize the resources of the private sector to provide services, including but not limited to public transit, sanitation, and solid waste collection, disposal, and facility management." The resolution directed the Commission on Local Government (COLG), the Department of Economic Development, and other State agencies to "promote the concept of privatization of public functions" and to "encourage all units of local government to utilize and promote the facilities of the private sector whenever feasible."

As part of the effort to comply with this request, the COLG conducted a study of the privatization of local governmental services in Virginia. Through a survey of local governments, the COLG found that Virginia's localities "do engage in a significant amount of privatization, generally more than their counterparts throughout the country." However, in the area of solid waste collection and disposal, Virginia's localities rely more heavily on public employees than do local governments in other states (Table 7). In particular, sanitary landfills in Virginia are predominantly operated by government entities (Table 8). This is an area in which local governments should closely examine the feasibility of additional public-private ventures.

Table 7

Selected Privatization Efforts by Virginia's Localities Compared to Localities Nationwide, 1989

Environmental Service	Percentage of Localities Using Public Employees Solely: Virginia	Percentage of Localities Using Public Employees Solely: Nationwide
Solid Waste Collection — Residential	67%	52%
Solid Waste Collection — Commercial	66	41
Solid Waste Disposal — Landfill Operation	76	69

Source: *Privatization of Local Government Services in Virginia: Practice and Potential*, Commission on Local Government, 1992.

There are several advantages to privatization of certain environmental protection services. The primary advantage is the cost benefits of public-private partnerships. In its report on privatization, the COLG highlighted several factors frequently cited as reasons for why private companies may be able to deliver services at a lower cost than public agencies. These include lower wages and benefits paid by private contractors, greater management flexibility, ability to achieve operating economies, more incentives to innovate, and competition.

However, there are some potential disadvantages associated with private ventures which must also be considered. Two major disadvantages are the loss of control and loss of accountability. Local governments may lose some control over how services are provided when they contract with a private

Table 8

Ownership of Solid Waste Management Facilities, 1990

Type of Solid Waste Management Facility	Ownership: Number (%) of Private Facilities	Ownership: Number (%) of Government Facilities
Sanitary Landfills	13 (9%)	136 (91%)
Industrial Waste Landfills	25 (83)	5 (17)
Construction/Demolition/ Debris Landfills	15 (56)	12 (44)
Incinerators and Waste Heat Recovery	4 (33)	8 (67)
Transfer Stations	1 (6)	14 (94)
Other	3 (60)	2 (40)
Total	61 (25)	177 (75)

Source: JLARC staff analysis of data from *The Need for Regulating Operators at Landfills and Waste Management Facilities*, Senate Document 5, 1991.

company. In addition, localities may have greater difficulty in eliciting responses to public concerns from a private entity.

Several localities have had successful public-private partnerships in the area of environmental protection. For example, Charles City County has reported a successful experience with a private landfill (Exhibit 9, opposite page). Where cost savings can be identified, other localities and regions should consider public-private partnerships as an alternative to direct provision of solid waste management and other environmental services.

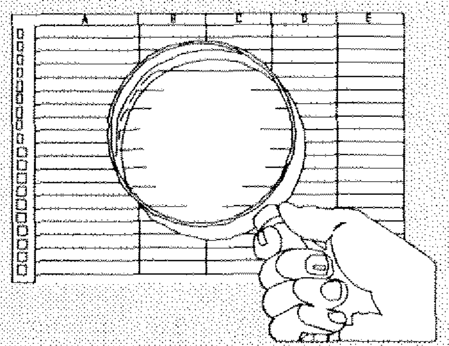
Recommendation (22). Local governments should consider public-private partnerships as an alternative approach for provision of certain environmental services, particularly the operation of landfills.

Exhibit 9

Charles City County's Private Landfill

An example of a public-private partnership in environmental protection is Charles City County's private landfill. Prior to 1990, Charles City County had very limited space in its landfill and was experiencing a difficult financial situation. The county estimated a minimum expenditure of $1.5 million to meet its landfill needs. The county's limited resources were also needed for other infrastructure improvements.

In order to meet the pressing landfill needs, the county entered into a lease-purchase agreement with a private development corporation in 1990. The corporation became responsible for designing, constructing, owning, and operating the new landfill while the county agreed to resume ownership of the site 20 years after it closes. Although public opposition to the landfill was initially strong, the corporation was eventually able to gain residents' support through demonstrated concern for environmental protection. In addition, the corporation guaranteed Charles City County an annual host fee of $1.14 million, a percentage of the tipping fee charged to customers, and free county solid waste disposal for the lifetime of the landfill. This partnership provides the county with an additional revenue source and a solid waste removal facility.



General and Financial Administration

The general and financial administration service area is primarily a local responsibility. Discussions with local officials and subsequent JLARC staff review, however, determined that full responsibility for processing State income tax returns and payments should be reassigned to the Department of Taxation. This reassignment of responsibility could result in significant cost savings as well as enable local financial offices to concentrate on local tax and revenue matters.

Overview

The general and financial administration service delivery structure encompasses the activities that are directly related to the management and financial administration of local governments. These activities include personnel administration, legal advice, auditing, and budgeting. As required by the study mandate, JLARC staff also reviewed the activities of the offices of the commissioner of revenue, treasurer, and director of finance. These offices are also participants in the general and financial administration service delivery structure as they are responsible for assessing taxes and collecting tax revenue.

In general, service delivery responsibilities are local in nature and generally appropriate for this functional area. According to the 1992 JLARC report, *Intergovernmental Mandates and Financial Aid to Local Governments,* only 12 percent of the cities and counties cited mandates in this area as unreasonable. This finding supports the conclusion that service delivery responsibilities are generally appropriate. However, one activity appears to be inappropriately assigned to local governments — the processing of State income tax returns and State tax payments by the offices of commissioners of revenue, directors of finance, and treasurers.

According to many local government officials, the local financial officers should not be involved in the processing of State income taxes. As reported in the 1990 JLARC report, *Statewide Staffing Standards for the Funding of Financial Officers,* about 15 percent of the proposed full-time equivalent (FTE) positions of local financial offices would be needed for the State income tax processing function. Providing assistance to State agencies and handling other State revenues were the only other activities of the offices that directly support the State's general operations and these activities appeared to require little staff time.

Other functions of local financial officers, such as assessing personal and real property for example, directly support the operations of local governments. These functions are directly related to a local government's revenue sources and revenue raising abilities. Therefore, the efforts of the financial offices should be focused on managing these local functions.

State and local tax processing could be improved by assigning the responsibility of State income tax processing exclusively to the Department of Taxation. Local financial offices could then focus on local tax and revenue functions. This transfer would also ensure that responsibility for State income tax processing was properly assigned to the Department of Taxation, which was created to administer the State's tax system. Elimination of duplicative processing would also produce a cost savings to both the State and local governments. Providing State income tax taxpayer assistance could, however, still remain a responsibility of the commissioners of revenue and directors of finance.

Background on Financial Officers

The primary role of the commissioner of revenue, director of finance, and treasurer is to assess and collect taxes and handle public funds. Commissioners of revenue are largely responsible for assessing taxes while the treasurer is primarily responsible for collecting the taxes. As noted earlier, five localities have a director of finance position which is responsible for the duties of both the commissioner of revenue and the treasurer. Funding for these offices is the responsibility of both the State and local governments.

Role of Financial Officers. Commissioners of revenue are the chief tax-assessing officers in Virginia's localities. Commissioners of revenue assess a wide variety of local taxes including real property taxes, personal property taxes, business license fees, and consumer utility taxes. Many commissioners of revenue offices also spend a substantial amount of time processing State income tax returns and providing taxpayer assistance.

The treasurers' primary responsibilities are the receipt and collection of public funds, the custody and accounting of public funds, and the disbursement of public funds. In most localities, the treasurers collect all local taxes assessed by the commissioners of revenue. Additionally, the treasurers may collect certain State revenues including State income tax revenues, revenue from unclaimed property, and clerk of court and sheriff's fees.

There are five localities in Virginia which have directors of finance that are recognized by the State as constitutional officers. The five directors of finance perform the tax assessment function that commissioners of revenue provide in other localities. They also perform the tax collection duties that treasurers provide in other localities. In addition, these offices supply budgeting and finance support to their local governments.

State and Local Support of Financial Officers. The State paid about 80 percent of the salary costs for the principal officer in each office in 1990. The

State also provides a 50 percent share of the funding for the recognized salary costs of the staff positions of the offices of commissioners of revenue, treasurers, and directors of finance. For FY 1993, these offices have been appropriated $31.9 million to fund the State's share for a maximum of 1,899 positions.

Local governments also contribute to the staffing costs associated with these three offices. For the principal officers, the local governments provide contributions to the salary costs that are capped at the dollar amounts each paid in FY 1980. In FY 1990, local governments provided about 20 percent of the costs for these officers. Local governments also provide funding for the remaining 50 percent of the salary costs of the staff positions. In addition, local governments may choose to supplement the salaries of positions that are recognized by the Compensation Board, or fully fund additional positions.

The State Could Transfer State Income Tax Processing to the Department of Taxation

There are a number of reasons to transfer the function of processing the State income tax to the Department of Taxation. Significant cost savings could be achieved through a transfer of this responsibility to the Department of Taxation. In addition, other indirect — yet significant — benefits would be available by this transfer of responsibility.

Transfer Would Yield Cost Savings. According to findings of the 1990 JLARC report, *Statewide Staffing Standards for the Funding of Financial Officers,* substantial resources at the local level are devoted to State income tax work. In fact, 50 percent of the returns in 1990 and 1991 were filed with the local financial offices. In 1989, JLARC staff estimated that 363 FTEs in the three financial offices were involved in processing State income tax returns. An additional 82 FTEs were involved in taxpayer assistance, such as answering questions or filling out returns for the taxpayer.

“ Transferring State income tax processing to the Department of Taxation would save an estimated 266 positions and up to $14.8 million. ”

At that time, the Department of Taxation estimated that they would require approximately 97 FTEs to assume the processing and collections work that is currently performed at the local level. This would result in a savings of 266 FTEs through centralized processing of all tax returns and payments at the Department of Taxation. In 1990, it was estimated that savings for the 1990-1992 biennium would range from $8.7 to $14.8 million. Because the State provides only 50 percent of the funding for approved positions in these offices, local governments would also realize significant cost savings. Proposed legislation was submitted during the 1990 General Assembly Session to transfer State tax processing to the Department of Taxation to achieve these savings but was not enacted.

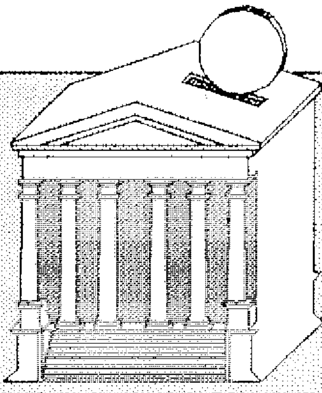
These savings are available because of the economies of scale that the department can achieve. In addition, because tax returns would be processed directly by the State, payments for tax balances due would also go directly to the department for deposit. This would eliminate the need for local treasurers to deposit State tax funds in the bank as well as complete all required paperwork.

Indirect Benefits Would Result From the Transfer. There are a number of other indirect benefits that would accrue to the State and localities in addition to the direct cost savings. First, centralized processing would help ensure State tax payments are immediately credited to the Commonwealth. Second, the local financial offices would be able to concentrate on local tax and revenue issues. Resources that might otherwise be used for equipment or staff to process State income tax forms could be used to upgrade the process for assessing or collecting local taxes. And, because the Department of Taxation enters all State income tax forms onto a computer system and checks for errors, there would be no duplication of effort that results when this review is also completed at the local level.

Conclusion. Transferring responsibility for processing State income tax-related activities to the Department of Taxation would more appropriately assign responsibility for this function to the level of government which benefits from the activity — the State. Further, substantial cost savings could be achieved through this transfer as fewer positions would be required to perform this function at the State level.

A transfer of responsibility to the Department of Taxation would allow these local financial offices to focus primarily on local activities since the remaining functions of these offices would almost entirely be local in nature. Localities would then be able to assign some of the local resources that were previously allocated for State income tax processing to local tax and revenue functions. The offices of commissioners of revenue and directors of finance would continue to provide local taxpayer assistance.

Recommendation (23). The General Assembly may wish to consider assigning full responsibility for processing all State income tax returns and payments to the Department of Taxation and assign continuing responsibility for taxpayer assistance to the local financial offices.



Adequacy of Resources

Local taxing and debt authority continues to be an issue of concern to local governments. Like the State, local governments are faced with having to provide sufficient services and infrastructure despite slow revenue growth. Equalizing taxing and debt authority between cities and counties would provide counties needed flexibility. However, in order to provide all local governments with the ability to meet future local infrastructure and service needs, a more in-depth, comprehensive study is needed to clearly determine the revenue needs of local governments and what funding mechanisms are necessary to address those needs.

Overview

The mandate guiding this study, Senate Joint Resolution 235 (1991), required JLARC to review both State and local service delivery and funding responsibilities. It states that JLARC should focus on "identifying methods for insuring that the entity providing the service has adequate funding or the ability to raise adequate resources to provide the service." During interviews with local government officials concerning funding for specific programs, the issues of local taxes and debt authority were consistently raised. Officials representing counties were typically the most concerned with local tax and debt authority issues, although some city officials also questioned the utility of the current limits on county tax and debt authority.

There are a relatively large number of revenue raising methods available to local governments. Yet, they are not equally available to counties because counties generally must use the referendum process to impose a new tax. This difference appears to be based upon the historical distinction of cities as the "urban" centers where people worked and shopped and counties as rural agricultural centers.

Many counties, however, are now as "urban" as cities, and other city/county distinctions continue to narrow. As the urbanization of Virginia continues, equalized taxing authority will become more critical. As recommended in the 1992 JLARC report, *Intergovernmental Mandates and Financial Aid to Local Governments*, taxing authority should be equalized between cities and counties.

As service delivery and funding responsibilities are reassigned in the future, additional revenue resources will likely be necessary. Analysis indicates that

Virginia appears to have the capacity for modifying its State/local tax structure to provide local governments more financial flexibility.

However, issues concerning the State and local tax structure are complex. Providing additional taxing authority to the local tax structure could preempt future modifications to the State tax structure. Therefore, it may be in the interest of the State to modify its tax structure to collect additional revenue which could then be allocated back to the localities.

Finally, the ability to issue debt was also raised by local officials, primarily county officials, as an obstacle that limits their flexibility in meeting the long-term infrastructure needs of their localities. Counties can only issue debt through a constitutionally-required voter referendum process. Cities, on the other hand, can issue general obligation debt without a voter referendum. Clearly, the inability to readily commit future revenues to needed projects significantly affects urban counties as well as rapidly growing suburbanizing counties that can have substantial infrastructure needs far surpassing their immediate revenue-raising ability.

Local Taxes

Virginia's counties and cities collected $6.1 billion in FY 1991 from "own source" revenue raising instruments. Local tax instruments accounted for $5.3 billion, or 87 percent, of total local revenue. Virginia's local governments have a number of taxing instruments available to them, although cities have more direct access to the tax instruments because a voter referendum is not required. Despite the difference in the tax implementation process, local governments are using the taxes available, indicating that additional instruments are needed or the revenue base to which the taxes are applied needs to be expanded.

" Compared to other southeastern states, Virginia's State / local tax burden is relatively low. "

The State/local tax structure appears to have the capacity to assume higher or different mixes of taxes, which could provide local governments greater financial flexibility. Compared to other southeastern states, Virginia's State/local tax burden is relatively low. In addition, Virginia's State/local tax capacity and tax effort indexes compare very favorably nationwide and with states in the southeastern region.

All tax-related issues must be considered in the context of the effect on the entire State/local tax structure. Actions affecting many local taxes also have implications for State taxes as well. For example, increasing the local option sales tax rate could possibly decrease State sales tax revenue. Or, reducing certain exemptions in the sales tax structure could impact the State's efforts in attracting new business and industry. Because of the complexiry of the State/local tax structure, a more in-depth, comprehensive study of the structure is necessary to ensure that any modifications are consistent with the State's fiscal policy and long-term plans and local fiscal needs.

Local Taxing Authority

To raise local revenue, the General Assembly has authorized a number of taxes for cities and counties. Some of these taxes are authorized for all cities and counties and others are authorized for all cities and only specific counties. In part reflecting the differences in local taxing authority, the extent to which each type of tax is relied upon to raise revenue varies between cities and counties.

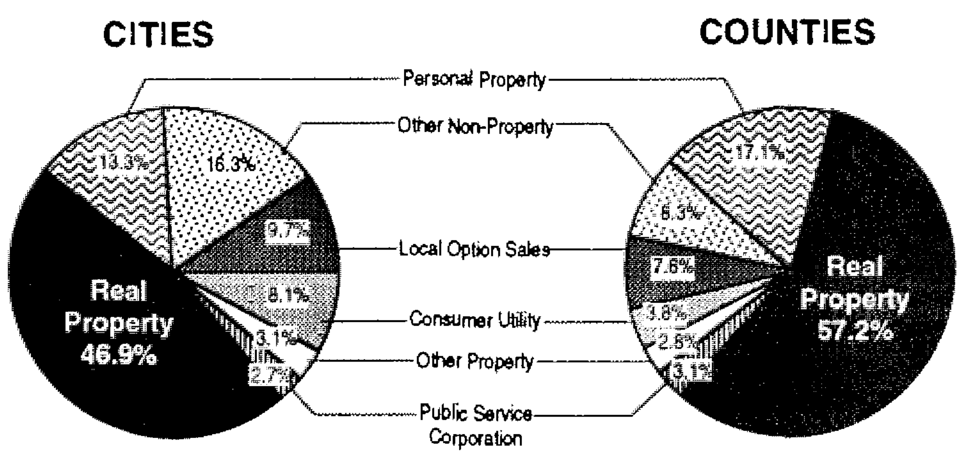
Local government officials are concerned about the imbalance in local taxing authority between cities and counties. Yet, the General Assembly, in apparent recognition of additional service delivery demands, has attempted to mitigate this effect by allowing additional local taxing authority. Since 1983, additional taxing authority has been granted to both cities and counties.

Reliance on Local Taxes Reflects Local Taxing Authority. Twenty-two tax instruments are generally available to all cities and, with the exception of the cigarette and admissions tax, authorized for all counties. The local option income tax is only authorized for seven cities and four counties (See Appendix I for a listing of authorized local taxes). Because the tax is authorized does not mean a locality has implemented the tax. For example, even though all localities are authorized to use a meals tax, 40 cities and only 12 counties imposed the tax in FY 1992.

Reliance on various local tax sources varies among cities and counties. Not surprisingly, the real property tax raised the majority of local tax revenue in FY 1991 — 53 percent. Apparently, the inability to diversify local revenue streams requires counties to rely more extensively on the real property tax than cities. In addition, the percentage of local tax revenue raised from other local taxes also varied significantly between cities and counties in FY 1991 (Figure 34).

Figure 34

Percentage of Local Tax Revenue Generated by Type of Tax, FY 1991



Source: JLARC staff analysis of data from the Auditor of Public Accounts.

Additional Taxing Authority Has Been Provided. The General Assembly has provided local governments some additional taxing authority in recent years. Counties have been granted authority to impose meals/prepared foods and transient occupancy taxes. However, restrictions still exist, including a voter referendum requirement and a tax rate cap, on the use of these taxes by counties.

In 1989, the General Assembly authorized seven cities and four counties in the Northern Virginia and Tidewater areas to impose a local option income tax under certain conditions. First, the tax must be approved through a voter referendum. Second, the revenues generated from this tax can only be used for transportation-related activities. Finally, authority to impose the local income tax automatically expires five years after it takes effect. To date, no localities have imposed this tax.

Local Governments' Use of Available Taxing Authority

If local governments do need additional taxing authority to raise revenue and reduce reliance on specific taxes, localities should be using many of the taxes authorized them to maximize local revenue and to distribute the tax burden among all taxes. In addition, increases in tax rates should also be evident for the taxes used by local governments. Analysis indicates that localities are using the taxes authorized and, for the major taxes, are taxing at higher rates.

Localities Are Using Taxes Available. Analysis completed for the 1992 JLARC report, *Intergovernmental Mandates and Financial Aid to Local Governments*, substantiated that localities are increasingly using the taxes available to them. For example, since 1983, a utility license tax had been added by 45 local governments — 42 counties and three cities. Currently, 82 percent of all cities and counties impose this tax. In addition, 34 counties had imposed the transient occupancy tax since it was authorized for all counties in 1985.

The meals tax was the only major tax authorized for all cities and counties which has not been implemented by a majority of them. There are some possible reasons for this. First, the tax can only be imposed by counties after being approved through a voter referendum. Second, the industry affected by the tax has strongly opposed the tax. Finally, many counties may not have a significant number of establishments that prepare meals or foods for sale. This would result in a relatively small base on which to impose the tax. Therefore, the revenue raised through a meals tax may not warrant the costs of imposing, administering, and enforcing the tax.

Local Governments Are Raising Tax Rates. If local taxes currently available to local governments are not raising sufficient revenue, then evidence of increases in tax rates for available taxes should be evident. Analysis indicates that, over the past several years, more localities registered increases than decreases in tax rates for major local taxes (Table 9). In some cases, the difference is quite large. For example, between FY 1983 and FY 1989, 69 localities increased their effective personal property tax rate, while only 25 decreased the tax rate.

Table 9

Changes in Local Effective Tax Rates for Selected Taxes FY 1983 - FY 1989

	Tax Increase			Tax Decrease		
Tax Instrument	City	County	Total	City	County	Total
Real Property	16	62	78	28	24	52
Personal Property	15	54	69	8	17	25
Consumer Utility	8	10	18	6	5	11
Vehicle License	19	55	74	1	3	4
Meals/Prepared Food	7	0	7	1	0	1
Transient Occupancy	10	0	10	0	0	0
Cigarette	10	0	10	0	0	0

Source: *Intergovernmental Mandates and Financial Aid to Local Governments*, JLARC, 1992.

Finally, the increases observed for the real property tax are particularly troublesome. Local officials stated during focus group interviews that they believed the property tax was becoming overrelied upon as a revenue source. For the FY 1983 through FY 1989 period, 78 localities increased the effective real property tax rates while 52 decreased rates. This is troublesome in light of the strong economic growth and dramatic increases in real estate values that occurred during this time period.

Despite the growth in real property values, the majority of localities had to raise effective tax rates in order to continue to provide needed or desired levels of service. And because growth in local real estate values has slowed dramatically, the ability of local governments to rely on this tax as a growing source of local revenue in the next decade is questionable.

Tax Structure Has Additional Capacity

Equalizing taxing authority will address many of the immediate revenue needs of county governments. However, if service delivery responsibilities are reassigned, additional taxing authority for all localities may be necessary.

Relative to many other states, Virginia's tax structure appears to have the capacity to absorb additional taxes. Analysis indicates that State taxes are typically lower than surrounding states. Other measures of the State's capacity to raise additional revenue, as calculated by the U.S. Advisory Commission on Intergovernmental Relations (U.S. ACIR), indicate that Virginia has above-average revenue raising potential and has below average tax effort, relative to other states.

Virginia's Tax Burden Compared to Other States. Comparisons across states must be considered carefully because state and local taxing responsibilities are contingent upon factors such as the comprehensiveness of services provided and service delivery and funding responsibilities. Nonetheless, such comparisons are still useful for assessing Virginia's tax burden against other states.

Comparing Virginia's State and local tax revenues with other southeastern states indicates that for total tax revenue, Virginia collected less State and local tax revenue than the majority of the southeastern states (Table 10). Tax revenues were standardized by resident personal income, which allows for direct comparisons across states. Only four states had lower total tax revenues per $1,000 of personal income. Virginia also collected substantially less total tax revenue — $101.50 — than both the regional average of $106.25 and the national average of $114.60.

This analysis also highlights where additional revenue raising efforts may need to focus. Virginia's local governments collect more revenue per $1,000 of personal income than all but one southeastern state. In fact, Virginia's local revenue collections are very close to the national average. State-generated taxes, on the other hand, account for less revenue than any other southeastern state and the national average.

In addition, increases in Virginia's State/local taxes per $1,000 of personal income confirm that local revenue raising efforts are on the increase. For example, total State/local tax revenue per $1,000 of personal income has

Table 10

Comparison of State and Local Taxes in Southeastern States, 1990

	Local Taxes Per $1000 Of Income	State Taxes Per $1000 Of Income	Total Taxes Per $1000 Of Income
West Virginia	$24.8	$96.8	$121.6
Louisiana	44.1	71.9	116.0
South Carolina	31.3	81.4	112.7
Maryland	46.5	65.7	112.2
Georgia	44.1	68.0	112.1
North Carolina	31.9	77.5	109.5
Kentucky	24.2	82.6	106.8
Mississippi	27.5	77.1	104.6
VIRGINIA	**44.4**	**57.1**	**101.5**
Florida	41.3	59.0	100.3
Arkansas	23.4	72.3	95.7
Alabama	27.3	67.4	94.7
Tennessee	35.4	58.2	93.6
Regional Average	$34.3	$71.9	$106.2
National Average	$45.9	$68.9	$114.6

Source: JLARC staff adaptation of data from the National Conference of State Legislatures 1992 report *State and Local Tax Levels: Fiscal Year 1991.*

increased by about one percent since FY 1987. However, since FY 1987 local tax revenue per $1,000 of personal income has increased by more than nine percent, while State tax revenue per $1,000 of personal income has actually decreased by eight percent. Again, this analysis supports local officials' concerns that local taxes, especially the property tax, may be becoming overrelied upon to provide government services in Virginia.

Virginia's Revenue and Tax Capacity. As discussed earlier in the report, the U.S. ACIR has developed a measure of the relative revenue raising abilities of all 50 states. The measure produces indexes which enable comparisons across states. The measures used in this analysis are the tax capacity index and the tax effort index.

“Since FY 1987, local tax revenue per $1,000 of personal income has increased by more than nine percent, while State tax revenue per $1,000 of personal income has actually decreased by eight percent.”

The tax (or revenue) capacity index measures the per-capita amounts of tax revenue that each state could collect if the nationwide average State and local tax rates were applied in each state and local government. This index is then compared to the national average of 100. A state with a tax capacity index of 90 has the capacity to raise revenue that is ten percent below the national average. On the other hand, states with a tax capacity index of more than 100 have the ability to raise revenue at a rate greater than the national average.

Tax effort measures the degree to which states are utilizing their available revenue capacity. A very high tax effort index indicates that a state is utilizing a high degree of available revenue capacity. A state with a high tax effort index will likely have less flexibility in tapping its tax bases in the future. The tax effort index can also be compared to the national average of 100. A state with a tax effort index of 90, for example, taps its State and local tax base ten percent less than the average state. On the other hand, a state with a tax effort index of 105 taps its tax bases five percent more than the average state.

In terms of tax capacity, Virginia has the ability to raise State and local revenue, using average tax rates, at a higher rate than the national average. Virginia's State and local tax capacity index — 104 — is higher than the national average of 100 and substantially higher than the regional average of 86. These data indicate that Virginia has a strong State and local revenue base. However, with an effort rate of 91, Virginia taps its State and local revenue base to a lesser extent than the average state does (100 on the index). Virginia does have a slightly higher tax effort index than other states in the region (Table 11).

Virginia's tax capacity is four percent higher than the national average while its tax effort index is nine percent lower than the national average. This indicates that Virginia is a wealthier-than-average state but taps this wealth at below average rates. Only one southeastern state, Florida, has the same advantage. Nationwide, only eight states share this advantage.

Table 11

Comparison of Tax Capacity and Tax Effort Indexes of Southeastern States, 1988

	Tax Capacity Index		Tax Effort Index
Maryland	109	Florida	82
VIRGINIA	**104**	Tennessee	83
Florida	104	Arkansas	84
Georgia	94	Alabama	84
North Carolina	91	Kentucky	88
Tennessee	84	West Virginia	88
Louisiana	83	Georgia	89
Kentucky	81	Louisiana	90
South Carolina	79	**VIRGINIA**	**91**
West Virginia	78	North Carolina	93
Alabama	76	Mississippi	94
Arkansas	74	South Carolina	96
Mississippi	65	Maryland	108
Regional Average	86	Regional Average	90
National Average	100	National Average	100

Source: JLARC staff analysis of data from the U.S. Advisory Commission on Intergovernmental Relations report, *Significant Features of Fiscal Federalism: Revenues and Expenditures*, Volume 2, 1991.

Further Study of Tax Structure Choices Is Needed

Based on responses in focus group interviews conducted for this study and survey responses for the 1991 JLARC mandates study, local officials believe that the real property tax is being relied upon too heavily to fund local government services. They are concerned that property is not as reflective of the level of wealth as it once was and that it is a poor measure of ability to pay. Local officials believe that additional revenue should be raised primarily through the income and sales tax instruments to fund future service delivery needs. The analysis conducted to this point indicates that future revenue raising efforts may be better addressed at the State level.

However, the extent to which any changes should be made should be the focus of a comprehensive, in-depth study of the tax structure of the Commonwealth and its local governments. The study should address the balance of this tax structure, the effect that proposed changes would have on individuals' and businesses' purchasing and location decisions, and what revenue sources are the most appropriate to fund specific services.

Taxes Local Government Officials Prefer. For the 1991 mandates study, local officials were asked to identify taxes, that were not then imposed, which would be appropriate for their localities. There was substantial consensus among cities and counties regarding additional taxes they would like to use (Table 12). At that time, most localities favored an additional local-option sales tax. In addition, a majority of cities and counties responding to the survey also favored an income tax surcharge distributed to localities by the State. Three taxes cited by local officials — the meals tax without referendum, cigarette tax, and admissions tax — would be available to all counties without referendum simply by equalizing taxing authority.

Responses at the focus groups conducted by JLARC staff essentially confirmed the survey responses. Local officials questioned their inability to tax income as a local revenue source. Local officials reported that the real proper-

Table 12

Taxes to Which Localities Would Like Access

Tax	Number of Counties	Percentage of Counties Responding*	Number of Cities	Percentage of Cities Responding*
Additional Local Option Sales Tax	52	74 %	30	83 %
Additional State Sales Tax Distributed to Localities by Formula	46	66	25	69
State Income Tax Surcharge Distributed to Localities by Formula	39	56	20	56
Meals/Prepared Food Tax Without Referendum (For Counties)	32	46	NA	NA
Local Option Income Tax Without Referendum	26	37	15	42
Commuter Tax or Tax on Payroll Earnings Within a Locality	13	18	17	47
Cigarette Tax (For Counties)	19	27	NA	NA
Admissions Tax (For Counties)	8	11	NA	NA

NA: Selection of the tax by cities was not applicable since cities already have authority to impose it.

*Percentages were based on a response of 70 counties and 36 cities.

Source: *Intergovernmental Mandates and Financial Aid to Local Governments*, JLARC, 1992.

ty tax should not be relied upon to the extent it is because real property is no longer an accurate measure of ability to pay, which makes the tax regressive in nature. The income tax is not considered regressive and the relationship between wealth and income may be more apparent. The income tax would also allow localities to moderate reliance on the property tax as a revenue source.

Finally, the recent dampening of the State's real estate market calls into question the ability of the property tax to provide additional revenues for future service delivery needs. Many people believe that the growth in real estate values witnessed during the 1980s is going to be slow reappearing, if it ever does. Therefore, it may be necessary to review other revenue raising options.

While the potential is clear for using the income tax as well as the sales tax to raise additional revenue for local governments, the State also relies heavily on these tax sources for its revenue. Therefore, the implications associated with raising additional local revenue through these instruments must be carefully considered.

" The recent dampening of the State's real estate market calls into question the ability of the property tax to provide additional revenues for future service delivery needs. "

State/Local Income Taxation. The individual income tax is responsible for almost 60 percent of Virginia's general fund revenues. Because this tax provides the majority of the State's general revenues, caution must be used when considering the appropriateness of allowing local governments the ability to receive revenue from this source.

The Center for Public Service (CPS) noted in its 1991 *Special Analysis of City and County Taxes* report:

> The only major untapped potential source of local tax revenue is a local income tax and there are problems with the use of that instrument at the local level.

In the CPS report, a number of issues regarding local income taxation are discussed. If a uniform local income tax were to be used, the type of local income tax to impose would need to be decided. For example, there are two primary types of local income taxes — a payroll tax and a "piggyback" tax — each with its advantages and disadvantages. For example, the payroll tax is considered to be slightly regressive and administrative costs to employers are higher than the piggyback tax.

Another issue to be addressed is whether the tax would be one that taxed residents or workers. For example, taxing residents may influence individuals' location decisions. This would be especially critical if all localities did not impose such a tax. Taxing based on work location would benefit urban areas where many non-residents are employed. But, because Virginia is bordered by five different states and 25 percent of the State's population lives in the Northern Virginia MSA, which borders Maryland and is within commuting distance of West Virginia, local income tax rates must be consistent with the rates in the bordering states. If they are not consistent, then the tax could affect people's decisions on where to live and work. (Virginia's tax effort index of 91, however, is significantly lower than Maryland's tax effort index of 108, and slightly less than North Carolina's index of 93.)

Finally, review of the State/local tax structure should also determine why the 11 localities authorized to impose the local income tax have not yet done so. Were the tax imposed in these localities at the one percent rate, FY 1991 revenue estimates for these localities would have been in excess of $250 million. Determining why this tax has not been implemented will provide a better basis on which to assess the utility of such a statewide local income tax and under what conditions it should be allowed.

State/Local Sales Taxation. The State sales and use tax accounted for about 24 percent of Virginia's FY 1992 general fund revenues. Also, cities and counties are allowed to assess a one percent local option sales tax — and all do. In FY 1991, the local option sales tax accounted for about seven percent of total local revenue. Again, because the State relies on the sales tax for about one-quarter of its general fund revenues, modifications or changes must be studied carefully to identify all of the issues which could impact its future revenue raising ability.

As identified in the CPS report, the major factors that must be considered when modifications to the sales tax structure are made are locational effects and tax rates in surrounding states. Apparently business location and customer spending habits are strongly driven by local sales taxes. As noted earlier, Virginia has the lowest combined State/local sales tax rates of all five border states. Therefore, any changes to the sales tax rate could reduce Virginia's lower sales tax advantage and impact retail sales and other business-related activities in localities bordering neighboring states.

State reliance on a portion of the retail sales tax to support transportation purposes also affects the availability of this revenue source for other purposes. Prior to FY 1988, transportation funding was provided for almost entirely by user taxes and fees. Since FY 1988, over $200 million each year from this general tax source has been allocated to transportation purposes. In FY 1993, an estimated $240 million will be derived for transportation purposes from this revenue source.

A recent vehicle cost responsibility study concluded that such general fund revenues cannot be attributed to any vehicle class. That same study determined that passenger cars were overpaying and all truck classes were underpaying their cost responsibility. Redirecting revenues from the one-half cent sales tax to localities or to the general fund and replacing them with user fees and taxes could both promote transportation user equity and provide badly needed general fund revenues.

Another option exists for increasing the revenue derived from the sales tax — expansion of the tax base. In 1989, more than 100 exemptions to the sales and use tax existed. These exemptions included:

- professional, personal service, and insurance transactions;
- sales of material by the State Board of Elections; and
- sales of custom computer programs.

Discontinuing some exemptions would increase revenues by very little. For example, it was estimated that $900 in additional annual revenues would be realized if the sale of official flags sold by the federal, State, and local governments were subjected to the sales and use tax.

On the other hand, other exemptions result in the loss of substantial additional revenue. For example, applying the sales tax to repair labor could generate more than $30 million in additional annual revenues. A significant number of states are taxing this category "because of the close relationship with tangible personal property, the traditional focus of the sales tax."

Broadening the tax base by including more services is another area that should be studied for a number of reasons. First, it broadens the tax base and improves the tax's growth potential. Taxing services can also make the tax less regressive because individuals' consumption of services tends to increase with income growth. Finally, taxing some services would allow sales tax revenue to reflect both the State's and nation's shift from a manufacturing economy to a service economy.

Broadening the sales tax base, however, can have many of the same effects as increasing the overall sales tax rate. For example, custom computer software is not subject to the sales and use tax. It also appears that the revenue that could be achieved through a tax on this service is substantial. Yet, repealing this exemption could theoretically alter location decisions of the Northern Virginia software firms that do business with federal government agencies. Maryland also currently exempts this service, and levying the tax could potentially cause some firms to relocate to Maryland to avoid it. (However, Maryland's overall tax effort would remain higher than that of Virginia's.)

Other Considerations. There are many other issues that should be addressed by examining the State/local tax structure. For example, if the State were to collect the additional revenue from a tax rate change or modification, then decisions would need to be made concerning the method used to return the revenue to localities. Options include returning the revenue to the locality where it was collected or reallocating it to localities based on some measure of need.

It may also be appropriate to rely more extensively on user charges or taxes that resemble user charges. For example, it may be determined that increased funding for localities is necessary in order to fund increased local responsibility for building and maintaining roads. In this case, increasing the motor fuels tax may be appropriate since commuters use the roads and thereby pay for the construction and maintenance.

Conclusion. As this discussion has highlighted, there are a number of possible avenues available to raise additional revenue. But, there are an equal number of reactions for each modification of the State/local tax structure. For this reason, a more comprehensive, in-depth study of the State/local tax structure is necessary and should focus on the revenue needs of both State and local governments as well as what choices should be made to achieve these funding needs. In addition, the study should be cognizant of the need for both the State and local governments to maintain their fiscal and tax integrity and rankings that are attractive to both potential residents and businesses.

Local Government Debt

Virginia's counties and cities were obligated for more than $6.1 billion of outstanding debt in FY 1991. Cities and counties were almost equally responsible for the debt — 49 percent and 51 percent, respectively. However, differences in local debt authority exist for cities and counties and are apparent when comparing total debt on a per-capita basis. On a per-capita basis, cities total outstanding debt was 69 percent more than the per-capita amount for counties — $1,335 and $788 respectively.

Similar to the issue of equalized taxing authority, the extent to which all counties should be treated differently from cities for purposes of local debt is unclear. Some rapidly growing counties are ranked in the top 25 percent of all localities in terms of gross debt as a percentage of assessed valuation of real estate. For counties such as these, equal debt authority appears warranted.

Although smaller, rural counties do not typically have extensive infrastructure needs, they are faced with providing basic levels of infrastructure necessary for their citizens and to attract potential industry and business. Some rural counties also have relatively high gross debt to assessed valuation ratios, indicating they are attempting to address their infrastructure needs. Therefore, these counties should also be granted equalized borrowing authority.

City and County Debt in Virginia

Cities are generally authorized to incur local debt simply through approval of the local governing body. The primary limit imposed on cities for debt purposes is the *Constitution's* provision that existing debt will not at any time "exceed ten percentum of the assessed valuation of the real estate in the city or town subject to taxation . . . ." Prior to 1980, the maximum limit for the debt-to-assessed-valuation ratio was 18 percent.

Counties, on the other hand, are generally required to have debt provisions approved by voters of the locality. Yet the *Constitution* does allow counties to bypass the referendum requirement for debt obligations for school capital projects that are issued or sold to the Literary Fund or the Virginia Retirement System.

In FY 1990, gross local debt as a percentage of assessed valuation ranged from a high of 14.93 percent in the City of Bedford to a low of .01 percent in Highland County. Not surprisingly, cities typically have higher total debt-to-assessed-valuation ratios than counties. For example, 83 percent of all cities ranked above the gross debt-to-assessed-valuation median value of 1.2 percent. (It must be noted that the data presented in this section is total debt, and should not be used in assessing a locality's compliance with the *Constitution's* ten percent limit because the *Constitution* allows specific exemptions for certain classes of debt.)

The majority of the cities had gross debt-to-assessed-valuation ratios that ranked them in the highest group. However some of the rapidly growing, suburbanizing counties had relatively high gross debt-to-assessed-valuation ratios. For example, three rapidly growing counties — Chesterfield, Stafford, and Gloucester — have gross debt-to-assessed-valuation ratios greater than all but ten cities.

Local Government Debt Authority Should Be Equalized

Like the current dichotomy in city/county taxing authority, the difference in local debt authority for cities and counties can limit local flexibility in addressing the long-term needs of local governments. In addition, localities are apparently managing their debt effectively. Based on an analysis of local government debt data, only six localities have gross debt-to-assessed-valuation ratios exceeding five percent.

" The difference in local debt authority for cities and counties can limit local flexibility in addressing the long-term needs of local governments. "

In addition, the provision that allows counties to obligate debt for school purposes through the Literary Fund or Virginia Retirement System bypasses the voter referendum requirement. As a result, some counties have a significant level of debt that was not subject to a voter referendum. Yet, the ability of the Literary Fund to meet the capital requirements for all of the school districts throughout the State is of concern to local officials. Therefore, some modifications to county debt authority are warranted.

Debt Authority Limits Local Flexibility. During local focus group interviews, many local officials expressed concern that the current county debt limitations did not provide enough flexibility to meet the costly infrastructure needs of their localities. For example, a 1988 report by the Local Government Attorneys of Virginia noted the difficulties counties can have providing for local infrastructure:

> A historic courthouse in rural Virginia showed signs of age, and the building needed significant renovation to bring it up to modern court standards. This work would cost more than the county could budget in one year [requiring the county to borrow the funds and hold a voter referendum] . . . . When the referendum was held, however, the voters turned down the proposed renovation . . . . The county board was thus forced to divide the renovations into several smaller jobs, which have been contracted on a year-to-year basis. Each small job will involve a separate bidding process, which will mean more expense for the contractors, the county, and the taxpayers.

In addition, officials representing some of the rapidly growing localities noted that they had pressing school facility needs that were not being met through the Literary Fund. Therefore, the only option available for future school facility needs may be to put the debt issue before the voters through a referendum.

While growing localities are faced with having to rapidly increase the local infrastructure base, smaller localities are faced with replacing or renovating older schools, providing basic infrastructure to their citizens, and developing infrastructure to facilitate economic development. Developing local infrastructure is a very costly endeavor and extremely difficult to fund through annual appropriations.

This has been a long-term problem as evidenced by the 1968 Commission on Constitutional Revisions proposals for revising the 1928 *Constitution*. The Commission noted:

> an urban or suburban county has substantially the same demands for service and same need for borrowing that any city has. Even less developed counties have a much greater demand for services and need for borrowing than counties had many years ago. As new problems arise, as the need for schools and other county services increase, and as more counties become urban, or suburban, and provide city services, there is no reason to distinguish between counties and cities as to their rights to issue bonds.

In addition, local county officials stated that the federal funding that had provided a great deal of the cities' public infrastructure was no longer available to the extent it was as late as the 1970s. Much of this money was apparently in the form of grants which would alleviate the need to repay the funds. Absent grant funding, localities will be forced to borrow funds to meet local infrastructure needs.

Significant Amounts of Debt are Not Subject to Referendum. Debt for school capital facilities issued through the Literary Fund, Virginia Retirement System, and other State agencies, after approval by the school board and the local governing body, is not subject to a voter referendum. Analysis of FY 1991 gross debt data indicates that 25 typically rural counties had Literary Fund-debt-to-total-debt ratios of greater than 50 percent. For these counties, the majority of their total debt, therefore, was not subject to a voter referendum. Other counties, like Stafford, Spotsylvania, and Fairfax, had less than ten percent of their total debt issued through the Literary Fund. In fact, Loudoun and Fairfax Counties had less than one percent of their total debt issued through the Literary Fund. For these rapidly growing counties, much of their debt apparently was subject to a voter referendum.

It appears that many smaller, rural counties are able to bypass the voter referendum requirement for a majority of their gross debt. However, larger, rapidly growing counties appear to have a larger percentage of their gross debt subject to a voter referendum. Because many counties already obligate debt without a voter referendum and larger counties have immediate needs for additional public infrastructure, increased debt authority should be provided for counties. Such a proposal, House Joint Resolution 164, was introduced but not passed during the 1992 General Assembly Session. This increased borrowing authority for counties may become critical if funding sources like the Literary Fund cannot meet the future demand of all localities.

Conclusion

Any meaningful reorganization of State/local responsibilities must address the resource needs of both levels of government. Decreased federal tax rates, an enduring economic downturn, the federal deficit, and subsequent efforts to cut federal spending have resulted in the devolution of significant responsibilities to state and local governments.

Increasing shares of State resources are diverted to programs such as Medicaid, which at once have substantial mandates and high levels of State funding responsibility. Similar trends in the areas of transportation, the environment, corrections and criminal justice, and edncation have created constraints that cannot be indefinitely addressed by belt-tightening, deferral, and increased efficiency.

“ Any meaningful reorganization of State/local responsibilities must address the resource needs of both levels of government. ”

The devolution of mandates and responsibilities has left states and localities in the unenviable position of having to do more with less. While this has produced desired efficiencies, many agree that increased revenues are needed at the State and local levels to sustain current levels of service and meet future needs.

At the local level in particular, instruments of taxation and bonding are often inadequate to meet the needs of the citizenry. In some localities, the total bonding capacity of the locality is inadequate to build a moderately sized and equipped high school. Further, the principal source of revenue available to localities — the property tax — is perhaps the most disliked by the public. Worse yet, the property tax is not directly linked to the ability of the resident to pay the tax.

At the same time, past decisions on taxation — though reasonable at the time — have tied the hands of State and local policymakers. To adequately address the assignment of functions between the State and localities in the long-term, it is also necessary to study in a more comprehensive, in-depth, and long-term manner the tax structures and rates of the Commonwealth. This study should be directed at recommending specific courses of action. The following policy goals should be examined in such a study:

- to make the tax structure more responsive to economic growth;
- to apply taxes as broadly, fairly, and simply as possible;
- to equalize taxing and bonding authority between counties and cities, commensurate with a long-term equalization of assignment of functions and responsibilities;

- to increase State and local revenues to more adequately reflect current levels of responsibility that have resulted from federal devolution and changing needs in the population;
- to simplify the tax structure to facilitate efficient and equitable collection, in part by reducing the number of taxes which complicate the tax system and generate marginal revenues;
- to decrease local dependence on the property tax and give local governments more revenue options;
- to promote investment by continuing Virginia's position as a hospitable environment for basing businesses and industries;
- to apply the concept of user fees where appropriate, including consideration of moving the one-half cent sales tax out of the transportation fund and replacing it with taxes and fees that directly reflect system use;
- to substitute a broad-based use tax, similar to the retail sales tax, for a variety of minor taxes and fees that generate little revenue but increase costs and inconvenience to the public, business, and government;
- to assess the impact of raising the sales tax from the current rate of four and one-half percent to five percent and allocating the additional revenue to grants to localities for specific policy goals, such as easing educational disparity; and
- to assess the concept of required local effort.

"The devolution of mandates and responsibilities has left states and localities in the unenviable position of having to do more with less."

The objective of such a study should be to provide for additional State and local revenues within the context of a simplified, more broadly-based and progressive tax system.

Recommendation (24). The General Assembly may wish to direct a study of the State/local tax structure in Virginia. This study should address the specific revenue needs of Virginia's local governments and recommend the funding mechanisms that may be necessary to address those needs. In addition, the study should address the role of taxes in businesses' location decisions and what effect proposed changes to the State/local tax structure will have on those decisions.

Recommendation (25). The General Assembly may wish to consider initiating an amendment of Article VII, Section X of the Constitution of Virginia *to equalize borrowing authority between cities and counties.*

Appendixes

Page

Appendix A
Study Mandate: Senate Joint Resolution No. 235 of the 1991 General Assembly Session

Requesting the Joint Legislative Audit and Review Commission to study state and local government partnerships.

Agreed to by the Senate, February 4, 1991
Agreed to by the House of Delegates, February 15, 1991

WHEREAS, the Legislative Program Review and Evaluations Act of 1978 (§ 30-66 et seq. of the Code of Virginia) provides for the Joint Legislative Audit and Review Commission to conduct a systematic evaluation of state government according to schedules and areas designated for study by the General Assembly; and

WHEREAS, there are increasing financial pressures on both the state and local governments which are making it difficult to provide the desired range and level of services; and

WHEREAS, it is desirable that services be provided, whether by the state or local governments, in the most efficient manner possible so as to make the best use of financial resources; and

WHEREAS, it is possible that services that have traditionally been performed by one level of government might be more efficiently provided by another; and

WHEREAS, there may be services performed by one level of government which could better be provided if shared between the state and local governments; and

WHEREAS, there is a continuous need to study the many complex issues concerning state and local relations, including, but not limited to, the division of responsibilities between state and local governments, with a particular emphasis on funding obligations; now, therefore, be it

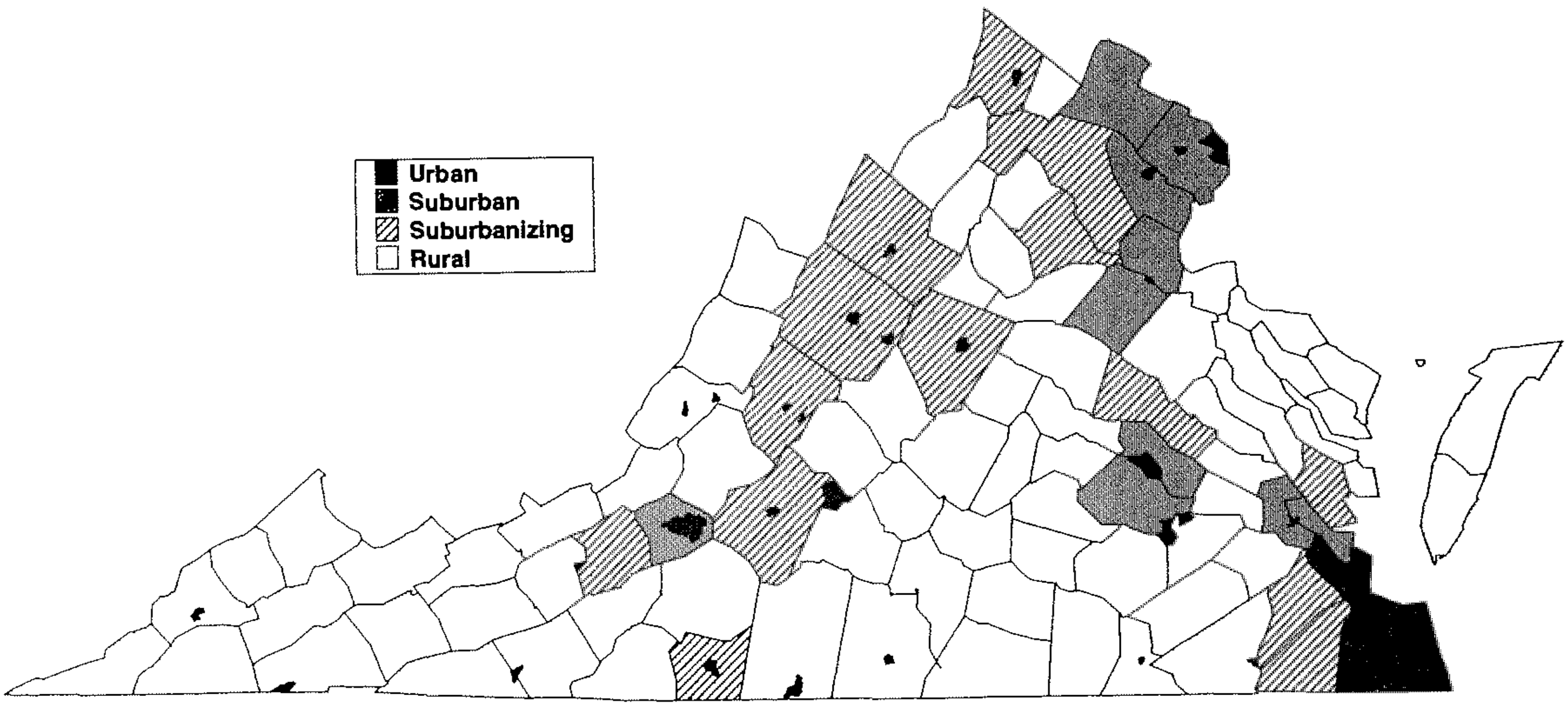
RESOLVED by the Senate, the House of Delegates concurring, That the Joint Legislative Audit and Review Commission be requested to conduct a study focusing on (i) identifying specific governmental services and the provider of those services; (ii) considering whether the services identified in (i) above can better be provided by the other level of local government, or whether provision of a service should be shared between the state and local governments; (iii) determining how the responsibility for providing a service should be assigned and how that entity is accountable for satisfactory provision of the service; and (iv) identifying methods for insuring that the entity providing the service has adequate funding or the ability to raise adequate resources to provide the service.

Specific service areas to be considered by the Joint Legislative Audit and Review Commission shall include, but not be limited to: (i) transportation; (ii) education; (iii) mental health/ social services; (iv) environment; (v) constitutional officers; and (vi) jails and corrections.

Local governments and state agencies are requested to cooperate by providing any information that the Joint Legislative Audit and Review Commission deems necessary for the purpose of completing its study.

The Commission shall submit an interim report of its progress to the Governor and the 1992 Session of the General Assembly and shall complete its work in time to submit its recommendations and final report to the Governor and the 1993 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents. The Commission is further encouraged to present its study plan and interim and final reports to the Local Government Advisory Council for its review and consideration.

Appendix B
Locality Types

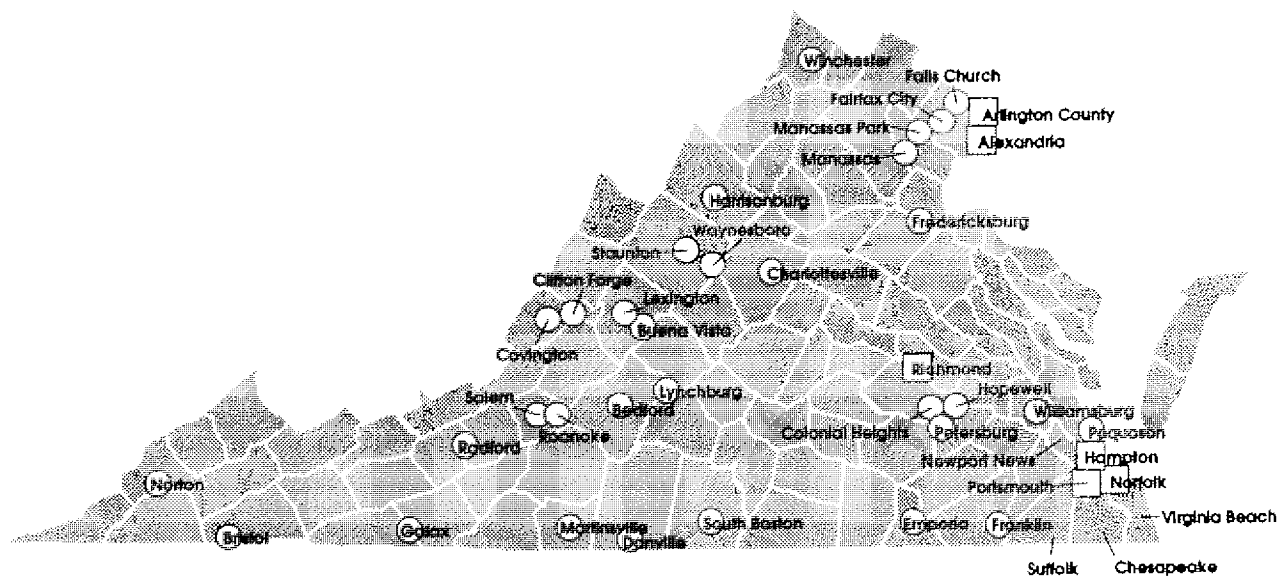


Appendix C
Map Key for Urban Areas

The body of this report includes eight maps of Virginia (Figures 4, 5, 8, 10, 11, 13, 14, and 17) which display various kinds of demographic information. The information is shown by shading localities according to the range of data into which they fall for a given demographic category. For example, in Figure 13 on page 24, localities with a high poverty rate are shaded black, while localities with a medium poverty rate are shaded gray.

In order to more clearly show the shadings for those localities with smaller geographic areas (which include the county of Arlington and all but four of Virginia's cities), some liberties had to be taken with the maps. These localities are represented as circles or squares, which have been made large enough to show the shading and placed on the map in the approximate location of the actual localities.

The identities of most of these localities will be obvious from their placement on the map. However, in Northern Virginia and some other areas, the close proximity of cities may lead to some confusion. Therefore, the labelled map below serves as a key for identifying each of these smaller (in area) localities. Circles have been used to indicate populations of less than 100,000, while squares indicate populations of more than 100,000. Note that four cities (Chesapeake, Newport News, Suffolk, and Virginia Beach) are large enough in area to show the shading without substituting a circle or square.



Key: □ = population over 100,000; ○ = population under 100,000

Appendix D

Focus Group Invitees and Participants

<u>FOCUS GROUP 1</u>
Buchanan County
Dickenson County
Lee County
Russell County
Scott County
Tazewell County
Wise County
Norton City

<u>FOCUS GROUP 2</u>
Bland County
Carroll County
Floyd County
Giles County
Grayson County
Pulaski County
Smyth County
Washington County
Wythe County
Bristol City
Galax City

<u>FOCUS GROUP 3</u>
Henry County
Nottoway County
Patrick County
Pittsylvania County
South Boston City

<u>FOCUS GROUP 4</u>
Alleghany County
Bedford County
Botetourt County
Campbell County
Craig County
Franklin County
Montgomery County
Roanoke County

<u>FOCUS GROUP 5</u>
Bedford City
Clifton Forge City
Covington City
Danville City
Lynchburg City
Martinsville City
Radford City
Roanoke City
Salem City
Blacksburg Town
Christiansburg Town

<u>FOCUS GROUP 6</u>
Amherst County
Augusta County
Bath County
Highland County
Rockbridge County
Rockingham County

<u>FOCUS GROUP 7</u>
Albemarle County
Fluvanna County
Greene County
Louisa County
Madison County
Nelson County
Orange County

<u>FOCUS GROUP 8</u>
Buena Vista City
Charlottesville City
Harrisonburg City
Lexington City
Staunton City
Waynesboro City

<u>FOCUS GROUP 9</u>
Clarke County
Culpeper County
Fauquier County
Frederick County
Page County
Rappahannock County
Shenandoah County
Spotsylvania County
Stafford County
Warren County
Winchester City
Front Royal Town

<u>FOCUS GROUP 10</u>
Arlington County
Fairfax County
Loudoun County
Prince William County
Alexandria City
Fairfax City
Falls Church City
Fredericksburg City
Manassas City
Manassas Park City
Herndon Town
Leesburg Town
Vienna Town

<u>FOCUS GROUP 11</u>
Brunswick County
Dinwiddie County
Greensville County
Isle of Wight County
Southampton County
Surry County
Sussex County
Emporia City
Franklin City
Waverly Town

<u>FOCUS GROUP 12</u>
Chesapeake City
Hampton City
Newport News City
Norfolk City
Portsmouth City
Suffolk City
Virginia Beach City

<u>FOCUS GROUP 13</u>
Accomack County
Charles City County
Gloucester County
James City County
Mathews County
Northampton County
York County
Poquoson City
Williamsburg City

<u>FOCUS GROUP 14</u>
Essex County
King & Queen County
King George County
King William County
Lancaster County
Middlesex County
Northumberland County
Richmond County
Westmoreland County
Colonial Beach Town
West Point Town

<u>FOCUS GROUP 15</u>
Amelia County
Caroline County
Chesterfield County
Goochland County
Hanover County
Henrico County
New Kent County
Powhatan County
Prince George County
Colonial Heights City
Hopewell City
Petersburg City
Richmond City

<u>FOCUS GROUP 16</u>
Appomattox County
Charlotte County
Halifax County
Lunenburg County
Mecklenburg County
Prince Edward County
Buckingham County
Cumberland County

Key: Table shows all localities invited.
Localities in ***Bold Italics*** attended.

Appendix E
Education – Sources of Financial Support for Operating Costs, FY 1991

County School Divisions	Average Daily Membership	Local	State Sales Tax	State	Federal
Accomack County	5,086	$8,471,814	$11,588,102	$1,965,885	$2,476,460
Albemarle County	10,024	$30,536,214	$15,722,266	$4,145,065	$1,680,325
Alleghany County *	3,201	$5,308,902	$7,645,375	$1,305,687	$893,483
Amelia County	1,599	$1,940,574	$3,675,316	$744,956	$332,293
Amherst County	4,521	$4,706,469	$10,528,187	$1,990,052	$889,837
Appomattox County	2,249	$1,997,275	$5,173,239	$975,412	$416,658
Arlington County	14,702	$101,021,113	$12,780,094	$7,488,436	$4,562,840
Augusta County	9,821	$15,490,563	$21,859,403	$3,478,562	$1,959,054
Bath County	775	$4,601,731	$774,101	$339,381	$335,421
Bedford County **	8,265	$14,371,825	$16,740,816	$3,583,634	$1,481,459
Bland County	1,040	$934,109	$3,400,011	$449,005	$306,286
Botetourt County	4,184	$5,886,902	$8,863,442	$1,795,670	$754,971
Brunswick County	2,633	$2,303,778	$6,567,269	$1,192,210	$1,592,482
Buchanan County	6,362	$9,100,433	$15,868,508	$3,011,695	$2,842,954
Buckingham County	2,031	$2,203,504	$5,021,377	$883,300	$788,929
Campbell County	8,164	$8,158,078	$17,810,893	$3,690,456	$1,569,745
Caroline County	3,489	$5,242,075	$7,897,567	$1,412,159	$879,123
Carroll County	4,077	$3,478,879	$11,432,408	$1,822,988	$1,584,534
Charles City County	1,030	$2,117,919	$2,651,095	$396,469	$545,653
Charlotte County	2,036	$2,039,775	$4,775,163	$967,707	$1,040,410
Chesterfield County	44,252	$85,225,643	$79,822,644	$18,416,309	$5,713,875
Clarke County	1,591	$4,773,380	$2,787,164	$772,975	$288,801
Craig County	679	$633,124	$1,524,238	$320,818	$211,621
Culpeper County	4,830	$10,324,721	$9,242,601	$1,792,517	$1,109,631
Cumberland County	1,199	$1,276,612	$2,679,760	$862,986	$622,927
Dickenson County	3,587	$5,801,300	$8,920,350	$1,494,816	$1,254,507
Dinwiddie County	3,607	$5,083,234	$8,578,152	$1,341,061	$1,014,398
Essex County	1,488	$2,925,141	$2,996,024	$655,996	$477,853
Fairfax County	129,266	$650,541,293	$129,412,249	$58,139,136	$20,632,638
Fauquier County	8,112	$27,225,988	$9,910,710	$3,543,357	$1,689,356
Floyd County	1,899	$2,167,944	$4,615,998	$842,672	$486,435
Fluvanna County	2,144	$2,804,592	$4,809,446	$869,991	$645,118
Franklin County	6,161	$8,256,037	$12,950,894	$2,676,168	$1,489,927
Frederick County	8,205	$15,732,822	$15,481,874	$3,284,881	$1,193,100
Giles County	2,647	$3,238,890	$6,486,144	$1,203,768	$815,469
Gloucester County	5,766	$9,666,017	$11,318,726	$2,469,877	$1,218,550
Goochland County	1,676	$5,100,144	$2,478,895	$712,384	$622,668
Grayson County	2,201	$1,910,494	$6,159,728	$1,204,118	$711,790
Greene County	1,841	$2,773,180	$4,409,000	$826,257	$375,934
Greensville County ***	2,705	$3,508,682	$6,695,764	$1,156,836	$1,211,032
Halifax County	5,272	$5,609,139	$13,129,274	$2,319,625	$2,534,712
Hanover County	11,323	$24,601,829	$18,537,446	$4,736,617	$1,252,489
Henrico County	32,550	$94,545,258	$49,100,210	$14,191,638	$4,929,685
Henry County	9,023	$12,947,949	$19,557,879	$4,191,647	$2,190,953
Highland County	387	$901,499	$967,223	$163,911	$148,245
Isle of Wight County	4,215	$8,640,832	$9,082,236	$1,797,771	$1,191,030
King and Queen County	879	$1,595,462	$2,068,226	$445,853	$453,666
King George County	2,554	$4,463,826	$5,706,033	$1,005,183	$597,096
King William County	1,555	$2,562,373	$3,633,508	$573,690	$384,827
Lancaster County	1,624	$3,779,939	$2,236,836	$722,378	$491,371
Lee County	4,535	$2,283,176	$13,153,740	$2,433,452	$3,599,191
Loudoun County	14,490	$65,736,605	$14,358,070	$5,953,343	$1,683,576

(Continues)

County School Divisions	Average Daily Membership	Local	State Sales Tax	State	Federal
Louisa County	3,572	$9,698,246	$3,317,411	$1,613,196	$1,048,848
Lunenburg County	2,219	$2,138,672	$5,535,846	$875,595	$987,522
Madison County	1,871	$2,860,025	$4,015,130	$814,303	$471,529
Mathews County	1,245	$2,448,894	$2,337,311	$479,826	$286,976
Mecklenburg County	5,043	$4,847,220	$11,576,878	$2,311,920	$1,810,145
Middlesex County	1,180	$2,708,236	$1,870,416	$479,826	$404,468
Montgomery County	8,401	$17,687,961	$16,479,349	$3,952,785	$1,885,052
Nelson County	2,017	$4,046,939	$4,092,644	$905,365	$637,994
New Kent County	1,861	$3,623,665	$3,873,705	$914,821	$307,924
Northampton County	2,530	$3,464,308	$6,145,392	$1,041,607	$1,114,477
Northumberland County	1,362	$3,121,647	$2,122,671	$597,856	$368,506
Nottoway County	2,366	$2,006,693	$5,719,248	$1,081,534	$1,386,135
Orange County	3,769	$7,745,568	$7,466,190	$1,385,191	$1,299,706
Page County	3,399	$3,923,118	$7,938,968	$1,432,823	$712,165
Patrick County	2,693	$3,531,626	$6,292,927	$1,229,685	$606,602
Pittsylvania County	9,647	$8,306,353	$23,401,517	$4,803,863	$2,690,829
Powhatan County	2,247	$3,456,205	$4,601,371	$944,942	$481,841
Prince Edward County	2,460	$2,521,101	$5,592,306	$1,120,411	$1,094,190
Prince George County	5,022	$5,937,476	$11,998,314	$2,053,795	$3,178,435
Prince William County	41,906	$119,644,211	$77,971,292	$18,507,970	$5,918,850
Pulaski County	5,484	$7,462,983	$12,795,921	$2,630,286	$1,494,991
Rappahannock County	944	$2,387,189	$1,348,106	$440,949	$246,890
Richmond County	1,275	$1,667,259	$2,605,702	$494,536	$355,730
Roanoke County	13,372	$33,299,472	$24,928,253	$5,779,275	$2,039,100
Rockbridge County	2,822	$4,341,460	$6,242,406	$1,133,720	$845,866
Rockingham County	9,164	$20,471,160	$19,015,074	$4,115,295	$1,740,757
Russell County	5,256	$4,332,557	$13,208,735	$2,369,709	$1,743,990
Scott County	4,056	$3,235,573	$11,727,282	$1,765,899	$1,738,574
Shenandoah County	4,793	$10,046,115	$9,407,180	$2,085,667	$980,484
Smyth County	5,532	$4,984,528	$13,059,694	$2,450,264	$1,692,740
Southampton County	2,549	$3,730,725	$5,431,244	$1,366,628	$1,416,554
Spotsylvania County	12,252	$19,697,989	$23,096,213	$4,340,148	$1,811,001
Stafford County	12,531	$25,037,695	$25,056,239	$5,094,210	$2,435,766
Surry County	1,154	$5,720,291	$1,120,327	$399,271	$498,116
Sussex County	1,475	$1,997,709	$3,225,605	$816,054	$806,242
Tazewell County	8,811	$8,804,136	$20,820,219	$3,857,170	$2,503,967
Warren County	4,173	$6,098,341	$8,190,894	$1,808,278	$1,104,659
Washington County	7,515	$7,592,580	$16,796,462	$3,909,705	$2,450,849
Westmoreland County	1,877	$3,578,306	$3,779,698	$721,840	$859,658
Wise County	8,611	$8,503,571	$21,810,145	$3,599,395	$3,240,913
Wythe County	4,344	$4,232,264	$10,773,069	$1,902,142	$1,387,796
York County	9,374	$12,760,490	$17,235,181	$3,843,160	$6,586,467
City/Town School Divisions					
Alexandria City	9,512	$60,706,721	$9,724,750	$4,306,175	$3,204,178
Bristol City	2,703	$5,879,763	$5,850,044	$1,048,612	$951,822
Buena Vista City	1,109	$1,325,604	$3,018,745	$471,070	$238,318
Charlottesville City	4,469	$24,912,199	$7,271,433	$2,155,714	$1,563,189
Chesapeake City	29,463	$59,208,283	$56,150,237	$12,595,955	$7,168,734
Colonial Beach Town	577	$768,399	$1,385,634	$192,631	$133,837
Colonial Heights City	2,563	$7,610,125	$4,715,559	$1,151,232	$502,035
Covington City	962	$2,219,220	$2,237,548	$463,365	$319,650
Danville City	8,305	$12,102,017	$16,842,692	$4,140,162	$2,498,966
Fairfax City	2,245	$12,477,482	$1,934,310	$1,126,365	$10,152
Falls Church City	1,239	$8,983,378	$1,115,191	$521,504	$188,582

City/Town School Divisions	Average Daily Membership	Local	State Sales Tax	State	Federal
Franklin City	1,858	$2,427,103	$4,321,395	$550,924	$693,142
Fredericksburg City	2,134	$7,793,114	$2,988,290	$956,149	$856,904
Galax City	1,186	$1,861,230	$2,448,895	$376,856	$379,564
Hampton City	21,352	$41,749,556	$40,338,874	$10,227,646	$7,006,827
Harrisonburg City	3,145	$10,114,163	$4,078,191	$1,235,289	$671,529
Hopewell City	4,001	$8,542,881	$8,876,704	$1,482,557	$1,315,189
Lexington City	676	$1,004,973	$1,344,735	$257,075	$162,748
Lynchburg City	9,255	$20,121,362	$17,844,549	$3,939,826	$2,974,634
Manassas City	4,796	$16,452,795	$6,336,324	$1,901,792	$719,956
Manassas Park City	1,333	$1,966,817	$3,644,084	$596,805	$307,399
Martinsville City	2,815	$5,162,816	$5,438,731	$1,180,652	$967,105
Newport News City	28,806	$54,962,399	$58,567,182	$13,174,548	$12,099,913
Norfolk City	35,115	$76,184,759	$71,347,628	$17,296,147	$22,613,267
Norton City	879	$1,092,718	$1,978,127	$432,894	$361,068
Petersburg City	5,774	$9,595,672	$12,442,725	$2,597,014	$3,054,539
Poquoson City	2,303	$3,148,641	$4,687,826	$983,468	$301,661
Portsmouth City	18,089	$27,000,769	$42,091,888	$7,700,680	$8,272,212
Radford City	1,478	$3,204,635	$2,988,467	$615,718	$307,452
Richmond City	25,618	$104,585,601	$41,650,945	$13,189,258	$17,959,638
Roanoke City	12,811	$32,767,240	$23,984,861	$6,872,367	$5,752,195
Salem City	3,540	$8,446,068	$6,168,012	$1,390,444	$586,597
South Boston City	1,295	$1,454,319	$2,787,125	$502,241	$341,052
Staunton City	3,022	$5,569,544	$5,686,117	$1,343,160	$686,599
Suffolk City	8,960	$15,319,188	$18,731,161	$4,458,878	$3,670,626
Virginia Beach	69,794	$101,574,043	$123,090,142	$31,864,641	$26,691,709
Waynesboro City	2,713	$6,330,855	$4,640,344	$1,186,256	$500,095
West Point Town	671	$1,709,328	$1,570,526	$236,411	$89,204
Williamsburg City ****	6,154	$20,677,067	$7,988,251	$2,724,500	$1,030,525
Winchester City	3,019	$11,619,699	$4,825,419	$1,313,042	$972,061
Statewide Totals:	995,465	$2,518,882,160	$1,800,761,870	$442,993,698	$290,993,565

Total Expenditures for Operations: $5,053,631,293

* Alleghany County data include Clifton Forge City
** Bedford County data include Bedford City
*** Greensville County data include Emporia City
**** Williamsburg City data include James City County

Source: "Superintendent's Annual Report for Virginia," 1990-1991, Department of Education

Appendix F
Education -- Capital Outlay and Debt Service Expenditures, FY 1991

County School Divisions	Facility-Related Expenditures	Per-Pupil Facility-Related Expenditures	Debt Service Expenditures	Per-Pupil Debt Service Expenditures	Average Daily Membership
Accomack County	$0	$0	$661,851	$130	5,086
Albemarle County	$7,932,102	$791	$3,399,114	$339	10,024
Alleghany County *	$5,879	$2	$292,635	$91	3,201
Amelia County	$295,196	$185	$292,930	$183	1,599
Amherst County	$5,968,485	$1,320	$800,472	$177	4,521
Appomattox County	$954,131	$424	$362,052	$161	2,249
Arlington County	$13,765,743	$936	$2,719,684	$185	14,702
Augusta County	$661,361	$67	$834,373	$85	9,821
Bath County	$200,830	$259	$58,329	$75	775
Bedford County **	$4,424,054	$535	$2,330,057	$282	8,265
Bland County	$146,610	$141	$33,911	$33	1,040
Botetourt County	$396,159	$95	$977,797	$234	4,184
Brunswick County	$183,306	$70	$78,442	$30	2,633
Buchanan County	$0	$0	$456,347	$72	6,362
Buckingham County	$316,860	$156	$259,206	$128	2,031
Campbell County	$183,853	$23	$940,566	$115	8,164
Caroline County	$73,778	$21	$504,986	$145	3,489
Carroll County	$137,816	$34	$544,669	$134	4,077
Charles City County	$388,688	$377	$101,720	$99	1,030
Charlotte County	$0	$0	$220,473	$108	2,036
Chesterfield County	$44,576,106	$1,007	$20,382,540	$461	44,252
Clarke County	$312,245	$196	$358,438	$225	1,591
Craig County	$0	$0	$201,062	$296	679
Culpeper County	$7,763,843	$1,607	$2,090,597	$433	4,830
Cumberland County	$220,013	$183	$31,115	$26	1,199
Dickenson County	$0	$0	$846,868	$236	3,587
Dinwiddie County	$193,512	$54	$617,186	$171	3,607
Essex County	$819,241	$551	$224,793	$151	1,488
Fairfax County	$112,136,649	$868	$48,433,417	$375	129,266
Fauquier County	$6,896,900	$850	$3,999,662	$493	8,112
Floyd County	$7,435	$4	$37,433	$20	1,899
Fluvanna County	$3,515,193	$1,640	$262,241	$122	2,144
Franklin County	$762,713	$124	$1,470,832	$239	6,161
Frederick County	$6,295,032	$767	$2,310,829	$282	8,205
Giles County	$38,704	$15	$368,296	$139	2,647
Gloucester County	$2,651,763	$460	$1,590,227	$276	5,766
Goochland County	$0	$0	$93,416	$56	1,676
Grayson County	$31,987	$15	$412,218	$187	2,201
Greene County	$1,092,456	$593	$565,794	$307	1,841
Greensville County ***	$595,478	$220	$407,128	$151	2,705
Halifax County	$0	$0	$370,559	$70	5,272
Hanover County	$21,606,708	$1,908	$5,907,416	$522	11,323
Henrico County	$21,152,356	$650	$9,085,478	$279	32,550
Henry County	$134,476	$15	$2,294,753	$254	9,023
Highland County	$0	$0	$0	$0	387
Isle of Wight County	$456,401	$108	$1,913,928	$454	4,215
King and Queen County	$74,235	$84	$154,584	$176	879
King George County	$2,054,186	$804	$582,263	$228	2,554
King William County	$164,149	$106	$617,363	$397	1,555
Lancaster County	$5,635,688	$3,470	$1,215,946	$749	1,624

(Continues)

County School Divisions	Facility-Related Expenditures	Per-Pupil Facility-Related Expenditures	Debt Service Expenditures	Per-Pupil Debt Service Expenditures	Average Daily Membership
Lee County	$1,264,434	$279	$968,632	$214	4,535
Loudoun County	$7,325,252	$506	$5,577,574	$385	14,490
Louisa County	$744,314	$208	$1,455,035	$407	3,572
Lunenburg County	$28,015	$13	$35,630	$16	2,219
Madison County	$132,968	$71	$210,688	$113	1,871
Mathews County	$13,270	$11	$197,872	$159	1,245
Mecklenburg County	$33,453	$7	$462,266	$92	5,043
Middlesex County	$369,323	$313	$178,046	$151	1,180
Montgomery County	$1,363,536	$162	$1,249,023	$149	8,401
Nelson County	$420,808	$209	$313,083	$155	2,017
New Kent County	$2,708	$1	$989,180	$532	1,861
Northampton County	$51,869	$21	$280,150	$111	2,530
Northumberland County	$25,789	$19	$411,420	$302	1,362
Nottoway County	$15,913	$7	$170,557	$72	2,366
Orange County	$1,308,921	$347	$520,719	$138	3,769
Page County	$2,509,431	$738	$345,067	$102	3,399
Patrick County	$105,590	$39	$227,098	$84	2,693
Pittsylvania County	$480,602	$50	$82,121	$9	9,647
Powhatan County	$684,477	$305	$723,436	$322	2,247
Prince Edward County	$239,235	$97	$336,590	$137	2,460
Prince George County	$425,247	$85	$446,570	$89	5,022
Prince William County	$33,675,375	$804	$16,744,707	$400	41,906
Pulaski County	$0	$0	$343,880	$63	5,484
Rappahannock County	$0	$0	$192,035	$203	944
Richmond County	$0	$0	$257,020	$202	1,275
Roanoke County	$1,313,487	$98	$2,594,856	$194	13,372
Rockbridge County	$5,574,739	$1,975	$1,046,786	$371	2,822
Rockingham County	$27,081	$3	$3,304,682	$361	9,164
Russell County	$614,809	$117	$1,078,494	$205	5,256
Scott County	$0	$0	$976,759	$241	4,056
Shenandoah County	$5,116,840	$1,068	$1,223,633	$255	4,793
Smyth County	$1,432,377	$259	$246,369	$45	5,532
Southampton County	$52,896	$21	$137,133	$54	2,549
Spotsylvania County	$9,211,119	$752	$6,138,172	$501	12,252
Stafford County	$12,685,368	$1,012	$6,228,045	$497	12,531
Surry County	$26,504	$23	$556,319	$482	1,154
Sussex County	$0	$0	$52,584	$36	1,475
Tazewell County	$1,361,046	$154	$1,324,248	$150	8,811
Warren County	$216,556	$52	$316,137	$76	4,173
Washington County	$448,816	$60	$2,265,050	$301	7,515
Westmoreland County	$142,754	$76	$361,474	$193	1,877
Wise County	$3,497,565	$406	$935,615	$109	8,611
Wythe County	$4,032,905	$928	$1,022,741	$235	4,344
York County	$3,955,209	$422	$2,181,793	$233	9,374

City/Town School Divisions					
Alexandria City	$0	$0	$0	$0	9,512
Bristol City	$0	$0	$407,921	$151	2,703
Buena Vista City	$0	$0	$67,887	$61	1,109
Charlottesville City	$140,359	$31	$0	$0	4,469
Chesapeake City	$18,486,641	$627	$5,850,612	$199	29,463
Colonial Beach Town	$0	$0	$174,596	$303	577
Colonial Heights City	$123,277	$48	$596,267	$233	2,563
Covington City	$0	$0	$5,025	$5	962
Danville City	$4,872,332	$587	$1,691,881	$204	8,305

City/Town School Divisions	Facility-Related Expenditures	Per-Pupil Facility-Related Expenditures	Debt Service Expenditures	Per-Pupil Debt Service Expenditures	Average Daily Membership
Fairfax City	$0	$0	$490,412	$218	2,245
Falls Church City	$602,861	$487	$553,764	$447	1,239
Franklin City	$690,103	$371	$436,598	$235	1,858
Fredericksburg City	$0	$0	$0	$0	2,134
Galax City	$38,630	$33	$76,145	$64	1,186
Hampton City	$6,176,463	$289	$2,774	$0	21,352
Harrisonburg City	$36,159	$11	$1,255,718	$399	3,145
Hopewell City	$457,026	$114	$885,058	$221	4,001
Lexington City	$0	$0	$345,368	$511	676
Lynchburg City	$58,937	$6	$2,049,883	$221	9,255
Manassas City	$5,020,234	$1,047	$4,337,651	$904	4,796
Manassas Park City	$0	$0	$516,845	$388	1,333
Martinsville City	$0	$0	$0	$0	2,815
Newport News City	$7,338,575	$255	$5,246,901	$182	28,806
Norfolk City	$10,976,545	$313	$4,635,736	$132	35,115
Norton City	$0	$0	$137,891	$157	879
Petersburg City	$0	$0	$991,454	$172	5,774
Poquoson City	$11,826	$5	$629,585	$273	2,303
Portsmouth City	$10,602,766	$586	$1,988,818	$110	18,089
Radford City	$26,394	$19	$185,633	$126	1,478
Richmond City	$4,727,480	$185	$8,974,143	$350	25,618
Roanoke City	$3,280,440	$256	$2,269,457	$177	12,811
Salem City	$761,890	$215	$1,519,957	$429	3,540
South Boston City	$0	$0	$55,690	$43	1,295
Staunton City	$198,000	$66	$342,131	$113	3,022
Suffolk City	$4,213,370	$470	$3,334,511	$372	8,960
Virginia Beach	$33,597,927	$481	$19,558,879	$280	69,794
Waynesboro City	$2,250	$1	$321,893	$119	2,713
West Point Town	$210,538	$314	$172,723	$257	671
Williamsburg City ****	$6,360,137	$1,033	$2,467,550	$401	6,154
Winchester City	$1,732,667	$574	$1,273,577	$422	3,019
Statewide Totals:	$496,900,745	$499	$261,276,222	$262	$995,465

* Alleghany County data include Clifton Forge City
** Bedford County data include Bedford City
*** Greensville County data include Emporia City
**** Williamsburg City data include James City County

Source: JLARC staff analysis of data from the Department of Education report, "Superintendent's Annual Report for Virginia," 1990-1991.

Appendix G
Selected States' School Construction Programs

State	Type of Program	Primary State School Construction Funding Program	Secondary State School Construction Funding Program
Alabama	Flat Grant	Funding is provided through a basic support program which is based on the number of earned teacher units at each local board.	None
Arkansas	Loan	Three revolving loan funds are available. School districts may borrow up to $300,000 for six years. The interest rate is five percentage points above the federal discount rate.	None
Florida	Flat Grant Equalized Funding	Funding is allocated through a formula based on a percentage of full-time equivalent membership.	Additional funding for construction of special facilities is available on a case by case basis.
Georgia	Equalized Funding	Equalized funding based on property wealth per pupil.	Additional funding for consolidation projects is also available.
Kentucky	Flat Grant Equalized Funding	Basic foundation program provides $100 per pupil.	Some equalized funding is available based on proportion of school districts' unmet facility needs as a proportion of the total unmet need statewide.
Louisiana	None	None	None
Maryland	Equalized Funding	State's share of approved project costs statewide is 60 percent. Local school district share will vary based on the district's wealth.	Funding is available for payment of all local school construction debt on bonds issued before July 1967.
Mississippi	Flat Grant	Funding for school construction is provided through the sale of state bonds.	Additional funding is available based on average daily attendance. This funding may be accrued.
South Carolina	Flat Grant	The state provides $30 per pupil even if no construction is planned. School districts may accrue unused funds.	None
Tennessee	Flat Grant	Funding is based on prior year's average daily attendance.	None
West Virginia	Flat Grant	Funding is based on amount per pupil.	None

Source: JLARC staff adaptation of data from the Center for the Study of the States 1991 report, Public School Finance Programs of the United States and Canada: Volume 1.

Appendix H
Local Social Services Expenditures by Locality, FY 1991

Locality	Local Expenditures	Federal and State Expenditures	Total Expenditures	Local Percentage Share of Total
Accomack County	$448,393	$3,633,593	$4,081,987	10.98%
Albemarle County	$725,878	$3,070,579	$3,796,457	19.12%
Alleghany Highlands	$137,349	$954,208	$1,091,557	12.58%
Amelia County	$90,630	$629,734	$720,365	12.58%
Amherst County	$214,527	$1,491,454	$1,705,980	12.57%
Appomattox County	$129,328	$976,632	$1,105,960	11.69%
Arlington County	$3,496,069	$11,914,930	$15,411,000	22.69%
Augusta County	$369,958	$2,158,442	$2,528,400	14.63%
Bath County	$75,455	$301,186	$376,641	20.03%
Bedford County*	$339,173	$2,350,237	$2,689,410	12.61%
Bland County	$60,527	$397,606	$458,133	13.21%
Botetourt County	$142,870	$836,200	$979,070	14.59%
Brunswick	$171,454	$1,818,031	$1,989,485	8.62%
Buchanan County	$397,895	$4,151,023	$4,548,918	8.75%
Buckingham County	$117,309	$1,307,431	$1,424,740	8.23%
Campbell County	$561,828	$3,425,014	$3,986,842	14.09%
Caroline County	$207,329	$1,635,441	$1,842,769	11.25%
Carroll County	$251,772	$1,897,746	$2,149,518	11.71%
Charles City County	$197,320	$791,023	$988,343	19.96%
Charlotte County	$144,146	$1,163,310	$1,307,456	11.02%
Chesterfield	$1,320,524	$7,714,083	$9,034,607	14.62%
Clarke County	$117,849	$472,100	$589,949	19.98%
Craig County	$36,558	$198,056	$234,614	15.58%
Culpeper County	$234,508	$1,676,569	$1,911,076	12.27%
Cumberland County	$109,835	$768,587	$878,422	12.50%
Dickenson County	$263,545	$2,638,654	$2,902,199	9.08%
Dinwiddie County	$306,093	$1,983,688	$2,289,780	13.37%
Essex County	$80,619	$668,124	$748,743	10.77%
Fairfax County**	$12,641,474	$40,558,054	$53,199,528	23.76%
Fauquier County	$443,828	$1,768,805	$2,212,633	20.06%
Floyd County	$71,671	$653,365	$725,036	9.89%
Fluvanna County	$150,529	$762,839	$913,368	16.48%
Franklin County	$290,416	$1,832,584	$2,123,000	13.68%
Frederick	$281,268	$1,534,693	$1,815,961	15.49%
Giles County	$139,807	$1,063,323	$1,203,131	11.62%
Gloucester County	$274,136	$1,774,215	$2,048,351	13.38%
Goochland County	$131,826	$829,582	$961,408	13.71%
Grayson County	$158,640	$1,229,049	$1,387,688	11.43%
Greene County	$117,034	$659,436	$776,470	15.07%
Greensville County	$244,130	$2,209,088	$2,453,218	9.95%
Halifax County***	$346,784	$3,273,044	$3,619,828	9.58%
Hanover County	$473,591	$1,777,291	$2,250,881	21.04%
Henrico County	$1,669,629	$9,788,050	$11,457,679	14.57%
Henry County	$345,987	$3,349,234	$3,695,221	9.36%
Highland	$36,776	$154,155	$190,932	19.26%
Isle of Wight County	$363,002	$2,110,828	$2,473,829	14.67%
James City	$337,849	$1,910,797	$2,248,647	15.02%
King and Queen County	$91,519	$626,919	$718,437	12.74%
King George County	$168,970	$856,379	$1,025,349	16.48%

(Continues)

Locality	Local Expenditures	Federal and State Expenditures	Total Expenditures	Local Percentage Share of Total
King William County	$67,972	$606,336	$674,307	10.08%
Lancaster County	$133,472	$1,093,493	$1,226,965	10.88%
Lee	$441,909	$4,025,733	$4,467,642	9.89%
Loudoun County	$1,239,438	$3,602,207	$4,841,643	25.60%
Louisa County	$184,464	$1,483,777	$1,666,241	11.06%
Lunenburg County	$85,951	$879,054	$965,005	8.91%
Madison County	$80,568	$591,775	$672,342	11.98%
Mathews County	$101,493	$541,658	$643,150	15.78%
Mecklenburg	$206,171	$1,758,404	$1,964,575	10.49%
Middlesex County	$92,425	$680,337	$772,763	11.96%
Montgomery County	$495,695	$4,546,566	$5,042,261	9.83%
Nelson	$131,218	$1,045,417	$1,176,635	11.15%
New Kent County	$123,456	$498,541	$621,996	19.85%
Northampton County	$224,864	$2,254,095	$2,478,959	9.07%
Northumberland County	$143,308	$819,955	$963,263	14.88%
Nottoway County	$140,977	$1,440,363	$1,581,341	8.92%
Orange County	$208,212	$1,239,595	$1,447,807	14.38%
Page County	$154,013	$1,211,046	$1,365,059	11.28%
Patrick County	$127,772	$1,072,163	$1,199,936	10.65%
Pittsylvania County	$429,219	$3,400,033	$3,829,252	11.21%
Powhatan County	$94,272	$513,804	$608,076	15.50%
Prince Edward County	$179,584	$1,453,368	$1,632,952	11.00%
Prince George County	$220,865	$1,240,336	$1,461,201	15.12%
Prince William County	$2,047,070	$10,877,456	$12,924,526	15.84%
Pulaski County	$479,252	$3,296,772	$3,776,024	12.69%
Rappahannock County	$84,351	$421,572	$505,924	16.67%
Richmond County	$77,053	$601,409	$678,462	11.36%
Roanoke County****	$718,495	$3,373,079	$4,091,574	17.56%
Rockbridge County	$194,681	$1,320,087	$1,514,769	12.85%
Rockingham County	$352,454	$2,075,373	$2,427,827	14.52%
Russell County	$338,276	$3,081,386	$3,419,663	9.89%
Scott County	$281,568	$2,551,535	$2,633,103	9.94%
Shenandoah	$205,347	$1,385,751	$1,591,099	12.91%
Smyth County	$435,715	$3,106,167	$3,541,882	12.30%
Southampton County	$302,776	$2,015,931	$2,318,707	13.06%
Spotsylvania County	$572,244	$2,094,170	$2,666,415	21.46%
Stafford County	$553,976	$2,515,709	$3,069,685	18.05%
Surry County	$180,878	$876,910	$1,057,788	17.10%
Sussex County	$216,381	$1,566,472	$1,782,853	12.14%
Tazewell County	$475,909	$4,444,305	$4,920,214	9.67%
Warren County	$266,675	$1,722,460	$1,989,135	13.41%
Washington County	$439,281	$2,886,942	$3,326,223	13.21%
Westmorland	$197,814	$1,562,939	$1,760,753	11.23%
Wise County	$548,249	$5,839,295	$6,387,544	8.58%
Wythe County	$349,576	$2,227,999	$2,577,575	13.56%
York County*****	$362,898	$2,110,044	$2,472,942	14.67%
Alexandria City	$3,256,331	$12,038,092	$15,294,423	21.29%
Bristol City	$258,233	$1,961,409	$2,219,642	11.63%
Buena Vista City	$14,757	$343,818	$358,575	4.12%
Charlottesville City	$958,336	$5,947,829	$6,906,165	13.88%
Chesapeake City	$1,731,011	$12,751,162	$14,482,193	11.95%
Clifton Forge	$46,834	$561,757	$608,591	7.70%

Locality	Local Expenditures	Federal and State Expenditures	Total Expenditures	Local Percentage Share of Total
Colonial Heights City	$25,782	$295,661	$321,442	8.02%
Covington City	$28,847	$508,420	$537,267	5.37%
Danville City	$648,308	$5,927,870	$6,576,178	9.86%
Franklin City	$163,583	$1,296,154	$1,459,737	11.21%
Fredericksburg City	$325,273	$2,125,054	$2,450,327	13.27%
Galax City	$129,157	$966,761	$1,095,918	11.79%
Hampton	$1,707,757	$15,765,667	$17,473,424	9.77%
Harrisonburg City	$256,667	$1,730,293	$1,986,960	12.92%
Hopewell City	$380,536	$3,370,180	$3,750,715	10.15%
Lexington City	$8,538	$152,954	$161,493	5.29%
Lynchburg City	$878,371	$8,032,109	$8,910,480	9.86%
Manassas City	$385,319	$1,713,558	$2,098,878	18.36%
Manassas Park City	$133,268	$767,358	$900,625	14.80%
Martinsville City	$286,905	$2,246,961	$2,533,866	11.32%
Newport News City	$2,964,177	$22,756,646	$25,720,822	11.52%
Norfolk City	$5,864,707	$41,193,696	$47,058,403	12.46%
Norton City	$87,287	$750,731	$838,018	10.42%
Petersburg City	$1,555,744	$9,540,940	$11,096,684	14.02%
Portsmouth City	$1,809,402	$18,280,464	$20,089,867	9.01%
Radford City	$107,657	$863,734	$971,391	11.08%
Richmond	$7,343,242	$50,551,793	$57,895,035	12.68%
Roanoke City	$2,477,028	$16,429,183	$18,906,211	13.10%
Staunton City	$301,581	$2,162,787	$2,464,369	12.24%
Suffolk City	$1,015,900	$7,545,302	$8,561,202	11.87%
Virginia Beach	$3,823,511	$20,520,986	$24,344,497	15.71%
Waynesboro City	$446,043	$2,085,168	$2,531,211	17.62%
Williamsburg City	$64,128	$477,829	$541,958	11.83%
Winchester	$436,530	$1,915,119	$2,351,649	18.56%
Statewide Totals:	$84,436,595	$511,274,694	$595,711,289	14.17%

* Bedford County data include Bedford City

** Fairfax County data include Fairfax City and Falls Church City

*** Halifax County data include South Boston City

**** Roanoke County data include Salem City

***** York County data include Poquoson City

Source: Department of Social Services

Appendix I
Taxing Authority of Virginia's Cities and Counties

Tax	Authority	Localities Empowered to Levy Tax
Real property	Section 58.1-3200	Cities and counties
Tangible personal property	Section 58.1-3501	Cities and counties
Machinery and tools	Section 58.1-3507	Cities and counties
Merchants' capital[a]	Section 58.1-3509	Cities and counties
Business, professional, & occupational licenses[e]	Sections 58.1-3700, et al	Cities and counties
Sales and use	Sections 58.1-605, 58.1-606	Cities and counties
Motor vehicle license	Section 46.2-752	Cities and counties
Utility consumers	Sections 58.1-3812, 58.1-3814	Cities and counties
Transient occupancy	Sections 58.1-3819 to 58.1-3822, 58.1-3840	Cities and counties
Meals[b]	Sections 58.1-3833, 58.1-3840	Cities and counties
Income[c]	Section 58.1-540	Cities of Norfolk, Virginia Beach, Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park; and Counties of Fairfax, Arlington, Loudoun, and Prince William
Cigarettes[d]	Section 58.1-3830	Cities and Arlington and Fairfax Counties
Admissions	Sections 58.1-3818, 58.1-3840	Cities and Fairfax, Arlington, Dinwiddie, Prince George, and Roanoke Counties
Recordation	Section 58.1-3800	Cities and counties
Emergency 911	Section 58.1-3813	Cities and counties
Coal severance	Section 58.1-3712	Cities and counties
Gas severance[f]	Sections 58.1-3712, 58.1-3713.4	Cities and counties
Oil severance[g]	Section 58.1-3712.1	Cities and counties
Coal and gas road improvement[h]	Section 58.1-3713	Cities and counties
Utility license	Section 58.1-3731	Cities and counties
Cable TV franchise[i]	Section 15.1-23.1	Cities and counties
Bank franchise[j]	Sections 58.1-1208 to 58.1-1211	Cities and counties
Motor fuels[k]	Section 58.1-1720	Cities and counties

(Continues)

Note: This appendix summarizes the taxing authority of Virginia cities and counties allowed by statutory law. In addition, cities which have incorporated the Uniform Charter Powers Act (§15.1-837 to §15.1-907) into their charters have a general taxing authority (§15.1-841). Therefore, cities may levy taxes as a result of this provision, or through explicit authority granted in their charters, which are not included in this table.

Notes to Table:

[a] The merchants' capital tax may not be levied on any class on which a BPOL tax is levied.

[b] Counties may levy a meals tax only after approved in referendum, except for certain counties which may impose tax if unanimously approved by board of supervisors.

[c] The income tax is limited to a maximum of 1 percent and must be approved by referendum. Also, revenues must be used for transportation facilities.

[d] Cities may levy tax only if they had authority to do so prior to January 1, 1977.

[e] The BPOL tax can be levied against specified types of businesses. However, no category can be required to pay both merchants' capital tax and BPOL tax.

[f] One-half of the revenues from the gas severance tax in cities and counties in Southwest Virginia must be paid to the Virginia Coalfield Economic Development (VCED) Fund.

[g] Authority expires in 1995.

[h] For localities which comprise the Virginia Coalfield Economic Development Authority, three-fourths of the revenue from this tax must be paid to the coal and road improvement fund and one-fourth to the VCED Fund.

[i] Cities and counties may also levy BPOL tax on cable systems.

[j] Counties may tax only banks outside town corporate limits.

[k] The motor fuels sales tax may be levied only in cities and counties which are members of any transportation district with mass transportation systems, or in any transportation district subject to §15.1-1257 (b) (6) and contiguous to the Northern Virginia Transportation District.

Source: *Special Analysis of City and County Taxes*, November 1991, Center for Public Service, University of Virginia.

JLARC Staff

RESEARCH STAFF

Director

Philip A. Leone

Deputy Director

● R. Kirk Jonas

Division Chiefs

Glen S. Tittermary
Robert B. Rotz

Section Managers

John W. Long, Publications & Graphics
Gregory J. Rest, Research Methods

Project Team Leaders

● Linda E. Bacon
Stephen A. Horan
Charlotte A. Kerr
Susan E. Massart
Wayne M. Turnage

Project Team Staff

James P. Bonevac
● Craig M. Burns
Julia B. Cole
● Mary S. Delicate
Joseph K. Feaser
Joseph J. Hilbert
Jack M. Jones
Lisa J. Lutz
Brian P. McCarthy
Laura J. McCarty
Deborah L. Moore
Ross J. Segel
Anthony H. Sgro
E. Kim Snead

ADMINISTRATIVE STAFF

Section Manager

Joan M. Irby, Business Management & Office Services

Administrative Services

Charlotte A. Mary

Secretarial Services

Rachel E. Gorman
Becky C. Torrence

SUPPORT STAFF

Technical Services

Desiree L. Asche, Computer Resources
Betsy M. Jackson, Publications Assistant

● *Indicates staff with primary assignments to this project*

Recent JLARC Reports

Funding the State and Local Hospitalization Program, December 1987
Funding the Cooperative Health Department Program, December 1987
Funds Held in Trust by Circuit Courts, December 1987
Follow-up Review of the Virginia Department of Transportation, January 1988
Funding the Standards of Quality - Part II: SOQ Costs and Distribution, January 1988
Management and Use of State-Owned Passenger Vehicles, August 1988
Technical Report: The State Salary Survey Methodology, October 1988
Review of the Division of Crime Victims' Compensation, December 1988
Review of Community Action in Virginia, January 1989
Progress Report: Regulation of Child Day Care in Virginia, January 1989
Interim Report: Status of Part-Time Commonwealth's Attorneys, January 1989
Regulation and Provision of Child Day Care in Virginia, September 1989
1989 Report to the General Assembly, September 1989
Security Staffing in the Capitol Area, November 1989
Interim Report: Economic Development in Virginia, January 1990
Review of the Virginia Department of Workers' Compensation, February 1990
Technical Report: Statewide Staffing Standards for the Funding of Sheriffs, February 1990
Technical Report: Statewide Staffing Standards for the Funding of Commonwealth's Attorneys, March 1990
Technical Report: Statewide Staffing Standards for the Funding of Clerks of Court, March 1990
Technical Report: Statewide Staffing Standards for the Funding of Financial Officers, April 1990
Funding of Constitutional Officers, May 1990
Special Report: The Lonesome Pine Regional Library System, September 1990
Review of the Virginia Community College System, September 1990
Review of the Funding Formula for the Older Americans Act, November 1990
Follow-Up Review of Homes for Adults in Virginia, November 1990
Publication Practices of Virginia State Agencies, November 1990
Review of Economic Development in Virginia, January 1991
State Funding of the Regional Vocational Educational Centers in Virginia, January 1991
Interim Report: State and Federal Mandates on Local Governments and Their Fiscal Impact, January 1991
Revenue Forecasting in the Executive Branch: Process and Models, January 1991
Proposal for a Revenue Stabilization Fund in Virginia, February 1991
Catalog of Virginia's Economic Development Organizations and Programs, February 1991
Review of Virginia's Parole Process, July 1991
Compensation of General Registrars, July 1991
The Reorganization of the Department of Education, September 1991
1991 Report to the General Assembly, September 1991
Substance Abuse and Sex Offender Treatment Services for Parole Eligible Inmates, September 1991
Review of Virginia's Executive Budget Process, December 1991
Special Report: Evaluation of a Health Insuring Organization for the Administration of Medicaid in Virginia, January 1992
Interim Report: Review of Virginia's Administrative Process Act, January 1992
Review of the Department of Taxation, January 1992
Interim Report: Review of the Virginia Medicaid Program, February 1992
Catalog of State and Federal Mandates on Local Governments, February 1992
Intergovernmental Mandates and Financial Aid to Local Governments, March 1992
Medicaid Asset Transfers and Estate Recovery, November 1992
Medicaid-Financed Hospital Services in Virginia, November 1992
Medicaid-Financed Long-Term Care Services in Virginia, December 1992
Medicaid-Financed Physician and Pharmacy Services in Virginia, January 1993
Review Committee Report on the Performance and Potential of the Center for Innovative Technology, December 1992
Review of Virginia's Administrative Process Act, January 1993
Interim Report: Review of Inmate Dental Care, January 1993
Review of the Virginia Medicaid Program: Final Summary Report, February 1993
Funding of Indigent Hospital Care in Virginia, March 1993
State/Local Relations and Service Responsibilities: A Framework for Change, March 1993

JLARC
Suite 1100
General Assembly Building
Capitol Square
Richmond, Virginia 23219