

**REPORT OF THE  
LOCAL FISCAL IMPACT STUDY COMMISSION  
TO  
THE GOVERNOR  
AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



**HOUSE DOCUMENT NO. 38**

**COMMONWEALTH OF VIRGINIA  
DIVISION OF PURCHASES AND SUPPLY  
RICHMOND  
1979**

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**Report of the  
Local Fiscal Impact Study Commission**

**To**

**The Governor and the General Assembly of Virginia**

**Richmond, Virginia**

**March, 1979**

To: Honorable John N. Dalton, Governor of Virginia

and

The General Assembly of Virginia

Over the past few years, the General Assembly has become increasingly cognizant of complaints from local governments about the State mandating the provision of services or the upgrading of existing services, but not providing adequate State funds to carry out the mandates. In 1978, the legislature created the Commission on Local Fiscal Impact for the purpose of examining this question in order to determine the extent of the problem and to recommend possible solutions if necessary. The text of House Joint Resolution 109, creating the Commission, is as follows:

WHEREAS, not infrequently programs mandated by State law, or by rule or regulation promulgated by a State agency pursuant to State law, have significant fiscal impact upon the local and regional governments of the Commonwealth; and

WHEREAS, it is manifestly unfair for the State government to mandate such local and regional programs without also supplying the financial resources requisite for such programs' implementation; and

WHEREAS, the inequity inherent in State-mandated but unfunded programs is yet more egregious when such programs are not achieving their intended results, or become superfluous; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That there is hereby created, as a legislative study and advisory commission, the Local Fiscal Impact Study Commission. The Commission shall be composed of thirteen members as follows: five members to be appointed by the Speaker of the House of Delegates from the membership of the House of Delegates, three members to be appointed by the Committee on Privileges and Elections of the Senate from the membership of the Senate, and four members appointed by the Governor from the citizenry of the Commonwealth at large. The Lieutenant Governor shall serve as an ex officio member. The commission shall elect from its membership a chairman.

The members shall be reimbursed for their necessary and actual expenses incurred in carrying out their duties as members of the Commission. Legislative members shall also receive such compensation as provided in § 14.1-18 of the Code of Virginia. For this purpose and for such secretarial or other services as the Commission may require, there is hereby allocated from the appropriation to the General Assembly the sum of ten thousand dollars.

The Commission shall make a careful review of all State-mandated programs which are having a significant local financial impact. The Commission shall determine the degree to which such programs are inadequately supported by State financing, and the instances in which such programs

ought to be better financially supported or ought to be terminated. The Commission shall also study and report upon State and federal appropriations in aid of or funding local governmental programs and services, not mandated by the State.

The Commission shall formulate its conclusions and legislative recommendations for presentation to the Governor and General Assembly on or before November one, nineteen hundred seventy-eight. All agencies of the State government and all units of local and regional government shall assist the Commission in its work upon the Commission's request.

The Commission met several times during the year, both by itself and with other study committees considering closely related questions. At several of its meetings, it invited officials from state agencies to describe the State mandates imposed on the localities in their areas. The members decided it would be unrealistic to attempt to comply fully with the terms of the study resolution. In the first place, its directives were so broad and sweeping that it would take significantly more than the one year allotted to accomplish them. Secondly, the members decided they did not have sufficient expertise to evaluate mandates and regulations in all the existing areas.

In light of these considerations, the Commission decided to limit its work to a broad review of the scope of State mandates and to examine those which the localities themselves felt were particularly unfair or financially burdensome. The main source of information for the members was a questionnaire sent to numerous counties and cities and to each planning district commission. The tabulated returns gave the Commission members an indication as to which mandates are of particular concern to local governments.

The quality of the returns was uneven. Some responding localities made an obvious effort to list only those state mandates they regarded as unreasonable or unfair. Others listed every mandate existing. Another problem with the returned questionnaires was the frequent failure to distinguish between state and federal mandates. Also, many mandates in state law and regulations are a result of federal law. Bearing these qualifications in mind, the Commission was able to sort through the responses and form some impressions regarding the effect of state mandates.

The primary conclusion or impression reached is that the complaints about mandates have been exaggerated. Of the areas complained about most, the majority are areas in which the local governments would be, or should be, active, regardless of mandates. For example, heading the list of "onerous" state mandates was education. It was hard for the Commission members to treat this seriously, especially because all local governments are spending more for education than is required by state mandate.

The Commission does recognize that local governments may be facing two major education-related problems in the future because of state mandates—special education requirements and the reduction of class sizes. However, these are prospective problems and the extent of the financial burden they will entail is not yet clear.

The major problem in regard to state-local relations in education is not one of mandates, but the question of the level of state funding. While educational costs are increasing, the state's share of the burden is decreasing. In fiscal year 1973, the localities spent \$922 million for the maintenance and operation of the schools, of which amount 45% came from the state. In fiscal year 1977, however, the state share of the \$1.4 billion cost amounted to 42.5%. If the state share in the latter year had been the same as five years earlier, an extra \$35 million would have gone to counties and cities.

With one exception, none of the other mandates cited by the local governments in response to the questionnaire imposes a large cost by itself. Such financial hardship as may be imposed on the localities by the Commonwealth by them is cumulative in nature. It is an incremental hardship—a case of the localities being "nicked and dined to death." Nevertheless, as has already been pointed out, most of the mandates are activities a local government should perform anyway.

The one exception mentioned in the preceding paragraph is the area of water and sewage treatment regulations. Compliance with many of these regulations requires substantial sums of money, especially for smaller localities. As in other fields, the localities responding to the questionnaire did not question the basic necessity for the mandated regulations. What they did question was the inflexibility of many of the Department of Health's regulations. On the face of it, it would seem that some of these regulations do not take into account local conditions and the size of

communities. The Commission recommends that administrative agencies review very carefully any proposed regulations which would necessitate local expenditure of funds, in order to ensure that these regulations are necessary and that they are flexible enough that smaller localities do not suffer disproportionate hardship from their implementation.

The Commission is somewhat surprised by these conclusions. Frankly, it went into the study assuming that the problem with mandated programs was one of tremendous magnitude. It is recognized that the local governments are under numerous mandates from the state, but it has not been shown that these mandates are unreasonable nor that they impose many duties the localities would not undertake in any event. It is the Commission's feeling that the primary local fiscal difficulty is not with state mandates, but the restrictions placed by the state on local revenue sources. The General Assembly needs to give serious consideration to diversifying the means whereby local governments may raise their necessary funds or to consider further state financial aid to local governments. Such a question, however, is outside the scope of this study.

Notwithstanding the conclusions that the mandates problem is not as serious as some would have the General Assembly believe, the study has indicated the need for more sensitivity on the part of the General Assembly to the financial effects on local governments of state-imposed programs. More than once during the meetings, legislative members of the Commission remarked that, when considering a mandate in its bill form, they had not realized the financial effect it would have on localities. In order to help prevent this situation from recurring, the Commission recommends that all bills introduced in the General Assembly which would require additional expenditures by local governments be accompanied by an estimate of those costs.

In transmitting this report the Commission hopes its findings will be helpful and that the recommendations in it will be favorably acted upon.

Respectfully submitted,

L. Cleaves Manning, Chairman

Claude W. Anderson

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A BILL to amend and reenact § 30-19.01 of the Code of Virginia, relating to legislative fiscal impact statements.

Be it enacted by the General Assembly of Virginia:

1. That § 30-19.01 of the Code of Virginia is amended and reenacted as follows:

§ 30-19.01. Written statement required upon referral of legislation to committee.—When any legislation involving an appropriation for capital outlay or the expansion or reduction of any existing service is referred to a committee of the General Assembly, the chairman of the committee shall require, prior to consideration by the committee of the legislation, the patron to prepare and submit to the committee a written statement, setting forth: (1) when it involves an appropriation for capital outlay, the estimated additional annual cost of operation of the proposed capital outlay, including the number of personnel to be employed together with the approximate total of the annual salaries of such additional personnel; and (2) when it involves an appropriation for the rendering of any new service or the expansion or reduction of any existing service by the Commonwealth, the number of additional personnel which will be required as a result of the addition of such service or the expansion or reduction of the same together with the approximate total of the annual salaries of such additional personnel, or if no additional personnel are to be required, it shall be stated that the service is to be performed by personnel in presently approved positions, or if fewer personnel will be required, the approximate savings anticipated ; and (3) *when it requires that the governing body of any county, city or town render a new service or expand any existing service, a statement estimating the total additional cost which would be required of such governing bodies if the legislation were passed.*

All departments, agencies of government, and the Division of Legislative Services shall cooperate and make available such information and assistance as the patron may request for any written statement.

